

BULLETIN TYPE: Notice to Issuers

BULLETIN DATE: April 12, 2013

Re: Private Placements – Extension and Modification of Temporary Relief from Certain Pricing Requirements

By way of Bulletin/Notice to Issuers dated August 17, 2012 (the “**August 2012 Bulletin**”), TSX Venture Exchange (“**TSXV**” or the “**Exchange**”) implemented, on a temporary basis, relief from certain existing pricing requirements related to Private Placement financings. The three temporary measures (the “**Relief Measures**”) are as follows:

1. Allowing a share/unit offering with an offering price below \$0.05 (the “**Offering Price Relief Measure**”).
2. Allowing a debenture offering with a debenture conversion price below \$0.10 (the “**Conversion Price Relief Measure**”).
3. Allowing offerings involving a warrant with an exercise price below \$0.10 (the “**Exercise Price Relief Measure**”).

By way of Bulletin/Notice to Issuers dated December 12, 2012 (the “**December 2012 Bulletin**”), the Exchange: (a) extended the Relief Measures to April 30, 2013; and (b) introduced the concept of an “**Excluded Amount**” for the Offering Price and Conversion Price Relief Measures which permits up to \$50,000 of the gross proceeds raised by an Issuer in reliance upon these Relief Measures (being the “**Excluded Amount**”) to be used for general working capital purposes and not subject to the “**Maintain/Preserve Existing Business**” or “**No Payments to Related Parties**” conditions.

Effective as of the date of this bulletin, the Exchange is extending the Relief Measures to August 31, 2013. For the purposes of this bulletin, the period of August 17, 2012 to August 31, 2013 will constitute the “**Temporary Relief Period**”. In addition:

1. With respect to the Offering Price and Conversion Price Relief Measures, the Exchange is modifying the 75% arm’s length requirement to allow up to an aggregate of \$200,000 to be raised from Related Parties of the Issuer without any arm’s length component to the Private Placement being required.
2. With respect to the Exercise Price Relief Measure, the Exchange is removing the 75% arm’s length requirement.
3. The Exchange is clarifying that Capital Pool Companies, including those listed on NEX, are not permitted to rely upon the Relief Measures.

Set forth below are the requirements and conditions associated with the use of the Relief Measures. This reiterates what is in the December 2012 Bulletin with revisions necessary to reflect the changes noted above to the 75% arm’s length requirement for the Relief Measures. Capitalized terms not specifically defined in this bulletin shall have the meanings ascribed to them in Policy 1.1 – *Interpretation* of the TSXV Corporate Finance Manual.

RELIEF MEASURES

1. Share/Unit Offering Price Below \$0.05 and Debenture Conversion Price Below \$0.10

TSXV policies require that:

- the offering price for a Private Placement of shares (or units of which common shares form a part) be not less than the applicable Discounted Market Price, subject to a minimum price per share of \$0.05; and

- the conversion price of convertible debentures issued under a Private Placement be not less than the applicable Market Price, subject to a minimum conversion price per share of \$0.10.

TSXV acknowledges that: (a) for Issuers whose shares are trading below \$0.05, the \$0.05 minimum offering price rule may create difficulties in completing a financing without first effecting a share consolidation; and (b) the time necessary to effect a share consolidation may potentially preclude an Issuer subject to immediate or imminent financial hardship from completing an available financing opportunity.

In light of the foregoing, during the Temporary Relief Period, subject to compliance with the following conditions (in addition to such other requirements set out below under Procedural Matters), an Issuer may conduct a Private Placement involving the issuance of: (1) common shares (or units of which common shares form a part) having an offering price of less than \$0.05 per share; or (2) convertible debentures having a conversion price per share of less than \$0.10:

