
2000/09/01 — Canadian Venture Exchange — Request for Exemption

Issue: September 1, 2000

Citation: 23 O.S.C.B. 6055

1. — Notice of Publication of Materials Relating to Canadian Venture Exchange, Inc.'s Request for an Exemption from Recognition as a Stock Exchange Under s. 21 of the Securities Act and Notice Regarding Change to Quotation and Trade Reporting Obligations Under Part IV of the Regulation

As part of the application of the Canadian Venture Exchange's ("CDNX") application for an exemption from recognition as a stock exchange under S. 21 of the Securities Act, the following documents are being published in Part 13 of this Bulletin:

- A. An order granting the Canadian Venture Exchange ("CDNX") a temporary exemption from recognition stock exchange under s.21 of the Act (the "Temporary Exemption Order").
- B. The application for exemption from recognition with a proposed final order ("proposed final order") exempting CDNX from recognition along with its attachments: Schedule A — Alberta Securities Commission ("ASC") Recognition Order, Schedule B — British Columbia Securities Commission ("BCSC") Recognition Order, Schedule C — a Memorandum of Understanding regarding Oversight (MOU), Schedule D — a term sheet regarding the operation of the reported market for over-the-counter ("OTC") trading, Schedule E — Amendments to Policies relating to becoming a reporting issuer in Ontario, and Schedule — Policy regarding related party transactions, Schedule F — Insider bids, issuer bids, going private transactions and related party transactions — Policy 5.9.
- C. The Commission has approved for signature the Memorandum of Understanding among the ASC, BCSC, and Ontario Securities Commission (the "OSC") for oversight of CDNX, that is attached as Schedule C to the application. After execution by all three Commissions the MOU will be delivered to the Minister of Finance and published.
- D. The order recognizing CDNX for purposes of certain sections of the Securities Act ("S. 72 Order").
- E. A Notice which will describe the restructuring of the CDN market with the Invitation for Listing from CDNX and the new user agreement to be used by the Canadian Unlisted Board ("CUB"), a subsidiary of CDNX, are being published in Chapter 13 of this Bulletin.

Background

As part of the Memorandum of Agreement between the Canadian exchanges announced in March

1999, CDNX was to become the sole junior exchange in Canada. CDNX was the product of the merger between the Alberta Stock Exchange and the Vancouver Stock Exchange. The Toronto Stock Exchange was to transfer its operation of the Canadian Dealing Network (“CDN”) to CDNX and CDNX was to set up offices in Ontario as part of its mandate to be a national junior issuer exchange.

A. — Recognition and Oversight of CDNX by ASC and BCSC

CDNX is a recognized exchange in Alberta and British Columbia and is subject to the direct oversight of the ASC and BCSC. CDNX applied for recognition in those provinces at the time of the merger in November 1999. As direct regulators, the ASC and BCSC have divided oversight of CDNX between them along functional lines, pursuant to an agreement which is attached as Appendix A to the MOU.

In order to obtain recognition, CDNX's bylaws and policies, its corporate governance structure and its operations were reviewed and approved by the ASC and BCSC.

Staff of the ASC, BCSC, and OSC have developed a Memorandum of Understanding regarding oversight of CDNX. See Schedule “C” to the proposed final order. The MOU sets out a minimum standard of oversight to be undertaken by the ASC and BCSC, including performing examinations and rule review. If an exemption from recognition is granted to CDNX, the Commission would rely on the oversight performed by the ASC and BCSC as recognizing regulators. The ASC and BCSC, as lead regulators, would have an obligation to report to the OSC on their oversight activities on a quarterly basis as well as annually to the CSA Chairs.

B. — Reporting Issuers

(i) — Reporting Issuer Status in Ontario:

Since CDNX issuers are likely to have a large number of Ontario investors even if they do not offer securities directly into Ontario, the proposed Order maintains some of the investor protections that go with Ontario reporting issuer status such as the continuous disclosure requirements.

CDNX has proposed rules and provisions that would require each CDNX listed issuer with a “significant connection” to Ontario to become a reporting issuer in Ontario. An issuer would have a significant connection to Ontario if: (a) 20% of its non-objecting beneficial owners (as defined in proposed National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*) (“NOBOS”) reside in Ontario, or (ii) 10% of the NOBOs and the mind and management (CEO, head office, CFO) of the issuer are located in Ontario. The proposed amendments to effect this requirement are set out in Schedule E to the proposed final order.

The amendments will take effect June 30, 2001. This date was chosen to give issuers a transition time and because it coincides with the BC and Alberta requirements that CDNX issuers become reporting issuers in those provinces.

All CDNX issuers must determine whether they meet the significant connection test by June 30,

2001. If an issuer meets the test, it must promptly apply to be deemed a reporting issuer in Ontario and must achieve that status within six months of June 30, 2001. On an ongoing basis, all CDN X issuers must undertake an annual assessment to determine whether they meet the connection test and, if so, must become Ontario reporting issuers. CDN X, as a condition of initial listing, approval of a reverse take-over transaction and approval of a qualifying transaction under the Capital Pool Companies program, will require issuers with a significant connection to Ontario to be reporting issuers in Ontario.

(ii) — OSC Rule 61-501

Those issuers that are or become reporting issuers in Ontario will, of course, comply with Rule 61-501. However, there was a concern that issuers with less than 20% Ontario ownership, yet with a large number of Ontario shareholders (perhaps 19%) would not be subject to the Rule. CDN X has agreed to enact a policy similar to that of OSC Rule 61-501. CDN X Policy 5.9 is intended to establish requirements similar to OSC Rule 61-501. Policy 5.9 is attached as Schedule F to the proposed final order.

CDN X believes that certain transactions carried out by its issuers should be exempt from the formal independent valuation requirements in the Policy. Policy 5.9, therefore, provides additional exemptions for transactions where:

1. the fair market value of the assets, business or securities is “indeterminate”;
2. the transaction constitutes the acquisition or disposition of an oil & gas or mineral resource property and suitable reports are prepared;
3. a small issuer or capital pool company is conducting an equity financing involving unrelated investors concurrently with certain acquisition transactions; or
4. the issuer is carrying out a private placement with related parties but cannot meet the liquid market thresholds set out in Rule 61-501 which were designed to apply to more senior issuers, but instead meets other safeguards, namely significant investment by unrelated parties in the private placement and no increase in the pro rata ownership by related parties.

C. — Section 72 Order

Subsection 72(4) of the Act contains restrictions on the resale of securities initially acquired in reliance upon certain specified exemptions from the prospectus requirement. Under subclauses 72(4)(b)(i) and 72(4)(b)(iii) of the Act, the relevant restrictions on resale are dependent upon whether the issuer's securities are “listed and posted for trading on a stock exchange recognized for this purpose by the Commission”. Generally, if the securities are listed on an exchange recognized for the purpose of these sections, the securities are subject to a 12 month hold period. Otherwise, the hold period is 18 months.

Subclause 72(7)(b)(i) of the Act requires that any seller relying on that subclause for the purpose of effecting a trade from a control block must file certain information with “any stock exchange recognized by the Commission for this purpose on which the securities are listed”.

Commission Recognition Order 21-901 Stock Exchange Recognition Order (the “SER Order”) recognizes The Toronto Stock Exchange (the “TSE”) and the Montreal Exchange (the “ME”) for the purpose of subclauses 72(4)(b)(i), 72(4)(b)(iii) and 72(7)(b)(i) of the Act. The VSE and the ASE were not so recognized.

The rationalization of the Canadian stock exchanges from regional marketplaces into a “national” junior, senior and derivatives market requires that, where appropriate, we take a national, harmonized approach to regulation. This has led many in the CSA to recommend the adoption of more harmonized restrictions on resale as set out in proposed Multilateral Instrument 45-102 Resale of Securities.

An order which amends the SER Order to effect these changes is being published in Chapter 13. As a housekeeping matter, the SER order also replaces the references to the ASE and the VSE in the context of recognition for the purpose of clauses 93(1)(a) and 93(3)(e) of the Act.

D. — CDN Transfer

As part of the realignment of the Canadian exchanges, the Canadian Dealing Network is to be transferred from the TSE to CDNX. The transfer requires Commission approval.

CDNX has agreed to assume the operation and the development of an appropriate system for reporting trades of dealers. CDNX has drafted an initial term sheet setting out the terms of an agreement between the Commission, CDNX and the Canadian Unlisted Board Inc. (“CUB”) a wholly owned subsidiary of CDNX. A copy of the term sheet is attached as Schedule D to the proposed final order. CDNX has proposed that the CDN reported market be maintained as a separate web-based reporting system with a separate name. A more detailed notice regarding the transfer is being published in Part 13 of this Bulletin.

Comments and Questions

Parties who are interested in making comments regarding the application for exemption from recognition should respond by October 1, 2000.

Comments should be sent, in duplicate to:

John Stevenson, Secretary
Ontario Security Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3H8
E-mail: jstevenson@osc.gov.on.ca

A diskette containing comments (in DOS or Windows format, preferably WordPerfect) should also be submitted.

Questions may be referred to:

Randee Pavalow

Manager, Market Regulation
Ontario Securities Commission
(416) 593-8257

Jennifer Elliot
Legal Counsel, Market Regulation
Ontario Securities Commission
(416) 593-8109

CDNX Interim Order — In the Matter of the Securities Act, R.S.O. 1990, Chapter s. 5, as Amended (The “Act”) and In the Matter of the Canadian Venture Exchange Inc.

Interim Exemption Order (Section 147)

UPON the application of the Canadian Venture Exchange (“CDNX”), pursuant to section 147 of the Act for an order exempting CDNX from recognition as a stock exchange under section 21 of the Act (the “Application”);

AND UPON CDNX having represented to the Commission that:

CDNX is a corporation organized under the *Business Corporations Act* (Alberta) to operate a stock exchange;

CDNX is a recognized exchange under subsection 52(2) of the *Securities Act* (Alberta) and under subsection 24(2) of the *Securities Act* (British Columbia).

AND UPON the Commission being satisfied that granting CDNX an exemption order pursuant to section 147 on an interim basis would not be contrary to the public interest;

IT IS ORDERED, pursuant to section 147 of the Act, that CDNX be exempt from recognition as a stock exchange under to section 21 of the Act, provided that:

1. CDNX continues to be recognized as an exchange under the *Securities Act* (Alberta) and the *Securities Act* (British Columbia); and
2. The relief provided in this Order shall expire at the earlier of the date that CDNX is granted an exemption order and the expiry of four months from the date of this order.

DATED August 29, 2000.

“J.A. Geller” “H.I. Wetston”

Application for Exemption from Recognition as an Exchange Under the Securities Act (Ontario)

August 27, 2000

Ontario Securities Commission
P.O. Box 55, Suite 800

20 Queen Street West
Toronto, Ontario M5H 3S8

To Whom It May Concern:

Re: *Application for Exemption from Recognition as an Exchange under the Securities Act (Ontario)*

The Canadian Venture Exchange Inc. (“CDNX” or the “Exchange”) is currently recognized as an exchange in Alberta and British Columbia under subsection 52(2) of the *Securities Act* (Alberta) and subsection 24(2) of the *Securities Act* (British Columbia) (together, the “Recognition Orders”). CDNX wishes to carry on business as a stock exchange in Ontario and is making an application to the Ontario Securities Commission (the “OSC” or the “Commission”) pursuant to section 147 of the *Securities Act* (Ontario) (the “Act”) for an order exempting CDNX from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario. Attached hereto as Appendix “A” is the proposed exemption order.

CDNX is also making an application to the OSC pursuant to section 144 of the Act to be recognized for the purposes of subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act.

Capitalized terms have the same meaning as defined in CDNX rules and policies.

A. — Recognition by ASC/BCSC

CDNX is recognized as an exchange in Alberta and British Columbia. The recognition criteria and regulatory oversight provided by the Alberta Securities Commission (the “ASC”) and the British Columbia Securities Commission (the “BCSC”) in connection with CDNX's recognition as an exchange is substantially equivalent to that provided by the OSC in connection with recognized exchanges.

The criteria that govern CDNX's recognition as an exchange in Alberta and British Columbia and that warrant CDNX's exemption from recognition as a stock exchange under the Act are detailed below.

B. — Basis for Exemptive Relief

1. — Regulatory Oversight

CDNX is subject to joint regulatory oversight by both the ASC and the BCSC. In connection with CDNX's application for an exemption from recognition, the OSC, ASC and BCSC have developed an oversight protocol respecting the continued oversight of CDNX by the ASC and BCSC.

The OSC, ASC and BCSC will enter into a memorandum of understanding (“MOU”) regarding the oversight activities of the ASC and the BCSC with respect to CDNX. The MOU is attached as Schedule “C” to the proposed exemption order. Under the MOU, the ASC and BCSC will continue to be responsible for conducting a joint oversight program of CDNX for the purpose of ensuring that CDNX meets appropriate standards for market operation and regulation. Those standards

include: fair access to issuers and market participants; fair representation in corporate governance and rule making; systems and financial capacity to carry out its regulatory functions; orderly markets through appropriate review of products to be traded and trading rules; appropriate listed company regulation; transparency through timely access to relevant information on traded products and market prices; market integrity through prohibition of unfair trading practices; proper identification and management of risks, including financial condition of operations or and standards for market participants; and integration with effective clearing and settlement systems.

2. — Corporate Governance

CDNX's governance structure provides for fair and meaningful representation having regard to the nature and structure of CDNX; appropriate representation on CDNX Board and Board Committees of persons independent of CDNX Member-Shareholders; and appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for directors, officers and employees of CDNX generally.

3. — Access

CDNX has established written standards for granting access to trading through the trading facilities of CDNX and which are designed to ensure that CDNX does not unreasonably prohibit or limit access by a person or company to services offered by it. CDNX keeps records of each grant of access including for each Member Shareholder and Participating Organization, the reasons for granting such access and each denial or limitation of access, including the reasons for denying or limiting access to any applicant. Any and all fees imposed by CDNX on its Member-Shareholders and Participating Organizations are presently allocated on an equitable basis. Fees do not have the effect of creating barriers to access and are balanced with the criteria that CDNX must have sufficient revenues to satisfy its responsibilities. CDNX believes that the process established for setting fees is fair and appropriate.

4. — Public Interest Rules and Policies

CDNX has established by-laws, rules, regulations, policies, procedures and practices and other similar instruments that are not contrary to the public interest and are designed, with respect to Member-Shareholders and Participating Organizations, to (i) ensure compliance with securities legislation; (ii) prevent fraudulent and manipulative acts and practices; (iii) promote just and equitable principles of trade; and (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities and CDNX does not permit unreasonable discrimination between customers, issuers, shareholders, and Member-Shareholders or Participating Organizations; or impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.

CDNX has published its Corporate Finance Manual which outlines all of the policies governing CDNX listed issuers ("CDNX Issuers") and issuers seeking listing. Compliance with the

Corporate Finance policies became mandatory for all CDNIX Issuers on March 1, 2000. Although compliance with the published policies is mandatory, they are nevertheless subject to change. The policies have been published for a six-month comment period which expired on July 31, 2000. CDNIX anticipates undertaking a comprehensive review of and revision to the policies, subject to receipt of approval by the ASC and BCSC.

5. — Market Regulation by CDNIX

The mandate of market regulation is to endeavour to ensure that the Canadian venture capital market operates honestly and fairly. The focus of market regulation is investor protection and the need to have accurate and timely disclosure on which to base investment decisions.

Effective December 31, 1999, CDNIX transferred all of its member regulation functions to the Investment Dealers Association of Canada. CDNIX continues to perform market regulation functions. CDNIX has enacted and adopted by-laws, rules, regulations or other similar instruments that are designed to ensure that its respective Member-Shareholders and Participating Organizations shall be appropriately disciplined for violations of securities legislation and the bylaws, rules, regulations, policies, procedures, practices and other similar instruments of CDNIX. CDNIX's rules are publicly available on CDNIX's website.

6. — Financial Statements

CDNIX prepares annual audited financial statements, in accordance with Canadian GAAP and covered by a report prepared by an independent auditor and will submit these statements to the ASC and BCSC.

7. — System Security, Capacity and Sustainability

CDNIX has represented to the ASC and BCSC in connection with its Recognition Orders that it will: (i) monitor, on an annual and ad-hoc basis, current system capacities and project future system capacity requirements; (ii) conduct, whenever material changes are made or certain trading conditions occur, capacity stress tests of the trading and downstream systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner; (iii) review and, if needed, improve, on an annual and ad hoc basis, the development and testing methodologies of the trading and downstream systems; (iv) review, whenever material changes are made or circumstances warrant, the vulnerability of the trading and downstream systems and data centre computer operations to internal and external threats, including physical hazards, and natural disasters; (v) on an annual and ad-hoc basis, test and update, if necessary, CDNIX's business continuity plan; (vi) on an annual and ad hoc basis, perform an independent review, in accordance with established audit procedures and standards, of its controls for ensuring compliance; and conduct a review by senior management of a report containing the recommendations and conclusions of the independent review; and (vii) promptly notify the ASC and the BCSC of material systems failures and changes.

8. — Reporting Issuer Status

CDNX will seek approval of the ASC, BCSC and its board of directors by September 29, 2000 to amend its policies to include the following definitions:

“NOBOs” refers to non objecting beneficial owners as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

“significant connection to Ontario” will exist where an Issuer or a Resulting Issuer following completion of a Reverse Take-Over or the Qualifying Transaction of a Capital Pool Company:

(a) has NOBOs resident in Ontario who beneficially own more than 20% of the number of equity securities beneficially owned by the NOBOs of the Issuer or the Resulting Issuer; or

(b) has its mind and management principally located in Ontario and has NOBOs resident in Ontario who beneficially own more than 10% of the number of equity securities beneficially owned by the NOBOs of the Issuer or the Resulting Issuer.

The residence of a majority of the board of directors in Ontario or the residence of the President or Chief Executive Officer in Ontario may be considered determinative in assessing whether the mind and management of the Issuer or the Resulting Issuer is principally located in Ontario.

