

2.2.6 TSX Venture Exchange Inc. - s. 144

**IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990,
CHAPTER S.5, AS AMENDED (the "Act")**

AND

**IN THE MATTER OF
TSX VENTURE EXCHANGE INC.**

**AMENDED EXEMPTION ORDER
(Section 144)**

WHEREAS Canadian Venture Exchange Inc. ("CDNX Inc.") applied to the Ontario Securities Commission (the "Commission") for and was granted on December 5, 2000 an order pursuant to section 147 of the Act (the "Initial Order") exempting CDNX Inc. from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario;

AND WHEREAS, pursuant to section 144 of the Act, the Initial Order was revoked and another order (the "Second Order") was substituted therefore on July 31, 2001, pursuant to section 147 of the Act in connection with the transaction whereby CDNX Inc. became a wholly owned subsidiary of The Toronto Stock Exchange Inc. ("TSE Inc.") and CDNX Inc. became a for-profit corporation;

AND WHEREAS, pursuant to section 144 of the Act, the Second Order was revoked and another order (the "Existing Order") was substituted therefore on September 3, 2002, pursuant to Section 147 of the Act in connection with the reorganization of TSE Inc. and the renaming of TSE Inc. as TSX Inc. and the renaming of CDNX Inc. as TSX Venture Exchange Inc. ("TSX Venture Exchange");

AND WHEREAS the Commission considers it appropriate to issue an order that amends and restates the Existing Order to reflect the continued recognition of TSX Venture Exchange as an exchange by the Alberta Securities Commission and the British Columbia Securities Commission following changes to the definition of an independent director in the recognition orders of TSX Venture Exchange issued by the Alberta Securities Commission and the British Columbia Securities Commission.

IT IS ORDERED, pursuant to section 144 of the Act that the Existing Order be revoked and it is ordered, pursuant to section 147 of the Act, that the following be substituted therefor:

**IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990, CHAPTER S.5,
AS AMENDED (the "Act")**

AND

**IN THE MATTER OF
TSX VENTURE EXCHANGE INC.**

**AMENDED EXEMPTION ORDER
(Section 147)**

WHEREAS TSX Venture Exchange Inc. ("TSX Venture Exchange") applied to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act exempting TSX Venture Exchange from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario.

AND WHEREAS TSX Venture Exchange has represented to the Commission that:

Corporate Structure, Recognition and Services in Ontario

2.1 TSX Venture Exchange was incorporated on October 29, 1999 pursuant to the *Business Corporations Act* (Alberta).

2.2 On November 26, 1999, as amended on July 31, 2001, TSX Venture Exchange, formerly named Canadian Venture Exchange Inc., was recognized by the Alberta Securities Commission (the "ASC") as an exchange in Alberta under subsection 52(2) of the Securities Act (S.A. 1981, c. S-6.1, as amended) and by the British Columbia Securities Commission (the "BCSC") as an exchange in British Columbia under subsection 24(2) of the Securities Act (British Columbia), which recognition was amended and restated by the ASC and BCSC on September 3, 2002 and August 12, 2005 (together, the "Recognition Orders", which are attached as Schedules "A" and "B").

2.3 TSX Venture Exchange will operate a national exchange for junior issuers which is separate from Toronto Stock Exchange, a division of TSX Inc., and which has a separate TSX Venture Exchange brand identity. TSX Venture Exchange presently maintains offices in Calgary, Vancouver, Winnipeg, Montreal and Toronto and receives applications from issuers for listings and performs continuous listing services for issuers through all of its offices.

Regulatory Oversight

2.4 TSX Venture Exchange is subject to joint regulatory oversight by both the ASC and the BCSC.

2.5 TSX Venture Exchange is advised that the Commission, ASC and BCSC have entered into a memorandum of understanding ("MOU") respecting the continued oversight of TSX Venture Exchange by the ASC and BCSC (attached as Schedule "C") and that the existing MOU or any successor agreements, as amended from time to time, will continue to apply in respect of the regulatory oversight of TSX Venture Exchange. Under the terms of the MOU, the ASC and BCSC will continue to be responsible for conducting the regulatory oversight of TSX Venture Exchange and for conducting an oversight program of TSX Venture Exchange for the purpose of ensuring that TSX Venture Exchange meets appropriate standards for market operation and regulation.

2.6 TSX Venture Exchange provides any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the review and approval procedures established by the ASC and BCSC from time to time. TSX Venture Exchange will concurrently provide the Commission with copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. Copies of all final by-laws, rules, policies and other regulatory instruments will also be provided to the Commission.

2.7 TSX Venture Exchange has represented to the ASC and BCSC that it will operate its exchange in accordance with the representations set forth in Schedules "A" and "B".

CDN Business

2.8 Effective September 29, 2000, TSX Venture Exchange entered into an agreement (the "Agreement") with TSX Inc. and the Canadian Dealing Network Inc. ("CDN"), a wholly-owned subsidiary of TSX Inc., pursuant to which TSX Inc. and CDN agreed to cease operating the quoted market and the reported market operated by CDN.

2.9 CDN ceased to operate the CDN quoted market in Ontario at the close of business on September 29, 2000 and TSX Venture Exchange commenced operating CDNX Tier 3 on October 2, 2000. Issuers that were quoted on CDN on September 1, 2000 or that had made a complete application to be quoted on CDN by September 1, 2000, which was subsequently approved, were eligible to be listed CDNX Tier 3.

2.10 Effective September 29, 2000 Canadian Unlisted Board, Inc. ("CUB"), a wholly-owned subsidiary of TSX Venture Exchange, TSX Venture Exchange and the Commission entered into an agreement which is attached as Schedule "D", pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of

trading in unlisted and unquoted equity securities in Ontario.

Reporting Issuer Status and Incorporation of OSC Rule 61-501

2.11 TSX Venture Exchange has adopted certain amendments to its Corporate Finance Policies in the form attached as Schedule "E", as may be amended from time to time, which require that TSX Venture Exchange issuers that are not otherwise reporting issuers in Ontario and have a "significant connection to Ontario" make application to the Commission and become reporting issuers in Ontario.

2.12 TSX Venture Exchange has adopted Corporate Finance Policy 5.9, entitled "Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions" in the form attached as Schedule "F".

AND UPON the Commission being satisfied that the amendment of the order granting an exemption from recognition to TSX Venture Exchange would not be contrary to the public interest.

IT IS HEREBY ORDERED that pursuant to section 147 of the Act, TSX Venture Exchange is exempt from recognition under section 21 of the Act provided that:

4.1 TSX Venture Exchange continues to be recognized as an exchange by the ASC and the BCSC in accordance with the terms and conditions set out in the Recognition Orders attached as Schedules "A" and "B".

4.2 TSX Venture Exchange continues to be subject to such joint regulatory oversight as may be established and prescribed by the ASC and BCSC from time to time;

4.3 The MOU referred to in clause 2.5 above, as may be amended from time to time, has not been terminated;

4.4 TSX Venture Exchange will not make any changes to the amendments to its Corporate Finance Policies referred to in clause 2.11 or to the Corporate Finance Policy referred to in clause 2.12 above without the prior consent of the Commission;

4.5 CUB will continue to be in compliance with the agreement referred to in clause 2.10 above until the Commission implements a local rule relating to Ontario over-the-counter trading;

4.6 TSX Venture Exchange concurrently provides to the Commission copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. TSX Venture Exchange also provides to

the Commission copies of all final by-laws, rules, policies and other regulatory instruments; and

4.7 TSX Venture Exchange provides to the Commission, where requested by the Commission through the ASC and the BCSC, any information in the possession of TSX Venture Exchange relating to members, shareholders and the market operations of TSX Venture Exchange, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

IT IS HEREBY FURTHER ORDERED that:

5.1 CUB is deemed to be in compliance with the agreement referred to in clause 4.5 above unless CUB has been provided with written notice of noncompliance and has failed to remedy the alleged non-compliance in accordance with the terms of the agreement; and

5.2 TSX Venture Exchange is deemed to be in compliance with clause 4.6 and 4.7 unless TSX Venture Exchange has been provided with written notice of non-compliance and failed to provide the documents or information within 10 business days of receipt of such written notice.

August 12, 2005.

"Susan Wolburgh Jenah"

"Paul M. Moore"

SCHEDULE "A"

Citation: TSX Venture Exchange Inc., 2005 ABASC 686

ALBERTA SECURITIES COMMISSION

RECOGNITION ORDER

Subsection 62(2) and Section 214 of the Securities Act, R.S.A 2000, c. S-4 (the "Act")

TSX Venture Exchange Inc.

WHEREAS by recognition order dated November 26, 1999 (the "First Recognition Order") the Alberta Securities Commission (the "Commission") recognized the Canadian Venture Exchange Inc., as an exchange in Alberta under subsection 52(2) of the *Securities Act*, S.A. 1981, c. S-6.1, as amended;

AND WHEREAS the Commission revoked and replaced the First Recognition Order with a revised recognition order dated July 31, 2001 (the "Second Recognition Order") following the acquisition of the Canadian Venture Exchange Inc. by The Toronto Stock Exchange Inc.;

AND WHEREAS the Commission revoked and replaced the Second Recognition Order with a revised recognition order dated September 3, 2002 (the "Third Recognition Order") to reflect:

- (a) the name changes of The Toronto Stock Exchange Inc. to TSX Inc. ("TSX") and the Canadian Venture Exchange Inc. to TSX Venture Exchange Inc./Bourse de croissance TSX Inc. ("TSX Venture Exchange");
- (b) a reorganization under which:
 - (i) TSX became a wholly-owned subsidiary of TSX Group Inc. ("TSX Group"), a holding company;
 - (ii) TSX Venture Exchange continued to be a wholly owned subsidiary of TSX; and
 - (iii) TSX Group agreed to provide certain corporate services, such as financial services, accounting, payroll, human resources, administration, legal and corporate information technology services, to TSX and TSX Venture Exchange; and
- (c) the arrangement by which Market Regulation Services Inc. was retained as TSX Venture Exchange's regulation

services provider for the performance of certain market regulation functions;

Date: 20050812

AND WHEREAS TSX Venture Exchange applied to the Commission to amend the Third Recognition Order to change the meaning of "independent" for the purpose of determining whether a director is independent;

AND WHEREAS the Commission considers it appropriate to continue its recognition of TSX Venture Exchange as an exchange following the changes to the definition of an independent director and to set out in an order the revised terms and conditions of TSX Venture Exchange's continued recognition as an exchange;

AND WHEREAS TSX Venture Exchange will continue to be subject to the joint regulatory oversight of the Commission and the British Columbia Securities Commission;

AND WHEREAS TSX Group, TSX and TSX Venture Exchange have agreed to the terms and conditions of this order;

AND WHEREAS based on the application by TSX Venture Exchange, including the representations, undertakings and acknowledgements made to the Commission by TSX Group and TSX in connection with TSX Venture Exchange's application for the Third Recognition Order, the Commission is satisfied that the continued recognition of TSX Venture Exchange as an exchange following the changes to the definition of an independent director is in the public interest:

IT IS HEREBY ORDERED that TSX Venture Exchange will continue to be recognized as an exchange in Alberta under subsection 62(2) of the Act effective as of the date hereof provided TSX Venture Exchange meets and continues to meet the revised terms and conditions set out in Schedule "A". Such recognition will continue until the Commission, after giving TSX Venture Exchange an opportunity to be heard, revokes it.

Calgary, Alberta, 12 August 2005

"Glenda A. Campbell", Q.C.,
Vice-Chair
Alberta Securities Commission

"Stephen R. Murison"
Vice-Chair
Alberta Securities Commission

**Schedule "A"
to Recognition Order
TSX Venture Exchange Inc.
(Amended 12 August 2005)**

National junior exchange

1. TSX Venture Exchange will operate a national exchange for junior issuers under a separate brand identity and separately from the national exchange for senior issuers operated by TSX and TSX Group.

in regulating, clearing, settling, processing information about, and facilitating transactions in, securities; and

- (v) provide for appropriate sanction or discipline for violation of its rules for all persons under the jurisdiction of TSX Venture Exchange and for its listed issuers;

Local presence

2. TSX Venture Exchange will maintain an office in Calgary through which it will
 - (a) provide corporate finance services to, and perform corporate finance functions for, its listed issuers and applicants for listing; and
 - (b) perform issuer regulation functions.
3. TSX Venture Exchange will obtain, solicit and provide regional input on the development of listing and other corporate finance requirements for its listed issuers and applicants for listing.

- (b) the Rules do not
 - (i) permit unreasonable discrimination between those seeking and granted access to the listing, trading and other services of TSX Venture Exchange; or
 - (ii) impose any burden on competition that is not reasonably necessary or appropriate; and
- (c) the Rules are designed to ensure that the business of TSX Venture Exchange is conducted in a manner that affords protection to investors.

