

October 29, 2001

VIA EMAIL

Ontario Securities Commission
1903, 20 Queen Street West, Box 55
Toronto, Ontario
M5H 3S8

Attention: John Stevenson, Secretary

Dear Sir:

Re: Proposed Policy 41-601 Capital Pool Companies

our file:

your file:

contact: **DERRICK R. ARMSTRONG**

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We make the following comments in regard to Ontario's proposed policy adopting capital pool companies:

1. The capital pool program has been an excellent initiative in Alberta from 1986 until the merger of The Alberta Stock Exchange and The Vancouver Stock Exchange which created CDNX in November, 1999. At that time, the junior capital pool policy that had worked effectively in Alberta was replaced with the capital pool policy of CDNX, which has also been successful, although such success is limited because of the creation of more "blind pools" which have been unable to complete a Qualifying Transaction.
2. The initial capital pool program of The Alberta Stock Exchange provided certainty to issuers where there was a proposed "Qualifying Transaction" prior to filing the preliminary IPO. An issuer with a proposed Qualifying Transaction could go public as a capital pool company so long as there was not an enforceable agreement with the target business. The adoption of the concept of "agreement in principle" under the CDNX rules has created uncertainty, and has made the program less effective, as it has resulted in more "blind pools". If a new capital pool policy will continue to prohibit issuers from using the capital pool program when there is an "agreement in principle", then there ought to be complete certainty as to the conditions upon which an "agreement in principle" is deemed to be in place prior to the filing of the preliminary IPO. (This should not be a matter for an application or regulatory determination after the IPO is filed.)
3. Dual vetting (i.e. vetting by both a stock exchange and a securities commission) has not proved effective in the past, and we recommend that the policy provide for selection of a single regulatory body to vet the IPO and the information circular relating to the Qualifying Transaction. (In Alberta, we have had the prior experience of dual vetting under the EOP program, which was not efficient or effective.)
4. We believe the adoption of a capital pool program will be beneficial for development of a venture

market in the Province of Ontario, and will be used by a significant number of new businesses as a means for going public. We believe a capital pool program will compliment the new Ontario statutory exemption regime, since that regime seems to encourage the start up of new businesses, but those businesses may need to seek public financing sooner than is the case in other jurisdictions because of the limitations on "mid-range" financing under the Ontario exemption regime. For this reason, and all the business reasons that the capital pool program has benefitted the development of new businesses, creation of employment and creation of wealth in Alberta, we strongly support adoption of the capital pool program in Ontario and across Canada.

Yours very truly,

ARMSTRONG PERKINS HUDSON LLP

"signed"

Derrick R. Armstrong

DRA/mms