CDNX will also seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 in regard to certain amendments to its policies respecting CDNX Issuers, who are not otherwise reporting issuers in Ontario, to provide that effective June 30, 2001:

(a) all CDNX Issuers are required to immediately assess whether they have a Significant Connection to Ontario;

(b) where any CDNX Issuer becomes aware that it has a “significant connection to Ontario” as a result of complying with (a) above or otherwise, it is required to promptly make a *bona fide* application to the OSC to be deemed a reporting issuer in Ontario and is required to actually become a reporting issuer in Ontario within a six month period of its becoming aware of the “significant connection to Ontario”;

(c) each CDNX Issuer is required to assess on an annual basis, in connection with the preparation for mailing of its annual financial statements, whether it has a “significant connection to Ontario” and is required to obtain and maintain for a period of three years after each annual review, evidence of the residency of their NOBOs; and

(c) if requested, CDNX Issuers will be required to provide CDNX with evidence of the residency of their NOBOs.

CDNX's Corporate Maintenance department will implement procedures such that once every three years CDNX Issuers will be reviewed to assess whether they have a “significant connection to Ontario”.

The transactions which will trigger a review by CDNX of whether a CDNX Issuer has a “significant connection to Ontario” will be Initial Listings, Reverse Take-Overs and Qualifying Transactions by Capital Pool Companies. CDNX will seek approval of the ASC, BCSC and its board of directors to amend certain of its policies to indicate that where it reasonably appears to CDNX that:

(a) an issuer seeking listing (an “Initial Listing”) has a significant connection to Ontario; CDNX, as a condition of its acceptance of such transaction, will require that the issuer make a *bona fide* application to become a reporting issuer in Ontario; and

(b) a CDNX Issuer conducting a Reverse Take-Over or a Qualifying Transaction by a Capital Pool Company (a “New Listing”) will have upon completion of the transaction a significant connection to Ontario; CDNX, as a condition of its acceptance of such transaction, will require that the CDNX Issuer be a reporting issuer in Ontario.

CDNX will seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 to further amend its policies such that a failure to comply with a direction of CDNX to make application or to become a reporting issuer in Ontario may be the basis for suspension or delisting or can be the basis for requiring that particular individuals resign from involvement with the CDNX Issuer. Such amendments will also provide that CDNX may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or insiders of the CDNX Issuer until such time as the CDNX Issuer has complied with the direction. CDNX will further amend its policies such that a failure to make an application to become a reporting issuer in Ontario where a CDNX Issuer becomes aware that it has a “significant connection to Ontario”, whether through its annual assessment or otherwise, may be the basis for suspension, delisting or such other action that CDNX may decide in its discretion.

OSC staff will develop an application process and will recommend to the Commission that this process be followed in order to be deemed a reporting issuer in Ontario.

CDNX will seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 to amend its policies to provide that where a CDNX Issuer appears to have made a bona fide effort to attain reporting issuer status in Ontario and fails, the Exchange may, with consent of the OSC, release the CDNX Issuer from the direction to become a reporting issuer in Ontario. The proposed amendments will be in substantially the same form as set out in the attached Schedule “E” to the proposed exemption order.

9. — Incorporation of OSC Rule 61-501

CDNX will seek approval of the ASC, BCSC and its board of directors by September 29, 2000 to adopt a new policy entitled Policy 5.9, *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*, (“Policy 5.9”) which will become effective June 30, 2001. Policy 5.9 will be substantially in the form attached as Schedule “F” to the proposed exemption order. This policy essentially makes OSC Rule 61-501 (“Rule 61-501”) a policy of CDNX, subject to certain changes including the addition of certain exemptions. Policy 5.9 will apply to all CDNX Issuers regardless of whether they are reporting issuers in Ontario. CDNX will assist the

OSC staff in formulating additional exemptions from Rule 61-501 for junior issuers, particularly in regard to exemptions from valuation requirements which the OSC staff will recommend to the Commission.

10. — Invitation to CDN Quoted Issuers and Operation of Reported Market

By September 29, 2000 CDNX and its wholly-owned subsidiary, Canadian Unlisted Board Inc. (“CUB”), will subject to regulatory and other approvals, enter into an agreement with the Toronto Stock Exchange (“TSE”) and the Canadian Dealing Network Inc. (“CDN”) whereby the TSE and CDN will cease to operate a quotation and trade reporting system in Ontario as at September 29, 2000. Subject to regulatory and other approvals, CDNX will create a Tier 3 effective September 29, 2000 on which issuers who as at September 1, 2000 were either CDN quoted companies or companies that have submitted a complete application to be quoted on CDN that is subsequently approved for quotation (“Eligible Company” or “Eligible Companies”) will be invited to list. Subject to the comments below, Tier 3 will exist on an interim basis and is intended to consist solely of former CDN quoted issuers.

In order to be listed on CDNX's Tier 3, Eligible Companies must submit a CDNX Listing Agreement and a Personal Information Form (“PIF”) for each of the directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company. Eligible Companies listed on Tier 3 of CDNX will also be required to meet the tier maintenance requirements of Tier 2 of CDNX on an ongoing basis in order to maintain a listing on Tier 3. CDNX will assess all Tier 3 companies by December 31, 2000. CDNX will subsequently notify any Tier 3 company of its failure to meet Tier 2 tier maintenance requirements. Tier 3 companies that meet Tier 2 maintenance requirements will continue to trade on Tier 3. Tier 3 companies that do not meet Tier 2 tier maintenance requirements will be advised of this and will be immediately designated “Inactive”. Tier 3 companies designated “Inactive” will be given 18 months to continue to trade on Tier 3 and to attempt to reach Tier 2 tier maintenance requirements. In the event that a CDNX Issuer designated as Inactive fails to meet Tier 2 tier maintenance requirements within the 18 month period, it will be suspended and then delisted.

CDNX will review the directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company by December 31, 2000 to assess their suitability. Where CDNX has concerns regarding the suitability of such parties, it will notify the applicable Eligible Company of its concerns. Subject to any right of review, CDNX will require the resignation of any directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company who are deemed by CDNX to be unsuitable. Companies who fail to comply will be subject to suspension.

Companies that are not quoted on CDN, and merely have the trading in their outstanding securities reported to CDN in compliance with the requirements of Part VI of Regulation 1015, will not be invited to list on Tier 3 of CDNX. Any such companies are, however, free to apply to list on Tier 1 or Tier 2 of CDNX in the same manner as any other listed company candidate.

By September 29, 2000, CUB, CDNX and the OSC will, subject to regulatory and other approvals,

enter into an agreement pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario. The agreement will be finalized based upon the term sheet attached as Schedule “D” to the proposed exemption order.

CUB will be appointed as an agent of the OSC for the purposes of section 153 under Part VI of Regulation 1015 for the purpose of providing services to the OSC in respect of trade reporting for and surveillance of trading in unlisted and unquoted equity securities in Ontario.

F. — Information Sharing

Where requested by the OSC through the ASC and BCSC, CDN X will provide to the OSC any information in its possession relating to members, shareholders and the market operations of CDN X, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

Thank you.

Yours truly,

Maryn Sigurdson,
Vice-President, Regulatory Affairs and Corporate Secretary

cc: Alberta Securities Commission Stephen Sibold, Chair
cc: British Columbia Securities Commission Douglas Hyndman, Chair

Appendix “A” — Draft Order — In the Matter of the Securities Act, R.S.O. 1990, Chapter s.5, as Amended (The “Act”) — and — In the Matter of the Canadian Venture Exchange Inc.

Exemption Order (Section 147)

1. *WHEREAS* the Canadian Venture Exchange Inc. (“CDN X”) has applied to the Ontario Securities Commission (the “Commission”) for the following order:

1.1. an order pursuant to section 147 of the Act exempting CDN X from recognition under section 21 of the Act (the “Act”) for the purposes of carrying on business as a stock exchange in Ontario.

2. *AND WHEREAS* CDN X has represented to the Commission that:

Corporate Structure, Recognition and Services in Ontario:

2.1. CDN X was incorporated on October 29, 1999 pursuant to the *Business Corporations Act* (Alberta).

2.2. On November 26, 1999, CDN X was recognized by the Alberta Securities Commission (the “ASC”) as an exchange in Alberta under subsection 52(2) of the *Securities Act* (Alberta) (the “Alberta Act”) and by the British Columbia Securities Commission (the “BCSC”) as an

exchange in British Columbia under subsection 24(2) of the *Securities Act* (British Columbia) (the “BC Act”) pursuant to COR #99/323 (together, the “Recognition Orders” which are attached as Schedules “A” and “B”).

2.3. CDNX presently maintains offices in Calgary and Vancouver. CDNX opened an office in Toronto, Ontario on May 1, 2000 and intends to receive applications from issuers for listings and to perform continuous listing services for issuers through its Ontario office.

Regulatory Oversight:

2.4. CDNX is subject to joint regulatory oversight by both the ASC and the BCSC.

2.5. CDNX is advised that the OSC, ASC and BCSC have entered into a memorandum of understanding (“MOU”) respecting the continued oversight of CDNX by the ASC and BCSC (attached as schedule “C”). Under the terms of the MOU, the ASC and BCSC will continue to be responsible for conducting the regulatory oversight of CDNX and for conducting an oversight program of CDNX for the purpose of ensuring that CDNX meets appropriate standards for market operation and regulation.

2.6. CDNX provides any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the procedures established by the ASC and BCSC from time to time. CDNX will concurrently provide the OSC with copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. Copies of all final by-laws, rules, policies and other regulatory instruments will also be provided to the OSC.

Corporate Governance:

2.7. CDNX's governance structure provides for:

2.7.1. fair and meaningful representation having regard to the nature and structure of CDNX;

2.7.2. appropriate representation on CDNX's Board and its Board Committees of persons independent of CDNX Member-Shareholders; and

2.7.3. appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for directors, officers and employees of CDNX generally.

2.8. CDNX has established written standards for granting access to trading through the trading facilities of CDNX.

2.9. CDNX has established written standards that are designed to ensure that CDNX does not unreasonably prohibit or limit access by a person or company to services offered by it.

2.10. CDNX keeps records of:

2.10.1. each grant of access including, for each Member-Shareholder and Participating Organization, the reasons for granting such access; and

2.10.2. each denial or limitation of access, including the reasons for denying or limiting

access to any applicant.

2.11. Any and all fees imposed by CDNX on its Member-Shareholders and Participating Organizations are presently allocated on an equitable basis. Fees do not have the effect of creating barriers to access and are balanced with the criteria that CDNX must have sufficient revenues to satisfy its responsibilities.

2.12. The process established by CDNX for setting fees is fair and appropriate.

Public Interest Rules and Policies:

2.13. CDNX has established by-laws, rules, regulations, policies, procedures and practices and other similar instruments that:

2.13.1. are not contrary to the public interest; and

2.13.2. are designed, with respect to Member-Shareholders and Participating Organizations, to:

2.13.2.1. ensure compliance with applicable securities legislation;

2.13.2.2. prevent fraudulent and manipulative acts and practices;

2.13.2.3. promote just and equitable principles of trade; and

2.13.2.4. foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities.

2.14. CDNX does not:

2.14.1. permit unreasonable discrimination between customers, issuers, shareholders, and Member-Shareholders or Participating Organizations; or

2.14.2. impose any burden on competition that is not necessary or appropriate in furtherance of applicable securities legislation.

Market Regulation by CDNX:

2.15. Effective December 31, 1999, CDNX transferred all of its member regulation functions to the Investment Dealers Association of Canada. CDNX continues to perform market regulation functions.

2.16. CDNX has enacted and adopted by-laws, rules, regulations or other similar instruments that are designed to ensure that its respective Member-Shareholders and Participating Organizations shall be appropriately disciplined for violations of securities legislation and the by-laws, rules, regulations, policies, procedures, practices and other similar instruments of CDNX.

Financial Statements:

2.17. CDNX prepares annual audited financial statements, in accordance with Canadian GAAP and covered by a report prepared by an independent auditor.

2.18. CDNX provides the ASC and the BCSC with copies of the statements referred to in clause 2.17.

System Security, Capacity and Sustainability

2.19. CDNX has represented to the ASC and BCSC in connection with its Recognition Orders that it will:

2.19.1. monitor, on an annual and ad-hoc basis, current trading system capacities and project future trading system capacity requirements;

2.19.2. conduct, whenever material changes are made or certain trading conditions occur, capacity stress tests of the trading and downstream systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

2.19.3. review and, if needed, improve, on an annual and ad hoc basis, the development and testing methodologies of the trading and downstream systems;

2.19.4. review, whenever material changes are made or circumstances warrant, the vulnerability of the trading and downstream systems and data centre computer operations to internal and external threats, including physical hazards, and natural disasters;

2.19.5. on an annual and ad-hoc basis, test and update, if necessary, CDNX's business continuity plan;

2.19.6. on an annual and ad hoc basis, perform an independent review, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with subclauses 2.19.1 through 2.19.5, and conduct a review by senior management of a report containing the recommendations and conclusions of the independent review; and

2.19.7. promptly notify the ASC and the BCSC of material systems failures and changes.

CDN Business

2.20. Effective September 29, 2000, CDNX entered into an agreement (the "Agreement") with the Toronto Stock Exchange ("TSE") and the Canadian Dealing Network Inc. ("CDN"), a wholly-owned subsidiary of the TSE, pursuant to which the TSE and CDN agreed to cease operating the quoted market and the reported market operated by CDN.

2.21. CDN will cease to operate the CDN quoted market in Ontario at the close of business on September 29, 2000 and CDNX will commence operating CDNX Tier 3 on October 2, 2000. Issuers that were quoted on CDN on September 1, 2000 or that had made a complete application to be quoted on CDN by September 1, 2000, which is subsequently approved, are eligible to be listed CDNX Tier 3.

2.22. Effective September 29, 2000 Canadian Unlisted Board, Inc. ("CUB"), a wholly-owned not-for-profit subsidiary of CDNX, CDNX and the OSC entered into an agreement which is attached as Schedule "D"*(1), pursuant to which CUB will operate an

internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario.

Reporting Issuer Status and Incorporation of OSC Rule 61-501

2.23. .CDNX has adopted certain amendments to its Corporate Finance Policies in the form attached as schedule “E”*(2) which will require that, effective June 30, 2001, CDNX Issuers that are not otherwise reporting issuers in Ontario and have a “significant connection to Ontario” to make application to the OSC and become reporting issuers in Ontario.

2.24. CDNX has adopted a new policy to be effective June 30, 2001, (“Policy 5.9”) entitled “*Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*” substantially in the form attached as schedule “F”).*(3)

3. *AND UPON* the Commission being satisfied that the granting of an exemption from recognition to CDNX would not be contrary to the public interest.

4. *IT IS HEREBY ORDERED* that pursuant to section 147 of the Act, CDNX is exempt from recognition under section 21 of the Act provided that:

4.1. CDNX continues to be recognized as an exchange by the ASC and the BCSC;

4.2. CDNX continues to be subject to such joint regulatory oversight as may be established and prescribed by the ASC and BCSC from time to time;

4.3. The MOU referred to in clause 2.5 above has not been terminated;

4.4. CDNX will not make any changes to the amendments to its Corporate Finance Policies referred to in clauses 2.23 and 2.24 above without the prior consent of the OSC;

4.5. CUB will continue to be in compliance with the agreement referred to in clause 2.22 above until the OSC implements rules governing alternative trading systems in Ontario;

4.6. CDNX concurrently provides to the OSC copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. CDNX also provides to the OSC copies of all final by-laws, rules, policies and other regulatory instruments;

4.7. CDNX provides to the OSC, where requested by the OSC through the ASC and the BCSC, any information in the possession of CDNX relating to members, shareholders and the market operations of CDNX, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions; and

5. *IT IS HEREBY FURTHER ORDERED* that:

5.1. CUB is deemed to be in compliance with the agreement referred to in clause 4.5 above unless CUB has been provided with written notice of non-compliance and has failed to remedy the alleged non-compliance in accordance with the terms of the agreement; and

5.2. CDNX is deemed to be in compliance with clause 4.6 and 4.7 unless CDNX has been provided with written notice of non-compliance and failed to provide the documents or information within 10 business days of receipt of such written notice.

DATED, 2000

Schedule A — Alberta Recognition Order Alberta Securities Commission

**In the Matter of The Securities Act (SA 1981, c. S-6.1, as amended) (the “Act”) and
In the Matter of the Canadian Venture Exchange Inc.**

Recognition (Subsection 52(2))

1. WHEREAS Canadian Venture Exchange Inc. (“CDNX”) has applied to the Alberta Securities Commission (the “Commission”) for recognition as an exchange in Alberta under subsection 52(2) of the Act;
2. AND WHEREAS CDNX, has represented to the Commission that:
 - 2.1 The Alberta Stock Exchange (the “ASE”) and the Vancouver Stock Exchange (the “VSE”) have obtained the approval of their members to the merger (the “Merger”) of the ASE and the VSE to create, ultimately, CDNX pursuant to the plan of arrangement and related transactions described in the Joint Management Circular of the ASE and the VSE dated November 2, 1999;
 - 2.2 All steps required to effect the merger have been completed and, accordingly, at the effective time of the Merger today:
 - 2.2.1 CDNX will have all of the rights, liabilities and obligations of the ASE and the VSE;
 - 2.2.2 any cause of action, claim or liability to prosecution of either the ASE or the VSE immediately prior to the Merger will be assumed by CDNX;
 - 2.2.3 any civil, criminal or administrative action or proceeding pending by or against either the ASE or the VSE may continue to be prosecuted by or against CDNX;
 - 2.2.4 a conviction against or ruling, order or judgement in favor of or against either the ASE or the VSE may be enforced by or against CDNX; and
 - 2.2.5 the property of the ASE and the VSE will be the property of CDNX;
 - 2.3 CDNX will commence operations on November 26, 1999;
3. AND WHEREAS Commission staff have reviewed the application filed and the representations made by CDNX and have recommended that CDNX be recognized as an exchange in Alberta;
4. Based on the application filed and representations made by CDNX, the Commission recognizes CDNX as an exchange in Alberta under subsection 52(2) of the Act at the effective time of the Merger;

Dated at the City)
of CALGARY)
)

in the Province)	signed by "Glenda A. Campbell"
of Alberta)	-----
)	Glenda A. Campbell, Vice-Chair
this 26th day of)	
November, 1999)	signed by "Eric T. Spink"
)	-----
)	Eric T. Spink, Vice-Chair

Schedule B — British Columbia Recognition Order

In the Matter of the Securities Act R.S.B.C. 1996, c. 418 and In the Matter of The Canadian Venture Exchange Inc.