Public interest

4. TSX Venture Exchange will operate in the public interest.
5. TSX Venture Exchange will maintain rules, policies, and other similar instruments ("Rules") that
 - (a) are not contrary to the public interest;
 - (b) regulate all aspects of its business and affairs; and
 - (c) are appropriate to foster a vibrant and effective market for junior issuers.
6. More specifically, TSX Venture Exchange will ensure that
 - (a) the Rules are designed to
 - (i) ensure compliance with applicable securities legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) foster co-operation and co-ordination with entities engaged

Regulatory functions

7. TSX Venture Exchange will continue to perform its corporate finance and issuer regulation functions, including
 - (a) setting listing and other corporate finance requirements for its listed issuers and applicants for listing;
 - (b) monitoring the conduct and activities of its listed issuers for compliance with its rules; and
 - (c) making decisions under its Rules about its listed issuers, persons associated with its listed issuers and applicants for listing and providing for a review or appeal process for these decisions.
8. TSX Venture Exchange is and remains responsible for performing market regulation functions, including setting requirements governing the conduct of its members and participating organizations, monitoring their conduct and enforcing the requirements of TSX Venture Exchange governing their conduct.
9. TSX Venture Exchange has retained and, except with prior Commission approval, will continue to retain Market Regulation Services Inc. ("RS") as a regulation services provider to provide, as its

agent, certain regulation services that have been approved by the Commission. TSX Venture Exchange will provide to the Commission, on an annual basis, a list outlining the regulation services provided by RS and by TSX Venture Exchange. Any amendment to this list will be subject to prior Commission approval.

10. TSX Venture Exchange will continue to perform all other regulation functions not performed by RS, including its corporate finance and issuer regulation functions. TSX Venture Exchange will not perform these functions through any other party, including any of its affiliates or associates, without prior Commission approval. For greater certainty, any outsourcing of a business function that is done in accordance with paragraph 35 does not contravene this paragraph.
11. Management of TSX Venture Exchange will at least annually assess the performance by RS of its regulation services and submit a report to the board of TSX Venture Exchange with any recommendations for improvements. TSX Venture Exchange will give the Commission a copy of each report and advise the Commission of any actions it proposes to take as a result.
12. TSX Venture Exchange
 - (a) will provide the Commission with an annual report in the form and with the information specified by the Commission from time to time; and
 - (b) will not, without prior Commission approval, make any significant changes to the manner in which it provides and performs corporate finance services and functions and performs issuer regulation functions.
13. TSX Venture Exchange, through RS or otherwise, will ensure that its members, participating organizations and listed issuers are appropriately sanctioned or disciplined for violations of its Rules. In addition, TSX Venture Exchange will provide notice to the Commission of any violation of securities legislation of which it becomes aware in the ordinary course operation of its business.
14. TSX Venture Exchange will advise the Commission on at least a quarterly basis (or any other basis as the Commission may agree to in writing) of all significant issues arising from issuer non-compliance with TSX Venture Exchange Rules, and provide information in a form acceptable to the Commission on the issuers or other persons involved, the nature of the issues and the action taken or being taken by it to deal with the situation.

15. TSX Venture Exchange will advise the Commission in writing on at least a quarterly basis (or any other basis as the Commission may agree to in writing) of all significant exemptions or waivers of corporate finance policies and provide information on the issuers involved, the nature of the waivers or exemptions and the reasons for granting the waivers or exemptions.

Regulatory oversight

16. TSX Venture Exchange will
 - (a) comply with the Rule review and approval procedures established from time to time by the Commission and the BCSC;
 - (b) file with the Commission all Rules adopted by its board;
 - (c) comply with the compliance or regulatory review program established from time to time by the Commission; and
 - (d) permit the Commission to have access to and inspect, or provide to the Commission, all data and information in its possession that is required for the assessment by the Commission of the performance by TSX Venture Exchange of its regulation functions and its compliance with the terms of this Order.

Corporate governance

17. To ensure diversity of representation, TSX Venture Exchange will ensure that
 - (a) its board is composed of individuals that provide a proper balance between the interests of the different entities using its services and facilities; and
 - (b) a reasonable number and proportion of its directors are independent directors, as provided in paragraph 20.
18. TSX Venture Exchange's governance structure will provide for
 - (a) fair and meaningful representation, having regard to its nature and structure, on the board and any board or advisory committee;
 - (b) appropriate representation on the board and any board committees of persons that are independent directors; and
 - (c) appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification

- protections for its directors, officers and employees generally.
19. At least 25% of the directors of TSX Venture Exchange will, at all times, be persons that have expertise in or are associated with the Canadian public venture capital market.
20. TSX Venture Exchange will ensure, on an annual basis and each time that an individual joins the board of directors, that at least fifty per cent (50%) of its directors are independent. If at any time TSX Venture Exchange fails to meet this threshold, it will promptly remedy the situation. For purposes of this recognition order, a director is independent if he or she is independent within the meaning of Section 1.4 of Multilateral Instrument 52-110 Audit Committees, as amended from time to time. The board of directors will adopt standards which may be amended from time to time with the prior approval of the Commission, setting out criteria to determine whether individuals are independent, including criteria to determine whether an individual has a material relationship with TSX Venture Exchange and is therefore considered not to be independent. The standards will be made available on TSX Venture Exchange's website.
21. TSX Venture Exchange will not, without prior Commission approval, implement any significant changes to the governance structure and practices of its board, including significant changes to the composition and terms of reference of its board committees and advisory committees.

Fitness

22. TSX Venture Exchange will take reasonable steps to ensure that each officer and director of TSX Venture Exchange is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

Access

23. TSX Venture Exchange requirements will not unreasonably prohibit or limit access to its trading facilities by properly registered dealers that are members of a self-regulatory organization or exchange recognized in Canada and that satisfy the requirements of TSX Venture Exchange.
24. TSX Venture Exchange will not unreasonably prohibit or limit access to its services.
25. TSX Venture Exchange will maintain written standards separate from TSX for granting access to trading on its facilities.
26. TSX Venture Exchange will keep separate records of

- (a) each grant of access and, for each entity granted access to its facilities, the reasons for granting access; and
- (b) each denial or limitation of access and the reasons for denying or limiting access to any applicant.

Due process

27. TSX Venture Exchange shall ensure that
- (a) its requirements, the limitations or conditions it imposes on access to its trading and listing facilities, and the decisions it makes to deny access are fair and reasonable;
- (b) the parties are given notice and an opportunity to be heard or make representations; and
- (c) it keeps a record, gives reasons and provides for reviews of its decisions.

Fees

28. TSX Venture Exchange will have a fair and appropriate process for setting fees and will determine the fees it imposes on its listed issuers, applicants for listing, members, participating organizations and other market participants.
29. These fees will
- (a) be allocated on an equitable basis as among the parties noted in paragraph 28;
- (b) not have the effect of creating barriers to access;
- (c) be balanced with its need to have sufficient revenues to satisfy its responsibilities; and
- (d) be fair, reasonable and appropriate.

Financial viability

30. TSX Venture Exchange will have sufficient financial and other resources for the performance of its functions in a manner that is consistent with the public interest and the terms and conditions of this order.
31. TSX Venture Exchange will file with the Commission annual audited financial statements prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) and accompanied by the report of an independent auditor within 90 days of its financial year end or any shorter period provided in Alberta

securities laws for reporting issuers to file their financial statements.

32. TSX Venture Exchange will file with the Commission quarterly financial statements prepared in accordance with Canadian GAAP within 60 days of the end of each financial quarter or any shorter period provided in Alberta securities laws for reporting issuers to file their financial statements.

Systems security, capacity and sustainability

33. For each of its systems that supports order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, TSX Venture Exchange will

- (a) on a reasonably frequent basis and, in any event, at least annually:
 - (i) make reasonable current and future capacity estimates;
 - (ii) conduct capacity stress tests of critical systems on a reasonably frequent basis to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
 - (iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;
 - (iv) review the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters; and
 - (v) establish reasonable contingency and business continuity plans;
- (b) on an annual basis, cause to be performed an independent review, in accordance with established audit procedures and standards, of its current systems technology plans and whether there are appropriate processes in place to manage the impact of changes in technology on the exchange and parties interfacing with exchange systems and obtain a written report of the review. This will include an assessment of its controls for ensuring that each of its systems that support order entry, order routing, execution, data feeds, trade reporting

and trade comparison, capacity and integrity requirements, complies with paragraph (a) above. Senior management will conduct a review of a report containing the recommendations and conclusions of the independent review; and

- (c) promptly notify the Commission of material systems failures and changes.

34. If securities of issuers that are listed on TSX Venture Exchange trade on systems operated by TSX, TSX Venture Exchange will be considered to have met the requirements set out under subparagraphs (a) and (b) of paragraph 33 if TSX meets the equivalent requirements contained in the order continuing the recognition of TSX and recognizing the TSX Group issued by the OSC in conjunction with the reorganization.

Outsourcing

35. In any material outsourcing of any of its business functions with parties other than TSX Group or an affiliate or associate of TSX Group, TSX Venture Exchange will proceed in accordance with industry best practices. Without limiting the generality of the foregoing, TSX Venture Exchange will
- (a) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of material outsourcing arrangements;
 - (b) in entering into any material outsourcing arrangement
 - (i) assess the risk of the arrangement, the quality of the service to be provided and the degree of control to be maintained by TSX Venture Exchange; and
 - (ii) execute a contract with the service provider addressing all significant elements of the arrangement, including service levels and performance standards;
 - (c) ensure that any contract implementing a material outsourcing arrangement that is likely to impact on TSX Venture Exchange's regulation functions gives TSX Venture Exchange, its agents and the Commission access to, and the right to inspect, all data and information maintained by the service provider that TSX Venture Exchange is required to share under paragraph 39 or that the

Commission requires to assess how TSX Venture Exchange is performing its regulation functions and how TSX Venture Exchange complies with these terms and conditions; and

- (d) monitor the performance of the service provider under any material outsourcing arrangement.

Related party transactions

- 36. Any material agreement or transaction entered into between TSX Venture Exchange and

- (a) TSX Group or TSX; or
- (b) any affiliate or associate of TSX Group or TSX

will be on terms and conditions that are at least as favourable to TSX Venture Exchange as market terms and conditions.

Change in operations or ownership

- 37. TSX Venture Exchange will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without

- (a) providing the Commission at least six months' prior notice of its intention; and
- (b) complying with any terms and conditions that the Commission may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.

- 38. TSX Venture Exchange will not cease to be wholly owned or directly controlled by TSX or indirectly wholly owned or controlled by TSX Group without TSX Venture Exchange

- (a) providing the Commission at least three months' prior notice of its intention; and
- (b) complying with any terms and conditions that the Commission may impose in the public interest.

Information sharing

- 39. TSX Venture Exchange will share information of a regulatory nature and will otherwise co-operate with the Commission and its staff, other exchanges and self-regulatory organizations recognized in Canada, and Canadian regulatory authorities responsible for the supervision or regulation of securities, subject to the applicable privacy or other laws about the sharing of

information and the protection of personal information.

Clearing and settlement

- 40. TSX Venture Exchange will have rules that impose a requirement on its members and participating organizations to have appropriate arrangements in place for clearing and settlement.

Commission approval

- 41. When seeking the approval of the Commission under these terms and conditions, TSX Venture Exchange will comply with the procedures established from time to time by the Commission for the joint regulatory oversight of TSX Venture Exchange.

SCHEDULE "B"

COR#05/084

Recognition Order

TSX Venture Exchange Inc.

Section 24 of the *Securities Act*, RSBC 1996, c. 418

On November 26, 1999, the Commission recognized the Canadian Venture Exchange Inc. (CDNX) as an exchange in British Columbia under section 24(2) of the Act (COR#99/323).

On July 31, 2001, the Commission ordered the continued recognition of CDNX as an exchange in British Columbia under section 24(2) of the Act under certain terms and conditions effective on the closing of a transaction whereby CDNX became a wholly owned subsidiary of The Toronto Stock Exchange Inc. (TSE) and became a for-profit corporation.

On September 3, 2002, the Commission ordered the continued recognition of TSX Venture Exchange Inc. (TSX Venture Exchange) as an exchange in British Columbia under section 24 of the Act under certain terms and conditions to reflect:

- (i) the name changes of The Toronto Stock Exchange Inc. to TSX Inc. (TSX) and CDNX to TSX Venture Exchange Inc./Bourse de croissance TSX Inc.; and
- (ii) a reorganization under which: (a) TSX became a wholly-owned subsidiary of TSX Group Inc. (TSX Group), (b) TSX Venture Exchange continued to be a wholly owned subsidiary of TSX, and (c) TSX Group agreed to provide corporate services, such as financial services, accounting, payroll, human resources, administration, legal and corporate information technology services, to TSX and TSX Venture Exchange

(COR#02/096), and revoked COR#01/086.

TSX Venture Exchange has applied to the Commission to amend its recognition order to reflect changes to the definition of an independent director.

The Commission received representations, acknowledgments and undertakings from TSX Venture Exchange, TSX and TSX Group in connection with TSX Venture Exchange's application for COR#02/096 for continued recognition as an exchange.

