EQUITY CROWDFUNDING ALLIANCE OF CANADA

VIA E-MAIL

June 24, 2014

Alberta Securities Commission
Autorité des marchés financiers
Financial and Consumer Affairs Authority of Saskatchewan

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Dear Sirs and Mesdames:

Re: Multilateral CSA Notice of Publication and Request for Comment - Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions Relating to the Offering Memorandum Exemption and in Alberta, New Brunswick and Saskatchewan, Reports of Exempt Distribution (collectively, the Proposed Amendments)

This comment letter is submitted by the of the Equity Crowdfunding Alliance of Canada (the **ECFA**) in response to the request for comments published by the Alberta Securities Commission (the **ASC**), the Autorité des marchés financiers (the **AMF**), the Financial and Consumer Affairs Authority of Saskatchewan (the **FCAA**), and the Financial and Consumer Services Commission of New Brunswick (the **FCNB)** (collectively, the **Participating Jurisdictions**), regarding the Proposed Amendments.

We thank you for the opportunity to provide our comments on these very important capital raising exemptions in Canada.

About the ECFA

The ECFA was formed in March 2014 as a group of individuals and companies dedicated to developing, guiding and leveraging the emerging equity crowdfunding industry in Canada. The ECFA is Canada's first and only industry association dedicated to equity crowdfunding and to developing a regulated and viable equity crowdfunding framework for all Canadians.

The ECFA's mandate includes:

- educating the public, media and industry stakeholders about emerging practices involving equity crowdfunding;
- functioning as a unified, national voice to Canadian securities regulators while representing all stakeholders involved in equity crowdfunding;
- guiding issuers, intermediaries, advisors and investors in developing best practices in equity crowdfunding;
- supporting funding portals in complying with applicable Canadian securities laws; and
- collaborating with issuers, crowdfunding portals, angel investors, venture capital firms, registered dealers and other capital markets participants in the development of a viable equity crowdfunding ecosystem.

The ECFA seeks a proper balance between investor protection and developing a fair, efficient and trusted equity crowdfunding framework for Canada. The ECFA believes Canada must embrace this new form of capital raising, otherwise our best and brightest entrepreneurs will gravitate to other jurisdictions where capital raising is easier. This will negatively impact our economy, job prospects and opportunities, for all Canadians.

Information about the ECFA can be found on our website at: **www.ecfacanada.com**.

ECFA comment process

The ECFA has established various committees that have collectively reviewed the Proposed Amendments. The comments below reflect the consolidated opinions, interests and concerns of various issuers, exempt market and restricted dealers, investors (representing angel groups, institutional investors and venture capital firms), along with advisory guidance from securities lawyers and accounting professionals.

ECFA Cross Canada Conference Tour

In order to educate and obtain feedback from the various stakeholders involved or interested in equity crowdfunding in Canada, the ECFA held the following full day conferences in the cities and on the dates below:

- Toronto, Ontario – April 24, 2014

- Calgary, Alberta – May 27, 2014
- Vancouver, British Columbia – May 29, 2014
- Ottawa, Ontario – June 2, 2014
- Montreal, Quebec – June 9, 2014

The ECFA greatly appreciates the involvement and participation of the Canadian securities regulators in Ontario, Alberta, British Columbia and Quebec at the recent ECFA conferences. All the ECFA conferences were well attended and everyone benefited from the information and dialogue about developing a viable equity crowdfunding framework for Canada.

Equity Crowdfunding = Selling Securities on the Internet

The ECFA believes that the essence of equity crowdfunding involves selling securities on the internet. This involves the equity crowdfunding framework proposed by six provinces and the start-up equity crowdfunding framework proposed by five provinces. It also involves exempt market dealers selling securities on the internet where issuers are relying on existing prospectus exemptions, such as the offering memorandum exemption under section 2.9 of National Instrument 45-106 – Prospectus and Registration Exemptions (**NI 45-106**) and the accredited investor exemption under section 2.3 of NI 45-106.

