

**BULLETIN TYPE: Notice to Issuers**  
**BULLETIN DATE: June 24, 2003**  
**Re: REQUEST FOR COMMENTS - INACTIVE BOARD**

### ***Summary***

The TSX Venture Exchange ("TSX Venture") has applied to the Alberta and British Columbia Securities Commissions ("the Commissions") for approval of various corporate finance policy changes to give effect to the creation of a separate board of TSX Venture (the "Inactive Board"), designed to house TSX Venture listed issuers that have failed to meet TSX Venture Tier Maintenance Requirements ("TMR"), and in certain cases, Capital Pool Companies ("CPCs") that have failed to complete a Qualifying Transaction within the prescribed time.

Note that in the context of this proposal, "inactive" means that the issuer is no longer carrying on active business operations at a level which meets TSX Venture's listing standards, and does not refer to the level of an issuer's trading activity.

In developing the concept, policies and processes for the Inactive Board, TSX Venture has consulted extensively with industry representatives across Canada. This consultation included meetings with members of five Local Advisory Committees comprised of listed company representatives, brokers and securities counsel in each of our regional office jurisdictions, the National Advisory Committee, as well as ad-hoc communication with interested participants in the junior market.

As a condition of its approval of the proposed policy changes to create the Inactive Board, the Alberta Securities Commission has requested that TSX Venture publish this proposal together with the policies and forms applicable to the Inactive Board for comment.

### ***General***

The Inactive Board will provide a trading forum in the form of a separate and distinct board of TSX Venture for issuers that have been listed on TSX Venture and have been declared Inactive, or CPCs that have failed to complete a Qualifying Transaction in accordance with TSX Venture requirements. It will also be available for TSX Inc. ("TSX") issuers that fail to meet continued listing requirements and would have been eligible for listing on TSX Venture as Inactive Issuers.

The Inactive Board is intended to replace the current TSX Venture policies and processes for dealing with Inactive Issuers - no new listings will be accepted.

The Inactive Board is not intended to be a repository for issuers that have an active business; rather it is intended to be a holding place for issuers while they are Inactive and in the process of reactivating. It is intended to provide an alternative to suspension and delisting, and a place to reactivate, not an alternative to complying with appropriate standards for active junior issuers.

Unlike the current Inactive Issuer regime, issuers listed on the Inactive Board will not face delisting if they fail to reactivate within a prescribed time. Inactive Board issuers will be designated as such by the addition of an ".H" suffix to their trading symbol.

### ***Purpose***

The purpose of the Inactive Board is to clearly separate issuers without an active business from those with operations, and to provide them with a listing/market alternative with a reduced compliance burden.

The Inactive Board is the next step in better differentiating and profiling the TSX Venture stock list to investors and other junior market participants. While the tiering structure of TSX Venture, the current ".T" designation for Inactive Issuers and participation in the S&P index provide some means of distinguishing

among TSX Venture's listed issuers, the creation of a separate Inactive Board will inform the investing public in a much more immediate and apparent manner of the fact that issuers listed and trading on the Inactive Board do not have an active business and may have minimal assets and/or operations.

In addition, the establishment of the separately branded and staffed board, where all shell issuers trade will benefit the investing public and other market participants by reducing the confusion inherent in TSX Venture's current stock list.

### ***Eligibility for the Inactive Board***

All TSX Venture issuers that have been designated as Inactive as of May 22, 2003 will be eligible for transfer to the Inactive Board on the date the Inactive Board becomes operational (the "Launch Date"). Subject to any changes that may be required as a result of responses received to this Request for Comments, the Launch Date of the Inactive Board is August 18, 2003.

Beginning May 22, 2003, all TSX Venture listed Issuers that do not meet Tier 2 TMR have been or will be given a 90 day notice period to demonstrate that they meet Tier 2 TMR, failing which they will be eligible for transfer from TSX Venture to the Inactive Board, provided that there are no outstanding regulatory issues.

Current Inactive Issuers that have been halted or suspended solely for not completing a reactivation within an 18 month period currently specified under TSX Venture policies will be permitted to transfer to the Inactive Board, following which the halt or suspension will be lifted, provided that there are no outstanding regulatory issues.

Inactive Issuers that are subject to halts or suspensions for reasons other than failure to complete a reactivation within 18 months will not be permitted to transfer to the Inactive Board and will remain subject to any outstanding halt or suspension until the situation is addressed to the satisfaction of TSX Venture.

Inactive Issuers that have not remitted all outstanding annual sustaining or filing fees to TSX Venture will not be eligible for trading on the Inactive Board.

TSX Venture will exercise discretion in transferring issuers to the Inactive Board that are currently in the process of a reactivation.

CPCs that have not completed a Qualifying Transaction within the prescribed time frame will be eligible to transfer to the Inactive Board provided that they have received the requisite shareholder approval to do so. If a CPC has not completed a Qualifying Transaction within the prescribed time, the CPC shareholders will have a choice to either delist the CPC, cancel the principals' shares and redistribute the remaining cash to shareholders, or cancel the principals' shares and transfer the issuer to the Inactive Board. CPCs that transfer to the Inactive Board will remain subject to TSX Venture Policy 2.4.

### ***Policies for the Inactive Board***

The Inactive Board will provide a separate set of policies suited to the needs of Inactive Issuers looking to reactivate and carry on an active business. Certain of these policies provide cross-references to TSX Venture Policies. The Inactive Board Policies and Forms, and consequential amendments to TSX Venture Policies are set forth in Appendix 1 and 2, respectively.

