

CSE NOTICE 2016-003

FEBRUARY 25, 2016

CANADIAN SECURITIES EXCHANGE PUBLIC INTEREST RULE AMENDMENT QUALIFICATIONS FOR LISTING AND FUNDAMENTAL CHANGES NOTICE AND REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

Background

On January 23, 2015, the Canadian Securities Exchange (“CSE” or “Exchange”) published Notice 2015-003 *Regulatory Guidance on Plans of Arrangement and Capital Structure* (“Guidance”).¹ The Guidance outlined various listing strategies which raised concerns for the CSE, securities regulators and investors and which the CSE sought to discourage, including the use of “plans of arrangement” to create shell companies used primarily to meet the reporting issuer and minimum distribution requirements. In issuing the Guidance, the CSE notified the industry that it would use policy interpretation and discretionary authority to, in the case of non-operating companies, restrict listing to issuers with sufficient working capital to finance a reasonable business plan.

The CSE has determined that in addition to the Guidance, amendments to its listing policies should also be made at this time. The proposed amendments will codify the Guidance and include new requirements to ensure issuers have achieved appropriate business milestones prior to listing. Furthermore, the proposed amendments will clarify that the CSE in exercising its discretion in carrying out its listings function, the CSE may take into consideration the public interest, including market integrity issues.

By raising the bar for the CSE’s existing and prospective listed company base, CSE is looking to foster investor confidence in both the CSE issuer group specifically, and the Canadian capital markets in general. These measures should also improve secondary market liquidity and increase the range of financing opportunities for CSE-listed issuers.

Description of the Proposed Amendments

Policy 2 - Qualifications for Listing

Section 1 has been restructured. Former section 1.3 has been moved to become new section 1.1 acting as the preamble explanation of the Policy’s application. It has been clarified that Policy 2 applies irrespective of listing method and that the requirements

¹ <http://www.cnsx.ca/CNSX/Listing/Notices/2015/01/23/NOTICE-2015-003-Regulatory-Guidance-on-Plans-of-Arrangement-and-Capital-Structure.aspx>

provided are the minimum standard. For instance, the CSE reserves the right to apply additional requirements to pursue the public interest.

Section 1.1 also clarifies certain exceptions to the eligibility requirements, specifically related to plans of arrangement, capital pool company issuers, and special purpose entities.

Section 7.2 “Postings” is proposed to be amended to provide clarification that certain documents must be posted at the time of listing, including a confirmation letter from the clearing corporation, a confirmation letter from the transfer agent, and a CSE Form 9 if a concurrent financing was completed. The requirement to post an index of all SEDAR documents posted in the previous two calendar years has been deleted. A new requirement to post the listing statement to SEDAR has been added.

Amendments are also proposed for Policy 2 Appendix “A” Equity Securities as described below (NOTE: Any numerical policy references below are to the current text unless otherwise indicated).

Policy 2 Qualifications for Listing
Appendix “A” Equity Securities
Part A: Eligibility for Listing

Section 1.1 will include a new paragraph Business Development Prior to Listing to provide general guidance, and the requirements have been moved to specific sections.

Thin Float

Sections 1.2 and 1.3 – we propose to remove thin float calculation. The Thin Float designation was referenced in the risk disclosure rules that were repealed in 2005. A 10% minimum public float requirement is proposed.

Section 1.2 Float and Distribution

Float Value

We propose to remove the requirement for a minimum float value, which is currently \$250,000.

Share Distribution

The specific metrics will not change. New section 1.2.2 will stipulate that the Exchange will not consider the requirement to be met, however, if a substantial number of the public shareholders did not invest directly in the issuer. There is a provision to include shareholders that invested directly in a predecessor issuer, provided that issuer was not created as a shell for the sole purpose of completing a RTO or similar transaction. The Exchange will also reject a distribution, other than a distribution by way of prospectus, in which a substantial number of the public shareholders hold the minimum number of shares.

Financial & Operational Requirements

Section 2.4. We propose to amend the basic financial requirement currently in Section 1.4 to "must be a company that is:

- a) an operating company with revenue from the sale of goods or services;
- b) a non-operating company with financial resources to carry out a proposed work plan or achieve stated objectives for 12 months following listing, subject to a minimum of \$200,000 in working capital at the time of listing, and have advanced to a stage of development at which additional financing is typically available to the companies in the industry; or
- c) a company that is listed on an exchange in Canada and is not proposing a transaction or change of business that would be considered a Fundamental Change as per Policy 8, provided that the Company has the financial resources to achieve stated objectives for 12 months following listing. This qualification will not be met by an issuer that is only listed on a board or tier of a stock exchange that is designated for issuers that do not meet the ongoing requirements of that exchange.

The \$200,000 minimum working capital will be net of listing expenses. We also propose to eliminate the specific working capital requirement for existing listed companies that are applying to list without a concurrent or proposed change of business.

In section 1.6, we propose to add specific requirements to provide additional disclosure to investors in order to assess the viability of the company. Specifically, the issuer must have:

- a) a significant interest in its primary business or asset,
- b) a history of development of the business or asset, and
- c) specific objectives and milestones and the financial resources necessary to achieve them.

In new 1.6.1(a) and (b), for mineral resources and oil & gas exploration the requirement is amended to state "If the company does not have title to the property, it must have an option to acquire an interest in the property upon completion of specific objectives or milestones that must occur within a defined period."

For mineral exploration companies, requirements for minimum prior expenditures of \$75,000 and minimum work program of \$100,000 have been added.

Section 1.7 currently requires that an investment company have minimum net assets of:

- a) \$2 million, at least 50% of which has been allocated to at least 2 specific investments; or
- b) \$4 million; and
- c) a track record of acquiring and divesting interests in arm's-length enterprises in a manner that can be characterized as conducting an active business.

The format will be amended to clarify that (c) is a requirement whether the company qualifies with (a) or (b) in assets. Further amendments confirm the requirements will now apply to real estate companies and that for item (c), the track record requirement also applies to management of the issuer. To qualify the business as an investment company, the Issuer must have a clearly defined investment strategy.

Section 2 Capital Structure, Builder Shares and Escrow

Section 2.4 will be amended to clarify the Builder Share requirement applies at the time of listing or requalification following a Fundamental Change. Additional amendments clarify existing restrictions.

