

TSX Venture Exchange

Capital Pool Company Program



December 2020

CPC 2.0

THE · TORONTO · STOCK · EXCHANGE

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AGENDA

- Introduction
- Background
- New CPC Policy – Changes
- Deal Portal
- Q & A

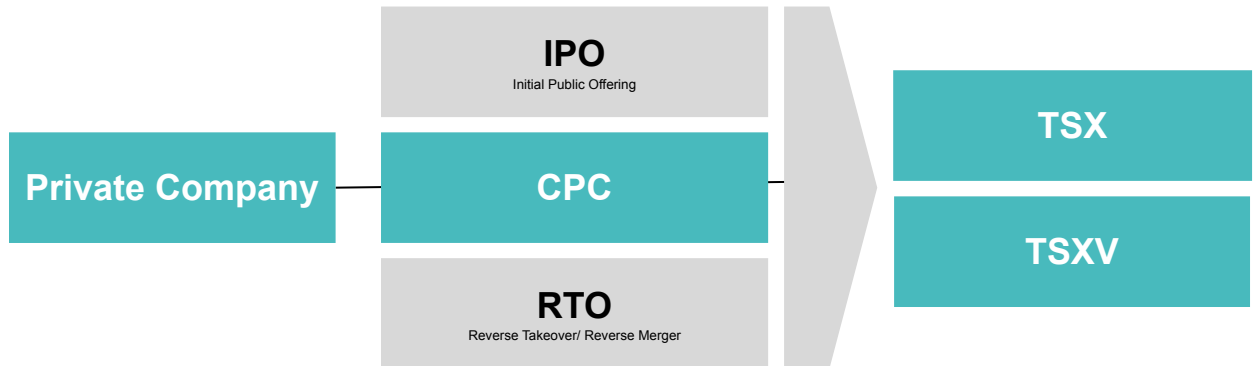
CAPITAL POOL COMPANY PROGRAM

A UNIQUELY CANADIAN INVENTION

- A unique listing vehicle, the Capital Pool Company (CPC) program provides growth companies with an alternative, two-step introduction to the capital markets.
- Unlike a traditional IPO, the CPC program enables seasoned directors and officers to form a CPC with no assets other than cash and no commercial operations, list it on TSX Venture Exchange, and raise a pool of capital.
- The CPC then uses these funds to seek out an investment opportunity in a growing business. Once the CPC has completed its Qualifying Transaction (QT - effectively a reverse takeover of a CPC by an operating business) and acquired an operating company that meets Exchange listing requirements, its shares continue trading as a regular listing on TSX Venture Exchange.

A PATH TO A SUCCESSFUL PUBLIC LISTING

ACCESS TO: CAPITAL • INVESTORS • EXPERTISE • LIQUIDITY



CAPITAL POOL COMPANY (CPC)

THE #1 LISTING ROUTE TO TSX VENTURE EXCHANGE

The CPC program has a proven and strong track record

2,600+

CPCS
CREATED

~\$75B

EQUITY RAISED
BY FORMER CPCS

20%

OF S&P/TSX COMPOSITE
ARE GRADS OF TSXV



WE HEARD YOU.

WE'VE WORKED HARD TO BRING YOU AN ENHANCED CPC PROGRAM

1.

INCREASED
FLEXIBILITY

2.

REDUCED
REGULATORY
BURDEN

3.

IMPROVED
ECONOMICS



SEED CAPITAL & AGGREGATE FUNDS

New Policy

- Maximum \$1,000,000 Seed Capital raised below IPO price
- Maximum \$10,000,000 in aggregate funds raised by a CPC

Former Policy

- Maximum \$500,000 Seed Capital raised below IPO price
- Maximum \$5,000,000 in aggregate funds raised by a CPC

NO TRANSFER TO NEX

New Policy

- No transfer to NEX if Qualifying Transaction not completed within 24 months after listing

Former Policy

- Transfer to NEX and cancel certain Seed Shares, with Shareholder approval, if Qualifying Transaction not completed within 24 months after listing

