

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
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Dear Sirs and Madams:

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

Prosperity Development Group Ltd. is an issuer of exempt market offerings located in Edmonton, Alberta. We are currently awaiting the completion of our new Offering Memorandum and are examining opportunities to place our product on the shelf of an approved Exempt Market Dealership in Alberta and British Columbia.

Our goal as a firm is to promote awareness and education of the EMD market and continue to provide opportunities for entrepreneurial activities in Canada. To be part of the evolution of the EMD market to offer:

- 1) Real Diversity
- 2) Transparency in its Disclosure
- 3) Licensed professionals who respect the industry and their clients
- 4) Operate and sustain an industry that provides an option for retail investors who have been left in the dark through traditional investment vehicles.

Consultation questions

1. What is the appropriate basis for the minimum amount exemption and the AI exemption? For example, should these exemptions be premised on an investor's:

- **financial resources (ability to withstand financial loss or obtain expert advice)**
- **access to financial and other key information about the issuer,**
- **educational background,**
- **work experience,**
- **investment experience, or**
- **other criteria?**

Please explain.

We believe that the premise of the \$150K minimum amount exemption is unsound and therefore it should be removed. We agree that an amount of money which provides one person an exemption with which to invest and another exempt from an being able to participate is naive. Money in and of itself is and should not be an indicator of an individuals ability to invest in any financial product. If it was then all of the major banks along with the major mutual fund companies would have to explain why they are allowed to provide investments that have devastated many Canadians families. These industries who have trained the ordinary citizen to believe that they are assumed professional. Meanwhile, thousands of Canadians are left in the dark as their pensions, RRSP's and other traditional financial investments have continued to plummet without explanation.

Also, many Canadians are uniformed by these institutions as to the structure of these funds, how and what they are invested in including the lack of diversity as many funds use similar funds for assets.

Certainly education and investment experience are important for any investment whether exempt or traditional in nature. The exempt market is still a growing market. As a result, an association such as (WEMA) Western Exempt Market Association can provide FAQ sheets, community education on all investments and access to unbiased industry professionals out to clients of Exempt Market products. This will provide a forum for awareness and education of a new community of exempt market investors.

As for the AI exemption, we believe similarly that requiring assets with open classism is unfair and frankly misrepresents the purpose of investing. If this market is only to be left to a certain class of people whose money again does not indicate sufficient sophistication it is unrealistic.

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, this is the right framework to make appropriate and lasting changes.

3. Do you have comments on the issues described in background #3?

See Above

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

See Above ...

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

No, we believe in its dissolution due to the fact that as above money should not be a key contributor of one's ability to invest. It should be more indicated with past investment experience, education, time horizon, and risk tolerance. These are the key factors as with traditional investments that should be looked at in the future.

6. How much should the minimum investment threshold be increased? Would your answer to this question change depending on whether:

- any disclosure is provided to investors, including risk factor disclosure?
- the purchaser is an individual, instead of an institutional investor?
- the security is novel or complex?

- **the issuer of the security is a reporting issuer?**
- **a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?**

See Above ...

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

The importance of indexing to inflation cannot be understated. However, to increase an outdated threshold through inflation is not the answer.

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

Increasing the \$150K threshold could greatly impact and even close the door on capital raising. This will only increase the class differential for investors and thus limiting the free market to a very small percentage of investors who again are only prescribed based on an amount of money.

9. Should individuals be able to acquire securities under the minimum amount exemption? Would your answer to this question change depending on whether:

- **any disclosure is provided to investors, including risk factor disclosure?**
- **the security is novel or complex?**
- **the issuer of the security is a reporting issuer?**
- **a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?**

We do not see any value in using a minimum amount above what typical retail investors could offer. The \$150K exemption removes a large group of qualified people that are interested in alternatives to the traditional industries.

10. If individuals are able to acquire securities under the minimum amount exemption, should there be any limitations?

As above, a new view with regards to education and awareness will provide a grounding for individual investor restrictions.

