



# ExemptAnalyst

February 28, 2012

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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Cc Western Exempt Market Association, e-mail: [comments@wemaonline.ca](mailto:comments@wemaonline.ca)

**ExemptAnalyst Inc. comments regarding:**

**REVIEW OF MINIMUM AMOUNT AND ACCREDITED INVESTOR EXEMPTIONS**

ExemptAnalyst is the largest financial research firm in the Exempt Market. We have reviewed over 150 Exempt Market investments since our founding in 2010.

ExemptAnalyst is founding member of the Western Exempt Market Association, and supports education and professional development within this sector.

See [www.exemptanalyst.com](http://www.exemptanalyst.com)

1. What is the appropriate basis for the minimum amount exemption and the AI exemption?

We feel that a system based on suitability which is reviewed by a registrant and a compliance officer to be more effective than a system of firm rules based on a client's financial situation.

2. Does the involvement in the distribution of a registrant who has an obligation to recommend only suitable investments to the purchaser address any concerns?

Yes. We suggest that Exempt Market products should only be available from a registrant to help investors decide what is suitable for them.

3. Comments on issues described regarding the MA exemption.

This seems to encourage a lack of diversification. It would most likely be prudent to diversify the \$150,000 into a number of products instead of just one.

4. Are there any other issues you may have with the minimum amount exemption?

We feel that residents of Ontario are already unfairly limited in their opportunities to invest in exempt market products. Forced by the rules to make either large investments or none at all, the rights of residents of Ontario to participate in capital markets to the same degree as other Canadians are infringed upon.

5. Do you agree with maintaining the minimum amount exemption in its current form?

No.

6. How much should the minimum investment threshold be increased?

Not at all.

7. Should the \$150,000 threshold be periodically indexed to inflation?

No.

8. If we change the \$150,000 threshold what would be the impact on capital raising?

If you increase the threshold, capital raising would be reduced; if you reduce the threshold, capital raising would be supported.

9 and 10. See previous responses.

11. See answer to 8.

12 and 13. Suitability should be determined by the registrant and designated compliance officers. See answer to 2.

14. Should the minimum amount exemption be repealed?

A scenario whereby a suitable offering memorandum disclosure is provided, and a registrant is involved, is superior to a scenario based upon a minimum amount exemption.

15, 16, 17. See answer to 14.

18 and 19. See answer to 1.

20. What would the income and assets threshold be?

In a scenario whereby suitable offering memorandum disclosure is provided, and a registrant involved, asset and income thresholds as currently set with offering memorandum exemption (such as “eligible investor” status ) are appropriate.

21. Should the income and asset thresholds be periodically indexed to inflation?

No.

22. See answer to 8.

23. See answer to 20.

24. See answer to 8.

25. Should individuals be able to acquire securities under the AI exemption?

Yes. However, a scenario whereby suitable offering memorandum disclosure is provided, and a registrant is involved, is superior to a scenario solely based upon an AI exemption.

26. Should an investment limit be imposed on accredited investors who are individuals?

No.

27. See answer to 8.

28. Should this (certification of a AI 's status by a third party) be considered?

The registrant and the dealership is best positioned to determine the appropriate steps required to fulfill its KYC obligation given the circumstances of the contemplated trade and the particular client.

29,30,31. See answer to 28.

We are available to discuss our responses.

On behalf of ExemptAnalyst;

William McNarland, CFA