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**From:** Stuart McPhail [smcphail@investplusproperties.com]  
**Sent:** Wednesday, February 29, 2012 2:42 PM  
**To:** Gordon Smith; consultation-en-cours@lautorite.qc.ca  
**Cc:** comments@wemaonline.ca  
**Subject:** Accredited Investor Review Comments - InvestPlus Properties  
**Attachments:** Comments to Accredited Investor Review - Stuart McPhail InvestPlus Properties.dotx

Please find my comments attached.

Sincerely,  
Stuart McPhail  
InvestPlus Properties Canada Ltd.  
**Real Buildings, Real Investments, Real Returns.**



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**REAL BUILDINGS, REAL INVESTMENTS, REAL RETURNS**



February, 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

c/o Gordon Smith  
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Dear Sirs and Madams:

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

**InvestPlus Properties** is a privately held firm which acquires, refurbishes, operates and stratifies multi-family residential properties in Canada. InvestPlus upgrades the properties through renovations, capital improvements, and condo-conversions. These upgrades coupled with better management enables InvestPlus to increase the rents, attract higher quality tenants, and rapidly augment the overall property value. The buildings are maintained and managed for 5-6 years. During this period of time the rental income is used to provide investors with cash flow and to pay down the mortgages. At the end of the holding period, the buildings are either sold or refinanced and the profits distributed to the investors.

Our ability to raise capital is critical to our business. We create limited partnership structures with RSP eligibility which allow investors to diversify their capital into an asset class which has historically remained beyond the grasp of the average individual; only feasible for the ultra wealthy or large corporations. When we first started out we used capital supplied to us by our friends and families close business associates. In order to continue growing and reach the much-needed economies of scale returned to the general public through the use of an offering memorandum. Had we not had this option then it is unlikely we would have successful in attracting capital through accredited investor exemption or the minimum \$150,000 exemption. Fortunately we are based in Alberta and have access to public capital through the offering memorandum exemption.

The creation of the prospectus exemptions allow small firms like us to access capital to grow our business and contribute to the economy by providing jobs, employing contractors, consuming resources, and providing decent accommodation for citizens who either choose to rent or are unable to afford to purchase their own home. The prospectus exemptions are critical to small firms and provide the average investor with many choices to which they can diversify their investable dollars. Modern portfolio theory states that to maximize the returns for a given level of risk one must invest in a



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diverse portfolio. This is the basis of our financial industry of mutual funds, financial planners, and a myriad other financial services.

Further to this the Capital Asset Pricing Model which is used extensively within the financial services industry states that an investor can only diversify away unsystemic risk (or risk associated with individual company). However in order to do so they must invest in a basket of opportunities. This basket is not relegated solely to stocks, bonds, and mutual funds. The Exempt Market supplies product for investors to be truly diversified and therefore sheltered from most of the unsystemic risk.

While the accredited investor exemption provides access to these products, the current minimums or thresholds exclude the vast majority of hard-working Canadians who are trying to make a better life for themselves and their children. While I am not opposed to the accredited investor exemption nor the current limits they do not feel that increase these limits is going to provide any further level of protection. Furthermore it is naïve to think that an individual who makes a specified amount of money at their day job has the ability, understanding, and education to make sound investment decisions.

In my opinion, Ontario needs to adopt the Offering Memorandum Exemption and remove the \$150,000 exemption. The offering memorandum exemption provides the general population with the ability to invest in opportunities which are potentially uncorrelated to market. Many people we speak to are looking for investments are not directly tied to analyst expectations, hedge fund positions, or the behavior of irrational market participants. They're looking for an opportunity to invest in small companies with simple business models where they have direct access to the principals – investments which are directly tied to the success of the business. It makes no sense to force an individual who wants to access these types of investments to choose between a single investment of \$150,000 or nothing at all. This threshold is a recipe for disaster as evidenced by individuals mortgaging their houses to invest a single company. If another option (the OM Exemption) is provided, it will reduce the risk, better diversify their portfolio and inject capital into the market which will in turn stimulate the economy.

The mandate of the Securities Administrators is “to give Canada a securities regulatory system that protects investors from unfair, improper or fraudulent practices and fosters fair, efficient and vibrant capital markets, by developing a national system of harmonized securities regulation, policy and practice.” Raising the minimums for the accredited investor will not provide additional protection and will negatively impact efficient and vibrant capital markets. We have recently gone through the licensing process under NI 31-103 to protect investors from unfair and improper or fraudulent



practices. It is too soon to see if these changes have positively affected the market and provided greater protection. By increasing the minimums for the accredited investor at this time we will be unable to determine which program is providing the benefit.

The CSA needs to provide consumers with choices, choices which are fair, the market will reward those who perform ethically and punish those who did not. Allow the market participants to determine how they should invest their money while providing them with education and services afforded to them under NI 31-103. Making it harder for firms to raise capital will not make the market safer or provide better protection to the investing public.

Stuart McPhail  
VP of Sales and Investor Relations  
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