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BY EMAIL

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The Secretary
Ontario Securities Commission
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Dear Sirs and Mesdames:

Re: Multilateral CSA Notice 45-312 Proposed Prospectus Exemption for Distributions to Existing Security Holders (the "Proposed Exemption")

We are a group of investment dealers and members of the Investment Industry Regulatory Organization of Canada ("**IIROC**") that participate in the financing of venture issuers. We submit this joint letter in response to your request for comments, and advise that some members of the group will also submit their own response letters.

As you know, as an ad hoc group, we have advocated that the Canadian Securities Administrators ("**CSA**") consider and implement the Proposed Exemption. We support streamlining the capital raising process for junior issuers to enable them to access capital in a more cost efficient and timely manner, while still protecting the integrity of the junior capital markets.

We strongly support the Proposed Exemption and look forward to you implementing same as soon as possible. We submit that the Proposed Exemption should be considered a first step towards the overall goal of simplification of the regulatory framework under which junior issuers operate.

Responses to your Questions

We provide the following responses to the questions posed by you.

1.If you are a TSXV issuer, will you use the Proposed Exemption?

Not applicable.

2. Should the Proposed Exemption be available to issuers listed on other Canadian markets?

We believe the rules and policies of the TSXV, and the oversight imposed by the TSXV on its listed issuers, provide added protection to investors that may not apply to junior issuers listed on other Canadian markets.

Generally speaking however, we submit that the Proposed Exemption should be a uniform exemption and available nationally to all Canadian listed issuers. We understand that the British Columbia and Alberta Securities Commissions are comfortable with allowing TSXV listed issuers to avail themselves of the Proposed Exemption due to the fact that the TSXV reports to and is governed by those commissions, whereas other exchanges are subject to the primary jurisdiction of the Ontario Securities Commission. Accordingly we presume that the Proposed Exemption would become available to issuers listed on other Canadian markets if Ontario participated in the implementation of the Proposed Exemption. We hope that will be the case.

3. Investors will only be able to invest \$15,000 in a 12 month period unless they obtain advice from a registered investment dealer. Is \$15,000 the right investment limit?

We agree that there should be a maximum limit of investment for investors who don't have the protection afforded by either prospectus-level disclosure or an IIROC registered investment advisor performing a "suitability" test. We submit that \$15,000 is a reasonable limit.

4. In what circumstance would it be suitable for an investor that is a retail security holder to invest more than \$15,000 in a TSXV issuer?

We believe that an investor that has been afforded "suitability" advice from an IIROC registered investment dealer should be allowed to participate to an unlimited amount, as proposed.

5. Do you agree that there should be no investment limit if an investor receives suitability advice from a registered dealer?

Yes, if an IIROC investment dealer determines that the investment is suitable for its client, we see no reason to limit the amount of the investment. We note that over the past few years, venture issuers have reduced their reliance on brokered private placements as a primary source of capital. We believe this is mainly due to the compliance costs passed on by investment dealers to issuers in the form of corporate finance fees and legal expenses. Instead issuers have increasingly relied on non brokered private placements which provide the least amount of protection for investors.

6. Do you agree that being a current security holder of an issuer enables an investor to make a more informed investment decision in that issuer?

Yes. In our view, an existing shareholder of a listed issuer has already made an investment decision to participate in the issuer, has a relationship and some familiarity with the issuer, and is less in need of protection than a non-shareholder.

7. What is the appropriate record date for the Proposed Exemption? Should it be one day before the announcement of the offering or should it be a more extended period? If you think it should be more extended period what would be the appropriate period of time?

The appropriate record date should be the date that is immediately prior to the public announcement of the offering. This would tie into the TSXV's pricing policy. We understand the rationale for having some length of relationship, but whether a shareholder determined to purchase shares of an issuer 60 days previously or 2 days previously does not really matter. What matters is that an investment decision is made. An argument could be made that someone who bought shares 2 years ago is likely less aware of the issuer's affairs than the person who bought 2 days ago. We suggest that any shareholder who holds shares as of the "Record Date", being the date prior to the announcement, should be eligible.

8. We are currently proposing that the exemption be subject to the same resale restrictions as most other capital raising exemptions (i.e.: a four month restricted period). However, there are some similarities between the proposed exemption and the rights offering exemption which is only subject to a seasoning period.

a. Do you agree that a four month hold period is appropriate for this exemption?

