DISCIPLINARY COMMITTEE **DECISION 2015:6**
NASDAQ STOCKHOLM **DECEMBER 4, 2015**

Nasdaq Stockholm
Shelton Petroleum AB

The shares in Shelton Petroleum AB (publ) ("Shelton or the "Company") are traded on Nasdaq Stockholm. In conjunction with the Company's application for its shares to be admitted to trading, the Company signed an undertaking to comply with the Exchange's Rule Book for Issuers (the "Rules") applicable from time to time.

Through an application appended hereto, the Exchange has recommended that the disciplinary committee decides that the shares in Shelton shall be removed from trading on Nasdaq Stockholm.

Shelton has contested the claims.

An oral hearing was held in the matter on 2 November 2015 jointly with representatives of Petrogrand AB ("Petrogrand"), at which the Exchange was represented by Joakim Strid (Head of European Surveillance), Karin Ydén (Head of Issuer Surveillance) and Niklas Ramstedt (Regulatory Compliance Specialist). Shelton was represented by chairman of the board of directors Björn Lindström, CEO Robert Karlsson and Advokat Björn Tude and Advokat Carl Westerberg. Petrogrand AB was represented by chairman of the board of directors Cheddi Liljeström, CEO Dmitry Zubatyuk, Executive Vice President Sven-Erik Zachrisson and Advokat Anders Ackebo and *jur. kand*. Malin Holm.

Background

Shelton has essentially certified the correctness of the Exchange's investigation of the facts, but in certain circumstances not stipulated to the Exchange's conclusion regarding what Shelton is accused of in the statement of reprimand.

It is apparent from the Exchange's investigation that the chain of events which gave rise to the Exchange's statement of reprimand began in July 2013 when Shelton Petroleum AB ("Shelton"), the shares of which are admitted for trading on Nasdaq Stockholm, carried out two private placements of convertible debentures to Petrogrand totaling approximately SEK 215 million with a term until 31 December 2013. The first convertible debenture in the amount of approximately SEK 30 million was converted during the autumn of 2013 by Petrogrand into 1,500,000 class B

shares in Shelton. On 9 December 2013, Petrogrand exercised its option to convert the second convertible debenture in the amount of approximately SEK 185 million into 9,262,464 class B shares in Shelton. Shelton opposed the conversion of the second convertible debenture claiming that Petrogrand, at the time in question, was not entitled to convert according to the terms and conditions of the convertible debenture. Following a dispute, Petrogrand gave notice in January 2014 that the company had withdrawn its demand for conversion.

On 22 January 2014, Shelton announced a takeover bid for all of the shares, convertible debentures, and warrants outstanding in Petrogrand (the "Petrogrand Bid"). On 14 March 2014, Shelton gave notice of its intention to complete the bid and the extended acceptance period ended on 11 April 2014. On 14 April 2014, Shelton announced that, after the conclusion of the bid, the company owned approximately 28.8% of the shares in Petrogrand.

On 21 March 2014, Petrogrand announced a takeover bid for all of the shares, convertible debentures, and outstanding warrants in Shelton (the "Shelton Bid"). With reference to the terms and conditions established for the bid, on 2 July 2014 Petrogrand gave notice that the bid would not be fulfilled. At that point, Petrogrand owned approximately 26.7% of the share capital and 19.5% of the voting capital in Shelton.

In conjunction with these cross takeover bids between Shelton and Petrogrand, a large number of press releases were published by each of the companies and the Swedish Security Council issued a total of nine statements at the request of the two companies. When the eighth statements was requested in May 2014, the Swedish Security Council wrote to the companies and reported its critical position regarding the companies' actions and how this had damaged confidence in the securities market. The Swedish Security Council considered whether it would even continue issuing statements at the request of the companies and inquired as to whether any settlement was in sight.

At the beginning of June 2014, the Exchange wrote to the companies. According to the Exchange, the situation between the companies was damaging confidence in the Exchange and in the Swedish securities market. The Exchange notified the companies that their actions did not live up to the expectations imposed on companies whose shares are subject to trading on the Exchange or First North and that the Exchange assumed that the companies would actively work to bring an end to the situation which had arisen.

