

BULLETIN TYPE: Notice to Issuers
BULLETIN DATE: October 16, 2017

Re: Business Activities Related to Marijuana in the United States

TSX Venture Exchange (the “**Exchange**”) is providing guidance in respect of Policy 2.1 – *Initial Listing Requirements*, Form 2D *Listing Agreement* (the “**Listing Agreement**”) and Policy 2.9 – *Trading Halts, Suspensions and Delisting* (collectively, the “**Requirements**”) of the Exchange’s Corporate Finance Manual (the “**Manual**”). The Exchange uses Bulletins to provide applicants and listed issuers with a better understanding of existing Exchange requirements and the rationale underlying such requirements, with a view to facilitating the listing process and supporting successful listings on the Exchange.

Requirements

Regardless of the industries in which they operate, the Exchange satisfies itself that (i) the business of applicants or listed issuers will be conducted with integrity and in the best interests of the issuer’s security holders, and (ii) applicants or listed issuers will comply with all laws, rules and regulations applicable to their business or undertaking.

The Exchange notes that the Requirements apply to all applicants and listed issuers. However, due to the significant number of inquiries received regarding entities engaging in activities related to the cultivation, distribution or possession of marijuana in the United States (“**Subject Entities**”), the Exchange is providing clarity regarding the application of the Requirements to applicants and listed issuers in the marijuana sector.

The Exchange is aware that a number of U.S. states have legalized the cultivation, distribution or possession of marijuana to various degrees and subject to various conditions. Nevertheless, marijuana remains a Schedule I drug under the U.S. federal *Controlled Substances Act*. This means it is illegal under U.S. federal law to cultivate, distribute or possess marijuana in the United States. Furthermore, financial transactions involving proceeds generated by, or intended to promote, marijuana-related business activities in the U.S. may form the basis for prosecution under applicable U.S. federal money laundering legislation. While the Exchange is aware of the federal guidance¹ concerning the enforcement of these legislative provisions, the Exchange notes that such guidance does not have the force of law and can be revoked or amended at any time.

Issuers with ongoing business activities that violate U.S. federal law regarding marijuana are not complying with the Requirements. Such business activities may include, in order of concern to the Exchange: (i) direct or indirect ownership of, or investment in, Subject Entities; (ii) commercial interests or arrangements with Subject Entities that are similar in substance to ownership of, or investment in, Subject Entities; (iii) providing services or products that are specifically designed for, or targeted at, Subject Entities; or (iv) commercial interests or arrangements with entities engaging in the business activities described in (iii). The business activities in (iii) and (iv) are referred to as “**Ancillary Services Activities**”.

¹ See the memoranda issued by James M. Cole, Deputy Attorney General, U.S. Department of Justice entitled *Memorandum for All United States Attorneys: Guidance Regarding Marijuana Enforcement* (August 29, 2013) and *Memorandum for All United States Attorneys: Guidance Regarding Marijuana Related Financial Crimes* (February 14, 2014).

Continued Listing Review

As part of the Exchange's standard continued listing review of listed issuers, the Exchange selects issuers for in depth reviews based on their continuous disclosure records. The Exchange notes that the Manual requires that each listed issuer disclose material information regarding its business and affairs.

In the context of its continued listing review of listed issuers in the marijuana sector, the Exchange expects to group issuers into two categories. The first category is composed of issuers with business activities that involve the cultivation, distribution or possession of marijuana in any jurisdiction. The second category is composed of issuers that do not cultivate, distribute or possess marijuana, but that appear to be engaging in Ancillary Services Activities. The Exchange expects to contact listed issuers identified in its continued listing review by the end of the year for a more comprehensive review.

Listed issuers should proactively work to address any gaps in their compliance with the Requirements. The Exchange notes that if a listed issuer is engaging in activities that are contrary to the Requirements, the Exchange has the discretion to initiate a delisting review under Policy 2.9 of the Manual.

Pre-Filing Meetings

The Exchange is aware that legislation applicable to the marijuana sector is evolving rapidly. The Exchange has prepared this Bulletin based on its experience to date and continues to monitor legal developments affecting this sector. The Exchange strongly recommends that applicants and listed issuers considering engaging in marijuana-related activities in the United States consult with the Exchange and consider the guidance in this Bulletin accordingly. The Exchange continues to welcome all qualified applicants that are conducting business activities in any sector provided that the applicant is complying with the Requirements. In particular, the Exchange continues to welcome qualified applicants in the marijuana sector that operate within Canada and comply with applicable Canadian law.