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June 15, 2004

Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW,  
Washington, DC  
20549-0609

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Dear Mr. Katz:

**Re: Request for Comments: Use of Form S-8 and Form 8K by Shell Companies  
(File # S7-19-04)**

TSX Venture Exchange (the "Venture Exchange") thanks you for the opportunity to provide comments on the above noted Rule. The Venture Exchange is Canada's public venture capital marketplace, providing emerging companies with access to capital, while offering investors a well-regulated market for making investments in emerging issuers. TSX Venture listed companies are active in mining, oil and gas, manufacturing, technology, financial services and other sectors. The Venture Exchange currently has approximately 2000 listed companies, many of them from the U.S. and other jurisdictions outside of Canada. As such, we are concerned about the effects of the proposed Rule on certain of our issuers.

Our experience in operating a market for emerging issuers puts us in a position where we are aware of importance of shell companies to this particular sector and the risks inherent in providing a market for such issuers.

The nature of the emerging company market is that it has a higher risk profile than the senior markets which list established issuers with significant assets and operations. As such, a higher percentage of emerging issuers that do not succeed in the execution of their business plan often end up as shell issuers. Although the primary business of the Venture Exchange is to provide a market for emerging issuers with active and growing businesses, we also recognize the importance of providing shell companies with the opportunity to rebuild or reactivate, thus affording the shareholders with the opportunity to recoup their investments.

We recognize that providing a market for shell issuers is not without risk. The Venture Exchange has had more than 100 years of experience with emerging issuers and is familiar with the issues and concerns expressed by the SEC. We believe the measures contained in the proposed Rule are appropriate to manage those concerns, and have

imposed many similar measures in the policies that govern the actions of shell companies listed on the Venture Exchange. Our concern is not that the provisions in the proposed Rule are inappropriate or are too stringent, rather that when superimposed on the policies of the Venture Exchange and Canadian securities laws, it creates a situation of overlapping and somewhat inconsistent regulation. This in turn will interfere with efficiency of the system that was constructed by the Venture Exchange to permit and encourage shell companies to reactivate in a framework designed to preserve market integrity.

The Venture Exchange has two policy regimes designed to address the issues specific to shell issuers. The first is the long established Capital Pool Company ("CPC") program. The CPC program facilitates the listing of a well capitalized shell company. The objective of the CPC issuer is to find an appropriate business to list on the Venture Exchange as an active company. CPC issuers are subject to significant restrictions, requirements and Venture Exchange oversight regarding the use of funds, management compensation, ability to issue securities, and oversight of their transactions. Concerns with the "pump and dump" schemes are dealt with through provisions which impose trading halts upon the announcement of significant transactions and the requirement for management to have their shares held in escrow pending completion of such transactions.

The second regime deals with listed companies that have failed to fulfill their business plan and no longer meet the continued listing requirements of the Venture Exchange. These issuers are moved to a separate board of the Venture Exchange known as NEX. Most of these issuers are shell companies. Like CPC issuers, NEX companies are designated as such and are subject to restrictions on their ability to raise funds, issue securities and pay management. Upon announcement of a significant transaction, NEX issuers are subject to the Venture Exchange's policies relating to changes of business and reverse take-overs. These policies impose similar trading halt and management escrow requirements as the CPC policy.

In order to complete funding programs, close share transactions and have their shares freely tradable, both CPC issuers and NEX companies must first complete a prospectus level disclosure document (including financial statements) that is posted on SEDAR (the Canadian equivalent of EDGAR).

Within the CPC and NEX policies, there are limited circumstances where employees may receive securities in the issuer, either by the issuance of stock options or through private placements. The applicable provisions recognize that in certain cases such security issuances are appropriate to facilitate the reactivation of shell issuer or provide incentives to incoming employees and management. The restrictions and limits in the CPC and NEX policies, as well as the coordination of the timing of Venture Exchange approval of such transactions to the completion of the larger transaction mitigates the market risk of permitting these issuances.

Should Venture Exchange issuers become subject to the proposed Rule, difficulties may arise in respect of the timing and pricing of share distributions undertaken in the course of a reactivation. This may affect the structure and practicality of conducting such a transaction, and may make the shell company a less attractive target for a potential reactivation.

Given that the Venture Exchange has developed a comprehensive code to manage the risks of market manipulation, inadequate disclosure and improper share issuances, we

request that the proposed Rule not apply to issuers listed on the Venture Exchange. We believe that by deferring to the Venture Exchange policies, listed issuers and their shareholders are afforded an increased likelihood of reactivating and recouping their losses in a well managed regulatory framework that does not compromise market integrity.

Enclosed for your reference are the Venture Exchange policies applicable to shell issuers, as well as the Change of Business and Reverse Takeover policy that governs the reactivation process.

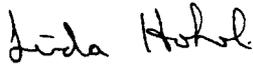
We welcome the opportunity to discuss our policies and the operation of the CPC program and the NEX market in more detail. If you would like more information regarding these topics we would be pleased to set up a conference call with any interested parties.

Thank you for considering our comments.

If you have any questions, please do not hesitate to contact me.

Yours truly,

**TSX VENTURE EXCHANGE**

A handwritten signature in cursive script that reads "Linda Hohol".

Linda Hohol  
President