January 10, 2021

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Office of the Superintendent of Securities, Service NL
Financial and Consumer Services Commission New Brunswick
Superintendent of Securities Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Yukon Superintendent of Securities
Northwest Territories Office of the Superintendent of Securities
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Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment Proposed Amendments to National Instrument 45-106 *Prospectus Exemptions* and Proposed Changes to Companion Policy 45-106CP *Prospectus Exemptions* Relating to the Offering Memorandum Prospectus Exemption (the "Proposed Amendments")

The Private Capital Markets Association of Canada ("**PCMA"** or **"we"**) is pleased to provide our comments in connection with the Proposed Amendments as set out below.

About the PCMA

The PCMA is a not-for-profit association founded in 2002 as the national voice of the exempt market dealers ("**EMDs**"), issuers and industry professionals in the private capital markets across Canada.

The PCMA plays a critical role in the private capital markets by:

- assisting hundreds of dealer and issuer member firms and individual dealing representatives to understand and implement their regulatory responsibilities;
- providing high-quality and in-depth educational opportunities to the private capital markets professionals;
- encouraging the highest standards of business conduct amongst its membership across Canada;
- increasing public and industry awareness of private capital markets in Canada;
- being the voice of the private capital markets to securities regulators, government agencies and other industry associations and public capital markets;
- providing valuable services and cost-saving opportunities to its member firms and individual dealing representatives; and
- connecting its members across Canada for business and professional networking.

Additional information about the PCMA is available on our website at www.pcmacanada.com.

GENERAL COMMENTS

The PCMA is pleased that the CSA has reviewed the offering memorandum exemption (the "**OM Exemption**") set out in section 2.9 of National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") and Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* (the "**Form 45-106F2** and we appreciate the opportunity to provide our comments.

The PCMA believes providing clear and targeted disclosure requirements for issuers that are engaged in real estate activities ("**Real Estate Issuers**") and issuers that are collective investment vehicles ("**CIVs**") is in the public interest. Instituting appropriately tailored disclosure requirements for these issuers will benefit investors, registrants and issuers, since doing so will provide greater transparency and increase confidence in the private markets.

The PCMA believes that certain of the Proposed Amendments fail to strike the right balance and that the cost of complying with these amendments outweighs the additional protections afforded to private market investors. The PCMA is concerned that private market issuers will determine that the cost of complying with certain of the Proposed Amendments outweighs the benefits of raising capital under the OM Exemption and that these issuers may simply decide to stop using the OM Exemption. The effect of this will further widen the accessibility gap between retail and high net worth investors to diverse asset classes and will reduce the availability of competitive alternatives for investors. In addition, PCMA members are concerned that if a mid-year disclosure requirement requires the completion and filing of a new offering memorandum (an "**OM**") by issuers, irrespective of whether or not these disclosures constitute a material change (which is unclear in the Proposed Amendments), it may cause an

interruption to raising capital as EMDs may need to consider ceasing distributions to complete their due diligence review processes as part of their ongoing know your product ("**KYP**") obligations. This is a poor outcome for both private issuers and investors for the following reasons:

- **Less Disclosure.** Private issuers who decide to abandon the OM Exemption will continue to raise funds under the accredited investor exemption (the "**Accredited Investor Exemption**") set out in section 2.3 of NI 45-106. There are minimal disclosure requirements for offerings made under the Accredited Investor Exemption (*i.e.,* the document cannot have a misrepresentation and certain jurisdictions impose statutory rights of action). Accordingly, private market participants may receive less disclosure if private issuers stop relying on the OM Exemption.

- **Less Diversification.** The PCMA believes most Canadians would benefit from holding private investments as part of a more diversified investment portfolio. Only a small percentage of Canadians qualify to purchase securities under the Accredited Investor Exemption. The OM Exemption appropriately expands private market access to more Canadians while also introducing detailed investor protection safeguards, including but not limited to, increased disclosure requirements and having investors sign a standardized Risk Acknowledgment Form.

- **Less Capital.** Many Canadian markets are facing serious housing affordability challenges. The investments made by certain PCMA members who are Real Estate Issuers are expected to add tens of thousands of residential units to Canada's housing stock. Encouraging private investment in real estate is part of the solution to address this housing shortage and the private markets are a viable option for achieving this objective.

- **Less Regulated Distribution.** If the new disclosure requirements result in updating OMs more frequently, distributions by EMDs may be delayed midway through an issuer's financial year as a result of EMDs having to revisit KYP when further changes are captured by the new disclosure requirements (which KYP is already being expanded under the client focused reforms). In some cases, EMDS may refuse to distribute these securities because they lack sufficient resources imposed by the additional KYP costs. As a result, issuers may lose access to the distribution channel that protects investors through the robust regulations of the registrant regime. The PCMA is concerned that if issuers are pushed out of the EMD distribution network, due to increased regulatory costs, these issuers will seek capital themselves or through unregistered salespersons that are held to little or no regulatory oversight. This would be an unintended consequence for Canadian investors and issuers.

To better understand why private issuers may choose to abandon the OM Exemption, it is important to first contextualize the OM Exemption's role in Canada's private capital markets. According to OSC Staff Notice 45-717 – *Ontario's Exempt Market*, $3.3 billion worth of private capital was raised from individuals in Ontario in 2019. Of this amount, only $202 million, or approximately 6%, was raised under the OM Exemption, while 88% was raised under the Accredited Investor Exemption.

Since its introduction in Ontario in 2016, only a minority of private issuers raising funds in Ontario (including other CSA jurisdictions) have relied on the OM Exemption. We believe the primary reasons for this include:

- **Legal Costs and Liability.** The additional legal costs and liability associated with producing an OM that meets the prescribed requirements set out in Form 45-106F2 and the other

requirements of the OM Exemption depending on the jurisdiction where the investor resides (for example, marketing materials).

- **Investment Limits.** The investment limits imposed on purchasers restrict the amount that an issuer can raise under the OM Exemption by each investor, in particular when an investor has not received suitability advice from a portfolio manager, investment dealer or exempt market dealer. The investment limits may result in the need for additional investors to meet the capital needs of the issuers and consequently the costs associated with investor services.

