From: Peter Murray [pmurray@contactcapitaladvisory.com]
Sent: Wednesday, February 29, 2012 4:59 PM
To: Gordon Smith
Subject: Comment on Accredited Investor Exemptions Review
Attachments: Comment on Accredited Investor Exemptions.pdf

Mr. Smith,

Please find attached a set of comments from our firm regarding the review of accredited investor exemptions.

With kindest regards,

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Contact Capital Advisory Corp. is an Exempt Market Dealer with a primary focus on raising equity capital for companies listed on the TSX and TSX Venture exchanges. Our comments are offered with regard to accredited investor rules as they apply to the issuance of new shares by Canadian publicly traded companies.

We note that personal wealth is no measure of sophistication when it comes to the securities markets, as many well-to-do Canadians have built up their assets through means other than participation in securities. As such, the financial thresholds prescribed in NI 45-106 serve more so as a measure of whether an investor has the depth of financial position to weather a loss should their investment in an exempt product not work out as planned.

The financial thresholds in place at present are sufficiently restrictive from this point of view. To increase the benchmark amounts would be to restrict access to exempt market products to an unreasonable degree. Furthermore, increasing the financial thresholds (an adjustment for inflation, for example) will offer no new protection to investors, but it will serve to hamper the ability of the capital markets to operate efficiently at the smaller capitalization level.

Referring now specifically to equity financings for listed companies, it is appropriate that there is a hurdle that investors who wish to participate in the issuance of exempt market products must clear. That having been said, the amount of protection provided by such rules at present is modest, undermined by the fact that investors who are unable to participate directly in equity financings owing to their inability to meet accredited investor benchmarks can simply purchase shares in the secondary market. In other words, if they want to take the risk, there really is nothing to stop them. It is safer to allow investors access to primary issues in the exempt market because a documented suitability assessment must be performed before they can purchase a product.

If there is a decision made by the commissions to make access to exempt market products more difficult than is the case under prevailing regulations, we believe it prudent that consideration be given to applying a different set of standards to equity issues conducted by companies listed on Canadian stock exchanges. Applying a simple set of standards based on a "percentage of household net worth" calculation or a "percentage of household annual taxable income" calculation (with annual taxable income having to exceed $100,000, for instance) would provide a reasonable degree of financial protection to investors participating in an equity issue. Documented purchases made following a proper suitability assessment would provide a level of protection that many investors would benefit from but do not currently receive.

Thank you for your consideration of our comments.

Peter Murray/President/Contact Capital Advisory Corp.