

CORPORATE FINANCE MANUAL

(the “Manual”)

UPDATE NOTICE

September 29, 2000

Last Update Notice – August 29, 2000

The amendment communicated in this *Update Notice* is reflected in the Internet (www.cdnx.ca) version of the Manual.

Re: Issuers with a Significant Connection to Ontario - Incorporation of OSC Rule 61-501, and Tier 3 Issuers

In connection with the Exchange’s application to the Ontario Securities Commission (“OSC”) for an order exempting the Exchange from recognition for the purposes of carrying on business as a stock exchange in Ontario and the transfer of the Canadian Dealing Network (“CDN”) quoted issuers to the Exchange, certain Corporate Finance Policies have been amended and new Corporate Finance Policies have been created.

Please note that only **Policy 6.1 - Tier 3 Issuers, is effective immediately**. While Policy 5.9, *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*, (“Policy 5.9”) and the amendments relating to Issuers with a Significant Connection to Ontario have been adopted, they will not go into effect until June 30, 2001. They are, however, being published at this time for comment. The comment period expires November 15, 2000.

This *Update Notice* provides a summary of the material changes only. For the complete text of Policy 6.1 -*Tier 3 Issuers*, (“Policy 6.1”) please see the Corporate Finance Manual at: <http://www.cdnx.ca/Listing/CorpFinancePPManual/Default.htm>. For the complete text of Policy 5.9, and the provisions relating to Issuers with a Significant Connection to Ontario, please see: <http://www.cdnx.ca/Listing/CorpFinancePPManual/Default.htm>.

Comments regarding Policy 5.9, and the provisions relating to Issuers with a Significant Connection to Ontario should be addressed to:

Susan Copland, Manager, Policy
Canadian Venture Exchange Inc.
P.O. Box 10333, 609 Granville Street
Vancouver, B.C. V7Y 1H1

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, the Issuers must make an application to, and become a reporting issuer in Ontario. All Issuers that do not become reporting issuers in Ontario must undertake such a review annually. The Exchange also intends to review Issuers every three years to ascertain whether they have a "significant connection to Ontario".

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):

- (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 National Instrument 54-101.

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.

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.

Policy 5.9 and Incorporation of OSC Rule 61-501

Policy 5.9 will become **effective June 30, 2001**. Policy 5.9 will apply to all Issuers regardless of whether they are reporting issuers in Ontario. This policy incorporates OSC Rule 61-501 ("Rule 61-501") as a policy of the Exchange, subject to certain amendments, including the addition of certain exemptions. Section 5.6 of Rule 61-501 provides several important exemptions from formal valuation requirements that may be available to Issuers with respect to related party transactions. Such exemptions include related party transactions where: (i) fair market value is not more than 25% of market capitalization; (ii) the transaction size is less than \$500,000; (iii) there is financial hardship; or (iv) there is a distribution of listed securities. Policy 5.9 provides additional exemptions to those listed above including: (i) transactions where the fair market value of the assets is "indeterminate"; (ii) acquisitions or dispositions of oil and gas or mineral resource properties where the Issuer has obtained an independent report; (iii) certain private placement transactions; and (iv) certain transactions involving concurrent financings.

Where an Issuer is a reporting issuer in Ontario and is therefore directly subject to Rule 61-501, the Issuer cannot rely upon Policy 5.9 to exempt them from the requirements of Rule 61-501 and must make application to the OSC for an exemption.

Policy 6.1 - Creation of Tier 3

Effective September 29, 2000, the Exchange has created a new Tier 3 on which eligible former CDN quoted companies will be listed. Policy 6.1 has been adopted in connection with the creation of Tier 3 and contains requirements relating to Tier 3 listings, the application of Corporate Finance policies, maintenance, sponsorship, escrow, graduation to Tier 1 or 2 and reporting issuer status.

Details of the Tier 3 application process as well as the tax implications of listing on Tier 3 are discussed in the Invitation found under "In the News" on the CDNX Home Page on the CDNX website www.cdnx.ca.

Should you have any questions regarding the **content** of the Manual, please contact:
Susan Copland, Manager, Policy - Corporate Finance (604) 643-6531.