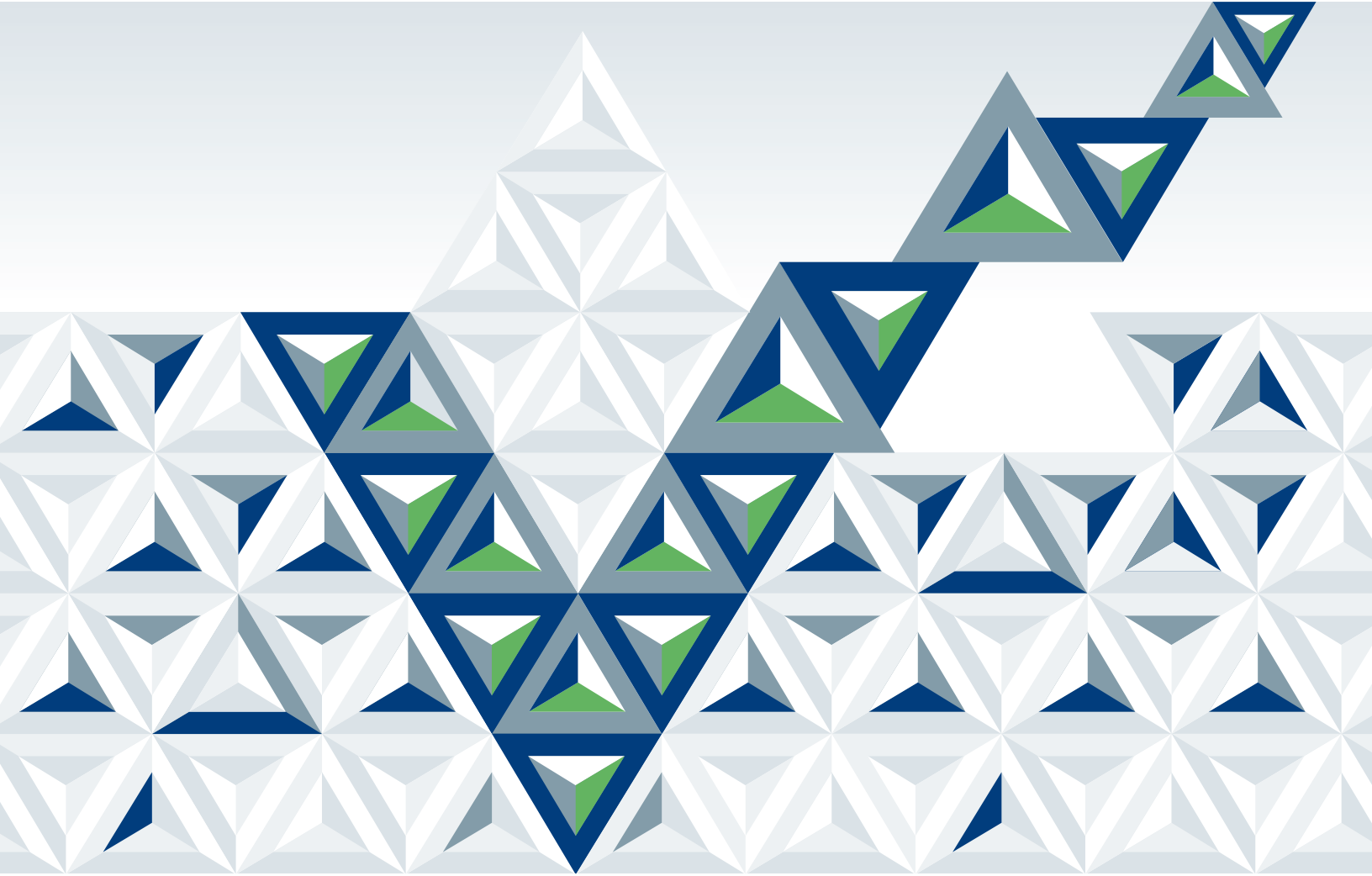


REVITALIZING TSX VENTURE EXCHANGE CANADA'S PUBLIC VENTURE MARKET

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The public venture market community in Canada has long been recognized as the premier ecosystem in the world for supporting the ambitions of entrepreneurs and the success of early-stage public companies. TSX Venture Exchange (TSXV) serves at the centre of this sophisticated, interconnected community of stakeholders, which includes entrepreneurs, investors, financiers, brokerage firms, securities lawyers, accountants, industry professionals and regulators – in Canada and around the world. Each element plays a key role in the vitality of the ecosystem.

