MAGELLAN
AEROSPACE CORPORATION

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June 28, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches 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
Legal Registries Division, Department of Justice, Government of Nunavut

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

Re: Proposed Repeal and Replacement of MI 52-109, Forms 52-109F1, 52-109FT1, 52-109F2 and 52-109FT2, and Companion Policy 52-109CP *Certification of Disclosure in Issuers' Annual and Interim Filings*

Dear Mr. Stevenson:

This letter is in response to the request for comments by the Canadian Securities Administrators ("CSA") relating to the Proposed Repeal and Replacement of MI 52-109. We commend the regulators for taking a stance different from the approach in the U.S. and the time to carefully consider the comments previously requested for MI 52-111 and the recent SOX 404 developments in the U.S. In response to the request, Magellan Aerospace Corporation has the following comments and recommendations:

Question 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 with the use of a single definition to apply when assessing disclosure of a deficiency, or combination of deficiencies, in the design or operation of one or more controls. Instead of interpreting what constitutes as a 'significant deficiency' or a 'material weakness' (those definitions were outlined in the withdrawn Multilateral Instrument 52-111), the use of a single definition would

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facilitate the process of disclosing deficiencies noted during an evaluation of internal control over financial reporting ("ICFR"). We also agree that a reportable deficiency should include both the design and operation of ICFR.

However, we do not agree with the definition of "reportable deficiency". We believe the concept of "reliability of financial reporting" needs to be further defined or clarified as it is unclear as to the standard in which "reliability" is to be applied or measured against. The concept of "material" or "materiality" should be incorporated or explored further in clarifying or defining the term "reliability". Under the Toronto Stock Exchange ("TSX") rules, material information is defined in Sec. 407 as "any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company's listed securities". Sec. 407 further outlines that "it is the responsibility of each listed company to determine what information is material according to the above definition in the context of the company's own affairs". We believe these two broad concepts outlined under the TSX rules are important considerations that should be incorporated into the definition of "reportable deficiency" whereby deficiencies to be disclosed in the MD&A should be those that would result in or would reasonably be expected to result in a significant change in the market price or value of any of the company's listed securities. Furthermore, companies vary in sizes, nature, structure and complexity, a control deficiency noted in one company can differ from another company. We believe the proposed definition of "reportable deficiency" seems too broad and does not indicate that reportable deficiencies can be different between companies due to various factors and circumstances. This may result in a laundry list of deficiencies to be disclosed in the MD&A that are not material information to investors. We recommend the concept of "in the context of the company's own affairs" as mentioned above be incorporated under Part 8.3 of the Companion Policy where it outlines that the certifying officers should use their judgment to determine whether a reportable deficiency exists.

Question 2

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

We agree that the ICFR design accommodation should be available to all issuers (venture and non-venture issuers). We agree with CSA's proposed MD&A disclosure for issuers who has a reportable deficiency relating to design, but may have reasons as to why the issuer cannot reasonably remediate the reportable deficiency or may choose to not remediate due to legitimate reasons as those outlined in the Companion Policy Part 6.11(2). Such disclosure in the MD&A should provide the market/investors with sufficient information to evaluate the risks, if any, associated with unremediated reportable deficiencies.

Question 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 support the proposal to provide a scope limitation in the design of DC&P and ICFR for an issuer's interest in a proportionately consolidated investment and/or variable interest entity. This is a practical and appropriate approach to dealing with entities in which the issuer clearly has an

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interest in but may not have full control or visibility. By allowing for scope limitation due to these circumstances and enabling relevant disclosure in the issuer's MD&A in this regard would provide sufficient transparency for the investors of the reasons for the scope limitation. However, we believe a definition of "summary financial information" relating to the proposed required MD&A disclosure is needed. For example, would the financial information to be disclosed relate to the balance sheet items (i.e. assets, liabilities, investment balance, etc.) or the income statement items (i.e. revenue, expenses, etc.) or both balance sheet and income statement items? We believe that consideration should be given to the appropriate level of disclosure related to such scope limitation to ensure investors are provided with useful information.

Question 4

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

We agree with the concept to allow certifying officers to limit the scope of their design of DC&P and ICFR. However, we believe that a 90 day compliance period is too short. It is neither practical nor appropriate to design DC&P and ICFR with a 90-day period. This does not provide sufficient amount of time to plan and execute the necessary compliance activities. From a practical standpoint, in acquisition of a company, the acquiring company is already faced with conducting due diligence procedures and dealing with operational issues of integrating the new business to existing businesses, to further take on compliance activities to design disclosure and financial reporting controls seem like unnecessary burden. This burden is further enhanced by such short compliance period of 90 days. We believe there should be an exemption on certifying the design of DC&P and ICFR of the acquired business during the year in which a business is acquired. The certifying officers will then be required to certify on the design of DC&P and ICFR in the following financial year end.

