Imperial Oil

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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Authorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission

Patricia Leeson, Co-Chair of the CSA's Prospectus Systems Committee
Alberta Securities Commission
4th Floor, 300- 5th Ave S.W.
Calgary, Alberta T2P 3C4

Heidi Franken, Co-Chair of the CSA's Prospectus Systems Committee
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

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

Re: Notice and Request for Comment dated December 21, 2006 (the "Notice") on Proposed National Instrument 41-101 General Prospectus Requirements and Companion Policy 41-101 CP General Prospectus Requirement

This is Imperial Oil Limited's ("Imperial's") response to the CSA request for comment dated December 21, 2006 relating to Proposed National Instrument 41-101 (the "Proposed Rule") and Companion Policy 41-101 CP (the "Proposed Companion Policy") and amendments to related instruments referred to in the Notice.

Imperial is one of Canada's largest integrated oil companies and is active in all phases of the petroleum industry in Canada, including the exploration for, and production and sale of, crude oil and natural gas. Imperial's shares trade on the Toronto Stock Exchange and its shares are admitted to unlisted trading privileges on the American Stock Exchange.

Imperial is active in the Canadian oil and gas acquisition and divestiture market. In 2006, Imperial divested seven oil and gas producing properties for a total sale price of $126 million. It is Imperial's practice to sell these assets for cash and not shares or other securities after purchase. Imperial has no further role in connection with the divested assets after the transaction closes.

Imperial generally supports the stated objectives of harmonizing and consolidating prospectus requirements across Canada and harmonizing those prospectus requirements with other instruments. However, Imperial has significant concerns with the proposed implementation of section 5.13 of the Proposed Rule and the proposed amendments to Item 22 of Form 44-101F1 requiring any "substantial beneficiary of the offering" to provide a certificate in the same form required from the issuer certifying that the prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus.

Under the proposed amendments, where Imperial divests properties and where the purchaser makes a public offering within a year of that divestiture, Imperial may find itself a "substantial beneficiary of the offering" by virtue of it receiving directly or indirectly 20% or more of the proceeds of the offering of securities under the prospectus. Imperial would then be required to certify all of the disclosure contained in the prospectus, including the documents incorporated by reference therein.

Imperial notes the CSA's statement that "We believe a person or company that controls the issuer or a significant business has the best information about the issuer or significant business." Imperial does not agree that, at the time of the public offering, it would have the best information about a business that is then a "significant business" of its purchaser. In a typical sale of oil and gas properties, the vendor's books and records relating to the divested properties will be transferred to the purchaser. Often the vendor's employees who are most knowledgeable about the divested properties become employees of the purchaser after closing, leaving the vendor with no detailed knowledge about the purchaser's "significant business".

Further, for Imperial, it is often the case that the divested assets are not material to it. Imperial may sell a small amount of producing assets to a small start-up oil and gas company. For the purchaser, the assets may be highly material. It follows that the systems of internal controls and procedures for these assets and the knowledge of Imperial's officers, directors and employees of these assets would not be as detailed as for the purchaser.

Imperial also notes the CSA's statement that "a company who also receives proceeds from the distribution should be liable for any misrepresentations in the prospectus about the issuer or a significant business". In transactions for the sale of oil and gas assets between arm's-length parties, the vendor expects that its liability will be limited to that provided in its purchase and sales agreement. Under the Proposed Rule, a vendor would potentially find itself inadvertently liable as a result of its purchaser's public offering long after closing its sale transaction. The vendor has no control, or in many cases, knowledge, of the means of financing used by its purchaser. It would be wrong for the vendor to have responsibility for the purchaser after the sale is complete.

Nor does the vendor have any control over the purchaser's operation of the divested assets. In the event that the purchaser's prospectus details expected reserves and production, the vendor is in no way able to influence delivery of production volumes, particularly given that reserves are highly price dependent.

Imperial believes that these amendments create powerful disincentives for companies such as Imperial to divest oil and gas assets to small oil and gas companies in light of the potential for triggering substantial liability for vendors as a result of the purchaser's subsequent public offering. The vendor would also take on prospectus liability in connection with all disclosure relating to its purchaser's other business and assets.

Accordingly, it is Imperial's view that these particular sections of the Proposed Rule and Form 41-101F1 should be substantially modified or abandoned.

Yours truly,

Brian Livingston

Brian W. Livingston