Canada's public venture market has a proud history. In fact, some of this country's most recognizable companies and most enduring success stories sprouted from venture roots. But the time has come to write the next chapter for TSXV.

Our industry has experienced many bull and bear market cycles over the years. Unfortunately, the last few years have been extremely challenging for Canada's public venture market. Macroeconomic factors, and particularly the sustained downturn in commodities, have highlighted vulnerabilities in our market and underscored that our model must continue to evolve.

Over the past few months, the leadership team at TSXV has met with hundreds of market participants to discuss current issues and instigate progressive solutions. In response to direct feedback from clients and the larger Canadian capital markets community, we have focused closely on some of the major factors impeding the success of the venture market today. Not all conditions are within our control, but where we can effect change to better meet the needs of our clients, we will. This is our objective; this is our pledge. We are excited to share details of our proposed improvements in this paper, and to reinvigorate and revitalize Canada's public venture market.

HOW WILL WE DO THIS?

TSXV is committed to making a positive, tangible impact in three important areas:

- **We will reduce our clients' administrative and compliance costs, in a meaningful way, without compromising investor confidence.**
- **We will expand the base of investors financing companies and generally enhance liquidity.**
- **We will diversify and grow the stock list to increase the attractiveness of the marketplace overall.**

There are numerous actions required to fulfil each of the commitments above, and each has both near- and long-term benefits to the marketplace. We have already begun to implement some changes and initiatives. For the outstanding initiatives, we have assigned aggressive timelines to help ensure their value can be realized as soon as possible.

Some initiatives, particularly those relating to TSXV policies and significant changes to TSXV practices, are subject to securities commission approval.

EXTENSIVE INDUSTRY CONSULTATION AND COLLABORATION

Building on hundreds of client interactions and other data points each year, the TSXV management team recently interviewed more than 130 clients and other key stakeholders about the current state of Canada's public venture market.

Listed company representatives interviewed by our team included executives from natural resource companies as well as technology, life sciences, financial services and other industries. Other key stakeholders interviewed included investment bankers, accountants, securities lawyers and senior management from brokerage firms.

We received tremendously valuable feedback through these in-depth, one-on-one conversations. The feedback was then analyzed and discussed with TSXV's four Local Advisory Committees, which are collectively comprised of 69 engaged and well-informed market participants from across Canada.

To all who have participated, we thank you for devoting your time, sharing your insights and bringing your passion to make Canada's public venture market the best it can be.

OUR COMMITMENT

WE WILL REDUCE OUR CLIENTS' ADMINISTRATIVE AND COMPLIANCE COSTS, IN A MEANINGFUL WAY, WITHOUT COMPROMISING INVESTOR CONFIDENCE.

THE NEED FOR CHANGE

Our clients have told us that they struggle to manage the regulatory and administrative requirements of running a public company. However, although the effort to meet well-intentioned standards can be onerous, almost every person we spoke with also told us the integrity of TSXV must not be compromised.

Client feedback from our interviews:

“Public company related costs are a major concern. The audit, legal and personnel costs to comply with the regulatory burden is ever increasing. It is a significant cost of capital.”

“A relatively small portion of the regulatory costs are directly related to TSXV, but the Exchange's brand is at risk by association with so much red tape.”

We will implement changes to reduce the time and costs of various transactions without jeopardizing confidence in the integrity of the Exchange. The Exchange and the community have worked hard to earn a reputation as a respected public market for early-stage companies. This reputation bolsters the credibility of TSXV-listed companies and helps them attract capital and liquidity.

TAKING ACTION

We will introduce multiple changes to enhance the public market experience for our clients.

Eliminating the general requirement for sponsorship.

In those limited cases where certain material aspects of a company's disclosure document are not independently verified – and there is no acceptable substitute for arm's-length due diligence – TSXV may request a focused independent review of the new listing application.

