April 23, 2014

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Denise Weeres, Manager, Legal, Corporate Finance
Alberta Securities Commission
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Calgary, Alberta T2P 0R4

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Me Anne-Marie Beaudoin, Directrice du secretariat
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800, square Victoria, 22e etage
C.P. 246, tour de la Bourse
Montreal, Quebec H4Z 1G3

comments@osc.gov.on.ca
The Secretary
Ontario Securities Commission
22nd Floor - 20 Queen Street West
Toronto, Ontario M5H 3S8

RE: CSA PROPOSED AMENDMENTS RELATING TO THE OFFERING MEMORANDUM EXEMPTION

Dear Madams:

I am an Exempt Market Representative ("EMR") with Pinnacle Wealth Brokers, one of Canada's largest Exempt Market Dealers ("EMD") and I hold the following professional designations:
Chartered Accountant (CA), Certified Financial Planner (CFP), Chartered Life Underwriter (CLU) and Tax & Estate Practitioner (TEP).

I am writing in response to the recent proposed changes to the investor qualifications and NI 45-106; specifically to restrict eligible investors to an annual investment limit of $30,000 for Exempt Market investments.

I submit that such a proposal is arbitrary, discriminator and ill-advised for the following reasons:

- Inspective whether an investor had $100,000 of cash or $950,000 cash, (a material difference) the same investment restriction/limit would apply.

- At a time when major Canadian Pension Funds (CPP, OMER's, etc.) are increasing their commitment to private investments due to the steady, predictable, "real" returns, individual investors, who are not members of pension plans (of which there many Canadians) would be restricted from such "informed, knowledgeable" investment options. You may be aware, OMER's, Canada's largest Pension Fund, has moved to have their investment portfolio consist of 47% private investments (see enclosure). "The private market investments position the Plan to generate strong, predictable returns and consistent cash flows with reduced risk to meet its funding requirements".

- Canadian (and North American) public stock markets have been on a "bull" run since March, 2009. Historically a market correction occurs every 5 – 8 years and the proposed private investment limits would force many Canadians to invest in the public markets just as we are due for a near term market correction. Bear in mind an investor in RBC common shares in February 2008 could have lost ½ of their investment by March, 2009 (this is dear to my heart as I was a shareholder of RBC during this period).

- NI 31-103 implemented in September, 2010 was needed and perhaps overdue. Despite the continued "fall-out" of the pre-2011 improved regulatory regime and regulatory audits to ensure compliance with the new industry rules, it is respectfully submitted that the current EMD/EMR guidelines and regulatory regime is providing the appropriate level of industry guidance, oversight and controls to protect the public interest.

In enclose a copy of an article from the Winter NEMA magazine which I authored which may provide some insight into this market segment.

I suggest investment limits similar to: maximum 75% of liquid assets in Exempt securities; and maximum 25% in any one (1) Exempt product would be far better/more appropriate for protection of the public interest

Respectfully Submitted;

Michael L. Edwards, BBA, CA, CFP, CLU, TEP
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DIFFERENT PAINT **SAME BRUSH**

BY MICHAEL EDWARDS

Based upon my personal experience, and input from numerous experienced Exempt Market Representatives, what is needed in this fast-paced, maturing Exempt Market space is a uniform risk ranking system. This would better permit investors (and their advisors) to assess the relative risk profile of each investment option to more fairly gauge the risk/return consideration of investing in the Exempt Market when building their portfolio.

Although there is no formal secondary market for most investments in the Exempt Market space, liquidity can be realized as soon as six months for at least one fixed return investment currently available to investors. In addition, many Exempt Market investments mature in one year, two years, three years, four years, and / or five year fixed time periods depending on the investment period selected; some of which have had private credit assessment ratings of AA (bear in mind the government of Canada is AAA).

> **"IT WOULD APPEAR THAT REGULATORS ARE SO CONCERNED ABOUT THE LIQUIDITY RISK OF THE EXEMPT MARKET INVESTMENTS THAT THIS SPECIAL WARNING IS WARRANTED."**

There is a vast array of investment options in the traditional investment market, from Canada Savings Bonds to derivative based options, in which Canadian investors can, and do invest. There are often major differences in these various investment choices vis-à-vis risk, volatility, return, income distributions, taxation impact, and complexity/structure of the investment. Many of these investments play a significant role in a properly diversified investment portfolio. (Whether they are appropriate for any particular investor, or not, depends on the investor's investment time horizon, objectives and risk tolerance).