Context for ECFA Comments

The ECFA's responses in our comment letter incorporate certain recurring themes such as:

- advocating for a fully-regulated, fair, trusted and effective equity crowdfunding framework in Canada;
- ensuring issuers have access to the largest pool of qualified investors by allowing accredited and non-accredited investors to participate in private offerings;
- establishing consistent (harmonized) rules across various jurisdictions in Canada, wherever possible;
- minimizing compliance costs to issuers, in particular small and medium-sized enterprises (**SME**s); and
- avoiding new securities regulations, if other laws and regulations (e.g., those under corporate laws in Canada) already provide for shareholder disclosure and other protections.

ECFA's Comments on the Proposed Amendments

1) Under the current framework in Alberta, Québec and Saskatchewan, both individual and non-individual investors are subject to the $10,000 annual investment limit if they do not meet the definition of an eligible investor. Should non-individual investors, such as companies, be subject to the $10,000 limit if they do not qualify as an eligible investor? Please explain.

No, non-individual investors, such as companies, should not be subject to the $10,000 limit if they do not qualify as an eligible investor. We believe that the owners/shareholders or board members (on behalf of the owners/shareholders) of a company are sufficiently sophisticated to assess the risks of an investment, without being subjected to investment limits.

Moreover, there can be legitimate commercial reasons why one or more individuals may set up a company that does not satisfy the eligible investor test, when the individuals themselves would qualify. For example, this can be done for estate planning purposes in relation to an investment under the OM Exemption.

2) Are there circumstances where it would be suitable for an individual eligible investor who is not an accredited investor and not eligible to invest under the FFBA exemption to invest more than $30,000 per year under the OM Exemption? If so, please describe them.

Yes, there are circumstances when it would be suitable for an investor to invest more than $30,000 under the OM Exemption. The ECFA is against the imposition of any investment caps or limits on eligible investors for the reasons discussed below.

(a) An investment cap treats all eligible investors as a homogenous cohort

The ECFA submits an investment cap treats all eligible investors as a single homogenous cohort which they are not. There is a significant differences between an eligible investor who makes:

i. $75,000 or more per annum for the last two years and contemplates making the same or more in the year of investment (**Situation A**); and
ii. $199,000 or more per annum for the last two years and contemplates making the same or more in the year of investment (**Situation B**).

For example, an investment of less than $30,000 may be suitable for an investor who qualifies as an eligible investor in Scenario A while unfairly limiting and not in the public interest for an investor who qualifies in Situation B. Specifically, an investor in Situation B may actually be able to invest a lot more than $30,000 (the proposed investment cap) and in circumstances when such an investment may be completely suitable. Simply, the

ECFA believes treating all eligible investors as a homogenous cohort is not in the public interest and actually may hurt certain types of eligible investors.

(b) *Investment limits misalign the interests of issuers and dealers*

A registrant has an obligation to determine whether an investment is suitable while an issuer does not. The ECFA is concerned that the interests of issuers and dealers will be misaligned with the imposition of an investment limit. Rather than encouraging investors and issuers to work with registered dealers an investment limit may have the opposite effect.

For example, consider an issuer who engages a registered dealer to raise capital. The dealer finds 20 investors who each invest, for example, $20,000 since an investment of more than $20,000 is not suitable. The investors and/or the issuer wants the investor to invest up to the limit so either the issuer accepts subscriptions from such individuals directly via a non-brokered private placement (during the offering and unbeknownst to the dealer) or post-closing in another offering when no dealer is involved. Such misalignment should be concerning to the FCNB and other CSA members.

(c) *If investment caps are introduced, they should not apply when a registrant is involved*

If the Participating Jurisdictions adopt investment caps, then the ECFA believes no such limits should apply when a registrant is involved in an offering, including EMDs who seek to sell securities on the internet under existing prospectus exemptions, such as the OM Exemption.

Fundamentally, we are against such investment caps since we believe dealers, as registrants, have certain legal obligations under applicable securities law to ensure that an investment is suitable for an investor. This was one of the cornerstones of registration reform when it came into force in 2009 and is a fundamental responsibility of a registrant.

The ECFA submits that only a registrant has the legal responsibility to make sure an investment is suitable based on a number of factors including, but not limited to; an investor's age, investment needs, investment time horizon and risk tolerance. An investment cap ignores such varied factors that need to be tailored to each individual investor. We find an investment cap inconsistent with a registrant's suitability obligations under applicable securities law. It is also not clear why a registrant can do a suitability analysis for amounts under the investment cap but can no longer do so when an investment amount is in excess of the cap. We submit this does not make sense.