Revising the Exchange's shareholder approval requirements

so that they will not generally apply to inactive companies completing an arm's length transaction, such as a change of business or reverse takeover.

Recognizing active and proven directors and officers

of TSXV-listed companies. One example of this would be to employ a new NEXUS-type of status.

Extending the interval to renew a Personal Information Form (PIF) from three years to five years.

Providing **automated online filings**. TSXV now offers this service for private placement transactions and we plan to expand this service to additional types of transactions.

Implementing a more responsive system to **accelerate transaction processing**. TSXV will commit to providing comments within a specified number of days.

Eliminating TSXV's escrow requirements and **applying only the Canadian Securities Administrator's (CSA) national policy on escrow**. In conjunction, we may eliminate the concept of Tier I and Tier II boards on TSXV.

BENEFITS

Our clients will see reduced costs in terms of both the time and money required to initially list and subsequently run a public company.

Obtaining sponsorship typically takes several months and can cost a company between \$50,000 and \$100,000. By modifying the sponsorship requirement, many companies will be able to **avoid this cost and delay** entirely. Others will save time and money to the extent the requirements can be minimized.

Shareholder meetings take months to schedule and can cost a company between \$20,000 and \$50,000. Eliminating this requirement in certain situations – for example, in the case of inactive companies – will provide **significant savings of issuers' time and money**. It will also help to improve deal certainty.

Once active and proven directors and officers have been thoroughly vetted by the Exchange, carefully applying a NEXUS-type of status to these individuals will **minimize their ongoing requirements** without compromising investor confidence.

The effort and costs of frequent PIF filings can be greatly reduced by extending the PIF effectiveness period. Our analysis shows that we can **provide this relief without risking market integrity**.

Automation will simplify and **speed-up the filing process**. In addition, clients may find it easier to file routine transactions themselves and consequently reduce their costs.

The new system will give clients a **greater degree of certainty** and will amount to a meaningful service standard promise.

Applying national escrow will **simplify the new listing process** and remove a sometimes contentious issue of whether TSXV's "value escrow" or "surplus escrow" hold periods should apply.

OUR COMMITMENT

WE WILL EXPAND THE BASE OF INVESTORS FINANCING COMPANIES AND GENERALLY ENHANCE LIQUIDITY.

THE NEED FOR CHANGE

When we asked the community about the most concerning issues impacting the public venture capital markets, other than macroeconomic influences, many pointed to investor trends and brokerage firm activity.

Client feedback from our interviews:

“ Many brokerage firms are changing, or have changed, their business models and fewer firms are focused on financing and trading early-stage companies.”

It is clear that both investor participation and broker-dealer activity in Canada’s public venture market have declined. This is likely caused by several factors, including changing investor needs and awareness, shifting demographics and market performance.

We need to do more to support the dealers who have expertise in public venture capital and we must attract other dealers to the space. We can do this by bringing more investors to the marketplace.

INVESTORS ARE KEEN TO BETTER UNDERSTAND THE PUBLIC VENTURE MARKET AND ITS UNIQUE OPPORTUNITIES

Many are intrigued to learn of TSXV’s track record and the success of its graduates:

- 614 companies have graduated from TSXV to Toronto Stock Exchange*
- \$100 billion in public equity capital has been raised by TSXV graduates
- Almost 20% of the S&P/TSX Composite Index – comprised of Canada’s largest and most liquid public companies – are graduates of TSXV
- Over 10% of TSX-listed companies with a market capitalization greater than \$1 billion are TSXV graduates
- Almost 30% of currently listed graduates are former Capital Pool Companies (CPCs)

We will do much more to make investors aware of these facts and to showcase the many successful companies currently listed on TSXV.

Data as at November 30, 2015
*Since January 1, 2000

TAKING ACTION

A number of initiatives have been developed to attract more investors and increase public venture market liquidity.

Bolstering our business development programs to **create more positive awareness** of Canada's public venture market and to **showcase TSXV-listed companies** to fund managers, retail investors, investment advisors, investment bankers and research analysts. We will present over 100 companies to these audiences in 2016.

Leading an action team of industry experts and diverse TMX Group representatives, with a goal to **reduce the barriers to U.S. investors** wishing to participate in the Canadian market.