- **Financial Statement and Reporting Costs.** The cost of preparing audited annual financial statements and meeting the associated continuous disclosure requirements is significant for most private issuers raising funds under the OM Exemption compared to the amount of capital being raised.

It is the PCMA's understanding that most Real Estate Issuers and CIVs relying on the OM Exemption also rely on the Accredited Investor Exemption. Due to the investment limits imposed under the OM Exemption, investors utilizing the exemption typically subscribe for a lesser amount compared to the average investment amount for an Accredited Investor. As a result, a relatively small portion of the total funds raised are completed in reliance on the OM Exemption for offerings involving Real Estate Issuers and CIVs. Accordingly, the PCMA believes that the cost of complying with the OM Exemption does not need to increase significantly before Real Estate Issuers and CIVs will determine that it is in their economic interest to cease relying on the OM Exemption.

The PCMA recognizes that that the OM Exemption has evolved beyond its original purposes as a small business financing tool to help early stage and small businesses to raise capital.[1] However, the PCMA recommends that the CSA revisit the OM Exemption to make the OM Exemption more suitable for the needs of these issuers, while maintaining the ability for Real Estate Issuers and CIVs to rely on the OM Exemption. We would welcome the opportunity to share our recommendations for improving the OM Exemption for early stage and small businesses. As investment fund managers are registrants, the PCMA would also welcome the elimination of the prohibition on the use of the OM Exemption by investment funds (including mutual funds that are not a reporting issuer) in all jurisdictions except British Columbia and Newfoundland and Labrador, which already allow investment funds to use the OM Exemption.

The PCMA has been encouraged by the recent burden reduction initiatives undertaken by the CSA and the various CSA jurisdictions. In the spirit of those initiatives, we would respectfully request that the CSA consider our comments below and our recommendations for improving certain components of the Proposed Amendments.

SPECIFIC COMMENTS

PROPOSED APPRAISAL REQUIREMENT

The PCMA agrees with the requirement that issuers engaged in real estate activities should be required to provide a qualified appraisal in certain circumstances as discussed below.

[1] Specifically, according to OSC Staff Notice 45-717, of the funds raised under the OM Exemption from individuals in 2019, real estate issuers and mortgage issuers (each, as defined in the staff notice) accounted for 44% and 26% of the total, respectively.

The PCMA believes the need for a qualified appraisal is required where a Real Estate Issuer: (a) engages in a related party transaction; or (b) bases compensation or other value-based metrics on the appraised value of real estate held within the issuer's portfolio since it represents a conflict of interest.

Below are the PCMA's comments regarding the proposed sections to NI 45-106 involving appraisals.

(19.5) An issuer relying on an exemption set out in subsection (1), (2) or (2.1) that is engaged in real estate activities
must comply with subsection (19.6) if any of the following apply:

(a) the issuer proposes to acquire, or has acquired, an interest in real property from a related party;

PCMA Comment
A related party transaction raises conflicts of interest and the PCMA believes investors have increased protection by having an appraisal completed by a qualified appraiser (as discussed below).

(b) except for in its financial statements, the issuer discloses in the offering memorandum a value for an interest in real property;

PCMA Comment
The PCMA disagrees that Real Estate Issuers should always be required to obtain an appraisal of the interest in real property from a qualified appraiser absent material conflicts of interest and/or a related party transaction. Appraisals are costly to obtain and we believe that this cost outweighs any potential benefit to investors. For clarity, a material conflict of interest arises when any member of an issuer group receives compensation or pay-out based, in whole or in part, on the value of the real estate, such as an issuer receiving management fees based on the fair market value of the real estate. If an appraisal is completed by, for example, a mortgage broker that is not a qualified appraiser, it may not follow professional appraisal standards and be a higher value resulting in higher management fees which is not in the best interest of investors.

(c) the issuer proposes to use a material amount of the proceeds of the offering to acquire an interest in real property.

PCMA Comment
See our previous comment regarding limiting the appraisal requirement to situations involving material conflicts of interest and/or related party transaction. If the CSA decides not to limit the requirement in this manner, then we would recommend clarifying the definition of a "material amount". Materiality could be based on the aggregate amount of proceeds that are used to acquire various interests in real property or in connection with a single interest in real property. The PCMA recommends that the materiality threshold should be 25% or more of the fair market value of the issuer which funds are used to acquire an interest in real estate.

(19.6) An issuer to which any of paragraphs (19.5)(a), (b) or (c) applies must, at the same time or before the issuer delivers an offering memorandum to the purchaser in accordance with

subsections (1), (2) or (2.1), deliver to the purchaser an appraisal of the interest in real property referred to in subsection (19.5) that satisfies all of the following:

(a) it is prepared by a qualified appraiser that is independent of the issuer;

PCMA Comment
The PCMA agrees that an appraiser must be independent.

The PCMA understands that the term "**Qualified Appraiser**" will come into effect in March 2021 in connection with certain amendment to NI 45-106 involving syndicated mortgages. The PCMA recommends that the definition of a "Qualified Appraiser" be used for purposes hereof involving the Proposed Amendments to provide definitional certainty. We believe this was not explicitly addressed by the CSA in the Proposed Amendments but seek confirmation of same since it is critical that such term is defined.

The PCMA understands that the definition of "Qualified Appraiser" means an individual who (a) regularly performs property appraisals for compensation, (b) is a member of a professional association and holds the designation, certification or license to act as an appraiser for the class of property appraised, and (c) is in good standing with the professional association referred to in paragraph (b).

We also understand that reference to a "Professional Association" will also come into effect in March 2021 as part of the amendments to NI 45-106 involving syndicated mortgages and is defined as an association or other organization, whether incorporated or not, of real property appraisers that (a) has its head office in Canada, (b) admits its members on the basis of their academic qualifications, experience and ethical fitness, (c) requires its members to meet standards of competence and comply with a code of ethics it has established or endorsed, (d) requires or encourages its members to engage in continuing professional development, and (e) under the powers conferred by statute or under an agreement, may suspend or expel its members if misconduct occurs.