Section 2.5 will be amended to change the basis of a Substantial Float determination from a float value of \$1 million to a contributed capital calculation, requiring at least \$1 million from arm's length investors. The requirements for 200 shareholders and 20% of the issued and outstanding shares in the public float will not change.

Section 2.8 will be amended to confirm that shares that have been released from escrow will not generally be subject to another escrow if the Issuer completes a fundamental change or change of business.

Policy 2 Qualifications for Listing Appendix "A" Equity Securities Part B Documents Required with Application

Section 3.1(e) will be amended to accept a confirmation that a SEDI profile has been created in place of copies of insider reports.

Policy 8 Fundamental Changes

The name of Policy 8 will be changed to "Fundamental Changes & Changes of Business". "Change of business" has been defined. Corresponding related amendments have been made throughout the Policy.

In section 1.5, contact information for the Market Regulator will be included in paragraph (b). While the requirement for shareholder approval remains, section 1.6 will be amended to eliminate the specific requirement to obtain such approval at a meeting. Further amendments to this section clarify that the disclosure documents must be reviewed by the Exchange prior to delivery to shareholders.

Escrow requirements in section 1.8 will not change, however the section has been amended to clarify that the release schedule must be the same as that of NP 46-201, and that the Exchange will allow earlier releases if the Exchange were to be satisfied the Issuer was equivalent to an established issuer.

New section 1.9 will include specific shareholder approval requirements for any company proposing a Fundamental Change within one year of listing. In such case a proposed Fundamental Change must be approved by the minority shareholders.

B. EXPECTED IMPLEMENTATION DATE

The proposed amendments are expected to be implemented upon approval of the amendments by the Ontario Securities Commission following public notice and comment.

C. RATIONALE FOR THE PROPOSED AMENDMENTS AND RELEVANT SUPPORTING ANALYSIS

Policy 2 – Qualifications for Listing

Section 1.1 Clarification of eligibility of certain reporting issuers

The Exchange has a demonstrated history of taking steps to address regulatory concerns, through policy interpretation or procedure. In January 2015, the Exchange published the Guidance to identify certain regulatory concerns. The Amendments will explicitly address those concerns.

Section 7.2 Postings. The requirements have not changed. The clarification was added to reflect the procedure that requires specific issuer documents to be posted prior to the first day of trading. The requirement to post an index of all SEDAR documents it is no longer necessary, as the Exchange has implemented a technological solution.

Policy 2 Qualifications for Listing Appendix “A” Equity Securities Part A: Eligibility for Listing

Section 1.1 generally explains the Exchange’s position with respect to business development.

Section 1.2 Float and Distribution

Float Value

By requiring certain milestones to be met prior to listing, which may include specific capital raises, we believe there will be better evidence of float value than a calculation based on the last price of securities sold.

Share Distribution:

We do not propose to change the specific metrics, but ensure the principle is met through interpretation. The requirement for a minimum number of shareholders is intended to facilitate the development of a reasonably efficient price discovery

mechanism on the Exchange. The minimum number of shares held by each shareholder is not an indication of an ideal distribution, but simply a threshold below which a shareholder would not be included in the calculation. A public float that has near the minimum number of shareholders, each of whom holds only a number that is close to the minimum number of shares, will not be considered adequate for the purposes of listing.

Thin Float

Sections 1.2 and 1.3. The Thin Float designation was referenced in the risk disclosure rules that were repealed in 2005. An issuer that is determined to be a “thin float issuer” at the time of listing would be designated as such in the bulletin announcing the listing, and in the “Capitalization” section of the Issuer’s CSE web page. There are no definitions or guidance for investors following the 2005 rule repeal. We propose to repeal the thin float calculation and all references to a thin float and establish a 10% minimum public float.

Financial & Operational Requirements

Section 1.4. For financial resources of a non-operating company we determined the twelve month target to be reasonable and in line with the stated objective to provide access to capital at an earlier stage. Disclosure for milestones and objectives for a minimum 12 month period is required in the listing statement, including discussion of how the issuer intends to fund those activities. We remain committed to assisting junior issuers, and the ability to raise capital as an issuer meets certain milestones or objectives is potentially more manageable and less dilutive to shareholders than a requirement to raise significantly more at the onset.

We propose to eliminate the specific working capital requirement for existing listed companies that are applying to list without a concurrent or proposed change of business. A specific working capital requirement creates the necessity for an arbitrary capital raise or debt settlement that may not be related to business cycle or business plan of the issuer. If an issuer is listed and in good standing, a simple shift in listing venue should not trigger a requirement to raise capital.

In section 1.6, the requirement for a “reasonable plan to develop an active business” is replaced with a requirement for a history of development that would be consistent with carrying on a business. In determining whether the company has met requirements the Exchange will consider:

- a) capital invested in the development of the business or asset, including the amount and the period over which the capital was invested; and
- b) evidence of testing, development or manufacturing of the product or service, including prototypes, clinical trials or sponsorships, sales contracts.

Objectives and milestones must be specific to each company. In terms of financial resources, companies will be expected to have the resources to achieve milestones as described in the listing statement and in accordance with section 1.4 of Policy 2.

With respect to mineral resources and oil & gas explanation in 1.6(a) and (b), the amendments provide clarity.

Section 1.7 amendments are primarily for clarification, except for the addition of real estate companies as investment companies.

Section 2 Capital Structure, Builder Shares and Escrow

Section 2.4 Given the broad definition of “Builder Share”, this section will be amended to clarify the Builder Share restriction applies at the time of listing. The restriction will not apply to a currently listed company that issues shares at less than \$0.02 in a routine financing.

Section 2.5. The use of contributed capital, specifically from arm’s length investors, as a basis for the Substantial Float calculation will ensure that the result has not been skewed by a the price of a recent financing for a nominal amount.

Section 2.8 is amended to confirm that shares that have been released from escrow will not generally be subject to another escrow if the Issuer completes a fundamental change or change of business.

Policy 8 Fundamental Changes

The additional requirements for any company proposing a Fundamental Change within one year of listing are to ensure that management have adequately planned to develop the business, and to ensure investors relying on the disclosure provided at the time of listing have an opportunity to vote on a fundamental change or change of business.

D. EXPECTED IMPACT OF THE AMENDMENTS ON MARKET STRUCTURE, MEMBERS, INVESTORS, ISSUERS, AND THE CAPITAL MARKET

We expect that the proposed changes to the Policies will encourage the Canadian corporate finance community’s willingness to participate in financings for CSE-issuers, and for dealers to participate in both agency and principal trading for CSE-listed companies. These measures should improve secondary market liquidity and increase the range of financing opportunities for CSE-listed issuers.