(d) Limited data to support an investment cap of $30,000 per annum

We understand that the proposed investment cap of $30,000 is based on two years of data provided by the ASC. We are not aware of any other data from any other CSA member where the OM Exemption has been available for many years. In the absence of data, we submit that adopting an investment cap is arbitrary and inconsistent with the current approach for evidence-based regulation. Moreover, any arbitrary limits, or tiered investment thresholds based on the eligibility or accreditation of investors, simply serves to restrict access to capital that is needed to support Canadian businesses and our economy.

3) Given the costs associated with doing so, how likely is it that an individual would create a corporation or other entity to circumvent the $30,000 cap?

It is not difficult for an investor to incorporate and organize a company in order to circumvent the $30,000 cap. The cost of incorporating and organizing a new company is approximately $1,000, therefore, cost would not be a deterrent to try to circumvent the $30,000 cap.

If an investor does take these steps to circumvent the $30,000 cap by incorporating a company, then the investor must be fully accountable for the decision he or she made to circumvent regulations intended to protect him or her.

Lastly, it is unclear how a Canadian securities regulators will determine whether an investor created a corporation for purposes of circumventing the investment cap versus for valid business or personal reasons.

4) Investors who do not qualify as eligible investors based on net income or net assets can qualify as eligible investors on the basis of advice from a registered investment dealer. In what circumstances do investors actually seek and receive advice from a registered investment dealer? Does this introduce any complications or difficulties?

In theory, a non-eligible investor may seek and receive advice from a registered dealer (*i.e.*, eligibility advisor) when they want to make an investment in excess of $10,000. Conceptually this makes sense since a dealer has KYC, KYP and suitability obligations to make sure the investment is suitable for the non-eligible investor.

We have no evidence on how frequently this type of advice is provided by an investment dealer. We are of the view that more EMDs than investment dealers are involved in private placements using the OM Exemption and arguably, this is infrequently relied upon by investment dealers.

We believe that the time, money and effort for an investment dealer to satisfy its suitability obligations involving a private placement under the OM Exemption may not be worth the

consideration paid to the investment dealer for providing such services, unless the investment dealer was involved in the offering and was relying on the OM Exemption.

The ECFA submits that many EMDs are involved in private placements in reliance on the OM Exemption and, accordingly, it is not clear why an EMD cannot also be an eligibility advisor. One of the purposes of implementing NI 31-103 was to provide a registration regime for dealing in exempt market products. It does not follow that those registered as EMDs pursuant to this regime should be precluded from providing suitability advice on the products in which they have expertise and are registered to trade. Accordingly, ECFA submits that EMDs should be included as eligibility advisors to actually give effect and meaning to qualifying as an eligible investor based on an investor receiving suitability advice from a registered dealer (*i.e.*, an EMD or investment dealer).

5) The eligible investor definition includes persons that have a net income of $75,000 and persons that have net assets of $400,000. These income and asset thresholds currently apply equally to individual and non-individual investors, such as companies.

a) Should the $75,000 income threshold only apply to individuals? If so, please explain.

b) Should the net asset amount exclude the value of the principal residence for individual investors? If so, should the $400,000 net asset threshold be lowered as a result?

c) Should pensions be included in the net asset test under the OM Exemption? Please provide the basis for your answer.

(a) No, the $75,000 income threshold should apply to both individuals and companies. See explanation in our response in #1 above.

(b) No, the net asset amount should not exclude the value of the principal residence for individual investors when considering the eligible investor test. The commentary within the Proposed Amendments states that “if investors are qualifying as “eligible investors” based on a net asset test, there are very few who could do so without including their principal residence” (based on Statistics Canada data). As the commentary further states, “excluding an investor’s principal residence may treat investors with similar net worth differently depending upon the types of assets they choose to hold”. In other words, an investor could structure their affairs by taking their home equity out of their principal residence and acquiring an asset or security wherein it could then be included as part their net assets for purposes of the eligible investor test.

Many Canadians look to the equity of their homes as part of their savings and whether in the form of stocks, bonds or home equity, the ECFA believes it should be included in the net asset test under the definition on an eligible investor.

In the absence of any evidence and for the sake of harmonization, the ECFA believes the principal residence of an investor should remain included within the definition of net assets.

