

January 20, 2014

SENT VIA E-MAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Autorité de marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Office of the Yukon Superintendent of Securities
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

Re: Comments on Multilateral CSA Notice 45-312 - Proposed Prospectus Exemption for Distributions to Existing Security Holders

Dear Sirs/Mesdames:

This letter is provided to you in response to your request for comments on the proposed prospectus exemption set forth in Multilateral CSA Notice 45-312 (the "**Notice**").

General Comments

We are supportive of any regulatory regime which effectively balances the need to protect the investing public and the need of junior companies to have better access to capital. We are supportive of the efforts of the Canadian Securities Administrators (the "**CSA**") to identify and address issues and concerns relating to access to capital for junior and mid-size issuers. We support the proposed prospectus exemption and feel that other similar initiatives should be encouraged.

Responses to Specific Questions Raised by the CSA

In addition to our general comments above, we have the following comments:

We think it would be appropriate to monitor how the exemption is received and utilized by TSXV issuers for an initial period. If well-received and effective, we do not see a policy reason for limiting the proposed prospectus exemption to TSXV issuers and consideration could be given to extending its availability to other issuers, such as all issuers that are not "exempt issuers" as defined under NI 46-201 (although issuers listed on the TSX may in practice opt to use other exemptions or issue securities under a short-form prospectus). We have no comment on the amount of the proposed \$15,000 limit and feel that any limit is somewhat arbitrary given the current ability to purchase an unlimited amount in the secondary market.

We believe it is reasonable to have no investment limit when suitability advice from a registered investment dealer is obtained. We note, however, that this policy does shift the liability to the advisor and it is incumbent upon the adviser to exercise its duty of care in establishing a limit for each individual investor based on the investor's own risk tolerance and individual circumstances. In this sense, the total amount is not "unlimited", but rather is an individualized limit to be determined by the registered investment dealer.

We generally think that if investors have held more than a minimal number of securities in an issuer for a reasonable period of time that such investor may be more informed as to the business and historical trading price of the issuer.

With respect to the appropriate record date for the use of the exemption, if the policy rationale is that existing shareholders of the issuer have had access to and considered the continuous disclosure record of the issuer then setting the record date to be any date prior to the announcement of the offering should be acceptable as presumably the investor would have reviewed the continuous disclosure record of the issuer prior to making their initial investment in the secondary market. However, we would submit that any investor, be it a current shareholder or not, has access to the same information on the issuer's continuous disclosure record and can also make a purchase in the secondary market at any time in an unlimited amount and as such the setting of the record date for use of the exemption is a somewhat arbitrary concept.

With respect to the resale restrictions that should be applicable to trades made pursuant to the use of the exemption, if the policy rationale is to treat this exemption in the same fashion as a private placement, then the four month hold period would be appropriate. However, to the extent that this exemption is meant to be a modified form of the rights offering exemption, then a seasoning period would be more appropriate. We would submit that a seasoning period on first trades of securities acquired pursuant to the exemption would likely result in greater use of the exemption, since the securities would be immediately tradable. However, we acknowledge that the exemption could encourage speculative or short-term purchases of the shares of the issuer with a view to quick resale if the offering price is less than the market price of the shares, which may not be in keeping with the policy rationale of the proposed exemption.

We submit that the issuer's continuous disclosure obligations under securities legislation, as supplemented by its obligations under the TSXV Corporate Finance Manual currently provide investors with sufficient information on which to base an investment decision on the secondary market or through an exempt financing and that the proposed exemption does not change this.

Our view is that if the regulators decide that the appropriate resale restriction should be a seasoning period as opposed to a restricted hold period, then this should not have any bearing on whether investors are made aware of or should have a greater opportunity to participate in the financing.

With respect to the appropriate structure of the financing, the regulator should give consideration to the underlining policy rationale and to which structure the financing is meant to be analogous, be it a private placement or a modified rights offering, and should then mirror the applicable conditions that would apply to either a private placement or a rights offering, as the case may be.

We appreciate the opportunity to comment on the proposed amendments. Please do not hesitate to contact us if you would like to discuss further. Please note the foregoing comments reflect the views of the authors and do not necessarily represent the views of Dentons Canada LLP or other lawyers of the firm.

Respectfully submitted,

Donald Leitch
"Signed"

Peter Yates
"Signed"

Trevor Korsrud
"Signed"