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Attention : John Stevenson, Secretary

March 7, 2013

RE: OSC Staff Consultation Paper 45-710

Dear Mr. Stevenson,

This consultative paper raises many good issues and questions. As an Exempt Market Dealer focused on the small end of the market, particularly start-ups, I support the OSC's goal of exploring what can be done to expand access to capital for SMEs, while at the same time ensuring that investors receive appropriate protection. As you know, SMEs are critical to economic growth. I have myself seen jobs created from the funding that I have been able to raise for issuers. At the same time, raising funds at the small end of the exempt market has become particularly difficult in recent years so expanding the sources of capital available to issuers beyond the 2% of the population accounted for by Accredited Investors is essential to creating faster economic growth.

Crowdfunding is an interesting concept with a lot of potential, but it is still at a very early stage. Much will be learned about this approach over the next few years. So I think that it is appropriate for the OSC to take a cautious approach here, starting with the proposed \$2,500 limit and re-assessing that over time.

Setting the same limit for the proposed OM exemption is not practical, however. There is already experience in other provinces with this exemption, with the lowest existing limit at \$10,000. The work involved in researching and explaining an offering to investors is such that the OM exemption is not going to be used at such a low level. Investments at that low level will only be done through Crowdfunding, with its more automated approach. The OSC seems to have designed an approach where numerous aspects of Crowdfunding and OM offerings would be the same. In my view, this is a flawed approach and will serve neither exemption well. It would be far better to bifurcate these two concepts and design approaches that are best for each. For example, the proposed \$1.5 million limit may be too high for Crowdfunding in Canada until more experience is gained with this approach. (You have indicated that the limit for the much larger US

market is \$1 million). Conversely, this limit is too low for the more controlled OM approach.

Another example of where using the same approach for both exemptions is inappropriate is the proposal to not allow convertible preferreds or convertible debt. This makes sense for Crowdfunding, which needs to be as simple as possible, but not under the OM exemption. For example, I design offerings based on what's best for the investor. I often start with common shares, as investors are looking for that form of upside, and then layer on protection, often in the form of a zero interest rate convertible debt structure, which is solely to provide the investor with downside protection. Under the OSC proposal, I would not be able to have the issuer offer this (under the OM exemption) so I would have to eliminate a key form of investor protection. This does not make sense.

For the OM exemption, a per issuer investment limit of \$25,000 is needed for this approach to be useful. I would combine that with the requirement for a registrant to be involved, so that suitability can be assessed. I would also suggest a \$50,000 limit on total holdings of OM-exempt issues, at cost, rather than focusing on a limit for issues within a 12 month period. Under the latter approach, the total holdings of the investor, who presumably does not meet the Accredited Investor criteria, could become elevated relative to net worth.

In general, I support having additional exemptions as this expands access to capital for issuers. So I support the family exemption. The proposed exemption based on Registrant advice is a very good idea, but excluding all EMDs is not justified. If the OSC is concerned about certain EMDs, such as those who are dealing in products of connected or related issuers, then exclude those but don't make the rest of the EMDs suffer for the sins of a few. Compliance costs for EMDs have recently tripled. This was due to the unnecessary OSC decision to force registrants to use IFRS accounting, which no other private companies in Ontario are required to use. This has resulted in the bizarre situation of small and mid-size accounting firms having only one client, a registrant, who uses IFRS accounting. As a result, it is difficult for EMDs who focus on the smaller end of the market to cover these costs. This forces them to focus on larger transactions, increasing the dearth of capital available to start-ups. Expanding their "reach" to include these transactions would provide some degree of counter-balance (although I encourage the OSC to also review EMD compliance costs, as many of these can be shown to have little or no discernible benefit). So to exclude EMDs from this exemption is inconsistent with the OSC's goal of increased access to capital for SMEs.

While I support the concept of an exemption based on sophistication, I am not certain that an approach can be developed that will be equitable. For example, the proposal includes MBAs but excludes CAs. I happen to have a MBA but based on my experience the probability of a CA being a more sophisticated investor than someone with a MBA in Marketing is quite high. But there will be exceptions. The proposal also appears to have an inherent bias towards those who work in the investment industry. Depending on the nature of the investment itself, these individuals' expertise may or may not help them understand the investment (and potentially advise others). For example, I have seen investment opportunities where the best person to assess the opportunity was a scientist or a doctor (e.g. pharma-related) or an engineer (for an industrial-type business or a mining project). In many cases the finance type sitting at a desk may be at a disadvantage. So finding an optimal approach is probably not feasible. Perhaps expanding

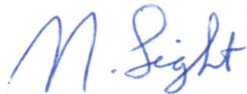
the list of backgrounds and education to include the most obvious areas that have been excluded, such as CAs, would be the place to start but there will always be someone who is not included in this exemption, who should be, and vice-versa.

Clearly, the limitation of 50 shareholders (unless they are Accredited) will need to be increased if the OM exemption is offered.

I support the proposals for increased reporting but the OSC is missing a huge opportunity here. In the consultation meetings concerning possible changes to the Accredited Investor rules, the OSC admitted that the majority of fraud and situations where investors are in unsuitable investments was coming from issues where a registrant was not involved (which is also why I feel that a registrant should be involved in financings using the OM exemption). So presumably the OSC is concerned about the large number of individuals and possibly firms who are acting as placement agents, but who are not registrants nor using a referral arrangement with a registrant. So why is the OSC proposing that there be reporting only on registrants? The reporting should cover any party that has earned compensation from the financing. This would potentially catch unlicensed parties.

Thank-you for the opportunity to comment on the OSC proposals concerning new capital raising prospectus exemptions.

Sincerely yours,

A handwritten signature in blue ink that reads "M. Slight". The signature is written in a cursive, flowing style.