

"Stephen McIntyre" <smcintyre@dumontnickel.com>

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To: "John Stevenson" <jstevenson@osc.gov.on.ca

Subject: Proposed Changes to Policy 45-501

As you know, small-capital issuers have relied upon the exemption for government-incentive securities (previously Regulation 14(f), currently 45-501(2.4)) for financing mineral exploration in Ontario. As I understand the policy, the language in Policy 45-501 currently includes purchasers who "because of net worth and investment experience **or** because of consultation with or advice from a person or company that is not a promoter of the issuer and that is an adviser or dealer registered under the Act, is able to evaluate the prospective investment on the basis of information about the investment presented to the prospective purchaser by the issuer or selling securityholder". This carries forward language in the previous Regulation 14(f) which was in effect until early 1999, when Policy 45-501 was introduced.

The OSC proposed the deletion of this exemption in favour of an "accredited investor" exemption. Objections to this deletion were made in respect to its impact on placement of flow-through shares. The OSC responded to criticisms in regard to the deletion of the flow-through exemption on page 13 of the Request for Comments by stating that the existing exemption requires investors to be "sophisticated" and that the Commission through its definition of "accredited investor" has merely set out its view on what is "sophisticated" and that the "accredited investor" exemption will be available for "many if not all of the financings completed" under this exemption.

It appears to me that the existing exemption permits sale of flow-through shares to non-accredited investors who have consulted with or been advised by a registered dealer or adviser and includes many potential investors who will be excluded under the new definition. Since the Commission appears to have not accurately characterized the existing exemption, it has accordingly not accurately characterized the effect of the proposed changes and failed to provide a rationale for the change in policy or to respond to the critique in this respect.

It is my view that the policy change itself will likely have a significant deleterious effect on mineral exploration in northern Ontario and should not be implemented as it stands - especially in view of the Commission's failure to provide a satisfactory policy rationale or response to prior critiques.