

CORPORATE FINANCE MANUAL
BULLETIN TYPE: POLICY AMENDMENT
BULLETIN DATE: February 28, 2000

The Corporate Finance Manual has been amended as follows [this information is reflected on the Internet (<http://www.cdnx.ca>)].

The following are the amendments to the Manual. Typographical, numbering, grammatical and cross referencing errors are not included in this memorandum.

***** Please refer to the actual Policies in the Manual, as certain provisions may not have been specifically noted in this Bulletin.**

GENERAL

Any references to The Canadian Venture Exchange have been changed to include 'Inc.', in the documents noted below:

Policy 1.1 - Interpretation

Form 2A - Personal Information Form

Form 2D - Listing Agreement

Form 2E - Distribution Summary Statement

Form 2F - Escrow Agreement - CPC

Form 4G - Alberta Exchange Offering Prospectus (the "Alberta EOP")

Form 5A - Filing Statement for Non-RTO Transactions

Form 5D - Escrow Agreement

Form 5F - Escrow Agreement Indemnity

Form 5J - Letter to Intermediaries Re: Share Distribution

Appendix 2A - Sponsorship Acknowledgement Form

Policy 2.4 - Capital Pool Companies

(please note these amendments were disclosed in the CDNX Bulletins dated February 9, 2000 and February 1, 2000)

The **definition** of 'Discount Seed Shares' has been amended as follows:

'**Discount Seed Shares**' means any Seed Shares which are issued ~~to insiders, or trusts or holding companies controlled by insiders,~~ at a price that is less than the price at which the IPO Shares are offered and sold to the public.

Section 11.1, Escrow of Discount Seed Shares has been amended as follows:

11.1 All Discount Seed Shares must be held in escrow pursuant to a Discount Seed Share Escrow Agreement. ~~By~~The terms of the Discount Seed Share Escrow Agreement, ~~the holders of Discount Seed Shares~~ irrevocably authorize and direct the escrow agent appointed under the escrow agreement to immediately cancel all of their ~~respective~~ Discount Seed Shares ~~held by~~ Insiders upon the issuance of an Exchange Bulletin delisting the CPC from the Exchange.

Section 15(d) Transition, has been amended as follows:

A JCP or VCP that has not obtained a final receipt for a prospectus on or before March 31, 2000 will be required to amend its Prospectus to comply with the CPC Policy, in its entirety.

Policy 4.1 - Private Placements

Section 6.1(b) Expedited Private Placement System, has been amended to reflect that:

The Issuer must issue a news release announcing the Private Placement in order to set the ~~Market Price~~ Discounted Market Price. An Expedited Private Placement Form 4F must be filed within 45 calendar days after the news release. The Exchange will issue an Exchange Bulletin and will send an acceptance letter to the Issuer or its counsel, generally the business day after the Expedited Private Placement Form is filed.

Policy 5.2 - Changes of Business and Reverse Take-Overs

Section 6.2 Minimum Listing Requirements and/or Tier Maintenance Requirements, has been amended to reference Policy 2.1 instead of Policy 2.5.

6.2 References in Policy 2.1 to prior expenditures of the applicant Issuer, will mean prior expenditures of the Target Issuer or Seller(s) of the Significant Assets. References in Policy 2.1 to Working Capital, Financial Resources or Net Tangible Assets of the Issuer will mean the consolidated working capital, financial resources and Net Tangible Assets of the Resulting Issuer.

Policy 6.2 - Transitional Provisions for Issuers Previously Listed on the ASE and VSE

The transitional provisions have been amended to reflect the re-adoption of the Seed Share Resale Restrictions that previously applied to seed securities of VSE issuers, (the 'Resale Matrix'). The Resale Matrix has been adopted for an interim period by the Exchange, and by the British Columbia Securities Commission, pursuant to NIN #2000/09.

As a result, the hold periods prescribed by the Resale Matrix will apply to seed securities distributed in British Columbia where the Issuer meets the terms of the Resale Matrix. The Resale Matrix does not apply to Venture Capital Pool or Capital Pool Companies. Seed shares of VCPs and CPCs are subject to the 12 month hold period dating from the date the issuer becomes a reporting issuer.

Pursuant to NIN #2000/09, the Resale Matrix applies to holders in British Columbia of seed securities of an issuer that meets the following conditions:

- (1) the issuer's final prospectus for its initial public offering ('IPO') is receipted on or before June 30, 2000;
- (2) the issuer's securities are listed on CDNX on or before Sept. 30, 2000*; and
- (3) if the issuer completed its IPO distribution between November 26, 1999 and February 22, 2000, the issuer confirms to CDNX that it has notified the affected holders of seed securities of the change in the resale requirements and has corrected any disclosure record relating to the applicable resale restrictions by filing a material change report and press release.

* Please note that the issuer's securities must receive final listing acceptance as evidenced by an Exchange Bulletin announcing such acceptance.

