

c. V-1.1, r. 22

NATIONAL POLICY 46-201: ESCROW FOR INITIAL PUBLIC OFFERINGS

Securities Act

(R.S.Q., c.V-1.1, s. 331.1)

Securities regulators usually require an issuer making an initial public offering to enter into an escrow agreement with its principals and an escrow agent. We may also require an escrow agreement in connection with a prospectus when public investors are asked to finance a significant change of business and escrow has not been previously imposed on the issuer's principals in connection with that business.

Under an escrow agreement principals place their securities in escrow with an escrow agent. Principals are restricted from selling or dealing in other ways with the escrow securities until they are released from escrow according to the escrow agreement.

This Policy describes the circumstances where securities regulators consider an escrow agreement necessary or desirable and the terms of escrow we consider appropriate. Until recently, different provinces had different escrow policies. This Policy describes uniform terms for escrow agreements to be used throughout Canada. This Policy is an initiative of the CSA. This Policy is expected to be adopted as a policy in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, Yukon Territory, Northwest Territories and Nunavut, and as a regulation in Quebec.

**PART I
PURPOSE AND INTERPRETATION**

1.1. What is the purpose of escrow?

(1) A public investor who buys securities in an initial public offering or an offering to fund a significant change of business relies on the issuer's management and principal securityholders to carry out the plans described in the issuer's prospectus. This is particularly true for issuers with a limited history of operations.

(2) An escrow agreement ties the issuer's management and its principal securityholders to the issuer by restricting their ability to sell their securities for a period of time following the issuer's offering. This gives them an incentive to devote their time and attention to the issuer's business while they are securityholders.

Decision 2003-C-0076, s. 1.1.

1.2. Interpretation

- (1) You should use common sense in applying this Policy to your own circumstances, as we will apply the Policy according to its purpose.
- (2) When we refer to securities that a person or company “holds”, we mean that the person or company has direct or indirect beneficial ownership of, or control or direction over, the securities.
- (3) When we refer to “any share certificates or other evidence...”, it should not be construed to require a paper share certificate or other paper evidence of ownership for securities registered electronically if the terms of this Policy and the Form 46-201F1 Escrow Agreement are otherwise met.
- (4) *Regulation 13-103 respecting System for Electronic Data Analysis and Retrieval + (SEDAR+)* (chapter V-1.1, r. 2.3) prescribes that each document that is required or permitted to be provided to a regulator, except in Québec, or securities regulatory authority must be transmitted to the regulator, except in Québec, or securities regulatory authority electronically through the System for Electronic Data Analysis and Retrieval + (SEDAR+).

The reference to a document includes any report, form, application, information, material and notice, as well as a copy thereof, and applies to documents that are required or permitted to be filed or deposited with, or delivered, furnished, sent, provided, submitted or otherwise transmitted to, a regulator, except in Québec, or securities regulatory authority.

To reflect the phased implementation of SEDAR+, the Appendix of *Regulation 13-103 respecting System for Electronic Data Analysis and Retrieval + (SEDAR+)* sets out securities legislation under which documents are excluded from being filed or delivered in SEDAR+.

Regulation 13-103 respecting System for Electronic Data Analysis and Retrieval + (SEDAR+) should be consulted when providing any document to a regulator, except in Québec, or securities regulatory authority under this Policy.

Decision 2003-C-0076, s. 1.2; M.O. 2023-11, s. 1.

1.3. Will a Canadian exchange impose additional escrow terms?

A Canadian exchange may impose additional escrow conditions or more stringent release terms.

Decision 2003-C-0076, s. 1.3.

PART II APPLICATION OF THE POLICY

2.1. When does this Policy apply?

This Policy applies when an issuer and/or one or more of its securityholders distributes shares or convertible securities (both defined in section 3.7) to the public by prospectus in one of the following ways (an **IPO**):

- (a) an initial distribution by the issuer
- (b) a distribution by one or more of the issuer's securityholders if it is the initial public distribution of the issuer's securities (e.g., a corporate spin-off)
- (c) a distribution, other than an initial distribution, by a reporting issuer and/or one or more of its securityholders, if no escrow has been previously imposed by a securities regulator or a Canadian exchange on the issuer's principals in connection with its current business.

Decision 2003-C-0076, s. 2.1.

2.2. What are the exceptions?

- (1) This Policy does not apply to a distribution by:
 - (a) an exempt issuer (defined in section 3.2);
 - (b) a capital pool company under the TSX Venture Exchange Inc. (**TSX Venture**) Policy 2.4;
 - (c) a Tier 3 issuer listed on the TSX Venture; or
 - (d) an issuer that, following a business combination, is a successor to issuers whose principals have been subject to escrow requirements.
- (2) This Policy generally does not apply to a prospectus that does not offer securities to the public, such as a prospectus that an issuer files with a securities regulator only to become a "reporting issuer".

Decision 2003-C-0076, s. 2.2.

2.3. How does this Policy apply to special warrant prospectuses?

- (1) Special warrants are convertible securities that a principal is required to place in escrow. The principal must also place the securities issued on conversion of the special warrants in escrow, even if the securities are qualified under the prospectus.
- (2) A prospectus that only qualifies the securities issued on conversion of special warrants is generally not an IPO prospectus because there are no additional proceeds

raised. However, if there is a market for the securities, the prospectus may be considered an IPO prospectus for the purpose of this Policy. Otherwise, the IPO prospectus will be the next prospectus of the issuer that makes a public offering.

Decision 2003-C-0076, s. 2.3.

2.4. Can securities regulators impose additional or different terms?

A securities regulator may impose additional or different escrow terms if:

- (a) an underwriter has not signed the IPO prospectus;
- (b) the issuer has not applied to have its securities listed on a Canadian exchange, or a Canadian exchange has not agreed to list the securities distributed under the IPO prospectus; or
- (c) there are other exceptional circumstances.

Decision 2003-C-0076, s. 2.4.

PART III ESCROW CLASSIFICATIONS

3.1. Escrow classifications

Issuers are classified as either exempt issuers, established issuers or emerging issuers. Whether or not an issuer's securities will be subject to escrow, and the schedule for release of escrow securities from escrow will depend on the classification of the issuer.

