May 29, 2008

Attn: Mr. John Stevenson, Secretary, Ontario Securities Commission
The Honourable Iris Evans, Minister of Finance, Alberta

Re: Proposed NI 31-103

Dear Mr. Stevenson and Ms. Evans,

As an exempt securities consultant and investor, I feel that it is necessary to comment on the proposed changes for regulating the exempt securities market in Alberta and across Canada. With the increased growth in companies offering exempt securities, I do agree that we need some level of consistency and regulation to protect investors, and to protect legitimate companies (companies who comply fully with regulations) who offer exempt securities. That being said, it seems that NI 31-103 fails to increase protection for investors, and seems to punish current companies who are in full compliance in offering exempt securities.

The suggested changes really fail to accomplish the objectives that were set out at the beginning of this process:

1) Currently when having investors sign up for an investment into exempt securities, the investor must sign two copies 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 which very clearly explain all potential risks of the project and investment, even though these warnings do not often reflect the true risks of the investment.

2) To have a client fill out a KYC form in addition to the WARNING pages would be irrelevant given the scenarios setup by the WARNING pages. 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. From my experience, investors strongly prefer the market exempt method of investing as it gives them more control over their current portfolio, and they feel they can make much better informed decisions when it comes to investing. They also feel that the WARNING pages are clear enough to direct them to conduct their own due diligence and “home work” prior to investing. KYC forms is in no way a 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 financial planners are restricted to the products they recommend to their clients. From my personal and family’s experience, the KYC forms never protected us from losing thousands of dollars on trusting a financial advisor on managing our portfolio. We have yet to see our investments break-even, and for my other family members, they currently risk losing their entire retirement portfolio. The point is, no matter what the investment is, there is only so much regulation you can implement to try and protect the investor. Based on current legislation and securities regulation, market exempt securities are much more heavily regulated than other securitized markets.

3) In regards to the recommendation for exempt dealers and representatives to take the Canadian Securities Course, I do not feel that the CSC is adequate in preparing an individual to sell market exempt securities. I agree that each individual in this industry should have some type of certification, but I don’t feel that the CSC is the proper certification in regulating individuals who sell market exempt securities. I feel more time is needed for our industry to work together, along side with the securities commissions, to formulate a new course that is much more suited for our industry.

I truly applaud the work the securities commissions are doing in protecting investors and legitimate companies (companies that fully comply) that offer exempt securities. I feel however, that these new regulations are not being put forth in a very fair and logistical manner. The fact that no individuals or companies from the exempt security industry were invited to participate on the steering committee really doesn't speak well to our Canadian system of democracy and fair representation. These proposed changes need to be taken back to the drawing board and completely revised, WITH representation from the market exempt industry on the steering committee. To push forward NI 31-103 will indicate a true disregard for the Canadian business community, and will fail to ultimately provide any increased level of protection for investors.

Sincerely,

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