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cc: Cora Pettipas, NEMA (cora@nemaonline.ca)

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

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Dear Madams:

I appreciate the opportunity to comment on the proposed amendments to NI 45-106, in particular the proposed annual maximum that non-accredited investors will be subjected to.

I strongly oppose the contemplated annual maximum limit of $30,000 being implemented for non-accredited investors.

I have been privileged to be a part of financial services (national trust company) for 40 years. More recently, I represented a national mutual fund company for 11 years and in the past 5 years have worked exclusively in the private equity market, giving up my mutual fund license.

To be clear, my participation in the private capital market includes pre September 2010 and post September 2010, when NI 31-103 came into effect. NI 31-103 was established to place controls on the private capital market and to protect investors.

When the public markets peaked, followed by the severe losses (2008), the "Buy and Hold" strategy failed many investors. In fact these same markets are still short of the previous high set by the TSX. Perhaps, non-correlated investments in the private capital market may have mitigated some of this loss.

It was clients, both large and small portfolios, which were looking for alternatives to the mutual fund industry. For the most part mutual funds; balanced, large cap, small cap tech stocks/funds, etc., were/are effectively "positively correlated". Because diversification is such a key component of a financial portfolio, non-correlated private market capital market investments would likely have mitigated the losses of 2008, not a regulated limited dollar amount of diversification. NI 31-103 has made this possible, by placing controls on the private capital markets and therefore protecting investors.

As stated earlier, I have experienced the impact of NI 31-103 after its implementation in September of 2010. Further, this impact has been positive for all components of the private capital market, or "Exempt Market" (EM) as we know it today. The components of this EM market are the EM Dealer, the EM Dealing Representative, EM Issuers, and Investors.

Just a few bullet points under each of the components:

EM Dealer

- Full background checks by securities
- Must be licensed in each jurisdiction in which the EM Dealer operates
- Must set aside prescribe capital resources
- Must supply annual audited financial statements to regulators
- Subject to audit by regulators
- Must implement "trade compliance" to oversee each trade/purchase

EM Dealing Representative

- EM market course is mandatory along with examination
- Successful examination and clean background checks are prerequisite to be licensed
- Detailed completion of Form 33-109 F4, prior to licensing
- Must "Know Your Product" (KYP) prior to introducing/selling it to investors
- Must understand investor by utilizing and submitting a "Know Your Client" (KYC), along with the Subscription, to Compliance
- Each trade/purchase is subject to compliance standards already set by Regulation and Dealer

- EM Dealing Representative are subject to audit
- Must sign an annual acknowledgement that our "National Registration Database report is accurate and current.

Issuers

- Must provide "Offering Memorandum" as per regulation
- Are subject to regulatory audit
- Are subject to full "Exempt Analyst" review and EM Dealer acceptance prior to becoming an investment option
- Must be prepared for EM Dealer input/recommendation into the Offering Memorandum for the benefit of investors
- EM Dealer expects regular reporting by Issuers both during and after the sales process; audited financials, activity or progress reports and exit reports

Investors

- Learns about and/or experiences the impact of current regulation imposed on EM Dealers, EM Dealing Representatives and Issuers
- Have full disclosure of the investment offering via the Offering Memorandum
- Are subject to protection process already in place; KYP, KYC, Suitability, Compliance, etc

To conclude, the Exempt Market as it is called today has been part of the Canadian Financial community for decades. NI 31-103 was established to manage/regulate the private capital industry and secondly to protect investors.

NI 31-103, based on my personal experience is doing the job it was intended to do. Because NI 31-103 is still relatively new, less than 4 years, let's allow it to continue to add maturity to the new industry environment.

It is not about the money, a $30,000 maximum; rather it is about industry regulation doing the right thing for Investors', by EM Dealers, EM Dealing Representatives and Issuers.

Any Canadian can invest 100% of their NFA (Net Financial Assets) into mutual funds, term deposits, stocks, bonds, diamonds, gold, etc., to name just a few. But to limit personal choice and the freedom to do so, by way of setting a maximum dollar amount is wrong.

NFA's vary on an individual basis, the young, the older persons, the professional, the trades and the retired. Each has different needs and tolerance and therefore to impose an arbitrary limit on the Exempt Market, as compared to all other options available to the investor is an insult to the intelligent/prudent investor. Further an arbitrary maximum clearly affects the investors' ability to diversity using the Exempt Market, which offers for the most part, non-correlated investment options.

I am satisfied that NI 31-103 is very effective in regulating the EM and protecting Investors. Therefore, I am opposed to the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors.

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 **bill.janzen@pinnaclewealth.ca**.

Regards,

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