(c) To the extent a pension plan has a valuation that is reported, this is a legitimate asset that should be included in the eligible investor test. In fact, self-directed pension plans are a common source of funds that are used by both eligible and non-eligible investors to participate in private offerings.

6) The FCAA would appreciate feedback on whether lawyers and public accountants should continue to be considered "eligibility advisers" in Saskatchewan for purposes of the OM Exemption? Please provide the basis for your opinion.

Yes, the ECFA believes that lawyers and accountants should continue to be considered eligibility advisers in Saskatchewan. Lawyers and/or accountants are both bound by rules of professional responsibility when they provide advice. What is not clear is how often investors seek suitability advice from lawyers and/or accountants in Saskatchewan, and if sought, whether it is in fact provided.

Some lawyers and/or accountants may not have the knowledge or training to provide suitability advice on exempt products offered under an OM Exemption. Moreover, it is not clear whether such advice would be covered as legal advice under a lawyer's errors and omissions policy and accordingly, do in fact provide such advice. Lastly, it is not clear whether the time and effort required by such a professional to provide such advice is worth the consideration they would receive in providing such advice.

In sum, we believe there is no point, in the absence of evidence, to change the status quo and continue to allow lawyers and/or accountants to provide suitability advice, however, the ECFA believes the Participating Jurisdictions should obtain more information regarding such matters. Perhaps a box could be created in the report of trade to indicate if suitability advice was provided by an eligibility advisor, and if so, whether it was an investment dealer or EMD (assuming a change is made to permit EMDs to act as eligibility advisers).

7) How common is it for an issuer that relies on the OM Exemption to make annual financial statements available to security holders?

- **a) How is this done? Are they delivered?**
- **b) Are those financial statements typically audited?**
- **c) If the financial statements are not typically audited, is there an auditor involved and, if so, what standard of engagement is typically applied?**
- **d) Do issuers that prepared financial statements in accordance with IFRS for inclusion in their OMs typically continue to prepare financial statements in accordance with IFRS or do they transition to generally accepted accounting principles for private enterprises (ASPE)?**
- **e) Is it common for security holders to request annual financial statements? Do they request audited financial statements?**
- **f) What do you estimate as the annual cost of preparing the proposed audited annual financial statements?**
- **g) Do you anticipate that issuers will mail annual financial statements to security holders or place them on a website?**
- **h) What do you estimate as the cost of making annual financial statements available to security holders?**

***Assumptions*:**

For purposes of this Question 7, we have assumed having read the commentary in the Proposed Amendments that:

(a) the questions below relate to any ongoing financial statement disclosure that may or may not be provided by an issuer after an offering has been completed and capital was raised under the OM Exemption. We note that the OM Exemption requires the inclusion of audited financial statements save and except under specific circumstances as set out in the blanket orders (as referenced in Question 16 below) ; and

(b) private issuers (or non-offering corporations under the Ontario *Business Corporations Act*) are exempt from the audited financial statement requirements if all of the shareholders have consented in writing to the exemption for that financial year.

(7) How common is it for an issuer that relies on the OM Exemption to make annual financial statements available to security holders?

If a dealer is involved, then it would typically require an issuer that raised funds under the OM Exemption to continue to provide audited annual financial statements to its investors, except in cases where a local Blanket Order has been relied upon, and audited financial statements may not be required.

If a dealer is not involved, the answer depends on a number of factors, including whether certain sophisticated investors are involved, such as angel and/or venture capital investors, who would typically require audited annual financial statements as a condition of investing.

If no dealer or sophisticated investor is involved, an investor would typically request annual financial statements so that they have an idea of the issuer's financial position at least once a year, or more regularly if available. Our view is that issuers generally do not have an issue with providing financial statements to investors, the issue is whether they are audited and that typically issue typically relates to the cost of an audit. See also answer in 7(b).

(a) How is this done? Are they delivered?

If an issuer is a corporation, its financial statements are typically delivered to shareholders with its meeting materials in advance of its annual general meeting. The financial statements are delivered either electronically or by mail. Many issuers are using a more efficient and less expensive option of either e-mailing the materials or having the materials available for viewing on a web portal or platform.

(b) Are those financial statements typically audited?

