

POLICY STATEMENT 41-601Q RESPECTING CAPITAL POOL COMPANIES

PART I GENERAL INFORMATION

1.1. Context

The TSX Venture Exchange (“TSX Venture”) administers a capital pool company (“CPC”) program (the “Program”) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Québec, Prince Edward Island, Yukon and Northwest Territories (collectively, the “Securities Commissions”). The Securities Commissions and TSX Venture have adopted the Program and have reached an operating agreement in respect thereof (the “CPC Operating Agreement”). The *Autorité des marchés financiers* (the “AMF”) allows Québec CPCs to participate in the Program provided they comply with the Program’s terms and conditions as well as the provisions set forth in this Policy Statement. The AMF and the TSX Venture coordinate the review of certain documents required to be filed as part of the Program and as such, the TSX Venture will have access to the CPC’s documents once submitted to the AMF.

1.2. Program objectives and summary

The main terms and conditions of the Program are as follows:

(1) **Initial Public Offering.** The Program provides CPCs with the opportunity to obtain financing earlier in their development than might be possible with an initial prospectus distribution. The Program permits a newly created company that has no assets, other than the cash from the subscription of seed shares, and has not commenced commercial operations, to conduct an initial public offering (“IPO”) and become listed on the TSX Venture.

A CPC can therefore use the funds raised from the distribution of seed shares and from its IPO to identify and evaluate assets or businesses which, once acquired, qualify the CPC for listing as a regular Tier 1 or Tier 2 Issuer on TSX Venture (“Qualifying Transaction”).

(2) **Qualifying Transaction.** As soon as the CPC reaches a Qualifying Transaction Agreement (as defined under *TSX Venture Policy 2.4 – Capital Pool Companies* (“Policy 2.4”)), in respect of a Qualifying Transaction, it must, in accordance with the terms and conditions of the Program, issue a comprehensive news release and file a material change report describing the terms and conditions of the agreement (the “Material Change Report”). If the Qualifying Transaction is an arm’s length Qualifying Transaction, the CPC must prepare and file a filing statement in accordance with the form prescribed by TSX Venture (the “Filing Statement”). Where the Qualifying Transaction is

a Non-Arm's Length Qualifying Transaction (as defined under Policy 2.4), the CPC must obtain Majority of the Minority Approval (as defined under Policy 2.4) of the Qualifying Transaction and if such is to be obtained at a meeting of shareholders, prepare and send its shareholders an information circular in accordance with the form prescribed by the TSX Venture (the "Circular"). The Filing Statement, Circular and Prospectus (as defined below) must provide full, true and plain disclosure of all material facts relating to the CPC, the target assets and company, the terms and conditions of the Qualifying Transaction and the resulting issuer.

1.3. Scope

This Policy Statement is intended for any CPC benefiting from the Program whose head office is in Québec and which seeks to conduct an IPO by way of a prospectus filed with the AMF, as well as for any CPC conducting a Qualifying Transaction whose head office is in Québec, or was in Québec at the time of its IPO. It outlines the AMF's position on the Program, in particular with regard to compliance with Québec regulatory requirements. Certain terms used in this Policy Statement are defined in the Program, in Policy 2.4 or in *Regulation 14-101 respecting Definitions*, CQLR, c. V-1.1, r. 3.

1.4. Interpretation

This Policy Statement should be read in conjunction with Policy 2.4 and any subsequent amendments thereto. Policy 2.4 should be read in conjunction with certain other TSX Venture policies,¹ including Policy 2.2 – *Sponsorship and Sponsorship Requirements* ("Policy 2.2"), as well as AMF Notice "Qualifying Transaction Share Structures" dated October 8, 2010.

