

# The Canadian Securities Exchange Solutions

## History

The Canadian Securities Exchange (CSE) began operation in Canada in 2004. It originally operated as the Canadian Trading and Quotation System Inc. (CNQ). It changed its name to the Canadian National Securities Exchange (CNSX) in November of 2008. It changed its name from CNSX to its current name, the Canadian Securities Exchange (CSE), in January 2014.

At the close of July 10, 2018, the CSE had 391 listed companies, debt securities and structured products trading on its exchange. Approximately, 20% of these companies (78) are involved in the cannabis industry. This includes companies operating in the United States and other countries where the research, cultivation and sale of cannabis related products is legal.

## Listing Requirements

The listing requirements are as follows:

| Requirements   | Industrial, Technology & Life Sciences   | Mining   | Real Estate/ Investment  |
|--|--|--|--|
| Net Tangible Assets or Revenue                                   | N/A  | N/A  | C\$2,000,000 net tangible assets allocated to 2 investments or C\$4 million                      |
| Minimum Cash in Treasury   | Adequate to carry out stated work plan or execute business plan for 12 months following listing.                     | Adequate to carry out stated work plan or execute business plan for 12 months following listing. | Adequate to carry out stated work plan or execute business plan for 12 months following listing. |
| Minimum Working Capital  | C\$200,000   | C\$200,000   | C\$200,000   |
| Property   | Significant interest in business or primary assets used to carry on business.  | Significant interest in real property.   | No requirement.  |
| Prior Expenditure and Work Program                               | History of development of business or asset or have achieved revenue from sale of goods or the delivery of services. | \$75,000 in last three years in qualifying expenditures.   | Disclosed investment policy.   |
| # of Public Board Lot Holders                                    | 150  | 150  | 150  |
| Minimum Free Trading Public Float                                | 500,000 shares.  | 500,000 shares.  | 500,000 shares.  |
| Minimum % of Issued and Outstanding Listed Shares Held by Public | 10%  | 10%  | 10%  |

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|   |  |  |  |
|---|--|--|--|
| <b>Market value of Issued Securities to be Listed</b>                   | No minimum   | No minimum   | No minimum   |
| <b>Minimum IPO Price Conducted Concurrent to Listing <sup>(1)</sup></b> | C\$0.10  | C\$0.10  | C\$0.10  |
| <b>Other <sup>(1)</sup></b>   | No shares issued for less than C\$0.005 in previous 18 months. | No shares issued for less than C\$0.005 in previous 18 months.<br>NI 43-101 Report recommending a first phase program of at least \$100,000. | No shares issued for less than C\$0.005 in previous 18 months. |

**Note:** (1) The CSE may waive various requirements if issuer has a substantial float (\$1 million in arm's length financing, 1 million in free trading shares, 200+ public shareholders, and 20% of issued and outstanding shares held by public holders).

Other requirements include:

- fully reporting in at least one province in Canada;
- not a blank check or inactive company;
- freely tradable shares must be worth a minimum of \$50,000 CDN;
- officers, directors, related persons and investor relations persons associated with the company must have a clean record (clean RCMP and regulatory record);
- company must not have entered into a settlement agreement with a securities regulator or other authority, known to be related to another offender, or have a consistent record of business failures (particularly with public companies);
- agreement to comply with corporate governance requirements;
- must have letter from market maker agreeing to act as a market maker for securities of company once approved for listing; and,
- business plan projecting the activities and financial condition of the company for 12 months from application date.

The Canadian Securities Exchange is an exchange designed specifically to meet the needs of public companies and investors. Streamlined issuer regulation is made possible by the CSE requirement for enhanced disclosure. With practical and effective regulatory oversight and modern technology, the CSE provides an efficient stock exchange that fosters integrity, transparency and liquidity.

