

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20724

In the Matter of

PETROLIA ENERGY CORPORATION,

Respondent.

**PETROLIA ENERGY CORPORATION'S RESPONSE TO
DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION AS TO
PETROLIA ENERGY CORPORATION AND BRIEF IN SUPPORT**

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RESPONSE TO MOTION FOR SUMMARY DISPOSITION

The Division of Enforcement (“***Division***”) filed its Motion for Summary Disposition as to Petrolia Energy Corporation and Brief in Support (the “***Motion***”). Petrolia Energy Corporation (“***BLS***”) files this Response to the Motion.

Pursuant to Section 12(j) of the Securities and Exchange Act of 1934 (“***Exchange Act***”) and the Commission’s precedent on the *Gateway* factors, BLS makes a showing of genuine issues of material fact on the *Gateway* factors sufficient such that the Commission should defer decision on the Motion if certain specific benchmarks are reached.

BRIEF IN SUPPORT

I. OVERVIEW AND SUPPORT:

BLS suffered through a lengthy period encumbered by bad managerial execution and poor financial performance. However, by the fall of 2021, about six months ago, management was replaced and, now the finances are turning positive. Thus, as this brief, the attached affidavit and the 5 exhibits demonstrate, *in the allotted 35 pages per Rule 250(c)*¹, the Commission should, at a minimum, defer

¹ Rule 250(c) reads “The motion for summary disposition, supporting memorandum of points and authorities, and any declarations, affidavits or attachments shall not exceed 35 pages in length.” The Division's 72 total pages not only disregards this rule but, without correction, may work an injustice against BLS.

decision on the motion until BBLs is able to reach certain specific benchmarks.

This Response to The Division's Motion for Summary Disposition is supported by the affidavit of Mark Allen attached as Exhibit "A" and incorporated herein by reference as though set forth herein verbatim (the "Allen Affidavit") and the 5 Exhibits attached to the Allen Affidavit, all of which are incorporated herein by reference in this Response as though set forth herein verbatim.

II. FACTS

A. Issuer Background.

BBLs (CIK No. 799235) is a Texas corporation located in Houston, Texas, with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g).

BBLs was incorporated as a Colorado corporation on January 16, 2002. Effective September 2, 2016, BBLs formally changed its name to Petrolia Energy Corporation and moved the corporation from Colorado to Texas, pursuant to the filing of a Statement of Conversion with the Secretary of State of Colorado and a Certificate of Conversion with the Secretary of State of Texas.

BBLs's filing obligations with the Securities and Exchange Commission (the "SEC" or the "Commission") began on December 21, 2006, upon the effectiveness

of a Form SB-2 Registration Statement originally filed with the SEC on July 25, 2006.

In the Division's Motion, the Division writes: "As of January 10, 2022, unsolicited quotations for the common stock of BBLs were quoted on OTC Link operated by OTC Markets Group, Inc." This is misleading, or false, or both. The website <https://www.otcmartets.com/stock/BBLs/overview> indicates 'warning' on BBLs stock due to the September 28, 2021 amendments to Exchange Act Rule 15c2-11. The OTC markets website also shows that no shares of BBLs stock have been traded since September 27, 2021. See Exhibit "A-5" attached to the Allen Affidavit. The term 'unsolicited quotations' is neither defined nor its significance explained.

B. BBLs's Filings.

BBLs has made its required filings for years, Form 10-K's and Form 10-Q's have been filed since 2008 through the September 30, 2020 10-Q. During 2020, BBLs was undergoing financial and managerial turmoil and certain filings were not made.

However, BBLs has always reported certain material corporate events on a more current basis through Form 8-K filings to announce major events that shareholders should know about. BBLs has filed ten (10) Form 8-K's since September 3, 2021 through March 18, 2022.

BBLS engaged M&K CPAS, PLLC (“M&K”) to audit the consolidated balance sheets as of December 31, 2019 and December 31, 2020, and the related consolidated statements of operations, shareholders’ equity, cash flows, and the related notes and schedules. In conjunction with the annual audit, M&K agreed to perform reviews of the Company’s unaudited quarterly financial information for the second and third quarter of 2019 as well as the first three quarters of 2020.

Since M&K was first engaged with BBLS, BBLS has filed its 2019 Form 10-K and five quarterly reports as follows: 2019 Q2 Form 10-Q, 2019 Q3 Form 10-Q, 2020 Q1 Form 10-Q, 2020 Q2 Form 10-Q, and 2020 Q3 Form 10-Q. M&K is still actively engaged with BBLS through the filing of the 2020 Form 10-K. M&K is actively working on the 2020 audit. BBLS is in the process of completing additional deficient filings (as confirmed by the engagement letters from its independent auditors M&K attached as Exhibit “A-1” and “A-2”, and the M&K letter “A-3”, all attached to the Allen Affidavit).

BBLS currently has five reports outstanding. BBLS is working diligently with M&K to get them filed as soon the possible.

III. APPLICABLE STANDARDS

A. Rule of Practice 250.

U.S. Securities and Exchange Commission Rule 250, Rules of Practice, provides, in part:

“Motion for Summary Disposition. (a) After a respondent’s answer has been filed and, in an enforcement or a disciplinary proceeding, documents have been made available to that respondent for inspection and copying pursuant to Rule 230, the respondent, or the interested division may make a motion for summary disposition of any or all allegations of the order instituting proceedings with respect to that respondent. If the interested division has not completed presentation of its case in chief, a motion for summary disposition shall be made only with leave of the hearing officer. *The facts of the pleadings of the party against whom the motion is made shall be taken as true*, except as modified by stipulations or admissions made by that party, by uncontested affidavits, or by facts officially noted pursuant to Rule 323. (b) *The hearing officer shall promptly grant or deny the motion for summary disposition or shall defer decision on the motion....*”

(emphasis added).

