



Since 1972

Macdonald, Shymko & Company Ltd.

FEE ONLY FINANCIAL ADVISORS / PORTFOLIO MANAGER

950 - 510 Burrard Street, Vancouver, B.C. V6C 3A8 Telephone: (604) 687-7966 Facsimile: (604) 687-1830
www.macdonaldshymko.com

February 7, 2012

VIA E-MAIL

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

Re: Review of Minimum Amount and Accredited Investor Exemptions

Basic Premise

Market Integrity is a primary for an effective operating economic system AND hence regulatory interference in the market helps maintain the integrity of the markets.

Now, on a narrower, more specific basis—Minimum Amount and Accredited Investors

1. The consultation question is, “What is the appropriate basis...” This is asking for an absolute answer when using “the”. There may be none; perhaps can narrow down to the better of a bad lot. Perhaps the question should be “are any of the bases relevant, or any basis relevant?”

All of the listed bases may have relevance for a broad spectrum of investors, BUT another primary criterion could be the ability of the investor to assess the aspects of the investment, its risk and its merits. [Practical problem of how do the investors demonstrate so!]

2. The involvement of an appropriate (?) registrant may mitigate concerns (?) where the prospective investor doesn't already have a relationship with a registrant.

Questions:

- a. Does a “certified” investment advisor trump all or any of “appropriate basis”?
- b. Don't ICPMs already have the obligation?
- c. Would there be another level of regulator involvement?
- d. Who would pay to be OK'd to invest?

Where an investor seeks out an opportunistic registrant, the suitability of investing for the investor should be in writing.

3. Discard the concept of the Minimum Amount, as it is really irrelevant. However, where that is not about to happen, we see the Minimum Amount as too high and thus, has negative implications for investors. The Minimum Amount doesn't achieve the desired goals, and often has the opposite effect for investors.
4. The Minimum Amount often causes the appropriate investor to overreach, restricting diversification, and fostering higher levels of leverage.
5.
 - a) No
 - b) The threshold should be reduced to \$50,000, or even \$0.
6. Not in favor of any increase, but will accept a reduction, as above
 - Yes
 - No
 - No, (the reason being there can be nothing more complicated than many life insurance products)
 - No
 - Maybe
7. No
8. If the threshold was moved higher, believe the impact would be negative (but no real knowledge)
9. Yes
 - Yes
 - No
 - No
 - Maybe
10. No, except as might be imposed by the Issuer. Otherwise, a person should have the choice to go on their own or engage a suitability review.
11. Believe it would have a negative impact and be inequitable. Further, it would be forcing on structure, contrivances and cost.
12. Probably not, when you look at the Framework and Guiding Principles, BUT there may be some room for approved for investor written suitability
13. Probably not, when you look at the Framework and Guiding Principles

14. The Minimum Amount should be reduced to \$50,000, if not repealed

- Yes
- No
- No
- No
- Regardless of the level of the Minimum Amount, the investor may be encouraged to seek out suitability advice from a registrant

15.

- Believe it would improve Issuer's ability to raise capital, but hard to know, because don't have the facts
- Quite possibly

16. _____

17. Few, if any, investors read prospectuses. Is there any evidence the reading of the prospectus reduces investor losses?

18. The Accredited Investor exemption is already quite broad ranging—further changes just bring costs for both the Issuer and the investor.

19. Yes

20. Leave as is

- No
- No
- No
- No, but the investor may be encouraged to seek out written suitability advice from a registrant

21. No

22. Believe it would improve Issuer's ability to raise capital, but hard to know because don't have comprehensive empirical information; do you have any?

23. Leave as is

- No
- No
- No
- No, but the investor may be encouraged to seek out written suitability advice from a registrant

24. Hard to know—don't have the facts <data set>—who tracks?



25. Yes

- No
- No
- No
- No, but the investor may be encouraged to seek out written suitability advice from a registrant

26. No—the Issuer can exercise discretion here

- No
- No
- No
- No, but the investor may be encouraged to seek out written suitability advice from a registrant

27. Believe there would be a negative impact, but hard to know for a fact—who tracks?

28. No way; this could be a restriction on commerce and only enrich a select group—AND what do lawyers and accountants know about investment opportunities? [They would have to become certified investment advisors (registrants) rather than rely on the exemption of “incidentalability”. How would they be proficient investment analysts if they only do it incidentally?] Anyway, this could simply result in “finger pointing.”

29. No

30. Possibly—it should be the co-responsibility of the Issuer and the Dealer with “penalties” assessable

31. There should be positive “rewards” for Issuer/Dealers using the Accredited Investor exemption properly—CASH!

Supplementary Comment

You are asking for our perceptions and sense of what has happened or could happen in the capital raising markets, where we really have limited empirical information. Our answers may be considerably different were you to provide such comprehensive information. Certainly, we have no incentive to gather or use for such information as a registrant; suitability of investment is a principal consideration for each client.

There is some public information, as demonstrated by the incident of ABC Paper, that size of wealth or income nor access to expertise saves investors from making mistakes in investing. Likewise, even with investors having prospectuses, as in the case of FMF Capital, YBM, Sino-Forest and Timminco, to name a few, and having the advice of a registrant were they saved from the ravages of securities investment.



Macdonald, Shymko & Company Ltd.

FEE ONLY FINANCIAL ADVISORS / PORTFOLIO MANAGER