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Registrar of Securities, Northwest Territories
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RE: RESPONSE TO REQUEST FOR COMMENTS – PROPOSED NATIONAL INSTRUMENT 31-103

We appreciate the opportunity to provide our comments on the proposed National Instrument 31-103 ("NI-103").

In order to understand the context in which our comments are made, it may be helpful for you to have an appreciation for the type of business in which we are involved. Solaris Capital Advisors Inc. ("Solaris") is a seven-person corporate finance advisory firm focused on the Canadian midmarket. Our activities are predominantly intermediary in nature, as we typically bring (i) sellers of operating companies together with prospective buyers, or (ii) operating companies requiring funds together with institutional funding sources for equity and debt.

As a current Limited Market Dealer registered in Ontario, the category to which we are most likely suited under the new NI 31-103 appears to be that of Exempt Market Dealer ("EMD"). While our business model represents only a subset of those firms that may fall within the EMD category, I am sure you will discover that there is a critical mass of firms similar to ourselves with respect to scope of activities and role in the financial markets. For simplicity, these firms will be referred to as "Corporate Finance Intermediaries" throughout this submission. Some the characteristics common to this business model include:

i) Under no circumstances do we manage money or investments for any clients and we never handle cash or securities of our clients;
ii) All of our transactions are completed pursuant to formal legal agreements (e.g., agreements of purchase and sale, financing agreements, shareholders agreements) for which our clients and their counterparties invariably obtain extensive legal advice; and
iii) Purchasers and financiers (whether our clients or our clients' counterparties) are sophisticated private parties and are typically established financial institutions (e.g., private equity groups, banks), that are familiar with the business and industry issues associated with the subject company and conduct their own, in-depth operational and legal due diligence prior to acquiring the business or investing capital.

In general, it is our submission that the extensive obligations imposed by NI 31-103 are not warranted in order to protect the public or to maintain the integrity of the capital markets in respect of Solaris and like firms acting as Corporate Finance Intermediaries. Nor should the stated objective of streamlining and simplifying the regulatory regime subject all firms operating in the capital markets to costly administrative practices unrelated to their particular businesses.

For clarity, we detail below five areas of NI 31-103 that are of concern to us, why these are concerns and what we see as possible solutions.

A. Proficiency

Requirement: NI 31-103 would require professionals to complete (i) the Canadian Securities Course ("CSC") and either the Conduct and Practices Handbook ("CPH") or Partners, Directors and Senior Officers Exam ("PDO"), or (ii) Series 7 exam.

Problems:
1. Several members of our firm have completed one or more of these requirements while working elsewhere in the financial markets. Our collective assessment is that the CSC is very broad in scope and that most of the content is irrelevant to the business in which we are involved. The CPH and PDO are focused to a large extent on capital adequacy and "know your client", neither of which is particularly relevant to a firm that neither employs capital nor advises investors on investment suitability in the ordinary sense. The Series 7 exam has many similarities to the CPH and PDO and it has more of a U.S. bias.

2. Even if the CPH, PDO or Series 7 were considered appropriate tests of proficiency, the requirement that course completion be current within 36 months would place a higher standard on members of an EMD than on members of other dealers who remain qualified through their careers without having to retest.

Possible Solutions:
1. Wider discretion should be permitted in determining whether an individual has the requisite knowledge and experience to practice with a Corporate Finance Intermediary. While there are many courses available that touch on the skills used in our business, we would submit that the most relevant training comes from experience working directly in the business.

2. Other designations that evidence proficiency are more relevant than the CPH, PDO and Series 7 and should be added to the list. These include the Chartered Business Valuator (CBV) designation, the Chartered Financial Analyst (CFA) designation and the Corporate Finance (CF) designation.

3. If the decision is made to adopt the CSC, CPH, PDO or Series 7 as the educational requirement for Corporate Finance Intermediaries, there should be no sunset requirement provided the individual has continued to engage in the same business to which these credentials are deemed to apply since the time of first qualification.

B. Regulatory Capital

Requirement: NI 31-103 would require all EMDs to maintain a minimum of $50,000 of working capital as well as a Financial Institution Bond ("FIB") of at least $200,000.

Problem: While the working capital minimum is not considered onerous for a firm our size, the FIB would be expensive to maintain and would be of little benefit to the clients of our firm, none of whom entrust any money or securities to us either for investment or safekeeping. Any monies or securities delivered to our firm are exclusively for payment of professional services which we have rendered. Any amounts paid as consideration in a corporate finance transaction for which we provide advice are paid directly from one transacting party to another or via a lawyer's trust account.