The Division cited *Edward Becker*, Initial Decision Rel. No. 252, 2004 SEC LEXIS 1135, at *5 (June 3, 2004) for the proposition that a motion for summary disposition is analogous to a Federal Rule 56 motion for summary judgment. To that point, the Supreme Court wrote in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986): “Our prior decisions may not have uniformly recited the same language in describing genuine factual issues under Rule 56, but it is clear enough from our recent cases that at the summary

judgment stage the judge's function is not himself to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial." *Anderson*, 477 U.S. at 249 (1986).

B. The Gateway Factors.

In *Gateway International Holdings, Inc.*, Exchange Act Release No 53907, 2006 WL 1506286, at *4 (May 31, 2006) (citing *Steadman v. SEC*, 603 F.2d 1126, 1139-40 (5th Cir. 1979)) the SEC Commission established a multi-factor test to use in determining an appropriate sanction when an issuer has failed to make required filings:

“[W]e will consider, among other things, the seriousness of the issuer's violations, the isolated or recurrent nature of the violations, the degree of culpability involved, the extent of the issuer's efforts to remedy its past violations and ensure future compliance, and the credibility of its assurances, if any, against further violations.”

IV. ARGUMENT

A. The Nature of BBL's violations.

While a violation is not disputed, the 'seriousness' of such violation is disputed.

Presently there are 2 Form 10-K's and 3 Form 10-Q's not filed yet. This is less than the violations in *American Stellar Energy, Inc.*, Exchange Act Release No. 64897, 2011 WL 2783483, at *4 (July 18, 2011) (ten delinquent periodic filings);

and *Impax Labs., Inc.*, Exchange Act Release No. 57864, 2008 WL 2167956, at *7 (May 23, 2008) (eight delinquent periodic filings). The fact that Form 12b-25s (short extensions) were not filed is because BBLs knew it would not meet the extended deadline and could not state that it planned to meet the deadline until it cured the prior delinquent reports which BBLs was working to file.

As addressed below, BBLs is on a schedule to file the 5 reports and get current on all of the filings.

B. The Isolated or Recurrent Nature of the Violations.

On October 1, 2015, BBLs hired a new CEO, Zel Khan (“*Khan*”). BBLs has alleged in pending litigation in Harris County, Texas that Khan made multiple and repeated material misrepresentations in the course of carrying out his actions to bind BBLs to loan agreements, over-allocate security interests on those loans, and engage in self-dealing by entering into agreements with companies controlled by both his immediate family members and business associates.

Khan served as Chief Executive Officer for BBLs until September 1, 2021. Shortly after Khan’s resignation, Carla Petty, BBLs’s Controller also resigned, making it difficult to file required SEC filings in a timely manner. BBLs suffered serious economic damages as a result of Khan’s actions.

After the departure of Khan, Mark Allen took over BBLs as the CEO of Petrolia Energy Corporation. Mr. Allen immediately hired Heather Monk, a CPA, to handle BBLs's financial reporting obligations. Mr. Allen also retained Paul Deputy as the corporate Acting CFO. BBLs retained M&K to make a concerted effort to get all the filings current on an ongoing basis. M&K is a full-service CPA firm based in Houston, Texas that serves the audit & assurance, financial reporting and tax needs of growing micro and small-cap publicly-traded companies across the U.S.

In May 2020, BBLs purchased a 50% working interest in the Utikuma Lake field in Alberta, Canada. As a result, BBLs has added an estimated 250 barrels of oil equivalent per day of net production. The current monthly cash generated, and the future potential monetization of the Utikuma Lake asset, are important factors in the future of BBLs. BBLs has retained Canadian counsel to ensure that BBLs is paid its share of monthly production from the Utikuma asset. Still, BBLs is turning around its financial situation to the positive.

Effective April 1, 2022, BBLs started selling its oil in-kind so the monthly revenue will come directly to BBLs. This is expected to bring about \$600,000 in cash to BBLs beginning on or about May 25, 2022. Monthly cash is expected to be

about the same going forward, depending on future oil prices and production volumes. See a true and correct copy of the February 10, 2022 letter from Blue Sky Resources Ltd. giving authorization for BBLs to start selling their proportionate share of oil on April 1, 2022 attached to the Allen Affidavit as Exhibit “A-4”.

Current management has engaged M&K and is making a concerted effort to get all the filings current on an ongoing basis. BBLs’s engagement of M&K is a concrete and effective measure to cure BBLs’s filing issues. *Cf. Phlo Corp.*, Exchange Act Release No. 55562, 2007 WL 966943, at *16 (Mar. 30, 2007).

C. The Degree of Culpability Involved.

Facts matter, and the facts in the case at bar suggest that BBLs has a low degree of culpability.

Once new management took over in 2021, BBLs undertook an immediate campaign to cure the 10-Q and 10-K filing deficiencies. As noted in the Division’s Exhibit 10, BBLs has filed 5 Form 10-Q’s and 1 Form 10-K between May and December 2021.

BBLs filed 2 Form 10-Q’s and 1 Form 10-K in May of 2021 – before receiving the July 8, 2021 delinquency letter from the Division of Corporation Finance. The other 3 Form 10-Q’s were filed between one month and five months from the date of the Division of Corporation Finance’s letter.