TSX Venture Exchange, TSX and TSX Group have agreed to the terms and conditions set out in this order.

TSX Venture Exchange will be subject to the joint regulatory oversight of the Commission and the Alberta Securities Commission (ASC).

Based on the application of TSX Venture Exchange, including the representations, undertakings and acknowledgements made by TSX and TSX Group to the Commission in connection with the application for COR#02/096, the Commission is satisfied that the continued recognition of TSX Venture Exchange following the changes to the definition of an independent director will not be prejudicial to the public interest.

The Commission orders the continued recognition of TSX Venture Exchange as an exchange in British Columbia under section 24 of the Act provided TSX Venture Exchange meets and continues to meet the revised terms and conditions set out in Schedule A. Recognition will continue until the Commission, after giving TSX Venture Exchange an opportunity to be heard, revokes it.

This order revokes and replaces COR#02/096.

August 12, 2005

Douglas M. Hyndman
Chair

Ref: COR#02/096

Schedule A

National junior exchange

1. TSX Venture Exchange will operate a national exchange for junior issuers under a separate brand identity and separately from the national exchange for senior issuers operated by TSX and TSX Group.

Local presence

2. TSX Venture Exchange will maintain an office in Vancouver through which it will

- (a) provide corporate finance services to, and perform corporate finance functions for, its listed issuers and applicants for listing; and
- (b) perform issuer regulation functions.

3. TSX Venture Exchange will obtain, solicit and provide regional input on the development of listing and other corporate finance requirements for its listed issuers and applicants for listing.

Public interest

4. TSX Venture Exchange will operate in the public interest.

5. TSX Venture Exchange will maintain rules, policies, and other similar instruments (rules) that

- (a) are not contrary to the public interest;
- (b) regulate all aspects of its business and affairs; and
- (c) are appropriate to foster a vibrant and effective market for junior issuers.

6. More specifically, TSX Venture Exchange will ensure that

- (a) the rules are designed to
 - (i) ensure compliance with applicable securities legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) foster co-operation and co-ordination with entities engaged in regulating, clearing, settling, processing information about, and facilitating transactions in, securities; and

(v) provide for appropriate sanction or discipline for violation of its rules for all persons under the jurisdiction of TSX Venture Exchange and for its listed issuers;

(b) the rules do not

(i) permit unreasonable discrimination between those seeking and granted access to the listing, trading and other services of TSX Venture Exchange; or

(ii) impose any burden on competition that is not reasonably necessary or appropriate; and

(c) the rules are designed to ensure that the business of TSX Venture Exchange is conducted in a manner that affords protection to investors.

Regulation functions

7. TSX Venture Exchange will continue to perform its corporate finance and issuer regulation functions, including

- (a) setting listing and other corporate finance requirements for its listed issuers and applicants for listing;
- (b) monitoring the conduct and activities of its listed issuers for compliance with its rules; and
- (c) making decisions under its rules about its listed issuers, persons associated with its listed issuers and applicants for listing and providing for a review or appeal process for these decisions.

8. TSX Venture Exchange is and remains responsible for performing market regulation functions, including setting requirements governing the conduct of its members and participating organizations, monitoring their conduct and enforcing the requirements of TSX Venture Exchange governing their conduct.

9. TSX Venture Exchange has retained and, except with prior Commission approval, will continue to retain Market Regulation Services Inc. (RS) as a regulation services provider to provide, as its agent, certain regulation services that have been approved by the Commission. TSX Venture Exchange will provide to the Commission, on an annual basis, a list outlining the regulation services provided by RS and by TSX Venture

Exchange. Any amendment to this list will be subject to prior Commission approval.

10. TSX Venture Exchange will continue to perform all other regulation functions not performed by RS, including its corporate finance and issuer regulation functions. TSX Venture Exchange will not perform these functions through any other party, including any of its affiliates or associates, without prior Commission approval. For greater certainty, any outsourcing of a business function that is done in accordance with paragraph 35 does not contravene this paragraph.
11. Management of TSX Venture Exchange will at least annually assess the performance by RS of its regulation services and submit a report to the board of TSX Venture Exchange with any recommendations for improvements. TSX Venture Exchange will give the Commission a copy of each report and advise the Commission of any actions it proposes to take as a result.
12. TSX Venture Exchange
 - (a) will provide the Commission with an annual report in the form and with the information specified by the Commission from time to time; and
 - (b) will not, without prior Commission approval, make any significant changes to the manner in which it provides and performs corporate finance services and functions and performs issuer regulation functions.
13. TSX Venture Exchange, through RS or otherwise, will ensure that its members, participating organizations and listed issuers are appropriately sanctioned or disciplined for violations of its rules. In addition, TSX Venture Exchange will provide notice to the Commission of any violation of securities legislation of which it becomes aware in the ordinary course operation of its business.
14. TSX Venture Exchange will advise the Commission on at least a quarterly basis (or any other basis as the Commission may agree to in writing) of all significant issues arising from issuer non-compliance with TSX Venture Exchange rules, and provide information in a form acceptable to the Commission on the issuers or other persons involved, the nature of the issues and the action taken or being taken by it to deal with the situation.
15. TSX Venture Exchange will advise the Commission in writing on at least a quarterly basis (or any other basis as the Commission may agree to in writing) of all significant exemptions or waivers of corporate finance policies and provide information on the issuers involved, the nature of

the waivers or exemptions and the reasons for granting the waivers or exemptions.

Regulatory oversight

16. TSX Venture Exchange will comply with the rule review and approval procedures established from time to time by the Commission and the ASC. TSX Venture Exchange will file with the Commission all rules adopted by its board.

Corporate governance

17. To ensure diversity of representation, TSX Venture Exchange will ensure that
 - (a) its board is composed of individuals that provide a proper balance between the interests of the different entities using its services and facilities; and
 - (b) a reasonable number and proportion of its directors are independent directors, as provided in paragraph 20.
18. TSX Venture Exchange's governance structure will provide for
 - (a) fair and meaningful representation, having regard to its nature and structure, on the board and any board or advisory committee;
 - (b) appropriate representation on the board and any board committees of persons that are independent directors; and
 - (c) appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for its directors, officers and employees generally.
19. At least 25% of the directors of TSX Venture Exchange will, at all times, be persons that have expertise in or are associated with the Canadian public venture capital market.
20. TSX Venture Exchange will ensure, on an annual basis and each time that an individual joins the board of directors, that at least fifty per cent (50%) of its directors are independent. If at any time TSX Venture Exchange fails to meet this threshold, it will promptly remedy the situation. For purposes of this recognition order, a director is independent if he or she is independent within the meaning of Section 1.4 of Multilateral Instrument 52-110 Audit Committees, as amended from time to time, and as enacted or adopted by Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon, and adopted by informal policy in Prince Edward

Island. The board of directors will adopt standards which may be amended from time to time with the prior approval of the Commission, setting out criteria to determine whether individuals are independent, including criteria to determine whether an individual has a material relationship with TSX Venture Exchange and is therefore considered not to be independent. The standards will be made available on TSX Venture Exchange's website.

21. TSX Venture Exchange will not, without prior Commission approval, implement any significant changes to the governance structure and practices of its board, including significant changes to the composition and terms of reference of its board committees and advisory committees.

Fitness

22. TSX Venture Exchange will take reasonable steps to ensure that each officer and director of TSX Venture Exchange is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

Access

23. TSX Venture Exchange requirements will not unreasonably prohibit or limit access to its trading facilities by properly registered dealers that are members of a self-regulatory organization or exchange recognized in Canada and that satisfy the requirements of TSX Venture Exchange.
24. TSX Venture Exchange will not unreasonably prohibit or limit access to its services.
25. TSX Venture Exchange will maintain written standards separate from TSX for granting access to trading on its facilities.
26. TSX Venture Exchange will keep separate records of
- (a) each grant of access and, for each entity granted access to its facilities, the reasons for granting access; and
 - (b) each denial or limitation of access and the reasons for denying or limiting access to any applicant.

Due process

27. TSX Venture Exchange will ensure that
- (a) its requirements, the limitations or conditions it imposes on access to its trading and listing facilities, and the

decisions it makes to deny access are fair and reasonable;

- (b) the parties are given notice and an opportunity to be heard or make representations; and
- (c) it keeps a record, gives reasons and provides for reviews of its decisions.

Fees

28. TSX Venture Exchange will have a fair and appropriate process for setting fees and will determine the fees it imposes on its listed issuers, applicants for listing, members, participating organizations and other market participants.
29. These fees will
- (a) be allocated on an equitable basis among the parties noted in paragraph 28;
 - (b) not have the effect of creating barriers to access;
 - (c) be balanced with its need to have sufficient revenues to satisfy its responsibilities; and
 - (d) be fair, reasonable and appropriate.

Financial viability

30. TSX Venture Exchange will have sufficient financial and other resources for the performance of its functions in a manner that is consistent with the public interest and the terms and conditions of this order.
31. TSX Venture Exchange will file with the Commission annual audited financial statements prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) and accompanied by the report of an independent auditor within 90 days of its financial year end or any shorter period provided in British Columbia securities legislation for reporting issuers to file their financial statements.
32. TSX Venture Exchange will file with the Commission quarterly financial statements prepared in accordance with Canadian GAAP within 60 days of the end of each financial quarter or any shorter period provided in British Columbia securities legislation for reporting issuers to file their financial statements.

System security, capacity and sustainability

33. For each of its systems that supports order entry, order routing, execution, data feeds, trade

reporting and trade comparison, capacity and integrity requirements, TSX Venture Exchange will

- (a) on a reasonably frequent basis and, in any event, at least annually:
 - (i) make reasonable current and future capacity estimates;
 - (ii) conduct capacity stress tests of critical systems on a reasonably frequent basis to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
 - (iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;
 - (iv) review the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters; and
 - (v) establish reasonable contingency and business continuity plans;
- (b) on an annual basis, cause to be performed an independent review, in accordance with established audit procedures and standards, of its current systems technology plans and whether there are appropriate processes in place to manage the impact of changes in technology on the exchange and parties interfacing with exchange systems and obtain a written report of the review. This will include an assessment of its controls for ensuring that each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, complies with paragraph (a) above. Senior management will conduct a review of a report containing the recommendations and conclusions of the independent review; and
- (c) promptly notify the Commission of material systems failures and changes.

34. If securities of issuers that are listed on TSX Venture Exchange trade on systems operated by TSX, TSX Venture Exchange will be considered to

have met the requirements set out under subparagraphs (a) and (b) of paragraph 33 if TSX meets the equivalent requirements contained in the order continuing the recognition of TSX and recognizing TSX Group issued by the OSC in conjunction with the reorganization.

Outsourcing

35. In any material outsourcing of any of its business functions, with parties other than TSX Group or an affiliate or associate of TSX Group, TSX Venture Exchange will proceed in accordance with industry best practices. Without limiting the generality of the foregoing, TSX Venture Exchange will
- (a) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of material outsourcing arrangements;
 - (b) in entering into any material outsourcing arrangement
 - (i) assess the risk of the arrangement, the quality of the service to be provided and the degree of control to be maintained by TSX Venture Exchange; and
 - (ii) execute a contract with the service provider addressing all significant elements of the arrangement, including service levels and performance standards;
 - (c) ensure that any contract implementing a material outsourcing arrangement that is likely to impact on TSX Venture Exchange's regulation functions gives TSX Venture Exchange, its agents and the Commission access to, and the right to inspect, all data and information maintained by the service provider that TSX Venture Exchange is required to share under paragraph 39 or that the Commission requires to assess how TSX Venture Exchange is performing its regulation functions and how TSX Venture Exchange complies with these terms and conditions; and
 - (d) monitor the performance of the service provider under any material outsourcing arrangement.

Related party transactions

36. Any material agreement or transaction entered into between TSX Venture Exchange and

- (a) TSX Group or TSX, or
- (b) any affiliate or associate of TSX Group or TSX

for the joint regulatory oversight of TSX Venture Exchange.

will be on terms and conditions that are at least as favourable to TSX Venture Exchange as market terms and conditions.

Change in operations or ownership

- 37. TSX Venture Exchange will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without
 - (a) providing the Commission at least six months' prior notice of its intention; and
 - (b) complying with any terms and conditions that the Commission may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.
- 38. TSX Venture Exchange will not cease to be wholly owned or directly controlled by TSX or indirectly wholly owned or controlled by TSX Group without TSX Venture Exchange
 - (a) providing the Commission at least three months' prior notice of its intention; and
 - (b) complying with any terms and conditions that the Commission may impose in the public interest.

Information sharing

- 39. TSX Venture Exchange will share information of a regulatory nature and will otherwise co-operate with the Commission and its staff, other exchanges and self-regulatory organizations recognized in Canada, and Canadian regulatory authorities responsible for the supervision or regulation of securities, subject to the applicable privacy or other laws about the sharing of information and the protection of personal information.