Recognition Order Under Section 24(2)

The Canadian Venture Exchange Inc. ("CDNX") has applied for recognition as an exchange in British Columbia under section 24(2) of the Act.

CDNX has represented to the Commission that:

1. The ASE and the VSE have obtained the approval of their members to the merger of the ASE and the VSE to create, ultimately, CDNX pursuant to the plan of arrangement and related transactions described in the Joint Management Information Circular of the ASE and VSE dated November 2, 1999,
2. All steps required to effect the merger have been completed and, accordingly, at the effective time of the merger today:
 - (a) CDNX will have all of the rights, liabilities and obligations of the ASE and VSE,
 - (b) any cause of action, claim or liability to prosecution of either the ASE or the VSE immediately prior to the Merger will be assumed by CDNX,
 - (c) any civil, criminal or administrative action or proceeding pending by or against either the ASE or the VSE may continue to be prosecuted by or against CDNX,
 - (d) a conviction against or a ruling, order or judgment in favour of or against either the ASE or the VSE may be enforced by or against CDNX, and
 - (e) the property of the ASE and the VSE will be the property of CDNX,
3. CDNX will commence operations on November 29, 1999.

Commission staff have reviewed the application filed and the representations made by CDNX and have recommended that CDNX be recognized as an exchange in British Columbia.

Based on the application filed and the representations made by CDNX, the Commission recognizes CDNX as an exchange in British Columbia under section 24(2) of the Act at the effective time of the merger.

DATED at Vancouver, British Columbia, on November 26, 1999.

Douglas M. Hyndman
Chair

Schedule C — Memorandum of Understanding Memorandum of Understanding Regarding the Oversight of the Canadian Venture Exchange Inc. by The Alberta Securities Commission and British Columbia Securities Commission

Between: Alberta Securities Commission (the “ASC”) and British Columbia Securities Commission (the “BCSC”) and Ontario Securities Commission (the “OSC”)

The parties agree as follows:

1. — Underlying Principles

1.1 The ASC and BCSC are the lead regulators (the “Lead Regulators”) in connection with the oversight of the Canadian Venture Exchange Inc. (“CDNX”) in accordance with the division of duties outlined in Appendix “A”.

1.2 The OSC has exempted or will exempt CDNX from recognition as a stock exchange in Ontario on the basis that:

1.2.1 CDNX is and will continue to be recognized as an exchange by the Lead Regulators;

1.2.2 the Lead Regulators are responsible for conducting the regulatory oversight of CDNX; and

1.2.3 the OSC will be informed of the oversight activities of the Lead Regulators and will be provided with opportunities to raise issues concerning the oversight of CDNX with the Lead Regulators in accordance with this Memorandum of Understanding (the “MOU”).

1.3 The parties will act in good faith in the resolution of issues raised by any of the parties in connection with the oversight of CDNX by the Lead Regulators.

1.4 The Lead Regulators are responsible for conducting an oversight program of CDNX which will include the matters described in Part 2 (the “Oversight Program”).*(4)

1.5 The purpose of the Oversight Program is to ensure that CDNX meets appropriate standards for market operation and regulation. Those standards include:

1.5.1 fair access to issuers and market participants;

1.5.2 fair representation in corporate governance and rule making;

1.5.3 systems and financial capacity to carry out its regulatory functions;

1.5.4 orderly markets through appropriate review of products to be traded and trading

rules;

1.5.5 appropriate listed company regulation;

1.5.6 transparency through timely access to relevant information on traded products and market prices;

1.5.7 market integrity through prohibition of unfair trading practices;

1.5.8 proper identification and management of risks, including financial condition of operation and standards for market participants; and

1.5.9 integration with effective clearing and settlement systems.

1.6 The OSC acknowledges that the Lead Regulators may enter into a Memorandum of Understanding substantially similar to this MOU with the securities commission of any other jurisdiction where CDNX opens an office.

1.7 The Lead Regulators intend to enter into a Memorandum of Understanding with the Manitoba Securities Commission (“MSC”) regarding the oversight of CDNX by the Lead Regulators (the “MSC MOU”) in substantially the same form as this MOU.

2. — Oversight Program

2.1 The Lead Regulators will establish and conduct the Oversight Program, which will include, at a minimum, the following:

2.1.1 review of information filed by CDNX on critical financial and operational matters and significant changes to operations, including information related to:

- a) affiliated entities;
- b) operation of CDNX systems/technological capacity;
- c) financial statements;
- d) membership and access requirements and forms;
- e) corporate finance policies, including listing and filing requirements; and
- f) corporate governance, including board and committee composition, structure, mandate and function;

2.1.2 review and approval of changes to CDNX by-laws, rules, policies and other regulatory instruments in accordance with the procedures established by the Lead Regulators for the review of such instruments in effect from time to time. The current procedures are set out in letters dated November 26, 1999 and February 24, 2000; and

2.1.3 periodic examination of CDNX functions, including:

- a) corporate finance policies: policies relating to minimum listing requirements, listing or tier maintenance requirements, sponsorship and continuous disclosure;
- b) trading halts, suspensions and delisting procedures;
- c) surveillance and enforcement: procedures for detection of non-compliance and

- resolution of outstanding issues;
- d) access: requirements for access to trade through the facilities of CDNX;
- e) information transparency: procedures for the dissemination of market information;
- f) corporate governance: corporate governance procedures, including policy and rule making process; and
- g) risk management and computer systems.

2.2 The Lead Regulators will retain sole discretion regarding the manner in which the Oversight Program is carried out, including, but not limited to, determining the order and timing of their examinations of CDNX functions under section 2.1. However, the Lead Regulators will perform the examinations of CDNX functions under section 2.1.3 at least once every three years. The Lead Regulators will provide to the OSC a copy of the report of the examination performed in accordance with section 2.1.3 and any responses of CDNX to the report.

3. — Involvement of the OSC

3.1 The Lead Regulators acknowledge that the OSC will require that CDNX provide to the OSC:

3.1.1 copies of all by-laws, rules, policies and other regulatory instruments that CDNX files for review and approval with the Lead Regulators, under the Lead Regulators' procedures referred to in section 2.1.2, at the same time that CDNX files those documents with the Lead Regulators;

3.1.2 copies of all final by-laws, rules, policies and other regulatory instruments once approved by the Lead Regulators in accordance with the procedures outlined in section 2.1.2; and

3.1.3 if requested by the OSC, copies of information filed by CDNX pursuant to section 2.1.1 as identified in the request.

3.2 Where the OSC advises the Lead Regulators that it has specific concerns regarding the operations of CDNX in Ontario and requests that the Lead Regulators perform an examination of CDNX in Ontario, the Lead Regulators may determine to conduct an examination of an office or offices of CDNX in Ontario or a function performed by a CDNX office located in Ontario. The OSC may, as part of its request, ask that the Lead Regulators include staff of the OSC in the Lead Regulators' examination.

3.3 If the Lead Regulators advise the OSC that they cannot or will not conduct the examination as referenced in section 3.2, the OSC may conduct such examination on behalf of the Lead Regulators without the participation of the Lead Regulators. In such cases, the OSC will provide copies of the results of the examination to the Lead Regulators.

3.4 The Lead Regulators will inform the OSC in writing of any material changes in how they perform their obligations under this MOU.

4. — Information Sharing

4.1 The Lead Regulators will, upon written request from the OSC, provide or request CDNX to provide to the OSC any information in the possession of CDNX relating to members, shareholders and the market operations of CDNX, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

5. — Oversight Committee

5.1 A committee will be established (the “Oversight Committee”) which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of marketplaces by the parties.

5.2 The Oversight Committee will include staff representatives from each of the Lead Regulators and the OSC who have responsibility and/or expertise in the areas of exchange oversight and market regulation.

5.3 The Oversight Committee will meet at least once annually in person and will conduct conference calls at least quarterly.

5.4 At least quarterly the parties will provide to the Oversight Committee a summary report on their oversight of marketplaces regulated by them that will include a summary description of any material changes to their oversight program implemented during the period.

5.5 At least once annually the Oversight Committee will provide to the Canadian Securities Administrators (the “CSA”) a written report of the oversight activities of the committee members during the previous period.

5.6 The OSC acknowledges that, since the Lead Regulators intend to enter into the MSC MOU and may enter into another Memorandum of Understanding substantially similar to this MOU with the securities commissions of any other jurisdiction where CDNX opens an office under section 1.6, the Oversight Committee will include staff representatives from the MSC and the relevant securities commission and those representatives will participate in the work of the Oversight Committee on the same basis as the staff representatives from the OSC.

6. — Waiver and Non-Performance

6.1 The terms, conditions and procedures of this MOU may be varied or waived by mutual agreement of the staff of the parties. A waiver or variation may be specific or general and may be for a time or for all times as mutually agreed by staff of the parties.

6.2 If a party believes that another party is not performing satisfactorily its obligations under this MOU, it may give written notice to the other party stating that belief and accompanied by particulars in reasonable detail of the alleged failure to perform. If the party receiving the notice has not satisfied the notifying party within two months of the delivery of the notice either that its performance is satisfactory or that it has taken or will take acceptable steps to rectify its performance, the notifying party may by written notice to the other parties terminate this MOU on a date not less than six months following delivery of such notice. In that case the

notifying party will send to CDNX a copy of its notice of termination at the same time that it sends such notice to the other party.

6.3 For the purposes of this Part, the Lead Regulators will be considered to be one party.

7. — Effective Date

7.1 This MOU comes into effect on the date it is approved by the Minister of Finance in Ontario pursuant to section 143.10 of the Ontario Securities Act.

ALBERTA SECURITIES COMMISSION

Per:

Per:

Date:

BRITISH COLUMBIA SECURITIES COMMISSION

Per:

Per:

Date:

ONTARIO SECURITIES COMMISSION

Per:

Per:

Per:

Appendix A — To The Memorandum of Understanding Regarding The Oversight of CDNX By The ASC and BCSC

ASC/ BCSC Functional Regulation Contact List

Functional Area	Functional Regulator	BCSC Contact Person	ASC Contact Person
Corporate Governance	ASC	Special Adviser to the Chair (L. Gauvin (604) 899-6538)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)
Corporate Finance	ASC	Director, Corporate Finance (W. Redwick (604) 899-6526)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)
Trading	BCSC	Deputy Director, Compliance (G. Halischuk (604)	Director, Legal Services & Policy Development

		899-6617)	(P.M. Johnston (403) 297-2074)
Compliance	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251) Director, Enforcement (G. Cornfield (403)
Risk Management	ASC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251)
Systems	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251)
Clearing & Settlement	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)

June 09, 2000

Schedule D — Term Sheet

08/28/00

Canadian Unlisted Board Inc. and The Ontario Securities Commission

Outline of Agreement Regarding Trade Reporting and Surveillance Services for Unlisted Securities

Parties

Canadian Unlisted Board Inc. (“CUB”) (a wholly-owned not-for-profit subsidiary of the Canadian Venture Exchange), the Canadian Venture Exchange (“CDNX”) and the Ontario Securities Commission (“OSC”).

Purpose of Agreement

CUB will agree to provide services in respect of trade reporting for and surveillance of unlisted and unquoted over-the-counter equity securities in Ontario. CDNX will agree to cause CUB to fulfill its obligations in respect of such services.

Preparation of Agreement

CUB will prepare a formal agreement (the “Agreement”) for review by the OSC to be finalized by the date of the final order exempting CDNX for the purposes of carrying on business as a stock exchange in Ontario (the “Exemption Order”). This outline of the Agreement is for working purposes only, and is subject to the preparation and finalization of the Agreement to the satisfaction of each of the parties.

OTC System

- CUB will develop an internet web-based reporting system (the “OTC System”) for the reporting by Ontario registrants of trading in unlisted and unquoted equity securities of the kind currently reported to the component of the Canadian Dealing Network (“CDN”) referred to as the “Reported Market”.
- The OTC System will be developed with substantially the same functionality as previously proposed in system specifications provided to the OSC by CDNX in March, 2000.
- The OTC System will not provide for visible quotations.

Name of OTC System

- CUB will select a name for the OTC System that is distinct from CDNX and all its trademarks and operating names and that is otherwise acceptable to the OSC.

Administration of OTC System

- CUB will be appointed as an agent of the OSC for the purposes of section 153 of Part VI of the OSC Regulation until such time as Part VI is repealed.
- Subject to “Regulation of OTC System” below, CUB will administer the OTC System in a manner substantially similar to CDN's operation of the Reported Market by providing:
 - (i) the surveillance services identified under “Regulation of OTC System” below;
 - (ii) trade reporting services; and
 - (iii) accounting services.
- CUB will provide such staff as are necessary to operate the OTC System in the manner specified.
- All trade reporting fees and other revenue derived from the operation of the OTC System will be retained by CUB.
- CUB will be entitled to charge such fees for the use of the OTC System as are required for the reimbursement of all costs associated with the development and ongoing operation of the OTC System, including all operating, capital and related costs. All fees charged by CUB will be consistent with CUB's status as a not-for-profit entity and will be subject to review by the

OSC.

Regulation of OTC System

- In the event that the OTC System is implemented prior to the implementation of the OSC's rules governing alternative trading systems (the “ATS Rules”) and unless otherwise agreed, the Agreement will provide for the regulation of the OTC System in two phases:
 - (i) for the period commencing on the date of implementation of the OTC System and ending on the date of the implementation in Ontario of the ATS Rules or such other rules as the OSC may apply to trading in unlisted and unquoted equity securities in Ontario, the OTC System will be regulated in accordance with Part VI as amended and approved by the OSC; and
 - (ii) commencing on the date of the implementation of the ATS Rules or such other rules as the OSC may apply to unlisted equities trading and ending on the date of the termination of the Agreement, the OTC System will be regulated in accordance with the ATS Rules or such other rules as the OSC shall impose. Such rules will require reporting of OTC trades and will specify the rules applicable to such trades.
- In the event that the OTC System is implemented after the implementation of the ATS Rules or such other rules as the OSC may apply to unlisted equities trading, the OTC System will be regulated in accordance with the ATS Rules or such other rules as the OSC shall impose.
- CUB will not make any regulations regarding OTC trading of equity securities in Ontario, but will monitor trades for compliance with Ontario securities legislation.
- CUB will provide surveillance services in respect of the securities reported to the OTC System. CUB will not provide enforcement services in respect of the market participants using the OTC System.
- Surveillance services provided by CUB in respect of the OTC System will be substantially similar to the surveillance operations currently performed by CDN in respect of the Reported Market, and will comprise:
 - (i) exception monitoring for trading activity in violation of the terms of any contracts with Users, applicable trading rules or applicable securities laws; and
 - (ii) press release monitoring for issuer disclosure in violation of applicable securities laws.
- Where CUB detects unusual trading activity in possible violation of applicable trading rules or securities laws, CUB will contact the relevant trader or issuer with a view to determining the cause of and resolving the unusual activity.
- Where CUB detects a possible violation of applicable disclosure laws, CUB will contact the issuer with a view to resolving the disclosure violation.
- All matters requiring enforcement action will be referred to the applicable securities regulatory body, anticipated to be the OSC in most cases involving the OTC System.

- CUB will impose no trading halts in respect of any securities reported to the OTC System.
- CUB will provide to the OSC on request all such trading and surveillance data collected by CUB in respect of the OTC System as the OSC may require.

No Publication of Trading

DATA Data collected by CUB in respect of trading reported to the OTC System will be maintained for surveillance and enforcement purposes only, and will not be published.

Key Events and Dates

- OSC staff will present this outline (or a summary of same) to the OSC Commissioners for approval.
- CUB, CDNX and the OSC shall enter into the Agreement by the date of the Exemption Order.
- The OSC will publish a notice advising the securities industry of the key terms of the Agreement by August 31, 2000.
- CUB shall:
 - (i) develop the OTC System and have it ready for service by October 10, 2000; and
 - (ii) transfer reporting in unquoted CDN stocks to the OTC System by October 10, 2000.

Proprietary Rights

All right, title and interest to the OTC System will be owned solely by CUB.

Conditional Nature of Agreement

The Agreement may require amendment based on comments received from the public during the publication for comment period. Any such amendments will be mutually agreed upon by CDNX, CUB and the OSC.

Term of Agreement

The Agreement will be for a three year term.

Termination

At any time after the expiry of its initial three year term the Agreement may be terminated by either party on one year's notice to the other party.

Notice

The Agreement will include provisions respecting notice to be given in connection with any non-compliance by CUB together with provision respecting the time within which CUB must

rectify the non-compliance.

Schedule E — Revisions to Corporate Finance Manual Re: Reporting Issuer Status of Exchange Listed Issuers

08/27/00

Revisions to Corporate Finance Manual Re: Reporting Issuer Status of Exchange Listed Issuers

These policy amendments are not effective until June 30, 2001.

Policy 1.1 — Interpretation

The following definitions will be added to Policy 1.1:

“*NOBOs*” refers to non objecting beneficial owners as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

“*Significant Connection to Ontario*” will exist where an Issuer or a Resulting Issuer following completion of a Reverse Take-Over or the Qualifying Transaction of a Capital Pool Company:

- (a) has NOBOs resident in Ontario who beneficially own more than 20% of the number of equity securities beneficially owned by the NOBOs of the Issuer or Resulting Issuer; or
- (b) has its mind and management principally located in Ontario and has NOBOs resident in Ontario who beneficially own more than 10% of the number of equity securities beneficially owned by the NOBOs of the Issuer or Resulting Issuer.

The residence of a majority of the board of directors in Ontario or the residence of the President or Chief Executive Officer in Ontario may be considered determinative in assessing whether the mind and management of the Issuer or Resulting Issuer is principally located in Ontario.

Policy 2.3 — Listing Procedures

The following section 4 will be added to Policy 2.3:

4. — Significant Connection to Ontario

4.1 Where it appears to the Exchange that an Issuer undertaking an Initial Listing on the Exchange has a Significant Connection to Ontario, the Exchange will, as a condition of its acceptance of the Initial Listing, require the Issuer to provide the Exchange with evidence that it has made a bona fide application to become a reporting issuer in Ontario.

Policy 2.4 — Capital Pool Companies

The following subsection 12.6 will be added to Section 12, *Qualifying Transaction*, of Policy 2.4:

12.6 — Assessment of a Significant Connection to Ontario

Where a Resulting Issuer will have a Significant Connection to Ontario, it must be a reporting issuer in Ontario at the Completion of the Qualifying Transaction.

