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BY TELECOPIER AND E-MAIL August 8, 2001

Ontario Securities Commission
20 Queen Street West
Suite 1800
Toronto, Ontario M5H 3S8

Attention: Mr. John Stevenson, Secretary

Dear Mr. Stevenson:

Re: Proposed OSC Rule 45-501

This letter represents my personal comments (and not those of the firm) with respect to proposed OSC Rule 45-501. They are in no particular order.

1. If the Cdn. $150,000 approach is considered acceptable on a transitional basis for pooled funds, then I would suggest strongly that it (and the private company exemption) be retained on a transitional basis for general purposes until all or most of the other CSA jurisdictions adopt a rule similar to this rule. Otherwise, it will become increasingly difficult to explain the rules in Canada to non-Canadians. Our balkanized system of securities regulation already makes this very difficult, and this rule will only make it worse.

2. The definition of "closely-held issuer" should be modified to delete references to securities other than shares, or to reflect debt securities held by non-Canadian financial institutions and accredited investors as well. Debt providers of all types look very dimly on restrictions on their ability to transfer their positions, whether through assignment, participation or syndication, including in cases of subsequent financial difficulty, and this will in my view likely make debt capital harder to raise than for existing private companies, which are only required to restrict transfers of their shares. It is also not clear what the content of these restrictions must be (e.g. does a requirement for 10 days' prior notice before any transfer suffice?) and, given that the constating documents do not seem an

appropriate location to deal with debt securities, whether a restriction contained in the applicable debt instrument would suffice.

3. Regarding paragraph (b) of the definition of "closely-held issuer", (i) should only relate to persons in Ontario, and should contain provisions dealing with persons who purchased under old exemptions (e.g. private company and $150,000) prior to the entry into force of this rule. Also, (ii)(B) contains restrictions for an entity "being used primarily for holding" the securities in question. That is tighter than the current language, and in my view will inappropriately causes difficulties for new holding entities or holding entities that are in the process of changing their investments, since a single large investment could throw them off-side. I would suggest that the "creation" standard, or the current standard, are to be preferred. Also, compare this to the language in s. 3.5.

4. Regarding paragraph (z) of the definition of "accredited investor", as under OSC Rule 62-103, US institutional investors (at a minimum, and if possible UK, French, German, Japanese and Italian institutional investors as well) should benefit from exemptions similar to those referred to in (k) and (x).

5. Regarding paragraph (aa) of the definition of "accredited investor", like paragraph (v), this should only refer to owners in Ontario.

6. Regarding paragraph (q) of the definition of "accredited investor", grandchildren should in my view be added.

7. The definition of "exchange issuer" refers to a reporting issuer, and thereby seems to avoid dealing with issuers whose securities are exchangeable into securities of a non-reporting issuer, which seems inappropriate both in this definition and also in the definition of "multiple convertible security" and in sections 6.5 and 6.6.

8. How does section 7.3 reflect the 20% fee discount?

9. The definition of "related liabilities", in extending to security generally, seems inappropriate where, as is frequently the case, a lender takes general security over all assets, since non-financial assets would not be treated equivalently. If they do not count as assets, they should not count as liabilities. I suggest ending the sentence after the words "financial assets".

10. Does the definition of spouse mean that separated (but not divorced) spouses would count for the financial tests? Is this appropriate?

11. The language in section 2.1(c) should conform to that in section 2.13(d).

12. Section 2.1(2) and the 35 beneficial holders in the "closely-held issuer" definition should have a knowledge (after reasonable inquiry) qualifier on beneficial

ownership, as it is often difficult for a company to know or determine the beneficial holders of its securities. Also, what is an "indirect beneficial holder" in the latter definition?

13. The definition of portfolio adviser contains a reference to Reg. s. 148. To my knowledge, while it is generally accepted that IDA/TSE requirements suffice, I am not aware of where (i.e. in which instrument) the OSC has approved them as "the substantial equivalent" of its rules for portfolio managers. Perhaps this could be confirmed in writing in the notice adopting the rule.

14. Section 2.5 should have a knowledge qualifier re defaults.

15. Should section 2.10 be broadened to cover Canadian school boards and boards of education generally?

16. Given the status of MI 45-102, is it desirable to cross-reference it?

17. The clarification of paragraph (2) of CP 45-501 suggests that NP 48 is viewed as not currently applicable. If so, that should in my view be communicated more clearly. In addition, if this is generally true of prior OSC policies, then why does the OSC purport to repeal them (e.g. Policy 9.1) in adopting replacement rules? The status of prior policies that were not made into rules continues to be very unclear.

18. It is generally impossible to obtain copies of offering memoranda from the OSC or Micromedia. Query whether this is appropriate.

I hope that these comments are helpful.

Yours truly,

Simon Romano

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