E. EXPECTED IMPACT ON CSE’S COMPLIANCE WITH ONTARIO SECURITIES LAW (INCLUDING FAIR ACCESS AND MAINTENANCE OF FAIR AND ORDERLY MARKETS)

The proposed amendments are not expected to impact the Exchange's compliance with Ontario securities law, including the requirements for fair access or the maintenance of fair and orderly markets.

F. CONSULTATION

The rationale for the proposed amendments has been discussed at length with OSC staff. The underlying theme of the proposed amendments has also been discussed with various law firms, issuers, investment dealers, and investors.

G. TECHNOLOGY CHANGES

No technology changes will be required as a result of the proposed amendments.

H. EXISTING RULES IN OTHER MARKETS OR JURISDICTIONS

No other exchange in Canada has explicit requirements related to reporting issuer status, and each has its own standard for listing criteria. The proposed amendments are consistent in principle with the requirements of other exchanges.

I. APPROVED OF THE PROPOSED AMENDMENTS BY THE CSE BOARD OR A DULY AUTHORIZED BOARD COMMITTEE

The proposed amendments were reviewed and approved by the Regulatory Advisory Committee of the CSE Board on February 23, 2016.

J. COMMENTS

The full text of the amendments is attached at Appendix A.

Comments on the proposed amendments should be in writing and submitted no later than March 26, 2016 to:

Mark Faulkner

Vice President, Listings and Regulation
CNSX Markets Inc.
220 Bay Street, 9th Floor
Toronto, ON, M5J 2W4
Fax: 416.572.4160
Email: Mark.Faulkner@thecse.com

A copy of the comments should be provided to:

Market Regulation Branch
Ontario Securities Commission

20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8
Fax: 416.595.8940
Email: marketregulation@osc.gov.on.ca

APPENDIX A TEXT OF THE AMENDMENTS

POLICY 2 QUALIFICATIONS FOR LISTING

1 General

~~1.1 Only an issuer that:~~

1.1 is a reporting issuer or the equivalent in a This Policy sets out the minimum requirements that must be met as a pre-requisite to the listing of securities on the Exchange, irrespective of listing method, and apply to both new applicants and listed Issuers, except where otherwise provided in this Policy.

These minimum requirements are not exhaustive. The Exchange may impose additional requirements as it determines appropriate, including those with a view to pursuing the public interest.

The Exchange has discretion to accept or reject applications for listing, and satisfaction of the applicable requirements may not result in approval of the listing application.

1.2 Where an application is made to list a security that is convertible into another security or backed by another security or asset, the Exchange must be satisfied that investors will be able to obtain the necessary information to form a reasoned opinion regarding the value of the underlying security or asset. This requirement may be met where the underlying security is listed on a stock exchange.

An issuer is eligible for listing if is not in default of any requirements of securities legislation in any jurisdiction in Canada; ~~or and:~~
is proposing to

(a) has filed and received a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada;

(b) will only list debt securities issued or guaranteed by

(i) a government in Canada that are exempt from the prospectus requirements under clause 73(1)(a) of the ~~act;~~ Act, or

is proposing to list debt securities issued or guaranteed by (ii) _____ a financial institution that are exempt from the prospectus requirements under clause 73(1)(b) of the Act; ~~and/or~~

is not (c) is a reporting issuer or the equivalent in default of any requirements of securities legislation in any jurisdiction in Canada, other than:

is eligible for listing. However, if an issuer is eligible for listing under paragraph (b) or (c) above, the Exchange may only list debt securities of the issuer that are

~~contemplated by those paragraphs unless the issuer files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada.~~

~~In addition, an issuer that is a reporting issuer in a jurisdiction in Canada (i) ___ solely as a result of BC Multilateral Instrument 51-509105 Issuers~~

Quoted in the U.S. Over-the-Counter Markets (or any successor rule) or any similar rule that may be made by a securities regulator or securities regulatory authority in Canada ~~is not eligible for listing unless the issuer files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada,~~

(ii) as the result of filing a CPC prospectus and has not completed a Qualifying Transaction as defined in the CPC prospectus,

(iii) as a result of a business combination with a reporting issuer that was created, by way of a statutory plan of arrangement or other means, for the purpose of providing securityholder distribution or reporting issuer status to the applicant, or

(iv) having a controlling interest of its principal assets or operations through one or more special purpose entities or variable interest entities.

1.3 Each Issuer wishing to qualify for submitting a listing of its securities application must:

- a) prepare and file with the Exchange a Listing Statement and prescribed documentation;
- b) ~~enter into~~execute a Listing Agreement; and
- c) ~~pay to remit~~ the ~~Exchange the relevant applicable~~ listing fees, based on the type of securities to be listed, in accordance with the ~~amounts fee~~ and ~~the~~ payment schedule prescribed by the Exchange from time to time, plus applicable taxes, ~~and the~~.

The listing of the Issuer's securities will not be completed until the relevant listing fees in full have been paid to received by the Exchange.

~~1.2 This Policy sets out the basic conditions that must be met as a pre-requisite to the listing of securities on the Exchange. They apply to every method by which securities may be brought to listing and to both new applicants and listed Issuers, except where otherwise stated. It should be noted that:~~

- ~~a) these requirements are not exhaustive and the Exchange may impose additional requirements in a particular case; and~~
- ~~b) the Exchange retains an absolute discretion to accept or reject applications for listing, and compliance with the relevant conditions may not of itself ensure an applicant's suitability for listing.~~

~~Where application is made to list a security that is convertible into another security the Exchange must be satisfied that investors will be able to obtain the necessary information to form a reasoned opinion regarding the value of the underlying security. This requirement may be met where the underlying security is listed on a stock exchange.~~

2. Eligibility for Listing

2.1 An Issuer must meet the eligibility requirements set out in the appendices to

this Policy, based on the type of securities to be listed, as follows:

- a) equity securities - Appendix A: Part A; and
- b) debt securities - Appendix B: Part A.

2.2 In addition, if the Issuer's securities are ~~held out~~represented as being in compliance with specific, non-exchange-mandated requirements, the Issuer must also comply with the requirements of Policy 10.

