

13.1.4 Comments Received re: CNQ Application for Recognition as a Stock Exchange

March 23, 2004

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON
M5H 3S8

Attention: Barbara Fydell, Legal Counsel, Market Regulation

Dear Ms Fydell:

Re: Canadian Trading and Quotation System Inc. ("CNQ") — Application for Recognition as a Stock Exchange

This letter provides a summary of the responses to the request for comments on CNQ's application for recognition as a stock exchange and consequential rule and policy changes reflecting the new status.

Comments Received

We received comments from the TSX Group ("TSX"), Douglas G. Reeson and Market Regulation Services Inc. ("RS"). All supported CNQ's application and we thank them for taking the time to make their comments. The comments did not raise any need to amend the application or the proposed rule and policy amendments.

The TSX stated that it welcomed "competition from marketplaces such as CNQ that will provide listings opportunities to emerging companies while maintaining a solid level of investor protection achieved through effective regulatory oversight." The TSX noted that CNQ has retained RS to act as regulation services provider and that the Universal Market Integrity Rules ("UMIR") apply to trading on CNQ, thus ensuring a level playing field with the other Canadian exchanges. The TSX queried whether CNQ would review materials filed in connection with a reverse take-over to ensure prospectus-level disclosure and stated that CNQ should comply with audit trail standards to be established by the Trade Reporting and Electronic Audit Trail Standards Committee.

Mr. Reeson stated that "it is important to Canada's financial markets that CNQ be allowed to evolve into a full and complete stock exchange." He stated that many public companies in Canada are frustrated with the current monopoly situation, and recognition would materially assist CNQ in achieving a sustainable critical mass of listings and trading.

RS stated that recognition would have no impact on the existing regulation services agreement between RS and CNQ and would not have any implications for the application and administration of UMIR.

In response to the questions raised by the TSX, CNQ subjects companies undergoing a reverse take-over to the same requirements as a company applying for quotation, including filing a quotation statement that contains prospectus-level disclosure. This ensures a level playing field with companies making an original application. The quotation statements are reviewed to ensure they are complete.

CNQ also will comply with any audit trail requirements. To that end, we have asked to be included on the industry committee so that our unique market model will be taken into consideration when those standards are set.

We thank the Commission for your consideration of our application.

Yours truly,

Timothy Baikie
General Counsel & Corporate Secretary