(b) it includes a certificate signed by the qualified appraiser stating that the appraisal is prepared in accordance with the standards and the code of ethics established or endorsed by the professional association of which the qualified appraiser is a member;

PCMA Comment
The PCMA agrees that a real estate appraisal should be certified by a Qualified Appraisal as proposed above. PCMA members have noted that in certain circumstances, EMDs have questioned a 'favourable' appraisal provided by a mortgage broker and requiring a Qualified Appraiser to provide an appraisal ensures that the same professional standards are applied in the preparation of all appraisals when required.

(c) it provides the appraised fair market value of the interest in real property, without considering any proposed improvements or proposed development;

PCMA Comment
The PCMA supports this requirement especially when it involves a related party transaction and when compensation to an issuer and its management team is based on the fair market value of in an interest in real estate that also includes proposed improvements or proposed developments.

Investors should receive an appraisal by a Qualified Appraiser without considering any proposed improvements or proposed developments. However, if an issuer desires to provide investors with such information, this should not be prohibited by the CSA. The PCMA realizes there may be circumstances when an appraisal should include proposed improvements or proposed developments, however, it should be done by a Qualified Appraiser.

(d) it provides the appraised fair market value of the interest in real property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

PCMA Comment
The PCMA believes that the CSA should define the term "appraised fair market value" so the concept is clear to all parties.

The PCMA is concerned that when an issuer updates its OM, including arguably when it provides Interim Financial Statements, there is a requirement to provide updated Qualified Appraisals. The time, money and effort to have more than one appraisal during any OM Offering Period (as defined below) is too burdensome, impractical and does not enhance investor protection.

For purposes hereof, an "OM Offering Period" means the period of time commencing on January 1 of a given year (Year 1) and ending on April 30 of the immediately following year (Year 2). The end date in April of Year 2 is the outside date that an OM must be amended and restated to include audited annual financial statements for the fiscal year ending in Year 1.

Accordingly, the PCMA submits that any issuer engaging in real estate activities that is required to provide an appraisal under the OM Exemption, should only be required to provide one appraisal per property by a Qualified Appraiser during any OM Offering Period (the "**One Appraisal Requirement**"). The PCMA believes this One Appraisal Requirement strikes the right balance between investor protection and fair and efficient capital markets. Moreover, the PCMA believes that if a new appraisal is required each time an issuer updates its OM, then issuers may leave or not enter the private markets in reliance on the OM Exemption.

Registrants may also be less inclined to sell such securities since the due diligence it must undertake each time an OM is updated is too burdensome and disruptive to a normal sales cycle for investors, the EMD and the issuer.

(19.7) If an issuer relying on an exemption set out in subsection (1), (2) or (2.1) is engaged in real estate activities, and discloses in any communication related to the distribution under the exemption a representation of, or opinion as to, a value for an interest in real property referred to in subsection (19.5), other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.6), the issuer must have a reasonable basis for that value, and must disclose all of the following in that communication:

PCMA Comment
The PCMA agrees with the requirements below.

(a) with equal or greater prominence as the representation or opinion, the appraised fair market value referred to in subsection (19.6);

PCMA Comment
The PCMA agrees with this requirement.

(b) the material factors or assumptions used to determine the representation or opinion;

PCMA Comment
The PCMA believes that where an issuer discloses in any communication related to the distribution under the exemption a representation of, or opinion as to, a value for an interest in real property referred to in subsection (19.5), other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.6), then such disclosure amounts to forward-looking information ("**FLI**") including possibly, future-oriented financial information ("**FOFI**"), which has specific disclosure requirements set out in the form requirements for Form 45-106F2.

The PCMA requests that the CSA reference the FLI and FOFI requirements set out in Form 45-106F2 or clarify how such disclosure requirements are related to those required by this section.

(c) whether or not the representation or opinion was determined by a qualified appraiser who is independent of the issuer.

PCMA Comment
The PCMA agrees that this disclosure is important to clarify what has been reviewed by a Qualified Appraiser and what is the issuer's representation and/or opinion. One may have greater weight to an investor or registrant than the other and should be appropriately distinguished.

(19.8) An issuer must file a copy of any appraisal delivered under subsection (19.6) with the securities regulatory authority concurrently with the filing of the offering memorandum.

PCMA Comment
The PCMA agrees with this requirement and it should be publicly available on SEDAR. We do note that some PCMA members are concerned about potential confidentiality and other concerns raised by a Qualified Appraiser to publicly file their appraisal as well as concerns by appraiser institutes and insurance carriers. However, we believe that such disclosure will add to the rigor that such appraisals are undertaken within appropriate industry standards, qualifications, assumptions and otherwise, as recommended by a professional association.

PROPOSED SEMI-ANNUAL FINANCIAL STATEMENTS REQUIREMENT

12.1 (b) if the offering memorandum does not contain an interim financial report for the issuer's most recently completed 6-month period, the issuer must do the following: (i) amend the offering memorandum to include the interim financial report no later than the 60th day following the end of the period; (ii) present the offering memorandum and the interim financial report in accordance with the instructions in A, B and C and, for that purpose, the reference to the interim period in B.5(a) shall mean the issuer's most recently completed 6-month period.

PCMA Comment

The PCMA does not support the inclusion of a 6-month interim financial report ("**Semi-Annual Financial Statements**") by issuers who seek to raise capital under the OM Exemption. The reasons are set out below:

Timing

We note that issuers in continuous distribution have: (a) to amend their OMs no later than April 30 of a given year (assuming the issuer has a December 31 year-end) and (b) their audited annual financial statements, dated as of December 31 of the prior fiscal year, already included in the OM (no interims are required assuming the issuer files its updated OM by April 30 of a given year). If an issuer then has to start its OM review process again two-months later (June 30), the date Semi-Annual Financial Statements are required, the PCMA is concerned that this may be extremely burdensome for issuers, and does not enhance investor protection.

The financial position of an issuer will likely not have changed in two months. While the annual financial statements are as of December 31, if the OM is dated April 30, the OM must be materially accurate which would include the issuer having to consider any material changes to its financial position from its year-end, to the date of the OM. Furthermore, auditors typically review an issuer's financial matters for the stub period after an issuer's fiscal year-end up to the date the auditors sign their reporting letter that accompanies an issuer's audited annual financial statements. Accordingly, it is not clear what extra benefit is achieved for investors with the timing proposed in connection with the Semi-Annual Financial Statement requirement.

