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Autorité des marchés financiers  
New Brunswick Securities Commission  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

Dear Sirs:

**PROPOSED AMENDMENTS TO  
MULTILATERAL INSTRUMENT 62-104 TAKE-OVER BIDS AND ISSUER BIDS**

**AND**

**NATIONAL POLICY 62-203 TAKE-OVER AND ISSUER BIDS**

**AND**

**NATIONAL INSTRUMENT 62-103 EARLY WARNING SYSTEM AND  
RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES**

We are writing in response to your request for comments regarding the above-noted proposed amendments.

As a national investment dealer, in the conduct of our business we transact on behalf of a large number of institutional investors and private client investors in Canadian securities. It is common for larger investors or institutions to purchase securities in blocks having a market value in the \$1 million to \$10 million range. In almost all cases these investors are passive investors whose intention is to hold a position which represents one to five percent of the total value of their portfolios.

It is our view that the proposal to reduce the early warning disclosure threshold to 5% and to require disclosure of increases or decreases of 2% ownership will be detrimental to fund managers and other institutional investors in small capitalization companies. These investors need to be able to assemble positions with a market value of each issuer being in the \$1 million to \$10 million range in order for the investment to have any meaningful potential impact on the performance of their portfolios.

In many cases small capitalization stocks listed in Canada are not very liquid. It may require several weeks or longer for an institutional investor to acquire, or dispose of, a block of shares in an orderly manner. Having to disclose their intentions, or even their recent trades, in these securities may expose their orders to abuse by market participants who will take advantage of the knowledge of their activities.

The following summarizes information obtained from the TSX as of April 30, 2013.

Market <u>Capitalization</u>	Number of Listed Companies		
	<u>TSX</u>	<u>TSX Venture</u>	<u>Total</u>
0 - \$30 million	404	2014	2481
\$30 - \$50 million	150	81	231
\$50 - \$100 million	217	70	287
\$100 million+	<u>788</u>	<u>65</u>	<u>853</u>
	1559	2230	3789

Less than one fourth of all Canadian companies listed on TSX or TSX Venture have a market capitalization over \$100 million. Even more striking is that 2014 of the 2230 companies listed on the TSX Venture exchange have a market capitalization under \$30 million.

An investment of only \$1.5 million market value would trigger early warning disclosure for over 90% of the issuers on TSX Venture!

#### Capital Market Impact

It is our view that increasing the visibility of relatively small transactions by institutional investors will inhibit their appetite to invest in small capitalization companies which make up a substantial number of Canadian issuers.

We contend that this is not in the best interest of Canada's capital markets. Unlike many countries, venture capital in Canada is often raised publicly rather than from private venture capital sources.

We acknowledge that recently there have been some instances of high profile shareholder activism and that, in a few cases, a relatively small ownership percentage has been able to significantly influence control over an issuer.

However we would urge the Canadian Securities Administrators to consider other ways to approach warning market participants of creeping takeovers or possible shareholder activism. Flooding the market with trade reports of relatively immaterial investment positions may in fact have the opposite effect of burying that information which may be significant.

Alternatives which we would urge the CSA to consider include:

- Exempting Eligible Institutional Investors from reporting passive holdings altogether under the 10% threshold
- Providing exemptions for investments under 10% if the market value of the investment is under a limit of (for example) \$10 million
- Apply the 5% threshold and 2% change rule only to issuers over a certain market capitalization

We appreciate the opportunity to comment on the proposed amendments.

Very truly yours,



Mackie Research Capital Corporation  
Geoffrey G. Whitlam, President