Possible Solution: Minimum working capital requirements are consistent with prudent business practice. However, a FIB should apply only to those firms that hold securities, cash or cheques for clients.

C. Financial Records

Requirement: NI 31-103 would require firms to submit annual audited financial statements and quarterly internal statements.

Problem: Even a straightforward audit is expensive for a small firm. In addition, it is of little benefit with respect to the business of a Corporate Finance Intermediary such as Solaris, that has a very simple income statement and balance sheet. Our income statement would typically record approximately 10 to 20 receipts for the entire year. Our expenses consist mainly of salaries and bonuses, rent, office expenses and regulatory or professional dues/expenses. Our balance sheet consists mainly of cash, furniture and computer equipment, rent payable and equity. We have no inventory, rarely record a receivable as we are normally paid out of proceeds on the closing of a transaction, and carry no debt.

Again, as none of our clients entrust any funds to us for investment or safekeeping, it is not clear how the public interest would be served by the filing of our statements any more than it would be for an advisory firm operating outside of the financial services industry.

Possible Solution: The filing of financial statements should not be required for firms that do not hold clients' funds or securities. If such a filing is determined to be required, internally-prepared statements should suffice in respect of a Corporate Finance Intermediary. Alternatively, with the designation by each firm of a Chief Compliance Officer, it would seem more efficient to have that individual certify, perhaps quarterly, that the firm remains solvent and that minimum working capital is being maintained.

D. Know Your Client Rule

Requirement: Unfortunately, it is not clear to us what this requirement implies for a Corporate Finance Intermediary that does not provide investment advice in the ordinary sense in which that term is used. Nor, admittedly, has it ever been clear to us how the term was to apply to Limited Market Dealers that do not manage investment portfolios or recommend investments to clients.

Problem: We believe that our business is fairly typical of Corporate Finance Intermediaries insofar as our business is confined to advising on divestitures, acquisitions, management buyouts and refinancings. As an advisor on a divestiture or financing (i.e., for the seller or issuer), we make inquiries to determine the integrity of our client before entering into an engagement and we make it clear to all potential acquirors and financiers who may be on the other side of the transaction that our role is to represent the interests of our client only. When we advise a client on an acquisition or financing, our client is an accredited or sophisticated investor with adequate industry knowledge to make prudent investment decisions and is provided the opportunity to conduct due diligence directly on

the business being acquired or financed. Furthermore, in all of our assignments we require our clients to engage legal, tax and other advisors to cover those aspects of a transaction.
Possible Solution: This requirement needs to be clarified in respect of Corporate Finance Intermediaries. Our clients' investment objectives and the "suitability" of an investment are less of an issue in our business, though it will still be important to ensure the integrity of clients by means of client acceptance policies, review of anti-terrorist lists and reference checks. As business development among Corporate Finance Intermediaries typically occurs by means of referral, references checks are often straightforward and quite effective.

E. Dispute Resolution

Requirement: NI 31-103 would require an EMD to participate in a dispute resolution service or report directly to the regulator.

Problem: This represents an unnecessary expense and is likely to be duplicitous since standard engagement letters of Corporate Finance Intermediaries contain a dispute resolution clause already. Furthermore, to the extent that such a clause is sometimes negotiated between the parties, a prescribed dispute resolution service might interfere with the contracting parties' choice of the most suitable arrangement.

Possible Solution: To ensure that the advisory engagements of Corporate Finance Intermediaries are subject to appropriate dispute resolution procedures, there should be a requirement that such procedures be contained in each engagement letter.

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Regulation of EMDs, and more specifically Corporate Finance Intermediaries, is entirely reasonable and should be encouraged in order to ensure the protection of the public and our clients. Our concerns regarding NI 31-103 relate to the trade-off between the expense and time required of firms such as ours to satisfy the proposed requirements on the one hand and the perceived benefits to be obtained on the other. In particular, we are concerned that NI 31-103, as drafted, does not distinguish between Corporate Finance Intermediaries and other business models that fall within the broad definition of EMD but serve a different role within the financial services industry with very different regulatory issues.

Thank you for the opportunity to submit our comments. Should you have any questions with respect to this submission, please feel free to contact the undersigned.

Yours very truly,

SOLARIS CAPITAL ADVISORS INC.

Blair Roblin, Partner and Chief Compliance Officer