

February 10, 2013

John Stevenson

Secretary

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Re: OSC Regulatory Initiatives
Consultation Paper 45-710 Considerations for New Capital Raising Prospectus Exemptions:
Crowdfunding Size of Investment

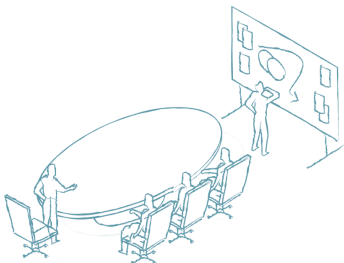
Ladies and Gentlemen:

I am the Founder and Chief Executive Officer of Wales Capital. On behalf of Wales Capital, I wish to thank you for the opportunity to submit comment letters to the Ontario Securities Commission (OSC) relating to the OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*. Wales Capital is an advisory and consulting firm that provides strategic, operational and technological solutions to entrepreneurs, Institutions, Intermediaries and Governments seeking to build and implement frameworks that leverage the Jumpstart Our Business Act (JOBS Act), Titles II and III and other global initiatives.

In authoring many comment letters in the United States for the JOBS Act, on behalf of the Crowdfund Intermediary Regulatory Advocates and being a Board Member of the industries two leading Crowdfunding trade organizations, the Crowdfund intermediary Regulatory Advocates (CFIRA) and Chair of the Crowdfunding Professional Associates (CfPA), I wanted to take the opportunity to submit comments that will help to provide guidelines, standards and best practices to the OSC as related to Crowdfunding Rescission Period

I acknowledge that the OSC included guidelines for the 'Size of Investment' in the OSC Staff Consultation Paper 45-710 Consideration for New Capital Raising Prospectus Exemption. Based on the guidelines a purchaser's investment in securities of a particular issuer cannot exceed \$2500. In addition, a purchaser's investment under this exemption during a calendar year cannot exceed \$10,000.

Also, I agree that investment limits are an important element of investor protection to limit an investor's exposure and recognize that investment limits presents difficulties with compliance. Under the crowdfunding exemption in the JOBS Act, the aggregate amount of securities sold to any investor within the previous 12-month period in reliance on the exemption cannot exceed: the greater of US \$2,000 or 5% of the investor's annual income or net worth if either the annual income or the net worth of the investor is less than US \$100,000; and 10% of the investor's annual income or net worth, not to exceed the maximum aggregate amount sold of \$100,000, if either the annual income or net worth is equal \$100,000.



However I respectfully submit the following comments and recommendations to summarize my views related to Crowdfunding Size of Investment.

According to the Small Business Administration (SBA), entrepreneurs have access to 1 per cent of the total investment capital available in the United States; yet create 50 per cent of the jobs. This means that an increase in funding could strengthen and increase the economy.

Data released by the Crowdfund Professional Association (CfPA) in conjunction with Crowdfund Capital Advisors showed surprising results with a survey released on 1 November, 2012, in which the surveyors interviewed 442 respondents (287 entrepreneurs, 166 investors, 179 intermediaries and 11 unspecified). The results that raised eyebrows came from investors. 71 percent of the respondents were unaccredited investors and reported they would invest an average of \$4,347 per year. While accredited investors responded that they would deploy \$29,987 per year. When investors were asked what the biggest driver for investment was, the prominent answers included: returns at the top of the list (33 per cent), helping businesses gain access to capital (20 per cent), being part of something greater than one's self (20 per cent) and the ability to make a difference in the life of an entrepreneur (17 per cent) ranked as being important.

Recommendation I:

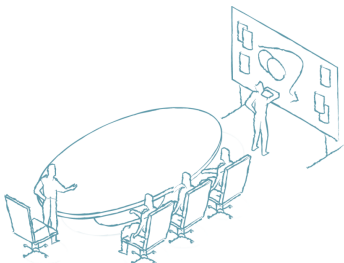
Based on the aforementioned data from the CfPA and Crowdfund Capital Advisors, the aggregate amount of securities sold to any investor within the previous 12-month period in reliance on the exemption should increase and not to exceed: the greater of US \$4,000 or 5% of the investor's annual income or net worth if either the annual income or the net worth of the investor is less than US \$100,000; and 10% of the investor's annual income or net worth, not to exceed the maximum aggregate amount sold of \$100,000, if either the annual income or net worth is equal \$100,000.

