

June 12, 2007

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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
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Re: Canadian Securities Administrators Registered Reform Project (RRP/ National Instrument 31-103)

The purpose of this letter is to express our company's concern regarding the contemplated NI 31-103.

We are in the business of providing the investment community quality real estate investment opportunities utilizing the Offering Memorandum vehicle, as was instructed under NI-45-106 (Prospectus and Registration Exemptions). This instrument is working extremely well in our industry to the point where the securities regulators in this country are being pressured by the

large investment houses to enact a change that is being defined as NI 31-103. This change, if implemented will have a significant and almost entirely negative impact to our industry.

Firstly, I must ask why the perceived need for change? My answer from the ASC was that there have been too many complaints about exempt issuers. When I asked what constituted a complaint, the answer was that a complaint was filed anytime an individual enquires about a company, whether it was simply a question or wanting to file an actual complaint. Obviously this process of registering a complaint is simply false and unjustifiable. Imagine if the Better Business Bureau operated this way....The real reason why this change is being proposed is due to the large organizations as previously mentioned. In fact at the public forum held in October 2006 in Calgary, the Alberta Securities Commission ("ASC") was unable to point to any data or evidence that necessitated the implementation of change.

Secondly, the process to educate the effected parties on the proposed changes is embarrassing on the part of the Securities Regulators, the ASC in particular. An information meeting was held on May 9th at the ASC office and the organizers of the meeting forgot to invite most of the effected companies. All the effected organizations have filed the necessary securities distribution forms with the ASC so the effected companies would not be difficult to contact. Why were most of us left off of the guest list when the ASC was hosting a meeting about trying to change the rulebook we're supposed to follow?

Thirdly, I agree that some resolution should be allowed but not to the point where we are placed in a position that does not make any sense to the industry or the public. If NI 31-103 is passed it will place our industry in a very awkward position because:

- 1) We are not in a position to provide an investor with our knowledge of a multitude of products when we only sell one type of investment - Real Estate.
- 2) The Know Your Client form (KYC) being executed by the client does not work in our industry as we firstly cannot provide the product to meet their multitude of needs and secondly an investor would not want to disclose to a real estate investment salesperson their entire investment and net worth status.
- 3) All exempt securities issuer's sales representatives would have to pass the Canadian Securities Course. I fail to see the merit in this recommendation. Using our company as an example, 100% of funds raised by us using the OM exemption involve real estate. The Canadian Securities Course manual has only 3 pages in reference to real estate. As I am sure you can imagine, those 3 pages would do very little in assisting the sales representative or the investor. It is clear that passing the Canadian Securities Course would have no positive impact to our clients.
- 4) You would be required to have \$50,000 to \$200,000 for working capital. All this would accomplish is a restriction for entry into this business. If this was an issue I am sure it would have been brought forward in the revised Statute of NI-45-106

Again I must say that it is very clear to me that that the real reason behind this proposed change is to limit competition to the Investment Dealers Association and Mutual Fund Dealers

Association rather than to protect the public. British Columbia is considering opting out of the registration requirement as they feel this proposal will have a detrimental impact on the province's venture capital business. BC and Alberta have very similar cultures in regards to private equity, so how is it that BC does not perceive the need for change and Alberta does?

Our organization is structured on the laws of the government and specifically the current National Instrument 45-106. We have over \$200 million dollars committed for future projects and over \$175 million currently in progress and if NI 31-103 is passed it will have a major negative impact on those numbers. In addition, we have many individuals and families who rely on the income generated from our current business structure who may not have the opportunity to invest with us as they do now if NI 31-103 is implemented.

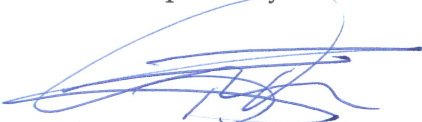
The reality is that all industries receive negative comments from the public from time to time and we need to weed the bad ones out through a form of rules and regulations. This can be accomplished in our industry by:

- 1) All exempt issuers being listed with all securities commissions with which they file, and be subject to the same code of conduct, penalties, and disciplinary sanctions as registrants.
- 2) That enforcement of regulations - as opposed to creating new regulations - be the course of action taken by securities regulators, with regulators being encouraged to apply the full force of law to all issuers, registered and non-registered alike.
- 3) That the proposed National Instrument 31-103 be terminated, and that the CSA, if it deems it necessary, devise a less burdensome, less intrusive, more streamlined and fairer program to achieve national registration uniformity, a program that enhances rather than compromises NI 45-106.

In closing I agree the Canadian Securities Administrators must protect the interest of the public as well as the interest of stakeholders and participants including non-registered exempt securities issuers. The RRP NI 31-103 does not do this. We are committed to the existing rules we were provided to conduct ourselves by and feel that they are doing an excellent job of serving Canadian business and investors alike.

Thank you for your attention to this matter. Please call me personally with any questions you may have.

Respectfully Submitted,



Travis Cadman
Keystone Real Estate Investments Corporation

cc: Mr. William S. Rice, Q.C., Chair & Chief Executive Officer, Alberta Securities Commission
Honorable Lyle Oberg; Minister of Finance