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Canadian Oil Sands

June 25, 2007

VIA COURIER AND E-MAIL

To: British Columbia Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
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 Nunavut

c/o Ontario Securities Commission

Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

Attention: John Stevenson, Secretary

Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3

Attention: Anne-Marie Beaudoin, Directrice du secrétariat

Alberta Securities Commission
Alberta Stock Exchange Tower
4th Floor, 300 – 5th Ave S.W.
Calgary, Alberta T2P 3C4

Attention: Tom Graham, Director, Corporate Finance

Dear Sir/Madam:

Re: Comments on Proposed Repeal and Substitution of Form 51-102F6 and Amendments to National Instrument 51-10, Forms 51-102F2 and 51-102F5 and Consequential Amendments to Multilateral Instrument 52-110 and National Instrument 58-101 (the "Disclosure Rules")

With respect to the above noted Disclosure Rules, Canadian Oil Sands Limited (the "Corporation") and Canadian Oil Sands Trust (the "Trust") (collectively, "Canadian Oil Sands"), would like to submit the following comments for your consideration. Both the Corporation, which

manages the Trust, and the Trust itself are reporting issuers under the applicable securities legislation in Canada. The Trust has a market capitalization as at June 15, 2007 of approximately $15.2 billion and Canadian Oil Sands has a staff of 21 individuals.

Canadian Oil Sands supports the CSA's made in Canada approach which focuses on principle based regulations rather than rule based regulations. We believe that such approach allows the policy to better adapt to changing circumstances and situations in the compensation area over time and also creates the appropriate atmosphere of compliance as issuers must focus on the intent of the policy rather than on only complying with rules. The CSA's approach needs to continue to recognize the smaller size of the Canadian public market in relation to the capital markets in the United States as well as the smaller population base upon which Canadian issuers have resources to draw upon to meet their compensation compliance requirements. In that respect, some of the language in the Disclosure Rules needs to be amended to be less prescriptive, such a changing the words "typically would include" to "depending on the circumstances, may include".

We have responded to your specific comment requests as outlined in the CSA Notice and Request for Comments below. We have used the same numbering systems as contained in the Notice for ease of reference.

Question 1

Canadian Oil Sands believes that the proposed language does capture all forms of compensation. However, we support draft instruments using general categories rather than specific disclosure and detail relating to equity and non-equity plans and change of control agreements. This would allow changes in compensation methodology to be reflected over time without the need to amend the Disclosure Rules. While the CSA has used general language in the Disclosure Rules in most instances, we believe that in certain instances, as outlined in our response to Question 4 below, the detailed descriptions being proposed are not useful. For example, if the intent of the Disclosure Rules is to describe in detail and with multiple tables several "what if" scenarios as relates to change of control agreements in circumstances where there is not any indication that such change of control will be triggered in the near term, we believe that such disclosure is not useful and also is overly complex.

Question 2

Canadian Oil Sands believes that the determination of the five named executives should be on total compensation not on just salary, long-term and short term incentives and bonus so that the investor clearly understands the total cost to the issuer against the issuer's performance. With the change to the definition of bonus, most of the compensation earned by executives will likely be included in the equity component or performance component of the compensation table rather than in the bonus section. We would question what the value is in keeping such a distinction when you already have an "other" category. By the Disclosure Rules focusing on total compensation, compensation related to long term incentives and performance based short term incentives are captured and investors have a better understanding of how the issuer's performance influences, positively or negatively, the executive's compensation. Without such an understanding, the investor could be mislead as to the various components of compensation that is being "paid" to executives across issuers.

For example, if only salary and bonus were included in the test, an executive who earned only $1 of salary but had a very large grant of options or earned a large short term incentive payment or both, could potentially not be included in the top five named executives even though that individual had a tremendous influence on the issuer as evidenced by the amount of leverage to the issuer's performance in the individual's compensation. Similarly, if pension amounts are ignored in determining the top five named executive officers ("NEO's), investors may not be aware of large payments that may be made despite an individual's otherwise small salary and bonus amount. If the Disclosure Rules use the total compensation, including the total of base salary and bonus as well as the prerequisites and long term incentive grants to determine the NEO's, an investor can determine the true cost to the issuer of compensating a particular officer. We strongly believe that it is appropriate to include some form of the pension costs into the determination of NEO's as pension earnings or contributions are often a large part of the compensation for an executive where the issuer has a pension plan. Without the pension information, the investor cannot properly assess the value that each named executive receives or is expected to receive relative to his/her peers. While we appreciate that the pension values will change, this is also true of a number of other matters for which the Disclosure Rules use a single point in time test based on the value shown in the financial statements and therefore we would submit, the same ability to reflect a value for pension should be able to be completed and used in determining the five named executive officers. We do agree that any form of valuation whether it involves pension or long term incentives will be difficult to project and will change over time. However, if the Disclosure Rules require long term incentives to be disclosed and used in the calculations, we believe that it is equally relevant to include pension values. The key in all instances will be the need to use a single point in time, namely the date of grant for long term incentive valuation purpose, or a fixed date for valuations consistent with financial statement preparation for pension purposes.

