December 7, 2000

Mr. John Stevenson,
Secretary,
Ontario Securities Commission,
20 Queen Street West,
Suite 1900, Box 55,
Toronto, Ontario M5H 3S8

Dear Sir:

Re: Proposed OSC Rule 45-501 – Exempt Distributions

BayStreetDirect Inc. is registered as an investment dealer under the Ontario Securities Act and in all other provinces of Canada and is a member of the Investment Dealers Association of Canada. The raising of capital for private Canadian companies is a very significant part of our business. Since we began offering these services in July 2000 under the trade name, The Private Placement Exchange, we have been an agent in 4 offerings for private companies and in 2 private placements for small publicly listed companies.

We welcome the proposed changes to Rule 45-501 for we believe they will greatly expand the access to capital for small Canadian businesses and thus reduce a significant disadvantage Canadian companies have relative to their US competitors who for a long time have had access to capital under the more open US system.

Our wish is to have the proposed changes implemented as soon as possible. With that objective in mind we are offering our comments herein for consideration within the context of the rule changes you have proposed and would prefer that any recommendations not be considered at this time if they would result in a delay of the implementation of the proposed rule changes.

<u>Offering Memoranda</u>

We are in agreement with your proposal that it be mandatory to include a statutory right of action when an Offering Memorandum is used. We would also not object to a requirement that an Offering Memorandum be used in all cases where securities are being sold under the Accredited Investor Exemption.

Accredited Investors

The financial tests for accredited investors are higher than we would like for we believe that they exclude many investors who (1) are sophisticated enough to understand the risks involved in investing in a private placement and (2) can afford to lose their whole investment. We ask that you consider a net financial assets test of $750,000 rather than $1,000,000 or a net income test of $150,000 ($250,000 with spouse) rather than $200,000 ($300,000 with spouse). This would add to the number of investors eligible to invest in private placements and bring us closer to the US standard where the net asset test is not as onerous for it requires $1,000,000 of net worth and not $1,000,000 of net financial assets. We agree that your focus on net financial assets is more appropriate than net worth; we just think that the proposed threshold is too restrictive and punitive relative to the US test. For clarity, we recommend that the definition of net income be stated as net income before income taxes.

The eligibility as an Accredited Investor is proposed to extend to certain individuals who are registered under the Ontario Securities Act for they are seasoned enough to understand the risks inherent in investing in private placements. We suggest that the eligibility be extended to anyone who is an Officer or Director of a member of the IDA for such individuals, even though they may not be registered as trading officers, can be presumed to have the necessary sophistication as investors.

The proposed regulations state that it should remain the issuer's responsibility to ensure that it is complying with securities regulatory requirements when it sells its securities. We believe than an Issuer should be able to rely on a statement from an investor that the investor meets either the Net Financial Assets Test or the Income test, which is the US practice.

Merging of Accredited Investor Exemption and Closely-Held Issuer Exemption.

From our own experience we can speak to the following situation, which is likely to happen in most cases.

A company engages an Agent to assist in the raising of capital and enters into a fee arrangement with that Agent. The company, with the assistance of the Agent, prepares an Offering Memorandum to be presented to potential investors. During the course of the offering, certain investors who would qualify under the Closely-Held Issuer Exemption as people who are closely connected to the issuer or its principals will wish to subscribe to the offering. This happens because many potential investors who are connected in some way to the issuer or its principals, such as providers of professional services, customers, suppliers and even employees, need the comfort of knowing that third parties have embraced the merits of an investment before making their own investment. As the Agent will have already expended considerable time and effort in assisting the company with the preparation of the Offering Memorandum, in organizing the offering and finding

interested investors, it is appropriate that the Agent be able to charge a fee for enabling the participation of investors in the offering who qualify under the Closely-Held Issuer Exemption and that the issuer can accept such subscriptions even though the offering has been "advertised". We assume you do not want unscrupulous agents using the Closely-Held Issuer Exemption to secure an investment from unsophisticated investors, particularly since it is proposed that an offering can be completed under the Closely-Held Issuer Exemption without the benefit of an Offering Memorandum. We therefore propose that where an Agent is engaged and where an Offering Memorandum is being used, that the agent can receive his fee and the issuer can accept the subscription from investors whether the exemption being used is either the Accredited Investor Exemption or the Closely-Held Issuer Exemption.

Our firm would be pleased to elaborate further and to meet with you at your request to discuss our experiences and recommendations in greater detail. Please do not hesitate to contact me at 416-681-9096.

Yours Truly,

Ed Collins
Senior Vice President
Private Capital Markets

Enclosure: Diskette in RTF