

BULLETIN TYPE: Notice to Issuers

BULLETIN DATE: June 2, 2025

Re: Policy 5.4 – Capital Structure, Escrow and Resale Restrictions

TSX Venture Exchange (the “**Exchange**”) is pleased to announce substantive changes to the former Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* (the “**Former Policy 5.4**”) and its related Form 5D – *Escrow Agreement* (the “**Former Escrow Agreement**”). The amended and renamed Policy 5.4 – *Capital Structure, Escrow and Resale Restrictions* (the “**New Policy 5.4**”), including the transition provisions, and the amended Form 5D – *Escrow Agreement* (the “**New Escrow Agreement**”) are effective today, June 2, 2025 (the “**Effective Date**”) and are available 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 most significant changes to the Exchange’s policies in connection with a New Listing, including an Initial Public Offering (“**IPO**”), Reverse Takeover (“**RTO**”), Change of Business (“**COB**”) or Qualifying Transaction (“**QT**”), can be summarized as follows:

1. **Capital Structure** – The Exchange has amended and expanded the manners in which an Issuer may demonstrate that its capital structure is acceptable.
2. **Escrow** – In relation to the escrow of securities held by Principals, **the Exchange’s Surplus Securities escrow regime has been eliminated**, so Principals’ Securities will be escrowed according to the Value Securities release schedules and consistent with the release schedules set out in NP 46-201 – *Escrow for Initial Public Offerings* (“**NP 46-201**”) (i.e. the overall length of the term of escrow is not being changed and will remain 18 months for Tier 1 Issuers and 36 months for Tier 2 Issuers, but there will no longer be releases that are more heavily weighted to later in the term).
3. **SSRRs** – The Exchange has amended and simplified the seed share resale restrictions (“**SSRRs**”) on certain securities held by Persons who are not Principals, including which securities are subject to SSRRs (“**SSRR Securities**”). SSRR Securities will have a one year hold period with 20% of such SSRR Securities released every 3 months, with the first release on the date of the Exchange Bulletin confirming its final acceptance of the Transaction (the “**Bulletin Date**”).

Transition: Escrow agreements using the Former Escrow Agreement form that are currently in effect (the “**Existing Escrow Agreements**”) will remain in full force. An Issuer may apply to the Exchange to amend an Existing Escrow Agreement in accordance with its terms and the New Policy 5.4 to reflect provisions that would have been permitted by the New Policy 5.4 had it been in effect at the time the Existing Escrow Agreement was entered into. Such amendments must receive disinterested Shareholder approval. Further, an Issuer may, without Shareholder approval, apply to the Exchange to amend the terms of any existing Seed Share resale restrictions (the “**Former SSRRs**”) to reflect provisions that would have been permitted by the New Policy 5.4 had it been in effect at the time the securities were made subject to the Former SSRRs. Applications for Exchange acceptance of such amendments must be made through LINX accompanied by the Policy 1.3 – *Schedule of Fees* “Other Transaction” fee of \$1,000 (plus applicable taxes).

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 New Policy 5.4. The Exchange will also be posting materials on its website and hosting online information sessions on Wednesday, June 11, 2025 at 4:00pm (Eastern Time) and on Wednesday, June 18, 2025 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 New Policy 5.4 and the New Escrow Agreement with respect to the substantive requirements of the amendments referred to in this Bulletin. In the case of any discrepancy or conflict, the New Policy 5.4 and the New Escrow Agreement prevail.

Capitalized terms not specifically defined in this Bulletin have the meanings ascribed to them in the Exchange’s Corporate Finance Manual, including the New Policy 5.4.

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

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Schedule "A"

Overview of the Amendments

All references to Parts and sections are references to the New Policy 5.4, unless specified otherwise.

1. Capital Structure (Part 2)

Under the Former Policy 5.4, the Exchange used the evidence of value requirement for New Listings (IPO/RTO/COB/QT) to:

- (i) validate the capital structure; and
- (ii) determine whether securities held by Principals would be subject to the Value Securities escrow regime or the Surplus Securities escrow regime.