3 Required Documentation

3.1 In connection with an initial application for listing, an Issuer must file with the Exchange the documents set out in the appendices to this Policy, based on the type of securities to be listed, as follows:

- a) equity securities - Appendix A: Part B; and
- b) debt securities - Appendix B: Part B.

4 Limited Liability

4.1 All securities to be listed should be fully paid and non-assessable.

5 Responses and Additional Information and Documentation

5.1 The Issuer must submit any additional information, documents or agreements requested by the Exchange.

6 Final Documentation

6.1 ~~the~~The Exchange must receive the following documents prior to qualification for listing:

- a) one original executed copy of the Listing Statement (Form 2A) dated within three business days of the date it is submitted to the Exchange together with any additions or amendments to the supporting documentation previously provided as required by Appendix A to the Listing Application;
- b) one original executed copy of the Listing Summary (Form 2B) dated within three business days of the date it is submitted to the Exchange;
- c) two original executed copies of the applicable Listing Agreement (Form 4A);
- d) three choices for a stock symbol;
- e) a legal opinion that the Issuer:
 - i. is in good standing under₁ and not in default of₁ applicable corporate law or other applicable laws of establishment,

- ii. has the corporate power and capacity to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Listing Agreement and to perform its obligations thereunder, and
 - iii. has taken all necessary corporate action to authorize the execution, delivery and performance of the Listing Agreement and that the Listing Agreement has been duly executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms;
- f) a legal opinion that:
- i. the issuer is a reporting issuer or equivalent under the securities legislation of [state the applicable jurisdictions] jurisdiction(s) and is not in default of any requirement of any jurisdiction in which it is a reporting issuer or equivalent; or
 - ii if it is not a reporting issuer and is proposing to list debt securities that qualify under section 1.1 of this policy, that the securities so qualify;
- g) a legal opinion that all securities previously issued of the class of securities to be listed or that may be issued upon conversion, exercise or exchange of other previously-issued securities are or will be duly issued and are or will be outstanding as fully paid and non-assessable securities; and
- h) a certificate of the applicable government authority that the Issuer is in good standing under and not in default of applicable corporate law or other applicable laws of establishment.

7 Postings

7.1 **Access** - The Issuer must have high speed access to the Internet.

7.2 **Postings** - ~~The~~ Prior to the first day of trading, the Issuer must post on the Exchange website the following:

- a) the Listing Statement, which must also be concurrently filed on SEDAR as a filing statement, including all reports required to be filed therewith;
- b) the Listing Summary;
- c) the Listing Agreement;
- d) an executed Certificate of Compliance (Form 6); ~~and~~
- e) ~~an index of all documents comprising~~ An unqualified letter from the Issuer's SEDAR Clearing Corporation confirming the ISIN assigned to the securities;

- f) A letter from its duly appointed transfer agent indicating the date of appointment and stating that the transfer agent is ready to record, security transfers and make prompt delivery of share certificates;
- e)g) If the issuer completed a financing concurrently with listing, or to qualify for the previous two calendar years listing, a completed Form 9.

73 All documents must be posted in the data format prescribed by the Exchange from time to time.

8 Posting Officer

81 A Listed Issuer must designate at least one individual to act as the Issuer's posting officer and at least one alternate. The posting officers will be responsible for posting or arranging for the posting, on behalf of the Issuer, of all of the documents required to be posted by the Issuer.

82 A Listed Issuer may post documents through the facilities of a third-party service provider.

9 Continuing to Qualify for Listing

91 To continue to qualify for listing, a Listed Issuer must meet all of the following requirements:

- a) the Listed Issuer must be in good standing under and not in default of applicable corporate law;
- b) the Listed Issuer must remain a reporting issuer or equivalent in good standing in each jurisdiction in which it is a reporting issuer or equivalent and must not be in default of any requirement of any such jurisdiction;
- c) the Listed Issuer must be in compliance with Exchange Requirements, and the terms of the Listing Agreement;
- d) the Listed Issuer must post all required documents and information required under the Policies of the Exchange;
- e) the Listed Issuer must concurrently post all public documents submitted to SEDAR (unless identical disclosure has not already been posted in an Exchange-specific Form);
- f) if the Issuer is required to submit Personal Information Forms for each Related Person at the time of listing then the Listed Issuer must submit a Personal Information Form for any new Related Person of the Listed Issuer (and if any of these persons is not an individual, a Personal Information Form for each director, officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual); and
- g) the Listed Issuer must take all reasonable care to ensure that any statement, document or other information which is provided to or

made available to the Exchange or posted by the Listed Issuer is not misleading, false or deceptive and does not omit anything likely to affect the import of such statement, document or other information.

- 92 Each Listed Issuer that is not a reporting issuer in Alberta must:
- a) assess whether it has a significant connection to Alberta;
 - b) upon becoming aware that it has a significant connection to Alberta as a result of complying with section 9.2 a) above or otherwise, immediately notify the Exchange and promptly make a *bona fide* application to the Alberta Securities Commission to be deemed to be a reporting issuer in Alberta (a Listed Issuer must become a reporting issuer in Alberta within six months of becoming aware that it has a significant connection to Alberta);
 - c) assess, on an annual basis, in connection with the delivery of its annual financial statements to securityholders, whether it has a significant connection to Alberta;
 - d) obtain and maintain for a period of three years after each annual review referenced in this section, evidence of residency of their registered holders and beneficial holders; and
 - e) if requested, provide to the Exchange evidence of the residency of its non-objecting beneficial owners (as defined in National Policy 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* or its successor instruments).
- 93 Where it appears to the Exchange that an Issuer making an application for listing has a significant connection to Alberta, the Exchange will, as a condition of its acceptance or approval of the listing application, require the Issuer to provide evidence that it has made a *bona fide* application to the Alberta Securities Commission to become a reporting issuer in Alberta.

10 Suspensions

- 101 ~~the~~The Exchange ~~will automatically~~may suspend from trading the securities of a Listed Issuer if the Exchange or the Market Regulator determines that the Listed Issuer fails to meet any of the above criteria or it is in the public interest to suspend trading of the securities of the Listed Issuer.

11 Listing in US Dollars

- 11.1 Securities may be traded and quoted in US dollars.

12 Transfer and Registration of Securities

- 12.1 The Issuer must maintain transfer and registration facilities in good standing where the securities of the Issuer are directly transferable. Certificates must name

the cities where they are transferable and must be interchangeably transferable and identical in colour and form with each other.

