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**Sent:** Wednesday, February 9, 2022 10:20 AM  
**To:** Rob Cook <[rob.cook@thecse.com](mailto:rob.cook@thecse.com)>; Mark Faulkner <[mark.faulkner@thecse.com](mailto:mark.faulkner@thecse.com)>  
**Subject:** CSE Comment Request

Rob, Mark,

In connection with your request for comments on the proposed CSE rule/policy changes, please see my comments below.

## **Comments and Questions**

### **Policy 2 –Appendix A – Equity Securities**

#### **Share Distribution**

1. The Policies currently provide that the Exchange may not consider the minimum float distribution to be met if a significant number of public holders (of the required 150) hold the minimum number of shares (i.e., the boardlot).
  - a. *Should the “significant number” be defined, the minimum number of shares be increased (note that the requirement for a boardlot is standard on Canadian exchanges), or should the Exchange review the distribution to determine if there is a “normal distribution” across the shareholder base?*

**I don’t know how you could qualify “normal” distribution unless you regularly sampled similar companies’ shareholder data. Then how would you define “similar”. Please see comment on 2(a) below.**

- b. *Are there specific types of distributions, that should be discouraged, discounted, or disallowed when considering if the float requirements have been met, and if so, could this be achieved through changes to the number of holders and minimum number of shares?*

**No comment as I’m unsure as to the types of distributions you’re referring to.**

2. The minimum number of public holders proposed for CSE NV Issuers is the same as NEO and TSX. The current minimum public float requirement is 10% held by 150 public holders, compared with 20% held by 200 (TSX Venture, Tier 2), 250 (TSE Venture, Tier 1). The CSE minimum listing requirements are intended to facilitate listing at an earlier stage.
  - a. *Are the current 10% public float and 150 public holder requirements appropriate and, if not, what are appropriate thresholds and why?*  
**Rather than focusing on the minimum number of public shareholders (which I would leave at 150), I believe the focus should be on the value of the float which can best be expressed by the percentage held by the public shareholders. Twenty percent should be the minimum out in the public. Thin floats makes it difficult to raise financing and it certainly doesn’t help the trading/buy side either.**

- b. *Are there other factors the CSE should consider in determining the appropriate minimum public float?*

### **Mineral Exploration Projects**

3. The Exchange is not currently proposing to change the minimum listing requirements for mineral exploration issuers. The Amendments include additional guidance and restrictions to discourage the deliberate listing of “shell companies”, similar to the guidance provided in CSE Notice 2020-007 – Guidance – Continued Listing Requirements.

#### **General Response:**

**I understand that the CSE wants to eliminate “bogus” listings which are ultimately designed to create shell companies. To this effect, I would suggest an eighteen month period prior to any change of business and raise the minimum exploration expenditures to \$200K over that period. A longer the commitment to being an exploration company and greater minimum expenditures should act as a sufficient deterrent for those looking to create a shell. Realistically speaking, there is very little an exploration company will be able to with \$200K especially over that long a period of time to begin with so I would view this as a bare bones minimum for anyone who is serious about the company’s business.**

- a. *The time period – is it appropriate to link this requirement to a time period? If so, is 3 years appropriate, and should the time period be immediately prior to listing/applying to list?*
  - b. *Is a specific level of expenditures necessary, or should other quantifiable measures be introduced?*
  - c. *Should the minimum requirement for prior expenditures be higher than \$75,000, and why?*
4. The Exchange’s objective is to provide listing to early-stage projects. The minimum budget for a recommended phase 1 program is currently \$100,000 which is less than the TSX Venture Exchange requirement of \$200,000.
    - a. *Is the current CSE minimum budget for future work in this requirement appropriate? Why or why not?*  
**See comment in section 3 above.**
    - b. *Is the approach appropriate, or could an alternative approach provide comfort regarding the potential of a mineral exploration project and the issuer’s commitment to exploration?*
    - c. *Would increasing the prior expenditures and/or phase 1 budget requirements prevent or reduce the likelihood of deliberately listing a company to be used as a shell following listing?*
    - d. *As noted above, the Exchange seeks to limit or prevent the deliberate listing of a mineral exploration company for the purpose of using it as a shell company rather than pursuing the business of mineral exploration. Are there any additional controls or restrictions that will discourage this deliberate practice, such as suspension/delisting? Please note there is similar discussion and request for comment below for issuers other than mineral exploration companies.*  
**As mentioned above, the best way of preventing this is by making it too expensive a proposition to begin with in terms of time prior to converted to another “business”**

**and the minimum expenditure requirements money. I suspect the people having been utilizing this path as a cheaper/more flexible alternative to creating a CPC. If the economics in terms of time and money are adjusted accordingly, it would probably solve a good part of the problem.**

#### **Issuers with Little or No Operating History**

5. The Exchange does not have and is not proposing a program similar to the TSX Venture Exchange Capital Pool Company program. One of the stated objectives of the CSE is to provide access to low-cost capital for entrepreneurs, or for companies at earlier stages than on other exchanges. This may facilitate the inappropriate strategy of listing a company that meets the basic listing criteria with no real intention to pursue the stated business objectives. Further to the CSE Listing Guidance, the Exchange is proposing additional requirements and guidance as to when the Exchange will exercise its discretion and object to a transaction. It has always been the Exchange's position that with proper disclosure, early-stage companies can be listed companies. The role of the Exchanges, Market Regulator and securities regulators should be investor protection, not investment protection.
  - a. *Should there be a defined period of operations or level of business activity before a company can qualify for listing? Should financial statement history be considered? Are there other factors to consider in order to determine whether a company has an appropriate level of business operations to qualify for listing? If so, please explain.*

#### **Exchange and Shareholder Approvals**

6. *Should all share issuances be reviewed by the Exchange in advance of closing? Other than ensuring price compliance and determining if additional approval or disclosure requirements have been triggered, please comment on which aspects of a proposed financing should be reviewed or approved.*

**I don't see any advantage to further complicating the financing process as the rules currently in place are pretty straightforward.**

I hope these comments will be of some use.

Best regards

Guy Charette

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