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Denise Weeres
Manager, Legal, Corporate Finance
Alberta Securities Commission
250 – 5th Street SW
Calgary, Alberta T2P 0R4

Me Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

Dear Mesdames:

I am writing to comment on the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors.

The turbulence of markets for more than a decade now has made traditional equity investing a much riskier venture. Coupled with the generationally low returns on fixed-income investments, many investors are in a real bind. Mutual fund investing (the most popular form of investing for Canadians), now offers increased volatility, often over-diversification or fund/portfolio overlap.

Canadians need another alternative that provides some true, non-correlated diversification. Exempt Market investments, used prudently, are a great opportunity to round out an investor portfolio in this way. The safeguards in place that require both that a licensed representative know their client, and provide suitable investment selection, already protect the public. In addition, the requirement that investors meet eligibility requirements further protects them from over-concentration or unsuitable investments.

Rather than placing an arbitrary annual limit on investors, enforcement of existing provisions will ensure the investing public is protected. The proposed limit of \$30,000 annually is both unreasonable, and likely unmanageable. Over five years an investor, investing the maximum could invest a total of \$150,000. But suppose an investor invested \$30,000 in year 1, then another 30,000 in year 2, and another \$30,000 in year 3. Then in year 4 the investor withdraws \$30,000 and moves it to cash. In year 5, is that investor now able to invest :

- \$30,000--the single-year limit, for a new total of \$90,000?
- \$60,000--which could be either the single-year limit plus replacement of the previously invested amount, or the single-year limit for the 4th and 5th years which had not been used yet, for a new total of \$120,000?

or

- \$90,000--the sum of the two years of non-investment plus replacement of the redeemed investment, for a new total of \$150,000?

Will the new rules create investors with different rights? Investor A only has \$30,000 in Exempt Market offering 'room' because they have not invested in the first few years of the new rules, but Investor B has many times more investments because they have invested annually? How is an investment advisor to

provide proper diversification advice given that investors no longer have a level playing field?

And most interestingly of all, given that an investor could go to multiple dealers to procure differing investments (since Exempt Market Dealers only carry a limited number of investments on their shelves), who is going to track and enforce this? There is currently no system in place that tracks an investor's holdings in the Exempt Market space. Given the timelines of some Exempt Market offerings, clients will certainly not know their status after a few years under these rules.

In summary, better guidelines and enforcement of guidelines regarding knowing a client and suitability will do a much better job of ensuring that investors are properly protected. The arbitrary number of \$30,000 is unmanageable, unenforceable, and highly discriminatory.

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me by email.

Regards,

Brad
Brad MacBeth
MacBeth Mortgage Investment Corp.

(250) 448-4817
Suite 1100, Landmark 6
1631 Dickson Av
Kelowna BC V1Y 0B5

brad@macbethgroup.com
www.MacBethMIC.com