We submit that there should either be a seasoning period (if you feel that the Proposed Exemption should be given some preference of utilization over other existing exemptions – for which we believe there is a valid argument in favour) or the hold period applicable to this exemption should be consistent with those applicable to other exemptions (if the Proposed Exemption is to be put on the same footing as other exemptions). However, we strongly believe the concept of hold periods should be revisited for all exempt financings, as given the immediacy of information available to investors and the faster pace at which markets now operate, current hold periods do not serve a useful function and further limit the ability of issuers to raise funds. We recommend that hold periods for all exemptions should be reduced to a maximum of two months, if any at all. In current market conditions, many of these financings will be undertaken as last ditch efforts to save issuers, such that the imposition of a four month hold period may deter investor participation. Where the financing is for a small amount, an investor may not be sure the issuer will survive another four months.

b. Should we require issuers to provide additional continuous disclosure, such as an annual information form?

No, we strongly oppose the requirement of additional disclosure, as this defeats the purpose of the Proposed Exemption by adding additional time, cost, and potential liability to the fundraising process.

c. If we were to consider a seasoning period for this exemption, should we consider some of the restrictions that apply under a prospectus-exempt rights offering such as claw-backs limiting insider participation?

No.

d. If securities offered under the exemption were only subject to a seasoning period, would there be a greater need to ensure investors are made aware of, and have an opportunity to participate in the offering?

The disclosure should be in the form of a news release that announces the terms of the offering, the use of the exemption, the use of proceeds and any other material information (such as a standby guarantee or backstop). Security holders and other potential investors should simply rely on the issuer's continuous disclosure record and the contents of the news release. Proceeding with an "Existing Shareholder" offering does not prevent an Issuer from concurrently completing a private placement utilizing other available exemptions. In fact we expect that would be the norm. We believe that in the current market conditions there is a valid reason for the Proposed Exemption to be given preference in terms of restrictive hold periods, in that many existing security holders have suffered substantial losses in the junior markets, and perhaps they should be given an advantage over new retail investors. Nevertheless we reiterate that the Proposed Exemption should be fashioned with a long term perspective in mind.

9. We have not proposed any conditions regarding the structure of the financing, i.e., minimum or maximum price, maximum dilution, or period in which an offering must be completed. We contemplate that the proposed financing would be conducted under standard private placement rules of the TSXV which, among other things, allow pricing at a discount to market price. Is this appropriate or are there structural requirements that we should make a condition of the exemption?

The pricing should be consistent with the existing discount structure applicable to issuers on the exchange on which they are listed. This would also assist issuers using the Proposed Exemption in combination with other exemptions when raising funds in excess of the limits. We further suggest that: i) brokers should be entitled to be paid whatever commission they are able to negotiate to assist in the financing; and ii) brokers or insiders should be allowed to backstop the offering and in consideration of doing so be granted up to 40% warrants, similar to rights offerings. We highlight the fact that existing shareholders generally hold their shares in brokerage accounts, so in order to maximize the chance of utilizing the Proposed Exemption successfully, it is best to try to engage the brokerage community as much as possible.

We suggest that it would be inappropriate for there to be any "finder's fees" payable when utilizing this exemption unless the investor has been provided with "suitability" advice from an IIROC registered investment dealer.

Conclusions

In closing, we applaud the participating jurisdictions for taking the initiative to propose this sensible and useful tool for capital formation.

We again thank you for providing us the opportunity to offer input on these important matters.

Yours truly,

GLOBAL SECURITIES CORPORATION

Per: "Adam Garvin", Vice President Corporate Finance
Authorized Signatory

HAYWOOD SECURITIES INC.

Per: "Frank Stronach", Vice President, Investment Banking
Authorized Signatory

JORDAN CAPITAL MARKETS INC.

Per: "Mark Redcliffe", Chief Executive Officer
Authorized Signatory

LEEDE FINANCIAL MARKETS INC.

Per: "Gord Medland", Chairman
Authorized Signatory

MACKIE RESEARCH CAPITAL CORPORATION

Per: "Rose Barbieri", Senior Vice President Operations
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WOODSTONE CAPITAL INC.

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