



Citrine Investment Services

June 17, 2007

Citrine Investment Services Ltd.
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Honorable Lyle Oberg
Minister of Finance
#408 Legislature Building
10800 – 97 Avenue
Edmonton, Alberta
T5K 2B6

Greg Melchin via email: Calgary.NorthWest@assembly.ab.ca

CC: Alberta Securities Commission
Attention: William (Bill) S. Rice, Q.C. Chair
4th Floor, 300 – 5th Avenue SW
Calgary, Alberta
T2P 3C4

CC: John Stevenson
Secretary
Ontario Securities Commission
19th Floor, Box 55, 20 Queen Street West
Toronto, Ontario
M5H 3S8

Re: Canadian Securities Administrators Registered Reform Project (RRP) and Proposed National Instrument 31 – 103 (NI 31-103)

The objectives of this letter are to identify my concerns with the proposed changes and introduction of NI 31 – 103 and ask you to carefully consider the impacts of such legislation.

I believe the proposed legislation will significantly reduce the efficiency of the market for smaller real estate investments. The impact will be to make it harder for investors to find investments that match their investment objectives and of course for those seeking financing, to obtain it at a reasonable cost. Independent brokers such as myself, selling Exempt Market offerings, provide a valuable and much needed service, and the proposed legislation would have the effect of eliminating an important resource for investors.

At anytime, if you wish to contact me directly, I welcome your questions and dialogue. You may contact me, Arlene (Rene) Burke, at (403) 809-8308.

Background:

I have had many experiences as an investor and assisting other investors, and many of us are disillusioned with the mediocre results from fund dealers who are paid based on fee schedules and not on performance of the investments themselves. Exempt Market offerings offer a complementary alternative to fee based securities dealers. **Exempt Market Issuers and agents provide investors with investment choices and alternatives that are not offered by other brokers and fill a valuable market need. The proposed regulations will wipe that out.**

My company and associated contractors are in the business of selling Exempt Market offerings. I am a one-person company working with many other contractors. We find, evaluate and sell offerings that are created by many issuers. As our livelihoods are highly dependent upon our reputation and performance of the offerings that we present, we perform extensive due diligence on ALL offerings in the marketplace and then decide which ones to sell. We utilize professional advice such as legal and accounting firms as part of our due diligence process. We sell investments for many different firms and are passionate about being able to differentiate ourselves by providing investments that are:

1. real estate based investments
2. issued by reputable companies – with track records that are stellar
3. competitive investments – offering investors an array of many types of investment structures and returns that have met and exceeded projections
4. secured by titles, first mortgages, and property in general
5. not dictated, to me by large institutions, to be sold to meet sales quotas
6. bought by us as testament to our faith in the due diligence that we provide

We do not wish to offer financial planning, sell mutual funds or stocks.

Issues at Hand:

I attended a session in Calgary hosted by the Alberta Securities Commission in May, 2007. I am concerned about the disorganization of and the lack of information being distributed to the voting public and to the people involved in this market segment for these reasons:

- Many of my colleagues and the investors that will be affected were unaware of this meeting
- The sign up list was misplaced – all attendees' information disappeared – which raises the question: If a list can't be secured, how is this governing body going to oversee activities?
- Important questions have not been addressed. When asked why this need for change, the organizers of the meeting told us that there were many complaints in the exempt market and there was a need to protect the public. In trying to understand the problem, when I asked for statistics, they were unable to provide any details. And, lastly, I was told that each inquiry submitted by the public is recorded as a 'complaint'.

So, I ask at this important juncture, what are the real reasons for this impending legislation? Without substantiated data, it is difficult to identify what problems we are trying to solve. Secrecy/vagueness implies something else is afoot. [A solution looking for a problem. A thinly-disguised move to shut out competition.]