Decision 2003-C-0076, s. 3.1.

3.2. Exempt issuers

Securities regulators do not generally consider that escrow is necessary for an exempt issuer. An **exempt issuer** is an issuer that, after its IPO:

- (a) has securities listed on The Toronto Stock Exchange Inc. (**TSX**) and is classified by the TSX as an exempt issuer;
 - (a.i) has securities listed on Cboe Canada Inc. and is a Closed End Fund, Exchange Traded Fund or Exchange Traded Product (as defined in the Cboe Canada Inc. Listing Manual as amended from time to time);
 - (a.ii) is a Canadian Securities Exchange senior tier issuer (the **CSE senior tier**) and is a Closed End Fund, Exchange Traded Fund or Structured Product (as defined in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time); or

(b) has a market capitalization of at least \$100,000,000. (In calculating market capitalization, multiply the total number of the securities of the same class as the securities offered in the IPO, which are outstanding on completion of the IPO, by the IPO price.)

Decision 2003-C-0076, s. 3.2; M.O. 2015-15, s. 1; M.O. 2025-16, s. 1.

3.3. Established and emerging issuers

(1) Securities regulators generally consider that escrow is necessary for established and emerging issuers.

(2) An **established issuer** is an issuer that, after its IPO:

(a) has securities listed on the TSX and is not classified by the TSX as an exempt issuer;

(a.i) is a CSE senior tier issuer and is not an exempt issuer;

(b) has securities listed on the TSX Venture and is a TSX Venture Tier 1 issuer; or

(c) has securities listed on Cboe Canada Inc. and is not an exempt issuer.

(3) An **emerging issuer** is an issuer that, after its IPO, is not an exempt issuer or an established issuer.

Decision 2003-C-0076, s. 3.3; M.O. 2015-15, s. 2; M.O. 2025-16, s. 2.

3.4. When is an issuer classified for escrow purposes?

An issuer is classified based on its circumstances immediately after completion of its IPO. If an emerging issuer becomes an established issuer at a later point, it may have the release schedule changed. See section 4.4.

Decision 2003-C-0076, s. 3.4.

3.5. Whose securities are subject to escrow?

(1) Securities regulators generally require principals of an emerging or established issuer to place their securities in escrow under an escrow agreement.

(2) A **principal** of an issuer is:

(a) a person or company who acted as a promoter of the issuer within 2 years before the IPO prospectus

(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus

(c) a **20% holder** - a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO

(d) a **10% holder** - a person or company that

(i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO and

(ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

(3) In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

(4) A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

(5) A 'principals' spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

Decision 2003-C-0076, s. 3.5.

3.6. Are any principals exempt from escrow requirements?

A principal that holds securities carrying less than 1% of the voting rights attached to 'n issuer's outstanding securities immediately after its IPO is not subject to escrow requirements. (In calculating this percentage, include securities that may be issued to that principal under outstanding convertible securities in both the 'principals' securities and the total securities outstanding.)

Decision 2003-C-0076, s. 3.6.

3.7. What types of securities are subject to escrow?

Decision 2003-C-0076, s. 3.7.

3.7.1. Escrow securities

(1) The following securities are subject to escrow (**escrow securities**) if a principal holds them immediately before the issuer's IPO:

(a)– **shares** - equity securities that carry the right to participate in earnings and assets remaining on winding-up or liquidation, including common shares, restricted voting shares, subordinate voting shares, multiple voting shares and non-voting shares

(b) **convertible securities** - securities that allow the holder to acquire shares or other convertible securities (such as warrants, special warrants qualified under the IPO prospectus, convertible shares, convertible debentures, rights and options), except for non-transferable incentive stock options issued to principals of the issuer to purchase securities solely for cash at a price equal to or greater than the IPO price

(2) Securities will be released from escrow if they are sold in a “permitted secondary offering” which is defined in section 3.8.

Decision 2003-C-0076, s. 3.7.1.

3.7.2. Additional escrow securities

Shares and convertible securities that a holder of escrow securities acquires in relation to securities that are in escrow at the time:

(a) as a dividend or other distribution;

(b) on the exercise of a right of purchase, conversion or exchange, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange; or

(d) from a successor issuer in a business combination, if this is required under Part V

(additional escrow securities) must be placed in escrow by the holder.

Decision 2003-C-0076, s. 3.7.2.

3.8. What is a permitted secondary offering?

(1) A principal may sell its securities in the issuer i' the issuer's IPO free of escrow in the following circumstances **(a permitted secondary offering)**:

(a) the sale is conducted on a firmly underwritten basis; or

(b) the sale is conducted on a best efforts basis after completion of the sale by the issuer of all or the specified minimum number of its securities offered in the IPO (if any), if the principal is not a promoter, director or senior officer of the issuer or any of its material operating subsidiaries.

(2) The permitted secondary offering must be disclosed in the IPO prospectus.

(3) Any of the principal's remaining unsold escrow securities will continue to be subject to the escrow agreement and released in accordance with the applicable release schedules in the tables set out in sections 4.2.3 and 4.3.3.

Decision 2003-C-0076, s. 3.8.

3.9. Is there a standard form of escrow agreement?

The terms of escrow are set out in a written escrow agreement among an emerging issuer or an established issuer, an escrow agent and the issuer's principals whose securities are subject to escrow. The standard form of escrow agreement is attached as an Appendix to this Policy. An issuer must file a copy of the signed escrow agreement with securities regulators in the jurisdictions where the issuer files its IPO prospectus.

Decision 2003-C-0076, s. 3.9.

3.10. Who may be an escrow agent?

A person or company approved by a Canadian exchange to act as a transfer agent may be an escrow agent.

Decision 2003-C-0076, s. 3.10.