Private Market Issuers are Not Reporting Issuers

The PCMA is concerned that: (a) no other prospectus exemption imposes such burdensome disclosure requirements on private market issuers; and (b) the OM is increasingly becoming 'prospectus-like' and imposing disclosure requirements akin to reporting issuers which is antithetical to a prospectus exemption regime. Private market issuers have purposely elected not be reporting issuers and incur the significant compliance burden and costs related to a continuous disclosure regime unless they contractually agree to do so with investors. The PCMA is concerned that the requirement for Semi-Annual Financial Statements and the associated additional cost and regulatory burden will deter issuers from using/relying on the OM Exemption.

Regulatory Burden

Any update and review of an OM requires substantial resources. Management teams and their legal counsel have to review an OM in its entirety, at any time when it is updated, for non-material and conforming updates, and make any other further updates (such as updated portfolio disclosure) in addition to adding the Semi-Annual Financial Statements. Such matters also involve an issuer's board of directors, possibly their auditors (even though Semi-Annual Financial Statements are non-audited) and others.

If sold through a registrant, such as an EMD, an updated due diligence and review process by the EMD may need to be undertaken, with continued dialogue between the EMD and issuer, which may require a substantial amount of resources for both parties.

While it is dealers that most often cite concerns over compliance burden and cost in new regulation, it is the investors that pay the price. Significant changes to the NI 31-103 registrant oversight regime are dramatically increasing the KYP requirements for EMDs that are retained by those issuers impacted by

the Proposed Amendments. In order to economically operate a dealership, many EMDs currently do not distribute securities for an issuer raising less than $5-$10 million. The Proposed Amendments may have the effect of increasing this threshold figure for Real Estate Issuers and CIVs, because the volume and frequency of KYP responsibility for dealers distributing their securities will be markedly increased.

While for some issuers, this may mean that they are unable to raise capitalize (in and of itself a problem), others may continue to raising capital on their own or through unregistered salespersons. When this happens, investors are missing the far greater protections they would have been afforded under the NI 31-103 regime, including the absence of any know-your-client, KYP, suitability, conflict mitigation, performance reporting or duty of care requirements. Enhanced disclosure theoretically provides better protection to investors. However, if this enhanced disclosure comes at the cost of investors losing the protections they would have had, or result in less investment opportunities without a corresponding increase in investor protection, then the Proposed Amendments will have an opposite effect to what is clearly intended.

The PCMA is concerned that the CSA appears to be of the view that increasing the disclosure standards for private issuers, will push them towards becoming publicly traded reporting issuers. This is not necessarily the case. Instead, it may push them towards unregulated distribution platforms (direct sales and unregistered salespersons) and less regulated distribution platforms (like crowdfunding) and outside of the prescribed disclosure regime involving the OM Exemption. Before adopting the Proposed Amendments, the CSA must consider the risk of these potential unintended consequences (increase distributions outside of the registrant regime).

Translation Costs and Other Costs
The requirement for Semi-Annual Financial Statements will also impose additional translation costs on issuers offering securities in Québec, which costs were not captured in the cost/benefit analysis set out in the Proposed Amendments.

Issuers are typically interested in distributing their securities under the OM Exemption in Québec. Most, however, opt not to since French-language translation costs can be prohibitive. This will be compounded if the CSA imposes the requirement for issuers to provide Semi-Annual Financial Statements and update its OM twice in a typical OM review cycle when in continuous distribution, in addition to any other requirements to update an OM, as required under the OM Exemption and applicable securities law.

The PCMA notes that *Table 7 – Estimated Total Cost of 6-Month Amendment of Offering Memorandum* set out in the Appendix E to the Proposed Amendments, states that costs imposed by adding the Semi-Annual Financial Statements requirement can be up to almost $80,000. The PCMA submits that this represents a significant cost increase to issuers who are likely only raising a small portion of the associated offering proceeds under the OM Exemption. If these costs are incurred by the issuer they will likely be passed on to all investors (not just those purchasing under the OM Exemption), reducing an investors expected returns.

Impact on EMDs and Other Registrants
Semi-Annual Financial Statements will likely be received in August of each year. Arguably, this will require all issuers whose securities are distributed by a registrant, such as an EMD, to cease distribution while the registrant reviews such Semi-Annual Financial Statements and engages in due diligence.

EMDs may cease distributions when an OM is updated during an offering cycle (January 1 of Year 1 to April 30 of Year 2) and dealing representatives cannot carry on business during this time. While this currently may occur once in any OM offering cycle, twice (or more) is impractical, burdensome and does not make commercial sense for an EMD to undertake. The PCMA believes this additional regulatory burden will result in EMDs only accepting offerings made under the Accredited Investor Exemption, to the detriment of investors who would otherwise qualify to participate under the OM Exemption.

An OM review for an issuer in continuous distribution occurs once every 16 months (assuming an offering period occurs, for example, January 1 of Year 1 and ends on April 30 of Year 2) which is a significant, although necessary, burden on registrants. Undertaking such an exercise twice per year, if not more if further amendments are required, is excessive on all registrants and may result in a smaller EMD product shelf if this Proposed Amendment is implemented. A small selection of investment opportunities does not help small and medium sized enterprises or investors with a greater selection in available private market investments.

EMDs may also charge issuers additional fees for undertaking such a review, which will ultimately be borne by investors.

Notwithstanding the foregoing, the PCMA wants to be clear that EMDs try and balance the impact of additional due diligence requirements, such as those imposed if Semi-Annual Financial Statements are required, and the EMD's legal obligation to monitor issuers whose products are/were distributed by the EMD. Investors may also appreciate semi-annual updates of their investment holdings and many EMDs attempt to do the same, however, the burden of one issuer working with many EMDs seeking any financial and non-financial updates can be extremely onerous.

