BOMBARDIER

CORPORATE OFFICE

Bombardier Inc.
800 René-Lévesque Blvd. West
Montréal, Québec, Canada H3B 1Y8
www.bombardier.com

TEL 514-861-9481
FAX 514-861-7053

SENT BY E-MAIL, ORIGINAL BY COURIER

Montréal, March 9, 2006

Rosann Youck
Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
ryouck@bcsc.bc.ca

Anne-Marie Beaudoin
Secretary
Autorité des marchés financiers
Stock Exchange tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Mesdames:

RE: Proposed Amendments to National Instrument 51-102 – Continuous Disclosure ("NI 51-102")

You have requested comments on the question of whether or not debt-only issuers should benefit from the same accommodations under NI 51-102 as "venture issuers" (as defined in NI 51-102).

The current definition of venture issuer applies principally to small issuers that are listed on "junior" stock exchanges. Because of their small size and more limited revenues, a cost benefit analysis justifies certain accommodations to the rules contained in NI 51-102. Issuers that have issued unlisted debt securities to the public also fall within the definition of venture issuer.

In our view, the relief afforded to small issuers is also justified for debt-only issuers (whether such debt is listed or not).

(a) ***Reasons for granting exemptions to debt-only issuers.***

Debt-only issuers should benefit from accommodations under NI 51-102 for at least three reasons, namely (i) the characteristics of debt securities, (ii) the expectations of debtholders and (iii) the existing protection available to debtholders.

(i) *The characteristics of debt securities.*

The first reason why debt-only issuers should benefit from the same exemptions as venture issuers relates to the characteristics of debt securities. An important difference between debt and equity securities is that the rights and obligations of debtholders are generally included in the instruments that have created the securities.

Like many other aspects of credit-related investments, the requirements regarding continuous disclosure obligations of the issuer toward its creditors are primarily described in the applicable indenture. There is no compelling public interest reason why the business agreement reached between investors and an issuer should be amended by legislation.

(ii) *The expectations of debtholders.*

The expectations of debtholders are very different from those of shareholders. Indeed, the main preoccupation of debtholders is the ability of the issuer to pay the underlying interest and capital at maturity and the compliance of the issuer with the covenants contained in the applicable indentures. The covenants in such indentures are negotiated between investors (through their representatives) and the issuer after taking into account all credit risks. Compliance with these covenants will be monitored by the trustee or custodian or even by debtholders themselves.

Covenants in debt indentures generally relate to topics such as financial ratios and the obligation to provide compliance certificates annually and quarterly, as well as the obligation to obtain a rating from recognized rating agencies. The expectations of debtholders will be to receive such information as they have contractually agreed upon, as opposed to the type of information expected by equity holders.

(iii) *Special protection of debtholders.*

In addition to the protection granted to debtholders through covenants of debt indentures, debtholders also benefit from special protections because of the very nature of their investment. Indeed, because they are creditors of the issuer, their claim will have a preferential treatment. Upon the liquidation or winding-up of issuers and in a case of bankruptcy, debtholders will rank prior to equityholders.

Under a cost benefit analysis, the nature of debt securities, the expectations of debtholders and the special protections of debtholders should call for very broad accommodations for debt-only issuers.

(b) ***Relevance of the listing of debt securities.***

As noted in your request for comments, debt-only issuers are not currently treated in a consistent manner under NI 51-102 as a result of the current definition of venture issuer. Debt-only issuers who maintain a listing on an exchange are subject to the full requirements of NI 51-102, while those that do not maintain such a listing fall within the definition of "venture issuers" and are exempt from certain requirements. In our view, applying a listing test to debt-only issuers is not appropriate.

(i) *The characteristics of the securities, the expectations of security holders and the protection available to them, not the listing, should be decisive.*

It is respectfully submitted that it should be the characteristics of the investment, the expectations of security holders and the protection available to them, and not whether or not it is listed, that should be decisive in deciding if debt-only issuers should be exempted from the requirements of NI 51-102. As mentioned above, the characteristics of debt securities, the expectations of debtholders and the protections available to them are very different from what applies to equity and equityholders.

The fact that issued debt is listed or not should not influence the type of information to be provided by debt-only issuers, since debtholders do not generally base their investment decisions on the same criteria than equity holders.

(ii) *Foreign listings.*

In practice, debt securities are generally not listed in Canada or in the US. Therefore, the "listing test", when applied to debt-only issuers, seems to refer to foreign listings.

The current regime under NI 51-102 is rather peculiar in that a Canadian debt-only issuer that would have debt securities listed on a foreign market could be subject to Canadian requirements that would not apply to a debt-only issuer that has no listing on foreign markets.

It seems unreasonable that Canadian issuers be subject to special requirements because of their listing in a foreign market. In Europe and in other markets, many institutional investors require that debt securities be listed on an exchange in order to satisfy their investment criteria. However, European continuous disclosure requirements are very different from those described in NI 51-102. From a cost benefit analysis, imposing continuous disclosure obligations to Canadian debt-only issuers which are only listed abroad may penalize these issuers compared to other entities against which they compete for financing in those local foreign markets.

In short, we believe that a debt-only issuer should benefit from the same accommodations as other venture issuers, whether they are listed or not. Practically speaking,

the current definition of venture issuer should be amended to allow for listings of debt-only issuers. Alternately, a new definition could be adopted to cover debt-only issuers.

The issue related to the appropriate treatment of debt-only issuers is not restricted to appropriate disclosure requirements under NI 51-102. A similar definition of "venture issuer" is also used in several other instruments. The accommodations for debt-only issuers should also be considered with respect to such other instruments.

If you have any questions or comments in connection with the present letter, please do not hesitate to contact us. Thanks again for this opportunity to submit our comments.

_____

Daniel Desjardins
Senior Vice President and General Counsel
Bombardier Inc.