July, 27, 2004

BC Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches financiers
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

C/O John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Comments Regarding Proposed Changes to National Instrument 81-106

To CSA Member Commissions,

We have reviewed the proposed changes to National Instrument 81-106 and have the following comments:

1) Part 8 Independent Valuations for Venture Capital Funds and Part 3 Statement of Investment Portfolio

We are of the opinion that an annual independent valuation in order to present the statement of investment portfolio in a manner that does not disadvantage our client investee companies as would occur in subsection 3.5 (1) is an onerous and expensive requirement.

The provision of an independent valuation of the NAV of the fund would entail a separate valuation of each company in the portfolio and a valuation of other fund assets and liabilities.

We will use the fund we manage (Golden Opportunities Fund Inc.) as an example. With 18 private investments the cost of an independent valuation would be significant. In order to provide a credible value conclusion, an independent valuator would have to value all the enterprises that we have private investments in. We estimate the cost for such a valuation and report would be in the $50,000 to $100,000 range and would add an extra level of cost for fund investors. This is assuming that the independent valuator does not require that an in-depth valuation of each investee firm be completed. In this case, the cost would be significantly higher.

Our opinion is that an independent valuation would provide little if any additional assurance to investors in any venture capital fund. Value conclusions reached by business valuators are an educated guess and certainly not any guarantee of value.

The valuation of an established business may present a value conclusion that could be considered an adequate guide. However, ultimately, the only time a real value can be reached is upon a bona fide sale.

Within the venture capital arena, the valuation of start-up companies, companies in distress, early stage companies, and quickly expanding companies provide the independent valuator with valuation uncertainty that cannot be mitigated, regardless of skill and experience of the valuator. Ultimately, cost is really the only way to record its value unless one of three events occur. They are:

1) **Independent Valuation of a Specific Company:**

   If a significant event occurs at an investee client, an in depth valuation by a Certified Business Valuator may provide a rough idea of a company's value. A valuation may be used when either an impairment has occurred or for a write up in value when a significant event has occurred, but not verified by a material 3rd party transaction or a sale of the enterprise.

2) **Verifiable and Material 3rd Party Transaction:**

   This one is self explanatory. If you have an investment in a firm and an outside party invests in that same company at an increased (up round) or decreased value (down round) and the investment is material (10% or more of total equity) then it is advisable to record that valuation in the records.

3) **Ultimate Sale**

   This is the most desirable of the three options as it represents "Cash in the Bank" and ultimately is the real and final value of the investment to any venture fund.

We question why an independent valuation of NAV would allow a different presentation on a statement of investment portfolio as envisioned. We do not believe that the investors in any venture capital fund who read the disclosures would be able to come to any better conclusion under either presentation.

However, an investee company would certainly question us with respect to any individual downwards valuation that showed up in the statement on their account. We may have completely unique reasons for the adjustment but its individual inclusion may hinder an investee company from obtaining additional investment or financing arrangements that could reverse any impairment recorded by a fund.

Therefore, we recommend that individual listing of securities be followed with an aggregate adjustment allowed for value impairment/enhancement and that the requirement for an independent valuation in order to present in this manner be removed.

Thank you for this opportunity to comment.

Sincerely,

Trevor S. Giles
Executive V.P. Investments