

February 28, 2012

Gordon Smith
British Columbia Securities Commission
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RE: BCN 2011/29 Request for Comment - CSA Staff Consultation Note 45-401 *Review of Minimum Amount and Accredited Investor Exemptions*

Dear Mr. Smith,

Thank you for your invitation to provide our input as part of the BC Securities Commission and the Canadian Securities Administrators review of the minimum amount exemption and the accredited investor prospectus exemption contained in National Instrument 45-106.

By way of background, the BCTIA is an industry funded organization that represents over 2,700 technology companies in BC. In compiling our feedback, we have held online consultations and roundtable discussions to garner the input from our member community.

In setting the context of our recommendations, it would be worthwhile highlighting some key observations in the current environment.

The increasing importance of private angel investment. In the past ten years, venture capital investment in Canada has declined by over 80% from \$6.3B in 2000 to just \$1.1B in 2010. In BC, we have seen the level of venture capital investments decline from \$446MM in 2000 to half the level of \$220MM in 2010. Meanwhile, the private angel investment in the BC Small Business Venture Capital program has doubled from \$31MM in 2004 to \$72MM in 2010. Private angel investments now outpace venture capital investments by a ratio of 5:1 (as measured by the number of companies financed).

Smaller capitalization requirements. It is now easier to start a technology company than ever before. Many of the companies do not require substantial investment (often less than \$50,000) to develop an initial product and secure early customers. As a consequence, angel funding rules need to be aligned with this new business reality.

Sophistication of technologists, scientists and professors. Technology companies often raise capital from technically-minded individuals who are sophisticated enough to understand the nature of the undertaking and the risks. The salary levels, however, for many of these individuals are far below the current threshold of \$200,000.

Encouragement of new capital to fund entrepreneurship. Both in BC and in other jurisdictions, there has been an increasing emphasis on cultivating new start up businesses and encouraging early stage angel investments to support these companies. BC's Venture Capital tax credit program, while still unique in Canada, has recently been adopted in the United Kingdom in the form of a new Seed Enterprise Investment Scheme (SEIS). Last November, the US Congress passed the Entrepreneur Access to Capital Act which essentially opens the door for start-up companies to raise capital from non-accredited investors.

In light of these observations, we would put forth the following recommendations in regards to your request for comment:

1. **The Minimum Amount Exemption should be retained**, but be modified to a lower minimum investment threshold of \$50,000 to \$100,000 (rather than \$150,000).
2. **The Accredited Investor Exemption should also be retained**, but be modified with
 - a) a reduction in the Income Test from the current level of \$200,000 per annum to a new level of \$100,000 per annum
 - b) a reduction of the net assets minimum for corporations, limited partnerships, trusts and estates from the current level of \$5 million to a new level of \$1 million
3. **Risk Acknowledgement Statement.** Investments that utilize the Minimum Amount or Accredited Investor Exemption should be accompanied by a simple acknowledgement statement requiring the investor acknowledge that they understand and accept the risk of the investment.
4. We would also recommend that the Offering Memorandum exemption, as is currently available in BC, should be maintained.

By considering these recommendations, we believe that the BC Securities Commission will strike the right balance in preserving the integrity of its program in protecting investors while expanding the available pool of early stage capital that will fund new innovations and economic success in our province.

In closing, we commend the CSA and the BC Securities Commission in taking the proactive step in seeking input as part of its review of the current exemptions framework and we would welcome an opportunity to participate in future discussions.

Sincerely,



Bill Tam
President and CEO