KEYSTONE
+REAL ESTATE INVESTMENTS+

May 22, 2008

Mr. John Stevenson
Secretary
Ontario Securities Commission
Via E-mail

The Honourable Iris Evans
Minister of Finance, Province of Alberta
Via E-Mail

Dear Sir,

RE: Proposed National Instrument 31 – 103 / Registration Reform Project

I am writing you today to address several issues surrounding the Canadian Securities Administrators (CSA) Registration Reform Project (RRP), commonly referred to as NI31-103.

We are in the business of offering the general public quality real estate investment opportunities. As an owner of a Real Estate Investment company, we feel that it is necessary to comment on the proposed changes for regulating the exempt securities market in Alberta. The proposed changes will do very little to actually protect investors, which from our understanding is the desired outcome at the end of the day.

As the founders of a Real Estate Investment Company, we have invested a lot of our own resources including time, money, and educational resources in to growing the company and servicing our existing Reps and Clients. All the while we were complying with the existing guidelines as we understood them and as they are currently laid out. To have these changes made now would have a huge impact on our industry as a whole and on our company.

We acknowledge the recent revisions made to the National Instrument 31-103, but do still understand that there are a number of items that still require further review prior to the Registration Reform Project moving ahead.

It is our request, that the Canadian Securities Administrators will give the same consideration to the two primary items of contention that remain on the table: the implementation of Know Your Client forms and the requirement of those selling exempt market securities to take the Canadian Securities Course.

While the underlying goal of the recent proposals of the Know Your Client forms along with the Canadian Securities Course requirement for those selling in the exempt market is commendable (better protection for the investor), the proposals themselves are not compatible within the exempt market.

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The suggested changes really "miss the mark" for a number of reasons including the following:

1. **KYC FORMS / RISK ACKNOWLEDGEMENT FORMS**

Currently when having investors sign up for an investment into these offerings, the investor must sign two copies (and in some cases more copies than that) of WARNING pages that are clearly bolded and cannot be mistaken as anything other than a WARNING. Those pages are taken right out of the offering memorandums prepared which very clearly (and frighteningly in most cases) explain all potential risks of the project and investment, including numerous unlikely and extremely "worst case" scenarios. The investors must sign these forms stating clearly that they understand the risks of the investment and that they are prepared and able to lose their money if the project does not go ahead as planned.

To have a client fill out a KYC form in addition to this would be pointless given the circumstances. If a KYC is really necessary, then surely all of the risk explanations can be dropped from the offering memorandums. But the current set up is clearly more effective in protecting investors. I have personally experienced (on numerous occasions) investors who liked the concept of the projects being discussed right down to the fine details until fully reviewing the offering memorandums as required. Potential investors who were previously extremely excited about making an investment have been sent running for the hills after reading all of the risk factors noted in the documents. And that has happened even on extremely secure projects with considerably more security than any mutual fund on the market. I have even heard potential investors comment that they "cannot believe ANYONE would invest in this after reading that document". I'm all in favour for protecting investors, as are any ethical promoters, but this will be about as effective as the gun registry!

In addition to that, with no disrespect to the true financial advisors out there who respect their clients and sincerely look out for all of their needs and best fits for products, KYC forms in no way guarantee that a financial advisor will do what is truly best for the clients, especially considering that depending on the licensing agreements, sponsorship for licenses, etc., many (if not most) financial planners are restricted to the products they "recommend", or in other words, SELL, to the client. How anyone can say that an RBC financial advisor is completely unbiased is completely beyond me. Does anyone honestly believe that if an RBC advisor thinks a particular TD Bank product is slightly better for the client that they'll really send them up the street to the other bank? That isn't realistic at all. If the client fills out a KYC with RBC it doesn't mean the client ends up with the best product for their needs. It simply means they're likely to end up with the closest fit available from RBC. Thousands of investors a year get killed on stocks and lose millions in mutual funds after signing KYCs and trusting their "advisors". Many of them would have been much better off in an exempt, real estate backed project that they can actually understand and personally evaluate risk on.

KYCs in relation to this issue will do nothing to solve the problem. They are being signed left and right before purchasing other products which can ultimately fall to a zero value as well.

2. CANADIAN SECURITIES COURSE

In regards to the recommendation for exempt dealers and representatives to take the Canadian Securities Course, once again this will not solve the real issues or do anything to reach the end goal of protecting investors. Real estate offerings in particular have nothing at all to do with mutual funds or following the stock market. The relevancy in being "skilled" at evaluating stocks, if such a thing truly exists, doesn't apply to evaluating land opportunities and future development sites. INVESTING IN ANYTHING HAS RISKS! Let the client decide if they want to gamble on land or stocks. Given the current regulations anyone investing over $10,000 must sign an eligible investor form regardless. How are these points being missed? If a new investor chooses to invest in an exempt offering and loses their $10,000, it's not perfect but at least the downside has been capped. If they lose more than $10,000 it is because they qualified to make that choice! That is based on regulations already in place.

If anyone wants to question whether or not the current rules truly explain the risks to investors, I recommend trying to get a cheque for $40,000 alongside of those lovely WARNING pages. If the project makes sense, and the investor qualifies, let them choose how to invest their money. Taking a securities course isn't going to in any way affect my ability to effectively choose properties and then spend three years trying to re-zone it for development. An actual, true, real estate course, and land use course would do a lot of people (including investors) way more good than anything CSC related.

The reality is, whether or not a client fills out a KYC form with a financial planner OR an exempt dealer, there is no guarantee that the client will receive unbiased information or advice. If the MFDA wants to level the playing field, perhaps massive, bold print WARNING pages should be written all over the mutual fund agreements in addition to becoming mandatory on all advertisements. I'm sure it wouldn't be difficult to find a list as long as football field full of unhappy investors who lost millions upon millions of dollars in mutual funds even over the last six months. Had they been invested in land, it may have been a different story.

These proposed changes need to be taken back to the drawing board and completely revised. It's always scary when "experts" from the outside, who don't even play in the same arena (such as the MFDA), start giving suggestions on how to improve it.

3. CONCLUSION

In conclusion, I agree the CSA must protect the interest of the public as well as the stakeholders and participants including non-registered exempt securities. The RRP does not do this.

Our organization is structured on the laws of the government and specifically the current National 45-106. We have over $200 million dollars committed for future projects and over $175 million currently in projects, so yes we are committed to the existing rules we were provided to conduct ourselves by.

As like any industry, our industry can receive negative comments from the public from time to time and we need to disengage the bad with a set of congruent rules & regulations. This can be accomplished in our industry by:

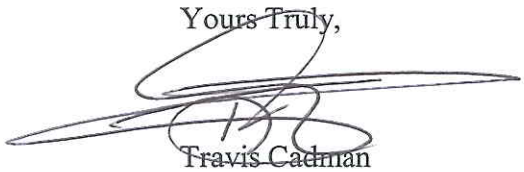
1) All exempt issues be listed with all securities commissions with which they file, and be subject to the same code of conduct, penalties, and disciplinary sanctions as registrants.

2) That enforcement of regulations – as opposed to creating new regulations – be preferred by securities regulators, with regulators being encouraged to apply the full force of law to all issues, registered and non-registered alike.

3) That the proposed National 31-103 be terminated, and that the CSA, if necessary, devise a less burdensome, less intrusive, more streamlined program to achieve national registration uniformity, a program that enhances rather than compromises NI 45-106.

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

Yours Truly,



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