

CANACCORD

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## INDEPENDENT THINKING

September 30, 2004

Ontario Securities Commission  
P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto, Ontario M5H 3S8

Market Regulation Services Inc.  
145 King Street West  
Ste. 900  
Toronto, Ontario M5H 1J8

**Attention:** John Stevenson  
Secretary to the Commission

**Attention:** James Twiss

Winfield Liu  
Senior Legal Counsel

Dear Sirs:

### **Re: Restricted List**

We have reviewed your September 10, 2004 request for comments and associated material relating to trading during certain securities transactions.

In general, there are many areas in which we feel the current proposals are more logical and easier to comprehend than previous drafts. However, there is one area that we wish to point out is a cause for concern.

In the definition of "dealer-restricted person" the definition now captures dealers in an agency transaction where the offering involves 10% or more of the issued and outstanding offered securities. This would have the effect of capturing many issuers with small marked capitalization who undertake an offering on a possible new project that would give new life to a company. For example, we see many issuers with market caps in the \$5 - \$10 million range who undertake an offering in the \$1 million range. While we understand that these types of issuers' securities are potentially easily manipulated, there is no real incentive on the part of the dealer to do so.

We surmise that the intent of your proposal re: the 10% distribution is to provide safeguards on what are "significant" agency offerings. In our opinion, as currently drafted, the proposal would capture agency transactions on a multitude of very micro cap issuers. The 10% threshold would be an acceptable proposal if it were to be accompanied by application only to issuers above a certain market

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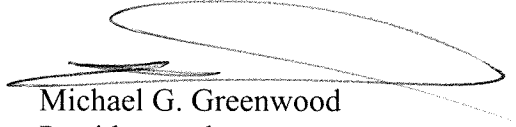
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capitalization, of say \$50 million. This would capture the truly significant offerings that should prompt dealer restrictions, and not inhibit trading on micro cap issuers that are not the real cause of concern.

We thank you for the opportunity to comment on your proposals. For any follow-up discussion or clarification, please contact the undersigned at (604) 643-7790.

Yours very truly,

**CANACCORD CAPITAL CORPORATION**



Michael G. Greenwood  
President and  
Chief Operating Officer

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