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June 21, 2005

Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

Ms. Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec H4Z 1G3

Dear Sirs and Madames:

Re: Comments on Proposed Multilateral Instrument 52-111 and Companion Policy 52-111CP

We appreciate the opportunity to provide comments on the proposed Multilateral Instrument 52-111 and Companion Policy 52-111CP (collectively, "MI 52-111") *Reporting on Internal Control Over Financial Reporting* and the proposed repeal and replacement of Multilateral Instrument 52-109 ("MI 52-109") *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Observations and Comments

We fully support the establishment and use of strong internal controls, which are critical not only to provide users with reasonable assurance about the integrity of financial statements, but also to provide management with a foundation for appropriately managing a company's risks. We also believe that

transparent and reliable financial reporting and investor confidence in the regulatory environment are extremely important. However, we do not believe that that the implementation of MI 52-111 will provide any material benefit to the stakeholders of public companies beyond what will be achieved with the certifications required by MI 52-109. The addition of auditor attestation to support management's assessment is overkill and we have yet to hear a clear statement that the benefits of attestation outweigh the costs. As management, we are very concerned about the huge time and cost burdens associated with compliance, as well as the shift of focus away from operating our business and managing strategic risks.

It is our general understanding that the proposed MI 52-109 and MI 52-111 requirements are very similar to U.S. SOX 302 and 404 requirements. From our perspective, the issuance of the SOX requirements in the US was a reactive and not a well thought out solution to the well-publicized instances of corporate malfeasance. Our understanding is that leading authorities in auditing and fraud prevention have long held that internal controls are not effective at detecting and preventing fraud.

It has been widely publicized in the U.S. the actual implementation costs have significantly exceeded expectations and that the implementation of SOX 404 has especially been painful and costly for smaller public companies. The proportional cost for Canadian public companies will likely be significantly higher than the U.S. experience due to the fact that a majority of the public companies in Canada are generally much smaller than their U.S. counterparts.

Another observation from the U.S. experience to date is that although many organizations have identified and disclosed material weaknesses in their internal controls over financial statements, the market has not responded to this information with a consistent reduction in the organizations' market capitalization. In fact, it appears that the market is not using this very costly information to influence investment decisions.

The SOX requirements have also impacted the relationship between companies and their external auditors, because without clear guidance, audit firms have responded to the SOX requirements with insignificant materiality levels and sample selection sizes that demand fees which regularly surpass the annual financial statement audit fees. It is our understanding that the U.S. Securities and Exchange Commission originally expected that the testing required to support the external auditor's attestation would be integrated with existing work required to support the annual financial statement audit while practice has evolved into a completely separate process fraught with detailed checklists and one-size fits all frameworks.

Conclusion and Recommendations

Overall, our observation is that the process adopted in the U.S. through SOX 302 and 404 is flawed and it is inappropriate for Canadian regulators to adopt consistent requirements without considering the important lessons that have been learned to date and the fundamental differences between the Canadian and U.S. marketplaces. It is also our belief that SOX 404 and MI 52-111 are not the answers to avoiding corporate malfeasance.

Our specific recommendations are as follows:

1. The costs of implementing MI 52-111 far out weigh the benefits and as such it should be withdrawn. If complete removal is not the solution, then we recommend that a market capitalization threshold of $1 billion be set and that only companies above this level be required to comply with MI 52-111. This solution would still capture a majority of the market capitalization in Canada and would recognize the differences between the Canadian and U.S.

capital markets. In the U.S., smaller companies are generally considered to be companies with less than $5 billion in revenues and any company under $1 billion in market capitalization would be considered micro-cap in the U.S. In Canada, a benchmark of $1 billion is often used as a cut-off between small and mid cap.

2. At a minimum, we believe that MI 52-111 should be deferred one full year while Canadian authorities observe and learn from the U.S. experience. Then after careful consideration, if MI 52-111 is still proposed, there should be no less than 24 months lead time from the date of finalization for the first group of companies to comply. All other phase-in periods should also be deferred accordingly. It is also our recommendation that the full certification over internal controls required by MI 52-109 also be deferred to match the implementation requirements of MI 52-111.

3. The time frame for implementation between transition issuers should be extended to 24 months from 12 months due to a shortage of resources available to implement the requirements of MI 52-111. We believe that the lead time for a company to comply with MI 52-111 is closer to two years than one year. A company must undertake a number of steps to comply with the legislation, including developing an understanding of the requirements, planning and scoping the project, hiring or contracting the necessary resources, documenting and evaluating controls, testing, remediation and then re-performing a number of these steps until the internal controls are operating effectively. The auditors then need to complete their testing to issue their audit report, and this testing could lead to the company having to re-do a number of steps.

4. To further recognize the structure of the Canadian capital market the exemption transition levels should be adjusted as follows:

    - Transition 1 issuers should be issuers with a market capitalization of $500 million or more but less than $1,000 million.
    - Transition 2 issuers should be issuers with a market capitalization of $250 million or more but less than $500 million.
    - Transition 3 issuers should be issuers with a market capitalization of $75 million or more but less than $250 million.
    - Transition 4 issuers should be issuers with a market capitalization of less than $75 million.

We appreciate the opportunity to provide our comments.

Yours truly,

Rentcash Inc.

Gordon J. Reykdal
President and
Chief Executive Officer

Rentcash Inc.

Michael M. Zvonkovic, CA
General Manager Finance