

CoPower Response to Request for Comments -

Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions and Companion Policy 45-106CP Prospectus and Registration Exemptions, Proposed Amendments to OSC Rule 45-501 Ontario Prospectus and Registration Exemptions, Proposed Multilateral Instrument 45-108 Crowdfunding and Companion Policy 45-108CP Crowdfunding, and Proposed Form 45-106F10 Report of Exempt Distribution for Investment Fund Issuers (Alberta, New Brunswick, Ontario and Saskatchewan) and Form 45-106F11 Report of Exempt Distribution For Issuers Other Than Investment Funds (Alberta, New Brunswick, Ontario and Saskatchewan)

June 18, 2014

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

By Email: comments@osc.gov.on.ca

AND

Autorité des marchés financiers
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission

Att: Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

By Email: consultation-en-cours@lautorite.qc.ca

Dear Mesdames, Sirs:

CoPower is a new online platform that aims to allow Canadians to pool money and invest in pre-vetted clean energy opportunities, like solar, wind and energy efficiency systems. Our investments aim to help Canadians achieve steady financial returns, while making a positive impact on the environment and in their communities. Founded in 2013, CoPower has been featured at GLOBE2014, ZERO2014 and C2-MTL. We aim to bring together the nascent trends of crowd-financing - or "equity crowdfunding" - and "impact investing" - or investing for a "triple bottom line" - to produce positive financial, social and environmental returns.

CoPower would like to commend the CSA for its vision and the careful balancing of key stakeholder concerns that it has demonstrated in these proposals.

Our principals have decades of cumulative experience in Canadian securities law, clean energy generation and venture capital financing for SMEs, and are excited by the opportunity to continue developing this important market in Canada. Our comments herein are presented with a great appreciation for the work represented by these proposals. With the adjustments suggested herein, we believe that the new exemptions proposed by the OSC and the crowdfunding-related proposals of the CSA will keep Canadian capital markets at the forefront of new technological and social developments.

The opinions expressed herein are solely those of CoPower, and do not necessarily represent the views of our advisors, partners or other affiliated parties.

Sincerely,



David Berliner
Chief Executive Officer
CoPower, Inc.



Raphael Bouskila
President
CoPower, Inc.



Larry Markowitz
General Counsel
CoPower, Inc.



Russell Pullan
Chairman
CoPower, Inc.

Offering Memorandum Exemption¹

Ban on related issuers

CoPower strongly opposes the proposal to prohibit registrants that are “related” to the issuer from participating in an OM distribution. We believe that this prohibition has the potential to set back much of the work done by the OSC on the proposed exemptions.

First, as a general comment, we believe that harmonization across jurisdictions is of paramount importance. Preventing issuers that are permitted to raise capital in most of Canada from accessing investors in Ontario needlessly complicates controls and introduces barriers to the capital markets in Ontario that other jurisdictions have deemed unnecessary.

Second, this proposed restriction bars many viable and useful business plans. For example, one could countenance a “micro-venture fund” that creates a limited partnership vehicle for the purposes of investing in an SME. This vehicle would add value to the SME and to Canadian investors by allowing an experienced general partner to mentor, monitor and guide the SME to success. Prohibiting a “micro-venture fund” from also participating in an OM distribution mechanism would make it difficult for such a fund to access their network of investors, build trust and credibility, and might ultimately lead to more failed SMEs and greater capital losses by investors.

One could imagine a scenario whereby each SME would develop its own limited partnership agreement and subscription agreement, and sponsor its own such micro-venture fund, but:

- Such an arrangement would be riddled with conflicts of interest;
- It would be wasteful of a strong opportunity for standardization in agreements, and hence would increase capital costs across the board.

Third, banks, insurance companies, and mutual fund companies sell related products every day to retail investors. There is a clear precedent in the industry for allowing related issuers.

Fourth, dealing representatives are driven by simple economics, where higher commissions tend to get their attention and sales focus. By allowing issuers to take advantage of their own networks to raise capital, commissions can be considerably lower or even zero. This is clearly in the best interest of investors and the company

Fifth, in addition to the low commission advantage addressed above, by having the issuer as a registrant, the trades will pass the same scrutiny for KYC and suitability as through any other dealer.