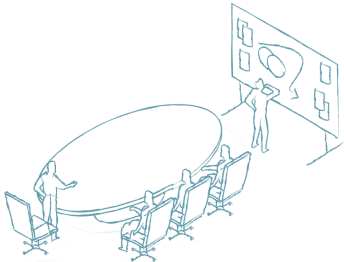
Wales Capital remains available for further discussions relating to defining the frameworks for Crowdfunding and available to work with the Commission.

Respectfully submitted,



Kim Wales
Founder and CEO, Wales Capital
Chair and Founding Member, CfPA
Founding Member and Board Member, CFIRA





February 8, 2013

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Ontario Securities Commission
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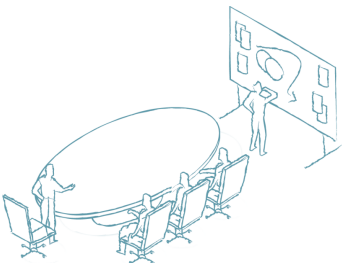
Re: OSC Regulatory Initiatives
Consultation Paper 45-710 Considerations for New Capital Raising Prospectus Exemptions:
Crowdfunding Oversubscription

Ladies and Gentlemen:

I am the Founder and Chief Executive Officer of Wales Capital. On behalf of Wales Capital, I wish to thank you for the opportunity to submit comment letters to the Ontario Securities Commission (OSC) relating to the OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*. Wales Capital is an advisory and consulting firm that provides strategic, operational and technological solutions to entrepreneurs, Institutions, Intermediaries and Governments seeking to build and implement frameworks that leverage the Jumpstart Our Business Act (JOBS Act), Titles II and III and other global initiatives.

In authoring many comment letters in the United States for the JOBS Act, on behalf of the Crowdfund Intermediary Regulatory Advocates and being a Board Member of the industries two leading Crowdfunding trade organizations, the Crowdfund intermediary Regulatory Advocates (CFIRA) and Chair of the Crowdfunding Professional Associates (CfPA), I wanted to take the opportunity to submit comments that will help to provide guidelines, standards and best practices to the OSC as related to Crowdfunding Rescission Period

I acknowledge that the OSC has not included any provisions or guidelines for Oversubscription of an Issuance in the OSC Staff Consultation Paper 45-710 Consideration for New Capital Raising Prospectus Exemption and therefore, I respectfully submit the following comments and recommendations to summarize my views as related Oversubscription of an Issuance.



Oversubscription of an Issuance

Wales Capital acknowledges that campaign requirements is defined as the target offering amount, the deadline to reach the target offering amount, and regular updates regarding the progress of the issuer in meeting the target offering amount.

It is my understanding that without a cap on the offering amount, investors and issuers are exposed to potential liabilities and complications, as the issuer could inadvertently sell more equity than intended, or is available, which means that the issuance has been oversubscribed.

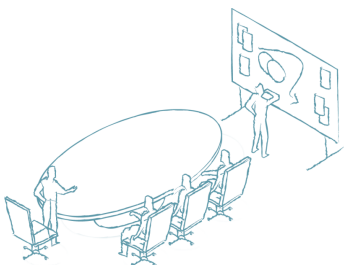
Recommendation: Allow the issuer to set a cap on the offering amount of up to 25% at the campaign inception, which is greater than or equal to the offering target amount, not exceeding the \$1.5 million threshold for any 12-month period. This will allow for oversubscription within a defined range and will protect both the investor and issuer.

I remain available for further discussions relating to defining the frameworks for Crowdfunding and am available to work with the Commission; and believe that a balanced and healthy ecosystem for the crowdfunding industry will develop, so long as flexibility, transparency, and a comprehensive framework of industry standards and best practices are created as the industry matures.