In June 2014, Shelton and Petrogrand entered into a truce of sorts in order, under more civil circumstances, to be able to solve the cross-ownership between the companies. On 19 December 2014, the companies announced that an agreement had been entered into to dissolve the cross-ownership between them through a share swap pursuant to certain stated terms and conditions. The agreement was contingent on resolutions being adopted at the extraordinary general meetings of the shareholders of the respective companies on 26 January 2015.

At the extraordinary general meeting of the shareholders of Shelton, which was held somewhat before the extraordinary general meeting of the shareholders of Petrogrand, the proposal was voted down by at least Shelton's largest shareholder in terms of votes, Rosenqvist Gruppen AB, which in May 2014 became the new primary owner of Shelton through a private placement by Shelton of class A shares. At the time of the meeting, Rosenqvist Gruppen AB had already sold, in principle, all of its holdings to another company, Appointed Board Ltd, which was apparent from two mandatory notices of holdings the same day, 26 January 2015.

At the end of January 2015, Appointed Board Ltd appointed a new member to the nominations committee, *Advokat* Cheddi Liljeström. In a press release dated 2 July 2015, Shelton subsequently gave notice that a person by the name of Alexander Ulanovsky had notified Shelton that, via wholly-owned companies, he controls Appointed Board Ltd and neither Appointed Board Ltd nor he have any formal or informal interests in Petrogrand.

In conjunction with the cross-bids between Shelton and Petrogrand, a large number of press releases have been published by the companies. In addition, at the request of the companies, Shelton's and Petrogrand's actions have been the subject of assessment by the Swedish Security Council in nine published statements.

On 19 May 2015, through its communiqué from the annual general meeting, Shelton announced that Cheddi Liljeström and Dmitri Zubatyuk had been elected directors of Shelton.

In October 2015, Petrogrand and Shelton convened extraordinary general meetings of the shareholders to be held on 9 November 2015 for each company for approval of an agreement between the companies and, with respect to Petrogrand, a stock dividend to the shareholders of all of Petrogrand's shares in Shelton and, with respect to Shelton, among other things a resolution regarding a stock dividend of all of the shares in a wholly-owned subsidiary. Following the conclusion of the proceedings before the disciplinary committee, Petrogrand and Shelton announced that the agreement had been approved by the shareholders at the extraordinary general meetings of the respective companies.

Rules and Regulations

2.4.3 Capacity for providing information to the market

Well in advance of the listing, the company must establish and maintain adequate procedures, controls and systems, including systems and procedures for financial reporting, to enable compliance with its obligation to provide the market with timely, reliable, accurate and up-to-date information as required by the Exchange.

3.1.1 General provision

The company shall, as soon as possible, disclose information about decisions or other facts and circumstances that are "price sensitive". For the purpose of these rules, "price sensitive" information means information which is reasonably expected to affect the price of the company's securities, in accordance with applicable national legislation.

3.1.2 Correct and relevant information

Information disclosed by the company shall be correct, relevant and clear, and must not be misleading. Information regarding decisions, facts and circumstances must be sufficiently comprehensive to enable assessment of the effect of the information disclosed on the company, its financial result and financial position, or the price of its listed securities.

3.1.3 Timing of information

Disclosure of information covered by these Rules shall be made as soon as possible, unless otherwise specifically stated. If price sensitive information is given intentionally to a third party, who does not owe a duty of confidentiality, disclosure shall be made simultaneously.

The disclosure of information may be delayed in accordance with applicable national legislation.

Significant changes to previously disclosed information shall be disclosed as soon as possible. Corrections to errors in information disclosed by the company itself need to be disclosed as soon as possible after the error has been noticed, unless the error is insignificant.

3.1.5 Methodology

Information to be disclosed under these Rules shall be disclosed in a manner that ensures fast access to such information on a non-discriminatory basis.

Information to be disclosed shall also be submitted to the Exchange for surveillance purposes not later than simultaneously with the disclosure of information, in the manner prescribed by the Exchange.

Announcements shall contain information stating the time and date of disclosure, the company’s name, website address, contact person and phone number.

The most important information in an announcement shall be clearly presented at the beginning of the announcement. Each announcement by the company shall have a heading indicating the substance of the announcement.

3.3.3 Issues of securities

The company shall disclose all proposals and decisions to make changes in the share capital or the number of shares or other securities related to shares of the company, unless the proposal or decision is insignificant.

Information shall be disclosed regarding terms and conditions for an issue of securities. The company shall also disclose the outcome of the issue.

It is apparent from the **guidelines** that the announcement regarding an issue of securities shall include all significant information concerning the issue of new securities. Information in the announcement should, at a minimum, include the reasons for the issue, expected total amount to be raised, subscription price and, where relevant, to whom the issue is directed. In addition, the information must set forth the terms and conditions of the issue, agreements and any connections related to the issue and timetable.

In addition to the exchange, the Swedish Corporate Governance Board has issued a recommendation regarding private placements.

The recommendation states, among other things, that if the board of directors proposes a resolution to the shareholders meeting in respect of a share issue or resolves to carry out a share issue pursuant to authorization from the shareholders meeting, taking into consideration the circumstances in each individual case, the board of directors

is obligated to propose or determine the time for the share issue and the terms and conditions of the share issue, including the share price, in such a manner as to ensure that market terms are maintained.

The market price for a block of newly issued shares may differ from the exchange price for previously issued shares.

If a share issue is directed, for example, to institutional investors on the capital market and priced within the scope of an auction procedure which is adequately structured and implemented there is normally no cause to question whether the price is the market price for the shares, irrespective of whether it is lower or higher than the exchange price for the company's shares. The aforementioned also applies if the price is determined through arm's-length negotiations between the company and the investor. An issue price established on market terms is normally acceptable from the perspective of generally accepted good practice in the stock market.

In its press release regarding the board of directors' proposal or resolution regarding the share issue, the company must thoroughly and clearly inform the shareholders and the stock market of the reasons for disapplying the shareholders' preemption rights and the manner in which the share price was determined or will be determined and how market terms have been, or will be, assured.

5. Sanctions

Where the company fails to comply with any statute, other legislation, or that part of the information rules which the company undertook to comply with or generally accepted good practice in the securities market, where the violation is serious, the Exchange may delist the company's securities or, in other cases, impose a fine on the company corresponding to not more than 15 times the annual fee which the company pays to the Exchange. Where the violation is less serious or excusable, the Exchange may issue a reprimand in lieu of imposing a fine.

Takeover rules for certain trading platforms

The Swedish Corporate Governance Board has drafted takeover rules for certain trading platforms (the "Takeover Rules"). The rules are to be applied to companies whose shares are traded on certain trading platforms, *inter alia* First North, and contain rules which largely correspond to those applicable to takeover bids for companies listed on a regulated market.

Tenderers and target companies must comply with the rules.

Shelton's arguments

Shelton has emphasized that it was never the company's intention to act in a manner which would damage confidence in the Exchange and the Swedish securities market. Shelton is aware that the cross-bids and ownership between Shelton and Petrograd created a problematical situation which gave rise to an unusual number of complex questions which needed to be handled under great time constraints. Shelton is also aware that Shelton was guilty of certain violations of applicable rules and generally accepted good practice during the spring of 2014. The violations took place during the isolated period in which the differences and cross-takeover bids between the companies occurred.

The reason for the problematical situation (the cross-ownership) is now on its way to a satisfactory solution for all parties through the agreement reached and of which Shelton provided notice after the conclusion of the negotiations and which has been approved through a vote at the

extraordinary general meeting of the shareholders of the respective companies held on 9 November 2015.

In light of this background, Shelton is of the opinion that a delisting of its shares would be a disproportionate measure which would create a new problematical situation now that the differences with Petrograd have finally reached an end. It would be very negative for the shareholders of both companies and also for the stock market.

With respect to the Exchange's criticism that the underlying identity of one of Shelton's major shareholders was unknown, it is largely the shareholder's own obligation through notice and transparancy reporting to publish his/her ownership. Following entreaties made over a longer period of time, Shelton succeeded in obtaining information regarding the identity of the owner behind Appointed Board Ltd. The information was published immediately. The problem thus no longer exists.

