VIA E-MAIL

June 27, 2007

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 of Nunavut

c/o 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

Re: Request for Comments
Proposed Repeal and Replacement of
Multilateral Instrument 52-109 (the "Proposed Instrument")
***Certification of Disclosure in Issuers' Annual and Interim Filings* and**
Companion Policy 52-109CP (the "Proposed Policy")

This letter sets out the comments of Manitoba Telecom Services Inc. (the "Company" and also referred to as "we" or "our") in response to the Request for Comments issued by the Canadian Securities Administrators ("CSA") on March 30, 2007 with respect to the Proposed Instrument and the Proposed Policy.

The Company is a reporting issuer in each of the Canadian provinces under applicable securities legislation, and has a market capitalization of approximately $3.1 billion as at June 15, 2007.

Our comments on the specific questions that are set out in the CSA's Request for Comments are as follows:

1. Do you agree with the definition of "reportable deficiency" and the proposed related disclosures? If not, why not and how would you modify it?

We agree that any definition relating to deficiencies in internal control over financial reporting ("ICFR") that must be reported externally should incorporate the concept of management judgement and a reference to the issuer's GAAP. For this reason, we believe that the definition of "reportable deficiency" is an improvement over the definition of "material weakness" that had been included in proposed Multilateral Instrument 52-111 *Reporting on Internal Control Over Financial Reporting* which was not proceeded with by the CSA.

However, we believe that what is absent from the definition of "reportable deficiency" is a linkage to materiality. The concept of materiality always has been, and will continue to be, very important in making decisions regarding disclosure in relation to an issuer's disclosure controls and procedures ("DC&P") and for ICFR purposes. This is evidenced by the proposed certifications that are set out in Forms 52-109F1 and 52-109F2 to the Proposed Instrument. Paragraph 5(a)(i) of each of Forms 52-109F1 and 52-109F2 refer to "material information" as it relates to DC&P, and paragraph 7 of Form 52-109F1 and paragraph 6 of Form 52-109F2 each refer to "that has materially affected, or is reasonably likely to material affect" in relation to changes in ICFR. However, the proposed certifications do not refer to materiality in relation to **ICFR design** (see paragraph 5(b) of Forms 52-109F1 and 52-109F2) and the **effectiveness of ICFR** (see paragraph 6(b) of Form 52-109F1).

As such, we recommend that either the definition of "reportable deficiency" be changed to incorporate materiality or, alternatively, the language in the certifications be changed to refer to materiality in relation to ICFR design and the effectiveness of ICFR. For example, if the certifications are to be changed, paragraph 5(b) of Form 52-109F1 could read "designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance that the financial statements have been prepared for external purposes in accordance with the issuer's GAAP and that they fairly present in all material respects the financial condition, results of operations and cash flows of the issuer." Paragraph 6(b)(iii) of For 52-109F1 could be changed to read "a description of any reportable deficiency relating to operation existing at the fiscal year end that has materially affected, or is reasonably likely to materiality affect, the effectiveness of ICFR."

2. Do you agree that the ICFR design accommodation should be available to venture issuers? If not, please explain why you disagree.

We agree in principle that an ICFR design accommodation should be available for venture issuers. We also appreciate that the CSA acknowledges that a non-venture issuer also may encounter situations where it is not practical for the issuer to remediate a reportable deficiency relating to design without (i) incurring significant additional costs, (ii) hiring additional employees, or (iii) restructuring the board of directors and audit committee. For this reason, we agree with subsection 6.11(2) of the Proposed Policy that allows a non-venture issuer to apply for exemptive relief from the securities regulatory authorities in such circumstances.

3. Do you agree that our proposal to provide a scope limitation in the design of DC&P and ICFR for an issuer's interest in a proportionately consolidated investment or variable interest entity is practical and appropriate? If not, please explain why you disagree.

We agree in principle with this proposal.

4. Do you agree that our proposal to allow certifying officers to limit the scope of their design of DC&P and ICFR within 90 days of the acquisition of a business is practical and appropriate? If not, please explain why you disagree.

