



**BULLETIN TYPE: Notice to Issuers**  
**BULLETIN DATE: November 24, 2021**

**Re: Security Based Compensation**

TSX Venture Exchange (the “**Exchange**”) is pleased to announce changes to its policies regarding Security Based Compensation. Policy 4.4 – *Incentive Stock Options* (the “**Former Policy**”) only addressed stock options (“**Stock Options**”). The Exchange has amended the Former Policy to cover a variety of types of Security Based Compensation, such as deferred share units (“**DSU**”), performance share units (“**PSU**”), restricted share units (“**RSU**”) and stock appreciation rights (“**SAR**”), which have become effective compensation tools that advance the interests of Issuers by enabling them to attract, motivate and retain the best possible personnel who can facilitate their long-term success.

The following amendments have been made to the Exchange’s Corporate Finance Manual (the “**Manual**”):

- Policy 4.4 – *Incentive Stock Options* has been amended and renamed Policy 4.4 – *Security Based Compensation* (the “**Security Based Compensation Policy**”);
- Policy 4.7 – *Charitable Options in Connection with an IPO* (“**Policy 4.7**”) has been repealed as the Security Based Compensation Policy includes the substantive contents of Policy 4.7;
- Form 4G – *Summary Form - Incentive Stock Options* has been amended and renamed Form 4G – *Summary Form - Security Based Compensation* (the “**New Form 4G**”); and
- Form 4F – *Certification and Undertaking Required from a Company Granted an Incentive Stock Option* (“**Form 4F**”) has been repealed as the New Form 4G includes the substantive contents of Form 4F.

The Security Based Compensation Policy and the New Form 4G, and the repeal of Policy 4.7 and Form 4F, are effective today, November 24, 2021 (the “**Effective Date**”). Clean and blacklined versions of the Security Based Compensation Policy and the New Form 4G are 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>

Security Based Compensation Plans currently in effect will remain in full force and effect, and may be amended in accordance with the Security Based Compensation Policy with the requisite Shareholder approval. Any outstanding Security Based Compensation Plan that does not comply with the Security Based Compensation Policy will need to be amended to comply with the Security Based Compensation Policy the next time it is placed before the Issuer’s Shareholders for approval.

The purpose of this Bulletin is to provide an overview of the amendments, highlighting the most significant changes to the existing provisions as set out in Schedule “A”, which includes a summary of several key components of the Security Based Compensation Policy. The Exchange will also be posting materials on its website and hosting online information sessions on Thursday, December 2, 2021 at 4:00pm (Eastern Time) and on Wednesday, December 8, 2021 at noon (Eastern Time).

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 Security Based Compensation Policy and the New Form 4G with respect to the substantive requirements of the amendments referred to in this Bulletin. In the case of any discrepancy or conflict, the Security Based Compensation Policy and the New Form 4G prevail.

Capitalized terms not specifically defined in this Bulletin have the meanings ascribed to them in the Manual, including the Security Based Compensation Policy.

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

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## Schedule "A"

### Overview of the Security Based Compensation Amendments

All references to Parts and sections are references to the Security Based Compensation Policy, unless specified otherwise.

1. **Types of Security Based Compensation** (Part 1) – The Former Policy only addressed Stock Options. The Exchange has expanded the Former Policy to cover a variety of types of Security Based Compensation, such as DSU, PSU, RSU and SAR. It must be noted that section 4.6 stipulates that no Security Based Compensation, other than Stock Options and securities issued pursuant to a Stock Purchase Plan, may vest before the date that is one year following the date it is granted or issued (although the vesting may be accelerated in limited circumstances).
2. **Charitable Stock Options** (section 4.5) – Policy 4.7 addressed Stock Options granted to Eligible Charitable Organizations before an Issuer's IPO. The Security Based Compensation Policy now includes all Stock Options to be granted to Eligible Charitable Organizations (whether granted before or after an Issuer's IPO), and accordingly, Policy 4.7 has been repealed.
3. **Categories of Security Based Compensation Plans** (section 3.1) – The Former Policy permitted two types of Stock Option plans:
  - (a) a "rolling" Stock Option plan reserving for issuance pursuant to the exercise of Stock Options a number of shares of the Issuer equal to up to a maximum of 10% of the issued shares of the Issuer at the time of any Stock Option grant; or
  - (b) a "fixed" Stock Option plan reserving for issuance pursuant to the exercise of Stock Options a specified number of shares, up to a maximum of 20% of the issued shares of the Issuer as at the date of implementation of the Stock Option plan by the Issuer.