PART IV RELEASE OF ESCROW SECURITIES FROM ESCROW

4.1. When are escrow securities released from escrow?

(1) The release of escrow securities from escrow will vary depending on the escrow classification of the issuer that issued the securities. Principals of established issuers will have their escrow securities released from escrow over an 18-month period. Principals of emerging issuers will have their escrow securities released over a 3-year period. The timing of escrow release will also be affected if a securityholder dies, if an emerging issuer becomes an established issuer, or if an issuer is party to a business combination.

(2) The escrow agreement sets out release procedures for escrow securities.

Decision 2003-C-0076, s. 4.1.

4.2. Release schedule for an established issuer

Decision 2003-C-0076, s. 4.2.

4.2.1. Usual case

'A principal's escrow securities in an established issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange (the listing date)	1/4 of the escrow securities
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 25%.

Decision 2003-C-0076, s. 4.2.1.

4.2.2. Alternate meaning of "listing date"

If an issuer is an established issuer, an alternate meaning for listing date is the date the issuer completes its IPO if the issuer's securities are listed on a Canadian exchange immediately before its IPO.

Decision 2003-C-0076, s. 4.2.2.

4.2.3. If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering 25% or more of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3%.

(2) If a principal has sold in a permitted secondary offering less than 25% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
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On the listing date	1/4 of the original number of escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3% after completion of the release on the listing date.

Decision 2003-C-0076, s. 4.2.3.

4.2.4. Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, those securities will be added to the securities already in escrow to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

Decision 2003-C-0076, s. 4.2.4.

4.3. Release schedule for an emerging issuer

Decision 2003-C-0076, s. 4.3.

4.3.1. Usual case

A principal's escrow securities in an emerging issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange (the listing date)	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

Decision 2003-C-0076, s. 4.3.1.

4.3.2. Alternate meaning of “listing date”

If an issuer is an emerging issuer, an alternate meaning for listing date is the date the issuer completes its IPO if:

(a) the issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the issuer's securities are listed on a Canadian exchange immediately before its IPO.

Decision 2003-C-0076, s. 4.3.2.

4.3.3. If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering 10% or more of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3%.

(2) If a principal has sold in a permitted secondary offering less than 10% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
On the listing date	1/10 of the original number of escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3% after completion of the release on the listing date.

Decision 2003-C-0076, s. 4.3.3.

4.3.4. Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, those securities will be added to the securities already in escrow to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

Decision 2003-C-0076, s. 4.3.4.

4.4. What happens if an emerging issuer becomes an established issuer after its IPO?

- (1) An emerging issuer becomes an established issuer if it:
 - (a) lists its securities on the TSX or Cboe Canada Inc.;
 - (b) becomes a TSX Venture Tier 1 filer or a CSE senior tier issuer; or
 - (c) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms (in Quebec under Staff Notice 43-201, Mutual Reliance Review System for Prospectuses and Annual

Information Forms) or, if the issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of TSX Venture Tier 1.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the listing date.

Decision 2003-C-0076, s. 4.4; M.O. 2015-15, s. 3; M.O. 2025-16, s. 3.

4.5. Release of escrow securities on death of holder

If a holder of escrow securities dies, the holder's escrow securities will be released from escrow.

Decision 2003-C-0076, s. 4.5.

4.6. Release of escrow securities

Once escrow securities are released from escrow, they are no longer escrow securities for the purpose of this Policy.

Decision 2003-C-0076, s. 4.6.

PART V BUSINESS COMBINATIONS

5.1. When does this Part apply?

This Part applies to business combinations. A **business combination** is:

- (a) a formal take-over bid for all outstanding equity securities of the issuer or which, if successful, would result in a change of control of the issuer
- (b) a formal issuer bid for all outstanding equity securities of the issuer
- (c) a statutory arrangement
- (d) an amalgamation
- (e) a merger
- (f) a reorganization that has an effect similar to an amalgamation or merger

Decision 2003-C-0076, s. 5.1.

5.2. Can a holder of escrow securities tender them in a business combination?

(1) Yes, a holder of escrow securities can tender them in a business combination. The tendered escrow securities will be released from escrow and delivered under the business combination if:

(a) the terms and conditions of the business combination have been satisfied or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

(2) The escrow agreement contains special procedures for tendering escrow securities.

Decision 2003-C-0076, s. 5.2.

5.3. If the holder receives securities of another issuer in exchange for the holder's escrow securities, will the new securities be subject to escrow?

If the holder receives securities of another issuer (**successor issuer**) in exchange for the holder's escrow securities, the new securities will be subject to escrow, if immediately upon completion of the business combination:

(a) the successor issuer is not an exempt issuer (defined in section 3.2);

(b) the holder is a principal (defined in section 3.5) of the successor issuer; and

(c) the holder holds more than 1% of the voting rights attached to the successor issuer's outstanding securities. (In calculating this percentage, include securities that may be issued to the principal under outstanding convertible securities to both the principal's securities and the total securities outstanding.)

Decision 2003-C-0076, s. 5.3.

5.4. If the new securities are subject to escrow, when will they be released?

(1) If the new securities are subject to escrow, the escrow agent will hold the new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that were exchanged.

(2) However, if the issuer is an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the issuer's listing date, all escrow securities will be released immediately.

(3) If the issuer is an emerging issuer, the successor issuer is an established issuer and the business combination occurs within 18 months after the issuer's listing date, all

escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the issuer's listing date.

Decision 2003-C-0076, s. 5.4.

PART VI DEALING WITH ESCROW SECURITIES

6.1. Can a holder of escrow securities vote and receive distributions on the escrow securities?

A holder may exercise any voting rights attached to their escrow securities and receive distributions on the holder's escrow securities.

Decision 2003-C-0076, s. 6.1.

6.2. Restrictions on dealing with escrow securities

Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal cannot sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with the holder's escrow securities or any related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

Decision 2003-C-0076, s. 6.2.

6.3. When can a holder of escrow securities transfer them within escrow?

(1) A holder may transfer escrow securities within escrow:

(a) to existing or, upon their appointment, incoming directors or senior officers of the issuer or any of its material operating subsidiaries, if the issuer's board of directors has approved the transfer;

(b) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the issuer's outstanding securities;

(c) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the issuer or any of its material operating subsidiaries;

(d) to a trustee in bankruptcy or another person or company entitled to escrow securities on the bankruptcy of the holder;

(e) to a financial institution on the realization of escrow securities pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; or

(f) to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to the holder and his or her spouse, children and parents or, in the case of a trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents.