As described in more detail below, the Exchange has eliminated the Surplus Securities escrow regime and only maintained what was formerly known as the Value Securities escrow regime, so the distinction [point (ii) above] is no longer applicable. Accordingly, the focus of Part 2 of the New Policy 5.4 is to simply set out the manners in which an Issuer seeking a New Listing may demonstrate to the Exchange that its capital structure is acceptable [point (i) above].

We also wish to emphasize that, in addition to having an acceptable capital structure, every Issuer seeking a New Listing is still required to also satisfy the Exchange's Initial Listing Requirements set out in Policy 2.1 – *Initial Listing Requirements* and all other applicable Exchange Requirements.

An Issuer seeking a New Listing may demonstrate to the Exchange that its capital structure is acceptable through any one of the following manners set out in section 2.1 of the New Policy 5.4:

- (a) **Contemporaneous Equity Financing** – Any contemporaneous equity financing(s) (the "**Financing**") where a majority of the securities are issued to subscribers who are not Non-Arm's Length Parties of the Issuer or of the Target Company, and either:
 - (i) the number of Listed Shares of the Issuer to be issued pursuant to the Financing is not less than 10% of the number of issued and outstanding Listed Shares of the Issuer upon completion of the Transaction and the Financing; or
 - (ii) gross proceeds of the Financing are not less than \$5,000,000;including in both cases equity financings completed by the Target Company within the immediately preceding six months at a price that is not less than the Discounted Market Price.
- (b) **Appraisal or Valuation** – An appraisal or valuation that supports at least 50% of the Consideration.
- (c) **Expenditures** – In relation to an asset, expenditures incurred within the five previous years that support at least 50% of the Consideration.
- (d) **Net Tangible Assets of the Target Company** – In relation to a Company, Net Tangible Assets of the Target Company are equal to at least 50% of the Consideration.

- (e) **Operating Cash Flow of the Target Company** – Ten times the average annual cash flows from operating activities of the Target Company (calculated over the last eight fiscal quarters) is equal to at least 50% of the Consideration.
- (f) **Securities Issued by the Target Company** – Where an Issuer proposes to acquire a Target Company, at least 50% of the outstanding equity securities of the Target Company have been issued either:
 - (i) at or above prices which would constitute the Discounted Market Price of the Issuer's Listed Shares; or
 - (ii) at least 12 months prior to the dissemination of a news release announcing the Transaction at prices that are at least 50% of the current Market Price of the Issuer's Listed Shares.
- (g) **Current Listing** – The Issuer has been listed and trading on a recognized stock exchange, other than the Exchange, for at least one year.
- (h) **Initial Public Offering** – The New Listing involves an Initial Public Offering that includes a financing (i.e. not by way of a non-offering Prospectus).

2. **Escrow for Principals' Securities (Part 3)**

IPO (Section 3.1(a)) – The Exchange will generally defer to the escrow requirements imposed by NP 46-201 for an Initial Listing in connection with an IPO.

Non-IPO Transaction (Section 3.1(b)) – Non-IPO Transactions will generally be subject to Exchange escrow requirements which are substantially the same as those required by NP 46-201, but with the following notable differences:

- (a) The Exchange will impose escrow where an Issuer will have a market capitalization of at least \$100 million immediately after the completion of the Non-IPO Transaction; however, such an Issuer may request an exemption from this escrow requirement in its Application for Listing.
- (b) Escrow does not generally apply to securities held by a Principal who holds securities carrying less than 1% of the voting rights attached to the outstanding securities of the Issuer immediately after the completion of the Non-IPO Transaction; however, the Exchange reserves the right to impose escrow on all Below 1% Principals if the aggregate holdings of all Below 1% Principals and the holdings of SSRR Securities of all Below 1% Holders (see SSRRs below) exceeds 5% of the number of Listed Shares of the Issuer outstanding immediately after completion of the Non-IPO Transaction.
- (c) If an Issuer has previously traded in another market, the Exchange will generally require that the Principals of the Issuer enter into escrow arrangements which would result in them having been put in a substantially similar position to what would have been required if the Issuer had previously complied with the New Policy 5.4.