If investors were to read solely the risk acknowledgement form, 45-106F4 (which ignores an investor's prudence to read the Offering Memorandum) and the 'warning' prescribed by it: it is highly unlikely that many investors would make any investment in this market.

It would appear that regulators are so concerned about the liquidity risk of the Exempt Market investments that in their opinion this special warning is warranted. By comparison, many investors in Nortel, BreX, RIM/Blackberry experience significant risk. As an illustration, if an investor in RBC common shares in February 2008 (at about $50 per share) needed to liquidate in February 2009 (at about $26 per share) they would have lost half of their money on Canada's largest blue chip bank, but no such warning would be required for the market risk public markets entail.

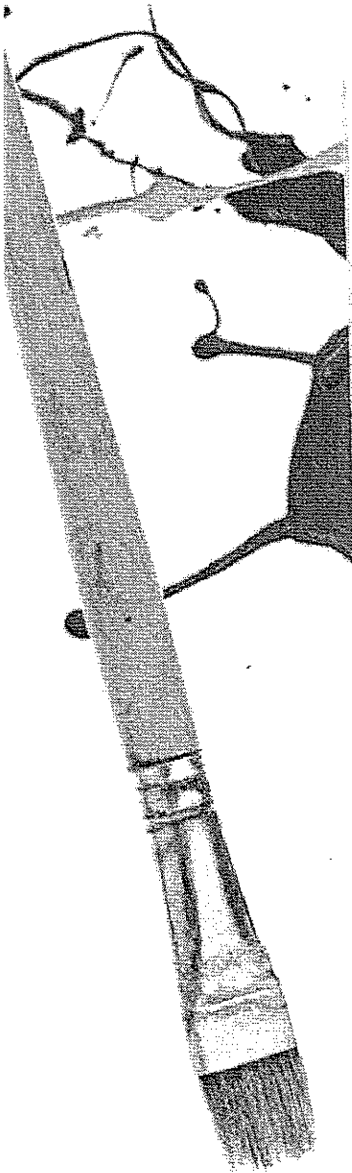
It is disconcerting that almost any investor can open up a brokerage account to buy stocks or bonds via an IIROC dealer, buy Mutual Funds from an MFDA member, or buy segregated funds from an insurance agent, without having to sign any such warning to make any such investment.

To be fair, there is a vast array of investments in the Exempt Market space with varying degrees of market risk, liquidity risk, inflation risk, etc., just as there are in the Public Markets. Certainly the Exempt Market, as well as the regulatory oversight, of today are light years ahead of the Limited Market Dealership regime and 'wild-west' that existed prior to September 2010 but to paint all Exempt Market investments with the same risk profile brush is no more fair than to say a start-up junior mining company is the same investment risk as say one of the major Canadian banks.

The Exempt market is growing in popularity with investors. Even Ontario has stated that they plan to add an Offering Memorandum exemption investment qualification in addition to their existing available exemptions. As this important component of the capital market grows and matures, it is critical that a more balanced investment risk ranking and assessment criteria be developed and applied to the Exempt Market.

Michael Edwards, BBA, CA, CFP, CLU, TEP is the Atlantic Branch manager of Pinnacle Wealth Brokers, having practiced as a tax specialist and Public Accountant for most of 1979 – 2010. He has been involved in financial planning and wealth creation since 1998 when he obtained his CFP designation and become life licensed in 2001 and an Exempt Market Representative in 2010.

"TO PAINT ALL EXEMPT MARKET INVESTMENTS WITH THE SAME RISK PROFILE BRUSH IS NO MORE FAIR THAN TO SAY A START-UP JUNIOR MINING COMPANY IS THE SAME INVESTMENT RISK AS SAY ONE OF THE MAJOR CANADIAN BANKS."



Form 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing $__________ in total; this includes any amount I am obliged to pay in future. The Issuer will pay $__________ of this to ______________ as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

______________________ Date

______________________ Signature of Purchaser

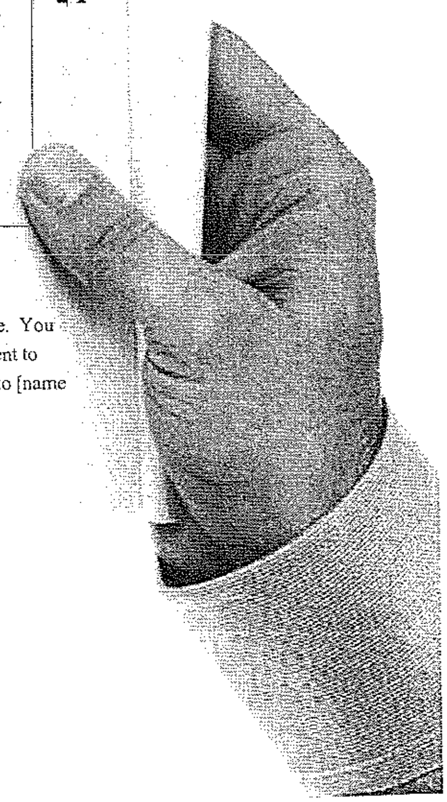
______________________ Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