Question 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.

Same response as for question 4, we do not believe that a 90 day period to comply with certification of the design of ICFR is practical or appropriate.

Question 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 commend CSA's focus and effort through this initiative to improve the quality, reliability and transparency of the issuer's filings under securities legislation. Furthermore, we fully support CSA's principle based approach to this initiative as opposed to a rule based or checklist approach. A principle-based approach will allow issuers flexibility to embark on compliance activities that would be more efficient and effective. A such, we encourage CSA to outline the topics in the Companion Policy as guides for certifying officers or issuers as opposed to specific requirements

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that must be complied with. As the proposed Companion Policy 52-109CP currently stands, we are concerned that the language used is too prescriptive. Examples of such prescribed language which may suggest that the topics outlined in the Companion Policy are requirements that issuers must comply with:

- The use of the work "should" in various sentences and/or statements. This can be seen under 6.5(1), "…we believe that a top-down, risk-based approach is an efficient and cost-effective approach that certifying officers should consider", 6.6(2), "...In addition to an appropriate tone at the top, certifying officers should consider the following elements of an issuer's control environment…", 6.6(3) "Sources of information about the control environment – Certifying officers should consider the following documentation of an issuer's control environment", and so on. Instead of the word "should", we recommend the use of the word "can" or "may" or "might".

- Listing of documentation to support the design of ICFR outlined under Part 6.15(4). This listing appears to be similar the one included in PCAOB's Auditing Standard No. 2 under paragraph 42. We agree that to provide reasonable support for the certifying officers' design and evaluation of ICFR, maintenance of documentation is necessary. However, we question the prescribed documentation that the issuers must maintain in order to provide reasonable support for the design of ICFR and whether creation and maintenance of such documentation would provide value.

We believe there is an inconsistent statement made in Part 7 – Evaluation of DC&P and ICFR. Under 7.2, it outlines that "if the certifying officers choose not to use a top-down, risk-based approach to design, the evaluation could be limited to those controls that are necessary to address the risks that might reasonably result in a material misstatement". We believe the objective in using a top-down, risk-based approach to design is to limit the evaluation to those controls that are necessary to address risks. The insertion of the word "not" in this statement seems contradictory to taking such an approach to evaluate DC&P and ICFR.

Question 7

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

No comments to this question.

Other remarks

(1) We support the approach CSA has taken with respect to not requiring the use of a control framework. This will provide flexibility for the certifying officers when designing and evaluating the issuer's ICFR, and thus encourages issuer to develop effective and efficient compliance process and avoids the pitfall of a checklist approach that may be burdensome and ineffective. However, we believe the disclosure in the MD&A of a statement identifying the control framework the certifying officers used to design the issuer's ICFR or a statement that a framework was not used is unnecessary. If under the proposed instrument there is no requirement to use a control framework, thus suggesting that the use of a framework and not using one are both acceptable alternatives to design and evaluate ICFR, the disclosure in the MD&A in this regard seems inconsequential.

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(2) We believe further clarity is needed with respect to the statement in the certification of annual filings on reporting to the issuer's auditors and board of directors or audit committee on any fraud involving management or other employees who have a significant role in the issuer's ICFR. The statement also outlines that reporting of fraud, if any, is based on evaluation of ICFR. What would be considered a "significant role"? By providing such a statement, does it mean that the compliance activities to evaluate of ICFR must further include specific procedures to detect if fraud has taken place within the company?

(3) We would like CSA to reconsider its intention to propose the certification requirements be applicable in respect of financial years ending on or after June 30, 2008. We believe the timing to apply the final certification requirements should be extended for an additional year, i.e. applicable for financial years ending on or after June 30, 2009. Given that the request for comment on the current proposed repeal and replacement of Multilateral Instrument 52-109 is due at the end of June 2007 and additional time will be taken to further consider these comments, the final certification requirements may be released too closely to when the issuers need to comply which would not allow issuers to evaluate and execute all appropriate compliance activities. The extension for another year would be prudent to allow issuers to undertake effective compliance activities to be based on the final certification requirements instead of engaging valuable time and limited resources to comply with proposed requirements that may be further amended.

We would like to thank CSA for providing the opportunity to submit comments on the proposed repeal and replacement of MI 52-109 and taking the time to consider our views. We hope these feedbacks prove useful to CSA and would be pleased to answer any questions the securities commissions may have.

Sincerely,

Ting Yeh
Manager, Financial Reporting
Magellan Aerospace Corporation