

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 CNQ Amendments to Policy 6 Distributions - Amendment of Warrant Terms

CANADIAN TRADING AND QUOTATION SYSTEM INC. (CNQ)

Notice 2007-005
September 21, 2007

AMENDMENTS TO POLICY 6 AMENDMENT OF WARRANT TERMS

On September 11, 2007, the Ontario Securities Commission approved amendments to CNQ Policy 6 – Distributions. The amendments are effective immediately.

The proposed amendments to the Policy were published for comment on May 4, 2007 in Notice 2007-006. CNQ received no submissions during the comment period. Some non-material changes have been made to the amendments that were originally proposed, and a black-lined version of the approved amendments appears below.

For further information please contact:

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BLACK-LINED COPY OF AMENDED SECTIONS

The following is a black-lined version of the approved amendments to CNQ Policy 6, which is different from the version proposed and published on May 4, 2007 at (2007) 30 OSCB 4264.

Section 1.4 of Policy 6

- 1.4 In addition to the requirements of this Policy, CNQ Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, CNQ Issuers should refer to National Instrument 45-101 for rights offerings, ~~OSC Rule 45-501 for exempt distributions in Ontario, Multilateral~~National Instrument 45-103~~106~~ for exempt distributions in Alberta and British Columbia and Multilateral Instrument 45-102 for restrictions on resale of securities.

Section 7 of Policy 6

7. Options, Warrants and Convertible Securities Other Than Incentive Options or Rights

7.1.1 Issue Price

Listed securities issuable on conversion of an option, warrant or other convertible security other than an incentive option or right (collectively, "convertible securities") may not be issued at a price (including the purchase price of the convertible) lower than the closing market price of the listed security on the CNQ System on the Trading Day prior to the earlier of dissemination of a news release disclosing the issuance of the convertible security or the posting of notice of the proposed issuance of the convertible security. For example, if the closing price of the common shares of a CNQ Issuer was \$0.50 and a warrant was sold at \$0.05, the exercise price of the warrant could not be less than \$0.45. If a convertible preferred share were issued at \$1.00, it could not be convertible into more than 2 common shares.

7.1.2 Term

The maximum term permitted for warrants is 5 years from the date of issuance.

7.2 If convertible securities are issued in connection with a private placement of the listed securities, the total number of listed securities issuable under the terms of the convertible securities cannot be greater than the number of listed securities initially purchased in the private placement.

7.3 In all other respects, the provisions of this Policy apply to the issuance of convertibles. Please refer to section 2 for further requirements for private placements of convertibles, section 3 for issuances of convertibles in connection with an acquisition and section 4 for prospectus offerings.

7.4 ~~Amendments to Warrant Terms~~

7.4 Amendments

Except as provided for in this section 7, CNQ Issuers must not change, modify or amend the characteristics of outstanding warrants or other convertible securities other than pursuant to standard anti-dilution terms.

7.4.1 An Issuer may amend the terms of private placement warrants (not including warrants issued to an Agent as compensation) if:

- a) The warrants are not listed for trading;
- b) The amended exercise price is higher than the current market price of the underlying security;
- c) No warrants have been exercised in the last six months; and
- d) At least 10 trading days remain before the expiry date.

7.4.2 The amendment of warrant terms must be disclosed in a press release no later than one day prior to the effective date of the amendment, and a notice posted to the CNQ website immediately thereafter (Form 13 – Notice of Amendment to Warrant Terms). For any amendment, the press release must disclose the old warrant term and the new warrant term so that investors can fully understand the change.

7.4.3 Warrant Extension

The term of a warrant may not be extended more than 5 years from the date of issuance.