We agree that a scope limitation should be provided. However, we believe that 90 days is not sufficient to evaluate the design of DC&P and ICFR in certain circumstances. The certification of DC&P and ICFR in respect of a large acquired business with complex financial reporting processes that has not previously provided certifications under similar requirements likely will require more than 90 days. We understand that in such circumstances, a reporting issuer may seek exemptive relief under section 7.6 of the Proposed Instrument. However, since a 90-day period likely will be insufficient for most reporting issuers, there may be a large number of exemptive relief applications. To provide the time needed to complete the design assessment and to reduce the burden on reporting issuers and the CSA with respect to the filing and review of

exemptive relief applications, it is our view that the scope limitation period should be at least 180 days.

5. Do you agree that our proposal not to require certifying officers to certify the design of ICFR within 90 days after an issuer has become a reporting issuer or following the completion of certain reverse takeover transactions is practical and appropriate? If not, please explain why you disagree.

Similar to our comments in relation to question 4 above, we agree that a scope limitation should be provided. However, we believe that 90 days is not sufficient to evaluate the design of DC&P and ICFR in certain circumstances. The certification of DC&P and ICFR in relation to a large acquired business with complex financial reporting processes that has not previously provided certifications under similar requirements likely will require more than 90 days. We understand that in such circumstances, a reporting issuer may seek exemptive relief under section 7.6 of Proposed Instrument. Since a 90-day period likely will be insufficient for new reporting issuers or reporting issuers recently involved in a reverse takeover transaction, there may be a large number of exemptive relief applications. To provide the time needed to complete the design assessment and to reduce the burden on reporting issuers and the CSA with respect to the filing and review of exemptive relief applications, it is our view that the provision be extended to not less than 180 days.

6. Do you agree that the nature and extent of guidance provided in the Proposed Policy, particularly in Parts 6, 7 and 8, is appropriate? If not, please explain why and how it should be modified.

We agree that the guidance provided in the Proposed Policy is appropriate. However, the following areas require further clarification:

(a) The definition of the term “design”, as described in our comments in relation to question 7 below.

(b) The definition of the term “evaluation“ of operation or performance, as described in our comments in relation to question 7 below.

(c) The definition of changes in ICFR, as described in our comments in relation to question 7 below.

7. Are there any specific topics that we have not addressed in the Proposed Policy on which you believe guidance is required?

We believe that additional guidance is required in relation to the following matters:

(a) <u>Definition of “design”</u>

Section 6.1 of the Proposed Policy states that the term “design” generally includes both “developing” and “implementing” the controls, policies and procedures that comprise DC&P and ICFR. This meaning is consistent with subsection 8.1(3)(c) of the Proposed Policy which states that a reportable deficiency relating to design exists if “a component of ICFR has not been implemented”.

However, this definition creates inconsistencies with the following:

(i) Dictionary definitions of the term “design” do not include “implementation”. These definitions refer to “plan”, “blueprint” and model” to describe how an objective will be achieved, such as an architect’s design of a building. A literal

interpretation of the definition as it applies to an ICFR-related control implies that a well-designed control can exist without the control actually being in place and working, such as when a building has been "designed" but not yet constructed.

(ii) Section 6.15 only refers to "design" documentation, and not "implementation". In describing the documentation that is required to support the "design" of ICFR, section 6.15 does not refer to evidentiary documentation to support the "implementation" of the controls. The documentation specified in this section appears to be more consistent with a standard dictionary definition of "design"; there is no specific mention of documentation relating to the "implementation" of the controls, policies, and procedures.

(iii) Subsection 8.4(1) states that, provided certain conditions are met, if the certifying officers become aware of a reportable deficiency relating to the design of ICFR that existed at the end of the annual or interim period, they can certify that they have designed ICFR if the issuer has committed to a remediation plan to address the reportable deficiency relating to design prior to filing the certification. This appears to be inconsistent with the meaning of design that is described in section 6.1 of the Proposed Policy, which refers to both developing and implementing. Under subsection 8.4(2) of the Proposed Policy, the issuer only needs to have committed to a remediation plan, as opposed to actively implementing the remediation.

The scope of this phase, which currently is referred to as the "design" phase, should be clearly defined as either "design" only or "design and implementation". Whichever alternative is chosen, a number of revisions to the Proposed Policy and the Proposed Instrument would be required.

If the CSA includes both design and implementation, this should be clearly reflected in the definition in section 1.1 of the Proposed Instrument. This is of particular importance given the references to "design" only in the proposed certifications. In addition, if the scope includes implementation, the CSA should provide guidance in the Proposed Policy with regard to what it means to implement a control.