Shelton shares the opinion of the Exchange that the cross-ownership between Shelton and Petrograd, which arose through the cross takeover bids, was the root of the problematical situation between the companies. Through the agreement of 30 July 2015, *Indicative term sheet for business combination between Shelton Petroleum and Petrograd*" which has been approved by the boards of directors of the companies and which was submitted to the extraordinary general meetings of the shareholders of the respective companies on 9 November 2015, there are good prospects of achieving a final solution for the cross-ownership and therefore the criticism presented by the Exchange will not be relevant in the future.

With respect to the statements by the Swedish Security Council, Shelton shares the opinion of the Exchange that the violations of the takeover rules addressed in AMN 2014:19 are *per se* serious in nature. However, the threshold for the number of shares in the articles of association would only have been exceeded by a few percentage points upon full acceptance of the takeover bid and after conversion of convertible debenture 2013/14. The likelihood that this error would have led to negative effects for any interested party in the bid was nonexistent and was limited for the holders of convertible debentures. Shelton accepted the consequences of the mistake and discontinued the bid after the Swedish Security Council's statement.

With respect to AMN 2014:32, Shelton interprets the statement as to be focused on the fact that there was a takeover situation, while the Exchange's criticism also covers questions relating to company law, generally accepted good practice outside a takeover offer, and the fact that Shelton *per se* was criticized by the Swedish Security Council.

With respect to the obligation to disclose information as a consequence of the Swedish Security Council's statements, it is Shelton's opinion that the company has an obligation to publish such statements to the extent they contain information which is of a price sensitive nature (section 3.1.1 of the Rules). It is not customary practice that companies routinely publish statements by the Swedish Security Council when they are not price sensitive or otherwise of material

significance to the assessment of the company. Despite its conclusion that AMN 2014:19 was not price sensitive nature or otherwise the type of information which must be published according to the Rules, in a press release of 14 April 2014 Shelton published the fact that the Swedish Security Council had issued a statement regarding the increase of the offer and cited where the statement could be found.

With respect to AMN 2014:32, in a press release of 16 June 2014, Shelton reported the Swedish Security Council's reply and cited where the statement was available in its entirety. Shelton is therefore of the opinion that the information was correct, relevant, and clear and sufficiently comprehensive as set forth in section 3.1.2 of the Rules and that the information fulfils the requirement set forth in section 3.1.5 that the most significant information must be presented at the beginning, namely that the most significant and potentially price sensitive information was the update regarding the outcome of convertible debenture 2013/14. However, Shelton can admit that it would have been appropriate if the heading it also contained information regarding the Swedish Security Council's statement regarding convertible debenture 2013/14 and that the Swedish Security Council had strongly criticized the company's board of directors.

With respect to the obligation to disclose information as a consequence of proposals for an agreement with Petrograd, long before the planned shareholders meeting of 27 June 2014, Shelton published on 4 June 2014 the proposal in its entirety as well as the fact that the Swedish Security Council welcomed the proposal. One 9 June 2014, it was announced that the agreement was considered to be reasonable from a financial perspective according to an independent opinion. In light of the fact that the proposal was, *inter alia*, reviewed by the Swedish Security Council and that independent valuations had been obtained, Shelton did not believe that there was cause, or an obligation, at the time of the notice of meeting to publish the fact that it intended to present the proposal within the near future.

With respect to the truce agreement, the Exchange found that it was curious that Shelton did not provide any information as to when it expired, even if the Exchange did not claim that Shelton was guilty of a rule violation. In its Q2 and Q3 reports for 2014, Shelton provided information regarding progress on the negotiations with Petrograd.

With respect to the capacity for providing information, Shelton has stated that the defects in the information disclosure did not involve circumstances with any price sensitive effect. The defects occurred during an isolated period of time in which very special circumstances prevailed. The conclusions in Deloitte's draft for a one-year follow-up are that Shelton's systems and routines for management, planning, control and follow-up continued in all material respects to comply with the rules and regulations applicable to companies whose shares are admitted for trading on the Exchange.

