

M3 Securities Corporation

A Member of the Millennium III Group of Companies

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and

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Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

M3 Securities Corporation, a member of the Millennium III Group of Companies (Millennium), is an exempt market dealer (EMD) incorporated federally and registered in British Columbia, Alberta, Saskatchewan, Manitoba, Nunavut and Quebec. The company was created to comply with the requirements of National Instrument 31-103 (NI 31-103) to trade in prospectus-exempt securities, specifically real estate limited partnerships, through the offering memorandum exemption to eligible investors, as well as to accredited and permitted investors.

M3 Securities is a related party to Millennium III Capital Corporation (MCC), which is the issuer of securities for Millennium. MCC and its related predecessor companies have operated as securities issuers in Canada since 1981. MCC is responsible for 56 active limited partnerships, the investments of over 1,300 limited partners, and a portfolio of approximately \$300 million in real estate assets. Millennium employs 38 people at its head office in Saskatoon, SK and 10 at its satellite office in Leduc, AB.

We are writing concerning the CSA Notice of Publication and Request for Comment Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions Relating to the Offering Memorandum Exemption dated March 20, 2014.

These proposed changes, if implemented, will have a significant negative impact upon our business, the exempt market industry, investors across the country, and the economic well-being of Canada.

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We strongly urge you to reconsider affecting these changes and to allow the current regulatory system to operate as designed.

1. Background

The exempt investment market has grown out of a demand from investors for alternatives to the conventional markets. It has provided opportunities for small business to raise capital and has built significant wealth for many investors while providing much needed diversity to their portfolios. Unfortunately, like many products in the conventional marketplace, some exempt market products have failed completely. These circumstances have resulted in significant losses to investors and subsequent complaints to regulators indicated the need for further regulation of the industry. The members of the CSA have responded with the creation of NI 31-103.

NI 31-103 is a well-reasoned, collaborative, and appropriate response by the members of the CSA to many of the issues that have arisen in the exempt market. The principals set out in its requirements provide for a balance between investor protection and the fostering of capital markets. NI 31-103 provides the guidance necessary to be responsive to clients' needs for alternative investment, with a comprehensive process of suitability assessment. Through the collection of know your client information on an ongoing basis and the application of know your product information, the cornerstones of NI 31-103, dealers are able to achieve investor objectives.

Ongoing reporting requirements and oversight by regulators such as the FCAA, who regularly audit EMDs operating within its jurisdiction, gives a high level of protection to investors while allowing the market to function. **This process is working.** Although there have been incidents of issuers who do not have their investors' best interests in mind, as well as some unfortunate failures, this is not to say that wholesale change is required.

2. Comments

A) \$30,000 investment limit per annum

The proposed limit of \$30,000 per investor, per annum in the exempt market will not limit the potential for fraudulent or illegal actions by unscrupulous and even criminal operators; it will merely limit the market.

If the stated intent of the members of the CSA is to protect investors while fostering a vibrant capital marketplace, then what is required is not a cap on investor freedom, but proper regulation of market participants.

Although we realize that regulators in some jurisdictions are inundated with new issues to a point where it becomes a challenge to vet each one, it is their mandate to protect investors from unscrupulous issuers as opposed to attempting to protect investors from themselves.

B) Financial disclosure requirements

In regards to current proposals for changes to financial disclosure practices, as an EMD our duty is to provide our investors with ongoing, comprehensive, easily understood information about their investments. Through our issuer, our practice is to provide a financial statement prepared to ASPE standards accompanied by an annual report and a T5013 tax form. To date, we have received no complaints as to our current procedures.

If there is a requirement to supply audited financial statements to IFRS standards, real estate based investments will require market value appraisals on an ongoing basis, adding to the cost of IFRS audits. These added costs will reduce the profitability of our investors' holdings accordingly.

C) Related party issuers

It is common practice in IIROC and MFDA dealerships to sell related party issuers' products.

The related issuer/EMD relationship provides investors with a higher level of insight into the performance of their investment, and regulators with a single point of contact from a communications and enforcement standpoint. Furthermore, the ongoing reporting requirements of MCC and M3, coupled with the long-term relationship that investment in our product necessitates, results in a level of client interaction with the issuer that an independent EMD could not provide.

3. Conclusion

Rather than foster capital markets and protect investors, these proposed changes to NI 45-106 will have a significantly negative effect. Limiting the amount of allowable individual investment on an annual basis will limit the industry's ability to grow. By requiring annual audited financials to IFRS standards, added costs will erode investor value. Disallowing related issuer/EMD relationships will reduce transparency for investors. At a time when Canada leads the Western World in economic activity, why would we seek to willfully inhibit our success?

Through more thorough enforcement of the current regulations, many of the issues that these proposed amendments are attempting to address will cease to be problematic.

Sincerely,



John A. W. Kearley
Executive Vice President, CCO