Items that will adversely impact my investors and my business:

1. The Canadian Securities Course (CSC) is not appropriate for the type of investments that I sell. I will never sell mutual funds or stocks. I will never hang out my shingle to provide financial planning services nor will I sell products such as insurance. I will leave the other

professionals to provide those services and products. The course does little to cover any of the areas I am involved in. Conversely, sellers of other types of investments are not involved with the types of investments I sell and therefore don't need to familiarize themselves with those offerings.

I am open to further education. I strongly suggest that an unbiased educational institution evaluate the requirements and recommend a course or an equivalency based assessment process to ensure all players are competent. This may include evaluation and acceptance of recognized designations and degrees such as MBAs, CMAs, etc. I think it is also important to identify that there is no need for *imposing* legislated education, as the public can decide competence based on performance and knowledge of the specific investments that are sold.

2. the requirement for \$50,000 to \$200,000 in working capital. The reason behind this requirement was not outwardly apparent nor explained by the ASC. As discussions continued, it became very apparent that the requirement was put in place to end 'the free-ride' of Exempt Market agents and to bar entry and eliminate/limit competition to the Investment Dealers Association (IDA) and the Mutual Fund Dealers Association (MFDA).

What happened to the free market system allowing for competition? Alberta has deregulated many aspects of enterprise. Why are we re-regulating this market segment? And, if the real purpose was to punish individuals or companies for serious offenses through fines, then why are we not using the legal system that is already in place to properly punish the wrong-doers or criminals when fraud is committed?

3. the requirement for an institutional bond. The purpose of an institutional bond is for those that are actually holding investor funds. The reality is that my company represents Issuers and monies are paid directly to those Issuers by the Investor – money is not held by my company. I fail to see the purpose for this requirement, except, as in point 2 above, to restrict entry to small companies and limit or eliminate competition in this marketplace.

Points 2 and 3 above will impose a financial burden that cannot be borne by small companies such as mine. The impact will be either:

- the investor will be subjected to additional costs that must be passed on to them
- the costs are onerous and in order to cover just the working capital for one year of \$200,000, I will not be able to pay myself for the work that I do, let alone another cost for a financial bond. This will force me out of the business of raising capital and providing good investments to the average investor.

How will this bond "protect" the investors I serve?

4. become a registered entity. I am not averse to becoming a registered agent. I view myself as a highly ethical person and am not concerned about being 'officially' known by the investment community. This activity will never eliminate the scam artists out there, no more than the gun control laws for registration would make the criminals register their guns. I anticipate that fees charged by the ASC will be large. The reason why I anticipate this to happen is to fund their regulatory activities. The activities will include creating an administrative arm that, in my opinion, will be mired in bureaucracy due to the proposed changes being enacted.

I am convinced that the proposed "harmonization process" will take us to the most restrictive common denominator, in the guise of 'protecting the public'. The average investor will not have the opportunity to invest in no-fee investments and will not have the opportunity to make choices if agents are shut out

as well. Issuers will have difficulty in finding capital without the performance based agents. Does your agency define elimination of entrepreneurs and restriction of investment choices as being harmonization? Has the voting public been properly made aware of this pending legislation? Where is their right to review the issues and the impacts?

In summary, these offerings are unique and must not be treated with broad-brush legislation that tries to treat them like mutual funds and stocks. The proposed actions will ensure that entrepreneurs are restricted to conventional financing or will eliminate access to this capital as investors will no longer have the ability to invest in these lucrative opportunities. Companies and agents similar to me will be forced out of this industry due to irrelevant and onerous regulations and controls that will place heavy costs on my business which does not protect anyone. In fact, these controls will kill free enterprise. Is this the official policy of your government? What chain of command gave rise to this pending legislation? Was it your office giving a mandate to ASC or did the ASC act on its own? How does eliminating competition serve the public?

Please consider my concerns, as a small business owner, an investor and a voter to help us to address the proposed actions that will effectively eliminate my company and others from providing a valuable service to entrepreneurs and investors alike.

I look forward to your response at your earliest convenience.

Respectfully,



Arlene (Rene) Burke
President and CEO
Citrine Investment Services Ltd.

Citrine Investment Services
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