- (a) **Share/Unit Offering – Minimum Offering Price (No Discount to Market):** In the case of a Private Placement of common shares (or units of which common shares form a part), the offering price per share (or unit) must not be less than the last closing price of the Issuer's common shares before the issuance of the news release announcing the Private Placement (i.e. the offering price may not be at a discount to such closing price).
- (b) **Convertible Debenture Offering – Minimum Conversion Price and Limited Term:** In the case of a Private Placement of convertible debentures:
 - i. The conversion price per share must not be less than the last closing price of the Issuer's common shares before the issuance of the news release announcing the Private Placement, subject to a minimum conversion price of \$0.05 per share.
 - ii. TSXV will permit a conversion price of less than \$0.10 only for the first 12 months following closing of the Private Placement. At the end of such 12 month period, the conversion price of any unconverted debentures must automatically increase to a minimum of \$0.10 for the remainder of the term of the debenture.
- (c) **Financial Hardship/Use of Proceeds:** The Issuer must demonstrate to the satisfaction of TSXV that it is subject to immediate or imminent financial hardship and that it does not have the time or resources to complete a share consolidation prior to closing the Private Placement. (NOTE: In the absence of being able to demonstrate this, TSXV would expect the Issuer to complete a share consolidation and subsequently conduct a Private Placement with an offering price of not less than \$0.05 in accordance with existing policy requirements and not in reliance upon the Relief Measures.) In this regard, the Issuer must comply with the following requirements:
 - i. **Financial Information:** The Issuer must provide TSXV with the following information and documentation in satisfactory form as a condition precedent to TSXV providing its conditional acceptance to the Private Placement:
 - (1) A detailed description of the events and factors which led to and contributed to the Issuer being subject to immediate or imminent financial hardship and whether such information has previously been publicly disclosed.
 - (2) A detailed description of alternatives considered by management to improve the Issuer's financial situation.
 - (3) An itemized breakdown of the use of proceeds of the Private Placement including the required timing for each stated use. (NOTE: With the exception of the Excluded Amount, TSXV would generally expect that the timing of each use of proceeds be immediate or imminent in order to correspond with an assertion that the Issuer does

not have the time to complete a share consolidation prior to conducting a Private Placement.)

- (4) To the extent not addressed in the Issuer's responses to items (1) to (3), any other material information in respect of the financial situation of the Issuer which may be of relevance to TSXV.
- ii. **Maintain/Preserve Existing Business:** With the exception of the Excluded Amount, the principal purpose of the proceeds of the Private Placement must be to maintain or preserve the Issuer's existing operations, activities and assets (i.e. with the exception of the Excluded Amount, none of the proceeds of the Private Placement may be used to fund the purchase or pursuit of new business operations or activities).
- iii. **No Payments to Related Parties:** With the exception of the Excluded Amount, none of the proceeds of the Private Placement may be used to compensate, settle indebtedness with or otherwise satisfy obligations to Related Parties of the Issuer.
- iv. **Public Disclosure:** The Issuer must disseminate a news release in conjunction with the closing of the Private Placement that provides an itemized breakdown of the use of proceeds of the Private Placement. Any proposed payments to Related Parties of the Issuer must be specifically disclosed. In addition, the news release must state that the Private Placement has been approved by the Issuer's board of directors, excluding those directors that have a direct interest in the Private Placement.
- v. **Officer's Certificate:** As a condition precedent to TSXV providing its conditional acceptance to the Private Placement, the Issuer must provide TSXV with a certificate signed by its chief executive officer or chief financial officer in the following form:

"To: TSX Venture Exchange

From: *[Name of Issuer]* (the "Issuer")

I am the duly appointed Chief [Executive/Financial] Officer of the Issuer and am knowledgeable of the Issuer's business, affairs and current financial position. The Issuer proposes to complete a private placement financing involving the issuance of ● *[state number and type of securities]* for gross proceeds of up to \$● (the "Private Placement").

I hereby certify in my capacity as Chief [Executive/Financial] Officer of the Issuer that to the best of my knowledge, information and belief:

1. the Issuer is subject to immediate or imminent financial hardship as evidenced by: ● *[state principal factors evidencing the Issuer's immediate or imminent financial hardship]*;
2. the Private Placement is necessary in order to maintain or preserve the Issuer's existing operations, activities and assets and[, with the exception of up to an aggregate amount of \$●,][*if applicable, state the amount of the Excluded Amount*] none of the proceeds of the Private Placement will be used to either: (a) fund the purchase or pursuit of new business operations or activities; or (b) compensate, settle indebtedness with or otherwise satisfy obligations to any person that is a Related Party (as such term is defined in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual) of the Issuer; and
3. the Private Placement has been duly and validly approved by the Issuer's board of directors, excluding those directors that have a direct interest in the Private Placement."

