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**Objet :** My comments on the proposed amendments to NI 45-106

June 15, 2014

Denise Weeres  
Manager, Legal, Corporate Finance Alberta Securities Commission  
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The Secretary Ontario Securities Commission  
20 Queen Street West 22nd Floor  
Toronto, Ontario M5H 3S8  
April 25, 2014

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

**Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption**

Dear Madams:

This email contains my comments on the proposed amendments to NI 45-106 with respect to the proposed annual investment limits for non-accredited investors.

I have been in the investment industry since August 1, 1976. I started offering the occasional Private Equity investment since 1982, culminating in owning and operating a Limited Market Dealership in Toronto which I eventually sold to a partner. During my career I achieved various professional designations (CLU, CHFC, CFP) to enable me to do a good and proper job over the years in helping my clients achieve their financial goals. I have noticed in my over 30 years of dealing with people's money and investments that there is absolutely no correlation to the amount of income or assets a person has to their ability to make sound and balanced financial decisions. Many Accredited investors were

lucky enough to work for a company who provided them with stock options, or were higher wage earners with the ability to put away more significant amounts of money, or invested in a few rental houses, but in no way did they have any more understanding of the capital markets than people with a more modest net worth. In fact, many professionals who have become the top wage earners like Doctors, Dentist and successful small business owners, thought they knew what they were doing with their investments but actually made worse decisions because they had no time to properly consider their investment decisions and I had on numerous occasions helped a number of them to become solvent again.

Have we not watched our society's lower economic strata fall further and further behind as wealth has been sucked from the bottom up to the wealthiest and largest corporations? Does the CSA really believe that in this day of freely flowing information that the amount of income and assets should have a bearing on who it deems capable of making sound investment decisions? This to me is the height of arrogance and it makes me wonder if there is favoritism to those involved in distributing publicly traded securities. For example, I believe the existing rules in Ontario have been a contributing factor for the poor economic conditions in Ontario because these policies have stagnated the smaller highly successful businesses from further growth because they didn't require the large amount of capital that our investment banks required to make it worth their while obtaining capital from the public markets. Had Ontario for example, had the same rules as BC, dozens of small but successful business people could have raised the \$5 to \$15 million they needed to reinvest in their businesses and expand. This would have resulted in the additional employment of many people and also allowed the less wealthy to consider some of the investments with a lot of security that they and their advisors were comfortable with that might have provided more predictable and stable returns, helped the economy to improve, created a higher income tax base, reduced unemployment and social assistance costs etc.

The thinking knowledgeable person has to ask themselves the following question. Is there really any significant segment of the population that has created real wealth by investing in the public markets or has real wealth been created by investing in one's own small business or the businesses of others? Personally, I have met only a few, but for everyone I've met, there are about 100 who have lost their shirts or found that their investment returns have gone up, then down over and over

again. Now they have gone up again as we have seen in the last 14 months, but they question where their publicly traded securities will eventually come right back down again. I realize like the large pension plans that although the public equities are volatile, it is still prudent to spread ones investments around into both private and public and to have adequate diversification in both.

My next question to consider is do the people on this panel think the CSA and the provincial securities commissions is the regulator of public securities or all securities - private & public? I believe the real problem maybe that the CSA and the provincial regulators only know how to regulate public securities, relying on boiler plate disclosure documents created by \$1000 per hour lawyers and expensive investment banks? Why not force the CSA and the provincial regulators to create proper oversight on all securities not just the ones that trade? Why not spend more time creating more safeguards through good and reasonable improvements to governance rules instead of restricting the public's right to choose what and how they invest? It feels like a lot of us that the big players in the industry are finding that they are seeing some sizeable amounts flowing into the private equity markets and are lobbying for rules like this. I believe this may be true because they can no longer lobby to keep the rules in the biggest capital market, Ontario, without making some changes. I believe this is because anybody that doesn't have a vested interest in the public markets, finds it incredibly astounding to have a regulatory body can have rules that non-Accredited investors can't invest say \$10,000 in a private equity deal but can risk \$150,000 if they really want to invest in a private opportunity. I must provide my direct and critical comments in general about how Ontario has handled itself with respect to private equity and its continued stance on singling out this asset class as high risk. How can a reasonable, prudent thinking ordinary investor conclude that any province with these same Accreditor rules could possibly be trying to protect the small investor by forcing them to in some cases either miss out on a strong private opportunity or risk perhaps most or all of their investment assets by insisting that the only amount they can invest is \$150,000? Whenever anybody in my industry tries to explain this rule, it leaves one to believe that the securities regulators supporting these rules have absolutely no credibility in how it has created these regulations that take away people's rights to make investments but make it okay to invest as much or little as they want in many riskier over the counter or otherwise hyped up stocks as long as they are publicly traded when many of them after the initial hype become virtually illiquid? How can any regulatory body