While BBLs's filing violation was not accidental, BBLs has NOT persisted in noncompliance after receiving the delinquency letter, in fact, quite the opposite, BBLs has focused its time and financial resources on full compliance. As noted, BBLs has filed 1 Form 10-K and 5 Form 10-Q's within the last year, as well as filing Form 8-Ks keeping the BBLs investors updated on current activities. See, e.g. *China-Biotics, Inc.*, Exchange Act Release 70800, 2013 SEC LEXIS 3451, at *37 (Nov. 4, 2013). As noted above, BBLs has filed ten (10) Form 8-K's since September 3, 2021 through March 18, 2022.

D. The Extent of BBLs's Efforts to Remedy its past Violations and Ensure Future Compliance.

When a company has filing violations, the Commission should look to see whether there is a compelling showing on the remaining factors—remedial efforts and assurances against future violations. See, *Absolute Potential, Inc.*, Exchange Act Release No. 71866, 2014 WL 1338256, at *6 (Apr. 4, 2014) (citing *Impax Labs, Inc.*, 2008 WL 2167956, at *8).

Thus, in the case at bar there should not be a presumption in favor of revocation because BBLs's evidentiary showings, especially with respect to the third and fourth *Gateway* factors, do not justify revocation. Cf. e.g., *Impax Labs.*,

Inc., Exchange Act Release No. 57864, 2008 WL 2167956, at *8 (May 23, 2008); *Calais Res., Inc.*, Exchange Act Release No. 67312, 2012 WL 2499349, at *4 (June 29, 2012); *Cobalis Corp.*, Exchange Act Release No. 64813, 2011 WL 2644158, at *5 (July 6, 2011).

E. The Credibility of BBLs's Assurances Against Future Violations.

BBLs's assurances that it will become completely compliant are credible for three reasons: (1) BBLs met self-imposed deadlines; (2) BBLs established it has sufficient resources to prepare filings; and, (3) most significantly, BBLs has proposed a timeline (*supra*) for filing all required documents and is willing to voluntarily relinquish its registration if BBLs does not file the documents by the stated deadline.

“In determining whether an issuer’s assurances against future violations are credible, one factor we consider is whether the issuer is able to adhere to reasonable schedules that the issuer has proposed for the fulfillment of delinquent filing obligations” *American Stellar Energy, Inc.*, Exchange Act Release No. 64897, 2011 WL 2783483, at *5 (citing *Nature’s Sunshine Prods., Inc.*, Exchange Act Release No. 59268, 2009 WL 137145 (Jan. 21, 2009)).

BBLs has engaged and paid external accounting professionals. BBLs has shown that it has the resources suggesting the strong likelihood of continuing or future timely filing. Such financial ability negates the conclusion that a lack of resources mandates a revocation. See, *America's Sports Voice, Inc.*, Exchange Act Release No. 55511, 2007 WL 858747, at *4 (2007).

The evidence of the filing to cure the filing deficiencies both before and after the July 8, 2021, delinquency letter from the Division of Corporation Finance establishes the credibility of BBLs's assurances against future violations.

BBLs is not a shell company. BBLs now has operating revenue sufficient to pay its outside accountants, M&K, to make the past due filings and keep current going forward in the future. BBLs now has control over its financial reporting. The assurances of future compliance are credible.

The facts of the pleadings of the party against whom the motion is made shall be taken as true. See, Rules of Practice 250. The Commission should draw 'all justifiable inferences' in BBLs's favor, see, *Beard v. Banks*, 548 U.S. 521, 529-30 (2006), see also, *Bays v. Montmorency County*, 874 F.3d 264, 268 (6th Cir. 2017).

F. BBLs Offered Remediations.

In an effort to ensure a deferment on the decision on this matter, BBLs offers the following timetable for filing the delinquent forms:

<p>BBLs will file 2020 Form 10-K by May 15, 2022; BBLs will file 2021 Q1 Form 10-Q by June 15, 2022; BBLs will file 2021 Q2 Form 10-Q by July 15, 2022; BBLs will file 2021 Q3 Form 10-Q by July 30, 2022; BBLs will file 2021 Form 10-K by September 15, 2022; BBLs will file 2022 Q1 Form 10-Q by October 15, 2022; BBLs will file 2022 Q2 Form 10-Q by October 30, 2022; and BBLs will thereafter stay current on its filings.</p>

If these forms are not filed as per the above chart, then BBLs will immediately acquiesce to the revoking registration of BBLs's securities pursuant to Section 12(j) of the Securities Exchange Act of 1934.

Deferring a decision on the Division's Motion to hold BBLs to a timetable or face automatic revocation constitutes the protective of deterrence that the Division seeks. Also, deferring a decision on the Division's Motion to hold BBLs to a timetable or automatic revocation complies with the law and equity inherent in the

Gateway factors. *Cf., Advanced Life Sciences Holdings, Inc.*, Exchange Act Rel. No. 81253, 2017 WL 3214455 at *6 (July 28, 2017).

G. Revocation Will Harm BBLs's Investors.

Returning to the Gateway decision, the Commission's determination "turns on the effect on the investing public, including both current and prospective investors, of the issuer's violations, on the one hand, and the Section 12(j) sanctions on the other hand." *Gateway*, 2006 SEC LEXIS 1288, at *19-20 (May 31, 2006).

As the Commission is aware, on September 28, 2021, the amendments to Exchange Act Rule 15c2-11 became effective. These regulatory changes prohibit broker-dealers from displaying or submitting quotes (i.e., bids or asks) for securities of issuers that have not met public reporting requirements. That is, BBLs stock is not eligible for proprietary broker-dealer quotations. The amendments to the Rule effectively eliminate the ability of market makers to quote in OTC securities of issuers that fail to keep certain information current and make that information publicly available.