We do not support using a test of "greatest influence" in determining the top five NEO's as this is too subjective a matter.

<u>Question 3</u>

Canadian Oil Sands believes that it is appropriate to have the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") be two of the named executives with the compensation information provided separately for such two individuals. We support having the information for the next three executive officers provided on an aggregate basis rather than being provided on an individual basis. Within various industry types and size of issuers, the list of what other executive positions comprise the top five varies greatly such that comparison across even the same business or industry sector does not exist due to the particular nature of each issuer's business operations. For example, some issuers have a Chief Operating Officer, a Compliance Officer, Vice President International, Vice President Foothills region and various senior level positions while many other issuers need to report on individual earnings of a Director, Investor Relations or Controller position. Canadian Oil Sands does not believe that, outside of the specifics relating to the CEO and CFO, the average investor is interested in or influenced by the specific compensation of a particular executive officer. Rather, the average investor only focuses on the aggregate paid to the three other positions with the aim being for the investor to determine the appropriateness of the overall compensation package for executives as a whole. This approach also would assist with privacy concerns relating to the disclosure of sensitive information relating to employees generally.

We do believe that there should be clarification that a non-executive chair is not considered an officer simply because the by-laws state that the position of Chairman of the Board is an officer position.

Question 4

While we support many of the proposed changes, we do not believe that the level of detail proposed in the compensation discussion and analysis ("CD&A") will be useful for investors. Investors need to have a clear and concise description of the compensation philosophy and the process by which the actual compensation was determined in a given year. The investor should understand what the target amount of the compensation is just as the individual employee understands what the target amount would result in. Since human resource consultants and experts use this single point target in setting the compensation for human resources, the disclosure of such number should not be difficult. However, any requirement to provide numerous examples of different payouts may create confusion in the investors' understanding of the compensation program and will result in additional time and effort for the issuer and its staff. Lengthy discussions regarding potential "what if" scenarios are not useful and raise issues regarding secondary market liability. The requirement to disclose or describe what compensation *could* be paid under different performance scenarios requires additional analysis and disclosure which is not helpful and, in fact, may be harmful in that it may only serve to confuse the reader. Such disclosure does not reflect what actually happened and is forward looking and speculative in nature, thereby raising another level of issues. If the Disclosure Rules are only meant to provide a generic range such as "compensation under the components may range from zero to double the target" that disclosure is easily written and understood. The creation of further tables to show the various payouts would not be useful nor would it be cost effective disclosure. Additionally, the requirement to explain the tie in of non-GAAP financial measures into the financial statements will only be useful if it is summary in nature and relevant to the understanding of how the compensation works. To require disclosure for the sake of disclosure in this regard would otherwise be cumbersome and useless to the investor. The relevance in each case should be whether there is sufficient information disclosure in a clear and concise manner such that the reader understands the basis on which compensation is paid and how much is being paid. For example, when granting options and performance units, human resource consultants and staff apply a Black Sholes or lattice model that takes into account the risk parameters of that particular plan and award instrument and derive a value that is being "targeted". In the case of options, this value may or may not equate to the amount that the accountants then expense in the financial statements over the vesting period. This potential for differences in what value an individual is "theoretically" to earn from a compensation/human resources perspective compared to the actual or estimated value for accounting purposes is highlighted even more in respect of performance unit plans. While the human resources calculation targets giving the individual a value that has been risk adjusted of a certain dollar value, the accounting rules do not use that same value in recording the cost or expense in the financial statements. Rather, like the pension calculations, there is an annual assessment of the performance relative to targets and the relative valuation change is recorded, up or down, from the initial valuation based on the estimated payout. To keep showing different values in the CD&A in the form of tables, we believe will confuse the investor and will also require a significant amount of time and effort for the numbers to be internally derived and checked. The level of materiality that otherwise would be performed on a particular performance award would be significantly changed as any award to an NEO would need to be separately calculated and tracked for purposes of disclosure rather than the current process which looks at all awards and applies the materiality test to the group rather than focusing on an individual award. We believe that instead of this changing and complex disclosure, that a target amount should be shown using the human resources analysis for the value at the time of grant is disclosed combined with additional narrative indicating the potential minimum (zero) or maximum award. In this way, the investor would more easily understand both the intent and the potential impact on the compensation provided.