Policy 2.9 — Trading Halts, Suspensions and Delisting

The following clause (h) will be added to section 3.1, *Reasons for Suspension*, of Policy 2.9:

3.1 The Exchange may impose a suspension in a variety of circumstances including where:

(h) an Issuer fails to comply with a direction or requirement of the Exchange to make application for and obtain reporting issuer status in Ontario when it has a Significant Connection to Ontario.

Policy 3.1 — Directors Officers and Corporate Governance

The following sections will be added to Policy 3.1:

Subsection 2.8 will be added to section 2, *Directors and Management Qualifications*:

2.8 Where an Issuer has a Significant Connection to Ontario, the Exchange may refuse to grant Exchange Acceptance of any application relating to the acceptability of any director, officer or Insider, or revoke, amend or impose conditions in connection with a previous Exchange Acceptance of any such application, until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Subsection 12.3 will be added to section 12, *Management Compensation and Compensation Committee*:

12.3 The Exchange may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or Insiders of the Issuer until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario where the Issuer has a Significant Connection to Ontario. (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Section 19 will be added to Policy 3.1

19. — Assessment of a Significant Connection to Ontario

19.1 Effective June 30, 2001 all Issuers, that are not otherwise reporting issuers in Ontario, are required to immediately assess whether they have a Significant Connection to Ontario.

19.2 Where an Issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has

a Significant Connection to Ontario as a result of complying with subsection 19.1 or otherwise, the Issuer is required to immediately notify the Exchange, and promptly make a *bona fide* application to the Ontario Securities Commission to be deemed a reporting issuer in Ontario. The Issuer must become a reporting issuer in Ontario within six months of becoming aware that it has a Significant Connection to Ontario.

19.3 All Issuers, that are not otherwise reporting issuers in Ontario, are required to assess on an annual basis, in connection with the preparation for mailing of their annual financial statements, whether they have a Significant Connection to Ontario. All Issuers must obtain and maintain for a period of three years after each annual review, evidence of the residency of the NOBOs of the Issuer.

19.4 If requested, Issuers must provide the Exchange with evidence of the residency of their NOBOs.

Policy 5.2 — Changes of Business and Reverse Takeovers

The following subsection will be added to section 10, *Other Requirements* of Policy 5.2:

10.6 Assessment of a Significant Connection to Ontario —

- (a) Where, pursuant to an RTO, a Resulting Issuer will have a Significant Connection to Ontario, it must be a reporting issuer in Ontario at the Completion Date of the RTO.

Schedule “F” — Policy 5.9 — Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions

Scope of Policy

This Policy is not effective until June 30, 2001.

This Policy incorporates Ontario Securities Commission (“OSC”) Rule 61-501, Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (the “OSC Rule”), together with the Companion Policy 61-501CP (the “OSC Policy”), as they exist as at September 1, 2000 as a policy of the Exchange, subject to certain modifications. In addition to the stated exemptions in the OSC Rule, this Policy also provides certain *additional exemptions*. A complete copy of the OSC Rule and OSC Policy can be found on the OSC's website at www.osc.gov.on.ca. The text of the OSC Rule and OSC Policy have also been incorporated, respectively, as Appendix 5B and Appendix 5C to the Exchange's Corporate Finance Manual.

The main headings of this Policy are:

1. Definitions
2. Effective Date of this Policy
3. Application of the OSC Rule and OSC Policy
4. Exchange Valuation Exemptions

1. — Definitions

1.1 Definitions contained in the OSC Rule and OSC Policy that are inconsistent with definitions contained within other Exchange policies shall be applicable only to the interpretation of this Policy.

1.2 References in the OSC Rule and OSC Policy to the “Director”, for the purposes of this Policy, shall refer to a Vice-President, Corporate Finance of the Exchange.

1.3 “*Feasibility Study*” for the purpose of this Policy, means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail to serve as the basis for a qualified person experienced in mineral production activities, acting reasonably, to make a final decision on whether to proceed with development of the deposit for mineral production.

1.4 “*Independent Committee*” for the purpose of this Policy, means a committee consisting exclusively of two or more Independent Directors.

1.5 “*Independent Directors*” for the purpose of this Policy, means for an Issuer, a director who is neither an employee, senior officer, Control Person or management consultant of the Issuer or its Associates or Affiliates and is otherwise independent as determined in accordance with section 7.1 of the OSC Rule.

1.6 “*Related Party*” and “*Related Party Transaction*” have the meaning ascribed to such terms in the OSC Rule.

1.7 “*Unrelated Investors*” for the purpose of this Policy, means Persons who are not Related Parties of the Issuer or the Target Issuer and who are not members of the Pro Group.

2. — Effective Date of this Policy

2.1 This Policy shall become effective June 30, 2001 (the “Effective Date”). Prior to the Effective Date of this Policy, the Exchange may nevertheless use this Policy as a guideline.

3. — Application of the OSC Rule and OSC Policy

3.1 The Exchange considers it appropriate to have policies providing guidance in respect of insider bids, issuer bids, going private transactions and related party transactions, and in particular concerning the circumstances in which disinterested shareholder approval, valuations, independent board committee approval and enhanced disclosure are required. On May 1, 2000, the OSC Rule and the OSC Policy became effective, replacing the former OSC Policy 9.1. Although the Exchange is considering adoption of its own separate policy, the Exchange considered the OSC Rule and the OSC Policy and determined that in an effort to create a national, harmonized set of rules, it would adopt the OSC Rule and the OSC Policy as a CDNX policy.

3.2 On the Effective Date, this Policy will apply to all Issuers listed on CDNX or seeking listing on CDNX, regardless of whether the Issuer is a reporting issuer in Ontario. References in either

the OSC Rule or the OSC Policy to their application to Ontario reporting issuers, for the purposes of this policy, shall be considered to be references to Issuers listed on CDNX.

3.3 Subject to the modifications described in this Policy, and in particular the additional exemptions set forth in section 4 of this Policy, the OSC Rule and the OSC Policy are adopted, in their entirety, as a Corporate Finance policy of the Exchange as at the Effective Date.

3.4 Prior to the Effective Date, the Exchange will be reviewing its other corporate finance policies to minimize any conflicts or inconsistencies created by the introduction of this Policy and to provide appropriate cross-references and clarifications.

3.5 A number of Exchange policies may be impacted by the adoption of the OSC Rule and the OSC Policy, including the following:

- (a) Policy 2.4, Capital Pool Companies,
- (b) Policy 4.1, Private Placements,
- (c) Policy 5.2, Changes of Business and Reverse Take-Overs,
- (d) Policy 5.3, Acquisitions and Dispositions of Non-Cash Assets,
- (e) Policy 5.5, Stock Exchange Take-Over Bids and Issuer Bids, and
- (f) Policy 5.6, Normal Course Issuer Bids.

4. — Exchange Valuation Exemptions

4.1 The OSC Rule contains various provisions exempting issuers from its application. In regard to valuations, the OSC Rule sets out various situations in which an Issuer is exempt from the requirement to obtain an independent valuation. In addition to the stated exemptions in the OSC Rule and subject to sections 4.3 and 4.4 below, the Exchange will also generally exempt an Issuer from the requirement of an independent valuation (“Exchange Valuation Exemptions”) in the course of Exchange acceptance of a Related Party Transaction in connection with a:

- Qualifying Transaction by a CPC;
- Change of Business;
- Reviewable Acquisition;
- Reviewable Disposition; or
- Reverse Take-Over or such other transaction deemed to be a Reverse Take-Over by the Exchange notwithstanding that the transaction may not be a reverse take-over for accounting purposes;

provided that one of the following circumstances is met:

- (a) the fair market value of the assets, business or securities is “indeterminate” with reference to the criteria described in section 4.5 below; or
- (b) the transaction constitutes the acquisition or disposition of an oil and gas property in North America and the Issuer has obtained an independent engineering or geological report,

which provides a value of proved and probable reserves based on constant dollar pricing presented at discount rates of 10%, 15% and 20%, with probable reserves discounted a further 50%; or

(c) the transaction constitutes the acquisition or disposition of a mineral resource property and the Issuer has obtained a Feasibility Study based on proven and probable reserves that demonstrates a minimum three year mine life; or

d) the transaction constitutes an acquisition by either a CPC or an Issuer that does not meet Tier 2 Tier Maintenance Requirements such that the Issuer could be designated Inactive, and the consideration to be paid consists solely of equity securities of the Issuer and the Issuer is conducting a concurrent financing constituting the issuance of equity securities provided that:

(i) the product obtained by multiplying the gross proceeds of the financing by the inverted fractional interest that the concurrent financing subscribers will own of the Issuer, less net tangible assets of the Issuer, is equal to or greater than the total of the deemed value of the securities being issued for the assets, business or securities to be acquired;

(ii) Unrelated Investors purchase equity securities in the concurrent financing representing 20% or more of the total issued and outstanding equity securities of the Issuer after giving effect to both the concurrent financing and the transaction; and

(iii) Unrelated Investors contribute at least 2/3 of the aggregate proceeds of the concurrent financing.

Eg. An Issuer has outstanding 5,000,000 Listed Shares and is conducting an acquisition of a private start-up technology company, Targetco. The purchase price for all of the issued and outstanding shares of Targetco is to be the issuance by the Issuer of 10,000,000 Listed Shares at \$0.30 (ie. a deemed value of \$3,000,000) to acquire all of the issued and outstanding shares of Targetco. Concurrently with the acquisition, the Issuer is conducting a financing to arm's length subscribers, issuing 5,000,000 Listed Shares at \$0.30 to raise total gross proceeds of \$1,500,000. In this example, the Issuer has no net tangible assets other than the cash raised on the financing in the amount of the \$1,500,000

The subscribers to the concurrent financing will own 25% of the Resulting Issuer, assuming completion of both the acquisition and the financing. Accordingly, the required 20% minimum has been met and the financing can be used as an alternative method of valuation.

Based on the financing, the Exchange will accept a deemed value for Targetco of up to \$4,500,000.

The \$4,500,000 is calculated by multiplying the gross proceeds of the concurrent financing (ie. \$1,500,000) by the inverted fractional interest that the concurrent financing subscribers will own of the Resulting Issuer. (ie. 25% is 25/100 which, when inverted is 100/25) less net tangible assets of the Issuer (which, in this case, are confined to \$1,500,000). \$4,500,000 ($\$1,500,000 \times 100/25 - \$1,500,000$) is the maximum deemed value

attributable to Targetco. Since the Issuer only intends to pay a deemed price of \$3,000,000, the consideration to be paid is acceptable.

4.2 Subject to sections 4.3 and 4.4 below, an Exchange Valuation Exemption will also generally be available to an Issuer in the course of Exchange acceptance of a Private Placement which is a Related Party Transaction:

(a) where the fair market value of the Issuer's securities is "indeterminate" with reference to the criteria described in section 4.5 below; or

(b) where:

(i) a liquid market (as defined in paragraph 1.3(1)(a) of the OSC Rule) does not exist for the securities of the Issuer at the time the transaction is agreed to;

(ii) the Exchange's normal pricing policies will be applied in fixing the price of the equity securities purchased on the Private Placement;

(iii) Unrelated Investors contribute at least 2/3 of the aggregate proceeds of the Private Placement; and

(iv) the pro rata share of the total issued and outstanding equity securities of the Issuer owned by any Related Party of the Issuer will not increase after giving effect to the Private Placement.

4.3 Where an Issuer relies upon the Exchange Valuation Exemptions:

(a) the Issuer must provide to the Exchange a certificate in accordance with section 4.4 below, executed by either a majority of the board of directors of the Issuer which must include two or more Independent Directors or an Independent Committee;

(b) the contents of the Certificate must be disclosed in any Information Circular or Filing Statement provided to shareholders in connection with the transaction; and

(c) any securities issued in consideration for such assets, business or securities will be subject to escrow or other resale restrictions as prescribed by the Exchange. See *Policy 5.4 - Escrow and Vendor Consideration*.

4.4 The certificate referred to in section 4.3 above shall provide:

(a) disclosure with respect to the Exchange Valuation Exemption being relied upon and the basis for such reliance;

(b) disclosure of the manner in and basis upon which price or value was determined;

(c) that either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee, having made reasonable inquiry, have:

(i) no knowledge of a Material Change or Material Fact concerning the Issuer or its securities that has not been generally disclosed; and

(ii) no reason to believe it is inappropriate to apply the Exchange's normal pricing policies; and

(d) in respect of the exemptions set forth in subsections 4.1(a) and 4.2(a) above, the certificate must also state that:

(i) either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee, acting in good faith, reasonably believe that the fair market value of the assets, business or securities is “indeterminate” with reference to the criteria described in section 4.5; and

(ii) there has been disclosure of the manner and basis upon which the consideration to be paid for the assets, business or securities was determined including, without limitation, reference to net tangible asset value;

(e) in respect of the exemption set forth in subsection 4.1(d) above, the certificate must also state that:

(i) prior to making their investment, the Unrelated Investors will have received disclosure in the Information Circular or offering memorandum, as the case may be, of all matters relating to or affecting the concurrent financing and the transaction;

(ii) prior to voting on the transaction, the shareholders of the Issuer will have received disclosure in the Information Circular of all matters relating to or affecting the concurrent financing and the transaction; and

(iii) either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee, having made reasonable inquiry, have no knowledge of any matter that might impact upon the deemed value determined in subsection 4.1(d).

(f) in respect of the exemption set forth in subsection 4.2(b) above, that the pro rata share of the total issued and outstanding equity securities of the Issuer owned by any Related Party of the Issuer will not increase after giving effect to the Private Placement.

4.5. The Exchange will generally consider assets, businesses or securities to be of “indeterminate” value where:

(a) the Issuer has demonstrated, to the satisfaction of the Exchange, a minimal history of commercial operations (less than one full fiscal year); and

(b) financial statements relating to such assets, business or securities evidence:

(i) no cumulative earnings since commencement of operations;

(ii) either no sales or revenues or minimal cumulative sales or revenues derived from operations (less than \$1,000,000 since the commencement of operation of such assets or business); and

(iii) no positive cash flow or a minimal history of positive cash flow (two or fewer quarterly reporting periods).

4.6 The Exchange exemptions from the valuation requirements are only exemptions from the application of this Policy. An Issuer that is a reporting issuer in Ontario and is therefore directly

subject to the OSC Rule and OSC Policy cannot rely upon the Exchange Valuation Exemptions to exempt them from the requirements of the OSC Rule and OSC Policy.

4.7. Where an Issuer is a reporting issuer in Ontario and the Issuer seeks an exemption from the OSC Rule or OSC Policy from the OSC, the Issuer must make application to the OSC with a copy of such application and all subsequent correspondence being provided to the Exchange. Where an exemption or waiver is permitted by the OSC, the Exchange will generally defer to the decision of the OSC.

4.8. Where an Issuer is not a reporting issuer in Ontario and is not directly subject to the OSC Rule and OSC Policy and seeks only an exemption from this Policy 5.9, the Issuer will make application for exemption or waiver of this Policy solely to the Exchange.

Amendment to Order of Recognition of Certain Stock Exchanges

In The Matter of The Securities Act R.S.O. 1990, Chapter S.5, as Amended (the “Act”) and In The Matter of The Recognition of Certain Stock Exchanges — Amendment of Recognition Order (Section 144 and Subsections 72(4), 72(7), 93(1) and 93(3) of the Act)

WHEREAS the Ontario Securities Commission (the “Commission”) issued an order effective March 1, 1997 (the “Order”), which, among other things, recognized certain stock exchanges for the purposes of subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act (the “Relevant Provisions”);

AND WHEREAS the Canadian Venture Exchange (“CDNX”) has made an application under section 144 of the Act that the Order be varied to recognize CDNX for the purposes of the Relevant Provisions;

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the portion of the Order that provides as follows:

AND THE COMMISSION FURTHER HEREBY RECOGNIZES

- (a) the TSE for the purposes of
 - (i) subclause 72(4)(b)(i) of the Act,
 - (ii) subclause 72(4)(b)(iii) of the Act,
 - (iii) subclause 72(7)(b)(i) of the Act,
 - (iv) clause 93(1)(a) of the Act, and
 - (v) clause 93(3)(e) of the Act;
- (b) The Montreal Exchange for the purposes of
 - (i) subclause 72(4)(b)(i) of the Act,

- (ii) subclause 72(4)(b)(iii) of the Act,
 - (iii) subclause 72(7)(b)(i) of the Act,
 - (iv) clause 93(1)(a) of the Act, and
 - (v) clause 93(3)(e) of the Act;
- (c) the Vancouver Stock Exchange for purposes of clauses 93(1)(a) and 93(3)(e) of the Act; and
- (c) The Alberta Stock Exchange for purposes of clauses 93(1)(a) and 93(3)(e) of the Act.

be revoked and that, pursuant to subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act, the following be substituted therefor:

AND THE COMMISSION FURTHER HEREBY RECOGNIZES:

- (a) the TSE, The Montreal Exchange and the Canadian Venture Exchange for the purposes of:
- (i) subclause 72(4)(b)(i) of the Act,
 - (ii) subclause 72(4)(b)(iii) of the Act,
 - (iii) subclause 72(7)(b)(i) of the Act,
 - (iv) clause 93(1)(a) of the Act, and
 - (v) clause 93(3)(e) of the Act.

DATED at Toronto this 29th day of August, 2000

Notice of Changes to The Quoted Market and Reporting Obligation Under Part VI of The Regulation to The Securities Act (Ontario) and The Termination of Market Data for Over-The-Counter Unlisted Equity Securities

As Part of the realignment of the Canadian exchanges, the over-the-counter trade reporting and quotation system (the “CDN System”) operated by the Canadian Dealing Network Inc. (“CDN”), a wholly-owned subsidiary of The Toronto Stock Exchange (“TSE”), will be transferred to the Canadian Venture Exchange Inc. (“CDNX”) as described in this Notice. The transfer requires Commission approval and is scheduled to occur on or about October 1, 2000.

Upon the transfer, CDN will cease to operate the CDN System and CDNX will commence operating CDNX Tier 3. Generally, issuers that are quoted on CDN on September 1, 2000 will be eligible to be listed on CDNX Tier 3. For further details, please see the invitation that has been sent to those companies being quoted to apply for listing on CDNX. A copy of the invitation follows this Notice.

