July 17, 2000

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, Government of New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite #800, Box 55
Toronto, Ontario
M5H 3S8

Claude St. Pierre, Secrétaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 17th Floor
Montreal, Quebec
H4Z 1G3

Dear Sirs:

Re: Concept Proposal for an Integrated Disclosure System (the "Proposal")

The following are comments on the Proposal as published for comment on January 28, 2000, numbered to correspond with the question numbering in the Proposal:

1. I do not see the necessity for an issuer to have reporting issuer (or equivalent) status in all CSA jurisdictions as a condition of IDS eligibility. In particular, I would disagree with the statement in the Proposal that "all–jurisdiction reporting issuer status is consistent with ensuring that secondary market investors across Canada have access to relevant information upon which to base their investment decisions". Typically, participants in the public markets who wish to access disclosure documents will, first, access these through SEDAR, second, from the issuer directly, and, only as the last resort,

from non-electronic public files. In fact, it is stated in the Proposal that the CSA recognizes "that all–jurisdiction reporting issuer status is not essential to ensure secondary market access to timely, high quality information about an issuer".

Notwithstanding the foregoing, however, requiring all–jurisdiction reporting issuer status would not be objectionable if, first, an issuer could obtain reporting issuer status in each of the jurisdictions simply by filing its, say, last two years of public disclosure documentation previously filed in a Uniform Act jurisdiction or in the U.S., together with an AIF or 10K, with the relevant jurisdiction's regulatory authority and, second, that French translation is not required in Quebec except in the circumstances where such is currently required, i.e. to carry out public offerings, take-over bids, etc. Any other alternative will substantially discourage participation of smaller issuers in particular in IDS simply from a cost point of view. From a policy point of view, unless there is a substantial investor base in Quebec, there is little benefit in requiring translation of documentation and participation in IDS should, one would think, be encouraged. From a practical point of view, if an issuer is not already a reporting issuer in Quebec, it is unlikely that it will have a substantial investor base there and translation is less important. (I would note that Aur Resources Inc. used to translate into French all its disclosure documentation annually but ceased the practice when, after a number of years, no requests for the French language version of such documents were ever received.)

I would also add that the existence of IDS should in of itself improve disclosure as, to the extent non-POP issuers could issue securities relatively easily compared to the current prospectus procedures, one would expect that such issuers would make their continuous disclosure sufficiently detailed and complete to satisfy underwriters' due diligence, etc. as their likelihood of actually carry out a public offering at an acceptable cost would be substantially increased.

As well, the proposals referred to in E. are also relevant in this context.

3. I do not believe the issuer community currently finds that the differing continuous disclosure requirements across the various Canadian jurisdictions to be a significant burden and, in any event, do not see why this would be any more of a problem under IDS than currently.

4. "Seasoning" should not be included as a condition of IDS eligibility for the reasons referenced in the Proposal. The arguments in favour of imposing a seasoning period on issuers are less than compelling. If seasoning were to be imposed, however, such should be dependent on market capitalization, as such best equates to value, liquidity and market and analysts' following. Focusing on revenues or assets would exclude a large number of issuers which have a large market and analyst following and which it is in the best interests of the market to have providing the enhanced IDS disclosure.

7. The argument could well be made that disclosure for smaller issuers is in fact superior to those of larger issuers, simply because of the fact that all relevant details about a smaller issuer are much easier to provide than for a larger issuer. In other words, an analyst analyzing a smaller issuer typically will have a more "complete" information base on which to carry out such analysis than might perhaps be the case for the larger, more complex issuers.

An obvious example of this would be in the resource sector where an issuer's asset base might well be a single, or relatively few, mines and/or properties/projects.

Also, if we look at disclosure failures over the last number of years, one could perhaps make the argument that the disclosure of large issuers might well be far less transparent than that of smaller issuers.

Smaller issuers as well have much more incentive to participate in IDS than a POP issuer, for example, because the relative advantage of such participation is significantly greater for smaller issuers. In this context as well, I would also reiterate the earlier comment that participation in IDS gives smaller issuers relatively more incentive to make "prospectus – type" disclosure.

8. There is some logic to the "analyst following" argument as empirical studies carried out in the United States indicate that the two most important factors in creating an efficient market in an issuer's securities are the number of analysts following the issuer and liquidity of the issuer's securities. However, analysts following is not necessarily related to market capitalization or size - there is also a correlation between the type of industry and the number of analysts following an issuer. For example, in Canada, the resource sector would provide many examples of a large analyst following for relatively low market capitalization stocks, compared to analysts following relative to capitalization levels in other sectors.

