



**BULLETIN TYPE: Notice to Issuers**  
**BULLETIN DATE: December 1, 2020**

**Re: Policy 2.4 - Capital Pool Companies**

TSX Venture Exchange (the “**Exchange**”) is pleased to announce changes to its Capital Pool Company (“**CPC**”) program. The following components of the Exchange’s Corporate Finance Manual (the “**Manual**”) are being amended:

- Policy 2.4 – *Capital Pool Companies* (the “**New Policy**”)
- Form 3A – *Information Required in a CPC Prospectus* (“**New CPC Prospectus**”)
- Form 2F – *CPC Escrow Agreement* (the “**New CPC Escrow Agreement**”)
- Form 3B1 – *Information Required in an Information Circular for a Qualifying Transaction / Form 3B2 – Information Required in a Filing Statement for a Qualifying Transaction* (“**New Form 3B1/3B2**”)

(collectively, the “**Amended CPC Policies**”).

Subject to the receipt of all requisite regulatory approvals, the Amended CPC Policies will become effective on January 1, 2021 (the “**Effective Date**”). In the interim, clean and blacklined versions of all of the Amended CPC Policies are now available for viewing on the Exchange’s website at this link: <https://www.tsx.com/listings/tsx-and-tsxv-issuer-resources/tsx-venture-exchange-issuer-resources?lang=en>

The purpose of this Bulletin is to provide an overview of the amendments, highlighting the most significant changes to the existing requirements and summarizing the transition provisions as set out in Schedule “A”, and the Exchange will also be hosting information and education sessions and posting materials on its website. This Bulletin is not a substitute for Exchange policy. For that reason, market participants are reminded that they will need to rely on the actual Amended CPC Policies with respect to the substantive requirements of the amendments referred to in this Bulletin. In the case of any discrepancy, the Amended CPC Policies prevail.

Capitalized terms not specifically defined in this Bulletin have the meanings ascribed to them in the Manual, including the Amended CPC Policies.

If you have any questions about this Bulletin, please contact:

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**Schedule "A"**

**Overview of the Amended CPC Policies**

<b>Topic and Section Reference</b>	<b>New Policy</b>	<b>Former Policy</b>
<b>Seed Capital &amp; Aggregate Funds:</b>		
Section 3.2(f)(i)	Maximum \$1,000,000 Seed Capital raised below IPO price	Maximum \$500,000 Seed Capital raised below IPO price
Section 3.2(k)	Maximum \$10,000,000 in aggregate funds raised by a CPC	Maximum \$5,000,000 in aggregate funds raised by a CPC
<b>No Transfer to NEX:</b>		
Removal of section 14.13 of the Former Policy	No transfer to NEX if Qualifying Transaction not completed within 24 months after listing	Transfer to NEX and cancel certain Seed Shares, with Shareholder approval, if Qualifying Transaction not completed within 24 months after listing
<b>Distribution:</b>		
Section 3.2(l)	150 Public Shareholders each owning at least 1,000 shares	200 Public Shareholders each owning at least 1,000 shares
Section 3.2(l)	Public Float per Policy 2.1 for Tier 2 - currently 500,000 shares	Public Float 1,000,000 shares
Section 3.2(l)	Public Shareholders collectively hold at least 20% of the outstanding shares	
Section 3.2(m)	2% and 4% limits do not apply to 25% of the IPO	2% and 4% limits apply to the entire IPO
Section 3.2(n)	No new Insider on closing of IPO if not disclosed in CPC Prospectus	
<b>Directors and Officers:</b>		
Section 3.2(a)	CPC – Majority must be residents of Canada/USA or have public company experience (permits international directors)	CPC – All must be residents of Canada/USA or have public company experience
Removal of section 12.1(d) of the Former Policy	Resulting Issuer – No restrictions (rely on Policy 3.1)	Resulting Issuer – Majority must be residents of Canada/USA or have public company experience
Section 3.2(d)	CPC – one person can be CEO, CFO and secretary	CPC – one person cannot be CEO, CFO and secretary
<b>Agents &amp; Pro Group:</b>		
Section 5.1	IPO Agent need not be a Member of the Exchange	IPO Agent must be a Member of the Exchange
Section 5.2(c)(iv)	Agent's Options maximum 5 year term	Agent's Options maximum 2 year term
Removal of section 14.8 of the Former Policy	Shares acquired by the Pro Group at or above the IPO price are not subject to escrow	All shares acquired by the Pro Group are subject to escrow, regardless of the issue price
Removal of section 14.8 of the Former Policy	Shares issued to the Pro Group as part of the Qualifying Transaction are not subject to a four month hold period unless required by law	All shares issued to the Pro Group as part of the Qualifying Transaction are subject to a four month hold period
<b>CPC Stock Options:</b>		
Section 6.1	Stock Option Plan – 10% rolling based on number of shares outstanding at the time of grant	Stock Option Plan – 10% fixed based on number of shares outstanding on closing of the IPO
Section 6.4	Minimum exercise price for CPC Stock Options granted before the IPO is lowest Seed Share issue price; after the IPO, price per Policy 4.4 – <i>Incentive Stock Options</i>	Minimum exercise price for CPC Stock Options is greater of IPO price and Discounted Market Price
Section 10.1	Escrow for all CPC Stock Options and all Option Shares issued at an exercise price that is less than the IPO price	

