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COMMENTARIES ON ONTARIO CORPORATE LAW

Wayne D. Gray
Release No. 2, March 2026

Gray's *Commentaries on Ontario Corporate Law* provides a current and comprehensive overview of the law and includes full annotations of the Ontario *Business Corporations Act*, the *Business Names Act*, the *Corporate Information Act*, the *Co-operative Corporations Act* and the *Extra-Provincial Corporations Act*, including all the regulations and prescribed forms for these statutes, as well as pertinent government publications.

What's New in This Release

This release features updates to Appendix LM. Legal Memoranda.

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Highlights

- **Appendices — Appendix LM. Legal Memoranda — Annotated Ontario Business Corporations Act — Part XII — Auditors and Financial Statements — Auditor Liability** — With respect to negligence in the audit of the corporation's own AFS, the auditor may be liable for the net negative change in equity between the time when the correct audit should have been performed and the time when the correct financial results became known to the corporation. The function of a statutory audit is to enable shareholders to collectively supervise management and make decisions with respect to the overall administration of the corporation. Shareholders acting as a group can act to safeguard the corporation's interests — such as by installing new management.
- **Appendices — Appendix LM. Legal Memoranda — Annotated Ontario Business Corporations Act — Part IX — Directors and Officers — Insider Liability under the Ontario Securities Act** — The OSC prohibits issuers, persons or companies in a special relationship with an issuer and persons or companies considering or evaluating whether to, or that proposes to make a take-over bid or any other actions described in s. 72(3), from recommending or encouraging, other than in the necessary course of business, another person or company to purchase or sell securities of the issuer with the knowledge of a material fact or material change with respect to the issuer that has not been generally disclosed. This bans the practice in which persons in a position to have material, non-public information encourage others to purchase or sell securities of the issuer without passing along the information itself. Those who receive the recommendation or encouragement to buy or sell securities have a trading advantage over others in the market because of the source of the recommendation or encouragement, even if the exact material, non-public information is not disclosed.