CDNX has also agreed to assume the development and operation of an appropriate system for reporting trades in Ontario of unlisted equity securities (“OTC trades”) through or by dealers. Dealers will begin reporting to CUB on October 10, 2000. CDNX has drafted an initial term sheet

regarding the operation of this system which will be the basis of an agreement between the Commission, CDNX and the Canadian Unlisted Board Inc. (“CUB”) a wholly owned subsidiary of CDNX. A copy of the term sheet is attached as Schedule D to the CDNX application for an exemption order which is being published at the same time as this Notice.

CDNX has proposed that what are now CDN reported trades will be maintained as a separate web-based reporting system with a separate name (CUB) after the transfer of the CDN System. Pursuant to agreement with the OSC, CUB would develop and operate a reporting facility, carry out some surveillance and investigation related to the reported market and collect market data. Investigations would then be passed to the OSC for further work and enforcement.

The following reviews the operation of the OTC market since the introduction of Part VI of the Regulations made under the *Securities Act* (Ontario) (the “Regulation”), the requirements that will remain after CDN ceases to operate the CDN System, and the requirements that will exist after the proposed repeal of Part VI of the Regulation.

Regulatory Regime set out in Part VI of the Regulation

Part VI of the Regulation sets out requirements relating to Over-the-Counter (“OTC”) trading. The requirements apply to the trading of a security other than a security exempt under subsection 35(2) of the *Securities Act* (Ontario) (the “Act”) or traded on a stock exchange in Canada (defined as a “COATS security” which is referred to in CDN documentation as a “CDN security”). Section 153 states that the Commission, itself or through an agent, shall operate the COAT System (defined as the system developed for trading the over-the-counter market). Section 154 sets out requirements regarding the reporting of a trade. Sections 155 and 156 state that a dealer shall not post quotations for a COATS security unless it has received approval to act as a market maker and once it receives approval it must make continuous and uninterrupted quotations. Section 157 gives the Director the ability to halt a security and subsection 159(2) gives the Commission the authority to inspect all records maintained by the dealer and the approved agent relating to the COATS system. Section 158 requires a dealer to pay the applicable fees.

In addition to the above Part VI requirements, the Commission published OSC Policy 1.8 which set out the requirements regarding the reporting of trades, publication of information, and trade rules. OSC Policy 1.8 was replaced in 1992 by the CDN Policy.

Operation of COATS from 1986 until 1991

In 1986, the Commission signed an operating agreement with the TSE, appointing the TSE to act as its agent for purposes of operating a system for OTC trading. Although the TSE operated the system, the OSC retained responsibility for market surveillance and regulation of the dealers participating in that system.

Transfer and Assignment to TSE/CDN in 1991

In 1991, the TSE set up CDN as a subsidiary. A transfer agreement and assignment was executed

on the basis described below.

The OSC appointed CDN as the agent and the operation of the CDN System was assigned to CDN. The assignment states that CDN would operate such system in accordance with its rules and policies. The requirements regarding trade reporting and quoting set out in Part VI of the Regulation was supplemented by the CDN Policy which replaced OSC Policy 1.8. It was agreed that the Commission would use the same procedures that it used to review TSE by-laws for the approval of changes to the CDN Policy.

Transfer from TSE/CDN to CDNX/CUB — 2 Phases

The TSE, CDN and CDNX have prepared a transfer agreement which provides that the TSE/CDN will cease operations of the CDN System (both the quoted and reported market), and that CDNX will commence operations of CUB. However, the transfer is subject to the consent of the Commission. The Commission's consent will be based upon approval of CDNX's plans for accepting the quoted issuers onto Tier 3 and its assumption of the operation of CUB.

Staff has recommended to the Commission that Part VI of the Regulation be repealed and replaced with the trade reporting requirements set out in proposed draft OSC Rule 23-502 The Reported Market which was published on July 28, 2000 (2000), 23 OSCB (Supp) at 413. However, the repeal of Part VI and the introduction of the new requirements will not be completed for at least six months. Due to the timing requirements associated with rule making, the trade reporting requirements and the obligations of CUB will be established in two phases: Phase 1 will continue until Part VI of the Regulation is repealed and new rules have been introduced; and Phase 2 under the new rules.

1. — Phase 1 Operations — October, 2000

Agent and Operator of the System: Upon the consent to the transfer of the operations of CDN to CDNX and CUB, the Commission will appoint CUB as its agent pursuant to section 153 of the Regulation.

Trade Reporting: Dealers will be required to report to CUB based on Part VI of the Regulation as supplemented by requirements set out in a contract between the dealers and CUB (the "CUB agreement"). A copy of the CUB agreement follows this Notice.

Quotation: CDNX has proposed that the issuers trading on the CDN quoted market be transferred to Tier 3 of CDNX's auction market and is in the process of inviting CDN quoted issuers to list on Tier 3.

Market Regulation: Part F of the CDN Policy sets out requirements including but not limited to such matters as halt trading, fair dealings, customer priority, and manipulation. The Commission expects all dealers involved in OTC trading to have policies and procedures which enable them to comply with the types of matters set out in Part F as part of their general duties under Rule 31-505, as well as other provisions of securities laws, other legislation (e.g. Criminal Code) and common law duties of a dealer to its customer*(5). CUB will perform a surveillance function based on

these requirements and the requirements set out in the CUB agreement. Any alleged violations would be referred to the OSC for enforcement action.

CUB Agreement: The CUB agreement incorporates the current applicable sections of the CDN Policy dealing with trade reporting and trade policies as contractual terms so that it can perform its obligations as the agent and operator of the trade reporting system. In accordance with Part VI of the Regulation, fees will still be approved by the OSC and the obligation to pay will be included in the CUB agreement. Terms of the agreement are included to ensure that CUB can have access to the appropriate information for surveillance purposes and can carry out its responsibilities under the Appointment.

Repeal of CDN Rules and Termination of Availability of Market Information: At the time of the consent to the transfer, the CDN Policy will be repealed. As a result of the repeal of the CDN Policy, no market information (quotes or trades) will be available to anyone including information vendors or newspapers from October 1, 2000.

Quotation and Trade Reporting after Implementation of ATS Rules — Phase 2

As part of the ATS proposal which was published on July 28, 2000 (2000), 23 OSCB (Supp.), Staff recommended to the Commission that market makers in OTC unlisted securities should report their orders and trades to the data consolidator for equity securities and to the information processor for fixed income. In addition, staff recommended that dealers who are not market makers will only have to report trades to the designated trade reporting information processor but this information will not be published and will only be used for market regulation purposes. The Commission adopted Staff's recommendations and published rules intended to achieve those objectives*(6). As a result, Part VI of the Regulation will be repealed.

Agent and Operator of the System: The OSC will designate CUB as the recipient of trade reports under proposed Rule 23-502 and as a market participant. CUB will have to file the information and comply with requirements similar to those applicable to CanPx or any other information processor. The designation will state that it is being done in accordance with the rule and the agreement executed between CUB and the Commission.

Trade Reporting: Part 2 of proposed OSC Rule 23-502 The Reported Market requires every dealer to provide a trade report in accordance with the Rule for every sale of an equity security unless, among other things, it is otherwise reported to a data consolidator.

Market Making: Part 6 of proposed National Instrument Rule 23-101 Trading Rules requires market makers to display their quotes and any quotes of customers that improve the price or quantity of the market makers quotes. For more details on the disclosure obligations please refer to the proposed rules. CUB will not be responsible for the display of the information to the public.

Trade Rules and Market Regulation: All dealers will be subject to Part 2 (manipulation and fraud), Part 3 (short selling) and Part 4 (insider trading) of proposed National Instrument 23-101 Trading Rules. CUB will monitor and perform surveillance (as described in the Term Sheet) for those dealers that report the trades to it and then transfer alleged violations to the OSC for enforcement.

Dealers trading OTC unlisted equities will have to contract initially with CUB for purposes of market regulation. All others will have to contract with an approved agent.

Fees: The OSC will not approve fees; however proposed OSC Rule 23-502 The Reported Market will require that CUB can not unreasonably prohibit or limit access to services. The OSC could terminate the use of CUB if the fees were unreasonable.

User agreements: A revised CUB agreement may be needed between the dealers and CUB to reflect the changes caused by the new rules being implemented as part of the ATS proposal.

Commission Approval and publication: Once the proposed rules are final, changes in procedures or operations of the system will not be subject to approval but will be filed as an amendment to the initial filing of CUB and will be made available to the public.

Comments

Parties who are interested in making comments regarding the transfer of the reporting obligation under Part VI of the Regulation should respond by October 1, 2000.

Comments should be sent, in duplicate, to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

A diskette containing comments (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in Ontario requires that a summary of written comments received during the comment period be published, confidentiality of comments cannot be maintained.

Questions may be referred to:

Randee Pavalow
Manager, Market Regulation
Ontario Securities Commission
(416) 593-8257

Jennifer Elliott
Legal Counsel, Market Regulation
Ontario Securities Commission
(416) 593-8109

Canadian Unlisted Board Inc. User Agreement (the "Agreement")

WHEREAS the Canadian Unlisted Board Inc. ("CUB") and CDNX have entered into an agreement

with the Toronto Stock Exchange (“TSE”) and the Canadian Dealing Network Inc. (“CDN”) whereby the TSE and CDN will cease to operate a trade reporting and quotation system in Ontario as at September 29, 2000;

WHEREAS CUB and the Ontario Securities Commission (the “Commission”) have entered into an agreement pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario (the “OTC System”) for the purposes of Part VI of Regulation 1015 (“Part VI”);

WHEREAS CUB has been appointed as an agent of the Commission for the purposes of developing computer software and providing and operating computer facilities for the reporting of trading in unlisted and unquoted equity securities in Ontario pursuant to section 153 of Part VI;

WHEREAS for the purposes of this agreement the following definitions shall apply:

“Act” means the Securities Act, R.S.O. 1990, c.s. 5 as amended;

“CDN Policy” means that policy which has been adopted by CDN board of directors respecting trading in unlisted and unquoted equity securities in Ontario;

“OTC security” shall have the same meaning as “COATS security” as defined in section 152 of Part VI;

“Person” means a “person” as that term is defined in the Act;

“User” means a registrant under the Act and who reports trades on the OTC System;

WHEREAS the Commission has agreed that, in order to assist CUB in its operation of the OTC System, the Commission will obtain and provide to CUB such information as the Commission deems appropriate, including information:

(i) on disciplinary or other action the Commission determines to take against a User which, in the Commission's view, will have a material impact on the User's participation in the OTC System; and

(ii) relating to issuers of OTC Securities, registrants under the Act or any other Persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.

WHEREAS the Commission and CUB have agreed that the OTC System shall be regulated in the following two phases:

(i) for the period commencing on the date of implementation of the OTC System and ending on the date of the implementation in Ontario such rules as the Commission may apply to trading in unlisted and unquoted equity securities in Ontario, the OTC System will be regulated in accordance with Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000; and

(ii) commencing on the date of the implementation of such rules as the Commission may apply to trading in unlisted and unquoted equity securities in Ontario and ending on the date of the termination of the Agreement, the OTC System will be regulated in accordance with such rules as the Commission shall impose.

WHEREAS CUB will provide monitoring and surveillance services to the OSC in respect of trading in securities reported through the OTC System. CUB will not provide enforcement services in respect of the market participants using the OTC System.

WHEREAS CUB will refer any matters relating to a suspected violation of applicable trading rules or securities laws to the OSC or other applicable securities regulatory body.

WHEREAS CUB has agreed to provide to the OSC on request all such trading and surveillance data collected by CUB in respect of the OTC System as the OSC may require.

WHEREAS the OSC requires registered dealers to act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers. The OSC expects as part of the registered dealers general obligations to have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);

NOW, THEREFORE, in consideration of CUB permitting the undersigned User to utilize the OTC System, the User agrees with CUB as follows:

1. The User is a registered dealer within the meaning of the Act and shall at all times act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers and shall have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);
2. The User agrees that the OTC System will be operated and governed in accordance with:
 - (i) Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000; and
 - (ii) such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System;(collectively, the "OTC Terms and Conditions" which are attached as Schedule "A" to this Agreement) and the User shall comply with the OTC Terms and Conditions.
3. The User shall promptly communicate to CUB transaction reports with respect to OTC securities in accordance with the OTC Terms and Conditions;
4. The User shall comply with all requirements of the OTC Terms and Conditions and without limiting the generality of the foregoing, all Users acknowledge and agree:
 - (i) that they will provide to CUB any and all records, reports, and information required or requested by CUB in order for CUB to satisfy its regulatory obligations, in such manner and form, including electronically, as may be required by CUB from time to time;
 - (ii) that they will permit CUB or its designate to inspect their records at any time;
 - (iii) that CUB may suspend the User's access to the OTC System pending a determination of the OSC in respect of any referral by CUB to the OSC of any suspected violation of the User's obligation to comply with section 1 above; and

(iv) that CUB may terminate the User's access to the OTC System upon notification to CUB by the OSC that the User has violated the OTC Terms and Conditions.

5. The User shall pay, when due, any applicable fees or charges established by CUB from time to time *and which current fees and charges* are attached as Schedule "B" to this Agreement.

6. The User acknowledges that it is possible that from time to time the OTC System may be disrupted, contain inaccurate information, omit required information or may otherwise operate in an unsatisfactory manner (such events being hereinafter referred to as "Errors") whether through malfunction of equipment, power failure, human error or other reason. The causes of such Errors may be attributable to CUB, the Canadian Venture Exchange Inc. (the "Exchange"), negligent or wilful acts or omissions of current or former directors, governors, officers, employees or committee members of CUB or the Exchange (hereinafter collectively referred to as "Personnel") or persons or companies who have supplied goods or services to either CUB or the Exchange in connection with the OTC System (hereinafter referred to as "Contractors").

7. It is acknowledged that neither CUB nor the Exchange assumes any responsibility with respect to the use to which the User, its employees or agents puts the facilities, services or the information obtained therefrom or with respect to the results of such use. It is further acknowledged that the information, services and facilities provided hereunder are provided on the express condition that Users making use of them assent that no liability whatsoever in relation thereto shall be incurred by CUB, the Exchange or Personnel.

8. The user agrees that none of CUB, the Exchange or Personnel shall have any liability whatsoever to the User with respect to any loss, damage, cost, expense or other liability or claim suffered or incurred by or made against the User, directly or indirectly, by reason of Errors, or arising from any negligent, reckless or wilful act or omission or out of the use, operation or regulation of the OTC System by CUB, the Exchange, Personnel or Contractors, or otherwise as a result of the use by the User of the facilities, services or information provided by CUB or the Exchange. By making use of the facilities, services or information provided by CUB or the Exchange the User expressly agrees to accept all liability arising from such use.

9. It is acknowledged by the User that the sole remedy for any wilful or negligent act or omission of any Personnel or Contractors shall be appropriate action, of a disciplinary nature or otherwise, instituted solely at the discretion of CUB or the Exchange.

10. CUB may terminate or amend this Agreement, subject to the approval of its Board of Directors and upon notice to the User, and any subsequent participation of the User in the OTC System shall constitute acceptance by the User of any such amendment.

11. It is acknowledged that neither CUB nor the Exchange shall incur any liability to the User with respect to any loss or damage whatsoever that the User may suffer, directly or indirectly, by reason of any termination of this Agreement.

12. In the event that any legal proceeding is brought or threatened against CUB, the Exchange, Personnel or Contractors to impose liability which arises directly or indirectly from the use by the User of the OTC System or from the use by the User of the facilities, services or information provided by CUB or the Exchange, the User agrees to indemnify and save CUB and the Exchange harmless from and against:

(i) all liabilities, damages, losses, costs, charges and expenses of every nature and kind (including, without limitation, legal and professional fees) incurred by CUB or the Exchange in connection with the proceeding, including costs incurred to indemnify Personnel;

(ii) any recovery adjudged against CUB, the Exchange or Personnel in the event that any of them is found to be liable; and

(iii) any payment by CUB or the Exchange, made with the consent of the User, in settlement of such proceeding.

13. Except as otherwise expressly provided herein, all of the terms used in this Agreement which are defined in OTC Terms and Conditions are used herein as so defined.

14. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

15. The Agreement shall not be binding until accepted in writing by CUB.

16. The Agreement shall be effective as of the date accepted in writing by CUB.

SIGNED, SEALED AND DELIVERED in the presence of:

(name of User)

By:

By:

(Under each name, please print name and position)

Accepted this day of 200.....

CANADIAN UNLISTED BOARD INC.

By:

Schedule "A" — Canadian Unlisted Board Inc. OTC Terms and Conditions

A. — Transaction Reporting

1. — Operation and Administration of OTC System

1.1. All Users shall comply with the Terms and Conditions governing the operation and administration of the OTC System, which Terms and Conditions shall include:

1.2. those matters set forth in Part VI applicable to trade reporting in respect of over-the-counter equity securities in Ontario;

1.3. those portions of the former CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000 and incorporated herein; and

1.4. such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System.

2. — Trades to be Reported

2.1. Pursuant to Part VI, every purchase or sale in Ontario of an OTC security made by a registered dealer, as principal or agent, must be reported through the OTC System, with the following exceptions (which shall not be reported through the OTC System):

2.1.1. a trade made through the facilities of a stock exchange or other recognized market identified in this section A-2;

2.1.2. a distribution effected in accordance with the Act by or on behalf of an issuer; or

2.1.3. a secondary trade made in reliance on the exemptions in clauses 72(1)(a), (c) or (d) of the Act.

2.2. Where a security that is listed on one or more of the Canadian stock exchanges becomes suspended (i.e., it is no longer posted for trading) on all such exchanges, then any trade in that security by a registered dealer shall become reportable through the OTC System if that security and trade is otherwise required to be reported through the OTC System.

2.3. The obligation to report a trade in an OTC security applies only with respect to purchases and sales in Ontario of such security. A purchase or sale in Ontario for the purpose of these OTC Terms and Conditions is one in which either:

2.3.1. the person to whom the trade is confirmed (other than a User) is a resident of Ontario; or

2.3.2. the User's trader or sales representative handling the trade is acting from an Ontario office (irrespective of whether the User is acting as principal or agent).

2.4. Transactions that are merely booked through a User's inventory for purposes of adding a usual mark-up or commission in respect of trades which, for all intents and purposes, are agency trades on NASDAQ or a foreign stock exchange, need not be reported through the OTC System. Such transactions are considered to be trades made through the facilities of a foreign stock exchange or NASDAQ.