Respectfully submitted,



Kim Wales
Founder and CEO, Wales Capital
Chair and Founding Member, CfPA
Founding Member and Board Member, CFIRA



February 9, 2013

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20 Queen Street West
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**Re: OSC Regulatory Initiatives
Consultation Paper 45-710 Considerations for New Capital Raising Prospectus Exemptions:
Crowdfunding Two-business day “cooling off” Period**

Ladies and Gentlemen:

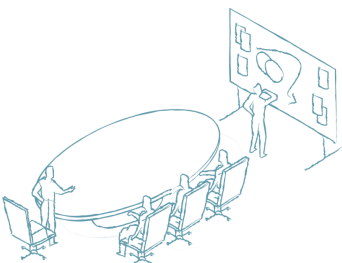
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In authoring many comment letters in the United States for the JOBS Act, on behalf of the Crowdfund Intermediary Regulatory Advocates and being a Board Member of the industries two leading Crowdfunding trade organizations, the Crowdfund intermediary Regulatory Advocates (CFIRA) and Chair of the Crowdfunding Professional Associates (CfPA), I wanted to take the opportunity to submit comments that will help to provide guidelines, standards and best practices to the OSC as related to Crowdfunding Two-business day “cooling off” period.

Wales Capital acknowledges that under existing securities law, issuers and the intermediaries are free to engage in crowdfunding activities that might otherwise be characterized as public offerings requiring registration under the Securities Act and we have taken those rules into account when considering the Crowdfunding Two-business day “cooling off” period.

I respectfully submit the following comments and recommendations to summarize my views as related to as the Two-business day “cooling off” period.

In the first instance, I would like to address the term ‘securities sold date.’ In which the meaning of the definition can be interpreted to mean as ‘the date the offering closes.’ If this interpretation is inaccurate, I seek clarification by the Commission.

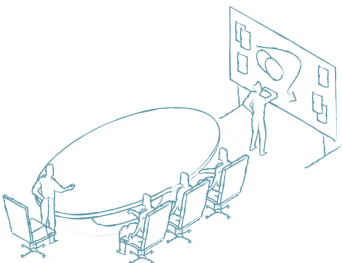


I. Two-business day “cooling off” Period - Offer Posting and First Sale

Based on the OSC Staff Consultation Paper 45-710, investors must be provided with a two-business day right of withdrawal from the date of their investment decision in order to provide investors with an opportunity to consider the disclosure provided and reflect on their investment decisions.

The two business day does not seem feasible for the Commission nor provides the investors sufficient time to perform due diligence on the issuers. The provision is loosely defined and therefore I submit that, under this provision, the law requires that there must be at least 10 business days between information being made available to potential investors and regulators and when actual transaction can be completed. Prior to posting a campaign on the Intermediary (Funding Portal) site, issuer must submit the required issuer disclosures to the Intermediary based on guidelines provided by the Commission for an issuer who offers or sells securities pursuant to the crowdfunding exemption. Based on the disclosures required under the US JOBS Act, I submit the following for consideration with some amendments for the Canada:

1. The name, legal status, physical address, and website address of the issuer.
2. The names of the directors and officers and each person holding more than 20% of the shares of the issuer.
3. A description of the business and the anticipated business plan of the issuer.
4. A description of the financial condition of the issuer including, for offerings that, together with all other crowdfunding offerings within the preceding 12-month period have, in the aggregate target offering amounts of \$250,000 or less, the income tax returns filed by the issuer for the most recently completed year and the issuer's financial statements certified by the CEO to be true and complete in all material respects.
5. Target offering amounts of more than \$250,000 but not more than \$750,000, financial statements reviewed by a public accountant who is independent of the issuer, using professional standards and procedures for such review or standards and procedures established by the SEC; and target offering amounts of more than \$750,000, audited financial statements.
6. A description of the stated purpose and intended use of the proceeds of the offering.
7. The target offering amount, the deadline to reach that amount, and regular updates regarding the progress of the issuer in reaching that amount.
8. The price to the public of the securities or the method for determining the price, provided that, prior to sale, each investor is provided in writing the final price and all other required disclosures and given a reasonable opportunity to rescind the purchase commitment.
9. A description of the ownership and capital structure of the issuer, including how the securities being offered are being valued and examples of methods for how such securities may be valued by the issuer in the future, including during subsequent corporate actions.