The Security Based Compensation Policy permits four categories of Security Based Compensation Plans (an Issuer must choose one category):

- (i) **"rolling up to 10%"** (section 3.1(a)): "rolling" Security Based Compensation Plan(s) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) in aggregate is equal to up to a maximum of 10% of the Issued Shares of the Issuer as at the date of grant or issuance of any Security Based Compensation under any of such Security Based Compensation Plan(s); or
- (ii) **"fixed up to 20%"** (section 3.1(b)): "fixed" Security Based Compensation Plan(s) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) in aggregate is a fixed specified number of Listed Shares of the Issuer up to a maximum of 20% of the Issued Shares of the Issuer as at the date of implementation of the most recent of such Security Based Compensation Plan(s) by the Issuer; or
- (iii) **"rolling up to 10% and fixed up to 10%"** (section 3.1(c)): a "rolling" Stock Option Plan under which the number of Listed Shares of the Issuer that are issuable pursuant to the exercise of Stock Options is equal to up to a maximum of 10% of the Issued Shares of the Issuer as at the date of any Stock Option grant, and "fixed" Security Based Compensation Plan(s) (other than Stock Option Plans) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) (other than Stock Option Plans) in aggregate is a fixed specified number of Listed Shares of the Issuer up to a maximum of 10% of the Issued Shares of the Issuer as at the date of implementation of the most recent of such Security Based Compensation Plan(s) (other than Stock Option Plans) by the Issuer; or
- (iv) **"fixed Stock Option Plan up to 10%"** (section 3.1(d)): a "fixed" Stock Option Plan under which the number of Listed Shares of the Issuer that are issuable pursuant to the exercise of Stock Options is a fixed specified number of Listed Shares of the Issuer up to a maximum of 10% of the Issued Shares of the Issuer as at the date of implementation of the Stock Option Plan by the Issuer.

Categories (i) and (ii) reflect the two previously existing types of plans, but expanded from permitting Stock Options only to also permitting the new additional types of Security Based Compensation.

Category (iii) is a new hybrid category, designed to provide additional flexibility to Issuers in meeting their compensation needs.

Category (iv) is effectively a subset of the “fixed up to 20%” category in that it permits a fixed number up to 10% only, and it is further limited to Stock Options only (and no other types of Security Based Compensation). This is the only category of Security Based Compensation Plan that an Issuer may implement after listing without Shareholder approval, provided that the criteria set out in section 5.2(a) are satisfied, including the absence of a Net Exercise provision. Further, the number of Listed Shares issuable under a “fixed Stock Option Plan up to 10%” may not be increased more than once in a 24 month period, as set out in section 7.1.

**NOTES:**

**CPCs and Issuers listed on NEX** are only permitted to grant Stock Options and no other types of Security Based Compensation. (section 3.4)

**Investor Relations Service Providers** may be granted Stock Options (maximum aggregate is 2% of the Issued Shares in any 12 month period) and no other forms of Security Based Compensation (section 4.4(a)), and any such Stock Options must vest in stages over a period of not less than 12 months (section 4.4(c)).