7.4.4 Warrant Repricing

An Issuer may amend the exercise price of warrants if:

- a) The warrants were priced above the market price of the underlying security at the time of issuance and the amended price is also at or above that price (see section 7.1.1 for guidance on how “price” should be interpreted);
- b) The amended price is at or above the average closing price of the shares for the last 20 trading days or average of, or the midpoint between the closing bid/ and ask on days with no trades, of the underlying shares for the most recent 20 trading days; and
- c) The price has not previously been amended; and,
- d) The amended exercise price is higher than the exercise price at the time of issuance and all Warrant holders consent to the amended price.

7.4.5 An Issuer may amend the exercise price of a warrant to a price below the market price of the underlying security at the time of issuance provided that:

- a) If, following the amendment, for any 10 consecutive trading days the closing price of the listed shares exceeds the amended exercise price by the applicable private placement discount, the term ~~term~~ of the warrants must also be amended to 30 days, commencing. The amended term must be announced by press release and Form 13 and the 30 day period will commence 7 days from the end of the 10 day period;
- b) Consent is obtained from all holders of the warrants; and

c) The price has not previously been amended

7.4.6 For any repricing of warrants permitted by this section 7, a maximum of 10% of the total number of warrants being repriced may be repriced for insiders holding warrants. If insiders hold more than 10%, then the 10% allowed will be allocated *pro rata* among those insiders.

7.5 CNQ Issuers must obtain appropriate corporate approvals prior to any change, modification or amendment of outstanding warrants or other convertible securities (including non-listed securities). The amendment of the terms of a warrant (or other security) may be considered to be the distribution of a new security under securities laws and require exemptions from legislative requirements. Furthermore, the amendment of the terms of a security held by an insider or a related party may be considered to be a related party transaction under OSC Rule 61-501 and require exemptions from provisions of that rule. Issuers should consult legal counsel before amending the terms of a security.

Form 13

FORM 13

NOTICE OF AMENDMENT OF WARRANT TERMS

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

Date: _____

Date of Press Release announcing amendment: _____

Closing price of underlying shares on the day prior to the announcement: _____

Closing price of underlying shares at the time of issuance _____

1. Current terms of warrants to be amended:

Date Issued	Issue Price	Exercise Price	Market Price of underlying shares	Number of Warrants	Expiry Date	Percentage of Warrant class held by Insiders

Pursuant to Policy 6, Section 7.4, Amendments are permitted provided that:

- a) The warrants are not listed for trading;
- b) The exercise price is higher than the current market price;
- c) No warrants have been exercised in the last 6 months;
- d) At least 10 trading days remain before expiry.

2. Amendment(s)

- a) Extension – amended expiry date: _____

The term of a warrant may not extend past the date that would have been allowed on the date of issuance.

- b) Repricing – amended exercise price: _____

If the amended price is below the market price of the underlying security at the time the warrants were issued, and following the amendment the exercise price is and below the average closing price of the underlying security for the last any 10 consecutive trading days by more than the permitted private placement discount, the term of the warrants must be amended to 30 days. The amended term must be announced by press release and Form 13 and the 30 day term will commence 7 days from the date of this notice end of the 10 day period. See Policy 6 section 7.4 for details.

3. Amended terms of warrants:

Date Issued	Issue Price	Exercise Price	Market Price of underlying shares	Number of Amended Warrants	Expiry Date	Percentage of Warrant class held by Insiders

Amendment of warrants may be considered a distribution under applicable Securities Laws, which may require exemptions. Issuers are encouraged to consult legal counsel prior to amending the terms of warrants. CNQ Issuers must obtain appropriate corporate approvals prior to any change, modification or amendment of outstanding warrants or other

convertible securities (including non-listed securities). The amendment of the terms of a warrant (or other security) may be considered to be the distribution of a new security under securities laws and require exemptions from legislative requirements. Furthermore, the amendment of the terms of a security held by an insider or a related party may be considered to be a related party transaction under OSC Rule 61-501 and require exemptions from provisions of that rule. Issuers should consult legal counsel before amending the terms of a security.

4. Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 13 Notice of Amendment of Warrant Terms is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity