

**Barbara J. Amsden**  
Director, Special Projects  
416.687.5488/bamsden@iiac.ca

February 20, 2013

Ms. Denise Weeres  
Senior Legal Counsel, Corporate Finance  
Alberta Securities Commission  
Suite 600, 250-5th Street SW  
Calgary, Alberta T2P 0R4  
Fax: 403-297-2082 / denise.weeres@asc.ca

Ms. Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse, Montréal, QC H4Z 1G3  
Fax: 514-864-6381 / consultation-en-cours@lautorite.qc.ca

Dear Ms. Weeres and Ms. Beaudoin:

**Re: Multilateral CSA Notice 45-311, *Exemptions from Certain Financial Statement-Related Requirements in the Offering Memorandum Exemption to Facilitate Access to Capital by Small Businesses***

The Investment Industry Association of Canada (the IIAC) has reviewed Multilateral CSA Notice 45-311, *Exemptions from Certain Financial Statement-Related Requirements in the Offering Memorandum (OM) Exemption to Facilitate Access to Capital by Small Businesses* (the Multilateral OM Notice). The IIAC appreciates the opportunity to comment on the OM-form exemption order as part of the participating jurisdictions' proposals to expedite capital-raising for small and medium-sized enterprises (SMEs), while still meeting their investor protection mandate.

Our comments below focus only on the proposed changes with respect to elimination of the requirements to obtain an audit of financial statements or other financial information and for financial statements to be prepared using Canadian generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS) accounting requirements. We have previously commented on other exemption-related matters, for example, in response to CSA Staff Consultation Note 45-401, *Review of Minimum Amount and Accredited Investor Exemptions*.

**1. Alternatives to Audit and GAAP/IFRS Accounting Requirements**

While IFRS have been in place in Canada for a number of years, it has been a learning process and, for most, a somewhat costly one as the new standards not only affect how

items are accounted for, but also require more extensive accounting disclosure. Some Canadian GAAP rules did not exist in IFRS and some IFRS requirements did not exist in Canadian GAAP. For start-ups and early-stage entities, the requirement for IFRS and a complete audit can be expensive and the IIAC supports examining alternatives that can be provided at low cost and offer some evidence of professional management. Rather than simply eliminating audit and GAAP/IFRS requirements, the IIAC believes that audited financial statements should be replaced by the following three documents, which should be filed with the regulatory authorities and made available to investors and relevant broker(s):

- Income tax returns filed by the issuer for the most recently completed year (if any), as provided for in the U.S. *Jumpstart Our Business Start-ups (JOBS) Act*
- Financial statements certified by the principal executive officer (or financial/accounting officer) of the issuer to be true and complete in all material respects (also part of the JOBS Act)
- Bank confirmation(s), using the standard Canadian Bankers Association (CBA) and Canadian Institute of Chartered Accountants (CICA) form.

## 2. Other matters

The Multilateral Notice also asks for comments regarding Ontario Securities Commission (OSC) Staff Consultation Paper 45-710, *Considerations for New Capital-Raising Prospectus Exemptions*. The IIAC will provide participating jurisdictions with its submission on the four concepts discussed in the Consultation Paper, including crowd-funding, as well as related matters (such as reporting) once it is sent on or about March 8, 2013. Key IIAC recommendations with respect to the OSC's OM exemption are that the OM exemption must:

1. Be limited to private companies or, if extended to public companies, require use of an IIROC registered dealer.
2. Be subject to appropriate reporting and monitoring.
3. Be consistent with other jurisdictions (that is, follow the "Alberta" or "B.C." OM exemption model, with the preference being Alberta's). This will help ensure that there is one consistent OM exemption, rather than perpetuating the existing patchwork of such exemptions that complicate and increase the costs of inter-jurisdictional capital-raising.
4. Prohibit commissions or other compensation to be paid to agents or finders that do not have IIROC-dealer equivalent suitability, know-your-client (KYC) and know-your-product (KYP) responsibilities. This is consistent with OM-form exemption orders excluding an exemption from dealer or adviser registration requirements.

The IIAC also strongly urges the participating jurisdictions, with the OSC, to better quantify the level of and challenges with early-stage and SME financing, including as

compared to mid-size and large company financing, with a view to ensuring public policy decision-making that supports the most competitive capital markets that appropriately protect the investing public.

In conclusion, the IIAC supports consistent OM-form exemption orders across all Canadian jurisdictions to support financings below a single threshold. We believe that requiring the three alternatives to audited financial statements as described above will lead to an OM exemption that achieves an optimal balance between issuer and investor needs.

The IIAC would be pleased to elaborate on our views and meet with you at your convenience.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Hudson".

CC: The securities regulatory authorities of Yukon, Alberta, Saskatchewan, Northwest Territories, Nunavut, Manitoba, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and: