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BY EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission

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The Secretary
Ontario Securities Commission
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comments@osc.gov.on.ca

Dear Sirs/Mesdames:

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

The Canadian Securities Exchange appreciates the opportunity to comment on these significant issues. We offer some general comments and observations in addition to our responses to the specific questions in the Notice.

Background – Canadian Securities Exchange.

CNSX Markets Inc. is a recognized stock exchange in Ontario, and authorized or exempt in Quebec, British Columbia, Alberta and Manitoba. On January 6, 2014 we began

carrying on business as the Canadian Securities Exchange, or CSE. In addition to over 200 listed securities all of the securities listed on other Canadian exchanges are also posted on the CSE for trading, making the Canadian Securities Exchange the only exchange in Canada where participants can trade all Canadian-listed securities.

General Comments

We strongly support introduction of an exemption that relies primarily on the existing continuous disclosure record of issuers and previous investment decisions of investors. Our only concern is with a proposal that distinguishes among listing exchanges, rather than listed or unlisted issuers. While the Ontario Securities Commission has stated general support for the proposal and will likely introduce a similar exemption in Ontario, we strongly encourage the CSA to revise the proposal to apply to issuers listed on a recognized exchange in Canada, rather than specify any particular exchange.

Responses to Specific Questions

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?

The rationale for the exemption applies to issuers on any marketplace, and the investor protection considerations are addressed for any issuer listed on a recognized exchange. The exemption should be available to all issuers listed in Canada.

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?

The implication of any fixed value is that all investors share similar individual risk profiles, and in that respect it may not be appropriate. Waiving the restriction under certain circumstances, however, may address that concern. Obtaining professional advice is an appropriate reason, and presumably the accredited investor exemption will remain available in some form to those that qualify. If one of the reasons behind the proposed exemption is to afford all current shareholders an opportunity to avoid the dilutive effects of further financings from the company, then it is likely that the \$15,000 limit is sufficient to extend the ability to participate to otherwise non-accredited investors.

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

The proposal to permit a greater investment with advice from a registered investment dealer is sound. It may also be appropriate to allow investment by shareholders that have already invested greater amounts over a longer period, or already hold an investment the issuer with a current value significantly greater than \$15,000.

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

Yes. An appropriate individual limit is an integral part of the advice that is included with the advice on suitability. This should be addressed by the dealer's existing responsibilities rather than added as an additional requirement for the purpose of this exemption.

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?

We do not believe that simple ownership enables an investor to make a more informed decision, as any potential investor has access to all of the same information. A current security holder however, with or without research or advice, has already assumed the risk of ownership of that security and may have a greater incentive to conduct research or seek professional advice.

7. What is the appropriate record date for the 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 a more extended period, what would be the appropriate period of time?

Companies may make frequent use of the exemption, which could cause administrative difficulties if the period is too long. One day, however, is likely not sufficient. Five to ten days may be a more appropriate range.

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 believe the four month hold meets the objectives of allowing retail investors to get the discounted price, avoid commissions, and acquire sweeteners, but does not provide advantages over other simple exemptions like "friends and family" or accredited investors.

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

No. As stated in our general comments, we support an exemption that is based primarily on the existing continuous disclosure record of a listed company. The existing record is sufficient, supplemented by requirements of the exchanges.

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?

Yes. This should be consistent with (a) – make it similar to the rights offering, or similar to a private placement.

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?

No. The proposed exemption will provide more flexibility for issuers to raise capital from an additional source, the retail investor. In turn, it will provide a new opportunity for retail investors. We do not believe the intention of the proposed exemption is to create an obligation by requiring issuers to offer all shareholders the opportunity to participate in any financing.

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 the 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 CSE, as all Canadian exchanges, defines the prices at which exempt financings may be conducted. If the proposed exemption were to be extended to include all listed companies, the financings would still be subject to the standard private placement rules of the listing exchange. Just as current exemptions allow the financing and the listing exchange sets the pricing parameters, so it should be with the proposed exemption.

We thank the participating CSA members for the comprehensive review of the issues and the resulting proposal. In addition, we thank the OSC for clarifying its position on the proposal and intentions to consider comments in developing a similar proposal.

Yours truly,

“Mark Faulkner”

Vice President, Listings & Regulation

cc: Richard W. Carleton, CEO
Rob Cook, Senior Vice President, Market Development