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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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Dear Sirs and Madams:

Re: CSA Staff Consultation Note 45-401 *Review of Minimum Amount and Accredited Investor Exemptions*

Thank you very much for asking for feedback on the exemption matters that you must address. I truly appreciate your interest and commitment to serve the best interests of investors and support growth of our economy.

I am a financial advisor in Alberta with nearly 20 years of experience in the financial services industry. Under the Alberta Insurance Council my insurance licenses are sponsored and have remained in good standing for nearly 20 years. In Alberta, Saskatchewan and Manitoba I am proud to be registered through Raintree Financial Solutions as an exempt market dealing representative. My decision to align with Raintree and become a registrant has proven to be beneficial for our business and our clients.

I work with my clients to support their financial plans inspired with their unique purpose.

Before they come to us, our potential clients often become aware that they are losing money. They are frustrated with the results of their financial plans and are not at ease with their financial picture. Everything we do focuses on our clients' best interests. The success of our business is entirely dependent on helping our clients to have more than enough money, more confidence and peace of mind about their financial plans.

When our clients focus on what is truly important to them, we assist them to clarify their goals and objectives and develop a clear picture of their financial circumstances. With this foundation, we work to educate our clients and help them implement suitable financial strategies and products to achieve their goals and objectives. The majority of our clients are professionals with their own corporations. They are considered high income or high net worth clients. Interestingly, some would be accredited investors under the current definitions, some would not. As investors, our clients are making decisions with personal and family funds, corporate funds and trust funds.

In nearly 20 years, I have seen achievement come when people have a clear, written vision of what they want in their lives. The exercise allows them to tap into what motivates them, focus their efforts and draw on suitable resources to make it happen despite the distractions and challenges that are encountered by everyone.

Working with people and their finances has taught me that no one financial strategy or product fits everyone. It is critical that suitable matches are made for people to enjoy the most success. With so many options and choices, it can seem overwhelming to make decisions. The good news is that investment decisions can be made with a lot of help.

I am so grateful to live in a country that values its people. In Canada, we have opportunities to achieve great things in our lives and our communities and we have all kinds of protections in place to give us a supportive framework of security and protection. This is true of investing.

In the matters of investing, I think we can achieve balance between opportunities and protections for individuals, businesses, institutions, communities and our supporting economy.

A significant amount of our family investment capital and a significant amount of our clients' investment capital is placed in exempt market products. We have over 15 years of consistent, stable growth in this area. This result is not accidental. It was achieved with a process that developed through the years, and it continues to evolve as our skills and resources evolve.

I see great work being done for the investment environment since the implementation of bill 31-103. Here in Alberta, I see people whose work touches the exempt market take the spirit and letter of the regulations very seriously and very much to heart. I see tremendous benefit from the contributions of issuers, registered exempt market dealers, registrants, securities commissions, intermediaries and trusts, advisors and related professionals and support. Investors who become educated on the regulations value what the rules mean for their opportunity to invest in this area. In addition, our economy here has benefited tremendously from the growth of private investment. Quality companies are able to access capital to expand and grow their operations. A strong economy is good for all of us.

The minimum amount exemption and the accredited investor exemption do not seem to address the underlying spirit of the securities regulations. It is so valuable for investors to make informed investment choices. What investors use to draw upon to make an informed choice varies widely, and there is no one simple criteria of what makes a qualified investor. We start with an offering memorandum. It can be a useful tool to clearly communicate meaningful information about an opportunity to invest. More analysis and background research can provide

greater depth of information about an investment. Additionally, we have found that direct communication with the key decision makers at issuing companies provides great value in assessing an opportunity. When that communication is effective and ongoing, we can continue to monitor the investment opportunity. In the exempt market, the private, closely held companies lend themselves to the beneficial, direct communication. As has been stated many times, investors may choose to use or not use the resources available to them when making investment decisions. The opportunity to become informed may be regulated, but whether or not they take advantage of the opportunity is their choice.

To clarify, it is important to regulate the investment environment to support investors making informed investment decisions and to support capital investment in our economy. In a nutshell, it is like leading the proverbial horse to water, but you cannot make it drink.

What provides an investor with a favourable environment to make an informed investment decision? My experience teaches me that there is no one threshold that when crossed will address this question. That being said, I have found disclosure documents to be a good start.

