June 17th, 2014

Ms. Denise Weeres
Manager, Legal, Corporate Finance
Alberta Securities Commission
250 – 5th Street SW
Calgary, Alberta T2P 0R4
denise.weeres@asc.ca

and

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
consultation-en-cours@lautorite.qc.ca

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

Dear Madams:

On behalf of our company, SecureCare Capital Inc., we are writing in response to your Request for Comments relating to the proposed amendments to NI 45-106.

SecureCare Capital Inc. and its affiliated companies have been active as Exempt Market Bond Issuers (SecureCare Bond) since November 2011. SecureCare Bonds are distributed exclusively through registered Exempt Market Dealers, who ensure that our product is sold only to investors who are eligible and suitable, and for whom SecureCare Bonds represent a part of a diversified and balanced portfolio. Thanks to our EMD distributors, SecureCare Bonds have become one of the leading retail exempt market products in Canada, providing an important fixed rate investment alternative to their clients, weary of public market uncertainty and volatility.

The capital raised through the sale of SecureCare Bonds supports a reputable Canadian factor finance company, permitting its growth to become a Canadian success story and an international player in the SME financing industry. The nature of their business also means that SecureCare Bondholder capital is positively deployed to create economic growth and employment, locally and abroad.

As an issuer, we have experienced that the investing public has been served very well under the stewardship of the highly professional and well organized exempt market dealers that we distribute our product.

Thanks to the implementation of NI 31-103 and the efforts of many EMD's to uphold a high standard, our perception has been that the public in many jurisdictions across Canada has embraced opportunities to invest in the exempt market. In our low interest rate environment, this behavior is consistent with the approaches of many institutional investors, including large pension and endowment funds across North America. It is an equally important strategy for many of our Bondholders who require the piece-of-mind of a reliable, fixed, medium rate of return paid to them monthly and are attracted to our offering for these reasons.

Since NI 31-103 was invoked, there has been a substantial improvement in the private investment market, with very few significant failures among private issuers, especially when compared to the pre-NI 31-103 era. We believe that this is largely due to the ongoing due diligence efforts of exempt market dealers fulfilling their KYP due diligence responsibilities and filtering out poorly structured offerings.

As our general comment regarding the evolution of the exempt market investment industry, now over three years old, is that it is fulfilling its primary mandates of protecting investors and providing much needed capital for Canadian SME's. At a time when Canada's economic engines are sluggish or under attack, we do not understand the logic of proposing anything that will upset or limit the growth of the private capital markets, especially when it can be accomplished safely with the tools, such as NI 31-103, that have already been implemented and acted on, often with great effort and expense by industry participants.

As an exempt market issuer, we would like to respond more specifically to the particular proposed amendments presented in the *Introduction of the Proposed Prospectus Exemptions and Proposed Exemptions and Proposed Reports of Exempt Distribution in Ontario* and *Multilateral CSA Notice of Publication and Request for Comment*, beginning with what we believe are the most important issues:

1. Making the OM Exemption useful to Start-ups and SME's

As we have demonstrated with our SecureCare Bonds offering, the OM Exemption can be extremely valuable to a SME. The exempt market, in its fully regulated form, has only been in existence for a short period. There are likely less than one thousand registered active dealing representatives in the retail exempt investment market place across Canada at the present time. As the industry grows and gains legitimacy, more and more good investment opportunities supporting Canadian start-ups and SME's, will be created. As an issuer, with some positive history in the exempt market, we are approached regularly with opportunities to build exempt market offerings for existing and start-up Canadian enterprises.

For the OM exemption to be useful, we believe that it is vital not to take any backward steps with regards to regulating this fledgling market. Successful utilization requires the creation of a more simple, open and harmonized environment that would provide exempt market dealers and issuers with a stable, consistent platform from which to represent properly structured and well managed investment opportunities. Unfortunately, we believe that many of the proposed amendments presented in the documents captioned above, does not further this effort.

