

Spectra7 Microsystems Inc. Announces Private Placement and Amendments to Existing Debentures to Permit Forced Conversion

First Tranche of approximately \$10.2 Million expected to close on or about May 8

Following closing, an improved capital structure and growth capital expected to allow Spectra7 to support hyperscaler customer needs

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TORONTO, May 6, 2024 /CNW/ -- (TSXV: SEV) (OTCQB: SPVNF) Spectra7 Microsystems Inc. ("**Spectra7**" or the "**Company**"), a leader in high-performance analog semiconductors for broadband connectivity markets, such as AI networks, hyperscale data centers, and AR/VR, is pleased to announce a proposed non-brokered private placement (the "**Private Placement**") to certain institutional investors, other investors and insiders of the Company (the "**Subscribers**") of units ("**Units**"), with each Unit consisting of either: (i) one common share (each a "**Common Share**") and one common share purchase warrant (each a "**Warrant**"); or (ii) if the Share Ownership Threshold (defined below) would be exceeded by a Subscriber as a result of their subscription for Units or a Subscriber otherwise opts for, one pre-funded common share purchase warrant (each, a "**Pre-Funded Warrant**") and one Warrant, at a purchase price of \$0.10 per Unit. The Company expects to issue up to 102,000,000 Units for aggregate gross proceeds of up to \$10.2 million in a first tranche of the Private Placement.

Each Warrant will be exercisable immediately and will entitle the holder thereof to purchase either: (i) one Common Share; or (ii) if the Share Ownership Threshold would be exceeded by a Subscriber as a result of the exercise of their Warrants, one Pre-Funded Warrant, at an exercise price of \$0.11 per Common Share or Pre-Funded Warrant for a period of five years from the date of issuance. The expiry date of the Warrant can be accelerated by the Company at any time prior to the expiry date of the Warrants if the closing price of the Common Shares on the TSX Venture Exchange (the "**TSXV**") is greater than \$0.33 for any period of 10 consecutive trading days and certain volume trading thresholds are met during those 10 consecutive trading days.

The "Share Ownership Threshold" is (i) 9.99% of the number of Common Shares outstanding immediately after giving effect to the purchase of the Units, exercise of the Warrants, or conversion of the 9% Debentures or 14% Debentures, as applicable; or (ii) if the relevant Subscriber or holder has filed and the TSXV has cleared for acceptance a personal information form in the form prescribed by the TSXV, 19.99% of the number of Common Shares outstanding immediately after giving effect to the purchase of the Units, exercise of the Warrants, or conversion of the 9% Debentures or 14% Debentures, as applicable; provided, however, that neither the 9.99% nor the 19.99% threshold shall apply if the requisite disinterested shareholder approval has been obtained in accordance with applicable TSXV policies.

The Company may complete subsequent tranches of the Private Placement to bring the total aggregate gross proceeds up to \$24 million. The net proceeds of the Private Placement are

expected to be used for working capital and general corporate purposes.

Craig-Hallum Capital Group is acting as the sole placement agent for the Private Placement for purchasers in the United States, other than existing shareholders.

Amendments to Existing Debentures

Spectra7 also announces that it has received commitments from holders of the requisite 80% of the outstanding principal amount of each of its existing \$8.873 million 14% unsecured convertible debentures ("**14% Debentures**") and its existing \$2.828 million 9% unsecured convertible debentures (the "**9% Debentures**") to amend (the "**Proposed Debenture Amendments**") each series of debentures such that holders may, at any time prior to maturity, convert such debentures, and such that the Company has the right to convert such debentures, at any time prior to maturity, into: (a) in the case of the 14% Debentures, 7,538 units for each \$1,000 principal amount of 14% Debentures, with each unit consisting of one Common Share and one common share purchase warrant (each, a "**14% Warrant**") or, if the Share Ownership Threshold would be exceeded by the warrant holder as a result of the conversion, one Pre-Funded Warrant and one 14% Warrant and (b) in the case of the 9% Debentures, 7,538 units for each \$1,000 principal amount of 9% Debentures, with each unit consisting of one Common Share and 0.80 of a common share purchase warrant (each whole warrant, a "**9% Warrant**") or, if the Share Ownership Threshold would be exceeded by the warrant holder as a result of the conversion, one Pre-Funded Warrant and 0.80 of a 9% Warrant. Each 14% Warrant shall be exercisable into one Common Share or, if the Share Ownership Threshold would be exceeded by a holder as a result of the exercise of their warrants, one Pre-Funded Warrant, at an exercise price of \$0.13 until July 26, 2027. Each 9% Warrant shall be exercisable into one Common Share or, if the Share Ownership Threshold would be exceeded by a holder as a result of the exercise of their warrants, one Pre-Funded Warrant, at an exercise price of \$0.13 until September 14, 2028.

