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CONFIDENTIAL

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

c/o Patricia Leeson
Co-Chair of the CSA's Prospectus Systems Committee
Alberta Securities Commission
4th Floor, 300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

Dear Sirs/Madames:

Re: Proposed New Prospectus Certification Provisions

I am writing this letter in response to the proposed new prospectus certification provisions contained in the Proposed National Instrument 41-101 and in particular Section 5.13 thereof. ARC Financial Corp. is very concerned that the proposed vendor certification requirement will effectively reduce the number of potential acquirors of junior energy companies thereby negatively impacting shareholder liquidity and value realization.

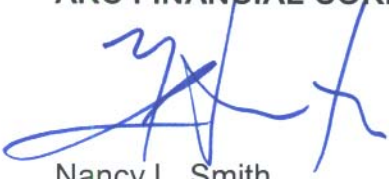
On behalf of institutional investors, ARC Financial Corp. manages the ARC Energy Funds with a mandate to invest primarily in junior Canadian energy companies. We have invested over \$1.4 billion in over 130 junior energy companies in the last ten years. A key component of our success in achieving positive returns to investors has been exiting our investments through corporate sales to larger energy companies. We believe that the proposed vendor certification requirements would seriously impair shareholders' ability to sell companies as it is not reasonable to expect vendors to certify the contents of an acquiror's prospectus.

We therefore strongly encourage you to eliminate the vendor certification requirements from the proposed National Instrument. We would also note that we believe there are sufficient protections under the existing regulatory regime for aggrieved purchasers of securities to have recourse to the issuer without the necessity of recourse to vendors.

Please do not hesitate to contact me if you would like to discuss this further.

Yours very truly,

ARC FINANCIAL CORP.



Nancy L. Smith
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