(2) The escrow agreement sets out transfer procedures for escrow securities.

(3) Securities laws and other legislation may impose additional restrictions on transfer. (See section 7.4.)

Decision 2003-C-0076, s. 6.3.

6.4. Can a holder pledge, mortgage or charge escrow securities as collateral for a loan?

A holder can pledge, mortgage or charge escrow securities to a financial institution as collateral for a loan. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

Decision 2003-C-0076, s. 6.4.

6.5. Can a holder exchange or convert convertible escrow securities?

A holder of a convertible security that is in escrow may exchange or convert the security within escrow. Securities acquired on conversion or exchange of convertible escrow securities are additional escrow securities and remain in escrow.

Decision 2003-C-0076, s. 6.5.

PART VII GENERAL PROVISIONS

7.1. Amendments to escrow agreement require regulatory approval

The securities regulator in each jurisdiction where the issuer files its IPO prospectus has jurisdiction over the escrow agreement and escrow securities of the

issuer. No amendment to an escrow agreement is valid unless the securities regulators that have jurisdiction have approved it.

Decision 2003-C-0076, s. 7.1.

7.2. Will mutual reliance principles apply to escrow filings?

Yes, the securities regulators will apply mutual reliance principles in administering this Policy. This means the decision of a single regulator will evidence the decision of all securities regulators with jurisdiction.

Decision 2003-C-0076, s. 7.2.

7.3. What happens if an issuer does not complete its IPO?

If an issuer does not complete its IPO and becomes a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, its escrow agreement will remain in effect until the securities regulators in those jurisdictions order that the issuer has ceased to be a reporting issuer.

Decision 2003-C-0076, s. 7.3.

7.4. Do local resale restrictions still apply to escrow securities after they are released from escrow?

Although this Policy may permit the release of escrow securities from escrow or permit a holder to transfer or deal in other ways with escrow securities, other restrictions imposed by securities legislation, securities regulators and Canadian exchanges will still apply.

Decision 2003-C-0076, s. 7.4.

PART VIII AMENDMENT OF RELEASE TERMS IN ESCROW AGREEMENTS MADE PRIOR TO THIS POLICY

8.1. Can the release terms of escrow agreements made prior to this Policy be amended?

(1) The securities regulators consent to amendments to escrow agreements made prior to the date of this Policy (**existing escrow agreements**) to reflect the release terms of this Policy on the following conditions:

(a) The issuer's board of directors must have approved the amendment.

(b) All parties to the existing escrow agreement, except parties whose securities are no longer in escrow, must have agreed to the amendment.

(c) The issuer must have obtained any approval by a Canadian exchange required by the existing escrow agreement.

(d) The amendment must have been approved by a majority vote of the securityholders of the issuer, or consented to by securityholders holding a majority of the securities of the issuer, excluding in each case escrow securityholders and the affiliates and associates.

(e) The amendment to the release terms must apply to all escrow securities.

(f) Once the escrow agreement has been amended and these conditions have been met, the issuer must issue a news release at least 60 days before the first release of escrow securities under the amended escrow agreement notifying the market of the amendment and the new release terms.

(g) The issuer's classification as an exempt, established or emerging issuer must be determined at the date of the news release.

(h) The news release must set out the date of the first release of escrow securities under the amended escrow agreement. The first release date must be at least 60 days after the news release and that date will take the place of the listing date for purposes of the appropriate release schedule under this Policy.

(i) If the issuer is an exempt issuer, all escrow securities may be released no earlier than 60 days after the news release, subject to the 10% limit in (k) below.

(j) If the issuer is an emerging or an established issuer, the new release schedule must be the schedule included in this Policy for that class of issuer, subject to the 10% limit in (k) below.

(k) The number of escrow securities to be released at any one time may not exceed 10% of the issuer's outstanding securities at the time of release. Securities remaining in escrow after the last scheduled release will continue to be released from escrow at 6-month intervals until all escrow securities have been released.

(l) Escrow securities must be released on a pro rata basis, with each holder of escrow securities receiving the same percentage of the escrow securities that are released as the percentage of total escrow securities held by the holder.

(m) The issuer must file with the securities regulators in the jurisdictions where it filed its IPO prospectus:

(i) a copy of the amended escrow agreement, and

(ii) a certificate of a director or senior officer of the issuer confirming that the escrow agreement has been amended in accordance with this Part.

(2) The parties to an existing escrow agreement may amend the agreement by entering into an agreement in the form of Form 46-201F1 Escrow Agreement.

(3) Our consent does not limit the right of a Canadian exchange to impose additional conditions or more stringent release terms.

Decision 2003-C-0076, s. 8.1.

**APPENDIX FORM 46-201F1
ESCROW AGREEMENT**

THIS AGREEMENT is made as of the _____ day of _____ “_____”

AMONG:

(the “**Issuer**”)

AND:

(the “**Escrow Agent**”)

AND:

EACH OF THE UNDERSIGNED SECURITYHOLDERS OF THE ISSUER

(a “**Securityholder**” or “**you**”)

(collectively, the “**Parties**”)

This Agreement is being entered into by the Parties under National Policy 46-201 Escrow for Initial Public Offerings (the **Policy**) in connection with the proposed distribution (the **IPO**), by the Issuer, an [established/emerging] issuer, of [describe securities] by prospectus and/or by certain Securityholders, namely [names of Securityholders], of [specify number of securities distributed by each Securityholder and what percentage of each Securityholder's securities that number represents] (the **permitted secondary offering**).

For good and valuable consideration, the Parties agree as follows:

**PART 1
ESCROW**

1.1 Appointment of Escrow Agent

The Issuer and the Securityholders appoint the Escrow Agent to act as escrow agent under this Agreement. The Escrow Agent accepts the appointment.