Whether the financial statements of an issuer are audited depends on the financial situation of the company, any specific requirements negotiated by sophisticated investors, and the stage in which the company is operating.

Most start-up companies and SMEs do not have the resources to pay for audited financial statements – opting instead for either financial statements created in-house or subjected to a review engagement from an outside accountant. If they are contemplating an investment from a venture capital firm or investment fund, then an audit may be a pre-requisite to such an investment, and if so, they will retain accountants to conduct an audit.

Many investment funds and venture capital firms require audits to be conducted on an annual basis after the initial investment, however, if a company is struggling financially, and the resources to be spent on an audit are best used in retaining valuable employees and/or paying suppliers, then the shareholders may exercise their right to waive the audit requirement for a time period. This would be determined by the shareholders at an annual meeting if the issuer was a corporate issuer. If the issuer was a limited partnership, trust or other form of legal entity, one would have to review its constating documents to consider any audit requirement. See also answer in (7) above.

(c) If the financial statements are not typically audited, is there an auditor involved and, if so, what standard of engagement is typically applied?

Whether the financial statements are audited depends on the stage of the company (*e.g.,* start-up, growth or an emerging company), however, an engagement review could

be provided by an accountant at a lesser cost and is typically the second step taken (after the in-house prepared financial statements) as a company evolves through early stages of development.

We note the time, money and effort involved in preparing audited financial statements is challenging for startups and SMEs, given their (typical) limited resources.

(d) Do issuers that prepared financial statements in accordance with IFRS for inclusion in their OMs typically continue to prepare financial statements in accordance with IFRS or do they transition to generally accepted accounting principles for private enterprises (ASPE)?

Our understanding is that issuers, which prepare financial statements in accordance with IFRS for inclusion in their OMs, typically continue to prepare their financial statements on the same basis and do not transition to ASPE.

(e) Is it common for security holders to request annual financial statements? Do they request audited financial statements?

Yes, securityholders commonly request annual financial statements and, depending on a number of factors, would prefer audited financial statements. Whether the financial statements are audited or not depends on a number of factors, including whether they are required under corporate law or the constating documents of the issuer, or certain investors negotiated the continuing obligation to provide audited financial statements as part of their investment term sheet.

(f) What do you estimate as the annual cost of preparing the proposed audited annual financial statements?

The cost of preparing audited financial statements depends on the complexity of the company, the stage of a company's growth, and whether previous financial statements have been prepared. The first audited financial statement can very time-consuming for an issuer because the audit process will generally reveal many deficiencies in an issuer's record-keeping that need to be addressed. It may even involve multiple years of back audits. For a smaller issuer that has $1M in revenue per year, and approximately 50 employees, an audit (and related corporate tax submission) can be in excess of $30,000 per year.

(g) Do you anticipate that issuers will mail annual financial statements to security holders or place them on a website?

As record-keeping for issuers becomes less paper-oriented and more electronic and more platforms are available to safely store documents in a secure manner, issuers will offer a variety of corporate documents (including financial statements and share certificates) in an on-line environment. The process of doing so is less expensive and

more efficient, and companies are looking for ways to minimize costs and streamline investor communications.

(h) What do you estimate as the cost of making annual financial statements available to security holders?

The cost varies depending on the distribution channel. Obviously, posting audited financial statements is less expensive than printing and mailing them. With the advance of technology, most people would be satisfied if they could review and print financial statements from a secure website of the issuer that is password protected. See answer in 7 f) above. The primary cost of preparing and distributing audited financial statements (and filing associate corporate tax returns) remains the associated professional advisory fees, given increasing levels of disclosure requirements and accountability in IFRS.

8) Under the Proposed Amendments, issuers relying on the OM Exemption would be required to deliver annual financial statements until the issuer either becomes a reporting issuer or ceases to carry on business. Are there other situations when it would be appropriate to no longer require ongoing annual financial statements for such issuers? If so, please describe them.

It would be inappropriate to require an issuer to provide ongoing annual financial statements in circumstances where it would impose undue hardship on an issuer. For example, there are many circumstances where start-ups and SMEs, after having secured early stage funding, run into financial difficulties down the road, leading to situations where an issuer might not have the resources to provide audited annual financial statements. An exception should be created in such circumstances and should require notice to be provided to shareholders which, among other things, explains the reason for the delay, and reasonable estimate of, when the annual financial statements would be provided.