You have 2 business days to cancel your purchase

To do so, send a notice to [name of issuer] stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to [name of issuer] at its business address. Keep a copy of the notice for your records.



NEMA ASKS DARVIN ZURFLUH TO "Fill in the Blanks"

Darvin Zurfluh, Executive Chairman
Pinnacle Wealth Brokers

1. The Exempt Market is a place where small businesses with capital needs can go to individuals wishing to invest.
2. The Exempt Market is not the Wild West of investing that it once was.
3. The thing I like the most about the Exempt Market is the unlimited potential to seek unique opportunities to increase wealth.
4. The one rule I would change in the Exempt Market is to increase penalties for misrepresentation.
5. The stock market is a good compliment to a well diversified portfolio.
6. In regards to the Exempt Market, regulators are ensuring better disclosures are made and investors have more protection than in the past.
7. The biggest misconception people have about the Exempt Market is that it is all high risk and not liquid.
8. The most important thing investors should know about the Exempt Market is that it is very important to read the offering memorandum.
9. Dealing Reps need to do their own due diligence on products they sell.
10. In the Exempt Market, there is not enough dealing representatives.
11. In the Exempt Market, there is too much negativity about the past when the market wasn't regulated.
12. The Exempt Market is no place for nervous Nellie's.
13. In the next 5 years the Exempt Market will be well known for finding superior alternatives.
14. The biggest change in the Exempt Market has been increased accountability to the regulators.
15. The biggest challenge for the Exempt Market is finding alignment between the parties (issuers, dealers, reps, and regulators).
16. The key to longevity for the Exempt Market is the people.
17. NEMA is integrity for all the parties participating in the Exempt Market.

WANT TO "Fill in the Blanks" IN OUR NEXT ISSUE?
E-MAIL: JENELLE@NEMAONLINE.CA

News

OMERS Reduces Funding Deficit, Improves Funded Status and Strengthens Balance Sheet During Year of Transition to New Public Markets Strategy

February 24, 2014

En Français [58.36KB]

$4 billion investment income earned in 2013

Toronto (February 24, 2014) - The OMERS Primary Pension Plan concluded 2013 with a $1.3 billion reduction in unfunded liability, an improvement in its funded ratio by 3% to 88%, $4 billion in total investment income, and a stronger balance sheet and cash flows to secure its long-term obligation to pay defined pension benefits to its 440,000 plan members.

In order to satisfy its obligations and secure the pension promise, OMERS has implemented prudent and evidence-based investment strategies in public and private markets that target positive absolute returns.

The total investment income of $4 billion reflected a 6.5% gross return, compared with a minimum target of 7% gross return to match assets with liabilities over the long term. Public market equity returns in excess of 20% were offset by a significant market valuation reduction in the fund's holdings of inflation-linked bonds and commodities, resulting in a 0.5% gross return from public markets. Private market investments continued to record strong results with a 15.5% gross return.

The total fund has produced $34.4 billion of cumulative absolute dollar income over ten years for a 7.6% annualized gross return, and $21.7 billion over five years for an 8.4% annualized gross return since the 2008 global credit crisis and stock market meltdown, both substantially above the actuarial assumption for investment returns.

Public market investments, valued at $37.7 billion, or 57% of the total fund, earned $200 million as OMERS Capital Markets completed the transition to a more diversified risk-balanced portfolio designed to deliver more consistent investment returns than the traditional pension plan strategy of investing 60% in equities and 40% in bonds. The five-year annualized gross return of 5.8% produced cumulative investment income of $9.2 billion.

"The public markets portfolio put in place in 2013 is the last piece of our investment strategy to earn more predictable and stable long-term returns," explained Michael Nobrega, president and chief executive officer of OMERS Administration Corporation. "We now have a long-term strategy that balances portfolio risks to the drivers of capital market returns, namely growth and inflation."