1.2 Deposit of Escrow Securities in Escrow

(1) You are depositing the securities (**escrow securities**) listed opposite your name in Schedule “A” with the Escrow Agent to be held in escrow under this Agreement. You will immediately deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of these securities which you have or which you may later receive.

(2) If you receive any other securities (**additional escrow securities**):

- (a) as a dividend or other distribution on escrow securities;
- (b) on the exercise of a right of purchase, conversion or exchange attaching to escrow securities, including securities received conversion of special warrants;
- (c) on a subdivision, or compulsory or automatic conversion or exchange of escrow securities; or
- (d) from a successor issuer in a business combination, if Part 6 of this Agreement applies,

you will deposit them in escrow with the Escrow Agent. You will deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of those additional escrow securities. When this Agreement refers to **escrow securities**, it includes additional escrow securities.

(3) You will immediately deliver to the Escrow Agent any replacement share certificates or other evidence of additional escrow securities issued to you.

1.3 Direction to Escrow Agent

The Issuer and the Securityholders direct the Escrow Agent to hold the escrow securities in escrow until they are released from escrow under this Agreement.

PART 2 RELEASE OF ESCROW SECURITIES

2.1 Release Schedule for an Established Issuer

2.1.1 Usual case

<p>If the Issuer is an established issuer (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows: On _____, 2____, the date the Issuer’s securities are listed on a canadian exchange (the listing date)</p>	<p>1/4 of your escrow securities</p>
<p>6 months after the listing date</p>	<p>1/3 of your remaining escrow securities^{1/2}</p>
<p>12 months after the listing date</p>	<p>1/2 of your remaining escrow securities</p>
<p>18 months after the listing date</p>	<p>your remaining escrow securities</p>

* In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, then the release schedule outlined above results in the escrow securities being released in equal tranches of 25%.

2.1.2 Alternate meaning of “listing date”

If the Issuer is an established issuer, an alternate meaning for **listing date** is the date the Issuer completes its IPO if the Issuer’s securities are listed on a Canadian exchange immediately before its IPO.

2.1.3 If there is a permitted secondary offering

(1) If the Issuer is an established issuer and you have sold in a permitted secondary offering 25% or more of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/3 of your remaining escrow securities ¹ / ₂
12 months after the listing date	1/2 of your remaining escrow securities
18 months after the listing date	your remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3%.

(2) If the Issuer is an established issuer and you have sold in a permitted secondary offering less than 25% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	1/4 of your original number of escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/3 of your remaining escrow securities ¹ / ₂
12 months after the listing date	1/2 of your remaining escrow securities
18 months after the listing date	your remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3% after completion of the release on the listing date.

2.1.4 Additional escrow securities

If you acquire additional escrow securities, those securities will be added to the securities already in escrow, to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

2.2 Release Schedule for an Emerging Issuer

2.2.1 Usual case

If the Issuer is an emerging issuer (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows: 'On _____, 2____, the date the Issuer's securities are listed on a Canadian exchange (the listing date)	1/10 of your escrow securities
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities ¹ / ₄
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities ¹ / ₂
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

* In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

2.2.2 Alternate meaning of "listing date"

If the Issuer is an emerging issuer, an alternate meaning for **listing date** is the date the Issuer completes its IPO if:

- (a) the Issuer's securities are not listed on a Canadian exchange immediately after its IPO; or
- (b) the Issuer's securities are listed on a Canadian exchange immediately before its IPO.

2.2.3 If there is a permitted secondary offering

(1) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering 10% or more of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities ^{1/4}
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities ^{1/2}
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3%.

(2) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering less than 10% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	1/10 of your original number of escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities ^{1/4}
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities ^{1/2}
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

* In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3% after completion of the release on the listing date.

2.2.4 Additional escrow securities

If you acquire additional escrow securities, those securities will be added to the securities already in escrow, to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

2.3 Delivery of Share Certificates for Escrow Securities

The Escrow Agent will send to each Securityholder any share certificates or other evidence of that Securityholder's escrow securities in the possession of the Escrow Agent released from escrow as soon as reasonably practicable after the release.

2.4 Replacement Certificates

If, on the date a Securityholder's escrow securities are to be released, the Escrow Agent holds a share certificate or other evidence representing more escrow securities than are to be released, the Escrow Agent will deliver the share certificate or other evidence to the Issuer or its transfer agent and request replacement share certificates or other evidence. The Issuer will cause replacement share certificates or other evidence to be prepared and delivered to the Escrow Agent. After the Escrow Agent receives the replacement share certificates or other evidence, the Escrow Agent will send to the Securityholder or at the Securityholder's direction, the replacement share certificate or other evidence of the escrow securities released. The Escrow Agent and Issuer will act as soon as reasonably practicable.

2.5 Release upon Death

(1) If a Securityholder dies, the Securityholder's escrow securities will be released from escrow. The Escrow Agent will deliver any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent to the Securityholder's legal representative.

(2) Prior to delivery the Escrow Agent must receive:

(a) a certified copy of the death certificate; and

(b) any evidence of the legal representative's status that the Escrow Agent may reasonably require.

PART 3 EARLY RELEASE ON CHANGE OF ISSUER STATUS

3.1 Becoming an Established Issuer

If the Issuer is an emerging issuer on the date of this Agreement and, during this Agreement, the Issuer:

(a) lists its securities on the Toronto Stock Exchange Inc. or Cboe Canada Inc.;

(b) becomes a TSX Venture Exchange Inc. (TSX Venture) Tier 1 issuer or a CSE senior tier issuer; or

(c) lists or quotes its securities on an exchange or market outside Canada that its “principal regulator” under National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms (in Quebec under Staff Notice 43-201, Mutual Reliance Review System for Prospectuses and Annual Information Forms) or, if the Issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of TSX Venture Tier 1,

then the Issuer becomes an **established issuer**.

3.2 Release of Escrow Securities

(1) When an emerging issuer becomes an established issuer, the release schedule for its escrow securities changes.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the listing date.