PART 2 PROGRAM OPERATION IN QUÉBEC

2.1. CPC's IPO

(1) Policy 2.4 provides that the CPC must file a preliminary prospectus with the securities regulatory authorities in those jurisdictions where the IPO is conducted and with TSX Venture (the "Prospectus"). Where the CPC's Prospectus is filed solely in Québec or in Québec and in other jurisdictions where the AMF acts as principal regulator pursuant to *Regulation 11-102 respecting Passport System*, CQLR, c. V-1.1, r. 1 ("Regulation 11-102"), the AMF has agreed to delegate the review of the Prospectus to the TSX Venture in accordance with the terms and conditions outlined in the CPC Operating Agreement. These terms and conditions include, among others, that the TSX Venture will not recommend the issuance of a final Prospectus receipt if there are receipt refusal concerns, as provided under section 15 of the *Securities Act*, CQLR, c. V-1.1 (the "Act"). Notwithstanding the foregoing, the AMF retains the right to conduct a detailed

¹ CPCs must refer to the TSX Venture Corporate Finance Manual for information on the policies that apply to them.

review of the Prospectus. The AMF will notify the TSX Venture and the CPC in such a case.

In such cases:

(a) The Prospectus must comply with the requirements of the Act and its regulations, in particular, *Regulation 41-101 respecting General Prospectus Requirements*, CQLR, c. V-1.1, r. 14 (“Regulation 41-101”);

(b) CPCs that are filing a Prospectus can use *TSX Venture Form 3A – Information Required in a CPC Prospectus* as a guide to help to comply with prospectus requirements;

(c) The Prospectus will be submitted to the AMF for a receipt, which receipt will be conditional to the filing of an undertaking by the CPC with respect to, in particular, the concurrent filing with the AMF and TSX Venture of the draft Filing Statement or, as the case may be, the draft Circular, prepared in connection with its Qualifying Transaction, as provided in Policy 2.4 (the “Undertaking”).

(2) *(paragraph repealed)*.

(3) *(paragraph repealed)*.

(4) *(paragraph repealed)*.

(5) *(paragraph repealed)*.

(6) During an IPO conducted in Québec, CPC shares can only be distributed by dealers duly registered in Québec.

(7) CPCs and dealers must comply with *Regulation 33-105 respecting Underwriter Conflicts*, CQLR, c. V-1.1, r. 11.

2.2. Stock options issued by CPCs

(1) Policy 2.4 provides the conditions governing the granting of stock options by the CPC.

(2) *(paragraph repealed)*.

(3) The granting of stock options by the CPC must comply with the provisions of the Act and its regulations, in particular *Regulation 45-106 respecting Prospectus and Registration Exemptions*, CQLR, c. V-1.1, r. 21.

2.3. Qualifying Transaction, CPC Circular and CPC Filing Statement

(1) As soon as the CPC enters into a Qualifying Transaction Agreement, it is required to file a comprehensive news release, as described in Policy 2.4, as well as a Material Change Report.

(2) The Filing Statement or the Circular must provide full, true and plain disclosure of all material facts relating to the CPC, the target assets and company, the terms and conditions of the Qualifying Transaction and the resulting issuer.

(3) Pursuant to the Undertaking, the CPC must file, simultaneously with the AMF and TSX Venture, the draft Filing Statement or, as the case may be, the draft Circular, for analysis and approval by the AMF, where both of the following conditions apply:

(a) the CPC's head office is in Québec;

(b) the CPC filed a Prospectus solely in Québec, or in Québec and in other jurisdictions where the AMF is the principal regulator pursuant to Regulation 11-102.

(4) The Filing Statement must be prepared in accordance with TSX Venture Form 3B2 – Information Required in a Filing Statement for a Qualifying Transaction (“Form 3B2”) and the other provisions of Policy 2.4.

(5) The Circular must:

(a) comply with the Act and the *Securities Regulation*, CQLR, c. V-1.1, r. 50;

(b) disclose the information required in Form 51-102F5 Information Circular of *Regulation 51-102 respecting Continuous Disclosure Obligations*, CQLR, c. V-1.1, r. 24;

(c) present the information required by TSX Venture Form 3B1 – Information Required in an Information Circular for a Qualifying Transaction² (“Form 3B1”).

