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The Secretary  
Ontario Securities Commission  
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**Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption**

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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 an active investor in the exempt market, and have been a long time investor in private equity, well in advance of the introduction of NI-31-103 which was a landmark step forward to help legitimize and bring a professional acumen and accountability to the products and the people involved in offering private equity investments in Canada.

Unfortunately, the proposed changes to NI 45-106 with respect to enforcing an annual cap for non-accredited investors investing in exempt market securities is set to perhaps unknowingly hurt the diversity and health of their investment portfolios.

As an investor in multiple channels over the last 20+ years, I have a broad base of exposure to almost every form of investment opportunity available to Canadians including mutual funds, GIC's, Canada Savings Bonds, public market equities, real estate, and private market investments. Most if not all of the investment experiences that I have had prior to the exempt market were transactional in nature, and there was very little to no attention to big picture investment goals or even if the investments that I was making were truly suitable.

In contrast, the experience that we have had in dealing with an exempt market dealing representative has been completely different. The process required genuine contemplation, thoughtfulness and patience on both sides to uncover the needs, goals and plans that I have personally, professionally and for my family. It was only after a series of initial meetings to uncover my financial and investment status and investment goals did the conversation shift to include potential investment markets and products. All the while there was a consistent and intentional effort to spread investment dollars across both exempt market and traditional investments and each investment amount that was discussed was considered within the context of earned income, net worth and net financial assets. This focus on building a holistic plan that was in tune with the goals that had been identified was a novel experience for myself, and certainly has been appreciated after decades of having a very different set of experiences.



While I have an investment preference that may favor the private equity market, my dealing representative was instrumental in helping build a plan that ensured a balance of liquidity, guarantee, risk adjusted return, asset class and investment horizon, and for the most part there was close to a 50/50 allocation between the exempt market and other traditional investment offerings. This experience proved to me that the role of a professional advisor can and does work to ensure proper allocation and investment amounts in the building of a sound, and appropriate investment portfolio. In another example, I was unable to make a particular investment due to the threat of being over allocated into any one product. This was again proof that working with a dealing representative and their Exempt Market Dealership (EMD) did show appropriate built in checks and balances that ensured a true source of second sober thought when it came to putting too many eggs in one basket.

So after a series of very positive experiences in the exempt market, I was extremely troubled when I first heard of the proposal that would see a \$30K cap on exempt market investments for non-accredited investors. After finding the exempt market to be an excellent option for myself and my family to add investment diversity into other asset classes and non-correlated markets (all the while generating monthly income and growth opportunities for our investment portfolio) I am very upset that new rules are being proposed that would minimize the successes that I have had and essentially force me to unbalance my investment portfolio towards traditional investments. In the exempt market, I have numerous products producing consistent monthly or quarterly distributions and have even seen projects exit with a full return of my investment capital in addition to growth. In the coming year I am eagerly anticipating several more exits. The proposed changes would leave investors like myself in a position where they would be forced to invest anything over the \$30,000 cap into other markets where they may be intentionally trying to avoid or diversify away from after suffering through years of losses, volatility, unclear fees and returns, and an unprecedented amount of corporate distrust.

To limit the amount of funds that could be allocated into private equity investments at this time is literally to go against the grain of where large institutional investors of the world are investing right now. To this point, when you look at something that is common to most Canadians, that of the Canada Pension Plan you will notice that over the last several years the CPPIB has made an intentional move to reduce the amount of their public market exposure, in favor of a higher private equity position. CPPIB's well-regarded CEO, Mark Wiseman, has said private equity; real estate and infrastructure are a better fit for the long view and relatively risk-averse tastes of CPPIB. He was quoted as saying "We believe that private equity assets can produce risk-weighted returns that will outperform public equities in the long run". CPP's holdings in publicly traded companies amounted to 33.2 per cent of the portfolio in June 2012, down from 45.7 per cent in June 2009. Clearly the folks at CPPIB have seen an opportunity to improve returns and reduce risk by moving away from a high concentration of public investments in favor of alternative ones.

And while CPP is just one example, I would encourage an in depth look at the evolving investment mandates (and the reasons for these changes) within acclaimed investment teams that manage the endowment funds for Harvard, Yale, Stanford and pension plans like the Ontario Teachers Pension Plan, HOOPP and the Public Sector Pension Investment Board. Every one of these groups has increased their exposure towards private equity, real assets and absolute return (with an average ~40% of their full investment mix) and have reduced their public market exposure significantly from the days of a 50/50 allocation to stocks and bonds. There are obviously many reasons for this, but one can only imagine that they do not want to be one of the many pension funds that are tragically looking down the barrel of multi billion dollars worth of unfunded liabilities over the next 10-20 years. Canadian retail investors don't want to be in that situation either, and when it comes to retirement that is only getting closer, we need real investment choices that have a fighting chance at beating the real cost of inflation and unfortunately putting your money in your mattress or in a GIC will only compound the inevitable which may mean needing to work longer, or running out of money when you do finally decide to retire (if you can retire).

So my question is, if the talented teams at CPPIB, Harvard, Yale, Stanford, HOOPP all realize the benefits of increasing their exposure with private equity, then why are the proposed changes by the CSA



basically doing the exact opposite for the average Canadian retail investor? Why would the wisdom and experience of some of the top investment minds and the mix of assets that they have moved towards not be a suitable investment strategy for the average Canadian retail investor? The proposed \$30,000/yr cap is not reflective of a percentage of investable funds and for many investors will unnecessarily limit the amount of private equity within their portfolios which will cause them to look elsewhere. Where you may have had a balanced portfolio before, the recommended changes will likely make my portfolio unbalanced. If the proposed exposure to any one market was (like institutional investors are showing within their billion dollar funds) more like 40% instead of \$30,000, then I believe the feedback that you would receive from investors, advisors and product issuer would be much different.

And on the topic of investor protection, why is the exempt market (and ultimately the investors in that market) being treated completely differently with respect to investor protection rules when a much larger risk exists in a public market scenario? As we know, pretty much anyone at any time can open up an online brokerage account on a whim and then invest as much money as they want (assuming they can fund the order) and potentially lose it all without ever once talking to an investment professional to determine if this is a suitable investment and if it fits into their long term financial plan, let alone if the amount being invested is appropriate. When you consider that this is the reality for any public market investment, and that fact that there is no oversight on these types of investments for Canadians who choose to invest this way, this makes the proposed changes to cap private equity investments look more and more unreasonable.

While I am a supporter of providing investors with legitimate, well-considered mechanisms to provide protection from fraud and loss, I am completely against the proposed methodology presented by the CSA and strongly request the abolition of the proposed \$30,000/yr cap into the exempt market. The role of the registered dealing representative, and the access to information that they have on an investor's full financial picture puts them in the ideal position to help build an investment plan and portfolio that is appropriate and measured, and this includes investment amount. Adding additional restrictions to the important role that dealing representative provide investors today completely and totally undermines the role they play.

Please, let these professionals do what they were trained to do, which is to help educate and provide thoughtful and suitable investment recommendations based on knowing my goals and financial position.

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 [geoff.lafleur@gmail.com](mailto:geoff.lafleur@gmail.com)

Regards,



Geoff LaFleur

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