Working to facilitate more **direct communication between issuers and investors** (where allowed by securities laws). For example, we are currently developing mobile- and web-based tools to stream summaries of treasury offerings from our listed companies.

Introducing a Market Making program on TSXV by facilitating arrangements between issuers and qualified Market Makers under the high governance and monitoring standards of the Exchange.

Introducing new **investor analytic programs and research products**. We are beta testing a new stock screening tool that will allow investors to identify opportunities by using numerous parameters. We are also investigating research tools that will leverage crowd-sourced knowledge.

Engaging with the Investment Industry Regulatory Organization of Canada (IIROC) to obtain **clarity regarding the application of IIROC's suitability standards**. To this end, IIROC will soon publish an FAQ document that is intended to create a consistent understanding within the industry regarding the suitability standards.

Amending and **simplifying TSXV's Continued Listing Requirements (CLR)** and providing additional tools for companies to reactivate from NEX, a separate board of TSXV for companies that have fallen below TSXV's CLR. We will also introduce more stringent criteria for maintaining a listing on NEX.

Advocating for **additional prospectus exemptions** for public companies, such as the recently introduced "existing shareholder" exemption and the proposed dealer exemption.

Partnering with a Canadian financial technology company to enhance our programs **promoting financial literacy and capital markets education** in universities and colleges across Canada.

BENEFITS

Investors will benefit from enhanced liquidity and early-stage public companies will have greater access to capital.

The 100+ companies featured will directly benefit from **introductions to investors**. TSXV-listed companies in general, and those seeking to list, will benefit from **increased investor awareness** of Canada's public venture market. In addition, increased liquidity will benefit investors.

Numerous and complicated issues have created barriers for U.S. investors wishing to trade Canadian stocks. Making it easier for U.S. investors to trade on TSXV will boost our issuers' **exposure to the largest capital market in the world**.

More direct interactions between issuers and investors will **expand the sources of capital** for our issuers and strengthen the relationships between issuers and investors.

TSXV issuers will be able to **confidently secure quality Market Making services** based on their specific needs, and **effectively evaluate and monitor** their Market Maker's performance.

Many early-stage public companies are not covered by traditional research analysts. **More investors will participate** in the market if we provide additional tools to help them identify and better understand investment opportunities.

There is uncertainty in the brokerage community regarding IIROC's suitability standards. We have been told that many dealers are defaulting to an interpretation that may be more conservative than IIROC intended, and therefore they may be discouraged from taking client orders for early-stage public companies. Clarity around these suitability standards will help dealers and may **allow more investors to participate** in the public venture market.

An update of policies relating to inactive companies may **build investor confidence**, resulting in higher investor participation in the public venture market.

Additional prospectus exemptions provide companies with **added financing options** and qualified investors with more opportunities to participate.

Investing in financial literacy and capital markets education at the university and college level will help to promote awareness of Canada's public venture market among **tomorrow's investors**. Improved awareness, understanding and confidence will lead to greater participation.

OUR COMMITMENT

WE WILL DIVERSIFY AND GROW THE STOCK LIST TO INCREASE THE ATTRACTIVENESS OF THE MARKETPLACE OVERALL.

THE NEED FOR CHANGE

It is broadly perceived that TSXV lacks diversity and is too natural resource oriented. Some clients have told us this perception impedes their ability to attract investors seeking opportunities in early-stage public companies in other sectors. We were also told that some innovation companies may not consider listing on TSXV because of the perception that it is a natural resource market.

Client feedback from our interviews:

“Silicon Valley companies – and other like companies in the U.S. – would be more attracted to TSXV if it was seen to cater to innovation companies.”

“We don’t need to change the brand, but we should expand what the brand stands for.”

The vast majority of our clients believe our brand association with TSX is valuable to them and to us. Almost all of these clients also like the “venture” brand.

We will address this perception issue without diminishing our commitment to natural resource clients. Canada’s public venture community is broadly known as the best in the world at developing natural resource companies. We will leverage the community’s experience in natural resources to be world leaders in supporting early-stage public companies in all industry sectors.

ALMOST 500 NON-RESOURCE COMPANIES ARE LISTED ON TSXV

These companies operate in diverse sectors including technology, life sciences, financial services, clean technology and renewable energy. Many of these companies have been very successful and have greatly benefited from using Canada’s public venture market to fund their growth plans.

