



British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
The Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

Dear CSA Members,

Re: Activist Short Selling

I applaud you for undertaking this research and analysis of activist short selling. The main concern I have is the imbalance between corporations and the activist short sellers on regulatory requirements. The short sellers are not held to the same standard of disclosure and can imply, rumour or repeat other inaccurate statements as if they are fact. For companies responding to these allegations it is not always possible to be clear and concise to specific allegations due to 43-101 limitations and other full, plain and true requirements. In this situation the company's response often looks incomplete or side stepping the allegations. If companies could speak in the same language or context as the activist reports it would be more complete but does pose the above noted disclosure issues.

In response to your specific questions using your numbering system:

- 1) I have a very negative perception about activist short sellers. This is based on reading several of the "reports" which imply they are sound research but are often full of unreliable and misleading "facts".
- 2) The conduct of the short sellers that is most problematic is first selling short significant volumes of stock then publishing very suspect analyst reports which usually contain exaggerated and inaccurate information often taken out of context. If like insiders the activist sellers could not sell shares until AFTER their news was disclosed then at least they would not have incentive to

exaggerate the situation to panic the market to enable them to make the maximum profit. It is not fair to existing shareholders and begs the question: how come they can trade on non-disclosed information and others can't? It is a totally unbalanced situation.

3-6) I do not know the answers to these questions.

7) As stated above, Issuers have a lot of problems trying to respond to incomplete accusations, innuendo and distorted facts. The issuer is restricted on what language or material can be properly presented to refute the allegations.

8) I don't think Issuers are reluctant to approach securities regulators, it is just time will pass too quickly for the regulators to respond to the very fast paced market reaction to these "reports". Investors will mostly flee the stock and see what happens and re-invest later, if interested, however hesitation is not an option for liquid investors to protect their positions.

9) I do not think the existing framework is adequate as there are no controls or requirements for the quality or accuracy of the short seller's disclosure and also the fact they can trade with non-disclosed information.

10) Not sure if there is a connection between failed trades and activist selling but I think that shareholders that own the shares should not have their shares able to be loaned out by a brokerage firm whereby the owner is a) unaware and b) the broker pockets the fee. This area of the securities market needs further education and controls.

11) No, the disclosure regime is not adequate. If the sellers had to disclose their information first (like insiders) it would be a more level playing field. They should need to immediately update their disclosure if it has been found to be inaccurate or misleading. The regulators need to impose specific disclosure requirements similar to those on Issuers and be able to enforce them in a timely manner.

12) Existing enforcement mechanisms have no teeth and arrive too late after the damage is done. The regulators need to be specific as to what is acceptable disclosure and those poor quality reports should suffer some sanctions with penalty to improve the quality and true intent of the reports.

13) Preferably, if activist short sellers were required to be registered it would provide an ability to monitor and discipline the bad actors and provide a higher quality of reports.

14) The regulators need to have a mandate and ability to quickly investigate these reports and ensure the disclosure meets IIROC standards similar to Issuers.

15) No, it does not need to have a market effect first, but likely the only time regulators will be allocating resources to the situation.

In conclusion, I would like to confirm that I do not want to eliminate activist short sellers as some of them have provided a valuable service identifying problem Issuers. My request is that they be held to a similar standard to what Issuers are for disclosure.

Thank you again for undertaking this task as I hope it results in a more balanced regulatory market.



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