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via email: gsmith@bcsc.bc.ca

Gordon Smith
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2

**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 the opportunity 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.

I am providing this input in behalf of the **VANTEC Angel Network**, a BC-wide network of “angel” investors and two “angel” funds: **WUTIF Capital (VCC) Inc.** and **GreenAngel Technology Ventures (VCC) Inc.** Collectively, we have raised capital for more than 500 new ventures in the past decade.

Through these initiatives we raise equity capital for promising technology startups. More than \$100 million per year is invested in B.C. technology companies by exempt market investors.

The amount invested by individuals is now exceeding that invested by institutional venture capitalists. Even so, institutional investors prefer later stage companies. This means that the primary source of startup capital is private investors. These startups raise, on average, \$500,000 on their seed rounds.

However, there are many investors – people such as professors, engineers, entrepreneurs, scientists, and teachers – knowledgeable people who would like to invest in such companies (I regularly get inquiries from such people) but are not allowed to do so because the barriers are too high. A reduction in the income test for accreditation would substantially increase the pool of available capital to these startups. At present, entrepreneurs can access less than 1% of the population.

The Minimum Investment Exemption is rarely used because the amounts required by startups are small. Investors do not want to invest sums in excess of \$50,000 to



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\$100,000. And, the Offering Memorandum cannot be used because it is prohibitively expensive for a startup raising a nominal amount.

Although not referenced by the CSA (presumably because it is used only in certain jurisdictions such as B.C.), the Offering Memorandum Exemption is used by larger companies and should be retained. We also advocate that a variation of the Offering Memorandum tailored to Seed financing rounds should be considered. In the USA and the UK, new approaches to “Crowd funding” are being implemented. We cannot afford to lag behind.

Our recommendations regarding the two exemptions being reviewed are:

1. **The Minimum Amount Exemption should be retained**, but be modified to a lower minimum investment threshold of \$50,000.
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.

Thank you for this opportunity to provide input. I would be pleased to provide additional details on our activities with specific case studies of how exemptions were used and also how the current regulations greatly limit capital formation for new ventures.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C Volker".

Michael C Volker,
Director, SFU Innovation Office (www.sfu.ca/io)
VANTEC Angel Network (www.vantec.ca)
WUTIF Capital (VCC) Inc (www.wutif.ca)