RE: CSA Notice 45-312

January 17, 2014

To Whom It May Concern,

I am writing to provide comments regarding the proposed Prospectus Exemption noted.

The current regulatory framework is failing. A strong statement, but widely publicized evidence (such as the quantitative data on reporting issuers gathered by Mr John Kaiser and others) demonstrates that some 50% of the current smaller reporting issuers in Canada are in danger of complete corporate failure and delisting from their exchange during 2014. When 50% of your population base is threatened with failure or extinction, then by definition something in the environment is failing.

It is not government's responsibility to provide support to any business sector. It is almost always incorrect for government to attempt to pick winners and losers, economically speaking. It is always dangerous and virtually never a good idea for government to pick – actively or passively through poorly reasoned regulations – winners and losers in the marketplace, since this smacks of favouritism and the unjust execution of regulations across the population.

I have answered below, your specific questions w/r to the proposed exemption. Yes it should be implemented; no it should not be limited to members of a specific "club" (TSXV or otherwise); and yes the allowable limit should be modified and not be so arbitrary.

It is the desire of this proposed exemption to address some part of the current market environment and that is a positive development. But additionally, the proposed exemption does not go nearly far enough.

My family is a 3rd generation Canadian mining family. I have lived and breathed it since I was a child, as my father did and his father before him. I know that Canada is world-renowned for having the most highly respected and dynamic junior (and often, senior) mining industry in the world. You know that the disclosure standards have contributed to this reputation in the last ~15 years, even while sowing troublesome seeds along the way.

The cost to maintain a public company in Canada, meeting all the disclosure requirements, is much higher than in previous economic cycles. Data can be provided but is extraneous to this conversation at this time. Meanwhile, there are at least two major, fundamental shifts in the market that regulations have failed to keep time with.

The first of these are the universe of Know Your Client rules that have severely limited the participation of retail investors within the speculative investment sectors. Remember that Apple, Hewlett Packard, Dell and many other highly speculative technology companies were all started in garages or dorm rooms. Those companies would have NO chance of success if they were to be public companies starting

out in Canada. It is remarkable that Canada has no similar examples to point to, and should give you pause for thought.

The second is the change in investor appetite. Many retail investors have shifted from participation in private placements, and importantly, even from direct ownership positions in specific speculative public companies, and instead set their sights of ETFs. ETFs are a remarkable and welcome diversification tool in the marketplace. However, every dollar invested into an ETF is a dollar not available to MOST junior speculative companies.

GDXJ is a perfect example. It currently has a market cap of roughly US$1.3 billion. It holds equity positions in 69 junior gold and silver companies around the world, 60% of those Canadian. It offers great liquidity, often trading $50 million worth of stock daily. But since it only invests in 40-50 Canadian companies at any time, it specifically excludes most Canadian stocks. When an investor buys GDXJ, none of that investor money goes into the treasury of the targeted Canadian company.

GDXJ is only one of many examples, including things like the precious metals ETFs and more. All of these new investment vehicles siphon investor money AWAY from corporate treasuries – which as we have seen, require MORE capital than ever before in order to function.

Your regulatory environment needs to come to terms with these two important developments. If you fail to do so, and quickly, then the extinction event mentioned earlier will in fact occur unobstructed.

If a decision has been made that there are simply too many Canadian resource juniors and the market is better served to see them “weeded out”, then no action need be taken. The current environment will see to that.

With respect I offer my comments both above and below,

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Questions. With respect to your specific question, I provide the following feedback.

1) If I were a TSXV issuer yes I would use the exemption.
2) Yes. It is illogical to make the exemption available to some reporting issuers but not to all. To limit the proposed exemption only to the participants of one exchange or another is an attempt to pick winners which regulatory bodies should not engage in. It is highly unethical to apply a provincial or national regulation to only a subset of the provincial or national populace and smacks of favouritism. The existing regulatory system of reporting issuers either does its job or it does not: if it does, then this new exemption should be open to all reporting issuers. If it does

not, then a hard look should be taken at the broader regulatory environment that perhaps inadvertently is attempting to pick winners and losers.

3) $15,000 is too small a number. The INTENT of this limit is clearly to prevent financial ruin or hardship from an investment decision gone bad. That intent is laudable. However remember that the exemption already requires the potential investor is a stock holder; therefore this stock holder has demonstrated an appetite for risk; and has further demonstrated some level of knowledge of the issuer. In a perfect world there should be no limit. But if a limit must exist, it should be much higher, likely $50,000 or $100,000.
    a. It would also be interesting to tie the amount of new investment to the amount of the pre-existing ownership position. This is an elegant method of letting the natural marketplace regulate itself: If a current shareholder owns 40,000 shares of an issuer, then this new proposed regulation could limit the new investment to not more than another 40,000 shares. If a current shareholder owns 300,000 shares of an issuer, then the new investment could be limited to not more than another 300,000 shares. Without any arbitrary limitations imposed by regulators, this concept allows the market of individuals to regulate itself. Those shareholders who have not been capable of funding a larger investment in the past would not be permitted to suddenly inject larger amounts of capital. While those shareholders who have already demonstrated an ability to invest larger amounts of capital, could continue to do so.
4) Many: but this question is not appropriate. It is not a securities regulator's job to determine when any investment is or is not suitable for any individual investor. Those circumstances reside within the lifestyle of each individual investor and are beyond the scope of legislation. (Examples: market downturns; inheritances; cash windfalls; etc.) The regulatory framework should exist to encourage and insist full and relevant disclosure of all material information. Is the attempt of suitability requirements one of protecting an investor from himself?
5) Yes. See #3, above.
6) "A more informed decision." Yes. It is not possible to create a perfect environment where all knowledge is equal: people are not equal. To attempt to publicize such an environment risks the creation of moral hazard and an increase in erroneous investment decisions. But someone who currently owns a security is in almost all cases likely to be better informed of the status of the investment target, than a newcomer.
7) The record date should be a more extended period than a single day before the announcement. This is important because a single day is likely to invite less honest ownership intentions. The record date should be at least 30 days, and one might argue at least 90 days. Why? Because in every 90-day period, the reporting issuer will have been required to file a quarterly report. If an investor has owned the stock for 90 days then he has had the ability to be better informed as to the status of the company, than if he perhaps only owned if for a few days.
8) A) Four month hold is appropriate.
   B) No. If the shareholder already owns the stock then what purpose is served with additional disclosure? And if the record date is sufficiently long, the absence of knowledge of the issuer's affairs at the outset – the time of making the new investment decision – is greatly reduced.
   C) No.

D) No. With a requirement to file the press release, all current shareholders should be aware of the opportunity. Plus it is in a company's own best interests, if the raising of capital is desired, to contact their own shareholders directly towards this end.

9) I see no reason why specialized rules are required. Existing conditions are well entrenched within the regulatory framework.