I propose that posting of information on an Intermediary (Fund Portal) site starts the mandated 10-day minimum period. The objective is to provide all information to investors and regulators for the full mandated 10-day minimum period between offer posting and sales, without trying to define a materially important subset of posted information that would be subject to this requirement.

In addition, I believe that to ensure investor protections are in place, sales cannot be completed until after the 10-day period has expired investors may conduct due diligence and place orders (i.e. deposit funds into an escrow account) at any time after the deal posting, specifically including during the 10-day minimum period during which actual sales are prohibited.

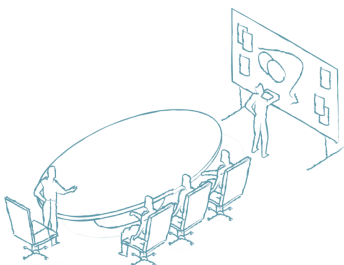
Recommendation I: In the event there are any material revisions made to the offering for the posted campaign on the Intermediary site (Funding Portal), the clock will restart for the 10-day minimum period.

Wales Capital believes that a balanced and healthy ecosystem for the crowdfunding industry will be developed, so long as flexibility, transparency, and a comprehensive framework of industry standards and best practices are created as the industry matures. I remain available for further discussions relating to defining the frameworks for Crowdfunding and am available to work with the Commission, to ensure a healthy ecosystem, capital formation, and investor protection, whenever possible.

Sincerely,



Kim Wales
Founder and CEO, Wales Capital
Chair and Founding Member, CfPA
Founding Member and Board Member, CFIRA



February 8, 2013

**John Stevenson
Secretary**

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
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**Re: OSC Regulatory Initiatives
Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions:*
Crowdfunding Portal Revenue Models**

Ladies and Gentlemen:

I am the Founder and Chief Executive Officer of Wales Capital. On behalf of Wales Capital, I wish to thank you for the opportunity to submit comment letters to the Ontario Securities Commission (OSC) relating to the OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*. Wales Capital is an advisory and consulting firm that provides strategic, operational and technological solutions to entrepreneurs, Institutions, Intermediaries and Governments seeking to build and implement frameworks that leverage the Jumpstart Our Business Act (JOBS Act), Titles II and III and other global initiatives.

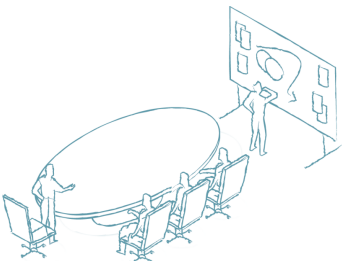
In authoring many comment letters in the United States for the JOBS Act, on behalf of the Crowdfund Intermediary Regulatory Advocates and being a Board Member of the industries two leading Crowdfunding trade organizations, the Crowdfund intermediary Regulatory Advocates (CFIRA) and Chair of the Crowdfunding Professional Associates (CfPA), I wanted to take the opportunity to submit comments that will help to provide guidelines, standards and best practices to the OSC as related to Crowdfunding Portals Revenue Models.

I acknowledge that under existing securities law, issuers and the intermediaries are free to engage in crowdfunding activities that might otherwise be characterized as public offerings requiring registration under the Securities Act and we have taken those rules into account when considering the revenue model.

I respectfully submit the following information in accordance with rules of fair practice across the industry:

I. Revenue Model – Absorption of Upfront Fees

I encourage and endorse flexibility with respect to restrictive fee structures that may prohibit Intermediaries (Funding Portals) from developing sustainable businesses with growth potential, which is necessary to facilitate and promote the industry. It is suggested that the revenue model allows Intermediaries to be paid a percentage of fees based on the success of a fully funded campaign.



