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INDEPENDENT THINKING

April 8, 2005

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Dear Sirs/Mesdames:

Re: Proposed Repeal and Replacement of National Instrument 44-101 Short Form Prospectus Distributions

Canaccord Capital Corporation has reviewed the CSA's Notice and Request for Comment on the proposed repeal and replacement of National Instrument 44-101. Generally, we are of the view that the efficiencies introduced to the capital markets through the continuous disclosure requirements should be capitalized on. We are in support of any initiative that relies on the continuous disclosure obligations of reporting issuers. We are also in support of any initiative that removes the requirement for reporting issuers to obtain, in one form or another, "acceptance" by the regulatory authorities of financings.

We have the following comments on certain of your specific questions. We have used the question numbering system contained in the Notice and Request for Comments.

1. Regarding qualification to file a Short Form Prospectus, we are in support of Alternative B. We do not believe there should be a seasoning requirement or a market capitalization requirement for issuers with operating businesses and satisfactory disclosure records and who have filed a comprehensive and sophisticated disclosure document in order to become a reporting issuer.

5. Regarding the elimination of preliminary prospectuses and prospectus review, we believe that the effect would be positive for the capital markets and all its participants. For reporting issuers with satisfactory disclosure practices, the requirement to file a preliminary prospectus and to wait for review by regulatory

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authorities is burdensome and unnecessary. Market windows are often lost. We note that for many TSX-V listed issuers, financings are generally conducted by way of private placement and available only to larger investors. In addition, the TSX-V's financing instrument – the Short Form Offering – is limited to $2,000,000 in any fiscal year and thus is not available when larger amounts are needed.

6. Regarding qualification criteria for the final prospectus only system, we fail to see the advantage of a seasoning period of any length. We note that recently admitted reporting issuers are likely to have adequate initial disclosure records with a final prospectus being the anchor. However, we do agree with restrictions 2 and 3.

7. Your question 7 suggests a marketing regime which is triggered by the issuance of a press release and required upon "the issuer forming a reasonable expectation that an offering will proceed". For some time, we have been interested in the CSA developing a realistic approach to "pre-marketing", but we do not think that the proposal goes far enough or deals with a fundamental issue in the Canadian capital markets.

   As small reporting issuers are critical to the Canadian capital markets, the current restrictions on solicitation of expressions of interest are not a workable balance of an issuer's desire to manage its risk by completing a bought deal before any public announcement is made and an underwriter's desire to manage its risk by knowing before it has committed to purchasing the securities offered (that is, before the underwriter has entered into an enforceable agreement to purchase the securities) that there is sufficient market interest. Although Part 7 of the proposed National Instrument extends the pre-filing period to four business days, it also confirms the *status quo* in permitting pre-marketing only in the circumstances of a bought deal where the underwriter has already committed to purchasing the offering. Such a system is most likely workable in a market where there is a good price discovery mechanism and depth of market for all issuers, but that is not the case for the majority of issuers in Canada. Without an opportunity to explore market interest and discover the appropriate price, underwriters will often not be prepared to make an underwriting commitment.

   From a practical point of view, even the approach suggested by question 7 does not go far enough. Issuers will be reluctant to issue the type of press release you suggest and if the offering does not proceed, there will be market consequences and perhaps some embarrassment incurred by the issuer.

Finally, we have a comment on one other matter. Although the proposed NI may not be the BEST place to deal with the clarification of the issue, it would be an APPROPRIATE place to deal with it. At present, it is unclear when an underwriter is "out of distribution" (that is, when a distribution ends). This issue has a significant impact on the hour-by-hour calculation of the capital of investment dealers and their underwriting capacity, and thus it would be very useful to

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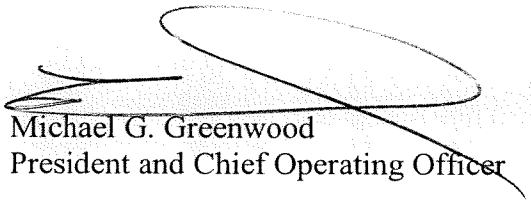
obtain some guidance on regulatory policy. From our point of view, we should be considered "out of distribution" when we have received confirmation of an order from our client.

We would be pleased to discuss in further detail our thoughts on "pre-marketing" and guidance pertaining to "out of distribution" in order to provide the right regulatory balance for the benefit of the public markets.

Thank you for the opportunity to comment and we applaud the CSA's initiative on these proposals.

Yours truly,

CANACCORD CAPITAL CORPORATION



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