9) How do issuers relying on the OM Exemption typically communicate with their security holders? Do they maintain websites?

Issuers relying on the OM Exemption are increasingly communicating with their shareholders by e-mail (rather than regular mail) and some are establishing a documents database through an online platform. The latter is becoming more common as issuers seek ways to become more efficient and reduce costs in communicating with their shareholders, while maintaining transparency and establishing good governance practices in contemplation of a further funding or later exit event.

10) Should issuers be permitted to cease providing annual financial statements to their security holders after proceeds of a distribution are fully spent? If so, is there a period of time after which it is reasonable to assume that the proceeds of a distribution under the OM Exemption will have been fully spent?

An issuer that accesses the private capital markets under the OM Exemption should have a continuing obligation to provide audited annual financial statements to its investors. It does not make sense that once shareholders who have been provided audited annual financial statements in the OM would then no longer continue to have a right to audited annual financial statements just because the proceeds raised under the OM Exemption have been fully spent. It is also unclear how one would determine whether such funds were spent since money is fungible.

11) Should non-individual investors (e.g., companies or trusts) be required to sign a risk acknowledgment form? Please explain.

The ECFA has no objection with this requirement.

12) Should "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Obligations be required to sign a risk acknowledgement form? Please explain.

No, since permitted clients, being a subset of accredited investors, are more sophisticated and less in need of a risk acknowledgement form. For example, it is not clear why a pension fund or institutional investor would need such a disclosure form when it has the resources and financial wherewithal to make its own independent financial decisions.

13) Should non-redeemable investment funds continue to be permitted to use the OM Exemption?

Absolutely. We are very concerned with Ontario and New Brunswick's proposed prohibition on investment funds raising capital under the OM Exemption. Investment funds allow investors to pool their capital and invest in various ventures, whether in SMEs, real estate or other asset classes and this is important for investors, issuers and our economy.

14) Are there certain types of issuers that should be excluded from using the OM Exemption?

No, all issuers, whether investment funds, corporate issuers, trust or limited partnerships should be able to use the OM Exemption regardless of industry or asset class.

15) Should issuers that are related to registrants that are involved in the sale of the issuer's securities under the OM Exemption be permitted to continue using the OM Exemption?

The ECFA strongly believes there should be no restriction on registrants distributing the securities of related issuers, provided that the issuer provides the requisite disclosure as required under applicable securities law.

We are aware that the CSA is concerned with EMDs selling securities of related issuers under the OM Exemption, however, we are against a blanket prohibition which Ontario has proposed in its form of OM Exemption. In addition to disclosure, there are various safeguards that can be put into place to manage conflicts of interest. We strongly believe this is an industry issue that needs to be addressed generally, not just under the OM Exemption, but under all prospectus exemptions. We remind the Participating Jurisdictions of the work that was done in the mutual fund industry in dealing with conflicts of interest which resulted in, among other things, the creation of investment review committees and National Instrument 81-106.

Banks and mutual fund dealers regularly sell proprietary product and banning EMDs from selling securities of related issuers is inconsistent regulation and inadequately addresses a matter that requires a more thorough analysis outside of any one prospectus exemption.

16) Currently, most CSA jurisdictions that have an OM Exemption have adopted local blanket orders that permit an issuer to raise up to $500,000 under the OM Exemption without having to include audited financial statements in the OM. Further, the blanket orders permit the financial statements to be prepared in accordance with ASPE rather than IFRS.

a) Should these blanket orders be continued or revoked? Please provide the basis for your answer.

b) If you believe the blanket orders should be continued, should the same threshold amount be used in determining which issuers are subject to an ongoing annual financial statement requirement or an audit requirement? Please provide the basis for your answer.

(a) The ECFA believes that the blanket orders should be continued. Although it has not been widely used at this stage, we note that it is difficult for an issuer to solicit small investments (maximum of $2,000) from individuals one at a time. The only viable mechanism to distribute shares under the blanket orders is through an EMD that can promote the securities through an on-line portal and through their network of dealing representatives.