Topic and Section Reference	New Policy	Former Policy
<b>Escrow:</b>		
Section 10.1	Escrow applies to: - Seed Shares issued below IPO price; - Shares acquired from treasury by Non-Arm's Length Parties to the CPC; - CPC Stock Options; and - Shares issued on exercise of CPC Stock Options at an exercise price that is less than the IPO price	Escrow applies to: - Seed Shares issued below IPO price; - Shares acquired from treasury by Non-Arm's Length Parties to the CPC; - Shares acquired by a Control Person in the secondary market; and - All Seed Shares issued to a member of the Aggregate Pro Group, regardless of price
<b>Escrow Release:</b>		
Section 10.2	18 month escrow: Escrow Securities released as to 25% on Final QT Exchange Bulletin and 25% on each of 6, 12 and 18 months following that date	18 month escrow: If Resulting Issuer is listed on Tier 1, released as to 25% on Final QT Exchange Bulletin and 25% on each of 6, 12 and 18 months following that date 36 month escrow: If Resulting Issuer is listed on Tier 2, released as to 10% on Final QT Exchange Bulletin and 15% on each of 6, 12, 18, 24, 30 and 36 months following that date
Section 10.2	CPC Stock Options and Option Shares released on Final QT Exchange Bulletin unless granted before the IPO with exercise price less than IPO price	
Removal of section 14.13 of the Former Policy	No requirement to cancel any Seed Shares if the Qualifying Transaction is not completed within 24 months after listing	Certain Seed Shares must be cancelled if the Qualifying Transaction is not completed within 24 months after listing and the CPC is being transferred to NEX
<b>Use of Proceeds:</b>		
Section 7.1	G&A expenses limited to \$3,000 per month	Non-QT expenses (e.g. G&A) limited to lesser of 30% of gross proceeds raised by CPC and \$210,000 over life of CPC
Sections 7.1 and 7.2	Expanded guidance on permitted uses of proceeds and payments to Non-Arm's Length Parties	
Section 7.4	Deposit/advance/loan provisions similar to those in Policy 5.2 – <i>Changes of Business and Reverse Takeovers</i>	
<b>Private Placements:</b>		
Section 9.3	Only Common Shares prior to Completion of the Qualifying Transaction, but a Concurrent Financing may in certain circumstances involve the issuance of Subscription Receipts or Special Warrants that convert into Listed Shares, or Listed Shares and Warrants, on Completion of the Qualifying Transaction	Only Common Shares prior to Completion of the Qualifying Transaction
Section 9.7	Pre-Qualifying Transaction – compensation up to 10% cash plus 10% Warrants permitted	
Sections 9.4, 9.5 and 9.6 and section 7.4	Bridge Financing and Concurrent Financing provisions similar to those in Policy 5.2 – <i>Changes of Business and Reverse Takeovers</i>	
<b>QT Finder's Fees:</b>		
Section 7.3(a)	Finder's fee may be paid to Person that is not a Non-Arm's Length Party to the CPC	Finder's fee may be paid to Person that is not a Non-Arm's Length Party to the CPC

Topic and Section Reference	New Policy	Former Policy
Section 7.3(b)	Finder's fee may be paid to a Non-Arm's Length Party to the CPC if: - Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction; - Qualifying Transaction is not a transaction between the CPC and an existing public company; - Finder's fee is payable in cash, Listed Shares and/or Warrants; - The amount of any Concurrent Financing is not included in the value of the measurable benefit; and - Disinterested Shareholder approval is obtained	Finder's fee may not be paid to a Non-Arm's Length Party to the CPC
<b>Financial Statements:</b>		
Form 3B1/3B2	CPC: - Annual Financial Statements 120 days - Interim Financial Statements 60 days	CPC: - Annual Financial Statements 120 days - Interim Financial Statements 60 days
Form 3B1/3B2	Target Company: - Annual Financial Statements 90 days - Interim Financial Statements <b>45</b> days	Target Company: - Annual Financial Statements 90 days - Interim Financial Statements 60 days
<b>Other Points:</b>		
Section 1.1	CPC can be a trust	Trust structure not expressly permitted
Section 1.1	Majority of the Minority Approval may be obtained at a meeting of Shareholders <b>OR</b> by written consent	Majority of the Minority Approval required to be obtained at a meeting of Shareholders
Removal of section 14.9 of the Former Policy	No restriction on RTO within first year after Qualifying Transaction	Restriction on RTO within first year after Qualifying Transaction
Section 11.1(e)	Resulting Issuer may be a finance issuer (still cannot be a mutual fund)	Resulting Issuer could not be a finance issuer

### Transition Provisions (Part 15)

#### CPC Applicant as at January 1, 2021

- If an Issuer has filed its CPC Prospectus, but has not yet completed its IPO, it may elect to:
  - comply with the New Policy, provided the final CPC Prospectus and CPC Escrow Agreement adhere to the New CPC Prospectus and the New CPC Escrow Agreement; **OR**
  - file its final CPC Prospectus and complete its IPO in accordance with the Former Policy and be governed by the Former Policy (with ability to comply with the transition provisions below)

#### Existing CPC as at January 1, 2021

- Existing CPC can implement certain changes without Shareholder approval, such as:
  - increase maximum aggregate gross proceeds raised by the CPC to \$10,000,000 from \$5,000,000
  - comply with the use of proceeds set out under the New Policy (removing the 30% / \$210,000 limit on G&A expenses)
  - issue new Agent's Options in connection with a Private Placement
- Certain changes require specific disinterested Shareholder approval, such as:
  - remove the consequences of failing to complete Qualifying Transaction within 24 months of listing
  - extend the term of outstanding out-of-the-money Agent's options to five years from two years
  - amend escrow terms to track those permitted under the New Policy
  - permit payment of a finder's fee to a Non-Arm's Length Party to the CPC
  - adopt a 10% rolling stock option plan

#### Resulting Issuer as at January 1, 2021

- Resulting Issuer can amend its existing CPC Escrow Agreement to track the escrow terms permitted under the New Policy and the New CPC Escrow Agreement - including the 18 month release schedule and the immediate release of Escrow Securities no longer subject to escrow – provided that it first obtains disinterested Shareholder approval