Clearing and settlement

- 40. TSX Venture Exchange will have rules that impose a requirement on its members and participating organizations to have appropriate arrangements in place for clearing and settlement.

Commission approval

- 41. When seeking the approval of the Commission under these terms and conditions, TSX Venture Exchange will comply with the procedures established from time to time by the Commission

SCHEDULE "C"

**Memorandum of Understanding
about the Oversight of Exchanges and Quotation and
Trade Reporting Systems**

among:

**Alberta Securities Commission (ASC)
British Columbia Securities Commission (BCSC)
Commission des valeurs mobilières du Québec
(CVMQ)
Ontario Securities Commission (OSC)
and
Manitoba Securities Commission (MSC)**

The parties agree as follows:

1. Underlying Principles

- (a) Each recognized exchange (Exchange) and recognized quotation and trade reporting system (QTRS) has a lead regulator (Lead Regulator) responsible for its oversight and may have one or more exempting regulators (Exempting Regulator). In certain circumstances, an Exchange or QTRS may have a regulator that is neither a Lead Regulator nor an Exempting Regulator (Participating Regulator). A Participating Regulator has the same rights as an Exempting Regulator under this Memorandum of Understanding (MOU). The current list of Exchanges and QTRSs and their Lead Regulators, Exempting Regulators and Participating Regulators is attached as Appendix A, which may be amended from time to time.
- (b) The Exempting Regulator of an Exchange or QTRS has exempted or will exempt it from recognition as an Exchange or QTRS on the basis that:
 - (i) the Exchange or QTRS is and will continue to be recognized by the Lead Regulator as an Exchange, QTRS or, in Québec, as a self-regulatory organization;
 - (ii) the Lead Regulator is responsible for conducting the regulatory oversight of the Exchange or QTRS; and
 - (iii) the Lead Regulator will inform the Exempting Regulator of its oversight activities and the Exempting Regulator will have the opportunity to raise issues concerning the oversight of the Exchange or QTRS with the Lead Regulator in accordance with this MOU.
- (c) The Lead Regulator is responsible for conducting an oversight program (the Oversight Program)¹ of the Exchange or QTRS that will include the matters described in Part 2.
- (d) The purpose of the Oversight Program is to ensure that each Exchange and QTRS meets appropriate standards for market operation and regulation. Those standards include:
 - (i) fair access for issuers and market participants;
 - (ii) fair representation in corporate governance and rule-making;
 - (iii) systems and financial capacity to carry out its regulatory functions;
 - (iv) orderly markets through appropriate review of traded products and trading rules;
 - (v) appropriate listed or quoted company regulation;
 - (vi) transparency through timely access to relevant information on traded products and market prices;
 - (vii) market integrity through the adoption of rules that prohibit unfair trading practices and monitoring and enforcing these rules;
 - (viii) proper identification and management of risks, including credit risks related to market participants; and
 - (ix) integration with effective clearing and settlement systems.
- (e) The parties will act in good faith to resolve issues raised by any Exempting Regulator in connection with the Oversight Program carried out by the Lead Regulator.
- (f) The parties acknowledge that, with the consent of the relevant Lead Regulator and Exempting Regulators, the securities commissions of any other jurisdiction where an Exchange or QTRS is recognized or exempted from recognition may become a party to this MOU.

¹ The matters outlined in the Oversight Program are intended to prescribe the minimum level of oversight of an Exchange or QTRS. The Lead Regulator may conduct additional review procedures. The purpose of specifying the Oversight Program is to ensure that each participant in the MOU is comfortable that there is acceptable oversight of the Exchange or QTRS. This in turn justifies reliance on the Lead Regulator.

(g) This MOU is the successor to any prior MOU regarding the oversight of an Exchange or QTRS² entered into between any of the parties to this agreement.

2. Oversight Program

(a) The Lead Regulator will establish and conduct the Oversight Program. At a minimum, the Oversight Program will include the following:

(i) Review of information filed by the Exchange or QTRS on critical financial and operational matters and significant changes to operations, including information related to:

- (A) affiliated entities;
- (B) operation of systems and technological capacity;
- (C) financial statements;
- (D) access requirements and forms;
- (E) corporate finance policies, including listing, quoting and filing requirements; and
- (F) corporate governance, including board and committee composition, structure, mandate and function.

(ii) Review and approval of changes to Exchange or QTRS by-laws, rules, policies, and other similar instruments (Regulatory Instruments) under the procedures established by the Lead Regulator from time to time. The current procedures are identified in Appendix B, which may be amended from time to time.

(iii) Periodic examination of Exchange or QTRS functions, including:

- (A) corporate finance policies: policies relating to minimum listing or quoting requirements, continuing listing or quoting requirements or tier maintenance requirements, sponsorship and continuous disclosure;
- (B) trading halts, suspensions and de-listing procedures;

(C) surveillance and enforcement: procedures for detection of non-compliance and resolution of outstanding issues;

(D) access: requirements for access to trade through the facilities of the Exchange or QTRS;

(E) information transparency: procedures for the dissemination of market information;

(F) corporate governance: corporate governance procedures, including policy and rule making process; and

(G) risk management and computer systems.

(b) The Lead Regulator will retain sole discretion regarding the manner in which the Oversight Program is carried out, including determining the order and timing of its examinations of the functions under section 2(a)(iii). However, the Lead Regulator will perform the examinations of these functions at least once every three years. The Lead Regulator will provide to each Exempting Regulator a copy of the report of the examination performed under section 2(a)(iii) and any responses of the Exchange or QTRS to the report.

3. Involvement of an Exempting Regulator

(a) The Lead Regulator acknowledges that an Exempting Regulator may require that the Exchange or QTRS provide to the Exempting Regulator:

- (i) copies of all Regulatory Instruments that the Exchange or QTRS files for review and approval with the Lead Regulator under the Lead Regulator's procedures referred to in section 2(a)(ii) at the same time that the Exchange or QTRS files the Regulatory Instruments with the Lead Regulator;
- (ii) copies of all final Regulatory Instruments once approved by the Lead Regulator under the procedures outlined in section 2(a)(ii); and
- (iii) if requested by the Exempting Regulator, copies of information filed by the Exchange or QTRS pursuant to section 2(a)(i) as identified in the request.

² As of September 3, 2002, no prior MOU exists for the oversight of a QTRS.

(b) If an Exempting Regulator advises the Lead Regulator that it has specific concerns regarding

the operations of the Exchange or QTRS in the jurisdiction of the Exempting Regulator and requests that the Lead Regulator perform an examination of the Exchange or QTRS in that jurisdiction, the Lead Regulator may determine to conduct an examination of

- (i) the office of the Exchange or QTRS in the jurisdiction of the Exempting Regulator; or
- (ii) a function performed by an Exchange or QTRS office in that jurisdiction.

The Exempting Regulator may, as part of its request, ask that the Lead Regulator include staff of the Exempting Regulator in the Lead Regulator's examination. The Lead Regulator may, as a condition of performing the examination, request the assistance of staff of the Exempting Regulator in which case the Exempting Regulator will use its best efforts to provide this assistance.

- (c) If the Lead Regulator advises the Exempting Regulator that it cannot or will not conduct the examination referred to in section 3(b), the Exempting Regulator may conduct the examination without the participation of the Lead Regulator. In that case, the Exempting Regulator will provide copies of the results of the examination to the Lead Regulator.
- (d) If issuers or parties that are directly affected by a decision of the Exchange or QTRS in the jurisdiction of an Exempting Regulator appeal that decision to the Lead Regulator or request a hearing and review of that decision by the Lead Regulator, the Lead Regulator will provide videoconferencing facilities or other electronic equipment as necessary and appropriate to permit and facilitate the participation of the parties in the proceedings from, at or near the office of the Exchange or QTRS in the jurisdiction of the Exempting Regulator. The Lead Regulator will also provide simultaneous translation facilities or other facilities necessary and appropriate to permit the participation of the parties in the proceedings in French or English, at their request.
- (e) The Lead Regulator will inform each Exempting Regulator in writing of any material changes in how it performs its obligations under this MOU.

4. Information Sharing

- (a) The Lead Regulator will, upon written request from an Exempting Regulator, provide or request the Exchange or QTRS to provide to the Exempting Regulator any information about the marketplace participants, the shareholders and the market operations of the Exchange or QTRS. This would include shareholder and participating

organization lists, product and trading information and disciplinary decisions.

- (b) In specific circumstances, the Lead Regulator may agree to provide additional information to parties to the MOU. The current circumstances in which the Lead Regulator would provide additional information and the information the Lead Regulator would provide are set out in Appendix C, which may be amended from time to time.

5. Oversight Committee

- (a) The parties to the MOU will continue to participate in a committee that will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of marketplaces by the parties (Oversight Committee).
- (b) The Oversight Committee will include staff representatives from each of the Lead Regulators and the Exempting Regulators who have responsibility and/or expertise in the areas of marketplace oversight and market regulation.
- (c) The Oversight Committee will meet at least once annually in person and will conduct conference calls at least quarterly.
- (d) At least quarterly, the parties will provide to the Oversight Committee a summary report on their oversight activities that will include a summary description of any material changes made to their oversight program during the period.
- (e) At least annually, the Oversight Committee will provide to the Canadian Securities Administrators a written report of the oversight activities of the committee members during the previous period.

6. Issues Forum

- (a) The parties acknowledge that:
 - (i) more than one Exchange or QTRS may submit the same Regulatory Instruments to different Lead Regulators for review and approval at the same time; or
 - (ii) one Exchange or QTRS may submit a Regulatory Instrument to its Lead Regulator for review and approval that is the same as an existing Regulatory Instrument adopted by a different Exchange or QTRS with a different Lead Regulator.
- (b) In the event the circumstances set out in section 6(a) arise, the Lead Regulators will act in good faith to resolve the issues raised by any of the parties in order to achieve consistent results among the Lead Regulators.

(c) The parties to this MOU will establish a committee of Commissioners (the "Issues Forum") that will attempt to establish a consensus between Lead Regulators on any issue in dispute under section 6(a). The Issues Forum will make recommendations to the various commissions. Staff of any of the Lead Regulators involved in a dispute or disagreement may submit the issue in dispute or the matter causing the disagreement to the Issues Forum.

(d) The Issues Forum will include one Commissioner from each jurisdiction that is a party to this MOU. For purposes of this section, the joint Lead Regulators of the TSX Venture Exchange Inc. (formerly the Canadian Venture Exchange Inc.) (TSXV) will be considered to be separate parties.

7. Waiver and Termination

(a) The terms, conditions and procedures of this MOU may be varied or waived by mutual agreement of the parties. A waiver or variation may be specific or general and may be for a time or for all time, as mutually agreed by the parties.

(b) If the Lead Regulator or an Exempting Regulator of an Exchange or QTRS believes that another party is not satisfactorily performing its obligations under this MOU, it may give written notice to the other party stating that belief and providing particulars in reasonable detail of the alleged failure to perform. If the party receiving the notice has not satisfied the notifying party within two months of the delivery of the notice either that its performance is satisfactory or that it has taken or will take acceptable steps to rectify its performance, the notifying party may by written notice to the other party terminate this MOU as it relates to that Exchange or QTRS on a date not less than six months following delivery of the notice. In that case, the notifying party will send to the Exchange or QTRS a copy of its notice of termination at the same time it sends the notice to the other party or parties.

(c) In the event any significant change to the ownership, structure or operations of an Exchange or QTRS affects the oversight of the Exchange or QTRS, a Lead Regulator or any Exempting Regulator may give written notice to the other parties stating its concerns. If a resolution cannot be reached within two months of the delivery of the notice, the notifying party may by written notice to the other parties terminate this MOU as it relates to the Exchange or QTRS on a date not less than six months following delivery of the notice. In that case, the notifying party will send to the Exchange or QTRS a copy of its notice of termination at the same time it sends the notice to the other parties.

(d) For purposes of this Part, the joint Lead Regulators of the TSXV will be considered one party.

8. Amendments to Appendices

The parties agree that the appendices to this MOU may be amended from time to time.

9. Effective Date

In order to have a coordinated effective date, in Alberta, British Columbia, Ontario and Manitoba, this MOU comes into effect on the date it is approved by the Minister of Finance in Ontario. In Québec, the MOU comes into effect on the date the CVMQ executes the MOU.