The ECFA supports continuing the blanket orders. In our opinion, there has not been sufficient time to judge the effectiveness of the blanket orders as a capital raising (equity crowdfunding) mechanism for start-ups and SMEs. Accordingly, the ECFA believes the blanket orders should remain in place beyond December 2014.

Moreover, after further review and, assuming there have been no problems under the blanket orders, we submit firstly, that the $500,000 threshold be increased to $1 million and secondly, the financial threshold should become a standard carve-out under the OM Exemption thereby removing the requirement to have the blanket orders in place and their various terms and conditions.

(b) The ECFA believes that if the blanket orders are continued (which we believe they should be), the same threshold amount should be used in determining which issuers are subject to an ongoing annual financial statement requirement or an audit requirement. Investors have a right to receive continuing financial information about a company. Just because the proceeds have been spent should not change the ongoing financial disclosure an investor receives when they made their investment, while the proceeds are being spent, and thereafter. This makes no sense, appears arbitrary and will likely cause investors informational problems with understanding how an issuer spends money and earns revenue.

* * *

Thank you for the opportunity to provide you with our comments on the Proposed Exemption and we would be pleased to discuss this with you further. Please feel free to contact the undersigned with any questions that arise from the ECFA comments. **The contributors to this ECFA comment letter are identified in Schedule "A" attached hereto.**

Sincerely,
Equity Crowdfunding Alliance of Canada

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Schedule "A"
Contributors to ECFA Comment Letter(s)

ECFA has organized its membership into a number of working committees to implement the organization's mandate.

There are currently a number of active Notices and Requests for Comment pending that were published by various securities regulators as well as the Canadian Securities Administrators (**CSA**) on behalf of its members. Some of the ECFA committees and certain of their members were actively involved in preparing comment letters to various CSA members involving a number of capital raising exemptions currently under review or proposed.

The Co-Chairs of the ECFA Committees that coordinated with their ECFA members, as well as the individual contributors to this comment letter, are identified below.

The views presented in this letter represent the consolidated comments from a broad group of stakeholders within the ECFA membership, and do not necessarily represent the views of any individual contributor, or more importantly, the views of the individual contributor's employer.

Contributing Co-Chairs of ECFA Committees *(in alphabetical order)*

Raphael Bouskila Co-Chair, ECFA Portal Committee President, CoPower	***Darren Fach*** Co-Chair, ECFA 3rd Party Committee Partner, Mcleod Law LLP	***Jason Futko*** Co-Chair, ECFA EMD Committee Senior Managing Director, NVS Bancorp
Sandi Gilbert Co-Chair, Investor Committee CEO, Seedups	***Karen Hanna*** Co-Chair, ECFA 3rd Party Committee Lawyer, Hanna Prof Corp.	***Tim McKillican*** Co-Chair, Events Committee President, Open Avenue
Andrew Patricio Co-Chair, ECFA Issuer Committee CEO, BizLaunch	***Carlos Pinto Lobo*** Co-Chair, ECFA Portal Committee CCO, MaRS SVX	***Marcus New*** Co-Chair, ECFA Investor Committee Founder, InvestX
Peter-Paul Van Hoeken Co-Chair, ECFA EMD Committee CEO, Silver Maple Ventures		

Contributing ECFA members *(in alphabetical order)*

Edward Cheung Co-Founder, MetroFunder	***Rob Cook*** SVP, Canadian Securities Exchange	***Jean-Luc David*** Consultant, KorePlatforms
Domenic Durante CFO, Algolux	***Gratien Etiah*** Founder, Crowdvesting	***Ryan Franzen*** Partner, McLeod Law LLP
Jonathan Halwagi Partner, Fasken Martineau	***Greg Harper*** COO, BoardSuite	***Mark Lawrence*** Managing Director, NorthCrest Partners
Don Magie EIR, Angel One Investment Network	***Andrew Moussa*** Founder, Imperium Denim	***Don McDonald*** President, Waverly Corporate Financial Services
Perry Niro President, Groupe Avea	***Matthew Oliver*** Associate, Osler, Hoskin & Harcourt LLP	***Howard Oliver*** CEO, What If What Next
Mark Skapinker Managing Partner, Brightspark	***Paul Slaby,*** CEO, Yariba Tech	***Sean Stanleigh*** Product Manager, Globe & Mail
Frances Zomer President, Numeric Answer		

ECFA