



CANADIAN REAL ESTATE PUBLIC FINANCING NEWS

From April 12 to 23, 2010

2010-2

Real Estate in Third Place in Canada regarding Public Equity Raised

According to the Toronto Stock Exchange and the TSX Venture Exchange, the amount of equity capital raised on such exchanges in the real estate sector would make it the third highest sector for the period of January 1st to March 31, 2010.

The mining sector has raised \$2.2 billion, the energy and energy services sector has raised \$1.4 billion and the real estate sector has raised \$1.1 billion. This strong activity points to the increased interest of real estate investors in Canada.

New Exchange Policy

The TSX Venture Exchange (TSX-V) has announced some newsworthy Policy amendments effective June 14, 2010. In particular, the TSX-V amends its minimum listing requirements for new issuers and continued listing requirements for issuers. Furthermore, the Capital Pool Companies Program (CPC) has also been amended. For real estate issuers, the main amendments are the following:

Minimum Listing Requirements – The listing requirements on the TSX-V are classified based on the industry segment of the issuer's business, such as mining, oil and gas, technology or industrial, research and development, real estate or investment. The TSX-V further classifies issuers into two groups, Tier 1 and Tier 2. Tier 1 is reserved for the issuers with the most significant financial resources. Tier 1 issuers benefit from decreased filing requirements and improved service standards. Once listed, a Tier 2 issuer may become a Tier 1 issuer subject to meeting the required conditions.

In the real estate sector, the minimum listing requirements of the TSX-V deal with net tangible assets, working capital and financial resources for a given period after listing, and the number of public security holders. A sponsor report by a member of the TSX-V may be required. Even if an issuer meets specific policy requirements, the TSX-V will have discretion to impose additional requirements. The TSX-V will consider the public interest and any facts or circumstances unique to the issuer.

New Initial Listing Requirements for Tier 1 Real Estate Issuers:

- a) Adequate working capital or financial resources to execute its business plan for the 18 month period following listing, as well as \$200,000 in unallocated funds.
- b) 1 million shares not subject to resale restrictions held by at least 250 public shareholders each holding at least a board lot and 20% of all issued and outstanding shares are in the hands of public shareholders.
- c) Net tangible assets of at least \$5M.

The enclosed information was obtained from press releases and other public documents.

This Bulletin provides general information on recent developments and should not be viewed as legal advice; no legal steps should be taken on the basis of this Bulletin.

New Initial Listing Requirements for Tier 2 Real Estate Issuers:

- a) In addition to adequate working capital or financial resources to execute its business plan for the 12 month period following listing, Tier issuers must have \$100,000 in unallocated funds.
- b) 500 000 shares not subject to resale restrictions held by at least 200 public shareholders each holding at least a board lot (1,000 units of a security trading at less than \$0.10 per unit, 500 units of a security trading at \$0.10 per unit and less than \$1.00 per unit, and 100 units of a security trading at \$1.00 or more per unit); and 20% of all issued and outstanding shares are in the hands of public shareholders.
- c) A public shareholder means a shareholder that is not a promoter, insider, or an associate or an affiliate of an insider, nor any member of the pro group.
- d) Real estate issuers will be able to choose from a \$2M net tangible asset or \$3M arm's length financing test.

Continued Listing Requirements for Real Estate Issuers – The policy of the TSX-V describes the minimum standards to be met by the issuer to continue to qualify for listing in each Tier. These minimum standards relate to financial situation, business activity and public security holder distribution of issuers. Tier 1 and Tier 2 issuers have distinct maintenance requirements. If an issuer fails to meet its tier maintenance requirements, the TSX-V may move a Tier 1 issuer to Tier 2 level, or a Tier 2 issuer to NEX which is a separate board of the TSX-V. NEX provides a new trading forum for listed issuers that have fallen below the TSX-V ongoing listing standards and have low levels of business activities or have ceased to carry on active business. Issuer listed on NEX may seek additional opportunities to refinance, reactivate or reinvent themselves. The Tier maintenance requirements of the TSX-V for real estate issuers are as follows:

- a) A Tier 1 issuer will be able to meet continued listing requirements if it will continue to meet the Tier 1 initial real estate listing requirements.
- b) A Tier 2 issuer will be able to satisfy the public distribution and market capitalization test if i) not less than 500,000 shares not subject to resale restrictions are held by at least 150 public shareholders holding at least one board lot each and ii) these shares represent at least 10% of the listed shares and have a minimum market capitalization of \$100,000.
- c) With respect to working capital, a Tier 2 issuer will be able to satisfy the metric with the greater of (i) \$50,000 and (ii) the amount required to maintain operations and cover general and administrative expenses for a period of 6 months.
- d) With respect to activity tests, a Tier 2 issuer will be able to satisfy its activity tests based on either (i) its most recently completed financial year (positive cash flow, \$150,000 of operating revenues or \$150,000 of expenditures relating to the development of its assets or business) or (ii) its two most recently completed financial years (\$300,000 of operating revenues or \$300,000 of expenditures relating to the development of its assets or business).

Capital Pool Company Program – The TSX Venture Exchange announced on April 12, 2010 amendments to its capital pool companies program (CPC). Notably, the maximum aggregate gross proceeds to the

treasury of a CPC before listing increases from \$2M to \$5M. Furthermore, the minimum total amount of seed capital has been increased where the gross proceeds of the CPC exceed \$2M.

STOCK MARKET ACTIVITY

April 13, 2010 – **First Capital Realty Market Activity Inc.** has announced completion of its \$75M aggregate principal amount of 5.70% series I senior unsecured debentures due November 30, 2017.

April 14, 2010 – **Artis Real Estate Investment Trust** filed a final short form prospectus to qualify the distribution of 6.00% Series F convertible redeemable unsecured subordinated debentures due June 30, 2020 at a price of \$1,000 per debenture for an aggregate principal amount of \$75M. Artis has granted to the underwriters an over-allotment option to purchase up to an additional 11,250 debentures having an aggregate principal amount \$11,250,000. On April 22, 2010, Artis announced that it has completed this offering for aggregate gross proceeds of \$86,250,000.

April 20, 2010 – **Morguard Sunstone Real Estate Income Fund** has filed an initial preliminary prospectus to qualify the distribution of units at a price of \$10 per unit.

Michel G. Beaudin
mbeaudin@degrandpre.com
514 878-3224

Claude Désy
cdesy@degrandpre.com
514 878-3207