SHAREHOLDER DISTRIBUTION

New Policy

- 150 Public Shareholders each owning at least 1,000 shares
- Public Float per Policy 2.1 for Tier 2 - currently 500,000 shares
- Public Shareholders collectively hold at least 20% of the outstanding shares

Former Policy

- 200 Public Shareholders each owning at least 1,000 shares
- Public Float 1,000,000 shares

DIRECTORS AND OFFICERS

New Policy

- CPC – Majority must be residents of Canada/USA or have public company experience (permits international directors)
- Resulting Issuer – No restrictions (rely on Policy 3.1)
- CPC – one person can be CEO, CFO and secretary

Former Policy

- CPC – All must be residents of Canada/USA or have public company experience
- Resulting Issuer – Majority must be residents of Canada/USA or have public company experience
- CPC – one person cannot be CEO, CFO and secretary

AGENTS & PRO GROUP

New Policy

- Agent's Options maximum 5 year term
- Shares acquired by the Pro Group at or above the IPO price are not subject to escrow
- 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

Former Policy

- Agent's Options maximum 2 year term
- All shares acquired by the Pro Group are subject to escrow, regardless of the issue price
- All shares issued to the Pro Group as part of the Qualifying Transaction are subject to a four month hold period

ESCROW

New Policy

- 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
 - Shares issued on exercise of CPC Stock Options at an exercise price that is less than the IPO price

Former Policy

- 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
 - All Seed Shares issued to a member of the Aggregate Pro Group, regardless of price

ESCROW RELEASE

New Policy

- 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
- CPC Stock Options and Option Shares released on Final QT Exchange Bulletin unless granted before the IPO with an exercise price less than IPO price
- No requirement to cancel any Seed Shares if the Qualifying Transaction is not completed within 24 months after listing

Former Policy

- 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
- 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

QT FINDER'S FEES

New Policy

- 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 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
 - Shareholder approval is obtained

Former Policy

- Finder's fee may be paid to Person that is not a Non-Arm's Length Party to the CPC
- Finder's fee may NOT be paid to a Non-Arm's Length Party to the CPC

TRANSITION PROVISIONS

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 Escrow Agreement adhere to the new Form 3A and the new Form 2F; **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 described on the next slide)

TRANSITION PROVISIONS CONT'D

Existing CPC

- 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 a QT within 24 months
 - extend the term of outstanding 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

TRANSITION PROVISIONS CONT'D

Resulting Issuer

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

OTHER CHANGES

New Policy

- CPC can be a trust
- Majority of the Minority Approval may be obtained at a meeting **OR** by written consent
- No restriction on RTO within first year after Qualifying Transaction
- Resulting Issuer may be a finance issuer
- Stock Options can be priced at Seed Share price (discount to IPO)
- New jurisdictions – PEI, NWT, YT
- Simplified spending restrictions for CPC
- Disclosure aligned with NI 41-101

Former Policy

- Trust structure not expressly permitted
- Majority of the Minority Approval required to be obtained at a meeting of Shareholders
- Restriction on RTO within first year after Qualifying Transaction
- Resulting Issuer could not be a finance issuer
- Minimum Stock Option price is IPO price

DEAL PORTAL

UNIQUE ACCESS FOR CPC FOUNDERS TO DEAL FLOW

GLOBAL AND CANADIAN DEAL FLOW FROM TSX/V
BUSINESS DEVELOPMENT TEAM

ASSESS DEAL QUALITY BY CONTRASTING AND
MEETING OTHER COMPANIES

80

PRIVATE COMPANIES
ADDED IN 2020

1,886

COMPANIES VIEWED
BY CPCS IN 2020

Q & A

TMX THE FUTURE IS YOURS TO SEE.™

Tuesday,
November 10,
2020

9:16:51 AM

THE MARKET OPENS IN

0:13:09

Reach new summits.
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with plant-based ingredients.

TSX:GURU

guruenergy.com

TORONTO STOCK EXCHANGE WELCOMES

GURU



money.tmx.com

TSX

CT REAL ESTAT UN (CRT_u.TO)
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SCOTTIE RSROURCES (SCOT.V)
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SANTACRUZ SILVER (SCZ)
0 @ 0.305 ▲ 0



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