claim to have been properly regulating the capital markets when for example, it won't let an ordinary investor (who wants to get off the addiction of the public markets, its high costs and rollercoaster returns), by diversifying even small amounts of money like \$5,000 into an Exempt Market investment unless that same individual is prepared to risk \$150,000? I can't even imagine who created this rule and how it has managed to survive. It is also obvious with the creation of the Exempt Market rules almost five years ago regulating this market and the relative success of private equity Exempt Market investments, that certain securities commissions have not changed their attitudes that protects the public market participants by leaving it as it is as if no progress was made in regulating the private securities marketplace. Doesn't anybody at the CSA understand that there are many Private Equity, Real Estate and Infrastructure investments that have manageable risk if the amounts are suitable to the size of investor's portfolio? How could a flat rule of a total amount per year of investment possibly be a suitable amount that would apply to all investors based on their current income or assets? For example, is the CSA aware of the fact that some pension fund managers controlling pension plans like CPP and OMERS have up to 47% of their assets in non-publicly traded investments? Are they also aware that people like Mark Wiseman Chairman of the CPPIB and Michael Nobrega, President & CEO of OMERS are on the public record stating that only these investments can provide less risk and more predictable returns than the publicly traded investments that have become more and more volatile?

Furthermore, why is it okay for a small investor to put as much money as he wants into something very risky like penny stocks but not okay in Ontario to invest for example in land banking investments from companies that have a very long track record of producing good returns because there is no leveraging and the main risk is how long their money will be tied up for rather than when's the next correction and how long will it take to recover. The TSX as far as I can tell is still not back to where it was at its previous peak more than 4 years ago.

There are exempt market products that have higher risk profiles but there are also products that have lower risk profiles. Who gains from these policies you are proposing? I would say that it is those institutions and companies who are seeing a continual erosion of the trust of small Canadian investors who pay high hidden management fees and expenses and only recently in many years have had a decent return over the last 14 months. These institutions and companies are the ones who have

been negatively affected by regular investors for example who are residents of BC & Alberta finding out that there are alternatives to bank products, mutual funds and individual stocks and bonds offered by brokerage firms. We all know it is a fact that small businesses create the highest job growth in Canada. We also know that most are not looking for investments that would warrant an expensive public offering. So how do small companies who require equity or debt financing of say \$12 million or less, expand? We also know that the banks don't seem to want to lend to companies unless they don't need any capital. So how do companies in Ontario get reasonable financing from the public? They go to Western Canada where all the capital markets are alive and well, as opposed to Ontario where it is mostly feasible to raise capital if it is a very large amount that institutional investors would be interested in or they go to the public markets if they are looking for a large enough amount of capital that would get the interest of Canadian Investment bankers.

I am a Registered Dealing Representative that has passed the required exams from the Regulators, taken ongoing training, have the proper licensing, have the experience to advise clients and I am supervised by a licensed EMD. We have a duty to give proper suitability advice and to do proper KYC's with clients. I have taken proper KYP training.

I am extremely concerned that imposing annual investment limits for non-accredited investors would negatively impact my current and future clients in the following ways:

Many non-Accredited consumers would be unable to properly diversify if they could only put \$30,000 per year into the Exempt Markets. For example, if a client wanted to do what OMERS does and invest similar to a pension plan and they have \$200,000 of investment assets, then it would take 3 years of investments to get above 30%. If they have \$500,000 it would take 6 years to get to even 30%. What would their alternative be? To pay almost 3% per year in fees on their \$500,000 of mutual funds with a total cost over the same 6 years of probably over \$70,000? But I suspect this is okay for the investor to take the fee risk, the volatile market risk and to do this when less than 80% of all fund managers underperform the indexes that they invest in and charge hefty fees to do that. Therefore, clients with larger amounts of investible assets wanting to move their money out of poorer performing investments, or out of a company pension plan, may not be able to deploy their desired capital in any reasonable amount thereby leaving

them vulnerable to the volatility of the public markets - risk that the large pension plans have reduced by acquiring significant percentages of private equity, infrastructure and real estate by reducing their exposure to the public markets.

Additionally, clients who are successfully exiting out of their existing private equity investments where they have already invested more than \$30,000 would not be able to re-invest the full amount of their capital and/or growth into the same private equity markets that offered them the successful, profitable experiences in jurisdictions that allowed them to invest without being Accredited.

Respectfully, I strongly suggest to refrain from accepting these proposed changes and allow us to do the job that the industry has entrusted us with and free up the entire capital markets, not just the ones that trade publicly. This submission is being made on my own behalf. If you would like further elaboration on my comments, please feel free to contact me.

Yours truly

Ted Snider

*Helping clients increase their wealth using selected Private Equity investments for over 30 years!*

**Ted (Theodore) Snider**, *Private Market Specialist*

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