POLICY 3.4

INVESTOR RELATIONS, PROMOTIONAL AND MARKET-MAKING ACTIVITIES

Scope of Policy

Investor Relations Activities and market-making activities and their effect on the marketplace and on Issuers is the subject of considerable debate. For the purpose of this Policy, the term "**Promoter**" describes Individuals undertaking these activities. Promoters in the Exchange's venture capital market generally fulfill one or both of the following functions:

(a) communicating with investment dealers, advisers and shareholders - both current and prospective - to increase awareness of and interest in the Issuer (the "promotional role"); and

(b) maintenance of an orderly market in the Issuer's securities (the "market-place role").

Neither of these roles is objectionable when conducted in accordance with Securities Laws and Exchange Requirements but the concurrent performance of both roles can create serious conflicts of interest so that neither role can be properly performed.

This Policy sets out the Exchange's requirements for Investor Relations Activities, promotional and market-making activities involving Issuers. It applies to all market participants, including Promoters, Insiders, Issuers and Members. It should be read in conjunction with all other Exchange Requirements, as well as applicable Securities Laws.

The main headings in this Policy are:

1. The Promotional Role
2. The Market-Place Role
3. Disclosure
4. Role of Members
5. Compensation Arrangements
6. Filing Requirements for Tier 2 Issuers
7. Filing Requirements for Tier 1 Issuers
8. Prohibitions

1. The Promotional Role

1.1 Some promotional activities are aimed purely at keeping an Issuer's shareholders informed about the Issuer. A Promoter can provide investors with previously disclosed factual information concerning the Issuer, or with copies of material that has been filed with regulatory authorities, or prepared by registered brokers or investment dealers, or published in newspapers, magazines or journals. It is appropriate for the Issuer to bear the costs of these services, provided the costs are reasonable and in proper proportion to the financial resources and level of business activity of the Issuer.

1.2 However, promotional activities must not extend to disclosing previously undisclosed material information about an Issuer, as this may attract civil or quasi-criminal liability for "tipping" under the insider trading provisions of applicable Securities Laws. Similarly, activities that extend beyond providing factual information and into the area of analyzing that information or providing opinions as to future performance of the Issuer or its securities, particularly if these activities are systematic, could be construed as advising in securities, which requires registration under applicable Securities Laws. This does not mean that directors and senior officers cannot publicly analyze factual information concerning the Issuer's affairs. However, an individual engaged in promotional activities may require registration if the individual provides an analysis or opinion to members of the public who are being encouraged to buy or sell the Issuer's securities. *See Policy 3.1 - Directors, Officers and Corporate Governance with respect to unacceptable trading.*

1.3 Promotional activities may limit the availability of exemptions from Resale Restrictions under the Securities Laws, since several of these exemptions require that "no unusual effort is made to prepare the market or create a demand for the security".

1.4 The Exchange is of the view that it is very rare for an Issuer to have a Promoter without the Issuer's approval, acquiescence or knowledge. An Issuer that has a Promoter, or permits an Insider or an Insider's Associate to act as a Promoter or in any way engage a Promoter, must be fully informed about the activities of the Promoter. The disclosure requirements to be met by an Issuer with respect to its Promoters are set out in section 3 below.

2. The Market-Place Role

2.1 Issuers are often encouraged to ensure that someone is prepared to provide a "market-making" function for the Issuer's securities. Although the term "market-making" is commonly used in the securities industry, this activity is not referred to in Canadian Securities Laws, nor is it specifically recognized by any Exchange by-laws, Rules or policies.

2.2 This Policy does not define, discourage or sanction market-making activity, but sets out general guidelines to help distinguish between proper market-making activities and market manipulation or market control. *See Policy 3.1 - Directors, Officers and Corporate Governance with respect to unacceptable trading.*

2.3 Proper market-making activity corrects temporary imbalances in the supply of and demand for an Issuer's securities. The market should be allowed to rise and fall naturally, with the market-making activity operating primarily to smooth out these imbalances and facilitate an orderly market. Although a Person involved in market-making is not expected to ignore his or her economic self-interest or be precluded from also holding securities for investment purposes, he or she should normally be selling into a rising market and buying into a falling market. If the price stabilizes and there are sufficient buyers and sellers on both sides of the market, market-making activities should generally not occur at a level which materially affects the market.