Revoking the registration of each class of securities registered pursuant to Section 12 of the Exchange Act of BBLs, would not be in the public's interest, or the best interests of shareholders of BBLs. Enforcement's argument that the filings protect shareholders does not hold water because under the amendments to

Exchange Act Rule 15c2-11, there is no direct public harm anymore for non-filing because BBLs stock is not eligible for proprietary broker-dealer quotations anyway.

Additionally, if revocation was granted, shareholders of BBLs would no longer be required to receive material information regarding BBLs's operations and financial condition such as the ten (10) Form 8-K's filed by BBLs in the last eight months. Revocation would materially adversely affect the value of BBLs's securities and shareholders receipt of information necessary to ascertain the true value of such securities.

As described above, BBLs's failure to timely file reports with the Commission was due to internal matters that have been addressed and corrected. BBLs, along with M&K, have made progress in filing deficient periodic reports, including on December 13, 2021, filing its Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

BBLs remains committed to bring its filings current with the Commission and is continuing to work towards that goal.

V. CONCLUSION

BBLs has worked consistently to honor its commitments to the Commission and its investors and to meet its obligations as an Exchange Act Section 12 registrant. For the reasons set forth above, BBLs requests that this Motion for Summary

Disposition be DENIED or, in the alternative, DEFER the decision on the motion until October 30, 2022, at the latest, to permit BBLs to reach certain specific benchmarks.

Dated: April 28, 2022

Respectfully submitted,

By: 

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the above Response to The Division of Enforcement's Motion for Summary Disposition and Affidavit of Mark Allen and supporting exhibits – *A TOTAL OF 35 PAGES AS PER RULE 250(c) "THE MOTION FOR SUMMARY DISPOSITION, SUPPORTING MEMORANDUM OF POINTS AND AUTHORITIES, AND ANY DECLARATIONS, AFFIDAVITS OR ATTACHMENTS SHALL NOT EXCEED 35 PAGES IN LENGTH"* – was served electronically through the electronic filing manager and/or by email by upon all persons or counsel at the address(es) below on the 28th day of April 2022:

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David Loev

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20724

In the Matter of PETROLIA ENERGY CORPORATION, Respondent.

**AFFIDAVIT OF MARK ALLEN IN SUPPORT OF
PETROLIA ENERGY CORPORATION'S RESPONSE TO
DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION AS TO
PETROLIA ENERGY CORPORATION AND BRIEF IN SUPPORT**

STATE OF TEXAS §
 §
COUNTY OF FORT BEND §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Mark Allen, who, being by me duly sworn on his oath deposed and said that every statement contained in his affidavit is within his personal knowledge and is true and correct.

- A. “My name is Mark Allen. I am the CEO of Petrolia Energy Corporation (“**BBLs**”) in the above-captioned Administrative Proceeding. I am authorized by BBLs to file this affidavit in support of “Petrolia Energy Corporation’s Response to Division of Enforcement’s Motion for Summary Disposition as to Petrolia Energy Corporation and Brief in Support” (the “**Response**”).
- B. “I am over 21 years of age. I am fully competent to make this affidavit. I have never been convicted of a felony or of a crime involving moral turpitude. The facts in this affidavit are within my personal knowledge and are true and correct.
- C. “BBLs (CIK No. 799235) is a Texas corporation located in Houston, Texas, with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g).
- D. “BBLs was incorporated as a Colorado corporation on January 16, 2002. Effective September 2, 2016, BBLs formally changed its name to Petrolia Energy Corporation and moved the corporation from Colorado to Texas, pursuant to the filing of a Statement of Conversion with the Secretary of State of Colorado and a Certificate of Conversion with the Secretary of State of Texas.
- E. “On October 1, 2015, BBLs hired a new CEO, Zel Khan (“**Khan**”). Khan served as Chief Executive Officer for BBLs until September 1, 2021. BBLs has alleged in pending litigation in Harris County, Texas that Khan made multiple and repeated material misrepresentations in the course of carrying out his actions to bind BBLs to loan agreements, over allocate security interests on those loans, and engage in self-dealing by entering into agreements with companies both his immediate family members and business associates had ties to. Shortly after Khan’s resignation, Carla Petty, BBLs’s Controller also resigned, making it difficult to file required SEC filings in a timely manner. BBLs suffered serious economic damages as a result of Khan’s actions.

- F. “After the departure of Khan and Carla Petty, I immediately hired Heather Monk, CPA, to handle BBL’s financial reporting obligations. I also renewed the consulting agreement with Paul Deputy, BBL’s Acting CFO. BBL retained M&K CPAS, PLLC (“M&K”) to make a concerted effort to get all the filings current on an ongoing basis. M&K is a full-service CPA firm based in Houston, Texas that serves the audit & assurance, financial reporting and tax needs of growing micro and small-cap publicly traded companies across the U.S. BBL is in the process of completing additional deficient filings. See a true and correct copy of the first page of the signed contract with M&K through the filing of the 2020 10-K attached as Exhibit “A-1” and incorporated by reference into this affidavit and the Response as though fully set forth herein verbatim.
- G. “Once new management took over in 2021, BBL undertook an immediate campaign to cure the 10-Q and 10-K filing deficiencies. As noted in the Division’s Exhibit 10, BBL has filed 5 10-Q’s and 1 10-K between May and December 2021.
- H. “BBL filed 2 10-Q’s and 1 10-K in May of 2021 – before the July 8, 2021 delinquency letter from the Division of Corporation Finance to BBL. The other 3 10-Q’s were filed between one month and five months from the date of the Division of Corporation Finance’s letter.
- I. “BBL has always reported certain material corporate events on a more current basis through Form 8-K filings to announce major events that shareholders should know about. In the last 8 months, BBL has filed ten (10) Form 8-K’s since September 3, 2021 through March 18, 2022.
- J. “BBL has recently signed an audit engagement letter with M&K to continue work on the required filings. See a true and correct copy of 4 pages of the engagement audit letter to complete and file the 2021 Q1, Q2, and Q3 Form 10-Qs and the 2021 Form 10-K, as well as the 2022 Q1 and Q2 Form 10-Qs is attached to this affidavit as Exhibit “A-2”, and, see a true and correct copy of the M&K letter of February 2022 on the commitment of M&K to work with BBL, both attached to this affidavit as Exhibit “A-3” and both incorporated by reference into this affidavit and the Response as though fully set forth herein verbatim

