

# ELECTROHOME

Executive Offices

September 11, 2003

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen St. West  
Suite 1900, Box 55  
Toronto, Ontario  
M5H 3S8

Denise Brosseau, Secretary  
Commission des valeurs mobilières du Québec  
Tour de la Bourse  
800, square Victoria  
C.O. 246, 22e étage  
Montreal, Québec  
H4Z 1G3

Dear Sir/Madam,

**Re: Request for Comment – Multilateral Instrument 52-109, Companion Policy  
52-109CP and Forms 52-109F1 and 52-109F2**

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We are writing in response to your request for comments as noted above.

First we would like to provide an overview of Electrohome as our responses are based on current structure as over the past several years, changing circumstances have drastically altered the make-up of our Company. Electrohome has in the past two decades changed from a company with sales in excess of \$200 million and 4,000 employees to our current status of a holding company with a 26% equity interest in Fakespace Systems Inc., and a 6% interest in Immersion Studios Inc. Additional assets include a 300,000 sq. ft. facility in Kitchener, Ontario, most of which is leased to external tenants and the Electrohome name and trademark for which we receive royalty income. Electrohome now has just four employees, being a Vice President and Secretary, an accountant, an executive assistant and a facility manager. The Chairman, President, CEO and controlling shareholder provides his services through a consulting contract and works on a part-time basis due to the Company's reduced activities. As well, effective January 27, 2000, our board of directors was reduced from seven members (five of whom were unrelated) to the current slate of three directors (two of whom are unrelated).

As you can appreciate, the business of the Company today is limited given our current circumstances and thus, our concern regarding increased reporting.

## Part 1

Request for Comment – Do you agree that the proposed one-year transition period is appropriate?

Response – Yes

Request for Comment – Do you think that there is reason to differentiate between smaller and larger issuers? For example, is there any reason to exclude representations 4 through 6 with regard to smaller issuers?

Response – We believe that there is reason to differentiate between smaller and larger issuers. Using your example above, which deals primarily with disclosure controls and procedures and internal controls, we find the requirement to be either very onerous or just “overkill” for a number of reasons. First of all, we only have very simple office routines, a limited staff and limited resources. With a staff compliment of four, we do not have a need or time to formally document disclosure controls and procedures and internal controls. In our circumstances, we believe that if this is required we would need to rely on our auditors to provide an appropriate review, however, this is certainly going to increase our costs. We also believe that due to our relatively small size and the fact that we have our quarterly and annual results reviewed by our auditors, that this should provide a sufficient level of comfort. Perhaps the solution for smaller companies is to require them to have their auditors do a quarterly review as well.

Request for Comment – If the AIF and annual financial statements and MD&A are not all filed at the same time, there will be a gap between the time that the earliest of those documents is filed and the time the annual certificate is filed. Is this timing gap problematic?

Response – As long as the gap is not too long (ie: no more than 30 days) we do not believe it is problematic. In our particular case it is advantageous to have a gap in order to spread out the workload.

Request for Comment – Should the annual certificate in the Proposed Instrument cover certification of Form 40 executive compensation disclosure? If yes, how should this be done? For example, should the annual certificate cover subsequently filed material in the Form 40 as and when that information is filed?

Response – We do not believe there is a need to certify Form 40 unless there is a problem we are unaware of. From what we have been able to observe, we believe most companies appear to be complying with the requirement.

Request for Comment – Do you agree with the approach proposed for *Interim evaluation of internal controls and disclosure controls and procedures*

Response – No we do not agree for the same reason stated in our second response above.

#### Part 4

Request for Comment – Do you think that the exemption in section 4.1, as currently drafted, will have the effect of discouraging issuers that prepare their financial statements in accordance with U.S. GAAP from preparing and filing Canadian GAAP financial statements?

Response – Yes.

#### Part 5

Request for Comment – Should an issuer that is structured such that all or majority of its business is operated through a subsidiary or another issuer of which it materially affects control or direction such as an income trust, be subject to the same certification filing requirements as issuers that offer securities directly to the public?

Response – Our short answer is yes, providing that ownership exceeds a predetermined level. We believe however, that this would be extremely hard to implement for any investments in private corporations as it would be an imposed condition that could cost the private company significant expense.

Request for Comment – Should we formally define: (i) internal controls and (ii) disclosure controls and procedures? If so, what should the appropriate definitions be?

Response – We do not believe that a single definition for either internal controls and disclosure controls and procedures would be appropriate for all corporations. There is simply no comparison between the extremely simplified systems used by our Company versus large and multi-national corporations with extensive ERP systems. So again we believe that there is a need to have different rules for different sized corporations.

#### *Additional Comments*

With regards to the following points included on the forms where the CEOs and CFOs are to personally certify that they:

1. are responsible for internal controls and disclosure controls and procedures;
2. have designed or supervised the design of, internal controls and implemented those internal controls to provide reasonable assurances that the issuer's financial statements are fairly presented in accordance with generally accepted accounting principles;
3. have designed or supervised the design of, disclosure controls and procedures and implemented those disclosure controls and procedures to provide reasonable assurances that material information relating to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities;
4. have evaluated the effectiveness of those controls (52-109F1 only);
5. have presented their conclusions regarding the effectiveness of those controls (52-109F1 only);
6. have disclosed to the audit committee and the independent auditors any significant control deficiencies, material weaknesses, and acts of fraud that involve management or other employees who have a significant role in the internal controls; and
7. have indicated in their issuers' annual and interim filings any significant changes to the controls,

we have the following specific comments.

We do not believe points 2 and 3 are appropriate as it would likely be other staff members (particularly in larger corporations) and not the CEO and CFO that would design or supervise the design of such controls and implement them. We also question such a certification in situations where controls were in place prior to a CEO or CFO joining a new company.

With regards to point 4, we again believe that the CEO and CFO will be relying on other staff members to do such evaluations. Also, in our particular situation, we believe that such a review not be necessary for the same reasons we set out in our second response in this letter.

With regards to points 5 to 7, our thoughts are also reflected in our responses throughout this letter.

With regards to the Companion Policy, we have no comments.

In summary, we believe that we are not alone in our responses and that there are sufficient reasons for the OSC to seriously consider different rules for smaller companies. We are quite confident that if an OSC representative were to visit to our offices and review our situation (which would only take an hour or so), the OSC would likely have a much better appreciation of our position.

If you would care to discuss this further, please do not hesitate to call.

Sincerely,

[signed – John A. Pollock]

[signed – Gary Dumoulin]

John A. Pollock  
Chairman, President & CEO

Gary Dumoulin  
Vice President and Secretary