

Dear Mr Stevenson, Ms Beaudoin

I have already been in touch with you and provided comments. This week I received a communication from a service provider who wishes to help me, for a large fee, negotiate the labyrinth of filings you propose to dump on my firm. I am certain they are licking their chops with glee.

We raise a few million dollars a year for companies that get no attention from the large brokers. Brokers like Canaccord and PI Securities, who have had regulatory run-ins, and have been caught making millions laundering money for the underworld, get away with tiny fines. Yet you plan to impose charges on the good firms, firms with no regulatory infringements, and these charges will be massive in relation. So when PI Securities earned \$19 million of the Genovese mob, the regulators fines were a small fraction of the earnings. In our case, our net earnings are small, the equivalent impact would have been if your regulators had fined PI Securities \$5 million.

Why are we punishing the good, rewarding the bad? Does the regulator realize that the current regulatory environment might actually promote illegal behavior, because the fines are so small in relation to the potential profits?

Our largest bills at present, aside from salaries are legal and accounting. Legal is typically a large bill because every time we call the OSC to ask about a law the OSC has written, the reply is "contact a lawyer, we don't know, we just make the regulations, we don't advise on interpreting them"

In this environment, due to the high costs of running our business, while we may help keep several junior companies going, there is not a lot left over. Perhaps we can support two full time people.

Now in contrast, the value we add can't be measured. Some would say it is priceless. For example, last year when the CFO of a cancer drug researcher called to ask for our help, Dundee (one of the large brokers) could only fill a portion of a financing. We brought in the rest. Using those funds, the company did research that proved in initial trials on mice that in 20 mice, 18 had tumors dissolved.

Now I am not sure we can price the cost to the Canadian people if this drug cannot go to human trials. The management and researchers just 'want to get this drug into people'. But we're not sure we can help, and we're not certain other firms will step in to fill the void.

So your proposed regulations will kill our business because:

1. we can't afford financing a \$50,000 bond
2. we can't afford business insurance premiums
3. we can't afford costly audits
and most importantly
4. we cannot afford the rich \$250 fees the service providers charge to figure out what we need to do to comply with your regulations.

So, if your goal is to stifle the junior financing market and raise the costs of financing, you are doing just that. Your 'one size fits all' approach only works for large bloated firms that love to smash a stock, shorting it down to the ground, in the process scaring the investors off, and then they buy back the shares at a discount. Cycle, rinse, repeat. While illegal activity if done by an individual, it is somehow 'endorsed business practices' for entrenched firms.

We have filed complaints on numerous occasions, the reply is always "you will not know the outcome of our inquiry, we may not contact you, do not contact us". We have not seen any action taken. In one case the firm (Colibri) defrauded investors who were told a different warrant conversion ratio. When the company finally fessed up (after selling their own shares) and a clarification news release was issued, many lost large sums of money.

Why not focus on that instead of firms like ours who just want to help small companies get going?

We agree with BCSC's concerns about the proposals, and believe that if these proposed changes are enacted, the outcome will:

- *impose unduly burdensome requirements on an already well functioning junior company financing market
- *drive many participants from the market
- *make it harder for junior companies to obtain financing as there will be less intermediaries, particularly ones dealing with smaller financings
- *raise the costs of financing
- *strengthen the market share held by the larger, more established brokers and other larger intermediaries, who are generally less supportive of the small financings in the junior market
- *potentially lower investor returns as financings that are done will be done at higher costs
- *drive entrepreneurs, investors and projects to other, less regulated markets, cheaper markets
- *result in Canadian projects being listed outside Canada, possibly under more foreign control
- *decrease investment opportunities for Canadians
- *concentrate more projects in the hands of a smaller number of large groups
- *require mergers of smaller companies who cannot get on the radar of the remaining large financing intermediaries

In addition, we believe that the regulator should instead focus on bigger problems such as the following, which have had a far greater impact on our clients::

- *ensuring problems like the ABCP market meltdown don't occur
- *making Canadian market more attractive (eg streamlining regulatory) so that when acquisitions happen, such as CVRD-Inco or Xstrata-Lionore, the foreign acquirer lists shares on a Canadian exchange so Canadians can more easily continue to participate in

the economic returns of deposits located in Canada
*dealing with naked shorting
*focusing on aggressive market actions that create unnecessary
volatility in the market, a destabilizing effect, and most
definitely not a part of the 'promoting an orderly market' that is
supposed to be the mandate of bodies engaged in market oversight

Please add these comments to my earlier ones. Please also see the
attached email from the avaricious service providers your actions may
enrich.

Sincerely

David Taylor