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Tracy Clark
Legal Counsel, Corporate Finance
Alberta Securities Commission
Suite 600, 250-5th Street SW
Calgary, Alberta T2P 0R4

Dear Sir:

Re: CSA Notice 45-312

We are writing to provide you with our comments regarding the proposed Prospectus Exemption for Issuers listed on the TSX Venture Exchange (TSXV), allowing them to raise funds by distributing securities to existing security holders. We are a law firm that represents a number of Reporting Issuers listed on the TSXV. The comments contained in this email represent the views of the writer; they do not necessarily represent the views of any of our clients or any other person.

I will begin by saying that I strongly support this proposed exemption. I believe that it will facilitate raising capital by Issuers in an efficient manner, while adequately protecting investors' interests and the integrity of our capital markets. Given the current market conditions, raising capital has been particularly difficult for junior venture Issuers, and the proposed exemption should be of great benefit.

To assist in your review of these comments, we are providing specific responses to the 9 questions set out in Multilateral CSA Notice 45-312, using the same numbering system. These comments are as follows:

1. I do anticipate that our TSXV listed clients would make use of the proposed exemption. I believe that the exemption will not only facilitate the completion of private placements that would be conducted in any event, it will also encourage Issuers to conduct a private placement where they would otherwise not have done so due to the constraints and costs of the existing exemptions.

2. I understand that one of the bases of the proposed exemption is that investors would be relying on an Issuer's continuous reporting record. Any Issuer listed on an Exchange in Canada

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would be subject to the same continuous disclosure obligations, so the same rationale would apply, suggesting that the exemption should be market agnostic. However, one of the safeguards of the proposed exemption is that an Issuer listed on the TSXV would be required to comply with the rules and policies of the TSXV and, as appropriate, obtain the approval of the TSXV to any private placement. The existing TSXV policies include restrictions relating to the pricing and size of private placements and the Exchange, in general, plays a gatekeeping role regarding the use of the proposed exemption. The proposed exemption could (and logically should) be made available to Issuers listed on other Canadian markets provided that the members of the CSA are satisfied that the rules and requirements of such other market provide safeguards comparable to that provided by the TSXV policies. In the absence of such safeguards the exemption should not be made available to Issuers listed on other markets.

3. I believe that the proposed \$15,000 annual limit on investment is within a range of what I would consider to be a reasonable limit. The ability to increase this amount by obtaining advice from a registered dealer ensures that it will not be a debilitating factor.

However, we do have one concern regarding the enforcement of the annual limit. Because the limit will apply to an investment in any Issuer during a 12 month period, a particular Issuer will have no ability to monitor or independently verify whether or not an investor is complying with this limit. We are concerned about the possibility of an Issuer being held responsible where, without its knowledge, an investor has exceeded the annual limit. A specific provision in Instrument confirming that an Issuer is entitled to rely solely on an investor's written confirmation that he/she has complied with the limitation (or obtained the require advice) would address this concern.

4. As noted above, obtaining advice from a registered dealer is one circumstance where is may be suitable for a retail security holder to invest more than \$15,000 in a TSXV listed Issuer. Another circumstance where it would be suitable is if the investor has significant financial resources that would permit them to sustain a significant loss, such as a person who qualifies as an accredited investor. Of course, in such case the accredited investor exemption can be relied upon and the limit would not be applicable. As a result, I do not think that there are any other exceptions to the annual limit that should be provided for in the proposed exemption.

5. I do believe that where an investor has obtained advice from a registered dealer then there should not be any limit on the investment. Where an investor is purchasing securities in the open market, through a dealer, there is no rule (beyond the dealer's "know your client" obligation) that limits the amount of such an investment. So I do not see a need to impose a limit in what is an analogous situation.

6. I believe that being a current security holder of an Issuer does enable an investor to make a more informed investment decision with respect to that Issuer. While the continuous disclosure record is available to all potential investors, whether an existing security holder or not, it is clear that an existing security holder is more likely to review the disclosure for that Issuer and, in general, follow the fortunes of that Issuer which, depending upon the level of engagement of the security holder, may include contacting company representatives directly for information and updates. In addition, existing security holders will be eligible to receive material that may be distributed by the Issuer from time to time, including shareholder meeting material.

7. In my view the appropriate record date for determining security holders entitled to rely upon the exemption should be set at an extended period before the announcement of the proposed offering. Instead of being a specific number of days, I believe that it should provide for a reasonable range of dates. Providing a range of dates would provide greater flexibility which can facilitate planning by the Issuer, and allow the Issuer to accommodate events such as statutory holidays and corporate events such as ex-dividend dates, warrant expiries, etc. I would propose a date range that would be in the general neighborhood of 7 to 30 days. My reasons for proposing that extended record date are:

a. A record date appropriately in advance of the announcement date would ensure that the persons entitled to participate in the offering are existing security holders, and have been for at least a minimum period of time, and have made the decision to invest in the Issuer without any consideration of the proposed offering. In addition, they would have had a greater opportunity to review the Issuer's continuous disclosure record (presumably a review of the disclosure record would be a factor in their initial investment decision);

b. Providing for an extended record date would reduce the risk of a "rush to market" or "pump and dump" activity as potential investors scramble to become shareholders of record.

8. I believe that a 4 month hold period is appropriate for this exemption (as opposed to a seasoning period). I believe this exemption should be treated on the same basis as the accredited investor or comparable exemptions. The fact that the securities may (and likely will) be issued at a discount to the market price is one reason to impose a hold period to allow the market to be seasoned to the new issuance.

There should not be additional disclosure requirements for this exemption. Requiring such disclosure would, in my view, defeat the purpose of the exemption and significantly inhibit its use by Issuers.

9. I believe that the existing policies of the TSXV provide an adequate structure regarding financings that may be done using this exemption (see item 2 above). Other than the annual limit on investments (\$15,000) we do not believe that there should be any additional conditions or restrictions placed on the proposed exemption.

Please do not hesitate to contact me with respect to my comments. Thank you very much for the opportunity to provide you with our comments.

Yours truly,

CHAMBERLAIN HUTCHISON

Per: *(signed) "Andrew J. Chamberlain"*

ANDREW J. CHAMBERLAIN

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