To begin, it is important not to impose one risk tolerance profile on a whole group of investors. There is no way to directly link an investor's state of informed comfort with investment opportunities, features, risks and uncertainties with the investor's resources - whether they be financial, career, education or experience. Instead, it might be more appropriate to provide a framework where investors make suitable choices for their objectives, unique tolerance and financial circumstances.

It is easy and simple to look at extreme situations and regulate so that problems can be avoided. No one who values a healthy investment environment wants to see a senior, on a fixed income with no investment experience, leverage their home to invest \$150,000 in a high risk, high stakes new venture. More difficult to quantify is a moderate example of a young professional in the health care industry. Perhaps this investor has recent investment successes and some losses in fledgling companies and has dreams of being part of the early stage growth and development of life-changing health technology. Is there a place for this investor's capital in a privately held health and technology company with promise?

Imagine two medical specialists, married to one another. They have a growing family, vibrant careers, their own professional corporations, and they manage an inheritance left by grandparents for the benefit of their children. They are not comfortable with volatility in the public markets and have learned a lot about mortgage lending. The security of the mortgage and the steady income stream is appealing. They realize the limits of their own skills and time available to

review potential mortgage borrowers and the properties involved. They are reluctant to commit their capital to one or two mortgages for extended periods of time. They value a management team that has the track record, skill, integrity and process to evaluate lending opportunities and access diversified and high quality lending opportunities with good exit strategies. Is there a place for their corporate investment capital with a profitable mortgage investment corporation?

Maybe a veteran of the oil industry has started a junior oil company to develop oil wells on an established field. A skilled team has been assembled to support the engineering, analysis, finance and operations. They have advanced to the stage where it is time to put in place the development wells. They need capital to finance the cost. They need to ensure they raise the full amount of capital needed. If they fall short, they stall. Is there a place for them to connect with investors who want this kind of opportunity? Who qualifies to invest?

Whether you look at individuals, companies or institutions, you see huge variances in financial resources. The use of financial resources and the character of financial resources is not homogeneous. There is no one asset class or value that proves suitability. It does not lend itself to a simple calculation. Company owners may not take large salaries, yet they may be responsible for generating huge company revenues. Such a person could have sophistication and resources for analysis yet have a low income. On the other hand, significant incomes or specific assets do not guarantee sophistication or tolerance of anything beyond CDIC insured savings.

One must take into account that minimum thresholds or requirements (financial and non-financial) can have unintended effects. An investor could be tempted to invest more than is suitable in order to meet a minimum investment amount exemption. Also, an investor could provide inaccurate information in order to meet minimum standards, whatever those standards might be.

A more useful requirement of informed choice could apply equally and be more difficult to work around. But what constitutes informed choice and how can it be regulated?

We have a great start with recent developments since the implementation of Bill 31-103. The presence of registered independent exempt market dealerships and registered dealing representatives provides the opportunity for better oversight and compliance with suitability requirements. Why not continue to support this framework and even expand the applications to pick up where the concerns remain about accredited investor exemptions? With an independent exempt market dealership, investors who fall within a broad spectrum of accessing financial resources can make investments while informed choice is mandated. Investors have a source of regulated and compliant private investment opportunities and dealerships can negotiate with

issuers to provide the disclosure required for educated investment decisions. It would naturally lend itself to dealerships developing their unique niche areas of investment services to serve both investors and those raising capital for their businesses. Rather than increase the financial thresholds for exemptions, with this model, the regulations and the focus on compliance that I have witnessed, there is support to reduce the threshold for exemptions instead.

Within the independent dealership model, I encourage you to consider relaxing or even eliminating the need for accredited investor status. It makes sense to allow more investors to qualify to invest in private opportunities when there is the presence of an exempt market dealership that is independent from the issuing company. The investor has the benefit of the registered exempt market dealership resources, registrants, disclosure documentation and commitment and obligation to compliance. The securities commissions have the efficiencies of reviewing the transactions through the dealership rather than tracking individual investors and issuers. This might free up securities commission resources to go after those who blatantly break the rules, avoid registration, mislead investors and even engage in criminal activity.

