

POLICY 6.2

TRANSITIONAL PROVISIONS FOR ISSUERS PREVIOUSLY LISTED ON THE ASE AND VSE

1. General – Issuers Listed on the VSE or ASE as at November 26, 1999

- 1.1 Except as specifically provided in this Policy, all issuers listed on the ASE as at November 26, 1999 (“Former ASE Issuers”) will generally be permitted to continue to use either CDNX policies or ASE policies until March 1, 2000. Except as specifically provided in this Policy, all issuers listed on the VSE as at November 26, 1999 (“Former VSE Issuers”) will generally be permitted to continue to use either CDNX policies or VSE policies until March 1, 2000. However, a Former VSE Issuer or a Former ASE Issuer which commences using CDNX policies will be expected to continue to use CDNX policies.
- 1.2 Any Issuer (for the purposes of this policy, a “CDNX Issuer”) which submits its Application for Listing on CDNX on or after November 29, 1999 will be required to comply in full with CDNX policies.

2. Stock Options

- 2.1 Stock options granted by Former VSE Issuers which have received final acceptance from the VSE or the CDNX as at March 1, 2000 will not be required to be amended to conform to the CDNX policies.
- 2.2 Stock options granted by Former ASE Issuers which have received conditional acceptance from the ASE (and in respect of which all requested documentation has been received by March 1, 2000) or which have received final acceptance from the CDNX as at March 1, 2000 will not be required to be amended to conform to the CDNX policies.
- 2.3 Former ASE Issuers with stock option plans based on ASE policies will not be required to cancel their stock option plans. However, effective March 1, 2000, any requirements for vesting of stock options as contemplated by Policy 4.4 - Director, Officer and Employee Stock Options will be required to comply with that Policy.

3. Private Placements, Shares for Debt, Acquisitions and Other Distributions of Securities

- 3.1 Any application which is received by CDNX from a Former ASE Issuer or a Former VSE Issuer on or after March 1, 2000 will be required to comply in full with CDNX policies.

- 3.2 Any application which is received by a CDNX Issuer will be required to comply in full with CDNX policies.
- 3.3 The ASE requirement for a Form 15, Notice of Securities Issued upon Exercise or Cancellation of Reserved Securities, will cease to be applicable effective November 29, 1999. However, all Issuers will be required to file copies of treasury orders with CDNX.

4. Listing and Filing Fees

- 4.1 Effective November 29, 1999, fees charged on any application which has not yet been conditionally approved by the ASE will be CDNX fees.
- 4.2 Effective November 29, 1999, fees charged on any application which has not yet been finally accepted by the VSE will be CDNX fees.

5. Applications for Listing - General

- 5.1 Until March 1, 2000, an issuer seeking a listing on CDNX AS AN Initial Listing or by an RTO, may opt to comply with the Minimum Listing Requirements of CDNX or, if the issuer files its application with the Calgary office of CDNX, with the minimum listing requirements of the ASE. Similarly, until March 1, 2000, an issuer seeking a listing on CDNX may opt to comply with the Minimum Listing Requirements of CDNX or, if the issuer files its application with the Vancouver office of CDNX, with the initial listing requirements of the VSE.
- 5.2 Effective November 29, 1999, every new Application for Listing will be required to comply with CDNX Policy 2.3 - Listings Procedures and Policy 2.2 - Sponsorship. Former VSE Issuers which have received Pre-Assessment Stage approval as at November 26, 1999, will be permitted, although not required, to comply with the VSE Listing Applications Procedures Policy and Sponsorship Policy.
- 5.3 In the event that the BCSC eliminates the requirements for due diligence reports and assessment reports pursuant to Local Policy Statement 3-17 prior to March 1, 2000, issuers seeking listing on CDNX pursuant to VSE initial listing requirements and Listing Application Procedures will generally be required to comply with CDNX policies relating to the requirement for a Sponsor.
- 5.4 Issuers seeking listing on CDNX who as at November 29, 1999 have already structured their transaction in accordance with ASE Minimum Listing Requirements or VSE Initial Listing Requirements (including VSE Policy 19, Performance and Trading Shares and Other Consideration) and BCSC Local Policy 3-07, will generally also be subject to escrow in accordance with the applicable VSE or ASE policies.