Accordingly, if the CSA seeks to move forward with the Semi-Annual Financial Statements requirement, the PCMA recommends the following:

- the Semi-Annual Financial Statements must only be filed on SEDAR as part of an issuer's continuous disclosure record, such as the filing of any OM and OM marketing materials;

- the CSA ensure that all issuers who distribute securities under the OM Exemption have a SEDAR profile. We note that some issuers file their OM and OM marketing materials directly with a CSA member and have no issuer profile on SEDAR;

- EMDs have a 90-day period to review the Semi-Annual Financial Statements of an issuer when filed on SEDAR, and there is no obligation that the EMD must 'pull the offering' (i.e., cease distribution) until its due diligence review is completed, except if there are obvious material issues and concerns, so called "red flags"; and

- the CSA needs to consider the impact of any non-compliance if an issuer does not file its Semi-Annual Financial Statements on SEDAR within the prescribed time-line on EMDs distributing securities of said issuer. An EMD should not be required to automatically cease distribution until the Semi-Annual Financial Statements are filed.

Although the creation and filing of a Semi-Annual Financial Statements involves costs, the PCMA believes a filing only requirement, and not an OM update, is the least burdensome, all things considered, and maintains sufficient investor protection.

PROPOSED CHANGES TO SECTION 2.9 OF NI 45-106

Definition – "collective investment vehicle"

"**collective investment vehicle**" means an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities.

PCMA Comment
This is an extremely broad definition and could include an investment fund, which we understand this definition excludes. The definition should be narrowed or tied into the definition of an investment fund so such terms are clearly distinguished. Issuers and their counsel need legal certainty regarding such matters.

Definition – "material contract"

"**material contract**" means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer.

PCMA Comment
Reference is made to a "material contract". The PCMA believes the term should be added as a defined term so it is clear to a reader since there will be varied interpretations by issuers, industry and CSA members.

Definition – "Real estate activities"

"**real estate activities**" means an undertaking, the purpose of which is primarily to generate for security holders income or gain from the lease, sale or other disposition of real property, but does not include any of the following: a) activities in respect of a mineral project, as defined in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*; b) oil and gas activities as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities; c) in Québec, in addition to paragraphs (a) and (b), the distribution of either of the following: i. an investment contract that includes a real right of ownership in an immovable and a rental management agreement; ii. a security of an issuer that owns an immovable giving the holder a right of exclusive use of a residential unit and a space in such immovable;

PCMA Comment
Reference is made to "primarily". A definition of should be provided for clarity to issuers, industry and investors.

The PCMA believe all disclosure involving real estate under the OM Exemption should be included in these form requirements. If the Proposed Amendments are enacted, we commend the Alberta Securities Commission (the "**ASC**") and the British Columbia Securities Commission (the "**BCSC**") for seeking to revoke their respective Instruments regarding "real estate securities" as set out below.

- ASC Rule 45-509 ASC Rule 45-509 Offering Memorandum for Real Estate Securities
  See - https://asc.ca/-/media/ASC-Documents-part-1/Regulatory-Instruments/2020/09/5898940-CSA-Notice-for-Comment-Proposed-Amendments-to-NI-45-106-Relating-to-OM-Prospectus-Exemption.ashx (see page 208)

- BC Instrument 45-512 – Real Estate Securities
  See - https://www.bcsc.bc.ca/-/media/PWS/New-Resources/Securities-Law/Instruments-and-Policies/Policy-4/45106-Local-Matters-September-17-2020.pdf

These Instruments are not nationalized with other CSA members or harmonized between the ASC and BCSC, and were an unnecessary disclosure burden on issuers. For example, if an issuer wanted to distribute "real estate securities" nationally, it would have to: (a) comply with the either the AB or BC Instrument; (b) seek exemptive relief from the other jurisdictions involving the real estate security disclosure requirements; and (c) prepare an OM wrapper to the form of OM used in compliance with either the AB or BC Instrument involving real estate securities, and any required disclosure pursuant to any exemptive relief.

Section 13.2 (material changes occurs in an OM after the certificate is signed)

(13.2) If a material change with respect to the issuer occurs after the certificate under subsection (8) or (14.1) is signed, and before the issuer accepts an agreement to purchase the security from the purchaser, the issuer must amend the offering memorandum to reflect the material change, and deliver the amended offering memorandum to the purchaser

PCMA Comment
Additional guidance is required as to what constitutes a "material change" in this context.

Business Acquisitions / Change in Holdings
Certain issuers have taken the view that certain changes to their portfolio holdings, such as investments or divestitures, are not material changes, since their business strategy and guidelines are set out in their OM.

The current guidance to item C – Financial Statements – Business Acquisitions under the *Instructions for Completing Form 45-106F2 – Offering Memorandum for Non-Qualifying Is*suers discusses acquisition of businesses which is not relevant to many exempt market issuers, unless they are, for example, private equity funds of reporting issuers. The PCMA believes the CSA should clarify the concept of material change as it relates to Real Estate Issuers and CIVs.

Use of OM Marketing Materials and Material Change Matters
Many issuers in continuous distribution update OM marketing materials to reflect certain material changes, such as changes in portfolio composition, and provide such OM marketing materials to investors as a stand-alone document that accompanies the OM at least 48 hours prior to the time of a trade. While not all OM marketing materials must be provided to investors, all OM marketing material must be filed within specified time limits under the OM Exemption in most jurisdictions.

If certain OM marketing material is considered an amendment to an OM, then an issuer should have the choice to append the document to its subscription agreement so it is clear that an investor received the requisite disclosure to reflect the material change. An example, is an issuer that updates its portfolio

holdings quarterly and provides more current disclosure to investors in the form of OM marketing materials (and filed on SEDAR) without being required to update its OM.

The PCMA submits that the time and money for lawyers and auditors and management to work on any amendment, obtain board approval and then have it reviewed by an EMD while distributions of securities of the issuer is ceased while under review is too burdensome relative to potential investor benefits. In addition, investors are already protected since securities legislation already imposes statutory liability for all OM marketing materials provided to investors.

Below is sample language that we submit the CSA may want to have included in an OM so such matters are clarified which certain issuer are currently doing.

OM MARKETING MATERIALS

Any "**OM marketing materials**" (as such term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective investor before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum are not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended and restated offering memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective investor prior to the execution of the subscription agreement by the investor. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

The [Issuer] intends to update certain information disclosed in this Offering Memorandum, including information concerning assets then held by the [underlying entity], on a [quarterly] basis, with OM marketing materials. Potential investors should confirm with their [EMD] that they have received the most recent OM marketing materials. OM marketing materials will be filed by the [Issuer] on SEDAR as required pursuant to section 2.9 of NI 45-106, which information is available electronically from SEDAR at www.sedar.com.