## **Benefits to the CSE-listed companies**

- Streamlined regulatory model - no transactional reviews/approvals/fees
- No mandatory sponsorship requirements to obtain a listing
- An automated, regulated and transparent market
- Visibility for listed companies
- A model that attracts dealer participation
- Competitive fees for issuers

## **Visibility on the CSE**

- Provides a centralized resource for dynamic information about the CSE listed companies/dealers, the CSE market data and exchange information
- Listed Company pages in the Securities Directory provide widespread visibility for issuers and easy access to information
- The CSE listed companies can quickly, securely and cost-effectively provide investors with all required disclosure documentation
- Quotes and current trading activity and historical trade data
- Market depth (displays by order and by price), largest increases/decreases, top ten issues, market summaries of daily, weekly, and monthly CSE trading activity

## **Liquidity**

- An automated exchange that allows immediate execution
- Central Limit Order Book - focuses available liquidity

## **Transparency**

- Trading system displays full depth of market
- Quotes, market depth (displays by price and by order) and current trading information are all available at [these.com](http://these.com)
- real-time data is available from all major data vendors
- Enhanced disclosure by listed companies immediately available to investors on [these.com](http://these.com)

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## Integrity

- CNSX Markets Inc., the operator of the CSE, is recognized by the Ontario Securities Commission (OSC) and exempt or authorized in other provinces.
- Investment Industry Regulatory Organization of Canada (IIROC) provides market surveillance and regulatory oversight
- Issuers must remain in good standing in any Canadian jurisdiction and comply with the CSE Policies
- Dealers must be Investment Industry Regulator Organization of Canada (IIROC) members in good standing and adhere to Universal Market Integrity Rules (UMIR) and the CSE Requirements

## Benefits for US Companies Seeking listing on the CSE

Smaller emerging companies in the United States often struggle to find liquidity for their shareholders or access to needed capital. There are many reasons that emerging companies are unable or unwilling to access the public capital markets in the United States, including, among others:

- Lack of size necessary to list on a National Exchange in the United States. U.S. capital markets cater to large companies.
- The amount of capital needed is too small to attract the interest of investment banks.
- U.S. capital markets are too crowded to have success as public company.
- Options for public market quotations for smaller companies in the U.S. often lump good companies with micro-cap fraudulent schemes.
- U.S. capital markets are too highly regulated and accounting and compliance costs related to U.S. securities laws, including the Sarbanes-Oxley Act of 2002<sup>1</sup> (“*Sarbanes-Oxley*”), are prohibitively expensive.
- Registration with the United States Securities and Exchange Commission (SEC) takes several months and the U.S. regulatory and reporting system is overly complicated and bureaucratic.
- Affiliates of U.S. listed companies are subject to increased liability and regulation.
- The business of the company has uncertain legal standing in the United States. This is true of many companies in the cannabis industry.

Over time emerging companies may become “captive” companies stuck between the status of private company with outside investors (i.e., angels, venture capital and/or private equity) and going public (without significant interest from investment banks). The pressures from outside investors, management and employees to obtain liquidity cause many U.S. emerging companies to look to the North in

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Canada to access one of the world's largest public markets for smaller companies. Canada provides smaller emerging companies with access to capital and liquidity for shareholders. Canada is unique in that its public markets and regulatory regime accommodate and promote smaller, emerging companies' listings.

Recent changes to U.S. securities laws and regulations make Canada a viable option for U.S. emerging companies to access a regulated public market for its securities and source for needed capital. The Canadian Securities Exchange (**CSE**) can provide a platform for U.S. companies to list securities in Canada and to provide liquidity to shareholders and access to needed capital.

### **Raising Capital and Cross Border listing**

#### **Company Financings:**

Qualified Investors in the U.S. may invest in CSE listed companies, particularly through a private placement (often referred to as a Private Investment in Public Equity or PIPE in the U.S.). A company may offer and sale securities in the U.S. without registration under the U.S. Securities Act to Accredited Investors under Regulation D or QIBs under Rule 144A. Securities issued in the U.S. without registration are "restricted securities" and will bear a U.S. restrictive legend. There is no limitation on the amount that can be raised in the U.S. pursuant to exemptions under Regulation D or Rule 144A.