13 Share Certificates

- 131 Certificates must bear a valid [CUSIP](#)/[ISIN](#) number.
- 132 All certificates must conform with the requirements of the corporate and securities legislation applicable to the Issuer.
- 133 The foregoing requirements, except for ~~a CUSIP number~~ [an ISIN](#), do not apply to a completely non-certificated issue that complies with the requirements of the Clearing Corporation.

14 Book-Based System

- 141 The securities of the Issuer must be qualified for and entered into the book-based system maintained by the Clearing Corporation.

15 Full, True & Plain Disclosure

- 151 As an overriding principle, the Listing Statement must contain such particulars and information which, according to the particular nature of the Issuer and the securities for which listing is sought, are necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Issuer and of its profits and losses (and of any guarantor) and of the rights attaching to such securities and must set out such information accurately and in plain language.

APPENDIX A: Equity Securities

Important Note: All securities are subject to the requirements of the “General” section of Policy 2

For the purposes of this Appendix, equity securities include any securities that are convertible into equity securities and any other security that the Exchange deems to be an equity security.

PART A: Eligibility for Listing

1 GENERAL

1.1 Business Development Prior to Listing

~~An issuer with little or no operating history, a limited history of equity securities must have a public float of at least 500,000 freely tradeable shares worth at least \$250,000 and consisting of at least 150 public holders holding at least a board lot each of financing, or minimal expenditures to develop the security. The public float must constitute at least 10% of the total issued and outstanding of that security, provided that an Issuer may have a public float that constitutes less than 10% but at least 5% of the total issued and outstanding securities if the total number of shares business or proposed business in the public float, the value of the public float and the number of public holders of at least a board lot each of the security are significantly greater than the basic requirements which they operate or intend to operate, will be ineligible for listing. Listing expenses or fees for professional services associated with listing do not qualify as business development expenditures.~~

1.2 Float and Distribution

For the purposes of this Policy, a “public holder” is any ~~shareholder~~securityholder other than a Related Person, an employee of a Related Person of ~~a~~ an Issuer or any person or group of persons acting jointly or in concert holding:

- a) more than 5% of the issued and outstanding securities of the class to be listed; or
- b) securities convertible or exchangeable into the listed equity security and would, on conversion or exchange, hold more than 5% of the issued and outstanding securities.

~~The Exchange shall designate as a “thin”~~ 1.2.1 An Issuer of equity securities must have

a public float” Issuer any Issuer that has less than of at least 500,000 freely tradeable shares and consisting of at least 150 public holders holding at least a board lot each of the security.

The public float must constitute at least 10% of the total issued and outstanding securities held by the public holders as freely tradeable shares of that security.

- a) ~~The Exchange will also apply this designation to companies that have a smaller public float as a percentage of the issued and outstanding securities than would be determined by the following formula:~~

~~Target % freely tradeable shares = $35 - (0.05 \times \text{actual number of public holders of at least a board lot})$.~~

~~For example, an Issuer that had a public float comprising 25% of the outstanding shares would need to have at least 200 public board lot holders to avoid being a thin float Issuer ($35 - (0.05 \times 200) = 25$). If the float were 20% of the outstanding, the Issuer would need at least 300 shareholders ($35 - (0.05 \times 300) = 20$). An Issuer that has a public float comprising at least 27.5% of the outstanding and that otherwise meets the requirements for listing would not be a thin float Issuer as the formula is satisfied by the minimum number of shareholders ($35 - (0.05 \times 150) = 27.5$). An Issuer that has a public float of 10% or less of the outstanding will always be a thin float Issuer.~~

- b) ~~An identifying marker will be added to the Issuer’s disclosure on the Exchange website.~~

~~1.3 Notwithstanding compliance with the foregoing, the Exchange may in its discretion designate any Listed Issuer as a “thin float” Issuer whose shareholder distribution profile indicates a susceptibility to market volatility.~~

~~1.4 An Issuer must have:~~

- a) ~~demonstrable revenue from operations;~~
b) ~~a recent history as a listed company and a minimum working capital of \$50,000; or~~
c) ~~a minimum working capital of \$100,000.~~

~~a company has a “recent history as a listed company” if it has been listed on a Canadian stock exchange within the previous 6 months and has not violated any of that exchange’s requirements (other than minimum financial or shareholder distribution requirements for maintaining a listing) or applicable securities legislation.~~

1.2.2 The Exchange may not consider as part of the public float any shares that were obtained in a distribution that was primarily effected as a gift or through an arrangement primarily designed for the purpose of meeting the Exchange float distribution requirement. The public distribution requirement will not be met if a significant number of the public securityholders:

- a) did not purchase the shares directly or receive the shares in exchange for previously purchased shares of another issuer; or
- b) hold the minimum number of shares described in 1.2.1 above.

[1.3 TYPES OF SECURITIES (Reserved for restricted shares)]

1.4 To qualify for listing an Issuer must be:

- a) an operating company with revenue from the sale of goods or services;
- b) a non-operating company with financial resources to carry out a proposed work plan or achieve stated objectives for 12 months following listing, subject to a minimum of \$200,000 in working capital at the time of listing, and have advanced to a stage of development at which additional financing is typically available to the companies in the industry; or
- c) a company that is listed on an exchange in Canada and is not proposing a transaction or change that would be considered a Fundamental Change or Change of Business as per Policy 8, provided that the Company has the financial resources to achieve stated objectives for 12 months following listing . This qualification will not be met by an issuer that is only listed on a board or tier of a stock exchange that is designated for issuers that do not meet the ongoing requirements of that exchange.

1.5 An operating company in any industry must have achieved revenue from the sale of goods or the delivery of services to customers and these revenues must appear on its audited financial statements, or on an interim statement supported by a comfort letter from the company's auditor. Such ~~companies, if not yet profitable, must~~ companies must have ~~liquid assets or~~ the financial resources and a business plan that demonstrates a reasonable likelihood that the company can sustain its operations and achieve its objectives. for 12 months following listing.

1.6 A non-operating company in any industry must have:

- a) ~~reasonable plan to develop an active)~~ a significant interest in its primary business or asset,
- b) a history of development of the business or asset, and
- c) specific objectives and milestones and the financial resources to carry out that plan. A company at an early stage of development must be able necessary to achieve limited objectives that them.

In determining whether the company has met requirements (b) and (c) above, the Exchange will ~~advance its~~ consider the capital invested in the development to a stage where additional financing is typically available to the companies in its industry of the business or asset and evidence of testing, development or

manufacturing of the product or service, including prototypes, clinical trials or sponsorships.