- K. “Effective April 1, 2022, BBLs has started selling its oil in-kind so the monthly revenue will come directly to BBLs. This is expected to bring about \$600,000 in cash to BBLs on about May 25, 2022. Monthly cash is expected to be about the same going forward, depending on future oil prices and production volumes. See a true and correct copy of the February 10, 2022 letter from Blue Sky Resources Ltd. giving authorization for BBLs to start selling their proportionate share of oil on April 1, 2022 attached to this affidavit as Exhibit “A-4” and incorporated by reference into this affidavit and the Response as though fully set forth herein verbatim.
- L. In reviewing the Declaration of Sandhya C. Harris in Support of Division of Enforcement’s Motion for Summary Disposition (the “***Harris Declaration***”), I noted a few issues that are incorrect or misleading which should be identified:
- a. First, in paragraph 2 of the Harris Declaration there is a referenced to “Smartag International, Inc. I am unaware of this corporation or its significance to BBLs;
 - b. Second, in paragraph 3 of the Harris Declaration there is a reference to the Texas Division of Corporations which I am unfamiliar with, but, in any event, the exhibit is from the Texas Office of the Comptroller, and it is true that BBLs is active in business;
 - c. Third, in paragraph 4 of the Harris Declaration there is a reference to a true copy of a printout from www.otcquote.com showing the trading status of BBLs. This is both incorrect because www.otcquote.com does not exist. Worse, this is misleading as the exhibit, from <https://www.otcmarkets.com> does not establish any trading status of BBLs. Worse still, and even more misleading, if a person actually went to <https://www.otcmarkets.com/stock/BBLs/overview> they would see that there has been NO TRADING in BBLs stock since September 27, 2021. See a true and correct copy of the snip from <https://www.otcmarkets.com/stock/BBLs/overview> attached to

this affidavit as Exhibit “A-5” and incorporated by reference into this affidavit and the Response as though fully set forth herein verbatim;

- d. Fourth, paragraph 11 of the Harris Declaration and the referenced exhibit are misleading in that they fail to acknowledge that BBLs has made its required filings for years, 10-K’s and 10-Q’s since 2008 from the March of 2008 10-Q through at least the September 30, 2020 10-Q, over 12 years of filings. Also, BBLs has filed ten (10) Form 8-K’s in the last 8 months.
- M. In reviewing The Division of Enforcement’s Motion for Summary Disposition, I noted two issues that are incorrect or misleading which should be identified:
- a. First, on page 2, in footnote one, there is a discussion about an email I wrote. I only suggested that BBLs could file the Q1 2020 10-Q by July 25, 2021. That 10-Q was filed on August 3, 2021. At that time there was no commitment yet as to the Q2 2020 10-Q or beyond;
 - b. Second, on page 9 toward the bottom of the page, the Division states that a key cash-generating asset of BBLs, that BBLs deems an “important” factor for “the future of the Company,” is in the name of the former CEO’s father, rather than BBLs. This is absolutely untrue and may be an incorrect reading of BBLs’s lawsuit against Khan. BBLs does own this asset. As noted above, BBLs has started selling its oil in-kind so BBLs anticipates receiving monthly revenue of about \$600,000 in cash. As monthly cash is expected to be about the same going forward, this is exactly the wrong time to revoke the registration of BBLs Exchange Act Section 12 registered securities.

N. "In an effort to ensure a deferment on the decision on this matter, BBLs offers the following timetable for filing the delinquent forms:

BBLs will file 2020 Form 10-K by May 15, 2022;
BBLs will file 2021 Q1 Form 10-Q by June 15, 2022;
BBLs will file 2021 Q2 Form 10-Q by July 15, 2022;
BBLs will file 2021 Q3 Form 10-Q by July 30, 2022;
BBLs will file 2021 Form 10-K by September 15, 2022;
BBLs will file 2022 Q1 Form 10-Q by October 15, 2022;
BBLs will file 2022 Q2 Form 10-Q by October 30, 2022; and
BBLs will thereafter stay current on its filings.

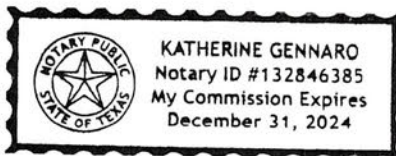
If these forms are not filed as per the above chart, then BBLs will immediately acquiesce to the revoking of the registration of BBLs's securities pursuant to Section 12(j) of the Securities Exchange Act of 1934.

O. "As noted above 1) BBLs has met its own self-imposed deadlines; (2) BBLs has established it has sufficient resources to prepare filings; and, (3) most significantly, BBLs has proposed a timeline for filing all required documents and is willing to voluntarily relinquish its registration if BBLs does not file the documents by the stated deadline."



