

September 25, 2003

Ontario Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Commission des valeurs mobilières du Québec
Nova Scotia Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice,
Government of Northwest Territories
Registrar of Securities, Legal Registries Division, Department
of Justice, Government of Nunavut

in care of:

Mr. John Stevenson, Secretary
Ontario Securities Commission
By email to: jstevenson@osc.gov.on.ca

and

Ms. Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
By email to: consultation-en-cours@cvmq.com

Dear Sirs:

The purpose of this letter is to provide comments on proposed Multilateral Instrument 52-110.

Automodular Corporation is supportive of the need for reporting issuers to have a strong, independent and effective Audit Committee. The one area of concern that we have with the proposed standard is with respect to the “independence” of the audit committee members.

We believe that the definition of independence as described in 1.4 and more specifically 1.4 (3) (a and f) is inappropriate in certain circumstances. Under the definition of affiliated entity, subsidiary entity and control in 1.3 an employee of a controlling shareholder would not be considered independent. For larger public companies this may not be an issue but a lot of companies in the Canadian marketplace are more closely held and many including ours have a controlling shareholder. We acknowledge the exemption provided for controlled companies in 3.3 but feel that it is too narrow as it only exempts directors of controlled companies.

One of the primary goals of the proposed instrument is to ensure that audit committees are independent of management and appropriately represent the interests of shareholders. Senior employees and officers of controlling shareholders provide valuable insight on audit committees. As they represent a shareholder, they do have the interests of shareholders in mind and are very much independent of management.

We suggest that amendments to the proposed instrument be made to permit senior employees or officers of controlling companies to serve on the audit committee of a reporting issuer.

Please do not hesitate to contact the undersigned should you have any questions or concerns with respect to the above.

Yours very truly,

“Chris Nutt”

Christopher S. Nutt
Vice President, Finance
Automodular Corporation