Alberta Securities Commission

Per: _____
Title: _____

Commission des valeurs mobilières du Québec

Per: _____
Title: _____

British Columbia Securities Commission

Per: _____
Title: _____

Ontario Securities Commission

Per: _____
Title: _____

Manitoba Securities Commission

Per: _____
Title: _____

Appendix A

List of Lead Regulators and Exempting Regulators
(Information as of September 3, 2002)

1. **TSX Venture Exchange Inc.** (formerly Canadian Venture Exchange Inc.)
 - a. *Lead Regulator* - The ASC and BCSC act jointly as the Lead Regulator for TSX Venture Exchange Inc.
 - b. *Exempting Regulators* - CVMQ, OSC, and MSC
2. **TSX Inc.** (formerly The Toronto Stock Exchange Inc.)
 - a. *Lead Regulator* - OSC
 - b. *Exempting Regulator* - BCSC, CVMQ and ASC
3. **Bourse de Montréal Inc.**
 - a. *Lead Regulator* - CVMQ
 - b. *Exempting Regulator* - OSC
4. **Winnipeg Commodity Exchange Inc.**
 - a. *Lead Regulator* - MSC
 - b. *Participating Regulator*³ - OSC

Appendix B

Procedures for Review and Approval of Changes to Regulatory Instruments
(information as of September 3, 2002)

1. **TSX Venture Exchange Inc.** - The current procedures are set out in letters dated November 26, 1999 and February 24, 2000.
2. **TSX Inc.** - The current procedures are set out by protocol dated October 23, 1997 published at (1997) 20 OSCB 5684.
3. **Bourse de Montréal Inc.** - Section 177 of the *Securities Act* (Québec)
4. **Winnipeg Commodity Exchange Inc.** - Section 17 of *The Commodity Futures Act* (Manitoba)

³ A Participating Regulator has the rights of an Exempting Regulator under this MOU.

Appendix C

Additional Information Provided by the Lead Regulator
(information as of September 3, 2002)

1. As part of the reorganization of TSX Inc. (TSX), under which TSX will become a wholly owned subsidiary of TSX Group Inc. (TSX Group) and TSX Venture Exchange Inc. (TSXV) will continue to be a wholly owned subsidiary of TSX, the OSC agreed to provide the following information to the ASC and BCSC:

For as long as the OSC recognizes and acts as the Lead Regulator for TSX and recognizes TSX Group, the OSC will promptly advise the Lead Regulators of TSXV in writing, if the OSC

- a) becomes concerned about the financial viability of TSX Group or TSX;
- b) is advised by TSX Group that TSX Group will not allocate sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the OSC's recognition order for TSX Group and TSX;
- c) is advised by TSX that TSX has failed to satisfy any of the financial tests set out in the OSC's recognition order for TSX Group and TSX;
- d) is considering revoking or revokes its recognition of TSX Group or TSX; or
- e) becomes aware of any impending change of control of TSX Group or TSX or of an intention by TSX Group or TSX to cease operations or dispose of all or substantially all of its assets.

For as long as the OSC recognizes and acts as the Lead Regulator for TSX, the OSC will, immediately upon receipt of same, provide to the Lead Regulators of TSXV any reports provided to the OSC by TSX regarding the results of any tests, reviews or monitoring performed by TSX in connection with its systems.

SCHEDULE "D"
OTC AGREEMENT

(the "Agreement")

THIS AGREEMENT made as of the 6th day of October, 2000,

AMONG:

CANADIAN UNLISTED BOARD INC.
(**"CUB"**)

AND

CANADIAN VENTURE EXCHANGE INC.
(**"CDNX"**)

AND

THE ONTARIO SECURITIES COMMISSION
(**"OSC"**)

WHEREAS:

- A. By an agreement made as of February 28, 1991 among The Toronto Stock Exchange (the "TSE"), the OSC and the Canadian Dealing Network Inc. ("CDN"), CDN (a wholly-owned subsidiary of the TSE) took on assignment from the OSC and has been operating a trade reporting system (the "CDN Reporting System") and a quotation system (the "CDN Quotation System") (collectively, the "CDN System") to provide visibility for over-the-counter ("OTC") trading of equity securities in the Province of Ontario;
- B. By an agreement made as of September 29, 2000 among CDNX, the TSE and CDN (the "CDN Agreement"), the TSE and CDN have agreed to cease operating the CDN System;
- C. The OSC wishes to ensure that a system continues to exist in the Province of Ontario through which OSC registered dealers can continue their mandatory reporting of all OTC trading in unlisted and unquoted equity securities in the Province of Ontario not specifically excluded from the reporting requirements of the *Securities Act, R.S.O. 1990, Chapter S.5* and the regulations thereto (collectively, the "Act");
- D. Subject to the terms and conditions of this Agreement, CUB, a wholly owned subsidiary of CDNX, is prepared to operate an internet web-based reporting system for the reporting by registered dealers of OTC trading in unlisted and unquoted equity securities in the Province of Ontario (the "OTC System") and to provide certain services to the OSC with respect thereto; and
- E. Subject to the terms and conditions of this Agreement, CDNX has agreed to ensure that CUB fulfils its obligations hereunder and has adequate

resources (including those made available to it by CDNX) to operate the OTC System and to provide to the OSC those services called for by this Agreement;

NOW THEREFORE in consideration of the premises and the mutual covenants, terms and conditions herein contained, the parties hereto do hereby mutually covenant and agree as follows:

1. THE OTC SYSTEM

1.1 The OTC System to be operated by CUB pursuant to this Agreement shall possess the characteristics and functionality described in Schedule "A" which is attached hereto and forms a part of this Agreement; provided, however, and the parties further agree that for greater certainty the OTC System will not provide for visible trade reporting.

1.2 The OTC System shall commence operation as at 5:00 p.m. EST on October 6, 2000 such that mandatory reporting by OSC registered dealers of all OTC trading in unlisted and unquoted equity securities in the Province of Ontario not specifically excluded from the reporting requirements of the Act (hereinafter referred to as "Ontario OTC trading") via the OTC System will commence on October 10, 2000.

1.3 All right, title and interest in and to the OTC System shall be owned solely by CUB, its successors and permitted assigns. For greater certainty, the right, title and interest in and to all registered and unregistered trademarks, trade names, service marks, copyrights, designs, inventions, patents, patent applications, patent rights, licenses, franchises, processes, technology, trade secrets and other industrial property pertaining to the OTC System developed by CUB (or on behalf of CUB by CDNX) or to any developments or enhancements of the OTC System implemented by CUB shall be owned solely by CUB, its successors and permitted assigns and, subject as herein otherwise provided, the OSC, OSC registered dealers who report trades on the OTC System ("Users") and any other parties shall acquire no rights in or license to use the OTC System except as may be necessary for the due implementation of this Agreement.

2. ADMINISTRATION/OPERATION OF THE OTC SYSTEM

2.1 Subject to the terms and conditions of this Agreement, CUB shall administer and operate the OTC System by providing:

- (i) trade reporting services in respect of Ontario OTC trading by Users;

- (ii) surveillance services as referred to in Part 4 of this Agreement in respect of Ontario OTC trading by Users; and

- (iii) such services as may be required to record and account for the fees referred to in subsection 2.3 below and charged by CUB for use of the OTC System.

2.2 CUB will provide such staff as are necessary to operate the OTC System with the functionality described in Schedule "A".

2.3 CUB may establish and from time to time amend a schedule of fees that it will be entitled to charge for use of the OTC System. Such fees shall be established at a level which, in the aggregate, will permit CUB to be reimbursed for all costs associated with the development and ongoing operation of the OTC System, including all operating, capital and related costs. All fees charged by CUB will be consistent with CUB's status as a not-for-profit entity and, though not subject to prior approval by the OSC, may be reviewed by the OSC.

2.4 All fees and other revenue derived from the operation of the OTC System will be retained by CUB.

2.5 CUB will ensure that each User shall, as a condition of using the OTC System, enter into an agreement with CUB (the "User Agreement") in the form and upon substantially the terms attached hereto as Schedule "B".

3. REGULATION OF THE OTC SYSTEM

3.1 In the event that the OTC System is implemented prior to the implementation of the OSC's rules governing alternative trading systems (the "ATS Rules") and unless otherwise agreed, the parties agree that the OTC System will be regulated in two phases as follows:

- (i) for the period commencing on the date of implementation of the OTC System and ending on the date of implementation in Ontario of a local rule relating to Ontario OTC trading which will be implemented concurrently with the ATS Rules or such other rules as the OSC may apply to Ontario OTC trading (the "Ontario Local Rule"), the OTC System will be regulated in accordance with the OTC Terms and Conditions which are attached as Schedule "A" to the User Agreement (the "User Obligations"); and

- (ii) commencing on the date of implementation of the Ontario Local Rule and ending on the date of the termination of this Agreement, the OTC System will

be regulated in accordance with the Ontario Local Rule.

3.2 In the event that the OTC System is implemented after implementation of the Ontario Local Rule, the OTC System will be regulated in accordance with the Ontario Local Rule.

3.3 It is recognized and agreed that CUB shall not make any rules or regulations regarding Ontario OTC trading and that until such time as the Ontario Local Rule is implemented the OTC System will be operated and governed in accordance with the User Obligations.

4. SURVEILLANCE SERVICES IN RESPECT OF THE OTC SYSTEM

4.1 CUB will provide surveillance services as described in confidential Schedule "C" which is attached hereto and forms a part of this Agreement in respect of Ontario OTC trading that is reported to the OTC System; provided, however, and it is further understood and agreed, that the responsibility for enforcement regulatory activity pertaining to Ontario OTC trading will rest exclusively with the OSC and CUB will not provide enforcement services in respect of the market participants using the OTC System.

4.2 The surveillance services described in confidential Schedule "C" and provided by CUB in respect of Ontario OTC trading that is reported to the OTC System will be comprised generally of and limited to the following:

- (i) exception monitoring for Ontario OTC trading activity in violation of the terms of any User Agreement, applicable trading rules or applicable securities laws; and
- (ii) press release monitoring for issuer disclosure in respect of Ontario OTC trading in violation of applicable securities laws.

4.3 All matters requiring enforcement action will be referred to the applicable securities regulatory body which it is anticipated will be the OSC in most cases involving the OTC System.

4.4 CUB will impose no trading halts in respect of any Ontario OTC trading reported to the OTC System.

4.5 CUB will provide to the OSC on request all such Ontario OTC trading and surveillance data respectively reported to the OTC System and collected by CUB as the OSC may require for its investigative and enforcement purposes.

5. MAINTENANCE OF TRADING DATA

5.1 Ontario OTC reporting and surveillance data

respectively reported to the OTC System and collected by CUB will be maintained by CUB for its surveillance and the OSC's enforcement purposes only, and will not be published. For greater certainty, CUB shall ensure that such data is retained for a period of at least seven (7) years and accessible to OSC staff for investigative and enforcement purposes.

5.2 CUB recognizes its obligation to provide the OSC access (via the OTC System) to data collected by CUB in respect of Ontario OTC trading reported to the OTC System so as to assist the OSC in carrying out its regulatory responsibilities.

6. ACKNOWLEDGEMENTS OF THE OSC

6.1 Effective as at 5:00 p.m. EST on October 6, 2000, the OSC by separate instrument has appointed CUB as the OSC's agent as contemplated in Part VI of the Regulation, for the purpose of operating the OTC System.

6.2 In order to assist CUB in its operation of the OTC System, the OSC may obtain and provide to CUB such information as the OSC deems appropriate, including information:

- (i) on disciplinary or other action the OSC determines to take against a User which, in the OSC's view, will have a material impact on the User's participation in the OTC System; and
- (ii) relating to issuers of OTC Securities (being the same as "COATS Securities" as defined in section 152 of Part VI of the Regulation), OSC registered dealers or any other Persons (as such latter term is defined in the Act) that leads the OSC to believe that there has been or will be a breach of the terms and conditions of Part VI of the Regulation.

7. COVENANTS OF CDN X

7.1 CDN X agrees to ensure that CUB fulfils its obligations under this Agreement and has adequate resources (including those made available to it by CDN X) to operate the OTC System and to provide to the OSC those services called for by this Agreement.

8. CUB TO LIMIT THE LIABILITY OF CDN X

8.1 CUB agrees that it will, in connection with the performance by it of its obligations under this Agreement, take reasonable precautions to limit the liability, if any, of CDN X to any third party in connection with the operation of the OTC System, such precautions to include, where possible, the use of disclaimers in connection with the supply of information and the insertion of appropriate

limiting conditions in contracts entered into by CUB.

Attention: CDNX Vice President,
Regulatory Affairs & Corporate Secretary
Facsimile No: (403) 237-0450

9. TERM AND TERMINATION

9.1 This Agreement shall come into force and effect as at 5:00 p.m. EST on October 6, 2000 (the "Effective Date") such that the reporting of Ontario OTC trading via the OTC System will commence on October 10, 2000 and (provided that it is not terminated due to termination of the CDN Agreement pursuant to the terms thereof) shall survive from such date until the earlier of the day upon which it is terminated pursuant to subsection 9.2 hereof or the day upon which this Agreement is replaced by a new agreement entered into amongst the parties by reason of implementation by the OSC of the Ontario Local Rule; provided, however, that if this Agreement is so replaced the replacement agreement will not itself be able to be terminated before the earliest date that this Agreement can be terminated pursuant to subsection 9.2 hereof.

11.2 in the case of the OSC, at the following address:

The Ontario Securities Commission
Suite 1800, P.O. Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8

Attention: Manager, Market Regulation
Facsimile No: (416) 593-8240

or at such other address as the party to which such notice or other communication is to be given has last notified to the other parties in the manner provided in this section, and if so given the same shall be deemed to have been received on the date of such delivery or sending.