Securities Subject to Escrow (Section 3.2(a)) – As under the Former Policy 5.4, all Principals' Securities are required to be escrowed, and this has been expanded to include not only securities which will be outstanding on completion of the Transaction, but also those which will be issued subsequently in connection with the Transaction, as well as all securities transferred from a Principal within the six months immediately preceding the Application for Listing.

Securities Excluded from Escrow (Section 3.2(b)) – The following Principals’ Securities will generally be exempted from the requirement to be deposited into escrow:

- (a) Principals’ Securities that were previously held in escrow pursuant to NP 46-201 or Exchange escrow requirements, and have already been released from such escrow.
- (b) Principals’ Securities issued in connection with a financing offered by way of a Prospectus to a Person who will be a Principal of the Resulting Issuer.
- (c) Principals’ Securities issued in connection with a Private Placement, including a Bridge Financing, to a Person who will be a Principal of the Resulting Issuer (where certain criteria are met).

Escrow Release Schedule (Section 3.5) – The Surplus Securities escrow regime has been eliminated, so Principals’ Securities will be escrowed according to the Value Securities release schedules and consistent with the release schedules set out in NP 46-201 (i.e. the overall length of the term of escrow is not being changed and will remain 18 months for Tier 1 Issuers and 36 months for Tier 2 Issuers, but there will no longer be releases that are more heavily weighted to later in the term). We note that under the Former Policy 5.4 and Former Escrow Agreement, if the asset, business or property (or interest) for which the Surplus Securities were issued as consideration is lost or abandoned or the operations or development on the asset, business or property are discontinued, the automatic timed release of the subject Surplus Securities terminated and after five years, such Surplus Securities must be cancelled (the “**Cancellation Provision**”). In eliminating the Surplus Securities escrow regime, the Exchange is also eliminating the Cancellation Provision.

Existing “Value Securities” escrow release schedule will be the only escrow release schedule:

<u>Tier 1 Issuers:</u>		<u>Tier 2 Issuers (excluding CPC’s):</u>	
<u>%</u>	<u>Release Date</u>	<u>%</u>	<u>Release Date</u>
25%	On the Bulletin Date	10%	On the Bulletin Date
25%	6 months following the Bulletin Date	15%	6 months following the Bulletin Date
25%	12 months following the Bulletin Date	15%	12 months following the Bulletin Date
25%	18 months following the Bulletin Date	15%	18 months following the Bulletin Date
		15%	24 months following the Bulletin Date
		15%	30 months following the Bulletin Date
		15%	36 months following the Bulletin Date

3. **Seed Share Resale Restrictions (Part 4)**

The Seed Share Resale Restrictions (“**SSRRs**”) are hold periods imposed by the Exchange on certain securities held by Persons who are not Principals of the Issuer on completion of a Transaction. In short, SSRR Securities will have a one year hold period with 20% of such SSRR Securities released every 3 months, with the first release on the Bulletin Date.

Securities Subject to SSRRs (Section 4.2) – All Listed Shares of the Issuer, and all securities convertible or exercisable into Listed Shares of the Issuer, and all other securities of the Issuer held by Persons who are not Principals of the Issuer on the completion of the Transaction, are subject to SSRRs if they satisfy any of the following criteria:

- (a) they were issued, or issued in exchange for a security that was originally issued, at a price or deemed price per security, or are convertible or exercisable at a price per security, that is less than the lesser of \$0.05 and 50% of the Transaction Price (the “**Minimum Price**”); or
- (b) they were issued, or issued in exchange for a security that was originally issued, within 12 months immediately preceding the date of the Exchange’s conditional acceptance letter for the Transaction at a price or deemed price per security (or are convertible or exercisable at a price per security) that is less than 25% of the Transaction Price; or
- (c) they were issued, or issued in exchange for a security that was originally issued, within 3 months immediately preceding the date of the Exchange’s conditional acceptance letter for the Transaction at a price or deemed price per security (or are convertible or exercisable at a price per security) that is less than 50% of the Transaction Price;

(collectively, the “**SSRR Securities**”).

