June 16th, 2014

denise.weeres@asc.ca

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

and

consultation-en-cours@lautorite.qc.ca

Me Anne-Marie Beaudoin
Directrice du sécretariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

comments@osc.gov.on.ca

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

and

tony.herdzik@gov.sk.ca

Tony Herdzik
Deputy Director, Corporate Finance, Securities Division
Financial and Consumer Affairs Authority
Suite 601, 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

---

Dear Sirs/Madams:

I hereby submit my comments on the proposed amendments to NI 45-106, as outlined in the CSA notice dated March 20, 2014. My comments come from the view of both a dealing representative and a producer of offering memorandums for small to medium real estate limited partnership investments.

I take issue with a number of the changes that are being proposed, however the most troubling is the proposal to implement an annual investment cap of $30,000.00 on non-accredited investors. The following is a list of problems with using the proposed investment cap:

- While this limits investors' exposure if an investment fails, it does nothing to reduce the number of investment failures.
- Higher price point investments will be dropped by Exempt Market Dealers (EMDs), or will need to be re-priced, as they would limit a dealing representative's ability to invest a client in a variety of exempt market products. My company currently employs a higher price point in an attempt to deal with a lower volume of higher net worth investors. However, it should be noted that few of these investors would qualify as accredited investors.
- It pushes investors into stocks, bonds, and more exotic prospectus investments. As seen in recent years with the financial crisis, these investments promised huge returns and had monumental failures that are much greater than those seen in the exempt market.

While I don't take issue with the proposal to deem all marketing materials as forming part of the offering memorandum, I believe that offering memorandum regulations need to be changed, so that issuers can project more than five years. Having a five-year limit on projections does not make sense in real estate, as a long-term buy and hold strategy is at least 15 years. While stocks and bonds are generally viewed in a five-year window, I would argue that 5 years would be considered short term in real estate.

The proposal is also recommending that all statements be audited. I believe that audits will put undue costs and time constraints on straightforward real estate investments. My company produced financial

statements for 55 limited partnerships this year, which had to be delivered within 90 days of the year-end. If an audit is required, these statements would need to be done in 45 days to allow the auditors time to review and deliver their findings. The cost would also be substantial, as many of our partnerships have net income of less than $100,000.00, and I estimate the cost of an audit to be $5,000.00 per partnership.

In addition, the proposal further contemplates requiring companies to change from ASPE to IFRS. This would result in additional expense for my company as a number of our accounting staff would need to familiarize themselves with yet another new set of rules, after changing from GAAP to ASPE in the last five years. Requiring small and midsize businesses to change their accounting standards every five years puts unnecessary stress and costs onto these companies.

One point that has been raised by the OSC and FCNB is to not allow EMDs to sell the product of a related issuer. I would ask how this is any different from an IIROC dealer selling an IPO put together by their investment banking division.

Finally, I want to close by saying that NI 31-103 was created to police the exempt market industry through registered EMDs. The majority of the problems that existed in the industry have been addressed by NI 31-103 and we applaud the commissions for setting up rules to regulate EMDs. Now, however, the commissions need to take a step back and let the EMDs do their job.

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 Jarvis@millennium3.ca.

Sincerely,

Jarvis Rein, CFA
Vice President of Finance
Millennium III Capital Corporation
Dealing Representative
M3 Securities Corporation

CC:

Honourable Doug Horner
Minister of Finance, Alberta
doug.horner@gov.ab.ca

Honourable Charles Sousa
Minister of Finance, Ontario
charles.sousa@ontario.ca

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