



POLICY 4.7

CHARITABLE OPTIONS

Scope of Policy

The Exchange has established requirements for the granting of charitable options in connection with an Initial Public Offering of securities by an Issuer. This Policy does not permit the granting of charitable options by Issuers that have securities already listed and posted for trading on the Exchange.

An eligible issuer must apply to the Exchange for approval to grant any charitable option and to list the securities issuable upon its exercise. The charitable option will be required to be distributed by the eligible issuer pursuant to the Initial Public Offering of securities, and is subject to the limitations provided in *Policy 4.4 - Incentive Stock Options*. Generally, the Exchange will provide approval for those charitable options that conform to the requirements set out below.

Transfers of escrowed securities from security holders of an Issuer, including a CPC that has completed a Qualifying Transaction, to an Eligible Charitable Organization will be permitted if such transfer is in accordance with *Policy 5.4 – Escrow, Vendor Consideration and Resale Restrictions*.

The main headings for this Policy are:

1. Definitions
2. Requirements
3. Other

1. Definitions

1.1 In this Policy:

"Charitable Option" means an option or warrant that is exercisable for Eligible Securities and is granted by an Eligible Issuer to an Eligible Charitable Organization.

"Charitable Organization" means "charitable organization" as defined in the Income Tax Act (Canada) as amended from time to time.

"Eligible Charitable Organization" means:

- (a) any Charitable Organization or Public Foundation which is a Registered Charity, but is not a Private Foundation, or
- (b) a Registered National Arts Service Organization.

"Eligible Issuer" means a company, corporation, trust or limited partnership which

- (a) is an Unlisted Issuer,
- (b) has filed a preliminary Prospectus for its IPO, and
- (c) has received conditional approval from the Exchange for the listing of Eligible Securities.

"Eligible Securities" means securities issuable from the treasury of an Eligible Issuer that are securities of the class or series being offered for sale to the public pursuant to the IPO Final Prospectus.

"IPO" means initial public offering of securities of the Eligible Issuer.

"IPO Closing" means the first date upon which any securities are issued or distributed pursuant to the IPO Final Prospectus.

"IPO Final Prospectus" means the Eligible Issuer's IPO final prospectus for which a final receipt has been issued by a Securities Commission.

"IPO Price" means the price to the public per security of the class or series sold pursuant to the IPO Final Prospectus.

"Private Foundation" means "private foundation" as defined in the Income Tax Act (Canada) as amended from time to time.

"Public Foundation" means "public foundation" as defined in the Income Tax Act (Canada) as amended from time to time.

"Registered Charity" means "registered charity" as defined in the Income Tax Act (Canada) as amended from time to time.

"Registered National Arts Service Organization" means "registered national arts service organization" as defined in the Income Tax Act (Canada) as amended from time to time.

"Unlisted Issuer" means a company, corporation, trust or limited partnership which has no securities listed or quoted on any stock exchange nor has outstanding securities for which trading is reported to or through a stock exchange or public market.

2. Requirements

- 2.1 An Eligible Issuer may grant Charitable Options at any time before the IPO Closing and, prior to the IPO Closing, must apply to the Exchange for approval to list all securities issuable upon exercise of such Charitable Options. All Charitable Options must be qualified for distribution pursuant to the IPO Final Prospectus.
- 2.2 The aggregate number of securities of the class or series that may be issuable upon exercise of all Charitable Options granted by an Eligible Issuer must not at any time exceed 1% of the total number of securities of that class or series (calculated on a non-diluted basis and adjusted for any stock splits and stock consolidations) outstanding immediately after the IPO Closing.
- 2.3 No Charitable Option may:
- (a) be assigned or transferred in whole or in part;
 - (b) subject to Section 2.2 above, be exercised until after the IPO Closing and the concurrent listing of the Eligible Securities on the Exchange;
 - (c) be exercised at a price per security that is payable other than in cash;
 - (d) be exercised at a price that is less than the IPO Price; or
 - (e) expire after the earlier of:
 - (i) a date that is not more than 10 years from the IPO Closing; and
 - (ii) the 90th day following the date that the holder of the Charitable Option ceases to be an Eligible Charitable Organization.

3. Other

- 3.1 A Charitable Option may contain anti-dilution provisions to cover stock splits or consolidations, share reclassifications, payment of stock dividends and other distributions; however, the terms and conditions of a Charitable Option may not be amended or made subject to amendment after its grant other than to give effect to such anti-dilution provisions or to provide for the cancellation of the Charitable Option in order to enable its grantor to comply with the provisions of Section 2.2 above.
- 3.2 After an Eligible Issuer completes its IPO Closing and becomes an Issuer listed on the Exchange, such Issuer's Charitable Options and the securities that are issuable upon their exercise will be treated by the Exchange as a separate reserve of securities that will not be applied toward the limits prescribed by the Exchange for options that may be granted by the Issuer under its stock option and stock purchase plans or other share compensation arrangements, provided that all of the Issuer's outstanding Charitable Options conform in every respect to the provisions of Sections 2 and 3.1 above, inclusive.

- 3.3 The details of any exercise of a Charitable Option (including the date of exercise and the number of securities issued on exercise) must be promptly reported in writing to the Exchange by the Issuer.
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