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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Prince Edward Island Securities Commission
Office of the Superintendent of Securities, Government of Newfoundland and Labrador
Department of Community Services, Government of Yukon
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

Dear Sir or Madam:

Re: CSA Notice and Request for Comments – Proposed National Instrument 51-103 (the “Proposed Instrument”)

The Walton group of entities (the “Walton Group”) is in favour of securities regulatory initiatives that (i) recognize the unique position in the Canadian marketplace of smaller issuers and their overall positive contribution to the Canadian economy, (ii) recognize that all securities regulation is not necessarily beneficial to these smaller issuers and their investors because of, among other things, the cost involved in compliance where the benefit to the Canadian marketplace is not proportionate, and (iii) promote streamlining and “ease of review” of complex regulation in a manner that does not jeopardize the protection of the Canadian capital markets.

The Walton Group is of the view that the Proposed Instrument generally falls within the above.

We are in favour of the proposal to replace the requirement to file three and nine month interim financial statements and associated MD&A with a framework for voluntary three and nine month financial reporting. One of the Walton Group’s business models involves the formation and promotion of smaller “reporting issuers” that horizontally develop specific properties in North America. It is contemplated when these entities are created and their IPO offerings are undertaken, that their period of existence will generally be from 3 to 6 years. These entities will only undertake one business – the horizontal development of their specific property.

The IPO prospectuses of these entities describe their proposed development plans in detail. As a result of this model, a material deviation from that plan will generally constitute a material fact with respect to the issuer that will require the issuance of a press release. In addition, because of this business model, the securities of these issuers are not listed on a stock exchange and, generally, investors acquire the securities issued by them for the purposes of holding the securities through the complete existence of the issuer and not with the intention of trading these securities for profit. As a result, for these issuers, the cost (both hard cost and time spent preparing these financial statements and reports) far outweighs the benefit received by our investors from the materials. Indeed, the costs of these reports can have a disproportionate negative impact on the returns to the investors.


We do note, however, that the new disclosure requirements in the Proposed Instrument for “annual reports” will effectively require venture issuers to include annual information form (“AIF”) disclosure in the annual report. This will require the preparation of a significantly longer and more detailed annual report than in the past. The preparation of this document will involve a material amount of time for the issuer, require more auditor involvement and, for venture issuers that do not have internal legal resources, likely involve the retention of external legal counsel to prepare or at least review that part of the annual report. The inclusion of this requirement in the Proposed Instrument will materially reduce the time savings and the hard cost savings to venture issuers resulting from the removal of the requirement to prepare and file three and nine month interim financial statements.

We also note that the Proposed Instrument requires the annual report (which will now be significantly longer) to be provided by the venture issuer to its securityholders. Effectively, venture issuers will be required to deliver the AIF-like disclosure to their securityholders annually. While non-venture issuers are required to prepare an AIF, they are not required to deliver the AIF to their securityholders. The requirement to deliver this much longer annual report to securityholders will mean increased printing and mailing costs to the venture issuers. We request that, if the CSA decides to require venture issuers to include AIF-like disclosure in the annual report, the CSA at least remove from the Proposed Instrument the requirement to deliver this disclosure to securityholders. This disclosure would, of course, be made available through a SEDAR filing.

Thank you for the opportunity to comment on the Proposed Instrument. We would be happy to discuss the above with you further.

Yours truly,

WALTON INTERNATIONAL GROUP INC.



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