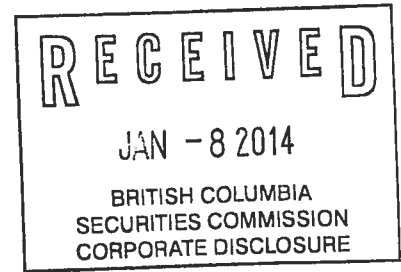




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January 8, 2014

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Re: Canadian Securities Administrators
Multilateral CSA Notice 45-312
Proposed Prospectus Exemption for
Distributors to Existing Security Holders

The VCMA is an organization seeking a Canadian regulatory environment offering access to speculative investment opportunities and capital through fair securities markets that warrant public trust. Its objective is to influence improvement in regulations to ensure that they are clear and easily understood, and allow for effective policing and enforcement.

The VCMA, formed in 2013, is leading a joint effort of several organizations involved in raising venture capital for public companies in Canada to present industry recommendations to the many regulatory bodies, including, but not limited to the following:

- The 13 securities commissions across Canada
- The Investment Industry Regulatory Organization of Canada (IIROC)
- The Canadian stock exchanges and the several platforms that trade Canadian securities
- The elected politicians with the responsibilities of regulating the regulators

The VCMA appreciates the opportunity to present these suggestions in response to the Proposed Prospectus Exemption.

Access to Capital Markets for Reporting Issuers in the Public Markets on a Recognized Exchange

Submitted by

Venture Capital Markets Association

Deterioration of Capital Markets

Venture capital, by its very nature, implies risk. It is speculative investing. Venture markets have traditionally gone through periods of boom/bust cycles, however the current deterioration of commodity markets in Canada is accentuated by onerous regulations. Industry concerns have been publicized and are likely a major reason for the proposed changes as outlined in CSA Notice 45-312. These proposed changes do not go far enough as they continue to define venture capital as an investment that must have “big brother” intervention.

The VCMA recommends that all proposed regulations related to individuals investing in publicly listed venture capital companies should be fully removed, thereby allowing all investors to participate as they desire.

Venture Capital is the lifeline for job creation across Canada. All businesses must adhere to dozens of industry-related checks and balances on a consistent ongoing operating basis. These regulations are for industry, not for individuals.

Some examples of high-risk gambling where individuals are free from regulatory interference are:

- Casinos: While casinos are regulated, individuals gamble at their own risk without regulation.
- Lotteries: Regulatory bodies support these high risk-funding ventures by advertising extensively to attract unregulated buyers.
- Stock Markets: Individuals can buy as many shares as they want in the open market.

The decisions individuals make to participate in private placements in publicly listed companies should be theirs alone, without regulatory interference or elitist preference for so-called accredited investors.

The VCMA supports one fundamental rule to follow for venture capital.

Regulate Industry - Do not regulate individual investors!

Consumers manage their personal financial affairs without interference every time they purchase items, even when questionable credit granting practices are involved. There is absolutely no reason why Venture Capital should fall victim to inappropriate unnecessary regulation of the individuals who wish to participate.

Without venture capital, Canada would not have become the world leader in mineral exploration, the only industry where Canada has worldwide dominance. Canada can also boast of resounding successes in life science ventures, technology, energy, mining, and agriculture. Many of the large businesses in these sectors began as startups dependent upon risk takers and venture capital.

Responses to Specific Proposals of CSA Notice 45-312

- The TSXV's Corporate Finance Manual should not be the basis for proposed changes. Issuers have regulations and mandatory filings to follow and websites to maintain for public access. They do not require another level of expensive, unnecessary duplicate regulation. **Regulators should not use a privately owned exchange for guidelines.**
- The issuer should be able to list on any recognized public market.
- There should be no record date required.
- The \$15,000 or any other figure should not be used. There should be no maximum.
- "Rights of Action" are agreeable as these regulate the industry.

Regulate Industry! Do not regulate individual investors!

The VCMA appreciates the initiative that is being taken in bringing together all Canadian Security Commissions to address problems, but takes the position that the basic principle of individual freedom must apply to all investing or speculating decisions.

The VCMA urges the commissions to adhere to this principle in addressing several other problem areas that are of immediate concern to all involved in venture capital markets.

(1) Financing

- Re-open Capital Markets.
- Allow all Canadians of age to invest or speculate without prejudice in Canadian publicly traded companies seeking venture capital.
- Empower the public to directly participate in private placement funding of Canadian publicly traded companies.

(2) IIROC

- Significantly reduce the present overwhelming influence of the big banks and seek appropriate representation on governance boards with people from the venture capital industry.

(3) Trading

- Implement a proper time-related consolidated order book covering all trading platforms.
- Enforce transparency on all trading.
- Ban algorithmic trading
- Disallow short selling on a down tick.
- Halt the illegal practice of computerized interception of orders resulting in the front running of retail investor orders.

A Challenge for the Future

In order to keep the venture capital industry vibrant in Canada, the VCMA proposes that the governing political bodies work together, or as one entity to form:

- (a) A national industry association with full representation of all sectors to serve as the regulatory body for venture capital
- (b) "Chairs of Regulatory Studies" at several Canadian University Schools of Business

Thank you

VCMA Managing Committee



Joseph R Martin
Chairman

Addendum

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