

CANADIAN SECURITIES EXCHANGE

SUMMARY OF COMMENTS

and

NOTICE OF APPROVAL

Policy 6 Distributions

BACKGROUND

In accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto*, CNSX Markets Inc. (“CSE”) has adopted, and the Ontario Securities Commission has approved, public interest rule amendments to Policy 6 – *Distributions* (“Policy 6”).

On November 29, 2018, the CSE proposed public interest rule amendments to Policy 6 in “Notice 2018-010 - Public Interest Rule Amendment - Policy 6 Distributions - Request for Comment”. The comment period expired January 3, 2019.

Policy 6 Distributions would be amended by adding, in the General section, additional language to s. 1.4 to require a 4 month hold period on all shares issued pursuant to the s. 2.24 exemption available in National Instrument 45-106 Prospectus Exemptions (“NI 45-106”) regardless of whether the seasoning period applied. Resale restrictions must also be disclosed in a news release describing the share issuance.

CSE received one comment from FAIR Canada regarding these proposed changes:

“FAIR Canada supports the Proposed Amendments to the Canadian Securities Exchange’s Policy 6 Distributions. The allegations in the recent enforcement proceeding launched and temporary order issued by staff of the British Columbia Securities Commission in the BridgeMark Group matter (2018 BCSCCOM 369) demonstrate the type of conduct abusive to the capital markets which can result from reliance on section 2.24 of NI 45-106, in the absence of measures such as the Proposed Amendments to CSE Policy 6 Distributions.

We also support the Proposed Amendments’ requirement of prior written approval from the CSE to issue shares under section 2.24 of NI 45-106 without a hold period. The availability of this prior approval feature should facilitate capital raising pursuant to section 2.24 of NI 45-106 in appropriate circumstances.”

FAIR Canada also noted that the use of the word “shares” in the fourth line of proposed paragraph (b) is inconsistent with the previous use of the word “securities”.

The Exchange thanks FAIR Canada for the comments.

NON-MATERIAL AMENDMENTS

As a result of the comment received, the following non-material change will be included in the proposed amendments.

In proposed paragraph (b), “shares” will be replaced with “securities” to provide consistency in section 1.4:

b) In determining whether the hold period will be required, the Exchange will consider such things as the relationship between the Listed Issuer and the individual or entity receiving securities shares, the price per security, number of securities to be issued, the value of the transaction, and any other factors the Exchange considers relevant to the decision.

The amended Policy is available on the CSE website under <http://thecse.com/support/listed-companies/policies>.

IMPLEMENTATION

The amendments are effective immediately.

Questions about this notice may be directed to:

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