

PROFORMA CAPITAL INC 
Succession, Estate & Financial Strategies

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New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

The proposed rule contemplates the following additional requirements: completion of the Canadian Securities Course, audited financial statements, \$50,000 to \$200,000 working capital and a financial institution bond. We believe that these requirements would be too onerous for most companies currently operating in the exempt market to meet. Adding additional requirements would only increase the cost of doing business for the issuers and drive down returns for the investors.

The question that needs to be asked before proceeding with additional regulation is: "Is there a problem, and if so, can regulation solve that problem?" There is not any concrete data highlighting the abuses in the exempt market. We would like to see evidence that the exempt market has more abuses and fraudulent activity than its counterpart in the non-exempt world. Once those abuses have been quantified then the question of whether or not additional regulation will curb those abuses needs to be addressed.

We are not convinced that the investor will be protected any more by the implementation of this rule. The investor already signs off on these offerings that they are aware that they could lose all their money. Our suggestion would be that the regulators need to focus on enforcing the current legislation instead of increasing the amount of it.

The reasoning driving these changes seems to be that the regulators are concerned about the large amount of money being raised in the exempt market. The quantity of money being raised in this market has no bearing on the need for additional legislation. Again, we applaud the regulators for setting up the current environment to foster such a strong market which is evidenced by the large amount of monies being raised. The exempt market works efficiently with the context of National Instrument 45-106.

We strongly urge you to re-evaluate the need for this additional regulatory structure as it will increase the cost of doing business and curb our thriving venture capital markets.

Sincerely,