The Proposed Debenture Amendments are subject to approval by the TSXV, formal approval from the holders of the requisite principal amount of the debentures, and the finalization of supplemental indentures. The Company shall issue a further press release once the Proposed Debenture Amendments have been approved and finalized.

Upon completion of the Proposed Debenture Amendments, Spectra7 intends to exercise its right to force the conversion of the 14% Debentures and 9% Debentures (the "**Debenture Conversion**").

"We are pleased that the anticipated conversion of the outstanding debentures into Common Shares and Warrants, together with the new issuance of Units, will simplify the capital structure of the Company, eliminate interest payments on debentures, and provide additional capital for operations," said Ron Pasek, Chairman of the Board.

All dollar amounts in this news release are denominated in Canadian dollars.

Closing of the Private Placement is subject to all necessary regulatory and stock exchange approvals, including the approval of the TSXV. In the United States, the Units will be offered on a private placement basis pursuant to exemptions from the registration requirements of the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). No securities regulatory authority has either approved or disapproved of the contents of this news release. Securities offered and sold in Canada shall be subject to a statutory four month resale restriction under National Instrument 45-102 – *Resale of Securities*. This news release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This news release is not an offer to sell or the solicitation of an offer to buy the securities in the United States or in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification or registration under the securities laws of such

jurisdiction. The securities being offered have not been, nor will they be, registered under the U.S. Securities Act, and such securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from U.S. registration requirements and applicable U.S. state securities laws.

Pursuant to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"), the Private Placement and Debenture Conversion (together, the "**Restructuring**") are expected to constitute a "related party transaction" as insiders of the Company are expected to purchase Units in the Private Placement and to receive units as a result of the Debenture Conversion. The Company is relying on exemptions from the formal valuation requirement of MI 61-101, pursuant to the exemption provided under Section 5.5(b) of MI 61-101, as the Company is not listed on a market specified in that section, and from the minority approval requirement of MI 61-101, pursuant to the "financial hardship" exemption provided under Section 5.7(1)(e) of MI 61-101, as the Company is (i) in a situation of serious financial difficulty, (ii) the Restructuring is designed to improve the financial position of the Company, (iii) the circumstances described in Section 5.5 (f) of MI 61-101 are not applicable, and (iv) the Company's board of directors and independent directors (as such term is defined in MI 61-101) have, acting in good faith, determined that (i) and (ii) apply and the terms of the Restructuring are reasonable in the circumstances of the Company. The securities issued to insiders of the Company in the Private Placement will be subject to resale restriction for a period of four months and one day after closing of the Private Placement.

About Spectra7 Microsystems

Spectra7 Microsystems Inc. is a high-performance analog semiconductor company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading electronics manufacturers in virtual reality, augmented reality, mixed reality, data centers and other connectivity markets. Spectra7 is based in San Jose, California with a design center in Cork, Ireland and a technical support location in Dongguan, China.

For more information, please visit www.spectra7.com.

CAUTIONARY NOTES

Certain statements contained in this press release constitute "forward-looking statements" or "forward-looking information" (collectively, "forward-looking statements") under applicable securities laws in the United States and Canada. All statements other than statements of historical fact contained in this press release, including, without limitation, any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. Forward looking statements in this press release include, but are not limited to, statements with respect to the size, terms, participants and timing of the Private Placement, the ability of the Company to complete the Private Placement on the terms described herein or at all, the ability of the Company to raise up to \$24 million, the ability of the Company to obtain the necessary regulatory and stock exchange approvals for the Private Placement, the use of proceeds for the Private Placement, the ability of the Company to complete the Proposed Debenture Amendments on the terms described herein or at all and to obtain the necessary regulatory, stock exchange, and debentureholder approvals for such Proposed Debenture Amendments, and the Company's ability to support hyperscaler customer needs. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict, including, but not limited to, the risk that the Company is unable to complete the Private Placement on the terms or timing described herein or at all, the Company not being able to obtain the necessary regulatory or stock exchange approvals for the Private Placement, the proceeds of the Private Placement being

insufficient for the Company's needs, or being used in a manner other than as disclosed herein. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, the risk factors discussed in the Company's management's discussion and analysis for the year ended December 31, 2023. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

For more information, please contact:

Matt Kreps
Darrow Associates
214-597-8200
ir@spectra7.com

Spectra7 Microsystems Inc.
Ron Pasek
Chair of the Board of Directors
408-710-6462
ronpasek@yahoo.com

Spectra7 Microsystems Inc.
Dave Mier
Interim Chief Financial Officer
925-858-7011
ir@spectra7.com

Spectra7 Microsystems Inc.
John Mitchell
Public Relations
650-269-3043
pr@spectra7.com

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