1.6.1 In particular, the following criteria apply:

- a) A mineral resource company must have title to a property that is prospective for minerals and on which there has been exploration previously conducted including qualifying expenditures of at least \$75,000 by the Issuer or predecessor during the most recent 36 months. It must have obtained an independent report that meets the requirements of National Instrument 43-101 or any successor instrument and that recommends further exploration on the property with a budget for the first phase of at least \$100,000. If the company does not have title to the property, it must have the means and ability to earn a significant interest in the property upon completion of a fully-financed exploration program that will be completed specific objectives or milestones within a reasonable time defined period.

Qualifying expenditures include exploration expenditures related to geological and scientific surveys to advance mineral project but do not include general and administrative, land maintenance, property acquisition or payments, staking, investor or public relations, non-domestic flight expenditures or taxes.

- b) An energy resource company must have title:
- i) Title to a property on which measurable quantities of conventional energy resources have been identified or the means and ability to earn acquire an interest in the property upon meeting specific objectives or milestones within a defined period; or
 - ii) Title to an unproven property with prospects or the means and ability to acquire a significant interest in the property upon completion of a fully - financed exploration program. The company must also submit a qualifying report on the property in accordance with National Instrument 51-101 or any successor instrument.

1.7 Investment and Real Estate Companies – Additional Requirements

An investment or real estate company must should have an appropriate balance between income and activity depending on the nature of its investments. A holding company that is not active in the management of investee companies should own majority interests or have effective control in businesses that can generate returns that will flow to the shareholders security holders through distributions, or have prospects for growth through the reinvestment of earnings. Such In addition to meeting the applicable qualification criteria above, such companies must have minimum net assets of:

- a) minimum net assets of:
- i) \$2 million, at least 50% of which has been allocated to at least 2 specific investments; or

- i) \$4 million; and
- b) management with a track record of acquiring and divesting interests in arm's-length enterprises in a manner that can be characterized as conducting an active business;
- c) a clearly defined investment policy disclosed in the Listing Statement.

4.71.8 The Exchange will not approve an Issuer for listing if any Related Persons, or investor relations persons associated with the Issuer have been convicted of fraud, breach of fiduciary duty, violations of securities legislation (other than a minor breach that does not necessarily give rise to investor protection or market integrity concerns) or any other activity that concerns integrity of conduct unless the Issuer first severs relations with such person(s) to the satisfaction of the Exchange.

4.81.9 The Exchange may not approve an Issuer for listing if any Related Persons, or investor relations person(s) associated with the Issuer:

- a) have entered into a settlement agreement with a securities regulator or other authority;
- b) are known to be associated with other offenders, depending on the nature and extent of the relationship and the seriousness of the offence committed; or
- c) have a consistent record of business failures, particularly failures involving public companies,

unless the Issuer first severs relations with such person(s) to CNSX's satisfaction of the Exchange.

1.10 The Exchange may deem any person to be unacceptable to be associated in any manner with a Listed Issuer if the Exchange reasonably believes such association will give rise to investor protection concerns or could bring the Exchange into disrepute.

2 CAPITAL STRUCTURE, BUILDER SHARES AND ESCROW

2.1 Capital Structure

An Issuer's capital structure must be acceptable to the Exchange.

2.2 Definition of Builder Shares

"Builder Shares" means any security issued or issuable upon conversion of another security to:

- a) any person for less than \$0.02 per security;
- b) a Related Person to the Issuer for the purchase of an asset with no acceptable supporting valuation;

- c) a Related Person to settle a debt or obligation for less than the last issued price per security; or
- d) a Related Person for the primary purpose of increasing that principal's interest in the Issuer without a corresponding tangible benefit to the Issuer.

2.3 Pricing

The Issuer may not sell securities pursuant to an initial public offering for less than \$0.10 per share or unit. For Issuers not yet generating revenue from business activity, ~~The~~ Exchange will not consider an application where Builder Shares have been issued for less than \$0.005 in the previous 18 month period.

2.4 Specific Restrictions

At the time of listing, or re-qualifying following a fundamental change:

- a) The ratio of shares in the post-offering or reverse takeover capital structure must not exceed one Builder Share for every three non-Builder Shares.
- b) Where there is no concurrent financing, the minimum permitted price at which ~~the~~ convertible securities ~~can~~ may be exercisable or convertible into listed shares and not be subject to escrow is \$0.10.
- c) The Exchange will not permit the exercise, conversion or exchange price of any exercisable, convertible or exchangeable security to be fixed until the security has been granted to a particular person.

2.5 Substantial Float

The Exchange may consider exercising discretion to amend or waive the provisions of paragraphs 2.3 and 2.4 if an Issuer has a "Substantial Float". The Exchange will generally consider an Issuer that meets all the following criteria to have a Substantial Float:

- a) \$1,000,000 public float value in capital raised, excluding funds from Related Persons;
- b) 1,000,000 free trading shares;
- c) 200 public shareholders with a minimum of one board lot each with no resale restrictions, and
- d) 20% of the issued and outstanding shares held by public shareholders.

2.6 Acceptance of an alternative proposed structure is contingent upon an evaluation by the Exchange using the following criteria:

- a) track record, quality and experience of management and board;

- b) percentage of time devoted by management to the Issuer;
 - c) capital contribution (cash paid in, reasonable value of assets and reasonable value of services performed, less any cash payments) by Related Persons;
 - d) relationship of capital contribution to ownership by Related Persons; and
 - e) relationship of share price in pre-IPO financing rounds to the IPO price.
- 2.7 All issuances prior to listing will be reviewed seriatim to determine suitability taking into account management activity, significant developments, and elapsed time as well as arm's-length party participation.

2.8 Escrow

Prior to listing, all securities issued to Related Persons are generally required to be subject to an escrow agreement pursuant to National Policy 46-201.

