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

Dear Sir:

**Re: Comments on Proposed Amendments to Rule 61-501 – Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions (the “Proposed Rule”) and Companion Policy 61-501CP**

The TSX Venture Exchange (“TSX Venture”) has reviewed the Proposed Rule as published for comment by the Ontario Securities Commission (the “OSC”) on January 9, 2004.

We are generally supportive of the changes made to the 2003 Proposed Rule, in particular the minority approval exemption for junior issuers. However, we re-iterate our position as presented in the Exchange response to the 2003 Proposed Rule, (the “2003 Response”) that junior issuers should not be subject to a requirement for minority approval where the placement takes place on an exchange with minimum pricing restrictions and shareholder approval requirements that are more relevant to the circumstances of junior issuers.

As noted in our 2003 Response, the nature of TSX Venture junior issuers is significantly different from more senior issuers. Junior issuers are reliant on retail rather than institutional investors, and in particular, related parties, to provide financing. It is also the nature of junior issuers to undertake private placements on a relatively frequent basis, as most have not developed their business to a level where they are generating positive cash flow. Related party financings are normal course in respect of junior issuers, as often those involved with the issuer are the only ones willing to provide ongoing financing. As such, the costs of obtaining shareholder approval for such financings would be burdensome to these issuers who are the least able to afford it.

Related parties are not afforded any advantages over other investors, insofar as pricing, Exchange imposed hold periods or other terms are concerned. As such shareholders or other potential investors would not be prejudiced by their involvement.

In addition, if a related party that is not a control person but will, as a result of the private placement, become a new control person of an issuer upon the issuance of securities (including convertible securities that are subject to conversion into listed securities), TSX Venture will require shareholder approval for the private placement. This control test is far more relevant to the shareholders of a junior issuer than one based solely on the relationship of the placee to the issuer where no change of control takes place.

Although the proposed exemption from the minority approval requirement may alleviate the burden to some degree, the requirement for approval of the placement by independent directors as prescribed by the Proposed Rule will severely limit the ability of junior issuers to qualify for this exemption. The two pronged test that requires that the directors approving the transaction be independent from the financing and not be an employee of the issuer is not consistent with the requirements and realities of the financing process for junior issuers. The pool of independent directors for junior issuers is very limited, and the exemption effectively prohibits them from participating in small private placements, as the costs of obtaining minority approval in relation to their participation will often make a small financing uneconomic in terms of cost and time required to complete.

As such, we are of the view that the burdens to the issuer of the requirement for minority approval for private placements far outweighs any shareholder protection that would be afforded by the imposition of this requirement. This is particularly true for the smaller financings frequently undertaken by junior issuers.

If a minority approval requirement is to be imposed, the exemption should take into account the realities of board composition for junior issuers and require only approval by directors that do not have a direct interest in the financing.

In addition, in order to relieve emerging issuers from the cost and time burdens of holding a meeting to obtain minority approval, the Rule should permit issuers to obtain shareholder approvals by means of informal written consents from shareholders.

Thank you for considering our comments. If you have any questions please do not hesitate to contact the undersigned.

Yours truly,

**TSX VENTURE EXCHANGE**

“Linda Hohol”

Linda Hohol  
President

cc: Susan Copland  
Manager, National Policy