Section 13.3 (provide a "*reasonable purchaser with sufficient information to make an informed investment decision*")

(13.3) An offering memorandum delivered under this section must provide a reasonable purchaser with sufficient information to make an informed investment decision. [the *"***Sufficiency of Information Requirement***")*

PCMA Comment
There is prescribed disclosure requirements for a form of OM set out in Form 45-106F2 and Form 45-106F3. Section 13.3 was added (see above) and the language below is proposed to the Companion Policy to NI 45-106.

Subsection 3.8(3) is replaced with the following: (3) Standard of disclosure for an offering memorandum, amending an offering memorandum and related matters (a) Standard of disclosure for an offering memorandum ***There are two standards that make up the standard of disclosure for an offering memorandum****. First, under subsection 2.9(13.1) of the Instrument, an offering memorandum must not contain a misrepresentation on the date its certificate is signed. Second, under subsection 2.9(13.3) of the Instrument, an offering memorandum delivered under the section must provide a reasonable purchaser with sufficient information to make an informed investment decision.* [**bold** added for emphasis]

It is not clear why the Sufficiency of Information Requirement was added or more specifically, what harm this language is contemplated to remedy, as no commentary was provided by the CSA for its inclusions. Issuers and their legal counsel need reasonable certainty that they have complied with their disclosure obligations and that is why the CSA members have provided prescribed disclosure requirements under Form 45-106F2 and Form 45-106F3.

Certain PCMA issuers and EMDs have been involved with offerings where there is a reasonable difference of opinion, as when CSA Staff take a view that an OM includes a misrepresentation, or arguably, has failed to meet the Sufficiency of Information Requirement. In such circumstances, the stakes are high since a CSA will likely require an issuer to offer its investors rescissions rights when there is a reasonable disagreement. In such circumstances, forcing an issuer to offer investors rescission rights is not always in the public interest. For example, consider a situation where a business is doing well, but for an alleged disclosure violation, and the issuer has to offer rescission rights, when investor funds may be already be fully deployed and cannot be returned on short notice (for example, proceed were used to buy real estate). Arguably, this could result in the cessation of business of an issuer if they have to sell assets, assuming they can, to pay out those investors who exercised their rescission rights.

Based on the foregoing, the PCMA recommends that each CSA member should provide issuers with a right of appeal of a Staff opinion/recommendation of an alleged disclosure failure in an OM to a Commissioner for a non-binding review. The PCMA believe this will provide due process for issuers and their counsel to have a 'second set of eyes' on a disclosure matter when both sides have become positional and such a review would be in the public interest. Moreover, the cost, time, effort and disruption for an updated OM are high, for all parties, including investors who have already invested in an offering, therefore this warrants heightened attention by the CSA.

PROPOSED CHANGES TO FORM 45-106F2

Below are the PCMA's comments involving Form45-106F2.

The Issuer

PCMA Comment:
Head office - The PCMA agrees that the requirement to disclose a facsimile should be removed since e-mails are more common today and not all issuers will have a facsimile number.

Currently listed or quoted - The PCMA agrees with the change to generic language since there are other exchanges or markets than TSX/TSX Venture Exchange, such as the Canadian Securities Exchange.

Insufficient Funds

PCMA Comment:
The concept of insufficient funds should relate to a minimum offering. The PCMA agrees that there may be insufficient funds to accomplish the proposed objectives, however, there should be disclosure about the basis for how an issuer determined the minimum offering amount. For example, what is the underlying rationale for the amount of the minimum offering, and more importantly, how will funds be deployed among the various Use of Proceeds, if the minimum offering is achieved but less than the maximum offering. This should be clearly disclosed by issuers in the OM.

Also, the PCMA recommends adding a sentence that if amounts less than the maximum offering are raised, how such funds will be allocated, in terms of priority of use, as set out in the Use of Proceeds.

Certain Dividends or Distributions

Certain Dividends or Distributions If the issuer is making disclosure under item 5B, state the following with the bracketed information completed: "[name of issuer] has paid dividends or distributions that exceeded cash flow from operations. See item 5B."

PCMA Comment:
The PCMA would like additional guidance on why this disclosure will be required. If it is in response to a J-Curve effect on an issuer's distribution of funds, then additional explanation is required so industry and investor understand the basis of this disclosure, including adding related risk factors.

The PCMA does not object to such disclosure, however, an issuer should be required to explain: (a) why this is occurring as at the date of the OM; (b) why management is paying such dividends/distributions; (c) how such dividends/distributions are being funded; and (d) management's expectations as to when the issuer will no longer fund dividends/distributions from cash flow.

Item 1.1 Funds

PCMA Comment:
Certain issuers raise capital in an indirect offering structure where the amounts identified in A through G are paid by the underlying issuer, such as a limited partnership in a trust/limited partnership offering structure. Accordingly, certain issuers disclose $0.00 and add a footnote that such amounts are paid by the partnership with no further disclosure. The PCMA suggests that a Funds Table should be completed by the issuer and the ultimate entity that makes such payments so such information is clear to an investor. Otherwise, this information may not be completed and there is no disclosure in the Fund Table. The PCMA understands some counsel advise their issuer clients that such a chart only applies to the issuer and not the ultimate entity, such as an underlying limited partnership, that may receive such funds and make such payments.

The PCMA believes the requirement to merely disclose that such amounts are paid by a related party in a note to the table is insufficient disclosure.

Item 1.2 Use of Available Funds

PCMA Comment:
The issuer should be required to order the Use of Available Funds in the order of use/priority where the maximum offering is not achieved. The CSA should require this level of disclosure as investors should understand the priority of use of funds contemplated by management.

Item 2.1 Structure

PCMA Comment:
The PCMA believes issuers should be required to provide a structure diagram explaining the relationship among the various entities and link them via material contracts to improve disclosure.

Item 4.1 Securities Except for Debt Securities

PCMA Comment:
Issuers should be required to disclose their capital structure on an undiluted and fully diluted basis. Accordingly, issuers should also be required to disclose all compensation based arrangements and provide particulars. The CSA may want to consider providing a sample table(s) of what such disclosure is required by issuers.