With respect to the private placement of class A shares to holders of convertible debentures 2013/14, Shelton has stated the following. The share issue was not carried out until after an investigation had been made regarding the question of whether conversion might be deemed to

constitute a prohibited defensive measure and an analysis of whether the issue was in the interest of all of the shareholders from a company law perspective. Shelton obtained a legal opinion from its law firm. The transaction was on market terms and there were no other realistic alternatives. There was namely a significant risk that the share price at the time of conversion would be less than the conversion price taking into consideration developments in Ukraine and Russia. The risk of repayment was therefore imminent. At the same time, from a liquidity perspective, it was problematical for Shelton to repay the convertible debentures if conversion did not take place. The new issue was not permitted due to the rules regarding defensive measures. Consequently, Shelton had very little room for maneuvering. The price of the convertible debenture in relation to the share price must be deemed to be discounted taking into consideration the option value of the convertible debenture. It is difficult to assess the difference in value between class A and class B shares. The shareholders' meeting had authorized the board of directors to issue class A shares disapplying the shareholders' preemption rights. Consequently, the issue resulted in an increase in capital. Shelton argues that neither the equal treatment principle nor the general clause was violated in the set-off issue. The board of directors was granted a release from liability by the shareholders with the exception of the Swedish Shareholders' Association.

According to Shelton, the sanctions will relate to circumstances which occurred over a year ago and during extraordinary circumstances. Shelton argues that a delisting would be a disproportionate sanction and would have very negative consequences for Shelton's very large number of small shareholders. The sanction should therefore only be a fine.

The conclusions of the disciplinary committee

Disclosure of information

The Exchange has argued that even when a statement by the Swedish Security Council cannot be deemed to be of a price sensitive nature, the Swedish Security Council's statements generally contain significant information for the shareholders and the market. The Exchange believes that generally accepted good practice normally requires that a company publish statements by the Swedish Security Council which relate to the company in question.

The Rules state that the company's obligation to publish information covers decisions or other events and circumstances of a price sensitive nature. This includes information which, according to national legislation, can be reasonably expected to affect the price of the company's securities.

The disciplinary committee notes that no particular information obligation is prescribed in the Rules with respect to statements by the Swedish Security Council which relate to the company. The disclosure obligation with respect to the Swedish Security Council's statements exists only when a statement can reasonably be expected to be of a price sensitive nature. On the other hand, when information regarding a statement is provided, section 3.1.2 must be observed which entails that the information must be correct, relevant, and clear and may not be misleading.

The Exchange has argued that the Swedish Security Council's statements (AMN 2014:19 and AMN 2014:32) must in any event be regarded as potentially price sensitive in respect of Shelton's shares. In AMN 2014:19, the Swedish Security Council noted that as a consequence of the fact that Shelton had published an increase in the consideration, upon full acceptance of the bid, Shelton would lack the formal possibility of completing the Petrograd Bid. As the Exchange has understood AMN 2014:32, the Swedish Security Council criticized the company for not having acted in the interest of all shareholders as prescribed in section II.17 of the takeover rules. Without obtaining the approval of the shareholders, during the acceptance period for the Shelton bid, Shelton had entered into a side agreement significant to the shareholders with a holder of convertible debentures who thus became an entirely new shareholder of Shelton and the shareholder with the greatest voting capital. The Swedish Security Council held that Shelton's board of directors had seriously violated generally accepted good practice by entering into the relevant agreement during Petrograd's pending bid for Shelton pursuant to authorization provided by the shareholders for the purposes of increasing the share capital.

By not publishing information regarding the content of the statement AMN 2014:19 and by not referring to the statement until five days after publication by the Swedish Security Council, in the opinion of the Exchange, Shelton failed to fulfill the requirements set forth in sections 3.1.1, 3.1.2, 3.1.3 and 3.1.5 of the Rules.

In the opinion of the exchange, Shelton's insufficient information regarding the Swedish Security Council's statement AMN 2014:32, in the press release of 16 June 2014, failed to fulfill the requirements set forth in section 3.1.2 which requires that information which is published must be correct, relevant, clear and sufficiently comprehensive. Nor, in the opinion of the Exchange, have the requirements set forth in section 3.1.5 been fulfilled which entail that the most significant information must be presented clearly in the beginning of the press release and that each press release must have a heading which summarizes the information.