We support a performance graph illustrating the relative performance that an issuer achieves against its peers. The additional disclosure required to explain how the trend shown by the graph compares to the trend in the company's compensation may be useful but needs to be qualified by the context of the then current employment market. If the shortage of skilled labour occurs as is predicted over the next ten years when many baby boomers retire, there will need to be a discussion of all the factors that go into the determination of compensation, not just relative market performance. For example, in the case of a company such as a start up high tech company, we would expect that compensation paid for the first several years does not track the performance of this start-up issuer as it focuses on creating and developing its product and market. However, as the company moved into a stage where its product has been developed and it has a marketing presence, one would expect that there would be an increase in the issuer's performance compared to the market while perhaps the compensation for the executives remains relatively flat year over year. We believe that commentary accompanying the graph can explain such differences so we support having the graph moved up into the compensation section so long as there is also the ability to provide an explanation with the graph.

Question 5

To the extent that the performance target relates to an objective test regarding information that is public, such as total shareholder return, we support disclosure of such targets. However, if non-public or subjective tests are involved, the disclosure of specific targets could be harmful to the issuer's competitive position. For example, if return on capital employed is a target that is used, disclosing the target return could cause competitive disadvantages to an issuer. When bidding on various projects or acquisitions, a competitor would know what a particular issuer's investment criteria as it relates to the rate of return for any project or acquisition, thereby weakening the issuer's bidding position for future transactions.

Question 6

Canadian Oil Sands believes that having the performance graph with the executive compensation discussion will add meaning to the disclosure although we would note that there are factors other than total shareholder return which will need to be discussed such as general labour constraints and the impact generally on compensation given the overall tight labour market in Canada and in Alberta in particular.

Question 7

With respect to the time period for disclosing compensation, we would suggest that the disclosure be limited to two years rather than to three years. This approach is consistent with the reporting of other financial information in annual disclosure documents such as annual financial statements and management's discussion and analysis. Additionally, the disclosure regarding long term incentives or short term incentives should use the date of grant as the single point where a form of options are involved without a constant re-evaluation of the particular's instruments' value. There are sufficient graphs which would then illustrate the actual amount realized upon vesting and exercise of that incentive instrument without annual repetition of the fluctuating value for a number of grant years.

Question 8

We agree.

Question 9

We agree with the disclosure of equity and non-equity awards. The distinctions between the two types of awards are clearly explained in our view.

Question 10

As indicated earlier, Canadian Oil Sands believes that the disclosure regarding stock and option awards based on the compensation cost may cause more complexity and confusion. The more appropriate methodology would be to utilize the actual cost analysis that the human resources department used when making the grant. There should not be a recalculation of the values after the initial grant date as the realization of the value will be reported separately when the executive either exercises his or her options or restricted shares. This is especially important when dealing with performance awards which will fluctuate in the value shown in the financial statements with the changes in the performance criteria and therefore may show vastly different values from one year to the next, neither of which may accord to the intended value that the initial award expected. We believe using the initial award value and explaining the range of potential values is more relevant.

Question 11

We believe that any increased benefit with respect to the pension accruals should be reflected in the disclosure. However, it may be more useful to apply a present value calculation to determining the pension benefit.

Question 12

We believe that the summary compensation table should reflect the estimate of the value provided to the change in actuarial value.

Question 13

The threshold has not increased since the 1990's yet inflation factors have risen almost 4-6% annually. As a result, we believe that the threshold level of the lesser of $50,000 or 10% is too low and that the threshold should be adjusted from $50,000 to $75,000.

Question 14

Additional guidance on how to determine perquisites would be helpful so long as the language is clear that it is guidance only and not a prescriptive rule. There should also be an exclusion of items based on a de minimums rule. For example, we would expect that items that are provided on an ad hoc basis such as one off parking would not be included just as it is not included in calculating taxable benefits. Similarly, the provision of theatre tickets on an ad hoc basis where the offer is given to all employees should not be included.

Question 15

While Canadian Oil Sands supports a total compensation number, the manner in which the proposed disclosure is calculated is too complex. Instead, the Disclosure Rules should reflect a simple approach of totalling the target award for the executive at the time of the grant or compensation award rather than continued re-evaluation at different financial periods.

Question 16

We believe that the value of equity based compensation should be based on the value at the date of grant and not re-evaluated for each annual reporting period. The requirement to separately show the amount realized on the exercise of the equity based compensation and the annual valuation of vested and unvested equity values we believe is sufficient disclosure. Ultimately, with this information, the reader can determine if the original target compensation (e.g. the expected value for the equity component) is at, below or above the target number.

Question 17

We believe that the proposed approach is better than that undertaken by the SEC rules but that further refinement would improve the table disclosure. Canadian Oil Sands agrees that the proposed rules are more understandable and therefore more valuable to an investor than the detailed tables that the SEC rules require.

Question 18

We believe that the value of contributions made to defined contribution plans should be included in the disclosure.