2.4 Subject to the requirements and normal procedures of trading on the Exchange, a Person engaged in market-making normally would not buy all securities offered at the posted price, but rather, would buy a portion of the securities at the posted price and allow the price to drop before making further purchases. This allows the market to find its own level at a stable rate. Similarly, a Person involved in market-making activities would not normally post a continuous bid and ask for a particular security, regardless of whether or not a buy or sell order is in place, if this would hold the security at a fixed price over an extended period of time rather than allow the market to find its own level.

2.5 Persons involved in market-making activities should either trade through one account only for a particular security, or if more than one account is used, ensure that trading does not create misleading appearances of investor participation in the market-place. Using one account for market-making purposes allows Members and regulators to ensure that the activity is being conducted fairly and in accordance with applicable Securities Laws. Control Persons engaged in market-making must find appropriate exemptions from the prospectus, insider and take-over bid requirements.

2.6 Improper market-making can result in unfair trading practices or market manipulation. Both the Canadian Criminal Code and the Securities Laws require that the principles of fair trading be observed by all market participants including Registrants, Insiders, Issuers, Promoters and public investors.

2.7 The following activities, transactions or schemes are considered to be improper market-making activity:

(a) executing any transaction in a security where the transaction does not involve a change in beneficial ownership;

(b) entering an order or orders for the purchase or sale of a 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 or purchase of such security, has been or will be entered by or for the same or different Persons, 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 a security;

(c) effecting, alone or with others, a transaction or series of transactions to induce others to purchase or sell the same security or to artificially raise or lower the price of a security;

(d) entering an order or orders for the purchase or sale of a security that has or have the effect of artificially raising or lowering the bid or offering prices of the security or that could reasonably be expected to create an artificial appearance of investor participation in the market;

(e) purchasing or making offers to purchase a security at successively higher prices, or selling or making offers to sell a security at successively lower prices, if the transactions or offers create a false or misleading appearance of trading or an artificial market price for the security;

(f) effecting, alone or with others, one transaction or a series of transactions where the purpose of the transaction is to defer payment for the security traded (i.e. "debit kiting");

(g) entering an order to purchase a security without the bona fide intention of making the proper settlement of the transaction;

(h) entering an order to sell a security, except for a security sold short in accordance with the provisions of the Securities Laws, without the bona fide intention of delivering the security necessary to properly settle the transaction; and

(i) engaging, alone or with others, in any transaction, practice or scheme that unduly interferes with the normal forces of demand for or supply of a security or that artificially restricts or reduces the Public Float of a security in a way that could reasonably be expected to result in an artificial price for the security.

3. Disclosure

3.1 Arrangements with respect to promotional or Investor Relations Activities by their very nature can reasonably be expected to significantly affect the market price or value of an Issuer's securities, and therefore are deemed material in Policy 3.3 – Timely Disclosure. Although proper market-making arrangements should not affect the market, the Exchange requires that they be publicly disclosed. If these arrangements are in place at the time of a public offering of securities, they must be disclosed as a Material Fact in the Issuer's Prospectus or other offering document. If the arrangements are made after a public offering, or if the arrangements disclosed in an offering document change, this must be disclosed in a news release and in some cases in a material change report also, in accordance with the Securities Laws, including National Policy 40 (or any successor National Instrument) and Policy 3.3 - Timely Disclosure. In particular, the Issuer must:

(a) disclose any arrangements, oral or written, made by the Issuer (or made by any other Person if the Issuer has knowledge of the arrangements) by which a Person will act as a promoter, an investor relations representative or consultant or a market-maker;

(b) briefly describe the background, ownership, business and place of business of the Person providing the services, the relationship between the Issuer and the Person providing the services, and whether that Person has any interest, directly or indirectly, in the Issuer or its securities, or any right or intent to acquire such an interest;

(c) describe the services to be provided including:

(i) the period during which the services will be provided,

(ii) a general description of the activities to be carried out,

(iii) the anticipated total costs of those activities to the Issuer, and

(iv) in the case of market-making arrangements, the identity and relationship to the Issuer of any Person providing funds or securities for the market-making activities;

(d) provide full particulars of all direct and indirect consideration, including the timing of payment and source of funds; and

(e) provide to the Exchange copies of contracts relating to promotional or Investor Relations Activities and of advertising literature distributed by Promoters or investors relations consultants in accordance with existing Exchange Requirements.