I see great value in the centralizing of private investment transactions within an independent, registered exempt market dealership. A registrant has a vital role to help educate investors and help determine suitability.

Perhaps one solution rests in providing investors and issuers with a choice. Consider if one need only be an eligible investor with the offering memorandum exemption to access an exempt market product through an independent exempt market dealership. An independent exempt market dealership has important duties and obligations related to ensuring compliance of issuers, eligibility of investors and suitability. Every single transaction must be fully compliant in every way, every time. Investors have a clear opportunity to make informed investment decisions even if their financial resources do not meet the accredited investor measurements. Investors leverage benefits from the dealership. Businesses raising capital that are approved through an exempt market dealership have a distribution channel that in theory can reach a broader range of suitable investors.

If an investor and an issuer prefer to deal directly with one another without the intermediary of an exempt market dealership then they can take responsibility for ensuring compliance to a similar level of the dealership. The issuers should be registered, regardless of their need for distribution through an exempt market dealership. Without registration, there is the potential for abuse due to lack of oversight. The reasons for avoiding a dealership may vary. It may be to avoid extra costs of paying for the dealership through commissions, it may be for privacy reasons, or any other number of factors. Rather than financial measurements, the investor and

issuer of the private security must acknowledge and support that the investor was given the full opportunity to make an informed, suitable decision. Perhaps a checklist of possible resources accessed could be completed by the investor indicating their preferences for making an informed investment choice. The issuer could have an obligation to ensure that the investor had every opportunity to become informed about the offering.

Ensuring investors in private opportunities have the opportunity to be informed to make suitable choices is the goal.

Investor education would be helpful. I do not think that a full securities exam is appropriate, but some benchmark may be appropriate. Because investors can invest in public securities completely independently through discount brokerages, the spirit of that freedom and the opportunity for disclosure can be adapted to the private investment environment. No one verifies if the investor understands the disclosure, the investor only acknowledges receiving the disclosure about a specific security. With exempt market products, it may be appropriate to ensure that the investor receives sufficient disclosure on the specific offering rather than a broad investment education. The disclosure is critical, and the review by the securities commission that regulates the security is connected to some degree. I think the focus needs to be on disclosure of details about key people (especially those with authority and influence on the outcome for the investor), the structure of the investment and compensation, the risk factors and mitigating factors, to name a few valuable areas. Details in layman's terms instead of bureaucratic language goes a long way to assisting investors with disclosure. Then some kind of review to verify the information is required. Where time is of the essence and efficiency of distribution is paramount, the obligation of disclosure must still be met. And the investor must acknowledge the risks in this kind of investment. A form 45-106F4 that has been present in all exempt market investment documentation I use is very clear. I have never had an investor try to cruise by that form without stopping to read it when completing a subscription agreement. It always gets an investor's attention, as it should. The same or similar form in all private investment subscriptions can ensure that investors realize the importance of disclosure and accessing helpful resources in making their choices. A form where the investor waives their right to use of an intermediary such as a registered, independent exempt market dealership might be appropriate. Another form that lists the categories of disclosure could be acknowledged by an investor, too.

Limiting one's investment in any one security is good common sense. Determining that limit may not be obvious. A few standards might be useful. Diversifying investments is prudent. Consider a maximum investment with any one issuing company. The limit might be something like a maximum of 25% of one's net worth or a multiple of two times average income with any

one issuer. This is only a suggestion. The next challenge will be verification. Most investors are very protective of their private financial information (whether it is personal, corporate or trust). People put a lot of effort into keeping that information confidential. In addition, they may not want to bear the cost of paying for independent verification. I think investors have the right to privacy. If they want to go through the calculations with a registrant or with a third party they can be free to do so. If investors claim that they have completed their own financial calculations and find that they are sufficiently diversified, I think it is right to allow them that freedom. Our job is to inform and educate. If they have been educated on the value of diversification and the risk of overconcentration in a security, they have the right to choose. As long as we can meet FINTRAC requirements, the responsibility of financial calculation can stay with the investor.

Thank you for reviewing my comments on these matters. I appreciate that you have a difficult challenge of ensuring a healthy investment environment that benefits investors of all kinds and supports a strong economy.

I hope you are gifted with wisdom, insight and innovation as you serve.

Kindest Regards,

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