Mark Allen

SUBSCRIBED AND SWORN TO BEFORE ME on this 27 day of April 2022.



Notary Public, in and for
THE STATE OF TEXAS

EXHIBIT "A-1"



October 16, 2020

Petrolia Energy Corporation
710 N Post Oak, Suite 512
Houston, Texas 77024

We are pleased to confirm our understanding of the services we are to provide for Petrolia Energy Company ("the Company") for the years ended December 31, 2019 and 2020.

We will audit the consolidated balance sheets of the Company as of December 31, 2019 and 2020, and the related consolidated statements of operations, shareholders' equity, cash flows, and the related notes and schedules (collectively referred to as the financial statements) for the years then ended. Based on our audits, we will issue a written report on the Company's financial statements and schedules supporting the financial statements, all of which are to be included in the annual report (Form 10-K) proposed to be filed by the Company under the Securities Exchange Act of 1934.

Audit Objective

The objective of an audit of the financial statements is the expression of an opinion on the financial statements. Accordingly, the objective of our audit is the expression of an opinion about whether the Company's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States.

Auditor Responsibilities

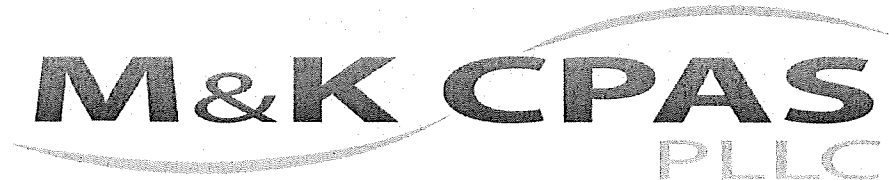
As a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB), we are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are responsible for conducting our audit of the financial statements in accordance with the standards established by the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Because our audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is some risk that material misstatements of the financial statements may exist and not be detected by us. Although not absolute assurance, reasonable assurance is a high level of assurance. Also, a financial statement audit is not designed to detect error or fraud that is immaterial to the financial statements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

We will provide to and discuss with management and the audit committee a draft of the auditor's report. If for any reason we are unable to complete our audit or are unable to form, or have not formed, an opinion, we retain the right to take any course of action permitted by professional standards or regulatory requirements, including declining to express an opinion or issue a report, or withdrawing from the engagement. In that circumstance, we will notify the audit committee and management.

Audit Procedures

Our audit of the financial statements will include performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Our audit will include tests of documentary evidence supporting the transactions recorded in the accounts, including tests of the physical existence of inventories and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. The audit will include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting

A handwritten mark, possibly initials or a signature, located in the bottom right corner of the page.



April 25, 2022

Leo Womack
Chair of the Audit Committee
Petrolia Energy Corporation

We are pleased to confirm our understanding of the services we are to provide for Petrolia Energy Corporation ("the Company") for the year ended December 31, 2021.

We will audit the consolidated balance sheet of the Company as of December 31, 2021, and the related consolidated statements of operations, stockholders' equity (deficit), cash flows, and the related notes (collectively referred to as the "financial statements") for the year then ended. Based on our audit, we will issue a written report on Petrolia Energy Corporation's consolidated financial statements, all of which are to be included in the annual report (Form 10-K) proposed to be filed by Petrolia Energy Corporation under the Securities Exchange Act of 1934.

Audit Objective

The objective of an audit of the financial statements is the expression of an opinion on the financial statements. Accordingly, the objective of our audit is the expression of an opinion about whether Petrolia Energy Corporation's consolidated financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States.

Auditor Responsibilities

As a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB), we are required to be independent with respect to Petrolia Energy Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are responsible for conducting our audit of the consolidated financial statements in accordance with the standards established by the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Because our audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is some risk that material misstatements of the consolidated financial statements may exist and not be detected by us. Although not absolute assurance, reasonable assurance is a high level of assurance. Also, a financial statement audit is not designed to detect error or fraud that is immaterial to the financial statements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

We will provide to and discuss with management and the audit committee a draft of the auditor's report. As required by the standards of the Public Company Accounting Oversight Board, our report will include a section that discusses critical audit matters, if any, identified during our audit. Critical audit matters are matters that are communicated or required to be communicated to the audit committee and that relate to material accounts or disclosures that involved particularly challenging, subjective, or complex auditor judgment. Critical audit matters may involve, among other things, significant management estimates, areas of high audit risk, areas involving a high degree of estimation uncertainty, significant unusual transactions, or significant changes in the consolidated financial statements. For each critical audit matter identified in our report, our report will describe the primary reason(s) we designated that matter as a critical audit matter and how each matter was addressed in the audit, and will make reference to the consolidated financial statement accounts or disclosures related to the critical audit matter. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole. If our audit does not identify any critical audit matters, our audit report will state that conclusion.

If for any reason we are unable to complete our audit or are unable to form, or have not formed, an opinion, we retain the right to take any course of action permitted by professional standards or regulatory requirements, including declining to express an opinion or issue a report, or withdrawing from the engagement. In that circumstance, we will notify the audit committee and management.

OS Received 04/28/2022

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Audit Procedures

Our audit of the consolidated financial statements will include performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Our audit will include tests of documentary evidence supporting the transactions recorded in the accounts, including tests of the physical existence of inventories and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. The audit will include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. In connection with our audit of the consolidated financial statements, we will obtain an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed; however, an audit of the consolidated financial statements is not designed to provide assurance on internal control or to identify internal control deficiencies.

