Desjardins Securities

March 8, 2005

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice,
Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division,
Department of Justice, Government of Nunavut
Ontario Securities Commission
Prince Edward Island Securities Office
Autorité des marches financiers
Saskatchewan Financial Services Commission
Registrar of Securities, Government of Yukon

Dear Sirs:

Re: Proposed National Instrument 45-106
and Proposed Amendments to OSC Rule 45-501

I want to thank the Canadian Securities Administrators for their initiative in harmonizing the private placement rules in Canada and for providing us with the opportunity to comment on the proposed rules.

Desjardins Securities Inc. is an investment banking firm with operations across the country. We assist our issuer clients in a range of financing activities. Different issuers, of course, require different forms of financing. What is optimal for a particular issuer at a particular time depends on the issuer's circumstances and requirements at that time. The availability of a menu of financing choices for issuers is conducive to efficient capital markets in Canada. One of the important choices available to an issuer is a private placement.

We are concerned that certain elements of the draft rules may diminish the opportunities where an issuer will decide (or be able) to effect a financing by way of private placement even if doing so would otherwise be the ideal financing alternative for the issuer at that time. The elements of concern are Section 1.5 of Proposed National Instrument 45-106 and Section 5.3 of the proposed

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amendments to OSC Rule 45-501 which provide, effectively, that any securities acquired by an underwriter (including one acting as an agent) pursuant to a private placement must be sold pursuant to a prospectus. Stated another way, securities purchased by an underwriter (including an agent) cannot be sold after the four month hold period that is available to any other accredited investor participant in a private placement.

The consequence of this is that an underwriter in a private placement will not buy the offered securities and therefor would not undertake a "bought deal" private placement or purchase the securities required to enable an agency offering to be fully subscribed. They would not do so because they would only be able to sell the securities so acquired by causing the issuer to file a prospectus. Further, an underwriter would not accept compensation warrants as part of the compensation for their services on a private placement as the underlying securities could be sold only by a prospectus. Underwriters would require additional cash commission instead which may not be an optimal use of the issuer's funds at that time.

More generally, it is not clear to us why underwriters should be treated any differently than any other accredited investor who participates in a private placement and be able to sell the securities purchased after the four month hold period has elapsed.

It is our submission that Section 1.3 of Proposed NI 45-106 and Section 5.3 of the proposed amended Rule 45-501 be eliminated. If that is not possible, we respectfully submit that these sections be stated not to apply to an underwriter (including an agent) who acts in connection with a private placement.

Thank you for the opportunity to comment on the proposed new rules.

Yours very truly,

Jeffrey F. Olin
Managing Partner, Ontario
Head of Investment Banking