5.5 Where:

- (a) an issuer has received a receipt from one or more of the Securities Commissions for a preliminary Prospectus but has yet to receive a receipt for its final Prospectus;
- (b) the preliminary Prospectus was prepared in anticipation of listing on the VSE or the ASE; and
- (c) the issuer wishes to amend its application to seek listing pursuant to CDNX Minimum Listing Requirements,

if the disclosure in the preliminary Prospectus is no longer accurate, then the issuer may be required to file an amended Prospectus and should accordingly consult with the applicable Securities Commissions. If such issuer opts to comply with CDNX Minimum Listing Requirements, then it will also be required to comply with all other CDNX policies, including Policy 2.2 - Sponsorship and Sponsorship Requirements and Policy 3.1 - Directors, Officers and Corporate Governance.

6. Capital Pool Companies, Junior Capital Pools and Venture Capital Pools

- 6.1 Until March 1, 2000 applications for listing may be made pursuant to ASE Circular No. 7, Junior Capital Pools and ASC Rule 46-501, VSE Policy 30, Venture Capital Pools or pursuant to the CDNX Policy 2.4 - Capital Pool Companies.
- 6.2 An issuer seeking to follow the VCP Policy must file documents with the Vancouver office of CDNX. An issuer seeking to follow the JCP Policy must file documents with the Calgary office of CDNX. *See Policy 1.2 - Filing Locations and Procedures. See also Policy 2.4 - Capital Pool Companies.*

7. Timely Disclosure

- 7.1 Effective, November 29, 1999 all timely disclosure news releases are required to be filed with the Vancouver office of CDNX. Fax: (604) 689-1430.
- 7.2 In addition, news releases relating to Major Transactions, Qualifying Transactions, Reverse Take-Overs, Changes of Business and other transactions that are expected to result in a trading halt should be filed in advance of release with the Corporate Finance Department. *See Policy 1.2 - Filing Locations and Procedures.*

8. Sponsorship

- 8.1 Transactions announced after November 29, 1999 which require a sponsor or a reporting letter pursuant to VSE or ASE policies, will be required to comply with the CDNX Policy 2.2 - Sponsorship and Sponsorship Requirements.
- 8.2 The Exchange will continue to conduct due diligence searches on behalf of sponsors for a fee until March 1, 2000.

9. Seed Share Resale Restrictions (Pooling Requirements)

The Exchange has adopted, for an interim period only, the former resale restrictions of the Vancouver Stock Exchange that previously applied to seed securities of VSE issuers. The hold periods prescribed by the resale restrictions only apply to seed securities distributed in British Columbia in so far as the issuer meets the terms described below.

9.1 Purpose

The purposes of the Exchange's Seed Share Resale Restrictions are:

- a) to assist listed companies to receive more money for treasury shares by encouraging the holders of Seed Capital (the "**seed shareholders**") which is of the same class as shares to be listed on the Exchange (the "**seed shares**") to pay more for their **seed shares**;
- b) to lessen the dilution to shareholders purchasing shares in the Initial Public Offering; and
- c) to improve the aftermarket of a listed company's shares following listing on the Exchange by easing the **seed shares** into the Public Float.

- 9.2 The purchase price of **seed shares** and the time of their purchase relative to the date of the preliminary prospectus receipt determine how quickly investors may sell their **seed shares** after the company's shares are listed and have commenced trading on the Exchange.

9.3 Application

The Seed Share Resale Restrictions do not apply to Performance Shares escrowed in accordance with Policy 19 of the Policies of the VSE. **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.**

The Seed Share Resale Restrictions are part of the resale rules of the BC Securities law: see ss. 140-143 of the Securities Rules as amended by BOR #95/21, BOR # 51-501 and NIN #2000/09. The Seed Share Resale Restrictions apply to any issuer that meets the following conditions:

- a) the issuer's final prospectus for its initial public offering ("IPO") is received on or before June 30, 2000;
- b) the issuer's securities are listed on CDNX on or before Sept. 30, 2000;* and
- c) 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.

