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BY TELECOPIER January 8, 2002

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

Attention: Mr. John Stevenson, Secretary

Dear Mr. Stevenson:

Re: Proposed Changes to OSC Rule 45-503

This letter represents my personal comments (and not those of the firm) with respect to the proposed changes to OSC Rule 45-503 and to OSC Rule 45-503 generally, as I have not previously had an opportunity to comment on how it is working in practice.

Proposed Changes

The de minimus exemption is proposed to move from 10% in Ontario to 10% in Canada. I believe that a higher threshold for Canada would be preferable, since otherwise the Rule is getting tighter, for no clear reason. In addition, any beneficial ownership test should be based on knowledge, since it is very difficult to determine beneficial ownership generally.

The definition of "listed issuer" should be updated, I would think, to reflect current Canadian stock exchanges.

General

While I commend the Commission for dealing with many of the administrative issues associated with the stock option and stock purchase plans, such as the involvement of parties other than the issuer, I am concerned that Rule 45-503 is both far too complex an instrument and far too constraining on non-public companies.

In essence, it does not materially restrict Canadian public companies in providing stock-based compensation to executives, since most are listed on an exchange. However non-public companies, including the old "private companies" (now unfortunately repealed via OSC Rule 45-501), are subjected to public company-like restrictions, or require the cost and expense of shareholder meetings to avoid these restrictions. This causes excessive costs and complexity.

This would be so even through a unanimous shareholders agreement permitted or even contemplated "over 10%" (aggregate related persons) or "over 5%" (individual related persons) options. Section 4.1 requires a circular, and thus a meeting. The cost and the delay seem unreasonable. Why boards of directors of non-public companies would not be allowed to determine appropriate compensation dilution is difficult to fathom. Fees are also payable by private companies, and filings required, which seems inappropriate.

Accordingly, I highly recommend the repeal of section 2.1 of OSC Rule 45-503 and the resulting "rebirth" of section 72(1)(n), which is both short and simple. In my view, OSC Rule 45-503 should properly not remove any exemptions, but provide additional relief for more complex plans, as it does well. Shareholders of listed public companies would be protected by the requirements of the applicable stock exchanges, as well as fiduciary duties, while shareholders of private companies would be able to rely on such fiduciary duties and/or seek contractual restrictions (such as via shareholders' agreements). Alternatively, section 72(1)(n) should be available for non-reporting issuers alone. In either case, no filings and fees should be required of non-reporting issuers.

I hope that these comments are helpful.

Yours truly,

Simon Romano

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