9.2 At any time at least three (3) years after the Effective Date, any of the parties may give one (1) year's written notice to the others of its decision to terminate its obligations hereunder, and this Agreement shall thereafter terminate on the expiry of such notice.

12. FURTHER ASSURANCES, AMENDMENTS AND WAIVERS

12.1 Each party hereto covenants and agrees that it shall from time to time and at all times execute and deliver all such further documents and assurances as shall be reasonably required in order to fully perform and carry out the intent of this Agreement. This Agreement can only be amended with the consent in writing of both parties and no party shall be deemed to have waived any provision of this Agreement unless such waiver is in writing.

10. NON PERFORMANCE

10.1 If a party to this Agreement believes that another party is not performing satisfactorily its obligations under this Agreement, it may give written notice to the other party stating that belief accompanied by particulars in reasonable detail of the alleged failure to perform. If the party receiving such notice has not satisfied the notifying party within one (1) month of the delivery of the notice either that its performance is satisfactory or that it has taken or will take acceptable steps to rectify its performance, the notifying party may by written notice to the other parties terminate this Agreement on a date not less than three (3) months following delivery of such notice.

13. APPLICABLE LAW

13.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11. NOTICE

Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if delivered in person or if sent by facsimile transmission:

14. COUNTERPARTS AND FACSIMILE SIGNATURE

14.1 This Agreement may be executed in separate counterparts and all such counterparts shall together constitute one and the same instrument.

14.2 The parties agree that executed copies of this Agreement may be delivered by fax or similar device and that the signatures appearing on the copies so delivered will be as binding as if copies bearing original signatures had been delivered; each party undertakes to deliver to the other party a copy of this Agreement bearing original signatures, forthwith upon demand.

11.1 in the case of CUB, both for itself and on behalf of CDNX, at the following address:

Canadian Unlisted Board Inc.
c/o Canadian Venture Exchange Inc.
10th Floor, 300 Fifth Avenue S.W.
Calgary, Alberta T2P 3C4

15. FORCE MAJEURE

15.1 No party shall be responsible for delays or failures in performance resulting from acts beyond the control of such party. Such acts shall include, but not be limited to, acts of God, the operation of any

law, regulation or order of government or other similar authority, any labour disparity or dispute, strike, lockout, riot, explosion, war, invasion, epidemic, fire, earthquake or other natural disaster, power failure or system failure including network failures.

16. SUCCESSORS AND ASSIGNS

16.1 Neither CUB, CDNX nor the OSC shall assign this Agreement or any of their respective rights or obligations hereunder without the prior written consent of the others. This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto duly executed this Agreement as of the day and year first above written.

CANADIAN UNLISTED BOARD INC.

Per:
Authorized Signatory

Per:
Authorized Signatory

CANADIAN VENTURE EXCHANGE INC.

Per:
Authorized Signatory

Per:
Authorized Signatory

THE ONTARIO SECURITIES COMMISSION

Per:
Authorized Signatory

Per:
Authorized Signatory

This is Schedule "A" to that certain Agreement made as of the 6th day of October, 2000, among Canadian Unlisted Board Inc., Canadian Venture Exchange Inc. and The Ontario Securities Commission

OTC SYSTEM CHARACTERISTICS AND FUNCTIONALITY

1.1 Characteristics- Included Characteristics

The OTC System will be a CUB-developed internet web-based system solution for the reporting of Ontario OTC trading the general characteristics of which will be a system:

1. providing a secure, reliable environment to enable registered dealers to report trades in securities according to the Securities Act (Ontario).
2. providing a basic reporting, surveillance, and administrative functionality with unexplained trading and disclosure anomalies being forwarded to the OSC for enforcement and further investigation.
3. providing a separation of Ontario OTC trading from CDNX and the CDNX brand.
4. separable from CDNX technology operations and deployable to other technical environments should the OSC choose to change service providers.
5. extendable to other provincial jurisdictions in support of possible national trade reporting.
6. possessing a separate logical billing system within CDNX's Oracle Financials to generate invoices and statements for CUB that are distinct from those of CDNX.
7. possessing a backup OTC System application server (existing disaster recovery hardware at CDNX Business Continuity Planning ("BCP") recovery sites having sufficient capacity to accommodate the OTC System application).

1.2 Functionality

1.2.1 Included Functionality

The OTC System will possess the following functionality:

1.2.1.1. Registered Dealer Functionality:

1. Registered Dealer administrative functions
 - 1.1. Provide the ability for the registered dealer (who may or may not be TSE or CDNX members) to logon, logoff and change their passwords

- | | |
|--|--|
| <p>2. Report a trade</p> <p>2.1. Report a trade done today (typically reported by the selling registered dealer)</p> <p>2.1.1. Data includes: symbol, volume, price, contra-broker, time-stamp, identification of which side reported the trade.</p> <p>2.2. Limit or restrict the registered dealer from reporting a trade that was executed prior to the current day. 'As of' reporting to be handled by the administrative or market regulation function of CUB (see Administrative Functionality below).</p> <p>3. Report a trade cancellation</p> <p>4. Inquire on trading activity for an issue</p> <p>4.1. The reporting functions proposed with respect to Ontario OTC trading are purposely limited.</p> <p>4.2. Data attributes to be displayed are:</p> <p>4.2.1. For today: high price, low price, last price, net change, volume, value, # trades and list of all trades</p> <p>4.2.2. For historical periods: high price, low price, last price, net change, volume, value, # trades</p> <p>5. View Administrative Notice Board</p> <p>5.1. Contains textual information posted by CUB administrative and market regulation staff</p> <p>6. Online Help</p> <p>6.1. Display of "How To" information explaining the operation of the OTC System</p> <p>6.2. Inquiries to list:</p> <p>6.2.1. Securities on the system that have reported activity (stock list) that would include the issue name, symbol, and Cusip number (if applicable)</p> <p>6.2.2. Yesterday's and today's add's, delete's and changes to the stock list</p> <p>6.2.3. A directory of registered dealer users Ids and names</p> | <p>1.2.1.2. <u>Administrative Functionality:</u></p> <p>Administrative functionality will be used by CUB staff to administer the OTC System.</p> <p>1. UserID administration</p> <p>1.1. Setup new UserID</p> <p>1.2. Maintain UserID (change, delete, force password changes)</p> <p>2. Security Master maintenance</p> <p>2.1. Add, change, delete issues that can be reported. This functionality can be done in real-time.</p> <p>2.2. Update Trading status to restrict the reporting of trades</p> <p>3. Report trade (on behalf of a registered dealer)</p> <p>3.1. Similar to the registered dealer function to report a trade.</p> <p>3.2. This functionality can also serve as a short-term backup service should operational problems arise with accessing the system.</p> <p>4. Report a trade done up to 364 days ago ("as of")</p> <p>4.1. 'As of' reporting is done by CUB staff on behalf of the registered dealer. The registered dealer would send (via fax) to CUB the particulars of the delayed trade report.</p> <p>4.2. Historical information to be updated to reflect the reported trade.</p> <p>5. Report trade cancellation (on behalf of a registered dealer)</p> <p>5.1. Similar to the registered dealer function to report a trade cancellation.</p> <p>5.2. This functionality can also serve as a short-term backup service should operational problems arise with accessing the system.</p> <p>5.3. Historical information would be updated to reflect the cancelled trade.</p> <p>6. Post and clear notices and other textual information to Administrative Notice Board</p> <p>6.1. The transaction is logged to an audit trail file</p> <p>7. Online Help maintenance</p> |
|--|--|

7.1. Update static "How To" information

1.2.1.3. Regulatory Functionality:

Regulatory functionality will be that employed by CUB staff to provide regulatory oversight or surveillance of Ontario OTC trading (it being understood that all enforcement action arising from CUB's surveillance activities in respect of Ontario OTC trading that is reported to the OTC System will be undertaken by the OSC). Due to the nature of Ontario OTC trading, all such regulatory functionality will be of a post-trade nature.

1. Alerts of reported trades that cause exceptions to price change and volume tolerance parameters.
2. OSC access to the OTC System to perform specified inquiry functions:
 - 2.1. Today and historical trading inquiries (see Registered Dealer Functionality above)
 - 2.2. Generate reports on trading activity per Registered Dealer firm, per security, and for all securities per specified (flexible) date range.
 - 2.3. Access to Online Help inquiries (see Registered Dealer Functionality above)
3. Ad hoc reports for investigations forwarded to the OSC.
4. Data extracts for investigations forwarded to the OSC.

1.2.1.4. Operational Functionality:

Operational functionality will be global in nature and apply to the entire OTC System.

- Implement a standalone OTC System application server (NT operating system), separate from CDNX systems.
- Establish recovery procedures to transfer the application to an existing CDNX NT server on an interim basis in the event of a CUB/OTC System server failure.
- Store trade summaries for surveillance purposes (history)
- Store detail trade records for investigative purposes (history)
- Conduct daily backup of files and databases
- Include OTC System in CDNX BCP and provide 48 hour recovery time for the CUB OTC System at the CDNX BCP recovery site(s)

- Generate billing reports
- Generate monthly reports of trading activity for invoice preparation.

1.3 Excluded Functionality

The OTC System will NOT possess the following functionality:

- Capability regarding investigation and enforcement of trading and disclosure anomalies generated by the system.
- Capability to prioritize price/volume exceptions.
- Capability to generate real time data feeds or press reports.
- Capability to transfer historical trade information from the TSE/CATS system.

This is Schedule "B" to that certain Agreement made as of the 6th day of October, 2000, among Canadian Unlisted Board Inc., Canadian Venture Exchange Inc. and The Ontario Securities Commission

CANADIAN UNLISTED BOARD INC. USER AGREEMENT (THE "AGREEMENT")

WHEREAS the Canadian Venture Exchange Inc. ("CDNX" or the "Exchange") has entered into an agreement with the Toronto Stock Exchange Inc. ("TSE") and the Canadian Dealing Network Inc. ("CDN") whereby:

- (i) as at 5:00 p.m. EST on September 29, 2000, the TSE and CDN shall cease operating the CDN Quotation System such that eligible CDN quoted issuers that have filed complete applications as determined by CDNX shall commence trading on CDNX Tier 3 as at the start of business on October 2, 2000; and
- (ii) as at 5:00 p.m. EST on October 6, 2000, the TSE and CDN shall cease operating the CDN Reporting System such that as of the start of business on October 10, 2000, OSC registered dealers can continue their mandatory reporting of all OTC trading in unlisted and unquoted equity securities in the province of Ontario not specifically excluded from the reporting requirements of the Act and the regulations thereto via the OTC System;

WHEREAS the Canadian Unlisted Board Inc., a wholly owned subsidiary of CDNX ("CUB"), CDNX and the Ontario Securities Commission (the "Commission") have entered into an agreement pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario (the "OTC System") for the purposes of Part VI of Regulation 1015 ("Part VI");

WHEREAS CUB has been appointed as an agent of the Commission for the purposes of developing computer software and providing and operating computer facilities for the reporting of trading in unlisted and unquoted equity securities in Ontario pursuant to section 153 of Part VI;

WHEREAS for the purposes of this agreement the following definitions shall apply:

"Act" means the Securities Act, R.S.O. 1990, c.s. 5 as amended;

"CDN Policy" means that policy which has been adopted by CDN board of directors respecting trading in unlisted and unquoted equity securities in Ontario;

"OTC security" shall have the same meaning as "COATS security" as defined in section 152 of Part VI;

"Person" means a "person" as that term is defined in the Act;

"User" means a registrant under the Act and who reports trades on the OTC System;

WHEREAS in order to assist CUB in its operation of the OTC System, the Commission may obtain and provide to CUB such information as the Commission deems appropriate, including information:

- (i) on disciplinary or other action the Commission determines to take against a User which, in the Commission's view, will have a material impact on the User's participation in the OTC System; and
- (ii) relating to issuers of OTC Securities, registrants under the Act or any other Persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.

WHEREAS the Commission and CUB have agreed that in the event that the OTC system is implemented prior to the implementation of the OSC's rules governing alternative trading systems (the "ATS Rules") the OTC System shall be regulated in the following two phases:

- (i) for the period commencing on the date of implementation of the OTC System and ending on the date of the implementation of a local Ontario rule relating to Ontario OTC trading which will be implemented concurrently with the ATS Rules or such other rules as the OSC may apply to Ontario OTC trading (the "Ontario Local Rule"), the OTC System will be regulated in accordance with Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at 5:00 p.m. EST October 6, 2000; and
- (ii) commencing on the date of the implementation of the Ontario Local Rule and ending on the date of the termination of the Agreement, the OTC System will be regulated in accordance with the Ontario Local Rule.

WHEREAS CUB will provide monitoring and surveillance services to the OSC in respect of trading in securities reported through the OTC System. CUB will not provide enforcement services in respect of the market participants using the OTC System.

