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Regarding proposed regulatory changes to National Instrument 45-106

I am an exempt market dealer representative. I have been selling exempt market investments even before they were called exempt market investments. And I have seen some bad deals and some bad promoters take innocent investor's savings.

So I was very pleased to see in 2010 the implementation of 31-103 and the new policies it brought. I now work under the umbrella of my dealer, Raintree Financial Solutions, and put in far more work in assessing the needs of each of my investor clients.

It all starts with me knowing my product. I read each Offering Memorandum provided by our issuers to fully understand the investment.

Typically, Raintree has the issuer order a full report to assess the investment – mainly from an independent third party such as Fundamental Research out of Vancouver. I read the report as well – usually over 20 pages in length. Raintree then creates for advisors only a Term Sheet which is a couple of pages detailing the key points of the investment such as term, projected returns, principals of the company, etc. And then I review the marketing material the issuer has for our use.

Every week Raintree has a webinar which is product related and any new product being launched has the issuer co-hosting the webinar with Raintree. For one hour the issuer explains their investment product, leaving time to answer any questions from us advisors.

Almost every issuer has a representative, whose duty is to meet us advisors and answer any questions we may have in regards to their product. It is my personal policy to meet either directly with the principal of the issuer – since they do come Edmonton for meetings and info sessions – or at least with the issuing rep.

By this time I comfortable with the investment opportunity and on my own free will, decide whether it is a product I want to represent to my clients or not. I have no pressure from Raintree on whether I sell the product or not. There are no sales quotas, no incentives – just the commission I receive from selling each product. I am totally independent in selecting which issuers and which products I feel are best suited for my client's needs.

Since I have been selling exempt products for over 17 years, I am in for the long haul and want to insure I do not sell products that will blow up and turn my clients away from further investing with me.

In regards to my clients, most of them I have known over the years and most take it slow when investing with me – which I encourage. I find if a client comes all in investing, they become questioning at every notice they receive or any hiccup that occurs. I find it best for them to grow their investments with me, since most haven't invested in the exempt market in the past and need to understand the difference between private market investments and public market investments.

The Know Your Client form which needs to be completed annually, is a great tool for me to ask questions about my clients. Almost every client I have is very open to telling me about their career, their family, their financial situation and their personal life. I listen intently and take notes, later entering the notes in my contact management software system I have. I can go back years looking at the conversations I have had with my clients. Each client also completes a financial worksheet whereby they list all their assets and all their liabilities. We discuss the worksheet so I fully understand their financial situation.

When it comes time to invest, I match my client's needs with the product's features. I have a fair amount of retired folks so I don't recommend to them long term hold investments such as raw land. I provide the client with as much material for them to be educated on the product as they want to receive – including the Offering Memorandum.

I always explain the risks involved with each investment and have the risks printed and highlighted with a highlighter pen.

Many of my clients share stories with me of their sad state of investment success with their financial planners. One couple recently stated to me that over the last 10 years they earned 2% on their investments – not 2% per year but 2% over the last 10 years. Clients are looking for alternatives other than the stock market and almost all of them are keeping a larger majority of their portfolio with the public markets, but want to have some diversification and alternative choices. I encourage my clients to keep some of their funds in the public markets, because I am a big believer in diversification.

Not only do I highly encourage my clients when investing in exempt products to diversify between different issuers and different products, but I also encourage my clients to diversify between private and public markets. It would be a great disservice for a client to have all of their investments in the public markets just as it would if they have all their investments in the private markets.

Since many institutional investors, endowment funds and high net worth individuals invest very successfully in the private markets, I am pleased to be able to provide the average retail investor very similar investment options and strategies.

Over the years I have seen some very successful private companies raise cash through the exempt market channels and in turn pay the investors an above average rate of return.

So not only does the investor win, but so does our entrepreneurial industry – and as a previous business owner myself for many years, I know how important access to capital is.

I firmly believe that the changes implemented in our exempt market industry due to 31-103 have been positive and need the time to prove that we are on the right track. By limiting eligible investors to only \$30,000 a year will have a couple of repercussions that I feel will be negative:

- First and most importantly, it will limit the amount of freedom an investor has in their right to place their funds in profitable investments. Many clients are tired of the stock market roller

coaster ups and downs - so that leaves them with basically one other alternative (other than the exempt market), and that is the low yielding GIC's and Bonds. Sure there is safety there but when it comes to retirement time, will these investors have the means to retire in comfort or will they be financially struggling – putting more of a burden on others and the government.

- If the \$30,000 limit is put into place, that will limit the earnings of many exempt market dealer representatives. Which in turn may have many dealer reps leaving the industry with mainly part time dealer reps left. I am most certain that a part time dealer representative will not do the same job as a full time, career minded dealer rep such as we have currently.
- The economic impact of not having issuers be able to raise sufficient funds will be felt throughout our province. The Alberta entrepreneurial spirit will be hindered and many projects or companies that would have started up will not.
- It seems the reasoning for 45-106 is to protect investors. However it also seems to me the problem is the odd issuer with a bad investment, not the investor him or herself. So to punish the investor by limiting their access to exempt products seems to be going after the problem in the wrong manner. Harsher penalties with criminal punishment would seem to be a better deterrent of bad exempt market products.

I encourage the ASC to reconsider this \$30,000 cap whenever a registered dealing representative is involved, because I believe that our ability to do a suitability assessment is more effective at achieving our common goal of protecting Alberta investors. In some cases, \$30,000 may be too much for an eligible investor while in other situations it is not enough for them to achieve a properly diversified portfolio. Only after going through the process I have outlined above should anyone be making that decision, and that decision should be made together with the investor during a two-way discussion, not through an arbitrary prohibition.

Should you wish to speak me to further discuss, please contact me as per my information below.

Best regards,

Larry Radomski

Exempt Market Dealer Representative with

RAINTREE

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