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denise.weeres@asc.ca

comments@osc.gov.on.ca

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

and

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 both an Exempt Market Representative and a personal investor in the Exempt Market, and would like to respond from both positions.

I was first introduced to the Exempt Market in 2002 and personally felt it would offer me a way to diversify my investment portfolio. Over the next several years I invested into a number of offerings and unfortunately several of them ended up in a partial or complete loss of my investment. In one or more cases I do believe that the people behind the offering were to blame, and in others though the people who had structured the offerings where of high integrity, poor design and timing (2008 as an example) caused serious grief for the projects successful outcome. In all I have lost approximately \$250,000 in offerings that would be considered Exempt in nature. I am not wealthy and this is a significant loss for me and my family.

I have worked within the Life Insurance and Financial Industry since 1984. In 2005 I began referring some clients to several Exempt or Alternate product offerings in order to help diversify and potentially enhance the returns for a portion of their portfolios. Unfortunately, as it turned out, a number of the projects I had aligned with and chose to refer have also suffered losses for the investors involved.

However I still feel strongly for myself and my clients that the Exempt Market is a potentially valuable and important investment product area which adds significant value to many Canadian Investors and should not be restricted to the point of not realistically being available in a useful capacity in building and managing a portfolio.

I am very thankful that the Exempt Market Industry has begun to mature and that the changes that came into being in 2010, are helping to bring it into the mainstream as an additional form of investing for Canadians to be able to consider and include if appropriate and desired. The creation of the Exempt Market Dealer model offers proper education for representatives to be able to learn about the industry, and through the work of dealers with product providers, offerings are being better designed to protect and align with investors compared to previous offerings. I truly feel that I learned more in

the first week of training with my EMD Raintree Financial Solutions, than I had been able to learn on my own in all the years prior that I had been exposed to the alternate or exempt market. If I'd have gotten this education earlier it would likely have made a huge difference in my personal portfolio results as well as those whom I referred products to.

I believe that the new structure that has been in place since 2010, where we need to be licensed and under a Dealer if we wish to serve as an Exempt Market Representative, is a very good step in a positive direction. When the changes were announced, I had to make a decision as to whether I would choose to stay involved in the EMP industry or not, especially given the results I had faced to date from my exposure up to that time. I am very happy that I made the decision to stay involved. It is invaluable to have the Dealer's assistance in researching and choosing a diversified range of Exempt Market offerings designed to fill varying client's investment objectives. In addition, the ability offered by having a large range of products available to choose from in helping my clients create a suitably diversified portfolio, is probably one of the biggest differences versus my situation prior to 2010. It was virtually impossible as an individual to be able to be in this situation and to help a client access multiple offerings, and I am very thankful for the new structure and how it supports me in my work with investors.

As I have personally seen the ramifications of having too much in any one investment, whether it is stocks, or an Exempt Market offering, I am a total advocate of the importance of choosing investments that are suitable for the investors' situation and then being able and willing to take the time required to create a well-diversified portfolio of holdings. Though I do believe the failure rate of EMPs will be greatly reduced going forward in the new environment that has been created since 2010 compared to earlier offerings, I think that creating a diversified portfolio of suitable holdings is essential in order to help minimize large losses when an offering does result in a partial or full loss in the future. It is much more important than setting a maximum dollar amount that can be invested, as there is no way that one investable dollar amount is appropriate for thousands and thousands of different investors. Almost everyone's situation is specific to them and therefore their planning and needs must be able to be determined individually.

Virtually all of my work with the Exempt Market Products is done with clients (including myself) who fall under the Eligible Investor exemption. The Eligible Investor Exemption covers a wide variety of individuals in many age and income brackets. I believe the proposal being made to restrict all investors who fall under this exemption to only be able to invest an annual maximum of \$30,000 is going to essentially eliminate the ability, or desire of virtually all eligible investors to use the Exempt Market as a planning tool.

I fear that placing such a restrictive limit on someone's ability to use the EMPs means that for most investors it won't be worth the time, effort and regulatory paperwork involved to become properly educated about the industry and the individual offerings to even include it into their portfolio. The proposed limits may be okay for someone who barely meets the minimum entry level of being considered an eligible investor and is just looking to the EMPs for the first time. However those investors who have a larger portfolio and have already created, or wish to create a suitably diversified portfolio with a portion of their portfolio will be unable to do so at all. In addition, the majority of existing eligible investors who have been using the EMPs beyond just a small amount will not even be able to reinvest current holdings as their various projects start to return invested capital and growth or come to successful completion and return the investment and growth. As their money becomes available, it would require them to actually move this money away from the EMPs often greatly reducing their percentage of holdings and exposure to the EMPs.

My first significant personal investment way back in 2004 in an Alternative product, was for an amount of probably 25% to 30% of my current investment portfolio and I incurred a full loss on that

offering. I was trying to diversify my portfolio, and though my intentions were good, my greatest failure was in flowing so much into a single offering versus multiple investments. The fact that the promoter of the offering had just one product to offer me was definitely a factor looking back, and one that I have definitely learned from in my work with my clients today.

I would suggest that perhaps if the industry feels a restriction must be placed on investors to protect us, then maybe it be done in the form of a limit by percentage of an investor's portfolio into any one offering. That way if a project fails it will not find the investor positioned with a financial loss that impacts their future significantly. This same safeguard would undoubtedly also be very useful in the case of the public markets in regards to stock purchases etc., but I don't believe that there are any such restrictions being considered there. Investors have the same type of potential risk of loss whenever they are not properly guided to create a suitably diversified portfolio, regardless of what the natures of their holdings are.

I believe that the idea of protecting investors given the past history of many EMP offerings is important and honorable. However, I really feel that the period of time that has been allowed since the new legislation implemented in 2010 has been too short and that more time is required in order to properly show that the changes to the industry are in fact having a real impact and will greatly diminish the losses that have been faced in the past. Even though losses are still currently being incurred, I suspect (and hope), that most of the offerings involved originated prior to 2010. I think that as a few more years pass, things will reflect much more positively. I would ask and propose that you reconsider the restrictive proposals that are currently being considered and give our new industry time to prove itself as a worthy and important addition to Canadian's choice of investments. I believe the Exempt Market will become a significant and important part of most Canadian's portfolios in the upcoming years given a chance to do so.

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 hal@gillriefinancial.com.

Sincerely,



Hal D. Gillrie
Exempt Market Representative
Certified Financial Planner
Chartered Life Underwriter
Chartered Financial Consultant

HG/hp

CC:

Cora Pettipas
Vice President, National Exempt Market Association
cora@nemaonline.ca