

May 29, 2008

Comments addressed to:

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorite des marches 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

Comments sent via email to:

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Secretary  
Ontario Securities Commission  
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M5H 3S8  
Email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

- and to -

Anne-Marie Beaudoin  
Directrice du secretariat  
Autorite des marches financiers Tour de la Bourse  
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H4Z 1G3  
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- and to -

Kirk Bacon  
Director, Industry Standards  
Real Estate Council of Alberta  
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**Comments to the  
Proposed National Instrument 31-103 Registration Requirements  
- and -  
Proposed Companion Policy 31-103CP Registration Requirements**

Our comments are made from the perspective of a syndicated mortgage broker that operates under the following guidelines:

- i) currently exempt from ASC registration and regulated by the Real Estate Council of Alberta (RECA);
- ii) acts as a lender and syndicates the arm's length transaction to third party investors;
- iii) lends only to arm's length, third party borrowers; and
- iv) does not have an interest in the mortgaged property whatsoever.

It is our opinion that as syndicated mortgage brokers under the current regulation by RECA, we provide an investment vehicle to individuals who would not otherwise have the opportunity to earn interest revenue or to realize on the profits of real estate markets. This opportunity may be compromised if the proposed NI 31-103 is enacted to include syndicated mortgage brokers of arm's length transactions.

As an arm's length lender, our due diligence process is extensive and scrutinizing:

- the viability of the project or security must be carefully determined through market research, financial analysis, subjective due diligence, and borrower expertise
- the ability of the borrower to service the debt and to repay the loan is of utmost concern
- the 'take-out' is carefully considered; i.e. if it's a raw land loan, does the developer have the ability to obtain conventional financing for the servicing of the land
- borrower equity is carefully determined by actual cash in the project rather than perceived equity achieved by appraisals of "projected values" or "increased values due to market inflation"

As a syndicated mortgage broker under RECA, our syndicated investors/lenders are provided with the following details of the mortgage in which they invest:

1. *Name, Address and Telephone Number of the Registered Mortgage Broker;*
2. *Name of Mortgagor;*
3. *Detailed Description of the Mortgaged Property, including the municipal and legal description, as well as any other collateral security;*
4. *Terms and Conditions of the Mortgage, including the principal amount, the ranking of the security, term of the mortgage, amortization (if any), the amount and frequency of the interest payments, and the date of maturity;*
5. *Monthly or annual percentage rate of interest paid by the Mortgagor;*
6. *Monthly or annual percentage rate of interest paid to the investor/lender;*
7. *Additional fees or charges paid by the Mortgagor, such as broker fees and legal fees;*
8. *The terms and conditions of repayment before maturity of the mortgage, if any;*
9. *Details of appraisal, if any; and*
10. *Details of prior encumbrances or other mortgages on the property, if any.*

We understand that RECA has concerns regarding its Assurance Fund and potential risk from mortgage fraud perpetrated by syndicated mortgage brokers. Again, it is our opinion that increased assurance fund levies may be imposed by RECA and may be welcomed by the bona fide brokers of syndicated arm's length mortgages as a show of goodwill and strength in the industry. Furthermore, imposing E&O Insurance requirements for syndicated mortgage brokers may provide a comfort level to RECA that its Assurance Fund is not at risk.

We understand that RECA has or may propose that it continue to regulate syndicated mortgages of fewer than ten investors. We don't believe that this is an improvement to the current situation and does not offer better protection to the investors. It is our opinion that the 'risk' is not related to the dollar value of the mortgage, or by the number of participants.

We are also advised that RECA has or may propose that it does not wish to continue to regulate non-arm's length mortgage syndications nor 'self-dealers' in the real estate marketplace. We agree with RECA's position and heartily endorse that non-arm's length syndications as well as self-dealers must be regulated by the ASC.

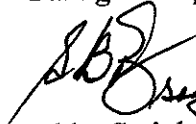
We have identified definite benefits for the investor in an arm's length syndicated mortgage vs. non-arm's length syndicated mortgage, limited partnership, or undivided interest:

<i>Arm's Length Syndicated Mortgage</i>	<i>Non-arm's length/LP/Undivided Interest</i>
<i>Underwriting is unbiased</i>	<i>Underwriting may be biased toward the borrower who is promoting its own project.</i>
<i>Investor earns interest based upon the rate paid by the borrower, less the brokers' fee, all of which is disclosed prior to the investor's commitment to invest.</i>	<i>Investor may earn interest or participate in the "profits" of the project; such profits may be eroded by extravagant up-front fees; 'hidden' general partners' fees; or property management fees paid to a corporation owned by the promoters.</i>

And, last but not least, we believe that it is most important that whichever proposed changes are implemented and approved, these changes are applied to all syndicated mortgage brokers of arm's length transactions. We reiterate that, in our opinion, the risk to the investor is not predicated by the dollar value of the mortgage nor by the number of investors that comprise the syndication but rather the diligence of the underwriter.

Thank you for your time to consider our position with regard to the proposed changes.

Sincerely,  
**Paragon Capital Corporation Ltd.**

 Signed on behalf of:  
Abby Steinberg  
President

cc: David McKellar, ASC via email: [david.mckellar@seccom.ab.ca](mailto:david.mckellar@seccom.ab.ca)  
Karen Andreychuk, ASC via email: [karen.andreychuk@seccom.ab.ca](mailto:karen.andreychuk@seccom.ab.ca)