WHEREAS CUB will refer any matters relating to a suspected violation of applicable trading rules or securities laws to the OSC or other applicable securities regulatory body.

WHEREAS CUB has agreed to provide to the OSC on request all such trading and surveillance data collected by CUB in respect of the OTC System as the OSC may require.

WHEREAS the OSC requires registered dealers to act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers.

WHEREAS the OSC expects registered dealers, as part of their general obligations, to have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);

NOW, THEREFORE, in consideration of CUB permitting the undersigned User to utilize the OTC System, the User agrees with CUB as follows:

1. The User is a registered dealer within the meaning of the Act and shall at all times act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers and shall have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);
2. Until such time as the Ontario Local Rule is implemented, the User agrees that the OTC System will be operated and governed in accordance with:
 - (i) Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at 5:00 p.m. EST on October 6, 2000; and
 - (ii) such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System;

(collectively, the "OTC Terms and Conditions" which are attached as Schedule "A" to this Agreement) and the User shall comply with the OTC Terms and Conditions.

3. The User shall promptly communicate to CUB transaction reports with respect to OTC securities in accordance with the OTC Terms and Conditions;
4. The User shall comply with all requirements of the OTC Terms and Conditions and without limiting the generality of the foregoing, all Users

acknowledge and agree:

- (i) that they will provide to CUB any and all records, reports, and information required or requested by CUB in order for CUB to satisfy its regulatory obligations, in such manner and form, including electronically, as may be required by CUB from time to time;
 - (ii) that they will permit CUB or its designate to inspect their records at any time;
 - (iii) that CUB may suspend the User's access to the OTC System pending a determination of the OSC in respect of any referral by CUB to the OSC of any suspected violation of the User's obligation to comply with section 1 above; and
 - (iv) that CUB may terminate the User's access to the OTC System upon notification to CUB by the OSC that the User has violated the OTC Terms and Conditions.
5. The User shall pay, when due, any applicable fees or charges established by CUB from time to time and which current fees and charges are attached as Schedule "B" to this Agreement.
 6. The User acknowledges that it is possible that from time to time the OTC System may be disrupted, contain inaccurate information, omit required information or may otherwise operate in an unsatisfactory manner (such events being hereinafter referred to as "Errors") whether through malfunction of equipment, power failure, human error or other reason. The causes of such Errors may be attributable to CUB, the Exchange, negligent or wilful acts or omissions of current or former directors, governors, officers, employees or committee members of CUB or the Exchange (hereinafter collectively referred to as "Personnel") or persons or companies who have supplied goods or services to either CUB or the Exchange in connection with the OTC System (hereinafter referred to as "Contractors").
 7. It is acknowledged that neither CUB nor the Exchange assumes any responsibility with respect to the use to which the User, its employees or agents puts the facilities, services or the information obtained therefrom or with respect to the results of such use. It is further acknowledged that the information, services and facilities provided hereunder are provided on the express condition that Users making use of them assent that no liability whatsoever in relation thereto shall be incurred by CUB, the Exchange or Personnel.
 8. The User agrees that none of CUB, the Exchange

or Personnel shall have any liability whatsoever to the User with respect to any loss, damage, cost, expense or other liability or claim suffered or incurred by or made against the User, directly or indirectly, by reason of Errors, or arising from any negligent, reckless or wilful act or omission or out of the use, operation or regulation of the OTC System by CUB, the Exchange, Personnel or Contractors, or otherwise as a result of the use by the User of the facilities, services or information provided by CUB or the Exchange. By making use of the facilities, services or information provided by CUB or the Exchange the User expressly agrees to accept all liability arising from such use.

9. It is acknowledged by the User that the sole remedy for any wilful or negligent act or omission of any Personnel or Contractors shall be appropriate action, of a disciplinary nature or otherwise, instituted solely at the discretion of CUB or the Exchange.

10. CUB may terminate or amend this Agreement, subject to the approval of its Board of Directors and upon notice to the User, and any subsequent participation of the User in the OTC System shall constitute acceptance by the User of any such amendment.

11. It is acknowledged that neither CUB nor the Exchange shall incur any liability to the User with respect to any loss or damage whatsoever that the User may suffer, directly or indirectly, by reason of any termination of this Agreement.

12. In the event that any legal proceeding is brought or threatened against CUB, the Exchange, Personnel or Contractors to impose liability which arises directly or indirectly from the use by the User of the OTC System or from the use by the User of the facilities, services or information provided by CUB or the Exchange, the User agrees to indemnify and save CUB and the Exchange harmless from and against:

- (i) all liabilities, damages, losses, costs, charges and expenses of every nature and kind (including, without limitation, legal and professional fees) incurred by CUB or the Exchange in connection with the proceeding, including costs incurred to indemnify Personnel;
- (ii) any recovery adjudged against CUB, the Exchange or Personnel in the event that any of them is found to be liable; and
- (iii) any payment by CUB or the Exchange, made with the consent of the User, in settlement of such proceeding.

13. Except as otherwise expressly provided herein, all

of the terms used in this Agreement which are defined in OTC Terms and Conditions are used herein as so defined.

14. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

15. The Agreement shall not be binding until accepted in writing by CUB.

16. The Agreement shall be effective as of the date accepted in writing by CUB.

[Insert Name of User]

By:
Authorized Signatory

Name and Title of Authorized Signatory
(Please Print Name and Title)

By:
Authorized Signatory

Name and Title of Authorized Signatory
(Please Print Name and Title)

Accepted this ___ day of _____, 200__

CANADIAN UNLISTED BOARD INC.

By:

Schedule "A" to User Agreement

OTC Terms and Conditions

A. Transaction Reporting

1. Operation and Administration of OTC System

- 1.1. All Users shall comply with the Terms and Conditions governing the operation and administration of the OTC System, which Terms and Conditions shall include:
- 1.2. those matters set forth in Part VI applicable to trade reporting in respect of over-the-counter equity securities in Ontario;
- 1.3. those portions of the former CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at 5:00 p.m. EST on October 6, 2000 and incorporated herein; and
- 1.4. such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System.

2. Trades to be Reported

- 2.1. Pursuant to Part VI, every purchase or sale in Ontario of an OTC security made by a registered dealer, as principal or agent, must be reported through the OTC System, with the following exceptions (which shall not be reported through the OTC System):
 - 2.1.1. a trade made through the facilities of a stock exchange or other organized market recognized and identified in this section A-2;
 - 2.1.2. a distribution effected in accordance with the Act by or on behalf of an issuer; or
 - 2.1.3. a secondary trade made in reliance on the exemptions in clauses 72(1)(a), (c) or (d) of the Act.
- 2.2. Where a security that is listed on one or more of the Canadian stock exchanges becomes suspended (i.e., it is no longer posted for trading) on all such exchanges, then any trade in that security by a registered dealer shall become reportable through the OTC System if that security and trade is otherwise required to be reported through the OTC System.
- 2.3. The obligation to report a trade in an OTC security applies only with respect to purchases and sales in Ontario of such security. A purchase or sale in Ontario for the purpose of these OTC Terms and Conditions is one in which either:
 - 2.3.1. the person to whom the trade is

confirmed (other than a User) is a resident of Ontario; or

- 2.3.2. the User's trader or sales representative handling the trade is acting from an Ontario office (irrespective of whether the User is acting as principal or agent).

- 2.4. Transactions that are merely booked through a User's inventory for purposes of adding a usual mark-up or commission in respect of trades which, for all intents and purposes, are agency trades on NASDAQ or a foreign stock exchange, need not be reported through the OTC System. Such transactions are considered to be trades made through the facilities of a foreign stock exchange or NASDAQ.

- 2.5. With respect to clause 2.1.1 above, CUB recognizes NASDAQ, The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, and all stock exchanges outside of Canada that require participants to report details of transactions and publish such details.

- 2.6. Trades may not be aggregated for reporting purposes except that trades from orders received prior to the opening of the OTC System and simultaneously reported at the opening may be aggregated into a single transaction report.

3. Who Reports Trades

- 3.1. Every purchase or sale in an OTC security that is required to be reported under subsection A-2 above shall be reported on the OTC System in accordance with the following provisions:
 - 3.1.1. Where the transaction involves only one User, that User shall report the trade.
 - 3.1.2. Where the transaction involves two Users, the User by or through whom the sale is made shall report the trade.
 - 3.1.3. Where the transaction is not a trade in Ontario for the seller, the User by or through whom the purchase is made must report the trade.

4. Method, Timing and Content of Trade Reports

- 4.1. For reporting purposes, a trade is a transaction between a User and a given client, or another User, in a specific OTC security, at a given price, and executed at a certain time.
- 4.2. For the purposes of this section A-4, "Reportable Trades" shall mean every purchase or sale in an OTC security that is required to be reported under subsection A-3.

- 4.3. All trade tickets for Reportable Trades shall be time stamped at the time of execution.
- 4.4. All Reportable Trades taking place at or between 9:30 A.M. and 5:00 P.M. on a business day shall be reported through the OTC System within three minutes after execution.
- 4.5. All Reportable Trades taking place after 5:00 P.M. on a business day and prior to 9:30 A.M. the next business day shall be reported through the OTC System between 8:30 A.M. and 9:30 A.M. the next business day and shall form part of the trading statistics for the next business day.
- 4.6. All reports of Reportable Trades shall contain the following information:
 - 4.6.1. symbol of the OTC security traded;
 - 4.6.2. number of shares traded;
 - 4.6.3. price of the trade as required by section A-5;
 - 4.6.4. the identities of the purchasing and selling Users;
 - 4.6.5. the time of execution of the transaction; and
 - 4.6.6. any trade marker required by these OTC Terms and Conditions.

5. Price to be Reported

- 5.1. The price to be reported is the price at which the User actually traded with its customer, adjusted by the amount that would be customary as a commission or spread in such transaction.
- 5.2. A trade with another User is to be reported at the actual price agreed upon. This applies to a trade in which the reporting User is acting as agent for a customer, as well as to a trade in which the User acts as principal vis-a-vis the other User.

B. Dealers' Obligations

1. Prices to Customers

- 1.1. Spread or Mark-Up: Where a trade is substantially an agency transaction, the size of any spread or "mark-up" should reflect the riskless nature of the transaction.
- 1.2. *Interpositioning*: Users shall not arrange or otherwise participate in any transaction which interpositions an intermediary or other third party in a way that will result in an unfavourable price for a customer of any User.
- 1.3. Users shall not enter into any transaction with a

customer for any OTC security at any price that is not reasonably related to the then current market price of that security or charge a customer a commission or service charge that is not fair and reasonable in all the circumstances.

2. Fair Dealings

- 2.1. Users shall transact business openly and fairly and in accordance with just and equitable principles of trade. No fictitious sale or contract shall be made in an OTC security.

3. Customer Priority

- 3.1. No User Shall:
 - 3.1.1. buy or initiate the purchase of a OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such User holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to buy such security for a customer;
 - 3.1.2. sell or initiate the sale of any OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while it holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to sell such security for a customer.
- 3.2. The provisions of this section shall not apply:
 - 3.2.1. to any purchase or sale of any OTC security in an amount less than the customary unit of trading made by a User to offset odd-lot orders for customers;
 - 3.2.2. to any purchase or sale of any OTC security upon terms for delivery other than those specified in such unexecuted market or limit price order; or
 - 3.2.3. to any unexecuted order that is subject to a condition that has not been satisfied.

- 3.3. For purposes of this section a User may include a reasonable commission charge in determining whether its customer's order is at the same price as a principal order.

4. Best Market Price

- 4.1. Where a User executes a trade with or for its client for an OTC security that is posted for trading on a foreign market recognized under this subsection, the User shall execute the trade on behalf of the

client at a price equal to or better than the market price in the foreign market (taking exchange rates into account), plus or minus (as the case may be) a reasonable commission and any added cost of executing the order in the foreign market.

4.2. For the purpose of this subsection, CUB presently recognizes any foreign stock exchange or organized market that provides real time public dissemination of information, including firm market quotations and trading statistics.

5. Manipulative or Deceptive Trading

5.1. A User shall not use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of an OTC security that creates or may create a false or misleading appearance of trading activity or an artificial price for the said security. Without in any way limiting the generality of the foregoing, the following shall be deemed manipulative or deceptive methods of trading:

5.1.1. making a fictitious trade or giving or accepting an order which involves no change in the beneficial ownership of an OTC security;

5.1.2. entering an order or orders for the purchase of an OTC 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 of any such security, has been or will be entered by or for the same or different persons and 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 an OTC security;

5.1.3. entering an order or orders for the sale of an OTC 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 purchase of such security, has been or will be entered by or for the same or different person and 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 an OTC security;

5.1.4. making purchases of, or offers to purchase an OTC security at successively higher prices, or sales of or offers to sell any such security at successively lower prices for the purpose of creating or inducing a false or misleading appearance of trading in such

security or for the purpose of unduly or improperly influencing the market price of such security; or

5.1.5. effecting, alone or with one or more persons, a series of trades in an OTC security, for the purpose of inducing the purchase or sale of such security, which creates actual or apparent trading in such security or raises or depresses the price of such security.