#### **Trading CSE Stocks:**

A holder of restricted securities of a Foreign Private Issuer may resell the securities the CSE pursuant to exclusions available under Regulation S or after one year under Rule 144 of the U.S. Securities Act. If the company is a Foreign Private Issuer, restricted securities may generally be resold through the facilities of the CSE under Regulation S, subject only to applicable Canadian hold periods and resale restrictions. Many major U.S. broker-dealers can facilitate trading through the facilities of the CSE, subject to U.S. securities laws.

#### **Secondary Trading on U.S. Over-the-Counter Markets:**

CSE issuers can access U.S. investors by being quoted on a U.S. over-the-counter (OTC) market such as the OTCQX, OTCQB, OTC Pink and other secondary markets. A secondary market may develop on OTCQX, OTCQB, OTC Pink without SEC registration.

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Issuers may facilitate development of a U.S. secondary market through qualifying for certain exemptions under state blue sky laws such as manual listing with Mergent.<sup>10</sup>

### **Inter-listing on a U.S. Market**

Companies listed on the CSE can also access U.S. capital by inter-listing on a U.S. Exchange, subject to satisfying the listing requirements of the exchange. The primary benefit of a second listing is access to another pool of growth capital and exposure to new analysts and institutional and retail investors. See the next section for more information on inter-listing.

A CSE listed company may seek a secondary listing on a U.S. exchange (e.g., NYSE, NASDAQ, NYSE American) based in part on trading and pricing histories in Canada. A company must register its securities under the U.S. Exchange Act to qualify for a listing on a U.S. exchange and the issuer must satisfy the listing requirements of the exchange.

An issuer that has filed a registration statement to register an offering of securities under the U.S. Securities Act can register the class of securities under the U.S. Exchange Act by filing a Form 8-A with the SEC.

An issuer that has not filed a registration statement to register an offering of securities under the U.S. Securities Act can register the class of securities under the U.S. Exchange Act by filing a Form 10 with the SEC or, in the case of a Foreign Private Issuer, a Form 20-F. Form 10 and Form 20-F are long form registration statements requiring prospectus level disclosure and are subject to an SEC review and comment process.

Foreign Private Issuers that are incorporated in Canada may be able to take advantage of the SEC's multi-jurisdictional disclosure system (MJDS), which permits qualified issuers to register securities under the U.S. Exchange Act on Form 40-F and to satisfy ongoing U.S. filing requirements using Canadian disclosure materials. Form 40-F is a short form registration statement that incorporates a Canadian issuer's Canadian disclosure materials into the filing and is not normally subject to extensive review by the SEC.

Companies that are required to file reports under the U.S. Exchange Act are subject to the requirements of Sarbanes-Oxley, including Section 404 reporting requirements related to internal control over financial reporting.

## **Cross-listing on the Frankfurt Exchange**

CSE listed companies can cross-list with great ease with the engagement of a market maker in Germany. This can provide the opportunity to access the European capital.

## **The Antevorta Method**

Antevorta Capital Partners Ltd. has, directly and indirectly, been helping companies to become publicly traded and raising equity and debt capital since 1993. Since 1998 Antevorta raised millions of investment dollar for many private and public companies.

Antevorta Capital is well equipped to help companies attain listing on the Canadian Stock Exchange (CSE). What we offer:

- Already establish Canadian Shelf company (four to six month holding period already ticking on issued shares)
- Shelf Company already registered Canadian Depository System (CDS) (Canadian equivalent of DTC)
- Shelf Company is delivered with 460 shareholders representing 10% as public shareholders (CSE requires a minimum of 150 shareholders owning 10% of outstanding shares)
- Canadian Auditor who can convert your GAAP audit to IFRS (Canadian equivalent of GAAP audit).
- Canadian Securities lawyer to shepherd the process along until the listing is complete
- Once listed Antevorta can assist in capital raising through its networks.