In accordance with generally accepted good practice, in the opinion of the Exchange, Shelton should also have published the statement AMN 2014:21 regarding Shelton's totaling process in such a way as prescribed by the rules.

The disciplinary committee concludes that, in AMN 2014:19, the Swedish Security Council found that Shelton did not act in compliance with the takeover rules in conjunction with the increase of the consideration since Shelton would not be able to issue the number of shares required upon full acceptance of the tender. The disciplinary committee finds such a violation of the takeover rules to be serious and it can reasonably be assumed to be of a price sensitive nature. Shelton was therefore obligated, under sections 3.1.2 and 3.1.3, to immediately publish the Swedish Security Council's statements in a correct, relevant, and clear manner. Even if it contains a reference to where the statements can be found on the Internet, the press release which was published on 14 April 2014 under the heading "*Shelton Petroleum concludes the takeover bid made to the shareholders of Petrograd. Shelton Petroleum owns approximately 28.8% of*

Petrograd", where the statements by the Council are mentioned in passing, cannot be deemed to fulfill the requirements. Consequently, Shelton is guilty of a violation of sections 3.1.1, 3.1.2 of the 3.1.3 of the Rules.

With respect to the Swedish Security Council's statement AMN 2014:32, the Council found that Shelton's board of directors seriously violated generally accepted good practice in the securities market by entering into an agreement with Rosenqvist Gruppen AB pursuant to issue authorization provided by the shareholders for the purpose of increasing the share capital, making Rosenqvist Gruppen AB the largest shareholder of Shelton in terms of voting. The disciplinary committee finds that the statement in this respect could reasonably be expected to be price sensitive in nature. In Shelton's press release which was published on 16 June 2014 under the heading "*Shelton Petroleum AB: Update regarding convertible debenture 2013/2014*", the statement by the Swedish Security Council are addressed in the fourth paragraph where the serious criticism is mentioned as one issue amongst several which the council commented on. The disciplinary committee concludes that, in light of the serious nature of the criticism, this should have been apparent in the heading and emphasized in a clearer matter in the press release even if there was a reference to where the statement was available on the Internet. Consequently, Shelton was guilty of a breach of sections 3.1.1, 3.1.2 and 3.1.5 of the Rules.

With respect to the Swedish Security Council's statement AMN 2014:21 regarding Shelton's totaling process, the disciplinary committee finds that there was no information disclosure obligation since the statement could not reasonably have been expected to be of a price sensitive nature.

Capacity for providing information

As the disciplinary committee has noted above, the defects in the information disclosure involved circumstances which reasonably could have been anticipated to be of a price sensitive nature. According to the Exchange, the defects occurred over a long period of time and prove that Shelton lacked acceptable capacity for disclosure of information and that, according to the Exchange, Shelton failed to fulfill the requirements set forth in section 2.4.3 of the Rules. Shelton has invoked the conclusions set forth in the Deloitte's draft for a one-year follow-up in which it is stated that Shelton continued to fulfill the listing requirements established by Nasdaq Stockholm. In the disciplinary committee's contacts with authorized public accountant Thomas Strömberg, who was one of the auditors who prepared the draft, he stated that the draft did not cover an analysis of the information disclosure which took place during 2014. Shelton has also argued that it is directly erroneous to find that the new board of directors and management failed to fulfill the requirements set forth in section 2.4.3 of the Rules. The disciplinary committee shares the opinion of the Exchange that the previous management proved to lack the necessary expertise, organization and resources for disclosing information to the market and investors and that the company has thereby not fulfilled the requirements set forth in section 2.4.3 of the Rules.