2.5. With respect to clause 2.1.1 above, CUB recognizes NASDAQ, The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, and all stock exchanges outside of Canada that require participants to report details of transactions and publish such details.

2.6. Trades may not be aggregated for reporting purposes except where trades from orders received prior to the opening of the OTC System and simultaneously reported at the opening may be aggregated into a single transaction report.

3. — Who Reports Trades

3.1. Every purchase or sale in an OTC security that is required to be reported under subsection A-2 above shall be reported on the OTC System in accordance with the following provisions:

3.1.1. Where the transaction involves only one User, that User shall report the trade.

3.1.2. Where the transaction involves two Users, the User by or through whom the sale is made shall report the trade.

3.1.3. Where the transaction is not a trade in Ontario for the seller, the User by or through whom the purchase is made must report the trade.

4. — Method, Timing and Content of Trade Reports

4.1. For reporting purposes, a trade is a transaction between a User and a given client, or another User, in a specific OTC security, at a given price, and executed at a certain time.

4.2. For the purposes of this section A-4, “Reportable Trades” shall mean every purchase or sale in an OTC security that is required to be reported under subsection A-3.

4.3. All trade tickets for Reportable Trades shall be time stamped at the time of execution.

4.4. All Reportable Trades taking place at or between 9:30 A.M. and 5:00 P.M. on a business day shall be reported through the OTC System within three minutes after execution.

4.5. All Reportable Trades taking place after 5:00 P.M. on a business day and prior to 9:30 A.M. the next business day shall be reported through the OTC System between 8:30 A.M. and 9:30 A.M. the next business day and shall form part of the trading statistics for the next business day.

4.6. All reports of Reportable Trades shall contain the following information:

4.6.1. symbol of the OTC security traded;

4.6.2. number of shares traded;

4.6.3. price of the trade as required by section A-5;

4.6.4. the identities of the purchasing and selling Users;

4.6.5. the time of execution of the transaction; and

4.6.6. any trade marker required by these OTC Terms and Conditions.

5. — Price to be Reported

5.1. The price to be reported is the price at which the User actually traded with its customer, adjusted by the amount that would be customary as a commission or spread in such transaction.

5.2. A trade with another User is to be reported at the actual price agreed upon. This applies to a trade in which the reporting User is acting as agent for a customer, as well as to a trade in which the User acts as principal vis-a-vis the other User.

B. — Dealers' Obligations

1. — Prices to Customers

1.1. *Spread or Mark-Up:* Where a trade is substantially an agency transaction, the size of any spread or “mark-up” should reflect the riskless nature of the transaction.

1.2. *Interpositioning:* Users shall not arrange or otherwise participate in any transaction which interpositions an intermediary or other third party in a way that will result in an unfavourable price for a customer of any User.

1.3. Users shall not enter into any transaction with a customer for any OTC security at any price that is not reasonably related to the then current market price of that security or charge a customer a commission or service charge that is not fair and reasonable in all the circumstances.

2. — Fair Dealings

2.1. Users shall transact business openly and fairly and in accordance with just and equitable principles of trade. No fictitious sale or contract shall be made in an OTC security.

3. — Customer Priority

3.1. No User Shall:

3.1.1. buy or initiate the purchase of a OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such User holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to buy such security for a customer;

3.1.2. sell or initiate the sale of any OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while it holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to sell such security for a customer;

3.2. The provisions of this section shall not apply:

3.2.1. to any purchase or sale of any OTC security in an amount less than the customary unit of trading made by a User to offset odd-lot orders for customers;

3.2.2. to any purchase or sale of any OTC security upon terms for delivery other than those specified in such unexecuted market or limit price order; or

3.2.3. to any unexecuted order that is subject to a condition that has not been satisfied.

3.3. For purposes of this section a User may include a reasonable commission charge in determining whether its customer's order is at the same price as a principal order.

4. — Best Market Price

4.1. Where a User executes a trade with or for its client for an OTC security that is posted for trading on a foreign market recognized under this subsection, the User shall execute the trade on behalf of the client at a price equal to or better than the market price in the foreign market (taking exchange rates into account), plus or minus (as the case may be) a reasonable commission and any added cost of executing the order in the foreign market.

4.2. For the purpose of this subsection, CUB presently recognizes any foreign stock exchange or organized market that provides real time public dissemination of information, including firm market quotations and trading statistics.

5. — Manipulative or Deceptive Trading

5.1. A User shall not use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of an OTC security that creates or may create a false or misleading appearance of trading activity or an artificial price for the said security. Without in any way limiting the generality of the foregoing, the following shall be deemed manipulative or deceptive methods of trading:

5.1.1. making a fictitious trade or giving or accepting an order which involves no change in the beneficial ownership of an OTC security;

5.1.2. entering an order or orders for the purchase of an OTC security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of any such security, has been or will be entered by or for the same or different persons and with the intention of creating a false or misleading appearance of active public trading in a security or with respect to the market price of an OTC security;

5.1.3. entering an order or orders for the sale of an OTC security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of such security, has been or will be entered by or for the same or different person and with the intention of creating a false or misleading appearance of active public trading in a security or with respect to the market price of an OTC security;

5.1.4. making purchases of, or offers to purchase an OTC security at successively higher prices, or sales of or offers to sell any such security at successively lower prices for the purpose of creating or inducing a false or misleading appearance of trading in such security or for the purpose of unduly or improperly influencing the market price of such security; or

5.1.5. effecting, alone or with one or more persons, a series of trades in an OTC security, for the purpose of inducing the purchase or sale of such security, which creates actual or apparent trading in such security or raises or depresses the price of such security.

6. — Restrictions on Trading During Distributions

Restricted Users

6.1. The restrictions on trading during a distribution set out in this part entitled “Restricted Users” apply to a User (a “restricted User”) involved in a distribution by prospectus of an OTC security or a distribution by prospectus, Exchange Offering Prospectus, Statement of Material Facts or “wide distribution” of a security that is related to an OTC security. The restrictions do not apply to a User involved in a distribution only as a selling group member that is not obligated to purchase any unsold securities.

6.2. Two securities are “related” if they have substantially the same characteristics, or one is immediately convertible, exercisable or exchangeable into the other; and the conversion, exercise or exchange price at the beginning of the restricted period (as defined below) is less than 110% of the offer price of the underlying security on the principal market where the underlying security is traded.

6.3. A “wide distribution” means a series of distribution principal trades to not less than 25 separate and unrelated client accounts, no one of which participate to the extent of more than 50% of the total value of the distribution

Restrictions

6.4. During the restricted period, a restricted User shall not bid for or purchase an OTC security that is being distributed or that is related to a security being distributed except as follows:

Distributed Securities

6.5. *Restricted User Not Short.* A restricted User that is not short the OTC security being distributed may bid for or purchase it at or below the lower of the highest independent bid price at the time of the bid or purchase and the distribution price.

6.5.1. A restricted User may bid for or purchase the OTC security being distributed at or below the distribution price.

6.5.2. A restricted User that makes an initial bid below the distribution price shall not raise that bid price during the restricted period.

6.6. *Restricted User Short.* A restricted User that is short the OTC security being distributed may bid for or purchase it at or below the distribution price.

Related Securities

6.7. A restricted User may bid for or purchase a related OTC security at or below the highest independent bid price.

6.8. If there is no independent bid price for a related OTC security, a restricted User shall not bid for or purchase that security without the prior consent of CUB.

6.8.1. A bid price is “independent” if it is for the account of a User that is not involved in the

distribution or is involved only as a member of a selling group.

6.8.2. A restricted User shall not solicit purchase orders for the OTC security being distributed or any related OTC security during the restricted period except orders to purchase OTC securities being sold pursuant to the distribution.

6.8.3. The above restrictions do not affect sales by restricted Users to unsolicited client buy orders. In the case of an OTC security that will be listed on the Toronto Stock Exchange (“TSE”) or the Canadian Venture Exchange Inc. (“CDNX”) and until such time as the OTC security is actually listed and posted for trading on the TSE or CDNX and the TSE's or CDNX's market stabilization rules apply, Users must comply with the above market stabilization restrictions.

All Users

6.9. The restrictions on trading during a distribution set out in this part entitled “All Users” apply to all Users

Restrictions

6.10. During the restricted period, no User shall participate in a trade of an OTC security that is being distributed or that is related to an OTC security being distributed involving a purchase by or on behalf of:

6.10.1. the issuer of the OTC security;

6.10.2. a selling OTC security holder whose securities are being distributed;

6.10.3. an affiliate of the issuer or selling OTC security holder; or

6.10.4. a person acting jointly or in concert with any of the foregoing.

6.11. The “restricted period” begins on the later of:

6.11.1. the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX-listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and

6.11.2. the date on which the restricted User agrees to participate in a distribution, whether or not the terms and conditions of such participation have been agreed upon.

6.12. The restricted period ends on the earlier of:

6.12.1. the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and

6.12.2. the date on which the restricted User has sold all of the OTC securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and

6.12.3. the date on which the distribution has been terminated pursuant to applicable

securities legislation,

provided that, if purchasers of 5% or more of the OTC securities allotted to or acquired by a restricted User in connection with a distribution give notice that they intend to exercise their statutory rights of withdrawal, the restricted period shall again apply to that User until the OTC securities are resold or the distribution ends, as provided above. Securities are not considered “sold” before the receipt for the final prospectus has been issued.

7. — Disclosure of Interest or Control

7.1. Any User that is an insider (as that term is defined in the Act) or is controlled by, directly or indirectly, controls, or is under common control of any issuer must disclose to its customers prior to, and confirm, in writing, at the time of buying or selling any OTC security of such an issuer, the nature and existence of any such relationship.

8. — System Failures

8.1. Trades made during an OTC system power failure or any other event which would fully or partially disable the system or cause it to malfunction must be reported on the system immediately upon the system being available to accept such data.

9. — Settlement Rules

9.1. The settlement of transactions shall conform to the rules and practices of the TSE, CDNX and The Canadian Depository for Securities Limited.

C. — Fees And Charges

1. Every User shall pay the applicable OTC System fees.
2. All fees and charges of CUB, including, but not limited to, the fees charged for transaction reports shall be determined by CUB's board of directors.

D. — Access

1. Where the Commission has provided CUB with information relating to:
 - 1.1. disciplinary or other action the Commission determines to take against a User which, in the Commission's view will have a material impact on the User's participation in the OTC System; or
 - 1.2. the issuers of OTC Securities, registrants under the Act or any other persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.
2. CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.

3. Where CUB has referred any matter relating to a suspected violation by a User of the OTC Terms and Conditions, CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.

4. Where the Commission has notified CUB that a User has violated the OTC Terms and Conditions, CUB may terminate the User's access to the OTC System

E. — Miscellaneous

1. All references to a “business day” in this Schedule “A” shall mean any day from Monday to Friday inclusive, excluding statutory holidays observed by CUB.

2. All references to a time of day in the Schedule “A” shall mean Eastern Standard Time.

Schedule “B” — Canadian Unlisted Board Inc. User and Transaction Fees

1. USER FEE \$1.95/trade (each side)

Invitation to CDN Quoted Company (the “Company”) to List on CDNX Tier 3

August 18, 2000

Dear Sirs:

Re:

Invitation to CDN Quoted Company (the “Company”) to List on CDNX Tier 3

As part of the realignment of the Canadian stock exchanges announced on March 15, 1999, it was agreed that the Canadian Dealing Network Inc. (“CDN”) would be transferred by The Toronto Stock Exchange (the “TSE”) to the new national junior stock exchange created upon the merger of the Alberta and Vancouver Stock Exchanges — the Canadian Venture Exchange Inc. (“CDNX”). CDNX is in the process of obtaining regulatory approval (which is anticipated to be by September 29, 2000) for the transfer of CDN quoted companies to CDNX's newly created Tier 3 described more fully below. In addition, CDNX is currently discussing with the Ontario Securities Commission a proposal to provide a trade reporting system for the reporting of trading in unlisted securities in Ontario.

In order to efficiently handle the transfer of CDN quoted companies to CDNX's Tier 3, CDNX is pleased to invite the Company to apply to list on CDNX's Tier 3. Only those companies that *as at September 1, 2000* are either CDN quoted companies or companies that have submitted a complete application to be quoted on CDN that is subsequently approved for quotation (together, the “*Eligible Company*” or “*Eligible Companies*”) are invited to list on CDNX Tier 3. *This invitation is subject to the receipt of regulatory approvals noted above.*

IMPORTANT DATES

September 1, 2000	Last date companies may apply for quotation on CDN and be designated as an Eligible Company
September 15, 2000	Complete Tier 3 Applications must be received by CDN in order to list on CDN Tier 3 on October 2, 2000
September 29, 2000	Complete Tier 3 Applications must be received by CDN in order to list on CDN Tier 3 effective on or after October 10, 2000
October 2, 2000	Eligible Companies that have filed complete Tier 3 Applications by September 15, 2000 will commence trading on CDN Tier 3
On or after October 10, 2000	Eligible Companies that have filed complete Tier 3 Applications between September 15 and September 29, 2000 will commence trading on CDN Tier 3

Application to List on Tier 3

Eligible Companies may apply to list on Tier 3 of CDN by submitting the following listing documentation:

1. an executed CDN Listing Agreement (CDN Form 2D attached as Schedule “A”); and
2. a duly completed and executed Personal Information Form (“PIF”) (CDN Form 2A attached as Schedule “B”) for each *director, senior officer, control person and party conducting investor relations activities* on behalf of the Eligible Company.

(referred to as the “Tier 3 Application”)

Please note that “control person” includes any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

As a condition of listing on Tier 3, an Eligible Company will not be required to obtain sponsorship from a CDN member or to enter into an escrow arrangement in accordance with CDN’s published policies.

The Tier 3 Application should be submitted to:

CDN

10th floor, 300 - 4th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Joanne Butz

Commencement of Trading on CDNX Tier 3

Provided that CDNX receives a complete Tier 3 Application by September 15, 2000 the Eligible Company will be listed and commence trading on CDNX Tier on *October 2, 2000*.

Provided that CDNX receives a complete Tier 3 Application between September 15 and September 29, 2000, the Eligible Company will be listed on CDNX Tier 3 and will commence trading on CDNX Tier 3 on or after *October 10, 2000*. Eligible Companies should note that during the period from September 29 to the time that the Eligible Company is listed they will not be listed or traded on CDNX's Tier 3.

Subject to the exceptions noted in 1 or 2 below, Eligible Companies that have not filed their complete Tier 3 Application by September 29, 2000, will not be listed or traded on CDNX's Tier 3 and will no longer be eligible to list on CDNX Tier 3. Those issuers seeking a listing on CDNX after September 29, 2000 will be required to submit an application to list on CDNX's Tier 1 or Tier 2 in accordance with CDNX's policies and procedures. Among other things, this will mean that these companies will be required to obtain a sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements and corporate governance policies and the shares of these companies will be subject to such escrow requirements as are prescribed by CDNX.

Exceptions

1. Eligible Companies that have filed the executed Listing Agreement by September 29, 2000 but have failed to provide all of the required PIFs will not be considered to have filed a complete Tier 3 Application. In such circumstances, Eligible Companies will not be listed on Tier 3 until such time as CDNX has received all outstanding PIFs and any other documentation which may then be required by CDNX. The deadline for receipt of all outstanding PIFs is December 31, 2000. After December 31, 2000 the invitation to list will expire and the Eligible Companies will no longer be entitled to list on Tier 3. Such other documentation may include a certificate executed by two authorized signing officers of the Eligible Company stating that all PIFs have been provided and that there has been no Material Change (as defined in CDNX Corporate Finance Policy 1.1) between September 1, 2000 and the date of the certificate. If there has been a Material Change, CDNX reserves the right to request further documentation, decline the application for listing on Tier 3 or impose such terms and conditions as CDNX, in its sole discretion, may require.
2. Eligible Companies that have filed a complete Tier 3 Application by September 29, 2000 may request a deferral of listing by submitting a Deferral Notice as defined in *Deferral of CDNX Tier 3 Listing* below. CDNX may require the Eligible Company to file a certificate executed by two authorized signing officers of the Eligible Company stating that there has

been no Material Change (as defined in CDNX Corporate Finance Policy 1.1) between September 1, 2000 and date of the certificate. If there has been a Material Change, CDNX reserves the right to request further documentation, to decline the application for listing on Tier 3 or impose such terms and conditions as CDNX, in its sole discretion, may require.

Deferral of CDNX Tier 3 Listing

CDN is not a prescribed stock exchange under the *Income Tax Act* (Canada), and accordingly the tax treatment of CDN quoted companies and their investors may be different as compared to the treatment applicable to companies listed on a prescribed stock exchange (such as CDNX) and their investors.

As certain of the differences in tax treatment (such as an enhanced research and development tax credit) are beneficial for CDN quoted companies, CDN and CDNX have been communicating with the federal Department of Finance in an attempt to preserve such tax treatment for CDN quoted companies which apply to list on Tier 3 of CDNX (for greater certainty, such beneficial treatment would cease to apply if the Eligible Company graduates to or lists on Tier 2 or Tier 1 of CDNX).

Discussions with the federal Department of Finance are ongoing. CDNX will advise all Eligible Companies that have submitted a Deferral Notice as to the result of those discussions. *Please note that there is no guarantee that the Department of Finance will preserve the present tax treatment for CDN quoted companies once listed on Tier 3 nor is there any guarantee that a determination will have been made prior to December 31, 2000.*

CDNX recognizes that Eligible Companies may nonetheless wish to defer the commencement of their listing on Tier 3 pending a determination of the tax implications. In order to defer their listing on Tier 3, Eligible Companies must file a written request to defer (the "Deferral Notice") by September 29, 2000 together with their complete Tier 3 Application. CDNX will not list any Eligible Company that has filed a Deferral Notice at the time of filing their Tier 3 Application. An Eligible Company may only defer a listing until January 2, 2001. The Eligible Company must notify CDNX in writing on or before December 31, 2000 of its intention to terminate the deferral and to list on Tier 3. Any Eligible Company that fails to provide written notification will no longer be eligible to list on Tier 3.

Eligible Companies that file a Deferral Notice should note that between September 29, 2000 and up and until the Eligible Company commences trading on Tier 3 following the termination of its deferral, the Eligible Company will not be listed or traded on CDNX's Tier3.