**Adjustments** to Security Based Compensation granted or issued under a Security Based Compensation Plan, other than in connection with a security consolidation or security split, must be subject to the prior acceptance of the Exchange. (section 4.7(d))

**Cashless Exercise or Net Exercise** of Stock Options (see Item 5 below) will result in the number of Stock Options exercised, surrendered or converted, and not the number of Listed Shares actually issued by the Issuer, being included in calculating the relevant Security Based Compensation Plan limits. Otherwise, Security Based Compensation that has been settled in cash, cancelled, terminated, surrendered, forfeited or expired without being exercised, and pursuant to which no securities have been issued, continue to be issuable under the Security Based Compensation Plan under which it was approved. (section 4.11)

4. **Shareholder Approval** (section 5.2) – The Security Based Compensation Policy clarifies the specific Shareholder approval required for each category of Security Based Compensation Plan:

- (i) **“fixed Stock Option Plan up to 10%”** (section 5.2(a)): Except as set forth in section 5.2(k), the only circumstance in which Shareholder approval of a Security Based Compensation Plan is not required is in relation to the implementation of a “fixed” Stock Option Plan described in section 3.1(d) which does not permit Net Exercise and that meets certain additional criteria set out in section 5.2(a). Disinterested Shareholder approval will be required in the circumstances prescribed by section 5.3(a).
- (ii) **“fixed up to 20%”** (section 5.2(b)): Except as specifically provided in section 5.2(a) described above, a “fixed” Security Based Compensation Plan described in section 3.1(b) must receive Shareholder approval at the time the “fixed” Security Based Compensation Plan is to be implemented (except as set forth in section 5.2(k)), and at such time as the number of Listed Shares issuable under the Security Based Compensation Plan is amended. Disinterested Shareholder approval will be required in the circumstances prescribed by section 5.3(a).
- (iii) **“rolling up to 10%”** (section 5.2(c)): A “rolling” Security Based Compensation Plan described in section 3.1(a) must receive Shareholder approval at the time the “rolling” Security Based Compensation Plan is to be implemented (except as set forth in section 5.2(k)) and yearly thereafter, at the Issuer’s annual meeting of Shareholders. Where disinterested Shareholder approval for a “rolling” Security Based Compensation Plan is required under section 5.3(a), the initial and yearly Shareholder approval of the Security Based Compensation Plan must be disinterested Shareholder approval.

- (iv) **“rolling up to 10% and fixed up to 10%”** (section 5.2(d)): Where an Issuer adopts a “rolling” Stock Option Plan and “fixed” Security Based Compensation Plan(s) (other than Stock Option Plans) described in section 3.1(c), the Issuer must (except as set forth in section 5.2(k)) obtain yearly approval of the “rolling” Stock Option Plan as described in section 5.2(c) and must also obtain Shareholder approval of the “fixed” Security Based Compensation Plan(s) as described in section 5.2(b). If the Issuer has elected to implement one Security Based Compensation Plan that includes both the “rolling” Stock Option Plan and “fixed” Security Based Compensation Plan(s), then the Issuer must obtain yearly approval of that Security Based Compensation Plan as described in section 5.2(c).
5. **Cashless Exercise / Net Exercise** (section 4.8(d)) – Under the Former Policy, the exercise price of a Stock Option was required to be paid in cash. The Security Based Compensation Policy also permits Stock Options to be exercised using “Net Exercise”, as described in section 4.8(d)(ii). Note that the VWAP must be used to calculate the Net Exercise. The Security Based Compensation Policy also expressly permits “Cashless Exercise” as described in section 4.8(d)(i), which is simply a mechanism pursuant to which a brokerage firm facilitates the exercise of a Stock Option, and the Issuer still receives the exercise price of the Stock Option in cash.
6. **Security Based Compensation Outside of a Security Based Compensation Plan** (Part 6) – In certain specified circumstances, the Exchange will consider an application of an Issuer to grant or issue Security Based Compensation outside of a Security Based Compensation Plan and unless otherwise provided in section 6.2, section 6.3 or section 6.4, any such grant or issuance must be subject to disinterested Shareholder approval, which may be obtained at a meeting or by written consents.
- a. **Securities for Services** (section 6.2) – Under Policy 4.3 – *Shares for Debt (“Policy 4.3”)*, the Exchange sets out a number of requirements for an agreement pursuant to which an Issuer intends to compensate a Person by way of Securities for Services. As such an arrangement may be considered Security Based Compensation in certain circumstances when paid to particular Persons, these requirements are now included in the Security Based Compensation Policy. If the Person providing the services is a Non-Arm’s Length Party to the Issuer or to any of its Affiliates, only Listed Shares may be issued under section 6.2 (i.e. no Warrants). Note that section 6.2 cannot be used to issue securities for services for Investor Relations Activities, promotional or market-making activities described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*. Further note that where Policy 5.1 – *Loans, Loan Bonuses, Finder’s Fees and Commissions* provides otherwise (i.e. in respect of finder’s fees/commissions), its provisions prevail. However, in the case of any discrepancy or conflict between the Security Based Compensation Policy and Policy 4.3, the provisions of the Security Based Compensation Policy prevail.
- b. **Compensation Owed to Non-Arm’s Length Parties** (section 6.3) – Under Policy 4.3, the Exchange sets out a number of requirements for the settlement of outstanding debts through the issuance of securities. In particular, section 3.12(f) of Policy 4.3 states that the Exchange may deny acceptance of any Shares for Debt transaction if the debt relates to management fees of more than \$2,500 per month. The Exchange is increasing this limit to \$5,000 per month per Person and \$10,000 per month in aggregate per Issuer, and has included this section in the Security Based Compensation Policy as it may be considered Security Based Compensation. Only Listed Shares may be issued under this section (i.e. no Warrants). Again, in the case of any discrepancy or conflict between the Security Based Compensation Policy and Policy 4.3, the provisions of the Security Based Compensation Policy prevail.
- c. **One Time Payments as Inducement or Severance** (section 6.4) – This section enables Issuers to issue Listed Shares as an inducement or as severance without Shareholder approval provided that the maximum number of Listed Shares that an Issuer may issue under section 6.4 is limited to:
- i. 1% of the Issued Shares for any particular issuance;
  - ii. 1% of the Issued Shares to any one Person in any 12 month period; and
  - iii. 2% of the Issued Shares to all Persons in aggregate in any 12 month period.
- d. **Loans** (section 6.5) – Where an Issuer wishes to lend funds to a Person for the purpose of acquiring securities of the Issuer, such loan must first be approved by the disinterested Shareholders.