Private placement of class A shares

The Exchange has cited the recommendation of the Swedish Board of Corporate Governance for private placements which entered into force on 1 January 2015 but which, in the opinion of the Exchange, codifies what was already apparent through the statements by the Swedish Security Council regarding generally accepted good practice in conjunction with private placements. Even if it is primarily up to the Swedish Security Council to present statements regarding what constitutes generally accepted good practice in the securities market, the Exchange believes that, through its actions, Shelton seriously breached generally accepted good practice since the share issue resulted in an undue advantage for the recipient in the issue to the disadvantage of other shareholders since a dominant voting position thus arose and due to the fact that the share issue was subscribed for at a discount. In addition, the Exchange has stated that it can be strongly questioned whether Shelton's actions were compatible with the equal treatment principle under company law.

Even if the announcement of the private placement cannot be deemed to include all of the significant information regarding the issue, such as the reasons why the issue covered class A shares and not class B shares and the identity of the individuals to whom the issue was directed, it is in principle not within the purview of the disciplinary committee to comment on what constitutes generally accepted good practice in the securities market. Nor is it, in principle, within the purview of the disciplinary committee to assess whether Shelton's actions were incompatible with the company law equal treatment principle. The criticism regarding the issue levied against Shelton by the Security Council (AMN 2014:32) is addressed below.

Takeover rules and generally accepted good practice

The disciplinary committee notes that Shelton, as stated by the Swedish Security Council, seriously violated generally accepted good practice by implementing a private placement of class A shares in Shelton (AMN 2014:32) during Petrograd's pending bid. The disciplinary committee also notes, as the Swedish Security Council has found, that Shelton breached the takeover rules by the fact that, after an increase in the consideration in the Petrograd bid, it lacked the formal ability to implement the bid in the event of full acceptance (AMN 2014:19).

Sanctions

The Exchange has stated the following. The Exchange views Shelton's non-compliance with the Rules and the fact that Shelton was deemed by the Swedish Security Council to have materially acted in contravention of generally accepted good practice in the securities market as very serious. The Exchange also views very gravely the fact that Shelton took responsibility, only to a limited extent, for its actions and that the company, obviously failed to comply with its good-faith obligation under the company law. Shelton's actions undoubtedly affected market confidence in the Exchange in a negative way, something which is difficult to repair. In light of this as well as the repeated violations of which Shelton is guilty, the Exchange sees no possibility for Shelton to be able to be traded on the Exchange's regulated market.

Shelton has argued that a delisting of the company's shares would entail a disproportionate sanction which would affect a large group of small shareholders very negatively and would contribute to creating new problems for shareholders and the stock market when Shelton's difficult situation is about to see a resolution. Shelton believes that the sanctions can be limited to a tangible fine.

The disciplinary committee notes that, as opposed to the takeover rules for Nasdaq Stockholm, the takeover rules for companies which are traded on First North, among other places, lack sanctions rules for violations of these rules. However, this cannot entail that violations of the takeover rules which apply in conjunction with tenders for companies traded on First North as determined by the Swedish Security Council are not to be included in a consideration of the sanctions provisions set forth in section 5 of the Rules.

The disciplinary committee comes to the following conclusion. Shelton is guilty of violations of the Rules with respect to information disclosure and has breached generally accepted good practice in the securities market, and is guilty of violations of the takeover rules for certain trading platforms. These rules violations occurred over an extended period of time. The handling of the conflicts with Petrograd have not been justifiable *vis-à-vis* the shareholders and Shelton's actions must be deemed to have damaged confidence in the Exchange and the securities market in general. Even if the company now has a partially new board of directors and management, the replacement of these individuals in the instant case cannot entail that Shelton is released from liability for past regulatory violations when several violations of the rules are involved and when these continued over an extended period of time. Taken as a whole, the violations constitute a serious breach of the Rules.

As a consequence of the above, the disciplinary committee finds that Shelton's shares shall be delisted from trading on Nasdaq Stockholm.

Taking into consideration the company's current ownership structure and information regarding the scope of trading in the company's shares, the disciplinary committee decides that the shares shall be removed from trading within two months of the disciplinary committee's decision.

On behalf of the disciplinary committee

Mariane Lundius

Justice Marianne Lundius, director Stefan Erneholm, director Anders Oscarsson, director Carl Johan Högbom and Advokat Wilhelm Lüning participated in the committee's decision.