Item 5A Redemption and Retraction History

PCMA Comment:
Issuers who have cash limits on what they are legally required to pay in cash in connection with a redemption may advise investors that they have insufficient cash proceeds and will issue a redemption note unless their redemption request is retracted. This is concerning to investors who hold investments in registered plans since the PCMA understands redemptions notes cannot be held within a registered plan. This may result in the retraction by investors of their redemption request, which arguably may not be captured in the proposed table since the table refers to "outstanding" requests. Accordingly, the PCMA recommends that a column be added stating the number of securities with *Redemption Requests Made and Retracted During the Calendar Year*.

Item 5B Certain Dividends or Distributions

PCMA Comment:
See the PCMA's comments above.

Item 7 Compensation Paid to Sellers and Finders

PCMA Comment:
This section should be extended to wholesalers who may earn both a minimum flat amount and percentage of capital raised.

Item 11.2 Cautionary Statement Regarding Report, Statement or Opinion of Expert

PCMA Comment:
Issuers often summarize, refer to and link to reports of experts or other sources of information, often in their industry overview section. The CSA should provide guidance on acceptable and unacceptable sources and indicate the format and level of footnotes related thereto, including weblinks and recommended practices. Moreover, the CSA should explicitly state that investors have no right of action against such firms/authors/sources of information to reduce uncertainty.

PROPOSED CHANGES TO INSTRUCTIONS FOR COMPLETING FORM 45-106F2 OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

A – General Instructions - Section 5.1

PCMA Comment:
It is not clear what "reasonably expects" means. Issuers may often contemplate raising $100,000,000 and only close on $10,000,000, despite *bona fide* intentions. The PCMA requests that the CSA provide additional guidance.

The PCMA also requests that the CSA provide additional guidance on what amounts it expects issuers to state in relation to a continuous offering. Is it an amount the issuer reasonably expects to raise during its fiscal year or some other time period? The PCMA requests that this be clarified.

The PCMA also believes the CSA should also require issuers to disclose whether they are raising capital in connection with a concurrent offering and amounts contemplated to be raised in relation thereto.

B – Financial Statements – General

PCMA Comment:
The PCMA believes that if US issuers want to raise capital under the OM Exemption, they should not be required to provided audited statements in accordance with Canadian GAAP. Simply, US issuers should be able to provide audited annual financial statements as required under US laws for that type of public or private issuer that is raising capital under the OM Exemption in Canada. The PCMA believes US issuers should not be required to restate their financial statements or apply for exemptive relief from certain financial statement requirements under Form 45-106F2 in such circumstances.

B – Financial Statements – No Audited Financial Statement Requirements for Newly Formed Entities with Minimal Capital

PCMA Comment:
The PCMA strongly believes that if an issuer has been newly formed, such as a trust which has been settled for $10.00, there should be no requirement for the issuer to prepared audited financial statements. Instead, a simple prominent statement informing investors that the issuer is a newly formed entity with nominal assets should be inserted. The PCMA believes that this requirement imposes an unnecessary financial burden on issuers that does not provide any benefit to investors and accordingly is not in the public interest.

PROPOSED NEW SCHEDULE 1 - ADDITIONAL DISCLOSURE REQUIREMENTS FOR AN ISSUER ENGAGED IN REAL ESTATE ACTIVITIES

The PCMA agrees with most of the disclosure requirements proposed by the CSA in Schedule 1, except as discussed below.

Section 3(1)(a) of Schedule 1
Section 3(1)(a) of Schedule 1 requires a real property's legal description which we understand can be quite lengthy. The PCMA believes that a municipal address should suffice or only require the legal description information to be filed on SEDAR.

Section 3(1)(c) of Schedule 1
Section 3(1)(c) of Schedule 1 requires any encumbrances on real property to be disclosed which, like legal descriptions, can be quite lengthy. Accordingly, the PCMA believes that only material encumbrances, such as mortgages, easements and liens (*e.g.,* construction, tax, execution or otherwise), should be required to be disclosed.

Section 3(1)(g) of Schedule 1
Section 3(1)(g) of Schedule 1 requires disclosure about utilities and other services and how they are provided. The PCMA is not clear why this is relevant unless it is a conflict of interest and the CSA seeks disclosure regarding same. We do not see how this disclosure would impact an investor's decision to invest.

Section 3(1)(k) of Schedule 1
Section 3(1)(k) of Schedule 1 requires disclosure regarding occupancy levels. We believe that such disclosure suggest that tenants are paying rent. However, as a result of COVID-19, tenants may occupy a unit but be subject to a rent deferral or rent reduction. The PCMA believes such disclosure should be added so an investor can assess occupancy and rental income appropriately. Therefore, the occupancy level and percentage of full rent being paid should be disclosed.

OM Marketing Materials and Portfolio Updates
The PCMA believes that certain information in Schedule 1 may change during the course of an offering (or between OM updates in the case of a continuous offering). As stated above, the PCMA believes that an issuer should be able to provide investors with updated portfolio information without requiring an OM amendment since the time, money and effort required is not worth the cost. Moreover, investors would benefit from more frequent portfolio updates, such as updated quarterly portfolio information, if an issuer seeks to provide such information.

Accordingly, the PCMA submits the CSA should allow CIVs to use OM market material to provide portfolio updates since all OM marketing material prescribes statutory liability on an issuer for a misrepresentation in any OM marketing material. Therefore, whether an investor receives an OM or OM marketing material, neither can have a misrepresentation and the issuer has the same statutory liability.

PROPOSED NEW SCHEDULE 2 - ADDITIONAL DISCLOSURE REQUIREMENTS FOR AN ISSUER THAT IS A COLLECTIVE INVESTMENT VEHICLE

The PCMA agrees with most of the disclosure requirements proposed by the CSA in Schedule 2 for CIVs, except as discussed below.

Loans/Leases Whose Term Were Changed
The PCMA is concerned about circumstances where issuers change their deal terms to mask a default. For example, in circumstances where a loan or lease agreement is in technical default and could be cured, an issuer may amend the agreement. We believe this may make commercial sense in certain circumstances, however, it also may disguise or mask the true risk profile of an issuer. The PCMA is aware of one issuer in particular who claimed they never had a default with a lessee yet never disclosed that it changed the lease terms, including providing a substantial period where no lease payments were required.

