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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority (Saskatchewan)
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon
Superintendent of Securities, Nunavut

Leslie Rose
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, QC H4Z 1G3

Dear Sirs/Mesdames:

Re: Proposed Amendments to Accredited Investor and Minimum Amount Investment Prospectus Exemptions

We are pleased to offer our comments on the Canadian Securities Administrators' proposed amendments to the accredited investor (the "Accredited Investor Exemption") and minimum amount investment (the "Minimum Amount Exemption") prospectus exemptions, published on February 27, 2014.

Siskinds LLP is one of the leading plaintiff securities class action firms in Canada. We act in a broad range of shareholder rights litigation, with a focus on representing institutional and retail shareholders in securities class actions arising out of disclosure violations by issuers, their directors and officers, and other market participants. A number of cases in which we have acted as counsel have involved disclosure violations in the context of private placements.

We support the proposal to limit the availability of the Minimum Amount Exemption to non-individuals. We agree with the comment in the discussion paper that the amount of the investment is not a good proxy for the sophistication of the investor or the ability of the investor to withstand financial loss.

In our view, the same criticism can be levelled at the Accredited Investor Exemption. The asset and income thresholds for individuals stipulated in National Instrument 45-106 are similarly not a good proxy for an individual investor's capacity to appreciate the risks, costs and potential consequences of a particular investment. Even though only a relatively small proportion of Canadians meet the asset and income eligibility thresholds, it is wrong to assume that all such individuals are sophisticated individuals with extensive financial knowledge. Inheritance of wealth is an obvious case where an individual may have significant financial resources but limited aptitude for financial management.

The imposition of a requirement for a risk acknowledgement form will not solve the problems associated with the Accredited Investor Exemption. An investor's acknowledgement that an investment is risky is not effective when it is not predicated on any disclosure of the material risks that could impact the investment and the likelihood of those risks materializing. We are sceptical that the proposed risk acknowledgement form will have any material impact on an investor's decision as to whether to invest in a particular security. We note in that regard that, based on our own inquiries, there appears to be little or no empirical research into the efficacy of risk acknowledgement forms in protecting investors. We recommend that some research be performed in that area as the use of risk acknowledgement forms is an element of other prospectus exemptions that are currently under consideration.

Further, the proposed risk acknowledgement form does not address the core problem of the Accredited Investor Exemption, noted above, that wealth is an inapt proxy for financial knowledge. In our opinion, further protections should be built into National Instrument 45-106 for individual accredited investors. That could take the form of investment limits (either by dollar value or as a specified percentage of the investor's investment portfolio), a concept that we note has been used in other prospectus exemptions that are currently under consideration. Further or in the alternative, the availability of the Accredited Investor Exemption to individuals could vary depending on the type of issuer (reporting issuer v. non-reporting issuer) or the complexity of the security being acquired.

We also believe that the asset and income thresholds under the Accredited Investor Exemption should be adjusted periodically for inflation. The failure to adjust the thresholds for inflation amounts, over time, to an effective reduction in the thresholds. Moreover, because this reduction results from a failure to adjust to inflation, it lacks transparency. If there is to be an effective reduction in the thresholds, it should be preceded by an invitation for comment and careful consideration of the various arguments for and against a reduction of the thresholds.

The CSA's proposed amendments clearly reflect a policy of preserving, and indeed expanding, the use of the Accredited Investor Exemption. If that is the path that has been chosen, we believe consideration should be given to expanding the remedies that are available to investors who acquire securities in the exempt market. Under Part XXIII.1 of the Ontario *Securities Act*, Ontario's statutory secondary market liability regime, investors who acquire securities on a prospectus-exempt basis (including under the Accredited Investor Exemption) are not entitled to pursue a remedy under that regime if there are misrepresentations in an issuer's public disclosure.[1] An investor who acquires securities under the Accredited Investor Exemption without the benefit of a specific disclosure document, but rather relies on the accuracy of an issuer's public disclosure, will not have the benefit of the statutory remedy available to secondary market traders who similarly acquire securities relying on the accuracy of the public disclosure. In our view, private placement purchasers should not be excluded from Part XXIII.1,[2] and remedies should be available against responsible issuers if their public disclosure contains a misrepresentation.[3] We strongly encourage the CSA to consider this proposal.

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1 *Securities Act*, RSO 1990, c S.5, s 138.2(b).

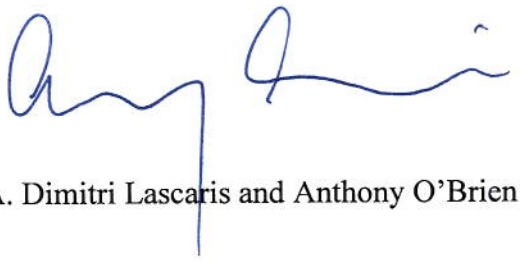
2 Section 138.2(b) of the *Securities Act* could be confined to prospectus-exempt purchases where there is an offering memorandum, in which case an alternative remedy is available to investors under section 130.1 of the *Securities Act*.

3 That would be a significant improvement, though it will not entirely solve the problem as the OSC's data suggests that, for issuers other than investment funds, a substantial majority of the capital raised in the exempt market in Ontario is by non-reporting issuers: OSC Notice 45-712. The remedy under Part XXIII.1 would not be available against all such issuers, and investors would have to rely upon other remedies.

Thank you for your consideration of our comments.

Yours truly,

Siskinds LLP



Per: A. Dimitri Lascaris and Anthony O'Brien