- e. **Exchange Hold Period** (section 6.6) – This section reminds Issuer that, in addition to any applicable Resale Restrictions under Securities Laws, in certain circumstances, the Exchange Hold Period will also apply.
- 7. **Form 4G** – The former Form 4G has been expanded to address the additional types of Security Based Compensation that Issuers may issue, and to include “snapshot” summaries of outstanding Security Based Compensation Plans and outstanding Security Based Compensation. It now also includes the former Form 4F as its Schedule “A”. Further, the New Form 4G is now simply a reporting form and it will no longer be used to apply to the Exchange for its acceptance of a proposed amendment to Security Based Compensation (rather, a letter application will be required in relation to the latter).
- 8. **Form 4F** –The New Form 4G includes as a schedule the former Form 4F (updated to apply to all Security Based Compensation and not only Stock Options), and accordingly, the Exchange has repealed Form 4F.
- 9. **Fees** - All references in Policy 1.3 – *Schedule of Fees* and in Appendix 1A – *Notice of Billing Practices* to “stock option” and “option” will now be read as “Security Based Compensation”.

### **Transition Provisions**

All Security Based Compensation Plans which have been filed with the Exchange prior to November 24, 2021 (a “**Legacy Security Based Compensation Plan**”), and all Security Based Compensation granted, issued or amended before or after November 24, 2021 pursuant to such Legacy Security Based Compensation Plans (“**Legacy Security Based Compensation**”), remain in force in accordance with their existing terms. However, any:

- (a) Legacy Security Based Compensation Plan that is to be placed before an Issuer’s Shareholders for approval (including the yearly approval of a “rolling” Security Based Compensation Plan as described in section 5.2(c) or the approval of an amendment as described in section 5.2(f)); and
- (b) other Security Based Compensation Plan that is implemented or amended;

after November 23, 2021 must comply with the Security Based Compensation Policy.

Further, all Security Based Compensation which has been conditionally accepted by the Exchange prior to November 24, 2021 remain in force in accordance with their existing terms. Any Security Based Compensation that is granted, issued or amended after November 23, 2021, other than Legacy Security Based Compensation, must comply with the Security Based Compensation Policy.