In summary, this restriction calls into question the very purpose of crowdfunding as a financial tool: *allowing investors to pool money to achieve the kind of scale that they cannot achieve alone.*

CoPower recommends allowing related issuers, but with the following caveats:

First, requiring audited financial statements for financings larger than \$500,000. This will minimize the risk of fraud while balancing this risk against the expense of preparing audited statements.

¹ CoPower will not be providing comments on the Friends, Family and Business Associates Exemption, nor on the Existing Security Holder Exemption. For aspects of the Equity Crowdfunding and Offering Memorandum Exemptions where we have not provided comments, you may assume our concurrence with your position.

Second, setting out clear use of funds, which **must** ultimately be used to invest in a third party. In other words, no self-financing of portals: the funds must be used (minus some management fee) wholly for an unrelated third-party SME.

Third, requiring demonstrated subject matter expertise provided by the related-party sponsor of the pooled fund, to increase the probability of success of the investment. As an example, we would expect that the principals of a micro-VC fund investing in a biotech SME would have significant biotech industry experience.

With these restrictions in place, the Commission will be able to maintain protection of individual investors, while preserving the intent of the OM exemption: to increase the success and access to capital of Ontario SMEs.

Crowdfunding Portal Exemption

Ban on real-estate issuers

CoPower is opposed to the proposed exclusion of real estate issuers from utilization of the Crowdfunding Portal Exemption. We believe that, to the contrary, real assets that return a steady and predictable flow of cash presents a very compelling opportunity for everyday Canadian investors. We believe that these sorts of investments – particularly debt-like securities, such as mortgage loans – have the ability to bring back to the everyday Canadian investor the value proposition that Canada Savings Bonds used to: a steady, high-single-digit blended return, where the investor can also feel good about making an investment in their community.

While we understand the Commission's concerns with respect to "bad actors", we believe that these concerns can be adequately addressed through detailed and responsible disclosure requirements.

We recommend allowing real-estate issuers to use the Crowdfunding Portal Exemption with the requirement of audited financial statements for financings larger than \$500,000. This will minimize the risk of fraud while balancing this risk against the expense of preparing audited statements.

CoPower Factsheet

Company Introduction

CoPower is an online platform for clean energy investments. We help Canadians invest in clean energy projects that offer market returns and predictable cash flow, along with a social and environmental impact.

Our goal is to increase the amount of capital available for the clean energy market, and to empower individuals and communities around energy choices by democratizing clean energy investments.

Clean energy is a mature industry, with over \$200 billion of infrastructure projects financed globally in 2013. Energy efficiency represented a further \$300 billion industry. However, most investors are unable to access this sector because of the high capital requirements and expertise required. As well, many clean energy and energy efficiency projects still lack access to capital.

CoPower will allow investors to pool their money at a modest entry point and access investment opportunities in pre-vetted clean energy deals. CoPower is focusing on offering debt financing for energy efficiency and solar energy projects.

Team

Headquartered in Montreal, CoPower was founded in October 2013 by a core team of dedicated individuals:

David Berliner <i>Chief Executive Officer</i> B.Sc. Toronto; M.P.A. Columbia	4 years in clean energy finance and policy Former Associate at Inerjys, a clean energy investment firm Former Co-chair of Canadian Solar Industry "Emerging Leaders"
Raphael Bouskila <i>President, Chief Platform Officer</i> B.Eng., McGill; M.Sc., Toronto	3 years in clean energy finance; 8 years in computing Former Associate at Inerjys, a clean energy investment firm Executive Council member and co-chair of Portals Committee, Equity Crowdfunding Alliance of Canada
Larry Markowitz <i>General Counsel</i> B. Comm., B.C.L., LL.B. McGill	15 years in securities and corporate law. Former Partner at McMillan LLP. Angel investor and startup advisor
Russell Pullan <i>Chairman</i> B.Sc. Western; M.B.A., INSEAD	CIO at Sustainable Development Capital UK Energy Efficiency Fund Former head of cleantech venture capital at Carbon Trust, Nomura Bank, and Saudi Aramco Former Chairman of UK solar installation company, EvoEnergy