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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of
Saskatchewan
Manitoba Securities Commission
Autorité des marchés financiers
Financial and Consumer Services
Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Office -7-
Office of the Yukon Superintendent of
Securities
Office of the Superintendent of Securities,
Government of the Northwest Territories
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Re: Multilateral CSA Notice 45-312 (the "Notice")

We are writing to express our views on the new prospectus exemption proposed in the Notice.

We are generally supportive of the proposal, believing that providing additional flexibility to issuers with restricted access to institutional and other accredited investor funding sources is to be encouraged, especially in time of difficult markets for smaller issuers.

We have the following comments on certain specific consultation questions:

2. Should the proposed exemption be available to issuers listed on other Canadian markets?

We believe that the proposed exemption should be available to issuers listed on TSX or on the Canadian Securities Exchange. While usage rates may differ as between markets, the policy rationale for the exemption is market-agnostic. As the rationale is based on familiarity with the issuer, for TSX issuers at least, such familiarity may in fact be easier to achieve. Furthermore, there are additional disclosure requirements for TSX issuers and there would be additional analyst coverage for such issuers to supplement the issuer's disclosure record, both of which are available to investors.

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 of 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?

Yes. We do not believe that there are sufficient similarities to a rights offering to make a seasoning period appropriate. The theoretical underpinnings of an offering of transferable rights require that shareholders who elect not to exercise their rights can realize value and mitigate dilution by selling the rights in the market. A seasoning period is needed to make such a mechanic available to shareholders. Exempt rights offerings are subject to additional regulation. In addition, there is an element of equal opportunity at the root of rights offering. This proposed exemption is unlikely to provide shareholders with similar equal opportunities to make additional investments in their companies due to the logistics of such an exercise, among other things. Those who do participate should not be seen to be receiving special treatment. Any efforts to make the proposed exemption more like a traditional rights offering would start to blur the distinction between the exemptions; efforts should instead be focused on making the rights offering more attractive to issuers.

More importantly, a seasoning period would potentially create additional incentives away from the current system's embedded incentives to file a prospectus as it is easy to imagine certain persons "gaming" the system and creating nominal share positions for their retail accounts thus expanding the potential pool of investors, many of whom may not have the assumed familiarity that underlies the rationale for the exemption.



You may also wish to consider whether the proposed exemption could be used to facilitate an “equity-line” type of financing and whether this is desired. For example, in such structures a party who is the financier could hold one share of the issuer, and on that basis, propose a financing commitment under an equity-line financing where it would obtain discounted shares relative the VWAP of such shares. Additional guidance would be helpful of whether this would be permitted or not under the proposed exemption.

Yours truly,

Greg Hogan
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