



2011-0003

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Subsection 610(c)—Convertible Securities

STAFF NOTICE TO APPLICANTS, LISTED ISSUERS, SECURITIES LAWYERS AND PARTICIPATING ORGANIZATIONS

In connection with recent inquiries and market activity, Toronto Stock Exchange ("TSX") is providing guidance on Subsection 610(c) - Convertible Securities of the TSX Company Manual ("Manual") and Section 602 of the Manual regarding related filing procedures.

Subsection 610(c) provides that "a decrease in the conversion price of a previously issued convertible security must be submitted to TSX for approval and will be reviewed as a new private placement." TSX considers that any arrangement or agreement that has the effect of decreasing the effective conversion price of a previously issued convertible security is subject to the provisions of Subsection 610(c). This may include an inducement payment (in cash or securities) to convert the securities or other amendments to the terms of the convertible security that decreases the effective conversion price.

In addition, listed issuers are reminded that Section 602 of the Manual provides that TSX must be promptly notified of any changes to the material terms of a transaction whether or not such amendment entails a further issuance of securities. This also applies to transactions that have been previously accepted by TSX. The listed issuer may not proceed with the proposed amendment unless it is accepted by TSX.

Accordingly, TSX must therefore be promptly notified in advance of any transaction that may have the effect of decreasing the effective conversion price or otherwise amends the material terms of a previously issued convertible security and such transaction will be subject to the prior approval of TSX. Listed issuers and their advisors are reminded that they are expected to adhere to the spirit of the TSX's listing requirements at all times. Any exemption from TSX requirements, including the requirement to obtain security holder approval will be considered on a discretionary basis under Section 603 of the Manual. TSX strongly recommends that listed issuers and/or their advisors contact TSX for a pre-filing discussion regarding any proposed transaction which has the effect of decreasing the effective conversion price or otherwise effectively amends the material terms of a previously issued convertible security.

Please contact your Listed Issuer Services Manager if you have any questions.