We will do more to help early-stage companies in Canada and around the world – resource and non-resource – to benefit from listing on our marketplace through improved access to capital, a simplified experience and greater investor participation.

TAKING ACTION

We will work to further diversify the stock list in terms of industries and geography.

Hiring a dedicated team (the SME Sales Team) to **bring new companies to our marketplace** from diverse industries, and to help these companies secure financings. The team will be deployed in key centers across Canada and in the U.S.

Revising the Capital Pool Company (CPC) Policy to make the program more flexible and attractive to companies in all industry sectors.

Tailoring TSXV policies further to reflect the needs of non-resource companies.

Increasing our efforts to **ensure private equity firms, VCs and angel investors consider TSXV** as an effective exit strategy for early-stage companies.

Exploring alliances with other exchanges that could benefit our clients, similar to our relationship with the Santiago Stock Exchange, which provides qualified TSXV-listed companies with complimentary dual-listings.

Engaging with Exchange Traded Fund (ETF) firms to develop **more investment products** that may include baskets of TSXV-listed companies.

Advocating for early-stage public companies to be fully **eligible for the refundable investment tax credit (ITC)** under the federal Scientific Research and Experimental Development (SR&ED) program.

BENEFITS

The marketplace overall will become more resistant to sector specific market cycles and the diverse issuer base will attract a broader range of investors.

The SME Sales Team will **support the dealer community** by introducing them to many more opportunities than they might otherwise be exposed to. The team will have the same goal as dealers: identify and fund companies that can grow their businesses and **create wealth for investors**.

Over 2,400 companies have used the CPC program to access capital. An enhanced policy will **ensure that it remains a viable option** for many years to come.

Policies tailored for non-resource companies will **improve the new listing process** for these clients and generally make TSXV more attractive to these types of issuers.

By **demonstrating our value proposition** to private equity firms, VCs and angel investors, they will become more aware of – and more comfortable with using – TSXV. This will help to grow and diversify the stock list.

We will explore additional exchange alliances that can lead to **increased access to capital and liquidity** for our clients. As an example, our arrangement with the Santiago Stock Exchange provides eligible companies with access to the investment communities in Chile, Colombia, Mexico and Peru through the Latin American Integrated Market (MILA), a program that integrates the capital markets of these countries.

Baskets of TSXV-listed companies, through ETFs or other creative means, may be **more appealing to some investors** than individually selecting early-stage companies.

Canadian innovation companies lose most of the benefits of their SR&ED credits when they go public and, as a result, they may be deterred from accessing public venture capital. We strongly advocate that **public companies should be eligible for the SR&ED program** in the same way as private companies of comparable size and stage of development.

TSXV REMAINS DEDICATED TO OUR NATURAL RESOURCE CLIENTS

No other exchange in the world better serves early-stage natural resource companies and that will not change.

MAKING A REAL AND LASTING IMPACT

The TSXV team is deeply committed to serving our clients, enhancing the marketplace and ensuring a vibrant future for Canada's public venture market. We are confident the initiatives outlined here will deliver tangible benefits to the multiple clients and stakeholders who have come to depend on us.

A great deal of dialogue, debate and analysis went into creating viable solutions for the considerable challenges our clients face today. We are grateful to the venture community for their contributions to this process. We look forward to hearing more from clients and stakeholders as we move forward with improvements to our marketplace.


Please consider our approach and connect with our team to share your views and ideas. We also hope you can attend our town hall meetings in early 2016.


There is more to come, and we will share additional information and progress updates as we move forward.

LET'S CONTINUE THE CONVERSATION

We believe the broader community will ultimately drive the success of Canada's public venture market. TSXV encourages all members of the venture community to continue to share your views with us. We have established a wider social media presence to help make that a reality.

You can contribute to the conversation in a number of ways:

 [TSX Venture Exchange](#)

 [@TMXGroup](#) [#revitalizingTSXV](#)

VISIT
revitalizingTSXV.ca

EMAIL
revitalizingtsxv@tsx.com

CALL
1 888 873-8392

WE LOOK FORWARD TO HEARING FROM YOU

