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April 12, 2005

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission

c/o Jo-Anne Bund, Co-Chair of the CSA's Prospectus Systems Committee
Alberta Securities Commission
4th Floor, 300-5th Avenue S.W.
Calgary, Alberta
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c/o Charlie MacCready, Co-Chair of the CSA's Prospectus Systems Committee
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario
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c/o Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec
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Ladies and Gentlemen:

Re: Proposed amended and restated National Instrument 44-101 *Short Form Prospectus Distributions*, Form 44-101F1 and Companion Policy 44-101CP (collectively, the Proposed Short Form Rule or the Rule)

We have read the Proposed Short Form Rule and provide you with our comments herein. We welcome these amendments to the current short form prospectus rule. As the CSA has pointed out, the proposed amendments will help integrate and streamline the disclosure regimes for the primary and secondary securities markets now that the harmonized continuous disclosure rule is issued, and we believe all these measures will result in a more efficient and effective capital market in Canada.

The first section of this letter contains our comments on specific issues, and the second section addresses the questions you posed in your request for comments. Capitalized terms in this letter have the same meaning as those in the Proposed Short Form Rule, except as otherwise indicated.

COMMENTS ON SPECIFIC ISSUES

Qualification Criteria

We believe the qualification criteria issue represents a significant matter of broad principle. Hence we will address this issue first.

We support Alternative B proposed in the Rule. With the establishment of a harmonized continuous disclosure regime by the implementation of National Instrument 51-102, investors and market participants are well aware of the continuous disclosure requirements reporting issuers are subject to. The implementation of the CDR Program and the introduction of the "Investor Confidence Rules" (National Instrument 52-108, and Multilateral Instruments 52-109 and 52-110) further enhance investors' confidence in the Canadian securities market. We believe these factors have rendered the seasoning requirement in proposed Alternative A redundant. In addition, we agree that an issuer's size is not relevant in determining its qualification to use the short form regime, as the CD Rule and the Investors Confidence Rules already have a system to differentiate the disclosure and regulatory requirements among issuers of different sizes. Therefore, we find Alternative B to be the better of the two alternatives.

Auditor's Comfort Letter Requirement

The Proposed Short Form Rule has removed the current requirement to file with the final short form prospectus an auditor's comfort letter regarding unaudited interim financial statements. We agree that this approach enhances efficiency when Canadian auditors are involved, as they are already subject to CICA section 7110, which requires a review to be done on unaudited interim financial statements included in prospectuses. Nevertheless, we would like to point out that foreign auditors are not required to (and usually do not) comply with Canadian generally accepted auditing standards (GAAS). Depending on the local GAAS the foreign auditors are subject to, there may or may not be professional responsibilities to perform a review of unaudited interim financial statements included in the prospectus. Absence of a regulatory requirement to provide a comfort letter, the issuer may choose not to have the foreign auditor to review the unaudited interim financial statements. The determination of whether the prospectus still provides full, true and plain disclosures in this situation is a difficult one to make, and hence we believe investors are more adequately protected if the Rule explicitly addresses situations where foreign auditors are involved.

Requirement to File Notice Declaring Intention to Qualify

Section 2.2(6) requires an issuer to file, at least 10 business days prior to filing the preliminary short form prospectus, a notice declaring the issuer's intention to be qualified to file a short form prospectus. The Proposed Short Form Rule does not indicate whether this notice would be made available on SEDAR to the public. Obviously, there are market implications if this notice is made available to the public, particularly if the issuer decides subsequently not to file a prospectus. In addition, there are other questions relating to the use of the notice. For example, it is not clear whether there is any limit to the time between the filing of this notice and the filing of a preliminary short form prospectus (i.e., whether the notice has an "expiry date"), and whether there are any procedures required to be taken by the issuer if it subsequently decides not to file a prospectus. You should consider clarifying these questions in the companion policy.

Disclosure of Earnings Coverage Ratio

Proposed Form 1 has removed the current requirement to disclose, in a situation where the earnings coverage ratio is less than one-to-one, such fact on the cover page of the prospectus. We believe the earnings coverage ratio is an important factor to consider in a debt or preferred securities offering, and appropriate disclosure should be made on the cover page of the prospectus if the ratio is below one-to-one.

Disclosures related to Significant Business Acquisitions

Item 10.1 of Proposed Form 1 requires disclosure of significant acquisitions completed within 75 days of the prospectus or of probable acquisitions. In particular, paragraph (2)(d) of item 10.1 requires disclosure of how the significant acquisition or proposed acquisition will impact the operating results and financial position of the issuer. This paragraph is not clear as to whether the Rule expects a quantitative or qualitative disclosure of the impact. A quantitative disclosure is probably not going to be very accurate in these situations, since audited results of the acquired business are not yet available. A clarification of the Rule's expectation in the companion policy would be helpful.

RESPONSES TO QUESTIONS LISTED IN REQUEST FOR COMMENT

The numbers for the responses below correspond to the numbers of the questions in the request for comment with respect to the Proposed Short Form Rule.

1. *Alternative A or B*

   As indicated above, we support Alternative B. See our comments above in relation to this issue.

2. *Undertaking to file credit supporters disclosures*

   We agree with the proposed approach.

3. *Exemptions in Item 13 of Proposed Form 1*

   We note that the exemptions provided in Item 13 are similar to the requirements under Rule 3-10 of Regulation S-X and would achieve the same results, except in one scenario. For recently acquired subsidiary issuers or subsidiary guarantors, paragraph (g) of Rule 3-10 of Regulation S-X provides guidance as to when audited financial statements of the subsidiary are required. The Proposed Short Form Rule does not appear to address this scenario. You should consider whether Item 13 needs to deal specifically with this issue.

4. *Disclosure of Expert Interests*

   We agree with the proposed approach, which we believe represents an improvement from the requirements under Form 51-102F2 *Annual Information Form*. Even though this comment is outside the scope of the Proposed Short Form Rule, we would like to recommend that the same clarifications (in particular, subsection 15.2 (5) of the Rule relating to independent auditors) be made to Form 51-102F2.

5. *Elimination of Preliminary Prospectuses and Prospectus Reviews*

   We are concerned about a lack of regulatory review in the context of a prospectus offering if the CSA entirely eliminates the filing of a preliminary prospectus and the prospectus review process. Under the Proposed Short Form Rule, there may still be situations where a short form prospectus is required to provide complex disclosures; for example, in a transaction that involves a reverse takeover or whose significance is over 40%, the prospectus has to include significant acquisition disclosures per Part 8 of NI 51-102. Disclosures required in these situations are no less onerous than those currently required in a long form prospectus, and there is no reason to reduce regulatory oversight from what is currently imposed. We suggest the CSA to incorporate these considerations into their selection process for reviews of short form prospectuses, instead of entirely eliminating the requirement to file a preliminary prospectus and the prospectus review process.

6. *Qualification Criteria when the Preliminary Prospectus Requirement is removed*

   As we do not support the elimination of the preliminary prospectus requirement, we have no comment on this question.

7. *Marketing Restrictions*

As we do not support the elimination of the preliminary prospectus requirement, we have no comment on this question.

Should you have any questions or comments on this letter, we would be pleased to hear from you.

Yours sincerely,

Ernst & Young LLP

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