

**BULLETIN TYPE: NOTICE TO ISSUERS**

**BULLETIN DATE: June 8, 2001**

**RE: Issuers with a "Significant Connection to Ontario"**

**Effective June 30, 2001**, Issuers that are not reporting issuers in Ontario will be required to immediately make an initial assessment of whether they have a "significant connection to Ontario". Where such a connection exists, Issuers must make an application to, and become a reporting issuer in Ontario within six months of becoming aware that the Issuer has a "significant connection to Ontario". At the time that the amendments respecting CDNX Policy 1.1 were approved, it was anticipated that Issuers could make the assessment of a "significant connection to Ontario" by using the NOBO list pursuant to proposed National Instrument 54-101 ("NI 54-101").

CDNX Policy 1.1 currently reads that Issuers will have a "significant connection to Ontario" where the Issuer (or a Resulting Issuer following completion of a Reverse Take-Over ("RTO") or the Qualifying Transaction ("QT") 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.

\* NOBO is a non-objecting beneficial owner as currently defined in proposed NI 54-101.

As NI 54-101 will not be in effect on June 30, 2001, CDNX will be amending CDNX Policy 1.1 effective June 30, 2001 such that an Issuer will have a "significant connection to Ontario" where the Issuer (or a Resulting Issuer following completion of a Reverse Take-Over ("RTO") or the Qualifying Transaction ("QT") of a Capital Pool Company) **either**:

1.
  - (a) has beneficial holders resident in Ontario who beneficially own more than 20% of the number of equity securities beneficially owned by the beneficial holders of the Issuer or Resulting Issuer; or
  - (b) has its mind and management principally located in Ontario and has beneficial holders resident in Ontario who beneficially own more than 10% of the number of equity securities beneficially owned by the beneficial holders of the Issuer or Resulting Issuer;

**or**
2.
  - (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.

Accordingly, until such time as NI 54-101 comes into effect Issuers will be required to make an assessment of whether they have a "significant connection to Ontario" based on 1 (a) or (b) above using a "Demographic Summary Report" as described more fully below. The Demographic Summary Report will provide Issuers with the region, number of shareholders for each region and shares held in each region.

Pursuant to section 19.2 of CDNX Policy 3.1, where an Issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has a Significant Connection to Ontario, an 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".

**Failure to comply with a direction by the Exchange to become a reporting issuer in Ontario, or a failure by the Issuer to make application to become a reporting issuer in Ontario upon becoming aware of a "significant connection to Ontario", may result in the following: (i) suspension or delisting; (ii) resignation of individuals involved with the Issuer; (iii) remuneration, compensation or incentive applications being declined; or (iv) such other action as the Exchange may, in its discretion, determine.**

Pursuant to section 19.2 of CDNX Policy 3.1, Issuers that have a "significant connection to Ontario" must notify the Exchange in writing at:

Canadian Venture Exchange Inc.  
10<sup>th</sup> Floor, 300 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3C4

Attention: Joanne Butz

Issuers who have any questions about the procedure for making an application to become a reporting issuer in Ontario should contact:

Ontario Securities Commission  
20 Queen Street West, Suite 1903  
Toronto, Ontario  
M5H 3S8

Attention: Marsha Gerhart  
1-416-595-8918

## **Background**

In addition to the immediate assessment on June 30, 2001, all Issuers must undertake a review annually to assess whether they have a "significant connection to Ontario". The Exchange also intends to review Issuers every three years to ascertain whether they have a "significant connection to Ontario".

Certain transactions will trigger a review by the Exchange to ascertain whether an Issuer has a "significant connection to Ontario". In connection with initial listings, the Exchange will require an Issuer that has a "significant connection to Ontario" to make a bona fide application to become a reporting issuer in Ontario. In connection with RTOs and QTs, the Issuer must have become a reporting issuer in Ontario at the completion of the RTO or QT.

## **Steps to Obtain a Demographic Summary Report**

The Independent Investor Communications Corporation ("IICC") has advised the Exchange that they would be able to provide Issuers with a Demographic Summary Report that would indicate the region, number of shareholders for each region and shares held in each region.

A Demographic Summary Report may be obtained from IICC on the following basis:

- The report will be based on a mailing file retrieved for IICC's intermediary clients.
- The report will indicate the region, number of shareholders for each region and shares held in each region.

- The report from IICC is limited to intermediaries that use IICC as a third party provider for mailing services.
- IICC's standard fee for a Demographic Summary Report is a minimum of \$250.00 with a maximum of \$750.00 or ¢.10 per account record retrieved.

**IICC is prepared to reduce their minimum fee from \$250.00 to a flat fee of \$200.00 for those Issuers that identify themselves as a CDNX Issuer and submit their request for a Demographic Summary Report before June 30, 2001.**

**All requests received by June 30, 2001 will be processed and returned to the Issuer on or around July 15, 2001. The reduced fees will not apply to any Issuer that is on a credit hold status with IICC and all issuers will be required to pay for the report up front.**

- The notice to IICC must contain the 9 digit CUSIP number, complete issuer name, clear billing and delivery instructions, contact name, telephone number and fax number.

Each account manager in IICC's Issuer Services department is responsible for a portion of the alphabet. The following is IICC's Issuer Services Contact List and the alphabetical breakdown of issuers that are serviced by the account managers:

<b>Account Manager</b>	<b>Telephone Number</b>	<b>E-mail Address</b>	<b>Alphabetical Breakdown</b>
Wendy Shrubb	905-565-5279	wshrubb@adpiicc.com	A – E
Annie S. J. Nandan	905-565-5269	ajosephnandan@adpiicc.com	F – M
Mary Cox	905-565-5288	mcox@adpiicc.com	N - Q
Lourdes VEDI	905-565-5266	lvedia@adpiicc.com	R – Z
Ana Machado	905-565-5264	amachado@adpiicc.com	Senior Account Manager
Amrita Williams	905-565-5261	awilliams@adpiicc.com	Manager, Issuer services

The fax number for IICC's Issuer Services department is 905-565-5354.

The complete text of the "significant connection to Ontario" policy amendments may be found at:  
<http://www.cdnx.com/Listing/CorpFinancePPManual/Default.htm>

If you have any questions relating to the content of this Bulletin, please contact:

In Vancouver: Susan Copland, Manager, Policy, at (604) 643-6531  
 In Calgary: Peter Varsanyi, Legal & Policy Counsel, at (403) 974-8616  
 In Toronto: Janet Becker, Legal & Policy Counsel, at (416) 860-4118

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