Question 19

Estimates of specific payout amounts under termination plans are only relevant if there is a likelihood of such amounts being paid or if they are payable. While there should be disclosure that describes the plan and the amount that would be paid in general terms (e.g. termination on a change of control where 20% or more of the units are sold and the individual is either actually or constructively dismissed and this results in all options vesting and a payout of double the salary and benefit amounts), we do not support detailed tables of assumptions as to unit prices and salary amounts in tabular form. For that level of analysis and detail, there should only be required disclosure for those individuals and circumstances in which a payment is expected over the ensuing 12 month period. If there is a requirement to disclose various scenarios, none of which appear to be likely in the ensuing 12 month period, we believe that there is no value to the investor and in fact may cause confusion to the investor as to what is really being paid in the reporting year. Additionally, the cost and additional time and staff necessary to undertake such valuation scenarios will far outweigh any benefit to the investor.

Question 20

Not only will the disclosure of estimates of potential payments be difficult but we believe that such disclosure would be confusing to investors. An investor only needs to know the items that are to be paid and the multiple but not the several actual amounts that could be paid. Disclosure of various estimates will require a significant amount of management time to calculate and verify without any real benefit to the investor. Rather, simple and concise statements as to the nature of the amounts payable and the tie to current compensation as the most reasonable estimate would be more useful.

Question 21

We support the expanded disclosure regarding director compensation so that investors understand the value paid to directors and the equivalent value provided back to the investors. We believe adding a requirement for issuers to disclose the value rather than the number of equity-like issuances to directors will allow investors to gain a better understanding of the

compensation paid. For example, Canadian Oil Sands does not issue any equity instruments from treasury and instead makes open market purchases of units for its directors, resulting in the total cash amount paid by the third party to make such purchases showing in the compensation that our directors receive. A number of other issuers provide issuances of equity from treasury and as such show only the number of units or shares issued without showing the true cost of such units or shares to the issuer. We believe the proposed disclosure will be more equitable in allowing investors to understand the actual compensation paid to the issuer's directors.

Question 22

Canadian Oil Sands believes that the materials should be contained in the management proxy circular rather than in the annual report. The annual report already has a very tight timeline especially in order to meet the deadlines for printing such report within the specified time frame while allowing for full and proper review by management and the Board. To increase the demands on external sources such as auditors as well as on management and the Board by having additional materials included in this document would not promote accuracy and good disclosure. Rather by allowing the compensation materials to be part of a different document which often is not typeset at a printers and has a slightly longer timeline for development and approval enables issuers and management and the board to review and properly discuss this equally important disclosure.

Question 23

We have no comment.

Question 24

We have no comment.

Question 25

We agree that the performance graph should be included in the compensation analysis so long as there is the opportunity to discuss the reasons why such performance may not match the compensation trend, such as in the case of a start up company or a situation of high demand for labour. We do not believe any other form of a prescribed performance measure is at all useful in determining the link between pay and performance.

Question 26

Given the significant analysis work that must be undertaken and the expected timeline for the rules to be finalized, we believe that it would be more appropriate for the compliance deadline to be in respect of fiscal years ended December 31, 2008 rather than December 31, 2007. Those entities which have the resources to comply earlier could do so on a voluntary basis but the smaller entities which may need to staff up or hire external consultants to assist with the increased disclosure need to have the appropriate time frame in which to respond to the new requirements, particularly in light of internal controls and other disclosure changes impacting reporting groups.

Specific Comments on the actual Draft Certification Rules and Form 51-102F6 in particular

1. You might want to consider adding language after references to the Handbook numbers along the lines of "or such replacement or successor provisions of the Handbook" to avoid the need to amend the Form if the numbering in the Handbook changes.

2. Can you clarify that if a short term incentive plan has a portion of its award based on individual objectives but the remainder on corporate performance objectives, is that plan an equity-based award or not?

3. We strongly support the requirement to include compensation provided to any external management under clause 4 of the Form.

4. Please clarify what the date for determining the fair value of other compensation should be.

5. The requirement to disclose information about benchmarking and peers should be qualified in that any information provided in a survey or benchmark exercise that is confidential should be excluded. Without such qualification, some of the very useful benchmarking among issuers will likely end.

6. Please clarify what is intended under Section 3.1(4) of the Form.

7. Please clarify how long term incentive plans that do not vest until the third year are to be reported. In our view, an issuer should not have to repeat the detailed information each year for a grant that was made but not vested until the third year in each of the three years.

Should you have any questions, or require anything further, please do not hesitate to contact the undersigned directly at (403) 218-6240.

CANADIAN OIL SANDS LIMITED

Per:

Trudy M. Curran
General Counsel and Corporate Secretary

Cc: Marcel R. Coutu, President & Chief Executive Officers
Ryan M. Kubik, Chief Financial Officer
C. E. (Chuck) Shultz, Chairman of the Board
E. Susan Evans, Chair of the Corporate Governance and Compensation Committee