During the interim period, seed securities of an issuer that completes its IPO on CDNX which are subject to either sections 140(2)(a), 141(c) or 143(f) of the *Securities Rules* will have hold periods determined by the Resale Matrix.

After the interim period, seed securities of an issuer that completes its IPO on CDNX which are subject to either sections 140(2)(a), 141(c) or 143(f) of the *Securities Rules* will have an effective 12 month hold starting from the date the issuer becomes a reporting issuer.

Please see NIN#2000/09 and the Exchange Bulletin dated February 28, 2000, entitled *Adoption of Former VSE Resale Restrictions during Transitional Period*. BC Securities Commission website: www.bcsc.bc.ca.

Form 2F - Escrow Agreement - CPC

Schedule B(2), Cancellation and Indemnity, has been renamed as simply Cancellation, and **Section 2(b)** has amended as follows:

2. If the Issuer is de-listed,
 - (b) the Issuer and the escrow Agent shall take such action as is necessary to cancel the Discount Seed Shares ~~which are held by Insiders of the CPC~~.

Schedule B(2), Sections 4 and 5 have been added. These sections read:

4. Any Securities which have not been released from escrow under this Agreement as at 4:30 p.m. (Vancouver time) or 5:30 p.m. (Calgary time) on the date which is the 10th anniversary of the date of this Agreement shall forthwith be cancelled. The Escrow Agent shall deliver a notice to the Issuer, and shall include with the notice any certificates possessed by the Escrow Agent which evidence the escrowed securities. The Issuer and Escrow Agent shall take all actions as may be necessary to expeditiously effect cancellation.
5. For the purposes of cancellation of Securities under section 4 of this Schedule to the Agreement, each Security Holder hereby irrevocably appoints the Escrow Agent as his or her attorney, with authority to appoint substitute attorneys, as necessary.

Form 5D - Escrow Agreement

This form has been amended so that the definitions of the following terms have been amended or added:

- (b) **'Additional Securities'** means securities (including a right to acquire securities) that a Security Holder acquires after the date upon which the Security Holder executes this Agreement or an Acknowledgement that are
 - (i) securities of the Issuer acquired:
 - (A) as a dividend or other distribution on Securities;
 - (B) upon the exercise of a right of purchase, conversion or exchange attaching to Securities; or
 - (C) upon a subdivision or compulsory conversion or exchange of Securities; or
 - (ii) New Securities of a Successor Issuer acquired by a Security Holder which are subject to escrow in accordance with this Agreement;

- (c) 'Combination' means a bona fide formal take-over bid, plan of arrangement, amalgamation, merger or similar transaction;
- (d) 'Exchange Notice' means, as applicable, the notice issued by the Exchange announcing an Initial Listing, the notice issued by the Exchange announcing completion of a New Listing (other than an Initial Listing) and confirming final Exchange Acceptance or, in the case of securities which are escrowed other than in accordance with an Initial Listing or New Listing, the notice issued by the Exchange following final Exchange Acceptance of the transaction;
- (g) 'New Securities' means Options (as defined in Policy 5.4) and equity securities of an issuer that carry a residual right to participate in the earnings of the issuer and, upon the liquidation or winding up of the issuer, in its assets, where such securities are issued to a Security Holder in connection with a Combination;
- (k) 'Successor Issuer', with respect to an Issuer, means an issuer that issues securities to a Security Holder in connection with a Combination involving the first Issuer; and

There have been some grammatical changes made to the Schedules that are **not** noted below.

Schedule B(1) has been amended to remove the provision which permits a release of all escrowed securities upon the Issuer being listed as an Exempt issuer on the Toronto Stock Exchange.

Schedule B(2) has been amended to add the following provision:

In the event Schedule B(1) becomes effective, the Escrow Agent within 10 days of the issuance by the Exchange of the Notice confirming final acceptance for listing on Tier 1, shall release from escrow any Securities which pursuant to the early release Schedule would have been releasable at a date prior to the Notice of the Exchange confirming final acceptance for listing on Tier 1.

Schedule B(3) has been amended such that the sections entitled Early Release and Conditions of Release have been **deleted in their entirety**.

Schedule B(4) has been amended so that the section entitled Early Release has been renamed Early Release - Graduation to Tier 1, and the following provision has been added:

In the event the Schedule B(3) becomes effective, the Escrow Agent within 10 days of the issuance of a Notice by the Exchange confirming final acceptance for listing on Tier 1, shall release from escrow any Securities which pursuant to the Schedule B(3) would have been releasable at a date prior to the Notice of the Exchange confirming final acceptance for listing on Tier 1.

Form 6A - Seed Share Resale Restrictions Pooling Agreement

This Form is to be used in connection with section 9 of Policy 6.2 - Transitional Provisions for Issuers Previously Listed on the ASE and VSE.

Appendix 2B - Rule B.2.00 - Sponsorship and Sponsor Report Appendix 2C - Policy Statement CR13 - Sponsorship Policy Statements

Both appendices are now in final form and are to be included in your CF Manual.

Should you have any questions regarding the **content** of the Manual, please contact:

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