The structure has a portfolio that tracks the performance of market returns across a wide range of global asset classes and geographies, balances risk to growth and inflation outcomes, uses prudent levels of economic leverage, and is projected to achieve a 6.5% annualized net return over the medium and long term. Commonly known as a beta portfolio, this approach does not predict the direction of public markets.

Our evidence-based research shows, over rolling ten-year periods since 1970, that a risk-balanced portfolio has outperformed a 60/40 portfolio 75% of the time. However, in any one year, the risk-balanced portfolio may underperform the 60/40 portfolio 41% of the time. In 2013, the total beta portfolio lost $407 million due to a sudden and unexpected spike in interest rates in the second quarter. As part of the prudent risk management of any beta strategy, portfolio hedges were used in 2013 that contributed $120 million of investment income.

"It is difficult to pick a perfect time to undertake such a major portfolio restructuring, but the timing of implementation is not critical to earning long-term returns from the beta portfolio. A balanced beta portfolio is designed to outperform a less diversified one over time but market shocks (such as the sudden and unexpected interest rate spike in 2013) will cause underperformance until markets return to underlying economic fundamentals that drive investment returns," Mr. Nobrega said.

The new public markets strategy includes an absolute dollar return portfolio designed to generate cash returns, known as alpha. Separate investment teams use proprietary research and skill to exploit market opportunities by taking long and short positions in global stocks, bonds, specialized credit products, currencies, commodities and macroeconomic trends. The alpha portfolio contributed $487 million in cash returns to the Pension Plan. Building additional alpha portfolios is a priority in 2014.

"We have a high conviction that this public markets strategy is the right one for a prudent pension plan investor committed to paying retirement benefits to contributing plan members over the next six to seven decades," Mr. Nobrega added.

The Pension Plan's net assets are also diversified through the successful transition into private market investments that continued to deliver strong and consistent absolute dollar returns. Valued at $28.0 billion, or 43% of the total fund, private market investments earned $3.8 billion in 2013. The five-year private markets annualized gross return of 11.3% produced cumulative investment income of $12.5 billion.

Four investment teams manage private market assets realizing strong gross returns. Borealis Infrastructure, with $9.3 billion of net investment assets, earned $1.1 billion (12.4%); Oxford Properties, with $9.1 billion, earned $1.2 billion (14.3%); OMERS Private Equity, with $7.1 billion, earned $1.4 billion (23.6%); and OMERS Strategic Investments, with $2.5 billion, earned $181 million (9.1%).

OMERS has built a balance sheet, with an AAA credit rating, to withstand severe market shocks, preserve liquidity and generate increasing cash flows. Net assets grew from $60.8 billion in 2012 to $65.1 billion in 2013. OMERS collected $3.5 billion in contributions from employers and plan members and paid out $2.9 billion in benefits to a retired population that expanded by 5,370 to 130,000 pensioners. With accrued pension benefits of $73.0 billion, the funding deficit was reduced by $1.3 billion to $8.6 billion due to higher actuarial asset values, higher contribution rates and lower inflation.

Background Paper on OMERS Investment Strategies

About OMERS

In 2013, OMERS marked 50 years of providing a stable and secure defined benefit pension plan for workers in Ontario's municipal sector and is now one of Canada's largest pension funds with $65.1 billion in net assets. OMERS provides first-class pension administration and innovative products and services to 440,000 members. OMERS members and their employers contribute to the Plan in equal amounts through their contributions. Nearly one in every 20 employees working in the province of Ontario is an OMERS member. Through the OMERS Worldwide brand, our team of investment professionals uses a direct drive, active management investment strategy to invest in public and private market assets, including publicly-traded equities, fixed income, infrastructure, private equity and real estate. For more information, please visit www.omers.com, or www.omersworldwide.com

OMERS 2013 Returns
OMERS Pension Plan Fact Sheet

OMERS Primary Pension Plan gross rate of return over one, five and ten years

1 Year Rate of Return	5 Years Rate of Return	10 Years Rate of Return
6.5%	8.4%	7.6%

Investment returns of OMERS Primary Pension Plan by Investment Entity for 2013 and 2012
Gross Returns - Year Ended December 31,

	2013 Rate of Return	2012 Rate of Return
OMERS Capital Markets	0.5%	7.5%
OMERS Private Equity	23.6%	19.2%
Borealis Infrastructure	12.4%	12.7%
Oxford Properties	14.3%	16.9%
OMERS Strategic Investments	9.1%	-10.1%
Total Plan	6.5%	10.0%