

May 28, 2008

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

The Honorable Iris Evans  
Minister of Finance, Province of Alberta  
Via E-mail

Re: Proposed National Instrument 31 -103 / Registration Reform Project

I attended one of the meetings hosted by the Alberta Securities Commission in Calgary regarding the proposed National Instrument 31-103 Registration Reform Project. I responded to last year's round of discussion and I continue to have the same main concern. I am told we are introducing changes to protect the investors and to solve complaints in this industry. As in last year's meeting, I ask again, what are the complaints and how big is the 'problem'? Unfortunately no one is able to provide me or my associates with any hard data to back up the claims made by the Commission. Either this is a blatant attempt to force in legislation to limit competition by the big players or an exercise in improving public perception that 'something' is being done or both!

Western Canada continues to thrive. We do so because we adjust our way of doing things with the capital markets in mind. We are competitive. The markets, and when needed, the court system governs how we operate. It is truly an efficient market. Now bring in legislation and regulation and more bureaucracy. This can only mean you wish to eliminate competition and increase costs to the investors or the developers seeking funding for their projects. Specifically, in our market, we have designed the Offering Memorandum process. It provides funding for the private market and allows all investors to participate in other investment opportunities. A number of these opportunities provide lucrative and safe returns. But, other provinces do not use these investment vehicles. So, please explain why not. Are we not attempting to also 'standardize' all aspects of the industry? If harmonizing is the mandate, why do the investors in the Eastern provinces have limited or no access to these types of investments? Also, is the intent to harmonize the process to the most inflexible and least efficient way of providing select investors opportunity AND ultimately making these investments not available to the average investor?

The harmonization process appears to have a hidden agenda to force in processes used by the IDA and MFDA. As I understand it correctly, the CSA is the group that is overseeing this activity. I am also told that the CSA has members from the IDA and the MFDA and the Securities Commission on their committee. May I ask where the representation from the Exempt Market Dealers is in this picture? When I enquired, I was told that one member would be overshadowed in the process and probably not heard. And, I also learned that a number (374) of letters submitted by investors were not recorded in the results presented at the meeting. So, I ask you, how can decisions be made when:

1. We don't really know what the 'problem' is – as no statistics have EVER been presented to tell us there is a problem or what the problems could be.
2. The panel evaluating the path to building a 'better widget' does not include proper representation from leaders in our market BUT has been heavily weighted with members of the IDA and MFDA and
3. There is a blatant disregard for those investors that have voiced their concerns. The Commission had misplaced or worse yet, made a decision to remove those letters from the reported results.

I further understand that British Columbia has chosen not to participate in this project. This tells me that they too believe that the current process works and the proposed changes do not serve their investors or capital markets well.

As an agent in this marketplace, I fail to see the relevance of making the public complete a Know Your Client form to purchase a real estate investment product. Our current process already has onerous messaging to dissuade anyone from participating in the investment. Each investor, when faced with the forms, must make an informed decision about each investment. They have options available to them that include seeking independent counsel or simply not investing. As with all investing, there are virtually no guarantees and I believe that investors should have similar messaging presented to them when investing in the other markets (stock and mutual funds). Remember Nortel, Bre-X, Enron and Worldcom? Many investors experienced life-altering repercussions from those investments and the investor was never told 'This is a risky investment or you could lose all your money.'

I am also concerned about the requirement for quarterly unaudited statements. Where will they go and who will monitor them? And what specifically is the purpose of this requirement? If I am an agent and take a cheque from a client and give it, with a subscription agreement, to a syndicator, why do I have to submit quarterly financial statements?

And, I continue to scratch my head about the requirement to take the Securities Commission exam. I only sell real estate investments. The exam is predominantly about the registered dealer markets. These markets have no relevance to the type of market I work in. So, if you must insist that I do an exam, I would suggest that you consider an exam that determines competence in the market that we serve. Certainly it would not take much effort to commission an independent educational institution to create something that would be relevant to my industry.

Lastly, the definition of handling cash must be re-considered. I have been assured that it will be revisited and I am optimistic that it will be reviewed.

I request that the Canadian Securities Administrators (in particular the Alberta Securities Commission) re-visit the idea of implementing the Registration Reform Project. More regulation will hurt this country's capital markets. I am convinced that it will only satisfy the Mutual Fund Dealers Association and the Investment Dealers Association and not protect the investors as it has been presented to us.

From the results, the message is very clear. Our market – the developers, syndicators, the investors and the agents – do not see any tangible value with the project. I do understand that you are under tremendous pressure to do something, however, it would be better time spent to look closely at the market and to learn that it is currently working! Let's talk to British Columbia and find out why they opted out. Let's review the statistics and compare them with the other markets. I would suggest to you that the 'problem' is around 1% of the total funds raised. If I am correct, then why do we do a wholesale change for such a small percentage?

Thank you for considering my 'voice' in this process. I am an investor, a voting taxpayer and an agent that makes my livelihood in this marketplace. The discerning public will ensure that I am held accountable for my actions and I intend to conduct myself ethically and professionally. I don't see how regulation will force me to do a better job. Nor will it keep the criminals from doing what they do. Regulation is not what protects investors. Informed investors and access to education is what protects investors.

Sincerely,

Rene Burke  
President and CEO  
Citrine Investment Services