3.2 The Issuer must ensure that any arrangements with Promoters are consistent in scope with the operations and financial resources of the Issuer, and comply with applicable corporate and Securities Laws and Exchange Requirements. The Issuer must also ensure that the arrangements do not promote or result in a misleading appearance of trading activity in, or an artificial price for, the Issuer's securities. An example of an inappropriate arrangement would be one that requires, or provides incentives for, the maintenance or achievement of a price or trading volume for the Issuer's securities at a certain level, for a specified period of time or by a certain date. Finally, the Issuer should be satisfied that Person with whom arrangements are made are reputable, are properly registered and are qualified to provide the services.

4. Role of Members

4.1 Members have a responsibility to the Exchange, to their clients and to the market place generally to ensure that if they (or their registered representatives) are engaged in any of the promotional investor relations or marketing-making activities described above, these activities are carried out responsibly and comply in letter and spirit with this Policy.

4.2 Even if a Member is not itself involved in any promotional investor relations or market-making activities, the Member must still be inquisitive and proactive in dealing with activities that are carried on by others and of which the Member is or should be aware. For example, as a sponsor for an Issuer, a Member firm must inform itself of the activities of the Promoter(s) of the Issuer and direct the Issuer's attention to any concerns that the Member may have arising out of those activities. *See Policy 2.2 - Sponsorship and Sponsorship Requirements*. Furthermore, since Promoters and market-makers that are not Members of the Exchange must execute their trades through Member firms, Members must be aware of the market-making guidelines set out above, and must refuse to accept instructions from clients that, in the Member's judgement, are engaged in improper market-making activities.

5. Compensation Arrangements

5.1 Compensation, for either promotional investor relations or market-making activities, should be on a fee for service basis. If permitted by Securities Laws, stock options can be granted as compensation, but must be limited to an aggregate of 2% of the Issuer's Listed Shares and the securities issued must be subject to a four month hold plus a vesting schedule permitting the exercise of options on a quarterly basis over one year. *See Policy 4.4 - Director, Officer and Employee Stock Options.*

5.2 Compensation should be based on the services provided to the Issuer, not on the achievement of certain market oriented factors. In particular, Issuers must not enter into arrangements where compensation will be determined on the basis of the achievement of trading volume or price parameters.

5.3 Any Person making or accepting excessive payments for Investor Relations Services may not be acceptable to the Exchange as a director, officer or provider of services of an Issuer. Payments can be deemed excessive when they account for a significant amount of the expenditures of the Issuer and are out of line with sales and other income.

6. Filing Requirements For Tier 2 Issuers

6.1 In addition to disclosing any promotional, investor relations or market-making agreement, a Tier 2 Issuer must promptly file with the Exchange details of the agreement using the Declaration of Certified Filing - Promotional and Market-Making Activities (Form 3B). An Issuer which grants stock options as compensation for Investor Relations Activities must file the appropriate documents with the Exchange in accordance with Policy 4.4 - Director, Officer and Employee Stock Options.

6.2 A Tier 2 Issuer that enters into an investor relations or market-making agreement with total payments or commitments of $100,000 or more in any twelve month period, must file with, and obtain acceptance from, the Exchange before the services under the agreement commence. Payments include all fees and expense reimbursements. The Issuer must file the following:

(a) a copy of the agreement, which should provide that the agreement is subject to prior review and acceptance by the Exchange and that no payments can be made until the Exchange has accepted the agreement;

(b) particulars of the identity of the Person providing the services, including Personal Information Forms (Form 2A) for the individuals, principals and key employees who will be providing the service; and

(c) copies of all promotional or investor relations literature.

6.3 A Tier 2 Issuer that enters into an investor relations or market-making agreement with total payments or commitments of less than $100,000 in any twelve month period, must file the following with the Exchange before the services under the agreement commence:

(a) a copy of the agreement and any related agreements;

(b) particulars of the identity of the Person providing the services, including Personal Information Forms (Form 2A) for the individuals, principals and key employees who will be providing the service; and

(c) an undertaking to provide the Exchange with copies of any materials prepared in conjunction with the agreement that are intended to be externally distributed.

7. Filing Requirements for Tier 1 Issuers

7.1 A Tier 1 Issuer is not required to comply with the filing requirements listed above except the requirement to file Personal Information Forms but must comply with all other aspects of this Policy including the disclosure requirements.

8. Prohibitions

8.1 CPCs are not permitted to enter into any arrangement or agreement for the provision or performance of Investor Relations Activities or promotional services.

8.2 Persons providing Investor Relations Activities or promotional services must not receive Finders' Fees.