(6) The CPC must comply with the provisions of *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*, CQLR, c. V-1.1, r. 33.

2.4. Distributions made in Québec and from Québec

The CPC, the target company and the resulting issuer must ensure that all the distributions of their securities in Québec and from Québec are carried out by way of a prospectus and through a person registered with the AMF or benefiting from a prospectus and registration exemption set out in the Act and its regulations. If they cannot obtain a statutory exemption, they must file an application for an exemption under section 263 of the Act and the provisions of its regulations.

2.5. Reverse take-overs

(Repealed).

² Certain requirements of Regulation 41-101 have been integrated into TSX Venture Forms 3B1 and 3B2, in particular, the requirement to present the financial statements of both the target company and the resulting issuer.

2.6. Language of documents

All parties should note that, in Québec, linguistic requirements prescribed by Québec law must be complied with.

PART 3 AMF'S POSITION REGARDING THE PROGRAM

3.1. Protection of investors

The AMF acknowledges that the Program includes several provisions aimed at protecting investors, more specifically, the following:

(1) TSX Venture takes the appropriate steps to confirm that the CPC's executive officers have the necessary experience to manage a public company and to complete a Qualifying Transaction. The executive officers' experience must also be detailed in the Prospectus in order to enable investors to make an informed decision regarding their investment.

(2) The risk factors must be clearly described in the Prospectus.

(3) The CPC's directors and officers must invest a minimum of funds in the form of seed shares prior to the IPO.

(4) Exempt distributions concluded before the Qualifying Transaction are strictly governed by Policy 2.4. Exempt distribution shares are in escrow in certain circumstances provided for in Policy 2.4.³

(5) *(paragraph repealed)*.

(6) Policy 2.4 provides for the escrow of most shares distributed by the CPC to non arm's length parties to the CPC. Therefore, the shares are held in escrow according to the escrow agreement, whose terms and conditions are prescribed by TSX Venture before the completion of the Qualifying Transaction.⁴

(a) *(subparagraph repealed)*.

(b) *(subparagraph repealed)*.

(c) *(subparagraph repealed)*.

(d) *(subparagraph repealed)*.

³ Policy 2.4 is supplemented by TSX Venture Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*, which was harmonized with *Policy Statement 46-201, Escrow for Initial Public Offerings*, CQLR, c. V-1.1, r. 22 and TSX Venture Policy 4.1 – *Private Placements*.

⁴ Policy 2.4 is supplemented by TSX Venture Form 2F – CPC Escrow Agreement.

(7) Pursuant to Policy 2.4, generally, all shares held by principals of the resulting issuer upon completion of the Qualifying Transaction must be escrowed, subject to an exemption for certain exempt distribution shares.

(8) In the event that a Qualifying Transaction has not been completed, the seed shares purchased by non arm's length parties to the CPC at a discount to the IPO price are cancelled as soon as the CPC shares have been delisted from TSX Venture.

(9) When the CPC reaches a Qualifying Transaction Agreement, the shares are suspended until a comprehensive news release describing the Qualifying Transaction is published and the services of a sponsor are retained or are exempt from the terms and conditions of Policy 2.2.⁵

(10) *(paragraph repealed)*.

The AMF is of the opinion that the Program contains sufficient elements to ensure investor protection and considers that it is not contrary to the public interest to enable CPCs to raise funds from Québec investors, provided that CPCs comply with the Program, this Policy Statement, as well as the Act and its regulations.

PART 4 PROGRAM REVIEW

The AMF may review the Program's terms and conditions if deemed necessary.

⁵ Policy 2.2 requires sponsorship for any application for a new listing within the context of a Qualifying Transaction. Under this policy, TSX Venture may exempt an issuer from the sponsorship requirement.