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Dear CIRO and CSA

This letter is written to advise you of some of the problems listed issuers, their investors and employees are currently experiencing from the current short sale rules and their enforcement.

I am only addressing a small segment but important segment of the trading market. The issues arise when a person is trying to exercise an employee stock option or warrant.

Due to the nature of the junior market having limited liquidity and the market can be very price sensitive, the holder of the option or warrant chooses to sell the underlying share position prior to exercising

them to ensure a reasonable price is attained without damaging the market price. This process can often take several days to complete.

This process in years past was known as a covered short whereby the person gave the brokerage firm specific instructions if the shares are sold to exercise the position usually on a DAP basis. This was not considered a regular short sale and was treated differently on settlement requirements.

The problem I have experienced is that I have been told by the broker's back office that the moment a share is sold we must provide the issuer notice of the intent to exercise and request the Share Registry/transfer agent to deliver the shares on a RUSH basis. Assuming the seller was only able to sell 5,000 shares a day on a 100,000 share order this would result in 20 treasury orders by the issuer, 20 rush fees to the investor as the brokerage firm passes on the cost and seldom is the transfer agent able to turn around a rush order in 1 day. This introduces significant costs to the process and significant time allocation by the issuer who is busy running the company. I have had issuers refuse to do this daily thereby causing further delays. The net benefit to all is now significantly less and disincentive to invest or work for public companies and introduces a very cumbersome process.

An easy answer would be to exercise first but as can be seen by recent market activity that can have a potential dramatic effect on the value if the shares decline prior to sales, hence the above described process is the norm in the industry. On options taxes are collected based on exercise day etc so another risk to the employee is paying tax on an unrealized benefit.

In discussions with the brokerage firm I have been advised that there is no flexibility and if they don't do as described they will be fined by CIRO. I am also told that me as an investor can't assume that cost for them. I understand that there may be a buy-in risk but even that I am told I can't assume due to the CIRO review process and the fine risk. It is also very difficult to arrange borrows to cover the short period of exercising.

Even owning shares in other accounts the fact I could lend them if required for buy-in I am told all the shares need to be moved between accounts first which becomes a nightmare of tracking and paperwork.

I request that CIRO find a way to go back to the covered short concept whereby the brokerage firm can help manage the risks of buy-ins and the investor has the ability to assume the risk and keep the costs and nuisance factor down. These type of shorts are not the problem we are trying to deal with but have been caught by definition and the review process of the brokerage practises by CIRO.

Thank you for listening.

Gordon Keep

Chief Executive Officer

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