Given that there are upfront costs associated with listing of campaigns for the Intermediary, it should be considered fair practice to allow Intermediaries to charge setup fees to offset expenses incurred in the event a campaign is not successful.

Recommendation I: Intermediaries should be permitted to charge issuers fees and other compensation so as to cover out-of-pocket expenses and margin to support and maintain ongoing operations. All such fees should be charged in accordance with the regulatory framework for EMDs that is set out in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, which applies in every jurisdiction across Canada.

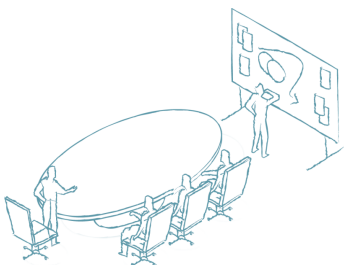
These fees might include:

- a. Offering template set-up fees;
- b. Data hosting fees for maintaining drafts and the offering;
- c. Deal success fees, recognized upon a successful funding of a deal;
- d. Escrow set-up fees;
- e. Fees for third-party service provider costs associated with background checks and other due diligence;
- f. Fees related to funds receipt and disbursement (e.g. wire fees, ACH fees, check deposit fees, etc.);
- g. Fees for ongoing use of platform tools (e.g. status updates, email);
- h. Fees, charges and/or revenue sharing arrangements from third party service providers advertising on the platform (e.g. accountants, lawyers, payroll services, etc.);
- i. Portals may charge issuers these, and other, fees directly, including via a credit card of an executive or representative of an issuer. However, under no circumstances should any fees or charges be deducted from escrow prior to a deal closing, as those are investor funds and NOT (yet) the issuer's funds.

II. Revenue Model – Fees Based on Fully Funded Campaigns

There are existing fee structures in place for the “donation” and “reward” based crowd funding models that currently charge between 5% and 15% in fees in connection with those campaigns which do not have a cap limit on the amount that can be raised and this information is based on the three donation and rewards based Portals: Kickstarter, RocketHub and IndieGoGo who charge a percentage for successful campaigns (fixed and flexible models), in addition to credit card processing fees in the United States.

Equally, the existing OSC Exempt Market Dealers SN 31-314 – NI 31-103 *Registration Requirements and Exemptions* and Related, should consider guidelines similar the regression fee model that predicts compensation values expressed as percentage offering proceeds for Broker Dealers such as the NASD. The Notice provides that best efforts offerings of \$1 million (the smallest deal size on the chart) should permit a commission of 11.83%.



It is noted that the compensation allowed is inverse to the size of the raise, and the offer to extend this 11.83% to smaller raises would result in higher percentages for the raises referenced in the OSC Staff Consultation Paper 47-710, which are capped at \$1.5 million.

Recommendation II: Based upon these existing models in the United States, Wales Capital recommends that a 10% - 15% fee be permissible for “equity” based Intermediaries (Funding Portals). Additionally, I propose that Intermediaries may be free to pass along other costs independent of the revenue model such as third party fees (e.g., Amazon Payment, Escrow) and maintenance fees.

It is anticipated that the provision of ancillary services, to include due diligence services, in connection with the offer, sale, purchase or negotiation of such securities. However, I believe that charges for these services are allowed for crowdfunding, if such services do not include separate compensation for investment advice or recommendation to issuers or investors. The Registered Portal is also allowed to provide standardized documents to the issuers and investors so long as such person or entity does not negotiate the terms of the issuance for and on behalf of third parties and only if issuers are not required to use the standardized documents as a condition of using the services.

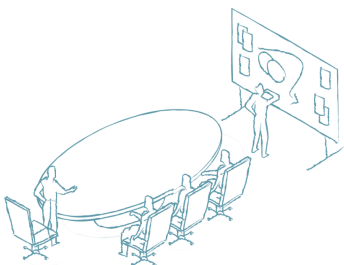
I believe the totality of fees described will be sufficient to support viable crowdfunding platforms and a healthy industry without being excessive compared to other pricing formats in similar industries.

