

**NOTICE OF AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 61-501
INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS
AND RELATED PARTY TRANSACTIONS
(Canadian Venture Exchange Issuers)**

Amendment to Rule 61-501

The Ontario Securities Commission (the "Commission") has, under section 143 of the *Securities Act*(Ontario) (the "Act"), made a rule (the "Amendment") that amends Commission Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* ("Rule 61-501").

The Amendment and the material required by the Act to be delivered to the Minister of Finance were delivered on November 30, 2001. If the Minister does not reject the Amendment or return it to the Commission for further consideration by February 13, 2002, or if the Minister approves the Amendment, the Amendment will come into force on March 1, 2002.

Background

The Commission published a draft of the Amendment for comment on August 24, 2001. The Notice that accompanied the draft Amendment provided background to the Amendment and described the change proposed to be made to Rule 61-501 and the reasons for the change. The comment period ended on November 26, 2001. The Commission received no comments.

Substance and Purpose of the Amendment

The purpose of Rule 61-501 is to provide certain protections to shareholders in connection with insider bids, issuer bids, going private transactions and related party transactions. The protections afforded by Rule 61-501 include independent valuations, minority shareholder approval and enhanced disclosure.

The purpose of the Amendment is to add a new exemption from the requirement to obtain an independent, formal valuation for related party transactions that are subject to, and carried out in accordance with, Canadian Venture Exchange ("CDNX") Policy 5.9 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* ("Policy 5.9").

Policy 5.9 essentially makes Rule 61-501 a policy of CDNX, subject to the addition of certain exemptions. Policy 5.9 applies to all CDNX issuers regardless of whether they are reporting issuers in Ontario. A copy of Policy 5.9 was included with the draft Amendment in the August 24, 2001 Bulletin.

In order to recognize the unique status of CDNX issuers as developing companies, Policy 5.9 contains five exemptions from the formal valuation requirements (the "Exchange Valuation Exemptions") for related party transactions, in addition to the exemptions contained in Rule 61-501. The Exchange Valuation Exemptions apply to certain types of related party transactions that are subject to review by CDNX. The Amendment incorporates the Exchange Valuation Exemptions into the Rule, so that all CDNX issuers will have the benefit of the Exchange Valuation Exemptions, even if they are also reporting issuers in Ontario.

Summary of the Amendment

Section 5.5 of Rule 61-501 requires an issuer involved in a related party transaction to obtain an independent, formal valuation of the subject matter of the related party transaction. Section 5.6 of Rule 61-501 sets out exemptions from the formal valuation requirement. The Amendment provides an additional exemption from the formal valuation requirement where the issuer is subject to Policy 5.9 and has an Exchange Valuation Exemption.

Summary of Written Comments Received by the Commission

No comments were received. However, the Commission has made one minor change to the draft of the Amendment that was published on August 24, 2001, which change is not material. The requirement in the Amendment that CDNX "unconditionally approves the transaction" has been deleted, because Commission staff were advised that CDNX does not typically unconditionally approve transactions that are subject to Policy 5.9 in advance of the closing of such transactions. Instead, the Amendment requires that the subject transaction be carried out in compliance with the requirements of CDNX.

Transitional Matters

The Amendment will apply to related party transactions that are completed on or after the effective date.

Amendment

The text of the Amendment follows.

November 30, 2001.

AMENDMENT TO ONTARIO SECURITIES COMMISSION RULE 61-501 INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS

PART 1 AMENDMENT

1.1 Amendment - Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions is amended by the addition of the following paragraph 17 to section 5.6:

"17. Canadian Venture Exchange Policy 5.9 - The issuer is listed on the Canadian Venture Exchange ("CDNX"), the transaction qualifies for an Exchange Valuation Exemption as defined in Policy 5.9 of CDNX, *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*, and the transaction is carried out in compliance with the requirements of CDNX."

PART 2 EFFECTIVE DATE

2.1 Effective Date - This amendment comes into force on March 1, 2002.