- a) In addition, where convertible securities (such as stock options, common share purchase warrants, special warrants, convertible debentures or notes) are issued less than 18 months before listing and exercisable or convertible into listed shares at a price that is less than the issuance price per security under a prospectus offering or other financing or acquisition made contemporaneously with the listing application then the underlying security will be subject to escrow with releases scheduled at periods specified under National Policy 46-201.
- b) An Issuer that has, within the six months prior to applying to list on the Exchange, completed a transaction that would have been considered a “fundamental change”, as defined in section 1.1 of Policy 8, must enter into escrow agreements with the Related Persons as if the Issuer was subject to the requirements of National Policy 46-201 and the provisions of section 1.8 of Policy 8 shall apply in all respects to the Issuer.
- c) [Related Persons with securities that have been previously subject to a required escrow agreement will not generally be required to enter a new escrow agreement.](#)
- e)d) The Exchange, in its sole discretion, may impose escrow arrangements that are in addition to those required by National Policy 46-201, or consider different proposals such as an “earn-out” escrow, on a case-by-case basis.

PART B: Documents required with application

3 Application

3.1 The application for listing must include the following:

- a) a letter applying to qualify for listing (Form 1A - Equity Securities) requesting

qualification for listing of one or more specific classes of equity securities of the Issuer and indicating the number and class of the Issuer's securities issued and outstanding and, if convertible or exchangeable securities are issued and outstanding, the number and type of securities reserved for issuance;

- b) a completed Listing Application (Form 1B - Equity Securities) together with the supporting documentation set out in Appendix A to the Listing Application;
- c) a draft Listing Statement (Form 2A) including financial statements approved by the Issuer's board of directors and its audit committee, if the Issuer has an audit committee;
- d) a duly executed Personal Information Form (Form 3) from each Related Person of the Issuer and, if any of these persons is not an individual, a Personal Information Form from each director, senior officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual;
- e) current insider reports from each person required to file a Personal Information Form, as filed with the Commission; [or confirmation that a SEDI profile has been created; or an undertaking to create such profile;](#)
- f) the escrow agreement required under paragraph 2.8 of Part A of this Appendix; and
- g) the relevant portion of the Listing Fees, plus applicable taxes.

APPENDIX B: Debt Securities

Important Note: All securities are subject to the requirements of the “General” section of Policy 2

For the purposes of this Appendix, debt securities includes bonds, debentures, notes, Eurobonds, Medium Term Notes, Sukuk (Islamic bonds) and any other fixed income security that CNSX deems to be a debt security.

PART A: Eligibility for Listing

1 General

- 1.1 An Issuer must have net assets of at least \$1 million or where the Issuer is a special purpose vehicle, or a holding company that does not meet this requirement itself, then the Exchange may consider the assets of an underlying entity.
- 1.2 In the case of asset-backed securities, a trustee or other independent representative must be appointed to represent the interests of the holders of the asset-backed securities and the trustee or an independent custodian must hold the underlying assets and all money and benefits flowing from the assets to the Issuer or the holder of the asset-backed securities.
- 1.3 In the case of asset-backed securities that are secured on debt obligations or other receivables from a managed pool of assets, the entity appointed to manage the pool of assets must have adequate experience and expertise and such entity must be required to provide periodic financial reports on the performance and credit quality of the pool, for the benefit of the trustee.
- 1.4 In the case of asset-backed securities that are secured by equity securities, the equity securities must represent minority interests in, and must not carry legal or management control of, the underlying entities and must be listed on the Exchange or listed on another exchange recognised for this purpose by the Exchange.
- 1.5 The Issuer must appoint and maintain a payment agent acceptable to the Exchange.
- 1.6 Exchange will not approve an Issuer for listing if any Related Persons or investor relations persons associated with the Issuer have been convicted of fraud, breach of fiduciary duty, violations of securities legislation (other than a minor breach that does not necessarily give rise to investor protection or market integrity concerns) or any other activity that concerns integrity of conduct unless the Issuer first severs relations with such person(s) to the satisfaction of the Exchange.
- 1.7 The Exchange may not approve an Issuer for listing if any Related Persons or investor relations person(s) associated with the Issuer:
 - a) have entered into a settlement agreement with a securities regulator or other authority;
 - b) are known to be associated with other offenders, depending on the nature

and extent of the relationship and the seriousness of the offence committed; or

- c) have a consistent record of business failures, particularly failures involving public companies,

unless the Issuer first severs relations with such person(s) to the satisfaction of the Exchange.

- 1.8 The Exchange may deem any person to be unacceptable to be associated in any manner with a Listed Issuer if the Exchange reasonably believes such association will give rise to investor protection concerns or could bring the Exchange into disrepute.

PART B: Documents required with application

2 Application

21 The application for listing must include the following:

- a) a letter applying to qualify for listing (Form 1A - Debt Securities) requesting qualification for listing of one or more specific classes of securities of the Issuer;
- b) a completed Listing Application (Form 1B - Debt Securities) together with the supporting documentation set out below;
- c) a draft Listing Statement (Form 2A) including financial statements approved by the Issuer's board of directors and its audit committee, if the Issuer has an audit committee;
- d) a duly executed Personal Information Form (Form 3) from each Related Person of the Issuer and, if any of these persons is not an individual, a Personal Information Form from each director, senior officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual;
- e) current insider reports from each person required to file a Personal Information Form, as filed with the Commission; and
- f) the relevant portion of the Listing Fees, plus applicable taxes.

The Exchange may, at its sole discretion, determine that items (d) and (e) do not apply to an application to list a debt security that is exempt from prospectus requirements under section 73 of the Securities Act.

22 Listing Statement

The Listing Statement required to be submitted to the Exchange shall comprise:

- a) a document that contains all of the information required by Form 2A; or
- b) in the case of a tranche issued pursuant to a programme, a term sheet.

23 Supporting Documents

In addition to the Listing Application (Form 1B - Debt Securities) the Issuer must submit:

- a) the participation agreement; and
- b) the declaration of trust or other document constituting the securities.

The Exchange may also require a legal opinion that confirms that the debt securities have been duly constituted and, when issued, will be fully paid and non-assessable.

24 Pre-approval of issuance programmes

- a) Where an Issuer issues debt securities of the same class on a regular basis under an issuance programme an Issuer may make an application for the pre-approval of the listing of a specified number of securities which may be issued in a particular case.
- b) Where debt securities are to be issued under an issuance programme, the initial application must cover the maximum amount of securities that may be in issue at any one time under the programme. If the Exchange approves the application, it will grant pre-approval for the listing of all the securities that may be issued under the programme within twelve (12) months after the approval, subject to the Exchange receiving:
 - i. advice of the final terms of each issue,
 - ii. copies of any supplementary document or pricing supplement issued in support of the tranche or series,
 - iii. confirmation that the Issuer is still in full compliance with these Listing Rules and that the issue falls within the terms and conditions of the issuance programme, and
 - iv. confirmation that the securities in question have been issued.
- c) The debt securities to be issued under an issuance programme must be identical, except in respect of their designation (i.e., they can be different series), the term of the securities (i.e., the maturity date may vary), the amount of the tranche (within the overall maximum amount of the programme), and the yield (e.g., the coupon rate may vary). Securities that are not identical may not be issued under a programme and will require a separate application.