Securities Excluded from SSRRs (Section 4.1(e)) – Somewhat similar to escrow, the following securities will generally be exempted from the SSRRs:

- (a) Where an Issuer will have a market capitalization of at least \$100 million immediately after the completion of the Transaction, the Issuer may request an exemption from the SSRRs in its Application for Listing.
- (b) The SSRRs do not apply to SSRR Securities held by a Person who is not a Principal of the Issuer on completion of the Transaction and holds SSRR Securities carrying less than 1% of the voting rights attached to the outstanding securities of the Issuer immediately after the completion of the Transaction; however, the Exchange reserves the right to impose SSRRs on all Below 1% Holders if the aggregate holdings of SSRR Securities of all Below 1% Holders exceeds 5% of the number of Listed Shares of the Issuer outstanding immediately after the completion of the Transaction.

SSRR Release Schedule (Section 4.3) – The revised SSRR matrix is much simpler than under the Former Policy 5.4. All SSRR Securities are subject to a one year hold period, with 20% of such SSRR Securities released every 3 months, with the first release on the Bulletin Date. Accordingly, SSRR Securities are released from the SSRRs as illustrated in the table below.

Price	Held <3 months	Held <12 months	Held ≥12 months
< Minimum Price (i.e. the lesser of \$0.05 and 50% of the Transaction Price)	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date
≥Minimum Price and <25% of the Transaction Price	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date	No hold
≥Minimum Price and ≥25% of the Transaction Price and <50% of the Transaction Price	1 year hold, with 20% released every 3 months with the first release on the Bulletin Date	No hold if held more than 3 months	No hold

4. **Amendments and Transfers of Securities Subject to Escrow (Part 5)**

This Part of the Former Policy 5.4 has been expanded for clarity.

5. **Spin-off Transactions and Other Direct Listings (Part 6)**

This Part of the New Policy 5.4 is new and has been added for clarity to specifically address Spin-off transactions and other direct listings. This has been added for clarity and reflects established Exchange practice.

6. **Acquisitions and Dispositions – Evidence of Value (Part 7)**

This Part of the New Policy 5.4 is new and has been added to specifically address circumstances where an Issuer is required under Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets* (“**Policy 5.3**”) to provide support for the value ascribed to the assets, business or property (or interest) being acquired or disposed of. Section 5.12 of Policy 5.3 currently refers to the Former Policy 5.4 for the ways in which an Issuer can provide evidence of value. As the Exchange is not amending Policy 5.3 at this time, Part 7 has been included to clarify how the New Policy 5.4 should be applied in the context of Policy 5.3. Specifically, section 7.1 of the New Policy 5.4 provides that for the purposes of subsequent acquisition and disposition transactions, sections 2.1(b), (c), (d) or (e) of the New Policy 5.4 described above may be used to provide support for the value, provided that each reference to “at least 50% of the Consideration” is read as “at least 100% of the Consideration”. Alternatively, such support may be demonstrated by way of a contemporaneous equity financing that satisfies certain criteria.

7. **Transition (Part 8)**

Had these changes to the escrow and SSRR requirements been in effect and applied to Transactions that have completed in the last 36 months, some securities that are currently still subject to resale restrictions would have already been released. To be fair, the Exchange has included a transition section to enable such releases as are consistent with the requirements of the New Policy 5.4, provided that disinterested shareholder approval is received in relation to any accelerated release of escrowed Principals’ Securities.

8. **Escrow Agreement (Form 5D)** – The Former Escrow Agreement has been revised to reflect the changes being made to the Former Policy 5.4.