

May 10, 2001

Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario  
M5H 3S8

**Attention: John Stevenson, Secretary**

Dear Sirs/Mesdames:

**Re: Proposed OSC Policy 12-602 – Deeming an Issuer from Certain Other  
Canadian Jurisdictions to be a Reporting Issuer in Ontario**

The Canadian Venture Exchange (“CDNX”) appreciates the opportunity to comment on Proposed Policy 12-602 (the “Proposed Policy”) of the Ontario Securities Commission (the “OSC” or the “Commission”).

Our comments specifically relate to the following matters:

- (i) The requirement that a letter of “good standing” from CDNX accompany an application from an issuer to be deemed a reporting issuer in Ontario pursuant to the Proposed Policy; and
- (ii) Note 1 to the Proposed Policy which provides that the Commission will not generally deem an issuer to be a reporting issuer in Ontario until at least 12 months following such issuer’s Qualifying Transaction pursuant to the Capital Pool Program.

*CDNX Good Standing Letter*

Effective upon the implementation of the Proposed Policy, CDNX expects to be in a position to provide a good standing letter upon request of an Issuer confirming that such Issuer has not been suspended or delisted by the Exchange pursuant to CDNX *Policy 2.9 – Trading Halts, Suspensions and Delistings*.

*Applications for Reporting Issuer Status by Capital Pool Companies*

The position taken by the Commission in the Proposed Policy in respect of those applications for reporting issuer status in Ontario that will be made by Capital Pool Companies is inconsistent with our understanding. We refer you to the Exemption Order granted by the Commission effective December 5, 2000 and specifically to Schedule E of that Exemption Order (the "Significant Connection Rules"). It is CDNX's understanding that the "Significant Connection Rules will apply to *all* CDNX Issuers, including Capital Pool Companies assuming implementation of the CPC Program in Ontario. Pursuant to the Significant Connection Rules, application for reporting issuer status in Ontario must be made within 6 months of an Issuer's determination that it has a "Significant Connection to Ontario". The statement at Note 1 to the Proposed Policy providing that CPC Issuers may not make application to become a reporting issuer in Ontario until *12 months* following the completion of the Qualifying Transaction directly contradicts the Significant Connection Rules. This inconsistency may be resolved in one of two ways:

1. Note 1 to the Proposed Policy be deleted and that any reference to a 12-month waiting period for CPC Issuers be removed both before and after implementation of the CPC Program in Ontario. Further, CDNX requests that the Commission clarify that CPC Issuers will not be treated in a manner which is different than other CDNX Issuers upon implementation of the Proposed Policy; or
2. CDNX's "significant connection to Ontario" policy amendments be changed to provide that CPC issuers do not have to make the initial assessment or make application to become a reporting issuer in Ontario until 12 months following such issuer's Qualifying Transaction.

As generally requested of the public by the British Columbia and Alberta Securities Commissions, we are copying them on this comment letter.

Yours very truly,

Gerry Romanzin  
Executive Vice President

cc. British Columbia Securities Commission  
Attention: Brenda Benham, Director

Alberta Securities Commission  
Attention: Denise F. Hendrickson, Legal Counsel

Ontario Securities Commission  
Attention: Randee Pavalow