With respect to mortgages that have an impaired value, Section 3(i) requires disclosure of the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgage. The PCMA believes disclosure should be made about loans that were in default (whether small 'c' default (subject to a cure period) or big 'D' default (in actual default)) and whose terms were amended so the loan or lease was no longer in default.

In order to address this matter, the PCMA proposed the following disclosure for each loan/lease whose terms were changed and which loan/lease remain outstanding:

(i) the initial amount of a loan or lease and any refinanced amounts;
(ii) the principal amount of any loan or lease and any interest or lease payments made;
(iii) the initial term of the loan or lease and any changes to the term;
(iv) the initial interest rate of the loan or lease and any changes to the interest rate;

And on a portfolio basis, the following disclosure:

(i) the percentage of the portfolio whose loan or lease terms were changed based on the aggregate principal amount loaned or leased and not repaid; and
(ii) the aggregate dollar amount of the portfolio whose loan or lease terms were changed based on the aggregate principal amount loaned or leased and not repaid.

Investment Funds
The PCMA believes that all investment funds (including mutual funds that are not a reporting issuer) should be permitted to be distributed under the OM Exemption in all jurisdictions in Canada. For example, a trust should be allowed to invest in securities of issuers that are not a mutual fund, such as a another alternative investment fund, without running afoul of the requirements under the OM Exemption. Issuers and their legal counsel should not have to create unique legal structures to avoid being classified as an investment fund for securities law purposes to be able to make use of the OM Exemption.

The PCMA submits that with the disclosure requirements involving CIVs is robust enough to allow investment funds to be distributed under the OM Exemption in all jurisdictions. In addition, the PCMA notes that investment fund managers are registrants and investments funds are generally required to follow National Instrument 81-106 – *Investment Funds Continuous Disclosure* and as such, does not understand why these types of issuers would be excluded from distributing under the OM Exemption given the inherent investor protection built into the regulatory regime these issuers must follow.

Mortgage Payment Deferrals, Payment Reductions Etc.
As a result of COVID-19, certain mortgage lenders may have provided mortgage payment deferrals, mortgage payment reductions or otherwise. The PCMA believes such matters should be disclosed in the OM in Section 3(3) of Table 2 so investors understand that revenue has decreased although a mortgage is not technically impaired.

COMMENTS TO ANNEX E - LOCAL MATTERS (ONTARIO)

The PCMA commends the OSC for providing some analysis of the anticipated costs for the Proposed Amendments. We believe this type of analysis is critical for the capital markets instead of anecdotal evidence by CSA members and industry sources. However, the PCMA is not clear on how the number of hours were estimated for each amendment considered. More information should be provided on how the estimate was determined.

Moreover, the PCMA questions the hourly rates use by the OSC for hourly wages of both external and internal lawyers. We note reference is made to the *Counsel Network In-House Counsel Compensation & Career Survey Report 2018.* We are not clear why the OSC believes this is reliable and the best evidence of hourly rates, when there may be more reliable information provided by Robert Half and ZSA Legal Recruitment.

For example, the OSC provided the following hourly rates.

Issuer Internal Review	**Average Hourly Wage**
Junior In-House Counsel	$58
Senior In-House Counsel	$86
General Counsel/Executive	$111
External Assistance	
Senior Counsel (6-10 yr. experience)	$328

The PCMA notes the work to be undertaken to amend any OM would involve a securities lawyer and not general practitioner and such lawyers are generally located in major urban centres since securities law is a specialized area. PCMA members that are issuers advise that the hourly rates charged by their legal counsel are significantly more than the hourly rates noted above.

Again, we want to encourage the CSA to continue to provide such evidence-based cost-benefit analysis, however, want to make sure the costs are reasonable and the PCMA does not believe the hourly rates above are reflective of actual commercial practice.

OTHER MATTERS

Use of Videos as OM Marketing Material
Issuers and EMDs are increasingly relying on videos as a means of communication with investors especially with COVID-19. It is not clear how a video would be construed as "OM marketing material" as well as how it should be filed on SEDAR if it is considered OM marketing material.

The PCMA respectfully requests that the CSA provide further guidance regarding the disclosure and filing requirements involving videos used as part of the offering material provided to investors in light of COVID-19 and the challenges in face-to-face meeting with investors.

Industry Overview and Proper Citation Requirements
Issuers may include an industry overview section in their OM. If so, issuers will source various information to build their business case to support their investment thesis. As stated above in connection with expert opinions, please provide guidance on acceptable and unacceptable sources and indicate the format and level of footnotes related thereto, including weblinks and recommended practices.

Reference to Independence and Corporate Governance
The PCMA is aware of issuers that include corporate governance disclosure in connection with conflicts of interest. Private market failed offerings have involved conflicts of interest. Although governance structures addressing conflicts of interest are not required under the OM Exemption, we want to commend those issuers who have included such investor protections.

The PCMA notes that issuers may reference National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("**NI 81-107**") for definitions of "**independence**" and "**conflict of interest**", however, they are not required to self-impose any requirement under NI 81-107 unless they voluntarily elect to do so.

The PCMA would appreciate if the CSA would make reference to suggest voluntary disclosure practices and advise issuers that they are permitted to adopt their own definition of "independence" so long as they comply with it. For example, certain issuers may pay a director certain amounts in addition to their director's fees and maintain such director is independent. Presently, such amounts are negotiated between issuers and EMDs but any CSA guidance would be appreciated.

In addition, if an issuer adopts a governance regime, the CSA should provide a clear statement that it requires compliance by the issuer on what they say they do and that its practice is consistent with any adopted policy, which may form the basis of any CSA member review of an issuer and its OM.

CLOSING REMARKS

The PCMA would like to thank to the CSA for soliciting feedback from various stakeholders.

* * * *

The PCMA thanks you for considering its submissions and we would be pleased to respond to any questions or meet with you to discuss our comments.

Yours truly,

PCMA COMMENT LETTER COMMITTEE MEMBERS

"*Brian Koscak*"
Chair of Advocacy Committee & Executive Committee Member

"*Dean Koeller*"
Committee Member

"*Nadine Milne*"
Co-Chair of the Compliance Committee

cc: PCMA Board of Directors