3.3 Filing Requirements

Escrow securities will not be released under this Part until the Issuer does the following:

(a) at least 20 days before the date of the first release of escrow securities under the new release schedule, files with the securities regulators in the jurisdictions in which it is a reporting issuer

(i) a certificate signed by a director or officer of the Issuer authorized to sign stating

(A) that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition, and

(B) the number of escrow securities to be released on the first release date under the new release schedule, and

(ii) a copy of a letter or other evidence from the exchange or quotation service confirming that the Issuer has satisfied the condition to become an established issuer; and

(b) at least 10 days before the date of the first release of escrow securities under the new release schedule, issues and files with the securities regulators in the jurisdictions in which it is a reporting issuer a news release disclosing details of the first release of the escrow securities and the change in the release schedule, and sends a copy of such filing to the Escrow Agent.

3.4 Amendment of Release Schedule

The new release schedule will apply 10 days after the Escrow Agent receives a certificate signed by a director or officer of the Issuer authorized to sign

(a) stating that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition;

(b) stating that the release schedule for the Issuer's escrow securities has changed;

(c) stating that the Issuer has issued a news release at least 10 days before the first release date under the new release schedule and specifying the date that the news release was issued; and

(d) specifying the new release schedule.

PART 4 DEALING WITH ESCROW SECURITIES

4.1 Restriction on Transfer, etc.

Unless it is expressly permitted in this Agreement, you will not sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with your escrow securities or any related share certificates or other evidence of the escrow securities. If a Securityholder is a private company controlled by one or more principals (as defined in section 3.5 of the Policy) of the Issuer, the Securityholder

may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

4.2 Pledge, Mortgage or Charge as Collateral for a Loan

You may pledge, mortgage or charge your escrow securities to a financial institution as collateral for a loan, provided that no escrow securities or any share certificates or other evidence of escrow securities will be transferred or delivered by the Escrow Agent to the financial institution for this purpose. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

4.3 Voting of Escrow Securities

You may exercise any voting rights attached to your escrow securities.

4.4 Dividends on Escrow Securities

You may receive a dividend or other distribution on your escrow securities, and elect the manner of payment from the standard options offered by the Issuer. If the Escrow Agent receives a dividend or other distribution on your escrow securities, other than additional escrow securities, the Escrow Agent will pay the dividend or other distribution to you on receipt.

4.5 Exercise of Other Rights Attaching to Escrow Securities

You may exercise your rights to exchange or convert your escrow securities in accordance with this Agreement.

PART 5 PERMITTED TRANSFERS WITHIN ESCROW

5.1 Transfer to Directors and Senior Officers

(1) You may transfer escrow securities within escrow to existing or, upon their appointment, incoming directors or senior officers of the Issuer or any of its material operating subsidiaries, if the Issuer's board of directors has approved the transfer.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a certified copy of the resolution of the board of directors of the Issuer approving the transfer;

(b) a certificate signed by a director or officer of the Issuer authorized to sign, stating that the transfer is to a director or senior officer of the Issuer or a material operating subsidiary and that any required approval from the Canadian exchange I Issuer is listed on has been received;

- (c) an acknowledgment in the form of Schedule “B” signed by the transferee;
 - (d) copies of the letters sent to the securities regulators described in subsection (3) accompanying the acknowledgment; and
 - (e) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent.
- (3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.2 Transfer to Other Principals

- (1) You may transfer escrow securities within escrow:
- (a) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities; or
 - (b) to a person or company that after the proposed transfer
 - (i) will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and
 - (ii) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.
- (2) Prior to the transfer the Escrow Agent must receive:
- (a) a certificate signed by a director or officer of the Issuer authorized to sign stating that
 - (i) the transfer is to a person or company that the officer believes, after reasonable investigation, holds more than 20% of the voting rights attached to the Issuer's outstanding securities before the proposed transfer, or
 - (ii) the transfer is to a person or company that
 - (A) the officer believes, after reasonable investigation, will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and
 - (B) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiariesafter the proposed transfer, and
 - (iii) any required approval from the Canadian exchange the Issuer is listed on has been received;

- (b) an acknowledgment in the form of Schedule "B" signed by the transferee;
 - (c) copies of the letters sent to the securities regulators accompanying the acknowledgement; and
 - (d) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent.
- (3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.3 Transfer upon Bankruptcy

- (1) You may transfer escrow securities within escrow to a trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy.
- (2) Prior to the transfer, the Escrow Agent must receive:
- (a) a certified copy of either
 - (i) the assignment in bankruptcy filed with the Superintendent of Bankruptcy, or
 - (ii) the receiving order adjudging the Securityholder bankrupt;
 - (b) a certified copy of a certificate of appointment of the trustee in bankruptcy;
 - (c) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and
 - (d) an acknowledgment in the form of Schedule "B" signed by:
 - (i) the trustee in bankruptcy, or
 - (ii) on direction from the trustee, with evidence of that direction attached to the acknowledgment form, another person or company legally entitled to the escrow securities.
- (3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.4 Transfer Upon Realization of Pledged, Mortgaged or Charged Escrow Securities

- (1) You may transfer within escrow to a financial institution the escrow securities you have pledged, mortgaged or charged under section 4.2 to that financial institution as collateral for a loan on realization of the loan.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a statutory declaration of an officer of the financial institution that the financial institution is legally entitled to the escrow securities;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the financial institution.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.5 Transfer to Certain Plans and Funds

(1) You may transfer escrow securities within escrow to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to you and your spouse, children and parents, or, if you are the trustee of such a registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents.

(2) Prior to the transfer the Escrow Agent must receive:

(a) evidence from the trustee of the transferee plan or fund, or the trustee's agent, stating that, to the best of the trustee's knowledge, the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund do not include any person or company other than you and your spouse, children and parents;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the trustee of the plan or fund.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.6 Effect of Transfer Within Escrow

After the transfer of escrow securities within escrow, the escrow securities will remain in escrow and released from escrow under this Agreement as if no transfer has occurred on the same terms that applied before the transfer. The Escrow Agent will not

deliver any share certificates or other evidence of the escrow securities to transferees under this Part 5.