2. OM Prospectus Exemption

As an issuer, we rely substantially on the OM exemption for our capital raising. Less than 2% of our Bond sales occur in Ontario due to the unavailability of this exemption. We, therefore, strongly support the introduction of the OM exemption in Ontario. The possibility of closer harmonization to other Canadian jurisdictions is another advantage of this initiative by the OSC.

We wish to express concern that the definition of an "eligible investor" would be different in Ontario than in other jurisdictions using this benchmark. We think that the OSC's proposed change to the net asset test, excluding a primary residence is arbitrary and unfair to investors. Many Ontario households, for practical and taxation reasons, have chosen to create and retain much of their net worth in their principal residence. For them, their home represents their investment "nest egg" every bit as much as someone investing in public equities. Potentially limiting investment opportunity by excluding their primary asset from the eligibility calculation may be seen as arbitrarily prejudicial. Further, this rule could encourage leveraging of home equity for the purpose of qualifying to invest in exempt products, substantially increasing investor risk.

The exempt market dealer has the fiduciary responsibility of ensuring the investment is appropriate for the investor's needs and risk profile. We believe that EMD's should be able to exercise their professional discretion on a case-by-case basis, rather than being confined by what might be described as an arbitrary "one size fits all" policy.

While we applaud the possibility that the OSC may adopt the OM Exemption, **we are strongly against** the implementation of the proposals of Ontario, Alberta, Quebec and Saskatchewan to limit Eligible Investors to a maximum $30,000 of exempt market investments in the preceding 12 month period. We postulate a number of reasons why this policy would be highly detrimental to the interests of investors, the financial health of the exempt market industry and capital raising in support of Canadian SME's.

a) Investor Concerns

Each investor's circumstances are clearly unique. The imposition of a $30,000 cap completely defies the logic that each investor needs and deserves to be individually assessed and assisted in their decisions regarding investing. Many individual investors will not understand the rationale behind such a rule and become frustrated that their right to make an investment decision that they feel is correct for their circumstances has been denied. In the worst case, passionate investors will circumvent the "system" by taking their business to multiple dealers, thus negating the intent of the rule and potentially preventing the investor from having the benefits of properly EMD managed portfolio. Under this proposal, some Eligible Investor may also be at higher risk due to having insufficient investment room to properly diversify within the exempt market. The question also arises concerning what happens when an investor relying on the OM exemption has a maturing exempt market investment where the proceeds exceed the $30,000 limit and wishes to reinvest.

b) Health of the Exempt Market Industry

The implementation of such a rule would represent a management and financial disaster for exempt market dealers and could be almost fatal for this burgeoning, young and important industry. In many of the affected jurisdictions, most clients are Eligible Investors. This restriction would seriously limit the appropriate product diversification and the overall amount of investment handled by EMD's.

c) Not Economically Viable for Issuers

As an experienced issuer, particularly known for maintaining a fair financial model where investors are first priority, we can categorically state that it would be extremely difficult to continue to operate and offer the present investor returns with the $30,000 cap rule. Because we depend on Exempt Market Dealers for our distribution and support their requirements for client product diversification, we would quickly find that our average Bond purchase value would fall to approximately one third or less of its current number. This would have a serious impact on our operating costs and would significantly impair our rate of capital raise. Under the proposed regime, issuers could be motivated to contact current investors each year in order to ensure that the individual issuer would "capture" that investor's 12 month $30,000 maximum. This activity would completely subvert the protective EMD account management process.

3. Prohibition on Investment Funds using the OM Exemption

Exempt market investment funds require considerable due diligence and oversight before they can come to market through the dealer channel. While precisely what constitutes an "Investment Fund" requires clarification, we are at a loss to understand why such a structure would be considered higher risk than any other. Investment Funds normally have the oversight of a registrant investment fund manager. Like SecureCare, they may also be creditor remote to their asset source and "bankruptcy proof" if investors are the only creditors. We **do not** support a position that all Investment Funds should be prohibited from relying on the OM exemption.