9.4 In order to determine the hold periods imposed by the Seed Share Resale Restrictions, it is necessary to:

a) have a list of the security holders (including **seed shareholders**) of the applicant company (the "**shareholders' list**"), with the addition of:

i) the date the issuer received payment in full for each of the **seed shares**. This list is required to designate which **seed shareholders** are "**underwriters**", which, for the purposes of this policy, are defined to be all registrants permitted to act as an underwriter:

A) in British Columbia under Section 34(1)(b) of the Securities Act (not limited to the underwriter(s) of the Initial Public Offering); and

B) in another jurisdiction in Canada in which the issuer's offering is being conducted, under a similar section;

and their directors, officers, employees, shareholders, partners, and "associates" (as defined in the Securities Act);

ii) which **seed shareholders** are "**control persons**" as defined in the Securities Act; and

iii) the information required to be calculated in the rest of this Part 9;

b) know the offering price of the applicant company's Initial Public Offering shares or units (the "**IPO share price**"); and

- c) know the date the BC Securities Commission issued the receipt for the applicant company's preliminary Prospectus (the "**preliminary receipt date**").
- 9.5 Subject to Sections 9.6 and 9.7 below, for each group of **seed shares** subscribed for at a particular price (the "**seed share price**") and paid for on a particular date (the "**payment date**")
- a) if the length of time between the **payment date** and the **preliminary receipt date** is equal to or greater than two years [24 calendar months ("**months**")], regardless of the **seed share price**, no hold period will be imposed on the **seed shares** and immediately upon commencement of trading of the applicant company's shares on the Exchange, all of the **seed shares** may be sold;
- b) if the length of time between the **payment date** and the **preliminary receipt date** is less than 2 years (24 **months**), and if the percentage that the **seed share price** is of the **IPO share price** (the "**percentage paid**") is equal to or greater than 50% of the **IPO share price** then:
- i) immediately upon commencement of trading of the applicant company's shares on the Exchange, the **percentage paid** of the **seed shares** may be sold; and
- ii) 3 calendar **months** following the date the applicant company's shares commenced trading on the Exchange, the balance of the **seed shares** may be sold; or
- c) if the length of time between the **payment date** and the **preliminary receipt date** is less than two years (24 **months**) but equals or exceeds one year (12 **months**) and if the **seed share price** is less than 50% of the **IPO share price** then:
- i) immediately upon commencement of trading of the applicant company's shares on the Exchange, 50% of the **seed shares** may be sold;
- ii) 3 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to the greater of the **percentage paid** or 25% of the **seed shares** may be sold; and
- iii) 6 **months** following the date the applicant company's shares commenced trading on the Exchange, any remaining **seed shares** may be sold; or
- d) if the length of time between the **payment date** and the **preliminary receipt date** is less than one year (12 **months**) and the **seed share price** is less than 50% but equal to or greater than 25% of the **IPO share price** then:
- i) immediately upon commencement of trading of the applicant company's shares on the Exchange, none of the **seed shares** may be sold;

- ii) 3 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold;
 - iii) 6 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold;
 - iv) 9 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold; and
 - v) 12 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold; or
- e) if the length of time between the **payment date** and the **preliminary receipt date** is less than one year (12 **months**), and the **seed share price** is less than 25% of the **IPO share price**, then:
- i) immediately upon commencement of trading of the applicant company's shares on the Exchange, none of the **seed shares** may be sold;
 - ii) 6 **months** following the date the applicant company's shares commenced trading on the Exchange, 25% of the **seed shares** may be sold;
 - iii) 9 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold;
 - iv) 12 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold; and
 - v) 15 **months** following the date the applicant company's shares commenced trading on the Exchange, an additional amount equal to 25% of the **seed shares** may be sold.

**** See the Matrix following for an illustration of how the Seed Share Resale Restrictions work.**

9.6 For **seed shareholders** who are **underwriters**, if Sections 9.5(c), (d) or (e) applies, all sales must be deferred an additional 6 **months** from the release dates set out in Sections 9.5(c), (d) or (e).

9.7 For **seed shareholders** who are **control persons** after the IPO as a result of the control person's holdings of seed shares, add to the above Seed Share Resale Restrictions, the greater of:

- a) the additional hold period specified in s.128(d)(i)(iii)(iv) and (v) of the Securities Rules; or
- b) six months.

9.8 Avoidance

The Seed Share Resale Restrictions may not be avoided by:

- a) qualifying the resale of the **seed shares** under the applicant company's Prospectus; or
- b) companies which are not reporting issuers in British Columbia but are listed on an exchange or trading system elsewhere which are applying for listing and not conducting a public offering. The Exchange may use the original Initial Public Offering share price or where the applicant company has never done an Initial Public Offering, may determine a deemed **IPO share price**.