PART 6 BUSINESS COMBINATIONS

6.1 Business Combinations

This Part applies to the following **(business combinations)**:

- (a) a formal take-over bid for all outstanding equity securities of the Issuer or which, if successful, would result in a change of control of the Issuer
- (b) a formal issuer bid for all outstanding equity securities of the Issuer
- (c) a statutory arrangement
- (d) an amalgamation
- (e) a merger
- (f) a reorganization that has an effect similar to an amalgamation or merger

6.2 Delivery to Escrow Agent

You may tender your escrow securities to a person or company in a business combination. At least 5 business days prior to the date the escrow securities must be tendered under the business combination, you must deliver to the Escrow Agent:

- (a) a written direction signed by you that directs the Escrow Agent to deliver to the depositary under the business combination any share certificates or other evidence of the escrow securities and a completed and executed cover letter or similar document and, where required, transfer power of attorney completed and executed for transfer in accordance with the requirements of the depositary, and any other documentation specified or provided by you and required to be delivered to the depositary under the business combination; and
- (b) any other information concerning the business combination as the Escrow Agent may reasonably request.

6.3 Delivery to Depositary

As soon as reasonably practicable, and in any event no later than 3 business days after the Escrow Agent receives the documents and information required under section 6.2, the Escrow Agent will deliver to the depositary, in accordance with the direction, any share certificates or other evidence of the escrow securities, and a letter addressed to the depositary that

- (a) identifies the escrow securities that are being tendered;

(b) states that the escrow securities are held in escrow;

(c) states that the escrow securities are delivered only for the purposes of the business combination and that they will be released from escrow only after the Escrow Agent receives the information described in section 6.4;

(d) if any share certificates or other evidence of the escrow securities have been delivered to the depository, requires the depository to return to the Escrow Agent, as soon as practicable, any share certificates or other evidence of escrow securities that are not released from escrow into the business combination; and

(e) where applicable, requires the depository to deliver or cause to be delivered to the Escrow Agent, as soon as practicable, any share certificates or other evidence of additional escrow securities that you acquire under the business combination.

6.4 Release of Escrow Securities to Depository

The Escrow Agent will release from escrow the tendered escrow securities when the Escrow Agent receives a declaration signed by the depository or, if the direction identifies the depository as acting on behalf of another person or company in respect of the business combination, by that other person or company, that:

(a) the terms and conditions of the business combination have been met or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

6.5 Escrow of New Securities

If you receive securities (**new securities**) of another issuer (**successor issuer**) in exchange for your escrow securities, the new securities will be subject to escrow in substitution for the tendered escrow securities if, immediately after completion of the business combination:

(a) the successor issuer is not an **exempt issuer** (as defined in section 3.2 of the Policy);

(b) you are a **principal** (as defined in section 3.5 of the Policy) of the successor issuer; and

(c) you hold more than 1% of the voting rights attached to the successor issuer's outstanding securities (In calculating this percentage, include securities that may be issued to you under outstanding convertible securities in both your securities and the total securities outstanding.)

6.6 Release from Escrow of New Securities

(1) As soon as reasonably practicable after the Escrow Agent receives:

(a) a certificate from the successor issuer signed by a director or officer of the successor issuer authorized to sign

(i) stating that it is a successor issuer to the Issuer as a result of a business combination and whether it is an emerging issuer or an established issuer under the Policy, and

(ii) listing the Securityholders whose new securities are subject to escrow under section 6.5,

the escrow securities of the Securityholders whose new securities are not subject to escrow under section 6.5 will be released, and the Escrow Agent will send any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent in accordance with section 2.3.

(2) If your new securities are subject to escrow, unless subsection (3) applies, the Escrow Agent will hold your new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that you exchanged.

(3) If the Issuer is

(a) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the Issuer's listing date, all escrow securities will be released immediately; and

(b) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs within 18 months after the Issuer's listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the Issuer's listing date.

PART 7 RESIGNATION OF ESCROW AGENT

7.1 Resignation of Escrow Agent

(1) If the Escrow Agent wishes to resign as escrow agent, the Escrow Agent will give written notice to the Issuer.

(2) If the Issuer wishes to terminate the Escrow Agent as escrow agent, the Issuer will give written notice to the Escrow Agent.

(3) If the Escrow Agent resigns or is terminated, the Issuer will be responsible for ensuring that the Escrow Agent is replaced not later than the resignation or termination date by another escrow agent that is acceptable to the securities regulators having jurisdiction in the matter and that has accepted such appointment, which appointment will be binding on the Issuer and the Securityholders.

(4) The resignation or termination of the Escrow Agent will be effective, and the Escrow Agent will cease to be bound by this Agreement, on the date that is 60 days after the date of receipt of the notices referred to above by the Escrow Agent or Issuer, as applicable, or on such other date as the Escrow Agent and the Issuer may agree upon (the "resignation or termination date"), provided that the resignation or termination date will not be less than 10 business days before a release date.

(5) If the Issuer has not appointed a successor escrow agent within 60 days of the resignation or termination date, the Escrow Agent will apply, at the Issuer's expense, to a court of competent jurisdiction for the appointment of a successor escrow agent, and the duties and responsibilities of the Escrow Agent will cease immediately upon such appointment.

(6) On any new appointment under this section, the successor Escrow Agent will be vested with the same powers, rights, duties and obligations as if it had been originally named herein as Escrow Agent, without any further assurance, conveyance, act or deed. The predecessor Escrow Agent, upon receipt of payment for any outstanding account for its services and expenses then unpaid, will transfer, deliver and pay over to the successor Escrow Agent, who will be entitled to receive, all securities, records or other property on deposit with the predecessor Escrow Agent in relation to this Agreement and the predecessor Escrow Agent will thereupon be discharged as Escrow Agent.

(7) If any changes are made to Part 8 of this Agreement as a result of the appointment of the successor Escrow Agent, those changes must not be inconsistent with the Policy and the terms of this Agreement and the Issuer to this Agreement will file a copy of the new Agreement with the securities regulators with jurisdiction over this Agreement and the escrow securities.