### **Summary**

A summary table follows on the next page.

	Rolling up to 10%	Fixed up to 20%	Rolling Stock Option Plan up to 10% and other Fixed up to 10%	Fixed Stock Option Plan up to 10%
<b>Types of Security Based Compensation</b>	All types set out in the Security Based Compensation Policy <sup>1</sup>	All types set out in the Security Based Compensation Policy <sup>1</sup>	All types set out in the Security Based Compensation Policy <sup>1</sup>	Stock Options only
<b>Exchange Approval</b>	Required for implementation, amendment and annually	Required for implementation and amendment	Required for implementation, amendment and for the "rolling" plan, annually	Required for implementation and amendment
<b>Shareholder Approval</b>	Required for implementation <sup>2</sup> , amendment and annually	Required for implementation <sup>2</sup> and amendment	Required for implementation <sup>2</sup> , amendment and for the "rolling" plan, annually	Required for amendment
<b>Net Exercise of Stock Options</b>	Permitted (except for Investor Relations Service Providers)	Permitted (except for Investor Relations Service Providers)	Permitted (except for Investor Relations Service Providers)	Not permitted
<b>Vesting Requirements</b>	All Security Based Compensation (other than Stock Options and securities issued pursuant to a Stock Purchase Plan) is subject to a minimum one year vesting requirement.  Stock Options granted to Investor Relations Service Providers must vest in stages over a period of not less than 12 months.	All Security Based Compensation (other than Stock Options and securities issued pursuant to a Stock Purchase Plan) is subject to a minimum one year vesting requirement.  Stock Options granted to Investor Relations Service Providers must vest in stages over a period of not less than 12 months.	All Security Based Compensation (other than Stock Options and securities issued pursuant to a Stock Purchase Plan) is subject to a minimum one year vesting requirement.  Stock Options granted to Investor Relations Service Providers must vest in stages over a period of not less than 12 months.	Stock Options granted to Investor Relations Service Providers must vest in stages over a period of not less than 12 months.
<b>Participants Eligible</b>	Directors, Officers, Employees, Management Company Employees and Consultants as well as Eligible Charitable Organizations.  Note: Investor Relations Service Providers and Eligible Charitable Organizations may only be granted Stock Options.			
<b>Terms Required to be included in a Security Based Compensation Plan (sections 4.11 and 4.12)</b>	Overall plan limit must be specified.  Security Based Compensation is non-assignable and non-transferable.  Limits set out in section 5.3(a)(i), unless disinterested Shareholder approval is obtained.  Maximum aggregate number of Listed Shares issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Consultant must not exceed 2% of the Issued Shares.  Investor Relations Service Providers may not receive any Security Based Compensation other than Stock Options.  Issuer will confirm if the Participant is a bone fide Employee, Consultant or Management Company Employee.  <i>Termination provisions:</i> <ul style="list-style-type: none"> <li>• Heirs/administrator claims must be made within one year from the Participant's death.</li> <li>• Security Based Compensation must expire within a reasonable period (not exceeding 12 months) following the date the Participant ceases to be an eligible Participant.</li> </ul> <i>Stock Option Plan Additional Terms:</i> <ul style="list-style-type: none"> <li>• Maximum term for Stock Options is 10 years.</li> <li>• Maximum aggregate number of Listed Shares issuable pursuant to all Stock Options granted in any 12 month period to Investor Relations Service Providers must not exceed 2% of the Issued Shares.</li> <li>• Disinterested Shareholder approval will be obtained for certain amendments to Stock Options held by Insiders.</li> </ul>			

<sup>1</sup> CPCs and Issuers listed on NEX may only grant Stock Options and no other types of Security Based Compensation.

<sup>2</sup> In connection with a Qualifying Transaction, Reverse Takeover, Change of Business, acquisition or reorganization, Shareholder approval of a new or amended Security Based Compensation Plan for an Issuer may be required. See section 5.2(e) regarding the treatment of Security Based Compensation of a Target Company.