Although the Inactive Board is intended to replace the current Inactive Issuer regime, there are a few key differences in the proposed policies governing these issuers. These changes are designed to support the reactivation process while ensuring that issuers with active businesses that meet TSX Venture standards do not remain on the Inactive Board.

For example, Inactive Board issuers will be subject to certain financing and share issuance restrictions suitable to companies maintaining their status as inactive issuers undertaking due diligence on reactivation

opportunities.

Most significantly, issuers will not be permitted to issue more than 100% of their outstanding shares (fully diluted) in any 12 month period, or raise more than \$350,000 in aggregate through the issuance of securities in any 12 month period.

Issuers that undertake transactions in excess of these limits will be required to either meet applicable TSX Venture listing requirements and graduate back to Tier 1 or Tier 2 of TSX Venture, or delist from the Inactive Board.

Although management fees will continue to be limited, Inactive Board issuers will be permitted to issue a limited amount of stock options to provide management with incentive to reactivate the issuer.

A \$0.05 minimum price will be imposed for the issuance of shares on the Inactive Board. In order to create a more level playing field, TSX Venture policies will also be amended to provide for a \$0.05 minimum price. Warrants and incentive stock options will continue to be subject to a \$0.10 minimum exercise price on both the Inactive Board and TSX Venture.

In addition, filing procedures will be simplified, and transactions undertaken by issuers will be subject to general oversight and non-disapproval mechanisms rather than detailed review and approval.

### ***Maintaining a Listing***

An issuer listed on the Inactive Board may continue to have its securities listed for an indefinite period of time provided that it complies with the requirements of the Inactive Board. In the event that an issuer does not comply with the Inactive Board Policies, fails to comply with applicable securities laws, completes a Reverse Takeover ("RTO"), conducts a transaction or transactions or activities such that it becomes an active issuer that meets applicable TSX Venture listing standards, or if the Inactive Board determines that it is in its best interest, the Inactive Board may delist the issuer.

If an issuer undertakes an RTO as defined in TSX Venture Policies, it will be subject to TSX Venture Policies governing RTOs. It will be permitted to continue to trade on the Inactive Board until completion of the RTO, at which time it will be required to graduate to TSX Venture or simply delist.

Issuers that develop their businesses such that they meet applicable TSX Venture standards will be required to delist from the Inactive Board and can apply for a re-listing on TSX Venture. Depending on the nature of the reactivation (if the issuer is continuing in the same business with the same principals), TSX Venture may elect to permit an issuer to re-list based on TMR rather than Minimum Listing Requirements.

### ***Regulatory Approval for the Inactive Board***

The creation of the Inactive Board has received conditional approval by the applicable securities commissions, subject to the responses received in respect of this Request for Comments.

### ***Name, Legal Status and Regulatory Oversight***

The Inactive Board will have a distinct name and brand which will be determined shortly. It will not, however, be a separate legal entity. It will operate as a separate division by TSX Venture and will, accordingly, be subject to the regulatory regime that currently governs TSX Venture, including the existing recognition orders and the joint oversight arrangements.

### **Inactive Board Scope**

The Inactive Board will, like TSX Venture, be national in scope.

### **Trading System**

The Inactive Board will use the same trading platform as is currently used for all of the TSX Venture's (and the TSX's) trading, and the Universal Market Integrity Rules will apply to the trading activities on the Inactive Board.

Trading and market data feeds will distinguish information for J2 issuers with the ".H" symbol identifier and an "H" marker. Newspapers and TSX Venture publications will either display information for J2 issuers as a separate section or continue to present it interspersed with TSX Venture information.

### **Inactive Board Regulation**

As the Inactive Board will be a division of TSX Venture, Market Regulation Services Inc. ("RS Inc.") will provide the same regulation services currently provided by RS Inc. to TSX Venture, in particular in relation to Inactive Issuers. Given that the issuers on the Inactive Board are simply migrating from one TSX Venture division to another, there will be no effective change in the regulation services provided in respect of these issuers.

In addition, TSX Venture trading rules will apply to the Inactive Board.

### **Investigation and Enforcement**

Corporate finance investigations and enforcement respecting issuers listed on the Inactive Board shall be structured on the same basis as is currently applicable to TSX Venture issuers and will be carried out by TSX Venture's Compliance Services / Regulation Services.

### **Fees**

TSX Venture proposes to price the Inactive Board on a competitive basis with other evolving and emerging markets, and with consideration of TSX Venture's pricing structure.

TSX Venture charges an annual sustaining fee and filing fees, ranging from \$500 to \$17,500, with each reviewable filing made during the year. By contrast, commencing in 2004, the Inactive Board will combine the sustaining fee and filing fees into a quarterly listing maintenance fee of \$1,250, payable on the first business day of each quarter. The quarterly fee will likely increase by another \$250 once Internet filing becomes available.

TSX Venture will not charge the maintenance fee for issuers that move from TSX Venture or TSX to the Inactive Board in 2003.

Effective 2004, issuers already listed on the Inactive Board will be subject to the new fee, and newly transferred Inactive Board issuers will pay a pro-rated fee the month after they move to the Inactive Board. Pro-rata payment is consistent with the streamlined sustaining fee process applicable as between TSX and TSX Venture, whereby an issuer graduating to TSX, or transferring down from TSX will only pay for the respective months on each exchange (not exceeding 12 months).

### **Comment Process**

Comments should be in writing and delivered on or before **[July 25, 2003]** to

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Please note that comments will not be considered confidential and will be provided to the Commissions pursuant to the policy approval process.

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