Our audit of the consolidated financial statements will also include reading the other information in the Company's annual report and considering whether other information in the annual report (including the manner of its presentation) contains a material misstatement of fact or is materially inconsistent with information in the consolidated financial statements. However, our audit will not include procedures to corroborate such other information. We are also required to read any document, including the annual report to shareholders and filings with the SEC, that contains or incorporates by reference our audits or interim review reports, or contains any reference to us.

Review of Unaudited Quarterly Financial Information

In conjunction with the annual audit, we will also perform reviews of the Company's unaudited quarterly consolidated financial information for each of the three quarters and the year-to-date periods in the year ending December 31, 2022, which are to be included in the quarterly reports (Form 10-Q) proposed to be filed by Petrolia Energy Corporation under the Securities Exchange Act of 1934. We will also review selected quarterly data specified by Item 302 of Regulation S-K, which is required to be included in the annual report (Form 10-K) proposed to be filed by Petrolia Energy Corporation under the Securities Exchange Act of 1934. For the first three quarters, we will perform reviews of that information before the Form 10-Q is filed. These reviews will be conducted in accordance with the standards of the PCAOB. The objective of a review of interim consolidated financial information is to provide a basis for communicating whether we are aware of any material modifications that should be made to the interim consolidated financial information for it to conform with U.S. generally accepted accounting principles. A review is substantially less in scope than an audit conducted in accordance with PCAOB standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the Company's interim consolidated financial information.

A review of interim financial information consists principally of performing analytical procedures applied to financial data and making inquiries of persons responsible for financial and accounting matters. It includes obtaining sufficient knowledge of the Company's business and its internal control as it relates to the preparation of both annual and interim consolidated financial information (1) to identify the types of potential material misstatements in the interim financial information and consider the likelihood of their potential occurrence, and (2) to select the inquiries and analytical procedures that will provide a basis for communicating whether we are aware of any material modifications that should be made to the interim consolidated financial information for it to conform with U.S. generally accepted accounting principles.

A review does not contemplate tests of accounting records or internal controls, tests of responses to inquiries by obtaining corroborating evidence, or performing certain other procedures ordinarily performed in an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be identified in an audit and cannot be relied on to detect errors, fraud, or illegal acts. Furthermore, given the limited nature of review procedures, we may not become aware of all matters that might affect judgments about qualitative aspects of the Company's accounting policies and procedures. Also, a review is not designed to provide assurance on internal control or to identify material weaknesses or significant deficiencies in internal control.

As agreed, we will not issue a written report on our review of the Company's interim consolidated financial information. However, if the Company refers to the interim consolidated financial information that we have reviewed when such information is included in documents issued to shareholders or third parties, including the SEC, we are required by professional standards to issue a written report on our review, which must accompany the interim financial information in the document.



If, for any reason, we are unable to complete our reviews or are unable to obtain or have not obtained limited assurance on the interim consolidated financial information, we will communicate the circumstances to the audit committee and management.

Auditor Responsibility to Communicate with the Audit Committee and Management

We will communicate to the audit committee and management of the Company, as appropriate, any errors, fraud, or other illegal acts (unless clearly inconsequential) that come to our attention during our audit. In the case of illegal acts that, in our judgment, would have a material effect on the consolidated financial statements, we are also required to follow procedures set forth in the Private Securities Litigation Reform Act of 1995 and in Section 10A of the Securities Exchange Act of 1934, which, under certain circumstances, requires us to communicate our conclusions to the SEC. While the objective of our audit of the consolidated financial statements is not to report on the Company's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the consolidated financial statements, we will communicate in writing to the audit committee and management all material weaknesses and significant deficiencies relating to internal control over financial reporting identified while performing our audit. We will also communicate in writing to management all deficiencies in internal control over financial reporting that are of a lesser magnitude than significant deficiencies not previously communicated in writing by us or by others, including the Company's internal auditors. We will also inform the audit committee when we have communicated to management all internal control deficiencies. If we conclude that the audit committee's oversight of the Company's external financial reporting and internal control over financial reporting is ineffective, we will communicate that conclusion in writing to the Company's board of directors.

We are also responsible for communicating with the audit committee about certain other matters related to our audit, including (1) our audit responsibility under PCAOB standards; (2) information relating to our independence with respect to the Company; (3) an overview of our overall audit strategy, timing of the audit, and significant risks identified during our risk assessment procedures; (4) management's initial selection of, or changes in, significant accounting policies or the application of such policies, and the effect on the Company's consolidated financial statements or disclosures of significant accounting policies in controversial areas or areas for which there is a lack of authoritative guidance or consensus or diversity in practice; (5) the Company's critical accounting policies and practices, including the reasons certain policies and practices are considered critical and how current and anticipated future events might affect the determination of whether certain policies and practices are considered critical; (6) a description of the process management used to develop critical accounting estimates, management's significant assumptions used in critical accounting estimates that have a high degree of subjectivity, and any significant changes management made to the process used to develop critical accounting estimates or management's significant assumptions, including a description of management's reasons for the changes and the effects of the changes on the consolidated financial statements; (7) significant transactions outside of the normal course of the Company's business or that otherwise appear to be unusual due to their nature, timing, or size, along with the policies and practices used to account for significant unusual transactions, and our understanding of the business purpose (or lack thereof) of significant unusual transactions; (8) our evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties; (9) our evaluation of the quality of the Company's financial reporting; (10) corrected misstatements arising from our audit and the implications that such corrected misstatements might have on the Company's financial reporting process; (11) uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate; (12) if applicable, our evaluation of the Company's ability to continue as a going concern; (13) difficult or contentious issues about which we consulted with others and that we believe are relevant to the audit committee's oversight of the financial reporting process; (14) disagreements with management about matters, whether or not satisfactorily resolved, that could be significant to the Company's consolidated financial statements or our report; (15) any concerns we may have related to significant auditing or accounting matters about which management has consulted with other accountants; (16) any issues discussed with management prior to our retention, including significant discussions regarding the application of accounting principles and auditing standards; (17) any significant difficulties encountered in performing the audit; and (18) other matters required to be communicated by PCAOB standards or that are significant to the oversight of the Company's financial reporting process.