Should the CSA define this phase to include both development of the design and its implementation, the sections in the Proposed Policy should be revised so that the content of each section in the Proposed Policy is readily apparent from the headings. For example, Part 6 – Design of DC&P and ICFR should read Part 6 – Design and Implementation of DC&P and ICFR, and Part 7 – Evaluation of DC&P and ICFR should read Part 7 – Evaluation of Performance (or Operation) of DC&P and ICFR. Similar changes should be made in the body of the Proposed Policy and the Proposed Instrument, including the forms, so that there is consistency.

(b) <u>Definition of the current term "evaluation" of operation or performance</u>

The Proposed Policy uses multiple terms to describe the next phase of certification, namely "evaluation", "operation", "performance" and "effected". To ensure consistency and to avoid confusion, an appropriate term should be used and defined, such as "performance" phase or "operation" phase.

The term "evaluation" is not appropriate and does not uniquely describe this phase, because "evaluation" is occurring in all phases. An issuer must evaluate the "design" of ICFR as well as the "design" of DC&P in order to certify that there is "reasonable assurance regarding reliability of financial reporting". The term "effected" also is used in the definition of ICFR. For this next phase, an issuer must "evaluate" the "performance" or "operation" of ICFR in order to certify that they are effective. Therefore, this next

phase should be referred to as the "performance" or "operation" phase and defined as such.

In addition, depending on how the CSA defines the phase that is currently the "design" phase as noted above, the CSA should clarify the differences between the "implementation" of a control and the "operation" or "performance" of a control that must be evaluated in this next phase.

(c) Changes in ICFR

The scope of "changes in ICFR", as referred to in paragraph 7 of the proposed Form 52-109F1, should be defined to ensure consistent application, including the following:

(i) Are changes in "design", "implementation" and "performance" of ICFR, using the terms outlined above, covered by this paragraph? The defined term "ICFR" refers to "design" and "effected" only. It is not clear whether "effected" means implemented and/or performed or in operation. The Proposed Policy and the Proposed Instrument should be changed so that there is consistency and clarity. For example, the definition of ICFR in section 1.1 of the Proposed Instrument should be changed to ". . . means a process designed by, or under the supervision of, an issuer's certifying officers, and **implemented and performed** by the issuer's board of directors, management and other personnel . . ."

(ii) Paragraph 7 of the proposed Form 52-109F1 refers to a change that has "materially affected, or is reasonably likely to materially affect" ICFR. This should be revised to refer to "reportable deficiency" criteria and not "materiality".

(iii) There is insufficient guidance as to how to determine whether a change in ICFR needs to be reported. Our interpretation is that changes that should be reported under paragraph 7 of Form 52-109F1 are those changes that are material enough to be captured within the definition of a reportable deficiency.

This interpretation is consistent with the CSA's response to comments previously submitted to the CSA, which are set out on page 2909 of Volume 30 of the OSC Bulletin issued on March 30, 2007, which state that: "To achieve our objective of transparency in financial reporting, we believe identified reportable deficiencies should be disclosed publicly, including any changes made in response to previously identified reportable deficiencies". This also is consistent with section 8.6 of the Proposed Policy.

We believe that additional guidance should be provided in the Proposed Policy in relation to determination of changes in ICFR that should be reported under paragraph 7 of Form 52-109F1.

(d) Retention of Documentation

Sections 6.15 and 7.12 of the Proposed Policy provide guidance in relation to the documenting phases that currently are termed "design" and "evaluation". There is no guidance in the Proposed Policy as to whether this evidence relates to support for design, implementation, the performance of the control itself, or to the evaluation of performance of the control. The retention guidance should address the retention of evidence relating to the "evaluation" of design, implementation and performance.

(e) Disclosing a Reportable Deficiency

One of the statements in subsection 8.1(1) of the Proposed Policy appears to be inconsistent with other statements regarding reportable deficiencies. The second sentence of the first paragraph implies that if an issuer only has one reportable deficiency, the issuer does not have to provide a description of this deficiency in its interim or annual MD&A. The text in the sentence that reads "more than one reportable deficiency" should be changed so that it is consistent with the rest of the Proposed Policy and the Proposed Instrument.

Yours truly

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