6. Restrictions on Trading During Distributions

Restricted Users

6.1. The restrictions on trading during a distribution set out in this part 6.1 entitled "Restricted Users" apply to a User (a "restricted User") involved in a distribution by prospectus of an OTC security or a distribution by prospectus, Exchange Offering Prospectus, Statement of Material Facts or "wide distribution" of a security that is related to an OTC security. The restrictions do not apply to a User involved in a distribution only as a selling group member that is not obligated to purchase any unsold securities.

6.1.1. Two securities are "related" if they have substantially the same characteristics, or

(a) one is immediately convertible, exercisable or exchangeable into the other; and

(b) the conversion, exercise or exchange price at the beginning of the restricted period (as defined below) is less than 110% of the offer price of the underlying security on the principal market where the underlying security is traded.

6.1.2. A "wide distribution" means a series of distribution principal trades to not less than 25 separate and unrelated client accounts, no one of which participate to the extent of more than 50% of the total value of the distribution

Restrictions

6.1.3. During the restricted period, a restricted User shall not bid for or purchase an OTC security that is being distributed or that is related to a security being distributed except as follows:

Distributed Securities

6.1.4. Restricted User Not Short. A restricted User that is not short the OTC security

being distributed may bid for or purchase it at or below the lower of the highest independent bid price at the time of the bid or purchase and the distribution price.

- (a) A restricted User may bid for or purchase the OTC security being distributed at or below the distribution price.
- (b) A restricted User that makes an initial bid below the distribution price shall not raise that bid price during the restricted period.

6.1.5. Restricted User Short. A restricted User that is short the OTC security being distributed may bid for or purchase it at or below the distribution price.

Related Securities

6.1.6. A restricted User may bid for or purchase a related OTC security at or below the highest independent bid price.

6.1.7. If there is no independent bid price for a related OTC security, a restricted User shall not bid for or purchase that security without the prior consent of CUB.

- (a) A bid price is "independent" if it is for the account of a User that is not involved in the distribution or is involved only as a member of a selling group.
- (b) A restricted User shall not solicit purchase orders for the OTC security being distributed or any related OTC security during the restricted period except orders to purchase OTC securities being sold pursuant to the distribution.
- (c) The above restrictions do not affect sales by restricted Users to unsolicited client buy orders. In the case of an OTC security that will be listed on the Toronto Stock Exchange ("TSE") or the Canadian Venture Exchange Inc. ("CDNX") and until such time as the OTC security is actually listed and posted for trading on the TSE or CDNX and the TSE's or CDNX's market stabilization rules apply, Users must comply with the above market stabilization restrictions.

All Users

6.2. The restrictions on trading during a distribution set out in this part 6.2 entitled "All Users" apply to all Users

Restrictions

6.2.1. During the restricted period, no User shall participate in a trade of an OTC security that is being distributed or that is related to an OTC security being distributed involving a purchase by or on behalf of:

- (a) the issuer of the OTC security;
- (b) a selling OTC security holder whose securities are being distributed;
- (c) an affiliate of the issuer or selling OTC security holder; or
- (d) a person acting jointly or in concert with any of the foregoing.

6.3. The "restricted period" begins on the later of:

6.3.1. the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX-listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and

6.3.2. the date on which the restricted User agrees to participate in a distribution, whether or not the terms and conditions of such participation have been agreed upon.

6.3.3. The restricted period ends on the earlier of:

- (a) the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and
- (b) the date on which the restricted User has sold all of the OTC securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and

- (c) the date on which the distribution has been terminated pursuant to applicable securities legislation,

provided that, if purchasers of 5% or more of the OTC securities allotted to or acquired by a restricted User in connection with a distribution give notice that they intend to exercise their statutory rights of withdrawal, the restricted period shall again apply to that User until the OTC securities are resold or the distribution ends, as provided above. Securities are not considered "sold" before the receipt for the final prospectus has been issued.

7. Disclosure of Interest or Control

- 7.1. Any User that is an insider (as that term is defined in the Act) or is controlled by, directly or indirectly, controls, or is under common control of any issuer must disclose to its customers prior to, and confirm, in writing, at the time of buying or selling any OTC security of such an issuer, the nature and existence of any such relationship.

8. System Failures

- 8.1. Trades made during an OTC system power failure or any other event that would fully or partially disable the system or cause it to malfunction must be reported on the system immediately upon the system being available to accept such data.

9. Settlement Rules

- 9.1. The settlement of transactions shall conform to the rules and practices of the TSE, CDNX and The Canadian Depository for Securities Limited.

C. Fees And Charges

- 1. Every User shall pay the applicable OTC System fees.
- 2. All fees and charges of CUB, including, but not limited to, the fees charged for transaction reports shall be determined by CUB's board of directors.

D. Access

- 1. Where the Commission has provided CUB with information relating to:
 - 1.1. disciplinary or other action the Commission determines to take against a User which, in the Commission's view will have a material impact on the User's participation in the OTC System; or
 - 1.2. the issuers of OTC Securities, registrants under the Act or any other persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.

- 2. CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.
- 3. Where CUB has referred any matter relating to a suspected violation by a User of the OTC Terms and Conditions, CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.
- 4. Where the Commission has notified CUB that a User has violated the OTC Terms and Conditions, CUB may terminate the User's access to the OTC System

E. Miscellaneous

- 1. All references to a "business day" in this Schedule "A" shall mean any day from Monday to Friday inclusive.
- 2. All references to a time of day in the Schedule "A" shall mean Eastern Standard Time.

Schedule "B" to User Agreement

Canadian Unlisted Board Inc. User and Transaction Fees

1. USER TRANSACTION FEE
\$1.95/trade (each side)
2. USER FEE:
Monthly Fee of \$150.00
per Employee CUB access ID granted,
up to a maximum of \$500.00/month per User

SCHEDULE "E"

REVISIONS TO CORPORATE FINANCE MANUAL

RE: REPORTING ISSUER STATUS OF EXCHANGE LISTED ISSUERS

Policy 1.1 – Interpretation

The following definitions will be added to Policy 1.1:

"BHS" means those beneficial shareholders of an Issuer that are included in either:

- (a) a DSR for the Issuer and whose shares were disclosed in the Issuer's books and records or list of registered shareholders as being held by an intermediary; or
- (b) after the implementation of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer, a NOBO list for the Issuer.

"DSR" means the Demographic Summary Report available from the International Investors Communications Corporation ("IICC").

"NOBO list" refers to a 'non-objecting beneficial owner list' as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

"NOBOs" refers to non objecting beneficial owners as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

"RHs" means the registered shareholders of the Issuer that are beneficial owners of the equity securities of the Issuer. For the purposes of this definition, where the beneficial owner controls or is an affiliate of the registered shareholder, the registered shareholder shall be deemed to be the beneficial owner.

"Significant Connection to Ontario" exists where an Issuer has:

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

The residence of the majority of the board of directors in Ontario or the residence of the President or the Chief Executive Officer in Ontario may be considered

determinative in assessing whether the mind and management of the Issuer is principally located in Ontario.

Policy 2.3 – Listing Procedures

The following section 3 will be added to Policy 2.3:

3. Significant Connection to Ontario

Where it appears to the Exchange that an Issuer undertaking an Initial Listing on the Exchange has a Significant Connection to Ontario, the Exchange will, as a condition of its acceptance of the Initial Listing, require the Issuer to provide the Exchange with evidence that it has made a bona fide application to become a reporting issuer in Ontario. See *Policy 3.1 - Directors, Officers and Corporate Governance* for details on becoming a reporting issuer in Ontario.

Policy 2.4 – Capital Pool Companies

The following subsection 12.6 will be added to Section 12, Qualifying Transaction, of Policy 2.4:

12.6 Assessment of a Significant Connection to Ontario

Where a Resulting Issuer, upon Completion of a Qualifying Transaction, is aware that it has a Significant Connection to Ontario, it must immediately notify the Exchange and make application to the Ontario Securities Commission to be deemed a reporting issuer pursuant to section 19.2 of *Policy 3.1 – Directors, Officers and Corporate Governance*.

Policy 2.9 – Trading Halts, Suspensions and Delisting

The following clause (h) will be added to section 3.1, *Reasons for Suspension*, of Policy 2.9:

- 3.1 The Exchange may impose a suspension in a variety of circumstances including where:
- (h) an Issuer fails to comply with a direction or requirement of the Exchange to make application for and obtain reporting issuer status in Ontario when it has a Significant Connection to Ontario.

Policy 3.1 – Directors Officers and Corporate Governance

The following sections will be added to Policy 3.1:

Subsection 2.9 will be added to section 2, *Directors and Management Qualifications*:

2.9 Refusal or Revocation of Exchange Acceptance

2.9 Where an Issuer has a Significant Connection to Ontario, the Exchange may refuse to grant Exchange Acceptance of any application relating to the acceptability of any director, officer or

Insider, or revoke, amend or impose conditions in connection with a previous Exchange Acceptance of any such application, until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Subsection 11.4 will be added to section 12, *Management Compensation and Compensation Committee*:

11.4 The Exchange may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or Insiders of the Issuer until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario where the Issuer has a Significant Connection to Ontario. (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Section 19 will be added to Policy 3.1

19. Assessment of a Significant Connection to Ontario

19.1 All Issuers, that are not otherwise reporting issuers in Ontario, are required to assess whether they have a Significant Connection to Ontario.

19.2 Where an Issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has a Significant Connection to Ontario as a result of complying with subsection 19.1 above or otherwise, the 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.

19.3 All Issuers, that are not otherwise reporting issuers in Ontario, are required to assess on an annual basis, in connection with the preparation for mailing of their annual financial statements, whether they have a Significant Connection to Ontario. All Issuers must obtain and maintain for a period of three years after each annual review, evidence of the residency of the RHs and BHs of the Issuer.

19.4 If requested, Issuers must provide the Exchange with evidence of the residency of their NOBOs.

SCHEDULE "F"

POLICY 5.9

INSIDER BIDS, ISSUER BIDS, BUSINESS COMBINATIONS

AND RELATED PARTY TRANSACTIONS

Scope of Policy

This Policy incorporates Ontario Securities Commission ("OSC") Rule 61-501 *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*, together with the Companion Policy 61-501CP (collectively the "OSC Rule"). A complete copy of the OSC Rule can be found on the OSC's website at www.osc.gov.on.ca. The text of the OSC Rule has also been incorporated as Appendix 5B and Appendix 5C to the Manual.

The main headings of this Policy are:

1. Definitions

2. Application of the OSC Rule

3. Exemptions

1. Definitions

1.1 Definitions contained in the OSC Rule that are inconsistent with definitions contained within other Policies are applicable only to the interpretation of this Policy.

1.2 For the purposes of this Policy references in the OSC Rule to the "Director", refer to a Vice-President, Listed Issuer Services of the Exchange.

2. Application of the OSC Rule

2.1 This Policy applies to all Issuers listed on the Exchange or Companies seeking listing on the Exchange, regardless of whether the Issuer is a reporting issuer in Ontario. For the purposes of this Policy, references in the OSC Rule to its application to Ontario reporting issuers shall be considered to be references to Issuers listed on the Exchange.

2.2 Subject to the exemptions in section 3 of this Policy, the OSC Rule is adopted, in its entirety, as a Policy of the Exchange.

2.3 In addition to insider bids and issuer bids (including those described in *Policy 5.5 – Stock Exchange Take-Over and Issuer Bids*); this Policy may be applicable to certain transactions undertaken pursuant to the following Policies:

(a) *Policy 2.4 - Capital Pool Companies,*

(b) *Policy 4.1 - Private Placements,*

(c) *Policy 5.2 - Changes of Business and Reverse Take-Overs, and*

(d) *Policy 5.3 - Acquisitions and Dispositions of Non-Cash Assets.*

3. Exemptions

Applicability of Valuation Exemptions

3.1 Issuers should note that the OSC Rule provides an exemption from the valuation requirements in respect of business combinations and related party transactions for Issuers listed on the Exchange that do not have their securities interlisted on certain specified markets. Despite this exemption, Issuers may be required to produce evidence of value pursuant to Exchange Policies applicable to a particular transaction.

Other Exemptions

3.2 An Issuer that is a reporting issuer in Ontario is subject to the OSC Rule and must apply to the OSC for any discretionary exemption. The Issuer must concurrently make an application to the Exchange and provide a copy of all subsequent correspondence with the OSC to the Exchange. The Exchange will consider such applications on a case by case basis, and may elect not to grant an exemption notwithstanding the decision of the OSC. Issuers should consult the Exchange in advance of their application to the OSC to determine if the Exchange will grant an exemption.

3.3 Where an Issuer seeking an exemption from this Policy is not a reporting issuer in Ontario, and is not directly subject to the OSC Rule, the application for the exemption need only to be made to the Exchange.