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and

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The Secretary
Ontario Securities Commission
20 Queen Street West
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and

Government of Saskatchewan
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 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 deeply concerned with the proposed changes to the OM Exemption rules. I have been an investor in Exempt Market investments for over 10 years and have recently become a Dealing Representative with Pinnacle Wealth Brokers.

Investors deserve the right to choose to invest in products that are suitable for them – whether it is the term of the investment, implied risk level, expected return, public vs private etc. Investors can invest into a penny stock, a large company stock, an ETF, GIC's, a mutual fund, segregated fund, or exempt market products to name a few. I believe investors should invest in a well-diversified portfolio of public and private investments. The limits imposed will reduce the ability of advisors to diversify their client's portfolios which ultimately protect them from the volatility that exists in all investment choices. Advisors complete Know Your Client (KYC), Know Your Product (KYP) and suitability assessments to determine what investments are proper for their client to prepare a well-diversified portfolio of public and private investments. Under NI 31-103, Exempt Market investments are made with the guidance of a Registered and licensed Dealing Representative and through a Registered Exempt Market Dealer.

As an investor, who invests regularly in stocks, options and Exempt Market products, I determine the level of risk/reward and invest accordingly. With stocks or options, I am free to invest in anything, using my online trading account, available without the ongoing consultation of a qualified advisor. With Exempt Market purchases, under NI 31-103, any investments I make are through registered advisors and dealers, who complete KYC, KYP and suitability requirements before I am able to invest in an offering they have deemed suitable for me. This actually offers a level of protection I don't have with stocks or options. Regardless of where I invest, I accept a level of risk associated with the investment and am responsible whether my

investment increases or decreases. I would argue there is the same or more risk involved with investing in stocks and options compared to Exempt Market products.

The focus needs to be on suitability, Issuer accountability and Exempt Market Dealer accountability.

Suitability

Continue requiring the uses of KYC, KYP and suitability requirements. Under NI 31-103, all trades are conducted by a Dealing Representative who is registered with the Provincial Securities Regulator, who completes KYC, KYP and suitability requirements. The trade then is reviewed by the Registered Exempt Market Dealer's Chief Compliance Officer, who can approve or not approve the trade based on suitability, eligibility or other means. If approved by the CCO, and the Issuer accepts the funds, the trade is recorded and filed with the Regulators. If at that time the Regulators feel the trade is not compliant, they have enforcement options available to them. This appears exhaustive, but necessary to protect investors under NI 31-103.

Issuer accountability

Ensure all Issuers are registered with the Securities Commission. If there is any reason deemed sufficient, the regulators can deny that issuer access to the Exempt Market. Have them provide proper proof of activity and report on an ongoing basis and hold them accountable for fraudulent activities as you would someone who commits fraud in the public markets. Finally, ensure each investment product has proper corporate governance in place.

Exempt Market Dealers

Ensure all EMD's are following minimum standards, have properly certified staff and successfully implement processes to ensure selected products are suitable for investors. The EMD can ensure proper corporate governance is in place from each issuer.

We need to realize that any investment has the ability to lose investor money. Imposing limits on the amount an investor's invest, will not stop the criminal issuer from stealing money. What needs to happen is a collaborative discussion with issuers, investors, regulators, dealers, and dealing reps to continue to monitor the industry and make recommendations. Secondly, greater due-diligence must be practiced and dealers and issuers must ensure proper corporate governance is in place. In addition, KYC, KYP and client suitability is a part of a comprehensive compliance process. If the intent is to protect investors, this is where the focus needs to be.

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 michael.warnes@pinnaclewealth.ca.

Regards,

Michael Warnes

CC:

Cora Pettipas
Vice President, National Exempt Market Association

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