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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 Madams:

I am writing to comment on the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors. I am writing from a dealing representative and an investor perspective as I am both.

As a Dealing Representative, I am concerned with this proposal for the following reasons:

1. I am a registered Dealing Representative with Raintree Financial Solutions. Through the Exempt Market Dealership model we are obliged to conduct KYC, KYP and suitability assessments. As a dealing representative I am responsible for doing extensive KYP training on every investment opportunity I offer my clients. I research the offerings to understand the features, structure and risks and determine what type of client the offering is suitable for. My KYC process is to meet with my clients and take considerable time to understand my client's financial situation, risk tolerance, time horizon and investment objectives. With all my KYP and KYC research I can then assess eligibility and suitability of the exempt market for my client. With this level of suitability assessment I feel I as a dealing representative am in a good position to determine if the Exempt Market is suitable for my client and can help them determine what is the right amount to invest in the Exempt Market. I also have a further review of my suitability assessment done by our compliance department.

A client that is 63 years old with an income of \$76,000, very little savings and a poor level of financial knowledge is far different from a 47 year old earning \$197,000 in a good job, with a substantial investment portfolio, a good level of financial knowledge and many years of earning potential ahead of her. Arbitrarily allowing a \$30,000 limit to both of these eligible investors is not appropriate. It makes far more sense to allow a properly trained dealing representative to

assess the appropriate level of investment in the Exempt Market for each client on an individual basis.

2. A \$30,000 per year limit is very arbitrary. Using my example from above \$30,000 may not be appropriate for either of those 2 clients. Part of my responsibility to my clients is to diversify their portfolio and this limit will have the opposite effect.
3. Is there any evidence that the post NI 31-103 exempt market, including the existing OM exemption parameters are not working? I am not convinced but if so I would be very interested to see the evidence. I believe that the introduction of NI 31-103 has gone a long way to introducing more protection for investors. It would be far more beneficial to add more protection with things like requiring issuers to submit audited financial statements annually for the duration of the project, mandatory background checks on all principles, custodial agreements and material enforcement measures for those that break the rules. These ideas would do more to improve the long term health of the industry and not have unintended negative consequences.
4. This limit would force investors back into the public markets and GICs only. The reason investors are seeking alternative investments is because they are not happy with the poor returns and volatility they have been experiencing in the public markets and would like access to asset classes not easily attainable otherwise. In many cases GIC's currently offer returns below the inflation rate. Having access to private markets gives investors the option to diversify an appropriate portion of their portfolio into private markets to suit their personal circumstances.
5. If an investor invests \$30,000 which grows over the term of the investment they are not able to put the growth of their investment back into the Exempt Market. This severely limits an investor who knows the risks, is willing to accept them and wants to participate in more investments with the potential for good growth.
6. The investor should have the right to choose what they invest in and not be limited by the regulator. In fact an investor can go and invest all their savings into stocks such as Bre-X or penny stocks with no advice or suitability from anyone and lose everything. There is no protection from that.

As an investor, I am concerned with this proposal for the following reasons:

1. I know the risks and opportunities of investing in the Exempt Market. I invested in the public markets prior to learning about the Exempt Market and did not like the volatility, poor returns and high fees of Mutual Funds. I do not want to be forced to go back into only investing that way.
2. I believe it should be my choice where I invest my money. I believe it is the regulators job to put appropriate investor protection in place. NI 31-103 offers substantially more protection than the pre NI 31-103 days. As an investor I believe it would be far more beneficial to add more protection with things like requiring issuers to submit audited financial statements annually for the duration of the project, mandatory background checks on all principles, custodial agreements and material enforcement measures for those that break the rules. These ideas would do more to improve the long term health of the industry and not have unintended negative consequences.
3. I do not want to be limited to investing only \$30,000 per year in the Exempt Market.
4. I have heard no good reasons for suggesting this \$30,000 per year limit. I would be very interested to know what the reasons are and the evidence that this is necessary.

I believe imposing a \$30,000 limit would have very detrimental consequences to investors and I strongly encourage you to withdraw this proposal.

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me at snielsen@raintreeEMD.com.

Regards,

Sheila Nielsen



CC:

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