PART 8 OTHER CONTRACTUAL ARRANGEMENTS

[You may insert any other contractual arrangements the Parties to this Agreement wish to provide to govern the responsibilities, remuneration, liabilities, and indemnities for the duties of the Escrow Agent or any other matter which the Parties wish to include in this Agreement provided that the terms are not inconsistent with the Policy and the terms of this Agreement.]

PART 9 NOTICES

9.1 Notice to Escrow Agent

Documents will be considered to have been delivered to the Escrow Agent on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

9.2 Notice to Issuer

Documents will be considered to have been delivered to the Issuer on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

9.3 Deliveries to Securityholders

Documents will be considered to have been delivered to a Securityholder on the date of delivery, if delivered by hand or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the address on the Issuer's share register.

Any share certificates or other evidence of a Securityholder's escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise at least 10 business days before the escrow securities are released from escrow. The Issuer will provide the Escrow Agent with each Securityholder's address as listed on the Issuer's share register.

9.4 Change of Address

- (1) The Escrow Agent may change its address for delivery by delivering notice of the change of address to the Issuer and to each Securityholder.
- (2) The Issuer may change its address for delivery by delivering notice of the change of address to the Escrow Agent and to each Securityholder.
- (3) A Securityholder may change that Securityholder's address for delivery by delivering notice of the change of address to the Issuer and to the Escrow Agent.

9.5 Postal Interruption

A Party to this Agreement will not mail a document it is required to mail under this Agreement if the Party is aware of an actual or impending disruption of postal service.

PART 10 GENERAL

10.1 Interpretation – “holding securities”

When this Agreement refers to securities that a Securityholder “holds”, it means that the Securityholder has direct or indirect beneficial ownership of, or control or direction over, the securities.

10.2 Further Assurances

The Parties will execute and deliver any further documents and perform any further acts reasonably requested by any of the Parties to this Agreement which are necessary to carry out the intent of this Agreement.

10.3 Time

Time is of the essence of this Agreement.

10.4 Incomplete IPO

If the Issuer does not complete its IPO and has become a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, this Agreement will remain in effect until the securities regulators in those jurisdictions order that the Issuer has ceased to be a reporting issuer.

10.5 Governing Laws

The laws of [insert principal jurisdiction] (the “Principal Regulator”) and the applicable laws of Canada will govern this Agreement.

10.6 Jurisdiction

The securities regulator in each jurisdiction where the Issuer files its IPO prospectus has jurisdiction over this Agreement and the escrow securities.

10.7 Consent of Securities Regulators to Amendment

Except for amendments made under Part 3, the securities regulators with jurisdiction must approve any amendment to this Agreement and will apply mutual reliance principles in reviewing any amendments that are filed with them. Therefore, the consent of the Principal Regulator will evidence the consent of all securities regulators with jurisdiction.

10.8 Counterparts

The Parties may execute this Agreement by fax and in counterparts, each of which will be considered an original and all of which will be one agreement.

10.9 Singular and Plural

Wherever a singular expression is used in this Agreement, that expression is considered as including the plural or the body corporate where required by the context.

10.10 Language

This Agreement has been drawn up in the [English/French] language at the request of all Parties. Cette convention a été rédigé en [anglais/français] à la demande de toutes les Parties.

10.11 Benefit and Binding Effect

This Agreement will benefit and bind the Parties and their heirs, executors, administrators, successors and permitted assigns and all persons claiming through them as if they had been a Party to this Agreement.

10.12 Entire Agreement

This is the entire agreement among the Parties concerning the subject matter set out in this Agreement and supersedes any and all prior understandings and agreements.

10.13 Successor to Escrow Agent

Any corporation with which the Escrow Agent may be amalgamated, merged or consolidated, or any corporation succeeding to the business of the Escrow Agent will be the successor of the Escrow Agent under this Agreement without any further act on its part or on the part or any of the Parties, provided that the successor is recognized as a transfer agent by the Canadian exchange the Issuer is listed on (or if the Issuer is not listed on a Canadian exchange, by any Canadian exchange) and notice is given to the securities regulators with jurisdiction.

The Parties have executed and delivered this Agreement as of the date set out above.

[Escrow Agent]

Authorized signatory

Authorized signatory

[Issuer]

Authorized signatory

Authorized signatory

If the Securityholder is an individual:

Signature of Securityholder

If the Securityholder is not an individual:

[Securityholder]

Authorized signatory

Authorized signatory

Schedule "A" to Escrow Agreement

Securityholder

Name:

Securities:

<i>Class or description</i>	<i>Number</i>	<i>Certificate(s) applicable</i>	<i>(if</i>

Schedule “B” to Escrow Agreement Acknowledgment and Agreement to be Bound

I acknowledge that the securities listed in the attached Schedule “A” (the “escrow securities”) have been or will be transferred to me and that the escrow securities are subject to an Escrow Agreement dated _____ (the “Escrow Agreement”).

For other good and valuable consideration, I agree to be bound by the Escrow Agreement in respect of the escrow securities, as if I were an original signatory to the Escrow Agreement.

Dated at _____ on _____.

Where the transferee is an individual:

Signature of Transferee

Where the transferee is not an individual:

[Transferee]

Authorized signatory

Authorized signatory

Decision 2003-C-0076, Sch. 46-201F1; M.O. 2015-15, s. 4; M.O. 2025-16, s. 4.

Décision 2003-C-0073, 2003-03-03
Bulletin hebdomadaire: 2003-05-16, Vol. XXX IV n° 19

Amendments

Decision 2015-PDG-0152, 2015-09-30
Bulletin de l’Autorité: 2015-11-05, Vol. 12 n° 44
M.O. 2015-15, 2015 G.O. 2, 2911

Decision 2023-PDG-0016, 2023-04-27
Bulletin de l’Autorité: 2023-06-01, Vol. 20 n° 21
M.O. 2023-11, 2023 G.O. 2, 1046

Decision 2025-PDG-0041, 2025-07-22
Bulletin de l’Autorité : 2025-09-04, Vol. 22 n° 35
M.O. 2025-16, 2025 G.O. 2, 3121