After December 31, 2000, all Eligible Companies that have requested a deferral but have failed to list by January 2, 2001 will only be entitled to list on CDNX's Tier 1 or Tier 2 and will be required to comply in full with CDNX policies and procedures. Among other things, this will mean that these companies will be required to obtain a Sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements, corporate governance policies and will be subject to escrow as prescribed by CDNX.

Transition — Policies and Procedures

Tier Maintenance for Tier 3 Companies

Eligible Companies listed on Tier 3 of CDNX will be required to meet the tier maintenance requirements of Tier 2 of CDNX on an ongoing basis in order to maintain a listing on Tier 3. CDNX will assess all Tier 3 companies by December 31, 2000. CDNX will subsequently notify any Tier 3 company of its failure to meet Tier 2 tier maintenance requirements. Tier 3 companies that meet Tier 2 tier maintenance requirements will continue to trade on Tier 3. Tier 3 companies that do not meet Tier 2 maintenance requirements will be advised of this and will be immediately designated “Inactive”. Tier 3 companies designated “Inactive” will be given 18 months to continue to trade on Tier 3 and to attempt to reach Tier 2 tier maintenance requirements. In the event that an issuer designated as Inactive fails to meet Tier 2 tier maintenance requirements within the 18 month period, it will be suspended and then delisted.

CDNX will review the directors, senior officers, control persons and parties conducting investor relations activities on behalf of all Tier 3 companies by December 31, 2000 to assess their suitability. Where CDNX has concerns regarding the suitability of such parties, it will notify the applicable Eligible Company of its concerns. Subject to any right of review, CDNX will require the resignation of any directors, senior officers, control persons and parties conducting investor relations activities on behalf of the issuer who are deemed by CDNX to be unsuitable. Companies who fail to comply will be subject to suspension.

Corporate Finance Filing Policies

Prior to Listing on Tier 3

Prior to the Eligible Company listing on Tier 3, Eligible Companies that have filed or made an application to CDN in respect of financing and transactional activities such as private placements, options, acquisitions and changes of business will comply with and complete the financing and transactional activities in accordance with CDN policies and procedures. Eligible Companies will be required to make all such filings (excluding the Tier 3 Application) with CDN.

Eligible Companies making an application to CDN with respect to a reverse take-over (“RTO”) after September 1, 2000, will be required as a condition of their Tier 3 Application, to comply in full with CDNX policies and procedures including CDNX minimum listing requirements. Among other things, this will mean that these companies will be required to obtain a sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements and corporate governance policies and shares of these companies will be subject to such escrow requirements as are prescribed by CDNX. Eligible Companies will be required to make all filings in connection with the RTO with the Toronto office of CDNX.

Prior to listing on Tier 3, Eligible Companies may, however, elect to comply with CDNX policies and procedures applicable to Tier 2 companies. CDN policies will no longer apply to any Eligible Company electing to comply with CDNX policies and procedures. Eligible Companies electing to comply with CDNX policies and procedures may choose a filing office in accordance with CDNX policies.

After Listing on Tier 3

After listing on Tier 3, Eligible Companies are required to comply with all CDNX corporate finance policies applicable to Tier 2 companies (including CDNX tier maintenance requirements) and may choose a filing office in accordance with CDNX policies.

The CDNX Corporate Finance Manual

Information regarding CDNX's corporate finance policies, including CDNX Forms and its policies governing financing and transactional activities, (published as the CDNX "Corporate Finance Manual") are available for review and free downloading on the CDNX website at www.cdnx.ca. An Eligible Company may obtain one hard copy of the manual free of charge by contacting Mr. Jason Chu at 1-800-206-7242.

Reporting Issuer Status

By application of law, companies listing on CDNX automatically become "reporting issuers" in each of Alberta and British Columbia. As reporting issuers, companies are required to file electronically via SEDAR, various prescribed continuous disclosure documents, including annual audited financial statements, interim financial statements, material change reports, press releases and information circulars. Such companies are also required to pay certain filing fees to each of the Alberta Securities Commission ("ASC") and the British Columbia Securities Commission ("BCSC"). Insiders and control persons of these reporting issuers are also required to report their trades in accordance with Alberta and British Columbia securities laws.

On behalf of Eligible Companies that are reporting issuers in Ontario but not in either or both of Alberta or British Columbia, CDNX is making an application for transitional relief from certain reporting issuer obligations and exchange issuer obligations prescribed by British Columbia and Alberta securities law. Discussions with the ASC and BCSC are ongoing and further notice will be provided when the nature and extent of such transitional relief has been finalized.

Presuming that the transitional relief is granted, upon expiry of the transitional period, all Eligible Companies listed on CDNX Tier 3 will be required, in addition to complying with the applicable requirements of Ontario securities law, to prepare and file all documents and pay all fees as required pursuant to the securities laws of Alberta and British Columbia.

Applications to List on Tier 1 or 2 and Graduation Requirements to Tier 1 or 2

Eligible Companies that meet the minimum listing requirements of Tiers 1 or 2 of CDNX may, on their own initiative or by invitation of CDNX, apply for listing on Tiers 1 or 2 of CDNX, as applicable.

Eligible Companies applying for listing on Tiers 1 or 2 of CDNX and CDNX Tier 3 companies applying to graduate to Tier 2 or Tier 1 will generally be required to obtain sponsorship from a member of CDNX and to enter into an escrow arrangement in accordance with CDNX's published

policies.

Listing, Sustaining, Transaction and Filing Fees

Eligible Companies will not be required to pay listing fees.

Commencing 2001, all Eligible Companies that listed on CDNX will be subject to the standard CDNX annual sustaining fees.

Eligible Companies listed on CDNX will be subject to CDNX's corporate finance policies and procedures in accordance with the transitional provisions above, and accordingly, will be required to pay such fees as are applicable to all CDNX listed companies in connection with listed company filings from the time the company is listed on CDNX or such earlier date that the company starts complying with CDNX policies. Fees are required to be paid by CDNX listed companies at the time of the filing of an application for review by exchange staff.

Eligible Companies listed on CDNX will also be subject to applicable SEDAR filing fees associated with multi-jurisdictional filings.

Attached as Schedule "C" is the current CDNX Corporate Finance Fee Schedule.

Additional Information

CDNX Market Structure and Trading System

CDNX is structured as a three tier market.

Tiers 1 and 2

CDNX's company listings have been designated as either Tier 1 or Tier 2. Tiers 1 and 2 are distinguished by the financial status of the listed companies, with the more senior companies listed on Tier 1, and the remainder of the current CDNX listed companies on Tier 2. New listings on CDNX will be allocated to Tiers 1 and 2 on the basis of CDNX's tier-specific minimum listing requirements, as applied at the time of listing.

Tier 3

As outlined in this invitation, CDNX is introducing a third tier, "Tier 3", for the specific purpose of listing companies transferring from CDN's quoted market to CDNX. Tier 3 will be limited to Eligible Companies.

Trading System

All CDNX companies listed on Tiers 1, 2 or 3 of CDNX trade on TradeCDNX, CDNX's fully electronic auction trading system. No companies listed on any tier of CDNX will trade by way of a telephone-based dealer trading mechanism using market makers, as is the case with the CDN trading system.

Stock Symbol

All CDNX Tier 3 companies will be assigned a new, industry standard 3-Alpha symbol in order to trade on TradeCDNX. To differentiate Tier 3 from Tiers 1 & 2, the first letter of the new symbol will be the letter “Y” to publicly identify them as CDNX Tier 3 listed companies. Should a Tier 3 company graduate to CDNX Tiers 1 or 2, another new symbol will be assigned, removing the “Y” designation.

All Industry participants — Broker/Dealers, Quotation Vendors, Trader Workstation vendors and Order Management System providers — will be advised by CDNX of the new symbol assignments.

Office Location

CDNX opened its Toronto office on May 1, 2000. On May 1, CDN's staff and operations were moved from the TSE premises into CDNX's Toronto office. The office is located at the following address:

P.O. Box 498
Suite 600, 6th Floor, 130 King Street West
The Exchange Tower
Toronto, Ontario
M5X 1E5

Telephone:(416) 367-2369
Fax:(416) 367-3845

CDN Quotation / CDNX Listing Matters

If you have any questions regarding CDN quotation or CDNX listing matters, please contact one of the following:

Ungad Chadda
CDN / CDNX Manager, Corporate Finance
(416) 860-4122

Tom Graham
CDN / CDNX Manager, Corporate Finance
(416) 860-4123

Kevan Cowan
Director, CDN / CDNX Vice President, Toronto
(416) 860-4101

Schedule “A” — CDNX Listing Agreement

..... *Name of Issuer*

..... *Head Office Address and Telephone Number of Issuer*

..... *Name and Address of Issuer's Registrar and Transfer Agent*

..... *Sponsor*

In consideration of the listing on the Canadian Venture Exchange Inc. (the "Exchange") of securities of the undersigned entity (the "Issuer"), the Issuer hereby agrees with the Exchange as follows:

1. — Interpretation

In this Agreement, unless the subject matter or context otherwise requires:

1.1 All terms used herein which are defined in Policy 1.1, Interpretation, shall have the meanings ascribed to those terms in that Policy.

1.2 Where used herein, the term "Exchange Requirements" shall have the same meaning as defined in Exchange Rule A.1.00.

1.3 Where used herein, the term "Issuer" shall include all subsidiaries of the Issuer.

2. — General

2.1 The Issuer shall, and shall cause its directors, officers, employees, agents, consultants, and, where applicable, partners, to comply with all Exchange Requirements and all applicable legal requirements including, but not limited to, those of its incorporating statute, all laws, rules, regulations, policies, notices and interpretation notes, decisions, orders and directives of all securities regulatory authorities having jurisdiction over it and with all other laws, rules and regulations applicable to its business or undertaking.

2.2 The Issuer shall file with the Exchange all such material, information and documents as may be required by the Exchange from time to time and in such manner and form and by such date as may be specified by the Exchange.

2.3 This Agreement and all other documents, information and material (collectively, the "Information"), in whatever form, provided to or filed with the Exchange shall become the property of the Exchange and the Exchange shall have full and irrevocable authority to sell, license, copy, distribute, make available for public inspection, provide copies of same to other regulatory authorities and otherwise deal with all or any part of the Information at any time without notice to the Issuer.

2.4 Except as otherwise permitted by the Exchange Requirements, the Issuer shall not issue securities to any person without the prior approval of the Exchange. Further, the Issuer shall notify the Exchange in such manner and form and by such date as may be specified by the Exchange Requirements of any changes to the number of its issued securities of any class.

2.5 All documents filed by the Issuer and all correspondence with the Exchange shall be in the English language. In addition, the Issuer shall also concurrently file with the Exchange any

original language documents. The Issuer warrants that all English translations will be complete and accurate.

3. — Reimbursement for Independent Advice

3.1 The Issuer shall pay to the Exchange on a timely basis the annual sustaining fee, the applicable listing or filing fee at the time of each filing, and any other fees, expenses or charges which may be specified from time to time by the Exchange within the time limits specified by the Exchange.

3.2 The Exchange, at the Issuer's cost, may obtain independent advice or consulting services with respect to any matter relating to the Issuer provided that the Exchange has first afforded the Issuer the opportunity to satisfy the particular filing requirements of the Exchange with respect to such matter. The Issuer hereby agrees to fully reimburse and indemnify the Exchange for all such expenses, costs and fees incurred by the Exchange.

4. — Directors, Officers and other Personnel

4.1

The affairs of the Issuer shall at all times be managed or supervised by at least three directors, all of whom shall:

- (a) be individuals qualified to act as directors under the Issuer's incorporating statute and Exchange Requirements;
- (b) act honestly and in good faith and in the best interests of the Issuer;
- (c) exercise the care, diligence and skill of a reasonably prudent person in the exercise of their duties as directors;
- (d) not be personally indebted to or subject to an unsatisfied or incomplete term of a sanction of the Exchange or any securities regulatory body; and
- (e) be otherwise acceptable to the Exchange.

Officers, employees, agents and consultants of the Issuer, and others engaged by or working on behalf of the Issuer, shall be subject to all other specified Exchange Requirements and, at the discretion of the Exchange, shall be subject to clauses 4.1(d) and 4.1(e) above.

4.2 The Issuer shall at all times have at least two directors who are neither control persons of the Issuer nor employees, senior officers or management consultants of the Issuer or any of its associates or affiliates. The Issuer will have an audit committee consisting of at least three directors, a majority of whom must be neither control persons of the Issuer nor employees or senior officers of the Issuer or any associates or affiliates. The Issuer will use its best efforts to have its audit committee act in accordance with the Canadian Securities Administrators' Notice on Audit Committees or any successor policy, notice or instrument.

4.3 Insofar as the Issuer requests that the Exchange rely on auditors, lawyers, consultants or other agents, the Issuer shall ensure that such persons are not unacceptable to the Exchange.

4.4 The Issuer shall require a minimum of two signatures by persons authorized by the board of directors of the Issuer to sign all cheques issued by the Issuer.

5. — Rights and Remedies of the Exchange

5.1 The Exchange shall have all the rights and remedies set out in the Exchange Requirements or otherwise available to it at law or equity. Without limiting the generality of the foregoing, the Issuer acknowledges that the Exchange may halt or suspend trading in the Issuer's securities, and may delist securities of the Issuer, at any time, with or without giving any reason for, or notice of, such action.

5.2 A breach by any director, officer, employee, agent, consultant or, where applicable, partner of the Issuer of any term of this Agreement or the Exchange Requirements shall be deemed to be a breach by the Issuer and the Exchange shall be entitled to exercise against the Issuer all rights and remedies it may have in respect thereof.

5.3 The Issuer hereby agrees to and does hereby release and indemnify the Exchange, its governors, directors, officers, agents and employees from and against all claims, suits, demands, actions, costs, damages and expenses, including legal fees on a solicitor and his own client basis, which may be incurred by the Exchange as a result of or in connection with the enforcement by the Exchange of any provision of this Agreement or any Exchange Requirement.

6. — Miscellaneous

6.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and the parties hereby irrevocably submit to the jurisdiction of the courts of the Province of Alberta for all matters arising out of or in connection with this Agreement or any of the transactions contemplated hereby

6.2 The Issuer hereby agrees to submit and attorn to the jurisdiction of the Canadian Venture Exchange Inc., and wherever applicable, the governors, directors and committees thereof.

6.3 All notices and other communications to be provided pursuant to this Agreement may be delivered, sent by facsimile or prepaid post to the following addresses.

(a) except as otherwise directed by Exchange Policy or other direction of the Exchange, if to the Exchange:

The Canadian Venture Exchange Inc.
10th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta
T3A 5Z4

Attention: Corporate Finance Department
Phone: (403) 974-7400
Fax: (403) 237-9050

(b) if to the Issuer:

..... [Name]
..... [Address]
..... [Phone and Fax]

provided that in the event of a general disruption of postal services, notices and communications shall be delivered or sent by facsimile. Any notice or communication delivered or sent by facsimile shall be deemed to have been given on the day so delivered or sent by facsimile. Any notice or communication sent by mail shall be deemed to have been received on the fifth business day following deposit in the mail in Canada. A party may change its address as provided herein by notice to the other party as set out in this section.

6.4 This Agreement has been duly authorized, executed and delivered on behalf of the Issuer and is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms.

6.5 The Issuer may not assign the whole or any part of this Agreement without the written consent of the Exchange.

6.6 The Exchange may terminate or amend this Agreement at any time and, upon notice to the Issuer given in accordance with the provisions of this Agreement, any such amendments will be binding on the Issuer. It is acknowledged by the Issuer that the Exchange shall not incur any liability with respect to any loss or damage that the Issuer or any other person may suffer, directly or indirectly, by reason of any amendment or termination of this Agreement.

6.7 No approval, consent or waiver by the Exchange to or of any breach by the Issuer in the performance or observance of its obligations under this Agreement or any of the Exchange Requirements is an approval, consent or waiver to or of any other breach or continuing breach. Failure by the Exchange to complain of any breach by or enforce any Exchange Requirement against the Issuer in the performance or observance of its obligations under this Agreement or any of the Exchange Requirements irrespective of how long the breach may continue, is not a waiver of the rights of the Exchange under or relating to this Agreement or any of the Exchange Requirements.

6.8 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision herein and any invalid provision shall be deemed to be severable.

6.9 Any reference to a statute includes all rules and regulations made pursuant thereto and, unless otherwise expressly provided, includes a reference to all amendments made thereto and in force from time to time and any statute, rule or regulation that may be passed which has the effect of supplementing or superseding that statute or those rules or regulations.

6.10 The Issuer agrees that it shall be bound by the terms and conditions of this Agreement immediately upon Exchange acceptance hereof, notwithstanding that confirmation of such acceptance may not have been provided to the Issuer.

6.11 This Agreement has been drafted in the English language at the express request of the parties. Les parties ont exigé que le présent contrat soit rédigé en anglais.

In witness whereof, the parties hereto have executed this Agreement by their duly authorized signing officers as of the date indicated below.

DATED atthis day of.....,

..... Issuer's Name

..... Name of Authorized Signatory

Title of Authorized Signatory

..... Name of Authorized Signatory

Title of Authorized Signatory

- *To be executed by at least two duly authorized signing officers of the Issuer and, if required pursuant to applicable law, under the Issuer's corporate seal.*

This application shall be deemed to have been accepted by the Exchange, and shall become effective immediately upon commencement of trading of any securities of the Issuer on the Exchange.

Schedule “B” — Personal Information Form

This form is to be completed by every individual who is an Insider of the Issuer, including any individual who, at the time of listing or subsequent to listing:

- (a) is or becomes a senior officer, director or promoter of the Issuer;
- (b) provides investor relations, promotion or market maintenance services for the Issuer or to any of its securityholders;
- (c) beneficially owns or controls, directly or indirectly, securities representing more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer;
- (d) where a person referred to in paragraph (c) is not an individual, any director, senior officer or Insider of that person; or
- (e) by any individual from whom the Exchange, at any time, requests a completed Personal Information Form.

General Instructions On How To Complete This Form:

The Form

The Exchange requires the originally completed Form with the original signatures for processing purposes. Photocopies of the completed Form will not be accepted for processing.

