

March 9, 2007

Via E-Mail and Fax

Cameron McInnis
Chair of NP 48 FOFI Reformulation Committee
c/o Ontario Securities Commission
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Dear Sirs:

**Re: Request for Comment - Proposed Rescission of National Policy 48 (NP 48)
Future Oriented Financial Information, and Proposed Amendments to
National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102)
and Related Consequential Amendments (the Proposal)**

TSX Venture Exchange (the Exchange) writes to provide comments on the Proposal. We would be pleased to meet with you to discuss any of the matters raised in this letter.

We support the Canadian Securities Administrators (CSA) in their efforts to extend the application of the substantive provisions of NP 48 to financial outlooks such as earnings guidance, and to consolidate all requirements for forward looking information in NI 51-102. However, we are concerned with two aspects of the Proposal, both pertaining to future oriented financial information (FOFI).

1. Removal of Audit Requirement for FOFI

The Proposal removes the requirement for an auditor's report to accompany any FOFI in a prospectus, information circular or offering memorandum. The Exchange shares the CSA's observation that few problems with FOFI have occurred in recent years. However, the Exchange believes the absence of problems has been the result of the existence of the audit requirement and we are concerned that removal of the audit requirement would allow for the return of the inaccurate FOFI that gave rise to NP 48 in the first place.

The Exchange operates a junior capital market. Most of our issuers are at an early stage of development and do not have a sufficient history of operations upon which to prepare credible FOFI. Under both the Proposal and NP 48 issuers must have a broad base of reasonable and supportable assumptions upon which to base the FOFI. The CICA Handbook says a supportable FOFI assumption is:

. . . based on the past performance of the entity itself, the performance of other entities engaged in similar activities, feasibility studies, marketing studies or any other sources that provide objective corroboration of the assumptions used. The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances, and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information . . .¹

NP 48's audit requirement puts the 'supportable' attribute of an assumption to third party scrutiny. We are concerned that the requirement for a reasonable basis for assumptions will not impose sufficient discipline on FOFI in the proposed part 4A.2 of Companion Policy 51-102CP. The Proposal suggests that an issuer have a reasonable basis for any FOFI it releases. Absent the audit requirement we believe issuers may not base their FOFI on supportable assumptions. We therefore suggest retention of the audit requirement for FOFI.

2. Less Restrictive Language About Hypotheses

Proposed Part 4A. 9 of Companion Policy 51-102CP refers to hypotheses in support of FOFI. Hypotheses have been defined as:

. . . assumptions that assume a set of economic conditions or courses of action that are not necessarily the most probable in management's judgment, but are consistent with the purpose of the projection, as in response to the question "What would happen if?" . . .².

¹ CICA Handbook paragraph 4250.11

² CICA Handbook paragraph 4250.13.

The proposed guidance on the reliance of hypotheses is not as strong as the caution expressed in NP 48: “When many hypotheses are used a Projection becomes less reliable and therefore is more likely to be challenged by securities regulatory authorities.” We believe NP 48’s current cautionary language is appropriate because it puts issuers on notice that the CSA will challenge speculative FOFI predicated either on unreasonable hypotheses or on an undue number of hypotheses. We therefore believe this language should remain in the proposal. We also encourage moving the language from the companion policy to the actual instrument.

We welcome the opportunity to discuss any of the foregoing with you in more detail. Please do not hesitate to contact us.

Yours very truly,

“signed”

Matt Bootle
Director, Policy and Client Mentorship
Listed Issuer Services

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