- 25 The final terms of each issue which is intended to be listed must be submitted in writing to the Exchange as soon as possible after they have been agreed and in any event no later than two (2) Business Days before the listing is required to become effective. The Exchange reserves the right to impose additional requirements on an issue made under an issuance programme, including imposing a requirement to make a new application in respect of that issue, if it considers that the issue does not fall within the scope of the programme.

FUNDAMENTAL CHANGES & CHANGES OF BUSINESS

1.1 A fundamental change or change of business of a Listed Issuer effectively results in a new issuer, such that the existing disclosure record cannot be relied upon to fairly value the company's securities. Listed Issuers that are contemplating a transaction or series of transactions that may be a fundamental change or change of business must consult with the Exchange at an early stage to determine how the exchange will characterize the transaction.

(a) A "fundamental change" is a major acquisition accompanied or preceded by a change of control.

(b) A "change of business" is a redeployment of the Issuer's assets or resources that results in a change to the principal business without a major acquisition or change of control.

1.2 A "major acquisition" by a Listed Issuer means an asset purchase, business acquisition (whether for cash or securities), take-over (formal bid or exempt bid), amalgamation, arrangement or other form of merger, the result of which is that for the next 12 month period at least 50% of the Listed Issuer's

(a) assets will be comprised of or

(b) anticipated revenues are expected to be derived from

the assets, properties, businesses or other interests that are the subject of the major acquisition.

A "change of control" is a transaction or series of transactions involving the issue or potential issue of that number of securities of a Listed Issuer that:

(i) is equal to or greater than 100% of the number of equity securities of the Listed Issuer outstanding prior to the transaction or series of transactions (commonly referred to as a "reverse take-over"), or

(ii) otherwise results in a change of control of the Listed Issuer or a substantial change of management or of the board of directors of the Listed Issuer.

The Exchange may ~~in its sole discretion~~ determine that a transaction or series of transactions is a fundamental change, notwithstanding these thresholds.

~~In broad terms, a fundamental change to a Listed Issuer effectively results in a new issuer, such that the existing disclosure record cannot be relied upon to fairly value the company's securities. Listed Issuers that are contemplating a transaction or series of transactions that may be a fundamental change must consult with the Exchange at an early stage to~~

~~determine how the exchange will characterize the transaction.~~

1.3 The Exchange believes that one of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices is high quality, timely and continuous disclosure by Listed Issuers. Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the Listed Issuer and provided in an information circular or management proxy circular and Listing Statement.

1.4 ~~Enhanced disclosure should~~Disclosure must be made in connection with the announcement of a fundamental change or change of business. The disclosure should initially be made in a news release (to be issued and posted on the Exchange website pursuant to Policy 5).

1.5 (a) The Market Regulator will halt trading in the securities of the Listed Issuer upon the announcement of a fundamental change to permit dissemination of the material information. The Exchange will require the Market Regulator to continue the halt at least until the documentation required under sections 1.6 and 1.7 have been accepted and posted. During the halt, no Dealer may quote or trade in the security in any marketplace or over-the-counter, either as principal or agent.

(b)

Issuers must notify and consult with the Market Regulator prior to disseminating material information concerning a fundamental change or a change of business during market hours. If the dissemination will occur outside of market hours, the Issuer must notify the Market Regulator in order to effect a trading halt prior to the next trading session.

Contact information for Market Regulator:

Telephone: (416) 646-7220

Email: pr@IIROC.ca

1.6 In order to qualify for listing the securities of the resulting issuer, the fundamental change or change of business must be approved by the ~~security holders~~Exchange and the securityholders of the Listed Issuer ~~at a meeting~~ prior to completion of the transaction. The information circular or management proxy circular delivered to ~~security holders~~securityholders of the Listed Issuer must contain prospectus level disclosure of the resulting company, including the financial statement disclosure set out in National Instrument 44-101, National Instrument 41-101 – General Prospectus Requirements and Form 41-101F1. ~~The~~For a fundamental change the information circular or management proxy circular must provide historical financial statements for the target company as if it were going public by way of prospectus and making application for listing, plus pro forma financial statements giving effect to the transaction for the last full fiscal

year and interim year-to-date of the target company ~~and any quarter that has been completed in the current fiscal year~~. Particular requirements are specified in Form 2A. The information circular or management proxy circular must be reviewed by the Exchange before being posted on the Exchange website and delivered to shareholders.

1.7 The Issuer resulting from ~~the~~ fundamental change must meet the criteria for a new listing and make a complete initial application to qualify ~~its securities~~ for listing ~~on the Exchange~~ by ~~preparing and~~ filing all of the documents and following the procedures set out in Policy 2 concurrently with filing the information circular or management proxy circular. Completion of the transaction prior to qualification for listing of the securities of the Issuer resulting from the transaction will result in a suspension from listing of the Listed Issuer. An Issuer undergoing a change of business must revise and refile any documents affected by the change of business.

1.8 Principals of the resulting Issuer must enter into an escrow agreement ~~as if the company was subject to the requirements of NP 46-201~~ that provides for the escrow of the principal insiders' shares for a period of 36 months. Escrow releases will be scheduled ~~at periods specified in NP 46-201 for emerging issuers, that is, as follows:~~ 10% will be released on the date that the shares commence trading on the Exchange followed by six subsequent releases of 15% each every six months thereafter. ~~The form of the escrow agreement must be as provided in NP 46-201.~~ The Exchange will allow earlier releases from escrow ~~if it is satisfied that the circumstances of where~~ the Issuer ~~are such~~ demonstrates that it would be the equivalent of an "established issuer" ~~or "exempt issuer" if it were listed on an exchange under National Policy 46-201 Escrow for Initial Public Offerings~~ and such early release would be permitted ~~under the policy~~ if the Listed Issuer were an "established ~~or exempt~~ issuer."

1.9 The Exchange will not approve a fundamental change or change of business proposed for an issuer that has been listed for a period of less than 12 months unless the Issuer obtains approval from the majority of the minority shareholders.