All Questions

All questions must have a response. The Exchange will not accept the response of “N/A” or

“Not Applicable” for any question *except for* the following Questions 1(B), 2(D), 2(E)(iii), 2(F)(ii), 2(G), and 4(B).

If you are having difficulty completing a question or would like further information regarding the information required to be included within this form, please contact the Exchange for additional information.

Question 2

For the purposes of Question 2(E), “permanent resident” is a person lawfully in Canada as an immigrant but who is not yet a Canadian Citizen.

Question 6A

Responses must be *all-inclusive*, they are *not* limited to a particular period of time.

Question 6B

Responses must include all issuers in which the applicant has been involved, within the *past 10-year period*.

Questions 7 to 11

Please check (✓) in the appropriate space provided. Refer to the definitions below and on page 7-2 of this form. If your answer to any of questions 7 to 11 is “YES”, you must, in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known. Any attachment must be initialled by the Notary Public. Responses must be all-inclusive and must not omit any time period.

For the purposes of Questions 7 to 11 the following definitions will apply:

- “guilty”, in relation to a plea or a finding, includes an *absolute* or *conditional discharge*;
- “offence” means:
 - (a) a summary conviction or indictable offence under the Criminal Code (Canada),
 - (b) a misdemeanour or felony under the criminal legislation of the United States of America or of any state or territory of the United States of America,
 - (c) an offence under the criminal legislation of any other jurisdiction,
 - (d) quasi-criminal offence, for example under the Income Tax Act (Canada) or the tax legislation of any other jurisdiction, the Immigration Act (Canada) or the immigration legislation of any other jurisdiction, or the securities legislation of any jurisdiction,

and excludes

- (e) an offence for which a pardon has been granted and has not been revoked under the Criminal Records Act (Canada) or the comparable legislation of any other jurisdiction, and
- (f) an offence which is an offence *only* under the motor vehicles legislation of any

jurisdiction.

NOTE: With the exception of offences under the Young Offenders Act (Canada) or its predecessor, the granting of a Pardon with respect to an offence is not automatic, but must be formally applied for and granted to the offender pursuant to the Criminal Records Act (Canada). Therefore, it is not considered appropriate to omit reference to an offence under any statute other than the Young Offenders Act (Canada) or its predecessor on the basis of an assumption that a Pardon of the offence is automatic after a given period of time. Wrongful omission of an offence on that basis may be treated as a non-disclosure of material information.

- “securities regulatory authority” means a body created by statute in any jurisdiction to administer securities law, regulation and policy, but does not include a stock exchange or other self regulatory organization.
- “self regulatory organization” means
 - (a) a stock, commodities, futures or options exchange,
 - (b) an association of investment, securities, mutual fund, commodities, or future dealers,
 - (c) an association of investment counsel or portfolio managers,
 - (d) an association of other professionals, for example legal, accounting, engineering, and
 - (e) any other recognised institution or group responsible for the enforcement of rules, disciplines or codes, under any legislation, or considered a self regulatory organization in another country.

Acknowledgement and Consent

The person completing this form must sign both the space available for the Acknowledgement and the Statutory Declaration portion of the form.

Declaration and Related Attachments

The official before whom this form is declared must mark as exhibits and initial any attachments to this form. Persons completing this form must also initial any attachments. This form and any attachments must contain original signatures or initials as appropriate. Photocopies are not accepted for filing with the Exchange.

Caution

Please carefully review the Personal Information Form before submitting it to the Exchange. Please also ensure that this Form is properly signed. You must sign this Form and the truth of its contents before a Notary Public. The Notary Public must confirm that you made such a declaration.

known.				
[*]Note: Please include information regarding any name change(s) resulting from marriage, divorce, court order or any other process	M	Y	M	Y

2. — Personal Information

**Attach a photocopy of a piece of identification issued by a government authority (such as a driver's license or passport) that contains your photograph.

A.

TELEPHONE NUMBERS:		
RESIDENTIAL Area Code ()	BUSINESS Area Code ()	FAX Area Code ()

B.

DATE OF BIRTH			PLACE OF BIRTH		
Month	Day	Year	City	Province/State	Country

C.

Sex	Height	Weight	Eye Colour	Hair Colour
<input type="checkbox"/> MALE				
<input type="checkbox"/> FEMALE				

D.

MARITAL STATUS	FULL NAME OF SPOUSE - include common-law	OCCUPATION OF SPOUSE

E.

CITIZENSHIP	YES	NO
(i) Are you a Canadian Citizen?		
(ii) Are you a permanent resident/landed immigrant of Canada? (see the definition of permanent resident in the instructions at the beginning of this form)		
(iii) If "Yes" to Question 2E(ii), the number of years of continuous residence in Canada: _____ Years		

F.

DUAL CITIZENSHIP	YES	NO
(i) Do you hold citizenship in any country other than Canada?		
(ii) If "Yes" to Question 2F(i), the name of the Country(s): _____		

G.

COUNTRY WHERE PASSPORT WAS ISSUED	CITY WHERE PASSPORT WAS ISSUED	DATE PASSPORT WAS ISSUED	PASSPORT NUMBER

		M	D	Y	
-----	-----	---	---	---	-----

H.

DRIVER'S LICENCE NUMBER	PROVINCE/STATE WHERE DRIVER'S LICENCE WAS ISSUED	SOCIAL INSURANCE/ SECURITY NUMBER
-----	-----	-----

3. — Residential History

Provide all residential addresses for the past *10 YEARS* starting with your current principal residential address. If you are unable to correctly identify the complete residential address for a period which is beyond five years from the date of completion of this Form, the municipality and province or state and country must be identified. The Exchange reserves the right to nevertheless require the full address.

STREET ADDRESS, CITY, PROVINCE/STATE, COUNTRY & POSTAL/ZIP CODE	FROM		TO	
	M	Y	M	Y
-----	---	---	---	---

-----	---	---	---	---

4.

A. — Educational History

Provide your educational history starting with the most recent. Include secondary (eg. high school) and post secondary education (eg. university, college, technical institute etc.).

SCHOOL	LOCATION	DEGREE OR DIPLOMA	DATE OBTAINED		
			M	D	Y
-----	-----	-----	---	---	---

B.

Professional designation(s) — Provide any professional designation held. For example, Barrister & Solicitor, C.A., C.M.A., C.G.A., P.Eng., P.Geol., and C.F.A., etc. and indicate by whom and the date the designations were granted.

PROFESSIONAL DESIGNATION	GRANTER OF DESIGNATION	DATE GRANTED			IN EFFECT?	
		M	D	Y	Y	N

5. — Employment History

Provide your employment history for the 10 years immediately prior to the date of this form starting with your current employment. Use an attachment if necessary.

EMPLOYER NAME	EMPLOYER ADDRESS	POSITION HELD	FROM		TO	
			M	Y	M	Y

7. — Offences

		YES	NO
A.	OFFENCES (See General Instructions for definition of "offence".)		
	Have you ever pleaded guilty to or been found guilty of an offence?		
B.	CURRENT CHARGES, INDICTMENTS OR PROCEEDINGS		
	Are you the subject of any current charge, indictment or proceeding for an offence?		

If you answered "Yes" to any of the items in Question 7, attach full particulars.

8. — Administrative Proceedings

		YES	NO
A.	PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY (Refer to definitions) Has any securities commission or other securities regulatory authority ever: -----		
	(i) prohibited or disqualified you under securities, corporate or any other legislation from acting as		
	(ii) refused to register or license you to trade securities or restricted, suspended or cancelled your		

	(iii) refused to issue a receipt for a prospectus or other offering document or denied any		
	(iv) issued a cease trading or similar order against you?		
	(v) issued an order that denied you the right to use any statutory prospectus or registration		
	(vi) taken any other proceeding of any nature or kind against you?		
B.	PROCEEDINGS BY STOCK EXCHANGE OR OTHER SELF REGULATORY ORGANIZATION		
	Have you been reprimanded, suspended, fined or otherwise been the subject of any disciplinary proceedings of any nature or kind whatsoever, in any jurisdiction, by a self regulatory organization?		
C.	CURRENT PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY ORGANIZATION. Are you now, in any jurisdiction, the subject of:		
	(i) a notice of hearing or similar notice issued by a securities commission or similar securities regulatory authority?		
	(ii) a proceeding or to your knowledge, under investigation, by a stock exchange or any self		
	(iii) settlement discussions or negotiations for settlement of any nature or kind whatsoever with any securities commission or other securities regulatory authority or any stock exchange or any self regulatory organization?		

D.	SUSPENSION OR TERMINATION OF EMPLOYMENT		
	Has a firm or company registered under the securities laws of any jurisdiction as a securities dealer, broker, investment adviser or underwriter, suspended or terminated your employment for cause?		
	Has your employment in a sales, investment or advisory capacity with any firm or company engaged in the sale of real estate, insurance or mutual funds ever been terminated for cause?		
E.	SETTLEMENT AGREEMENT		
	Have you entered into a settlement agreement with a securities regulatory authority, self regulatory organization or an attorney general or comparable official or body in any jurisdiction in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct by you, or any other settlement agreement with respect to any other violation of securities legislation or the rules of any self regulatory organization?		

If you answered "YES" to any of the items in Question 8, attach full particulars.

9. — Civil Proceedings

		YES	NO
A.	JUDGEMENT, GARNISHMENT AND INJUNCTIONS Has a civil court in any jurisdiction:		
	(i) rendered a judgement or ordered garnishment against you in a civil claim by consent or otherwise based in whole or in part on fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered		

	trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?		
	(ii) issued an injunction or similar ban against you by consent or otherwise in a civil claim described in question 9A(i)?		
B.	CURRENT CLAIMS		
	Are you now the subject, in any jurisdiction, of a civil claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct on your part?		
C.	SETTLEMENT AGREEMENT		
	Have you entered into a settlement agreement, in any jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct on your part?		

If you answered "YES" to any of the items in Question 9, attach full particulars.

10. — Personal Bankruptcy

			NO
A.	Have you in any jurisdiction within the past 10 years:		
	(i) had a petition in bankruptcy issued against you or made a voluntary assignment in bankruptcy?		

(ii) made a proposal under any legislation relating to bankruptcy or insolvency?		
(iii) been subject to or instituted any proceeding, arrangement or compromise with creditors?		
(iv) had a receiver, receiver-manager or trustee appointed by or at the request of creditors, either		
(v) Are you now an undischarged bankrupt?		

If you answered "YES" to any of the items in Question 10, attach a copy of any discharge, release or other applicable document.

11. — Proceedings Against Issuer

		NO
A.	To the best of your knowledge, were you or have you ever been a director, officer, promoter, ----- insider, or control person of an issuer, in any jurisdiction, at the time of events that led to or resulted:	
	(i) in the issuer pleading guilty to, or being found guilty of, an offence based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?	
	(ii) in a pending charge, indictment or proceeding against the issuer, for an offence described in	

<p>(iii) in a securities regulatory authority (and, where indicated, other regulatory authority):</p>		
<p>(a) refusing, restricting, suspending or cancelling the registration or licensing of the issuer to trade securities or any other regulatory authority authorized to licence the sale of real estate, insurance or mutual funds refusing, restricting, suspending or cancelling the registration or licensing of of the issuer to sell or trade real estate, insurance or mutual fund products?</p>		
<p>(b) issuing a cease trading or similar order of any nature or kind whatsoever against the issuer, other than an order for failure to file financial statements that was revoked within</p>		
<p>(c) issuing an order that denied the issuer the right to use any statutory prospectus or</p>		
<p>(d) taking any other proceeding of any nature or kind against the issuer?</p>		
<p>(e) issuing a current notice of hearing or similar notice against the issuer?</p>		
<p>(iv) in a trading halt, suspension or delisting of the issuer by a self regulatory organization or similar organization (other than in the normal course for proper dissemination of information, including in the normal course pursuant to a reverse take-over or similar transaction)?</p>		
<p>(v) in a current proceeding of any nature or kind against the issuer by a self regulatory</p>		

<p>(vi) in a civil court:</p>		
<p>(a) rendering a judgment or ordering garnishment in a claim against the issuer by consent or otherwise based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?</p>		
<p>(b) issuing an injunction or similar ban against the issuer by consent or otherwise in a claim</p>		
<p>(vii) in a current civil claim against the issuer that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?</p>		
<p>(viii) in the issuer entering a settlement agreement with a securities regulatory authority, self regulatory organization or attorney general or comparable official or body in any jurisdiction in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct by the issuer, or involved in any other violation of securities legislation or a self regulatory organization's rules?</p>		
<p>(ix) in the issuance of a petition in bankruptcy against the issuer or a voluntary assignment in</p>		

	(x) in a proposal by the issuer under any legislation relating to bankruptcy or insolvency?		
	(xi) in proceedings against the issuer under any legislation relating to winding up, dissolution or		
	(xii) in a proceeding, arrangement, proposal or compromise by the issuer with creditors?		
	(xiii) in the appointment of a receiver, receiver-manager or trustee by or at the request of creditors,		
B.	Is an issuer in any jurisdiction of which you are now a director, officer, promoter or control person, now an undischarged bankrupt?		

If you answered "YES" to any of the items in Question 11, attach full particulars and attach a copy of any discharge, release or other applicable document.

Caution

A person who makes a false statement by statutory declaration commits an indictable offence under the *Criminal Code* (Canada). The offence is punishable by *imprisonment* for a term not exceeding *fourteen years*. Steps may be taken to verify the answers you have given in this form, including verification of information relating to any previous criminal record.

Acknowledgement and Consent

As evidenced by my signature below, I, the undersigned, hereby acknowledge and provide my express consent to the Canadian Venture Exchange Inc. to request, obtain and provide any information whatsoever (which may include personal, confidential, non-public, criminal or other information) from or to any source, including, but not limited to any regulatory, securities regulatory, investigative, criminal or self-regulatory agency or organization as permitted by law in any jurisdiction in Canada or elsewhere.

..... DateSignature of Person Completing this Form

Statutory Declaration

I, (Print Name of Person Completing this Form) solemnly declare that:

(a) I have read and understand the questions, cautions, acknowledgement and consent in this form and the answers I have given to the questions in this form and in any attachments to it are true and correct except where stated to be to the best of my knowledge in which case I believe the answers to be true;

(b) I make this solemn declaration conscientiously believing it to be true and knowing it is of the same legal force and effect as if made under oath and by virtue of the *Canada Evidence Act*; and

(c) in consideration for the approval of the Canadian Venture Exchange Inc. in regard to my involvement with any Exchange Issuer, I hereby agree to submit and attorn to the jurisdiction of the courts in the Province of Alberta, to the jurisdiction of the Canadian Venture Exchange Inc., and wherever applicable, the Governors, directors and committees thereof. I further agree to be bound by and comply with all Exchange Requirements. I agree that any acceptance or non-disapproval granted by the Exchange pursuant to this form may be revoked, terminated or suspended at any time in accordance with the then applicable rules, policies, by-laws, rulings and regulations of the Exchange. In the event of any revocation, termination, or suspension, I agree to immediately terminate my association with any Exchange Issuer to the extent required by the Exchange and I agree that thereafter I will not accept employment with or perform services of any kind for any Exchange Issuer, except with the prior written acceptance of the Exchange.

DECLARED before me at the City of in the Province (or State) of this day of,

..... (Signature of Person Completing this Form)

..... Signature of Notary Public

..... Seal or Stamp of Notary Public

My Appointment Expires:

**Note: THIS FORM MUST BE DECLARED BEFORE A PERSON WHO IS A NOTARY PUBLIC IN AND FOR THE JURISDICTION IN WHICH IT IS DECLARED.*

Schedule "C" — Current CDNX Corporate Finance Fee Schedule

Annual Sustaining Fees	
Per Issuer	\$1,500
Each Additional Class of Securities	\$150
New Listings	\$0.001 per share
	\$0.001 per share

Capital Pool Companies	Min \$4,000 - Max \$12,000
RTO/Qualifying Transaction	\$4,000 Min \$2,000 - Max \$12,000
Additional Listing	\$0.001 per share Min \$1,000 - Max \$10,000
Change of Business	Min \$2,000 - Max \$12,000
Amalgamation, Merger, Take-Over Bid	Min \$2,000 - Max \$12,000
Public Offerings (including by prospectus, rights offering and short form offering)	\$0.001 per share Min \$1,000 - Max \$4,000
Amendments	\$500
Private Placements and Shares for Debt	\$0.001 per share Min \$500 - Max \$2,500
Share Splits Consolidation	Apply Additional Listing Fee \$1,000
Property Transaction Greater than 1 million shares issued	Apply Additional Listing Fee
Major Acquisition / Reviewable Disposition	\$750
Minor (including Expedited)	\$300
Stock Options - Tier 2 (also for Tier 1 if no plan)	\$150 per optionee Max \$600
Stock Options - Tier 1 (with any plan)	Apply Additional Listing Fee
Escrow Shares Cancellation, Amendment or a Contested Release or Transfer	\$1,000
Reinstatement of Suspended Issuers	\$500
Processing	\$300 minimum
Engineering Reports:	CDNX may request a fee to cover the costs of the review of engineering/geological reports

Notes:

Note: Processing fees may also be assessed for unusually time consuming or poorly prepared filings.

Note: TSE Interlisted companies filing fees are discounted 33% from the schedule, except annual Sustaining Fees and minimum charges.

Note: The calculation of fees assumes all warrants or other convertible securities have been exercised or converted.

Note. 7% GST to be added to all fees.

Endnotes

1

The final form of the agreement will be substantially on the same terms as the term sheet attached hereto as Schedule “D” and will replace the term sheet as at the date of the final order.

2

The amendments referred to in clause 2.23 and new Policy 5.9 must be adopted by the date of the final order.

3

The amendments referred to in clause 2.23 and new Policy 5.9 must be adopted by the date of the final order.

4

The matters outlined in the Oversight Program are intended to prescribe a minimum level of oversight. The Lead Regulator may conduct additional review procedures. The purpose of specifying the Oversight Program is to ensure that each participant in the CDNX Oversight Protocol is comfortable that there is acceptable oversight of CDNX, which in turn justifies reliance of the Lead Regulator.

5

Some of these requirements are also set out for greater clarity in the proposed National Instrument 23-101 Trading Rules published on July 28, 2000 at (2000), 23 OSCB (Supp.) at 389.

6

See Part 6 of proposed National Instrument 23-101 Trading Rules and proposed OSC Rule 23-502 The Reported Market