Wales Capital remain available for further discussions relating to defining the framework for revenue models and we continue to be available to work with the Commission in developing industry standards and best practices that will balance the need for a healthy ecosystem and capital formation, ensuring investor protection whenever possible.

Respectfully submitted,



Kim Wales
Founder and CEO, Wales Capital
Chair and Founding Member, CfPA
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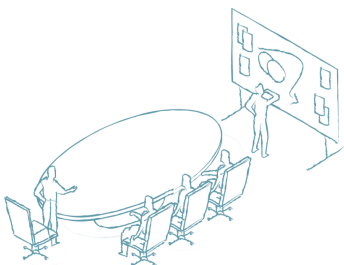
**Re: OSC Regulatory Initiatives
Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions:*
Crowdfunding Rescission Period (Withdrawal Right)**

Ladies and Gentlemen:

I am the Founder and Chief Executive Officer of Wales Capital. On behalf of Wales Capital, I wish to thank you for the opportunity to submit comment letters to the Ontario Securities Commission (OSC) relating to the OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*. Wales Capital is an advisory and consulting firm that provides strategic, operational and technological solutions to entrepreneurs, Institutions, Intermediaries and Governments seeking to build and implement frameworks that leverage the Jumpstart Our Business Act (JOBS Act), Titles II and III and other global initiatives.

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I acknowledge that the OSC believes a right of withdrawal provides another element of investor protection; by allowing the purchaser a 'cooling off' period to consider the disclosure provided and to take the opportunity to reflect on the investment decision. The OSC also illustrates in the consultation paper that this type of consumer protection is available in other legislation. For example, an individual who purchases a condo is provided a 10-day rescission period where the individual can withdraw the offer to purchase. The OSC has suggested that a two-business day cooling off, to exercise the right in order to be consistent with the right of withdrawal period applicable in prospectus offering.



I respectfully submit the following comments and recommendations to summarize my views as related Investor and Issuer Rescission Period.

I. Investor Rescission

I understand that investors can rescind commitments to invest for the ‘cooling off period’ before actual sales closing (i.e., for at least the minimum required two business day period after posting of the offering), and thereafter until closing if the issuer or Intermediary elects not to close the campaign, (i.e., make the actual sales) at the expiration of the two-business day minimum period.

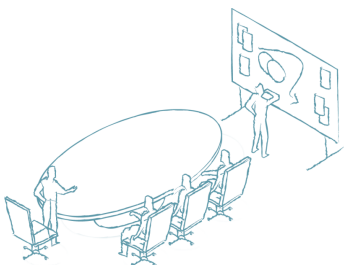
Recommendation II:

The two-business day minimum gets adjusted to 10-business day cooling off period. In addition, whenever an investor expresses the intent to invest, during the minimum 10-business day cooling off period after an offer posting and thereafter until final closing, the investment should be placed in a “pending” status. The investment would remain in “pending” status with the rescission right available to the investor until the day of issuance closing. I fully support the investor’s right to rescind until the day of issuance close and believe that this may empower investors to more fully engage with the issuer, thereby fostering transparency between the issuer and investor.

II. Issuer Rescission

Recommendation III: In the case of issuer rescission, I believe that issuers should be allowed to rescind an offering as a whole (cancel or suspend the campaign) at any time before final sale, and should also be able to decline individual investor offers to purchase if and when a specific individual transaction would be unlawful in some way.

In addition, crowd funded offerings should be viewed as another type of private placement transaction with traditional issuer discretion regarding who is allowed to invest, so long as it does not violate discrimination laws that are in place under Federal law.



Wales Capital believes that a balanced and healthy ecosystem for the crowdfunding industry will develop, so long as flexibility, transparency, and a comprehensive framework of industry standards and best practices are created as the industry matures. I remain available for further discussions relating to defining the frameworks for Crowdfunding and am available to work with the Commission, to ensure a healthy ecosystem, capital formation, and investor protection, whenever possible.

Sincerely,



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Founder and CEO, Wales Capital
Chair and Founding Member, CfPA
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