4. Exclusions of Certain Types of Securities under the OM Exemption

We do not agree that derivative and structured products should universally be denied the opportunity to be sold using the OM Exemption. The design and manufacture of financial products can be an innovative and complex process. What are important to investors, however, are full disclosure and a clear description of the business model, sufficient to allow EMD's to determine if the investment is appropriate for the market and for prospective investors to understand the offering and be able to correctly estimate the risks.

5. Reports of Exempt Distribution

As an issuer with weekly closings, we spend a large amount of time and effort completing Form 45-106F1 and F6 reports. We have found these reports difficult to complete and, because they are in PDF format, wonder if the information we provide is accessible for analysis by Regulators. We strongly support and encourage all regulatory jurisdictions to adopt the same MS Excel based form that can be completed online, if possible, perhaps through a central shared depository.

6. Prohibition of Registrants that are related to the Issuer

While no one can disagree that there is some inherent conflict of interest for a Registrant representing a related party issuer to an investor, long and well understood precedents exist in many areas of banking, insurance and other financial services. We believe that it is inconsistent and prejudicial to the exempt market to be the only financial service category where this practice is prohibited. As a matter of practice, Registrants related to an Issuer should be required to provide unambiguous and acknowledged disclosures to prospective investors.

7. Issuer Qualification Criteria

OSC 2) – Limits on the amount a non-reporting issuer can raise under the OM Exemption?
We believe that it is difficult to prescribe capital raising limits that appropriately cover all non-reporting issuers. Increased amounts of capital do not readily correlate to issuer risk and, in fact, restricting capital size may starve an opportunity and unintentionally create risk. Where the offering is distributed by Dealers, the capital limitations of each offering may be best assessed by the KYP due diligence performed by EMD's.

8. Offering Parameters

OSC 7) – Limits on the offering period?
Just like capital amounts, offering time can be extremely variable. We have discovered that the process of matching capital with asset acquisition and growth required a very measured approach to capital intake. While it may have been possible to raise more capital more quickly, that action would have increased risk. Potentially, by stipulating a time frame, issuers may be driven to accepting capital more quickly than their business circumstances would permit.

9. Ongoing Annual Disclosure - Information Available to Investors OSC 16)

One of the features that distinguish the exempt market from the prospectus market is, of course, the requirement for continuous reporting. While we appreciate that the investors should have information, at least annually, on health of their exempt market investments, it is sometimes difficult to reconcile the cost of annual financial audits, especially for certain offerings that have committed all capital to a project or growth. We would like to see some alternative way of reporting that would not necessarily require a full audit process. There is also the lack of a comprehensive method to release this information to investors. Some issuers, such as SecureCare, have a few thousand investors making the cost of distribution by the issuer or EMD distributors difficult and costly. Adding information to issuer or EMD websites may be an alternative.

10. Notification of Certain Specified Events OSC 17)

While we fundamentally agree with the requirement for disclosing certain specified events and the proposed list of specified events listed, we still have a challenge with how that notification must be carried out. We suggest maintaining a section of the issuer's web site for this purpose.

Conclusion

In summary, we believe that, through NI 31-103 and NI 45-106, Canada's Regulators have created appropriate regulations and guidelines to allow the private capital markets to begin to grow, allowing the flow of private investment money from personal savings into Canadian businesses. This is a vital process for any healthy economy seeking to flourish and compete successfully.

Basic to this process is the existence of an open market with as few barriers to the flow of capital as possible. We understand that some protection is necessary to guard against the inevitable abuses. We also believe that the regulation and empowerment of Exempt Market Dealers, enabling them to perform their functions as the "gate keepers" of the exempt market, much as IIROC and MFDA dealers do for their sectors, is key.

Also important is the rapid harmonization of exempt market rules and processes among Canadian Regulators. While the recent proposed amendments appear to be working in that direction, they may have the unfortunate effect of creating an even more confusing four model system in Canada.

Thank you for this opportunity to express our views on these important matters. If you would like further elaboration on our comments, please feel free to contact me.

Respectfully submitted,

Peter R. Johannes,
President
pjohannes@securecare.ca

cc: Cora Pettipas, Vice President, National Exempt Market Association