- (d) **\$500,000 Aggregate Limit:** The maximum aggregate gross proceeds an Issuer may raise in reliance on these Relief Measures is \$500,000, except as may otherwise be specifically consented to by the Exchange.
- (e) **Limitation on Involvement of Related Parties:** Up to an aggregate of \$200,000 in gross proceeds may be raised from Related Parties of the Issuer in reliance upon the Offering Price and Conversion Price Relief Measures without any arm's length component to the Private Placement(s) being required. If more than an aggregate of \$200,000 is to be raised from Related Parties of the Issuer, at least 75% of any additional amounts raised by the Issuer in reliance upon these Relief Measures must be subscribed for by persons that are not Related Parties of the Issuer. For example, if an Issuer proposes to raise \$250,000 from Related Parties of the Issuer (i.e. \$50,000 more than the \$200,000 limit to Related Parties), it must then also raise at least \$150,000 from persons that are not Related Parties of the Issuer.

2. Warrant Exercise Price Below \$0.10

TSXV policies require that the exercise price of warrants issued to a subscriber under a Private Placement be not less than the applicable Market Price, subject to a minimum exercise price per share of \$0.10. During the Temporary Relief Period, subject to compliance with the following conditions (in addition to such other requirements set out below under Procedural Matters), an Issuer may conduct a Private Placement involving the issuance of warrants to subscribers having an exercise price per share of less than \$0.10:

- (a) **Minimum Exercise Price:** In the case of a Private Placement of units comprised of a common share and a whole or fractional warrant, the exercise price of each warrant must not be less than the greater of: (a) the offering price of the Private Placement; (b) the last closing price of the Issuer's common shares before the issuance of the news release announcing the Private Placement; and (c) \$0.05. In the case of a Private Placement of convertible debentures for which either detachable warrants are issued or warrants are issued upon conversion of the debenture, the exercise price of each warrant must not be less than the conversion price of the debentures.
- (b) **Limited Term:** TSXV will permit an exercise price of less than \$0.10 only for the first 12 months following closing of the Private Placement. At the end of such 12 month period, the exercise price of any unexercised warrants must automatically increase to a minimum of \$0.10 for the remainder of the term of the warrant. In the case of warrants issuable upon conversion of a convertible debenture, such 12 month period commences from the date of closing of the Private Placement *not* the date of conversion of the debentures.

PROCEDURAL MATTERS

The following procedural requirements will be applicable to all Private Placements for which an Issuer intends to rely upon any of the above-referenced Relief Measures:

1. **Compliance with Existing Policy Requirements:** Except as may be specifically modified by this bulletin, an Issuer will still be required to comply with all of the requirements applicable to Private Placements under existing Exchange policies including, without limitation, Policy 4.1 – *Private Placements* (“**Policy 4.1**”).
2. **Timing:** The Private Placement must be *completed* during the Temporary Relief Period (i.e. an Issuer cannot announce the Private Placement prior to the end of the Temporary Relief Period and close it subsequent to the end of the Temporary Relief Period).
3. **Price Protection by News Release Only:** The applicable pricing of the Private Placement *may not* be protected/reserved by the filing of a Form 4A – *Price Reservation Form*. The Issuer must issue a comprehensive news release announcing the proposed Private Placement in order to protect/reserve the applicable price.

4. **No Expedited Filings:** The Issuer will not be entitled to rely upon the provisions of Part 5 of Policy 4.1.
5. **NEX Listed Issuers:** Issuers listed on the NEX may avail themselves of the Relief Measures provided that:
 - (a) they comply with the conditions and requirements set forth in this bulletin;
 - (b) they do not close the Private Placement prior to obtaining TSXV's conditional acceptance of the Private Placement; and
 - (c) they comply with all of the requirements applicable to Private Placements under the NEX Policy, except to the extent modified by this bulletin (for greater certainty, the requirements set forth in sections 5.2 and 5.3 of the NEX Policy are not modified by this bulletin and will continue to apply).

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

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