11. Events that would currently trigger the filing of a material change report should trigger the filing of an SIF.

14. The key change that should be implemented with respect to shareholder communications is that, given SEDAR and the prevalence of issuers with websites, issuers should not be required to send all shareholders all materials. Rather issuers should only required to send these materials to shareholders who so request them. In the real world, the vast majority of shareholders do not read the materials distributed to them, these are simply dumped in the garbage and the whole exercise is largely a waste of dollars and of paper. Issuers should only be required to mail each year to each registered and beneficial shareholder a communication, together with a stamped addressed return envelope, whereunder the shareholder can request to be sent the relevant disclosure materials. If any shareholder does not have sufficient interest to fill out and mail the relevant return card or similar document, it is difficult to argue that such shareholder has any real interest in being sent the materials or any purpose is served thereby.

15. The cost implications of requiring interim financial statements to be reviewed by the issuers' auditors outweighs the benefits of such, particularly for smaller issuers. Also, is the quality of interim financial statements perceived to be a significant problem currently and, if so, is it reasonably expected that auditors' review, without an audit, would resolve such problems?

16. I do not believe that the proposed certification requirements would materially effect the extent to which signatories participate in the participation of IDS disclosure documents. In particular, my belief is that smaller issuers would gladly accept the requirements to provide enhanced disclosure and to certify the disclosure if, as a result, such issuers were able to participate in IDS.

It is smaller issuers that can obtain particular benefit from IDS as it is these issuers to which to the costs of currently doing a prospectus offering are often prohibitive.

17. Of significant relevance to the level of the certification required is whether or not the CSA proceeds with the implementation of statutory civil liability for misrepresentation in continuous disclosure documents. In any event, the alternative misrepresentation standard referenced in question 17 would be more appropriate for documents such as SIF's.

18. This is an area in which it makes more sense to let the industry to deal with the practicalities of due diligence rather than to try to deal with this through regulation. In any event, my view is that the SEC's proposed regulation FD simply states what is the current law in Ontario in the case of intentional disclosures and what is the current practice in the case of a non-intentional disclosures.

19. It is not so much that preliminary or final prospectuses assist individual investors in making their investment decisions but rather that such provide useful information generally in the marketplace. Analysts' and brokers, recommendations are more influential for individual investors (and institutions, I would suggest, will ensure the information they want in prospectuses will in fact be provided). The real issue these days is not so much the content of prospectuses but rather the delivery obligations and the arguments made in the second paragraph of C.1. are compelling in this regard. That a prospective investor can easily obtain a copy of the prospectus should be sufficient. The foregoing is particularly relevant given that, under IDS, an abbreviated offering document is used and, I suspect, will provide little more useful information in many cases than the initial press release announcing any such offering.

23. In my view, the shorter the document, the more likely it is to be read by the investor.

27. If enhanced disclosure is being required from all issuers, including the attendant certification requirements, it seems somewhat contradictory to deny certain issuers the benefits of the IDS system.

28. Given the predominance of secondary market trading over primary markets, the main purpose of IDS should be to provide the marketplace in general with enhanced and expanded disclosure, i.e., the ability of such issuers to access an alternative faster and more flexible offering system arises as a consequence of the expanded and enhanced disclosure and it is in effect the result, but not the primary purpose, of instituting IDS. Accordingly, IDS disclosure should logically apply to all reporting issuers.

As well, broad based IDS disclosure standards might also permit the elimination or substantial reduction of much of the complexity of current securities legislation, for example, in the area of hold periods, prospectus exemptions (particularly if the "accredited investor" proposals currently under consideration by the OSC are proceeded with), etc.

However, the only issuers which would not be IDS eligible are non-listed issuers and I expect that their concerns would far more ideally be met, at least

in Ontario, by the implementation of the proposed accredited investor proposals.

In connection with the actual details of the Proposal, comments on these should be sought again once the CSA has determined how it wishes to proceed based on comments on the questions raised in the Request for Comments. For example, comments on the details of the IDS system will be impacted on whether or not it is decided to eliminate the use of short form prospectuses, whether certain other initiatives of the CSA and other provincial commissions are proceeded with (such as the debate whether “material changes” or “material information” is to be disclosed, whether the accredited investor proposals are proceeded with, the finalization of the current proposals re in connection with long form and short form prospectus disclosure and information circular disclosure, whether statutory civil liability for misrepresentations in continuous disclosure documents is instituted, etc.).

I would be happy to discuss or clarify the above comments should you wish such to be done. A disk containing the text of this letter on Microsoft Word 1997 is also enclosed.

Yours very truly,

Peter McCarter

Enclosure

PMC/sf