11. If we limited the use of the exemption to persons who are not individuals, what would the impact be on capital raising?

If capital raising was open to all investors with proper awareness and education then the markets would flourish and the bad eggs would be pressed out of the market. There are a great deal of wonderful people seeking the appropriate changes within the exempt market industry its success will happen from within.

12. Are there alternative qualification criteria for the minimum amount exemption?

See Above...

13. Are there other limitations that should be imposed on the use of the minimum amount exemption?

N/A

14. Should the minimum amount exemption be repealed? Would your answer to this question change depending on whether:

- any disclosure is provided to investors, including risk factor disclosure?
- the purchaser is an individual, instead of an institutional investor?
- the security is novel or complex?
- the issuer of the security is a reporting issuer?
- a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?

Yes, it should be repealed and the policing should be brought in house. Allowing those within the industry to identify bad eggs and better levels of awareness and education.

15. If the minimum amount exemption was repealed:

- would that materially affect issuers' ability to raise capital?
- is the AI exemption (in its current or modified form) an adequate alternative to the minimum amount exemption?

No!

No, because it classes out an entire population of investors and again only looks at assets for sophistication analysis.

16. Are there other options for modifying the minimum amount exemption that we should consider?

Lowering it so that more people can become aware of the market and create an awareness program on behalf of the investors through the issuers and EMD's.

17. Do you have comments on the issues described above? See Background 16.

See Above ...

18. Are there any other issues you may have with the AI exemption?

See Above ...

19. Do you agree with retaining the AI exemption and the definition of "accredited investor" in their current form?

No!

20. What should the income and asset thresholds be? Would your answer to this question change depending on whether:

- any disclosure is provided to investors, including risk factor disclosure?
- the security is novel or complex?
- the issuer of the security is a reporting issuer?
- a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?

Income and assets do not predict or predicate sophistication of the investor.

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

See Above...

22. If we changed the income and asset thresholds, what would the impact be on capital raising?

If it were raised it would have a large negative impact.

23. What qualification criteria should be used in the AI exemption for individual investors? Would your answer to this question change depending on whether:

- any disclosure is provided to investors, including risk factor disclosure?

- **the security is novel or complex?**
- **the issuer of the security is a reporting issuer?**
- **a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?**

Perhaps developing an awareness and education platform, which will decrease the likelihood of investors falling into traps like in traditional and EMD investments.

24. If we changed the qualification criteria, what would the impact be on capital raising?

See Above ...

25. Should individuals be able to acquire securities under the AI exemption? Would your answer to this question change depending on whether:

- **any disclosure is provided to investors, including risk factor disclosure?**
- **the security is novel or complex?**
- **the issuer of the security is a reporting issuer?**
- **a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?**

See Above ...

26. Should an investment limit be imposed on accredited investors who are individuals? If a limit is appropriate, what should the limit be? Would your answer to these questions change depending on whether:

- **any disclosure is provided to investors, including risk factor disclosure?**
- **the security is novel or complex?**
- **the issuer of the security is a reporting issuer?**
- **a registrant is involved in the distribution who has an obligation to recommend only suitable investments to the purchaser?**

No, the Know Your Client can ensure that the investors are protected.

27. If investment limitations for individuals were imposed, what would the impact be on capital raising?

An issue with the AI exemption is ensuring compliance with the qualification criteria. One way to improve compliance with the AI exemption would be to require an investor's accredited investor status to be certified by an independent third party, such as a lawyer or qualified accountant.

28. Should this be considered in a review of the AI exemption?

See Above ...

29. Do you agree with imposing such a requirement?

See Above ...

30. Are there alternatives that we should consider?

Creating think tank type of discussion to obtain the best information on what changes can better protect investors and continue to foster capital growth.

31. Are there other options we should consider for revising the AI exemption or for substituting an alternative exemption?

We believe that the AI and \$150K exemptions do not fit the potential of the EMD market to increasingly become a sought after alternative to the traditional investments.