



February 12, 2013

BY EMAIL

John Stevenson
Ontario Securities Commission
20 Queen Street West
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Toronto, Ontario M5H 3S8
Email: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

Re: OSC Staff Consultation Paper 45-710 (“Consultation Paper”) – Considerations for New Capital Raising Prospectus Exemptions

We appreciate this opportunity to comment on the review by the Ontario Securities Commission of the Exempt Market and its implications for future capital raising by Companies in Canada and the inherent investor protection concerns that arise. CNSX Markets Inc. (“CNSX Markets”) is supportive of initiatives which improve the functioning of the Exempt Market and update the principles and requirements to better suit the needs of today’s public and private companies.

Background – CNSX Markets

CNSX Markets is a recognized stock exchange in Ontario, and authorized or exempt in Quebec, British Columbia, Alberta and Manitoba. We operate two distinct markets: the Canadian National Stock Exchange (“CNSX”) and the Pure Trading facility (“Pure”).

General Comments

A review of the Exempt Market and proposals for new capital raising prospectus exemptions are both timely and warranted since this area has not undergone substantive re-examination in over a generation. With advances in technology and investor education and the proliferation of websites and news channels focused solely on the capital markets, it is fair to say that the investing public today is more sophisticated and financially literate than at any time in the past. As with individuals, the needs of the public as a whole change as circumstances change but the objective of fostering fair and efficient markets remains paramount. CNSX Markets strongly supports the Exempt Market as a cost effective means for issuers to raise capital but changes should be made to suit modern realities. While the Consultation Paper seeks to address the capital raising regulatory regime for public and private companies, our comments will focus on reporting issuers listed on a Canadian exchange.

Crowdfunding Exemption:

CNSX Markets believes that participation in the Exempt Market should not be limited to those individuals who fall within a narrow segment of the population as defined under current prospectus exemptions. Arbitrary income or net assets tests are not necessarily indicative of financial literacy or demonstrative of an ability to withstand financial loss. By the author’s own research detailed in the Consultation Paper, the vast majority of Canadians are prohibited from participation in the Exempt Market. It is our belief that the current exemptions represent too blunt an instrument and as a result, there is a large pool of risk capital that is made unavailable to Canadian companies. Consequently,

CNSX Markets is fully supportive of the OSC's Crowdfunding Exemption proposal as it will help to unlock this source of capital and also "democratize" the Exempt Market.

CNSX Markets supports limiting the exemption to companies that are incorporated in Canada and have their head office in Canada, excluding investment funds. The exemption should also be applicable only to distributions of common shares, preferred shares, debt securities or securities that are convertible only into common shares or preferred shares. Using this exemption to distribute securities other than those that are easily understood raises significant investor protection concerns.

Under the current rules listed issuers are faced with a dichotomy: there is the requisite disclosure to permit an investor to purchase securities of an issuer listed on an exchange but the same investor may not participate in Exempt Market distributions. Investor protection concerns raised in the Consultation Paper are comprehensively addressed because an issuer must meet the exchange's minimum requirements for listing, which include background checks on all Related Persons. A listed issuer must also comply with exchange's ongoing listing requirements as well as its continuous disclosure obligations under NI 51-102. With a listed issuer, there would be no need for a funding portal.

CNSX Markets supports an exemption that allows an individual to invest up to a maximum of \$20,000 per calendar year in listed issuers with no per distribution limit. We agree with the proposal that the investor should be required to make the purchase through a registrant as well as read and acknowledge a comprehensive risk disclosure statement and be provided with a two-business day right of withdrawal. A possible alternative to a two-day right of withdrawal is to require a statutory declaration sworn in front of a Notary or Commissioner of Oath that the investor has read and understands the risk disclosure statement.

Offering Memorandum ("OM") Exemption:

It is our experience that the OM Exemption is not used by venture issuers due to the costs associated with preparing the memorandum and compliance with the requirements of the exemption. Adoption of the OM exemption by the OSC would therefore have little utility. Listed issuers should be able to rely on their continuous disclosure record for raising capital.

The Exempt Market is an important venue for capital raising activity in Canada. This is particularly true for the substantial venture issuer segment. CNSX Markets believes the Crowdfunding prospectus exemption is warranted for listed issuers as it allows for more equitable participation by companies and investors in the Exempt Market and promotes fairness, efficiency and investor protection. Additional benefits include ease of administration and cost.

Yours truly,

CNSX Markets Inc.

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"Rob Theriault"

Director – Listings & Regulation

cc: Richard Carleton, CEO
Mark Faulkner, Vice President, Listings & Regulation
Cindy Petlock, General Counsel & Corporate Secretary