Furthermore, we are responsible for providing a copy of the management representation letter to the audit committee if management has not done so, and for communicating to the audit committee other material written communications between the auditor and management.

In connection with our reviews of the Company's unaudited quarterly consolidated financial information, we will communicate to the audit committee and management any matters that come to our attention that we believe may require material modifications to the financial information to make it conform with accounting principles generally

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firm without our prior permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

Any additional services that may be requested, and we agree to provide, will be the subject of separate arrangements.

The audit documentation for this engagement is the property of our firm and constitutes confidential information. However, we may be requested to make certain audit documentation available to the PCAOB, SEC, or other regulators pursuant to the authority given to them by law or regulation. If requested, access to such audit documentation will be provided under the supervision of firm personnel. Further, upon request, we may provide copies of selected audit documentation to the regulator. The regulator may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies. We agree to communicate with you on a timely basis any requests by the PCAOB for access to audit documentation as part of its inspection process and when it desires direct contact with members of the audit committee.

We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

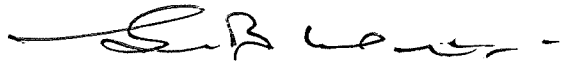
Very truly yours,

M&K CPAS, PLLC

cc: Chief Financial Officer and Chief Executive Officer

RESPONSE:

This letter correctly sets forth the understanding of Petrolia Energy Corporation



Chair of the Audit Committee

4/24/22

Date



February 7, 2022

To whom it may concern:

In November 2020, M&K CPAS, PLLC was retained by Petrolia Energy Corporation to audit the consolidated balance sheets as of December 31, 2019 and December 31, 2020, and the related consolidated statements of operations, shareholders' equity, cash flows, and the related notes and schedules. In conjunction with the annual audit, we also agreed to perform reviews of the Company's unaudited quarterly financial information for the second and third quarter 2019 as well as the first three quarters of 2020, which are to be included in the quarterly reports.

Since we first engaged Petrolia Energy in November 2020, our client has filed their 2019 Form 10-K and five quarterly reports as follows: 2019 Q2 Form 10-Q, 2019 Q3 Form 10-Q, 2020 Q1 Form 10-Q, 2020 Q2 Form 10-Q, and 2020 Q3 Form 10-Q. We are still actively engaged with our client through the filing of the 2020 Form 10-K. We are actively working on the 2020 audit.

We are also currently in discussions with Petrolia Energy Corporation to continue to engage as their CPA for 2021 SEC filings, and beyond.

Sincerely,

M & K CPAS, PLLC

/s/ M&K CPAS, PLLC

BLUE SKY RESOURCES LTD.



Penn West Plaza – West Tower, Suite 800, 215 – 9 Avenue SW, Calgary, AB T2P 1K3
Ph: (403) 264-9992 Fac: (403) 265-3026 website: www.bsrl.ca

February 10, 2022

Petrolia Energy

Attention: Mark Allen

**RE: Notice to Take In Kind
Joint Operating Agreement dated May 1, 2020 between Blue Sky Resources Ltd. and Petrolia Canada
Corporation
Utikuma Property**

In response to your letter to take in kind starting March 1st, 2022. The 2015 CAPL agreement Subclause 6.01 A reads, "Each non-operator will, within reasonable time prior to the applicable pipeline nominations or scheduling deadlines, provide the Operator with such information abouts its arrangements for disposition of the that production as the Operator may reasonably require to fulfill its obligations under this Article".

AS Blue Sky has already completed the nominations for March your TIK request will be affective April 1st, 2022.

Sincerely,

BLUE SKY RESOURCES LTD.

Mike Bouvier
V.P. Land

BBLs

Petrolia Energy Corp.

Exhibit "A-5"

Common Stock

- Overview
- Quote
- Company Profile
- Security Details
- News
- Financials
- Disclosure
- Research

Warning! This security is eligible for Unsolicited Quotes Only

This stock is not eligible for proprietary broker-dealer quotations. All quotes in this stock reflect unsolicited customer orders. Unsolicited-Only stocks have a higher risk of wider spreads, increased volatility, and price dislocations. Investors may have difficulty selling this stock. An initial review by a broker-dealer under SEC Rule 15c2-11 is required for brokers to publish competing quotes and provide continuous market making.

Warning! This security is traded on the Expert Market

The Expert MarketSM serves broker-dealer pricing and investor best execution needs. Quotations in Expert Market securities are restricted from public viewing. OTC Markets Group may designate securities for quoting on the Expert Market when it is not able to confirm that the company is making current information publicly available under SEC Rule 15c2-11, or when the security is otherwise restricted from public quoting. See additional information about the Expert Market [here](#).

OPEN	DAILY RANGE	VOLUME	DIVIDEND
N/A	N/A	N/A	N/A

REAL-TIME LEVEL 2 QUOTE

MPID	BID PRICE	SIZE	TIME	MPID	ASK PRICE	SIZE	TIME
ETRF	24.90				19.40		>yea
CDEL	21.92				19.40		>yea
MACM	18.95				19.43		>yea
NITE	18.95				20.11		>yea
CSTI	18.55				22.05		>yea

No Real Time Level 2
Quotes Available on
Expert Tier