9.9 Exceptions

The Exchange consents to and authorizes issuers and transfer agents to effect the following trades and/or re-registrations of **seed shares** notwithstanding these resale restrictions:

- a) a transfer of **seed shares** from the registered shareholder to a registered retirement savings plan the sole beneficiary of which is the shareholder; and
- b) upon the death or bankruptcy of a shareholder, a transfer of **seed shares** from the registered shareholder to the person that is legally entitled to become the registered owner of the **seed shares**.

Upon receipt of a written application and the required fee, the Exchange will, unless it is contrary to the public interest, consent to and authorize issuers and transfer agents to effect a trade and/or re-registration of **seed shares** notwithstanding these resale restrictions pursuant to other applicable prospectus exemptions but the transferee will take subject to the remaining Resale Restrictions.

9.10 Enforcement

It is the responsibility of the listed company to apply and enforce the Seed Share Resale Restrictions, either by:

- a) splitting the **seed shareholders' seed share** certificates into appropriate denominations and legending each **seed share** certificate with the statement, "These shares may not be assigned, dealt in, pledged, sold, traded, or transferred until [specify date]." and instructing its transfer agent not to remove the legend until the specified date has passed, except in accordance with the Seed Share Resale Restrictions; or
- b) requiring each **seed shareholder** to enter into a pooling agreement with the company's transfer agent whereby the transfer agent will hold the share certificates representing the **seed shares** until the Seed Share Resale Restrictions have expired.

** The required form of pooling agreement is Form 6A.

9.11 Filing Requirements

The applicant company is to add to the **shareholders' list**:

- a) opposite the relevant shares, if 9.5(b) applies the **percentage paid**, the **payment date**, and the number of **seed shares** able to be transferred in accordance with these Seed Share Resale Restrictions and when, relative to the date the applicant company's shares commence trading on the Exchange;
- b) at the top, the **IPO share price** and the **preliminary receipt date**; and
- c) a certification by a director or officer of the applicant company that all the information on the **shareholders' list** is correct.

9.12 The applicant company must file this annotated **shareholders' list** with the Exchange prior to the acceptance of its final Prospectus or application for listing, accompanied by a letter from the applicant company's Filing Solicitor or transfer agent, addressed to the Exchange, which states that the author has:

- a) reviewed Part 9 of Policy 6.2 of the Exchange's Corporate Finance Manual;
- b) reviewed the attached annotated and certified **shareholders' list**;
- c) checked the accuracy of the calculations of the **percentage paid** and the number of shares and release dates for each group of shares purchased by a **seed shareholder** with the same **payment date** and **seed share price**; and

- d) checked that the Seed Share certificates are legended or all **seed shareholders** have entered into and delivered to the transfer agent signed pooling agreements and the **seed share** certificates are held by the transfer agent pursuant to the pooling agreements in the form and with the Seed Share Resale Restrictions required by Part 9 of Policy 6.2.

SEED SHARE RESALE RESTRICTIONS

*					
	100%	<u>Date</u>	<u>% Released</u>		
	75%	Listing 3 months	% paid balance		
% of IPO Price Paid	<50%	<u>Date</u>	<u>% Released</u>		No Hold Period
		Listing 3 months	0% 25%		
		6 months	25%		
		9 months 12 months	25% 25%		
	<25%	<u>Date</u>	<u>% Released</u>	<u>Date</u>	<u>% Released</u>
		Listing	0%	Listing	50%
		6 months	25%	3 months	25%
		9 months	25%	6 months	25%
		12 months	25%		
		15 months	25%		
		<1		>1 & <2	>2
		Number of Years Held (from payment date to preliminary receipt)			

NOTE:

- i) If the Seed Shareholders are underwriters and have purchased for less than 50% of the IPO price, a minimum additional six months should be added to the hold period above.
- ii) If the Seed Shareholders are control persons, after the initial public offering as a result of the control person's holdings of Seed Shares, add to the above Seed Share Resale Restrictions the greater of: the additional hold period specified as s.128(d)(i)(iii)(iv) and (v) of the Securities Rules, or six months.