



June 20, 2007

Dear: Mr. John Stevenson and Ms. Ann Marie Beaudoin

RE: PROPOSED CHANGES RESULTING FROM THE REGISTERED REFORM PROJECT

I have attended two information sessions related to the RRP, in October 2006 and in June 2007. I left both meetings feeling quite frustrated and bewildered about the suggested direction in which the ASC and OSC are attempting to move in terms of 're-regulating' this segment of the industry. I STILL question why the Regulators legitimately feel that there is need for such regulation, as I was in no way satisfied with the arguments presented by both the ASC and OSC Representatives. I fully support BC's opposition to this proposed legislation.

At the October meeting, the ASC representative (Shaun Fluker) stated that we would be surprised at the number of complaints which they receive. However, I found that to be a rather baseless statement in light of my own experience with the ASC. Approximately a year ago I called the ASC in order to make some enquiries related to a product issuer. I was emailed some information, and in that same email I was thanked for my 'complaint enquiry'. I called the same person at the ASC to clarify that I was not making a complaint. I was told that it didn't matter - all enquiries are considered to be complaints! Upon speaking with Laura Bliss, Senior Legal Counsel BCSC, I was assured that client letters written in opposition to the RRP would not also be viewed as complaints. As a result, I have discussed the RRP with many of our clients. You may be astounded to find that we have accumulated and forwarded to you nearly fifty letters which oppose this, as our clients describe it, 'invasive' legislation. Mr. Fluker was also unable to provide any statistics on complaints from individuals offering investments through Exempt Issuers versus those who have IDA/MFDA Licensing.

We believe that CMV carries on what the RRP defines as 'regulated activities' and we have no opposition to some sort of regulation. However, we find the proposal to be irrelevant. We believe that a Solution is better than a Patch. For example, simply because the Securities Licensing Exam is in existence, it does not mean this particular exam should be used or is relevant. Also, we believe that the Regulators could make use of existing frameworks for the purpose of monitoring firms such as ours.

At the session last month, it was proposed that there could be some 'grandfathering' of firms, yet the details were sketchy. I proposed that the Securities Regulators work with other Regulators in this regard. For example, I would suggest that many of the individuals offering exempt products already have a license in one form or another. Should someone who is offering exempt products operate in an improper fashion, the Securities Regulators could advise the corresponding Regulatory Body which holds the license of the offender. Of course, this would require communication between and co-operation with other Regulatory Bodies. Is there any reason why the public cannot assume that different Regulatory Bodies can and will work together in this regard? Surely the RRP exercise is not about Regulators building empires, but about ensuring that the investor is protected with limited bureaucracy.



I have operated my own investment firm, CMV Financial Corp for more than 15 years and I have been complaint free for the entire duration. CMV has been involved with Exempt Offerings for several years. During the past five years we have helped several small business owners to raise many millions of dollars, and simultaneously created investment opportunities for several hundred Investors. Our clients and we have worked effectively with the 'Exempt Offerings' requirements as specified by National Instrument 45-106. Most of our clients accept the 'Warning' page, yet a few have ceased to do business with us as a result of their concern with signing the 'Warning' page. So in all we would say that the existing regime is having the desired effect from the perspective of the Regulators, as our clients are aware of the risks of investing. For if all of our clients were to accept and sign the Warning Page it could be argued by the Regulators that it is not a sufficient warning.

One of the proposed changes would require fund raising firms to complete a 'Know Your Client' (KYC) form on each investor. When we questioned the ASC and OCS Representatives on the workings of this requirement, they could not shed any light on how this would work. In addition to the current 'Eligible Investor' rule, what obscure limit would we need to impose on potential investors to restrict them from investing? If there is to be no such (unknown) limit, why collect the information? If we are offering a single product, what need is there for us to collect KYC information? Most investors already feel this sort of information gathering is invasive!

Another suggested change is the requirement that all persons raising funds are required to have a Securities License. Does this make sense when the exam has so little practical application in this segment of the industry? Most of the offerings are real estate related, and only a few pages of the study manual relate to real estate. The Regulators' stated reason for requiring this was that the Securities Exam is something already in place. I consider this akin to requiring golfers to take swimming lessons in case their ball lands in the water.

Will the capital requirements of this proposed legislation continue to allow small businesses to raise the capital needed for their continued growth? The proposed implementation of a 'capital requirement' for 'fund raising firms' of \$50,000 to \$200,000 of working capital will have at least a three fold negative effect;

- 1) It will remove many fund raising firms from the market,
- 2) It will increase the cost of raising funds for small businesses,
- 3) It will make offerings of this nature less appealing to the investing public as the costs will be necessarily passed along to the investors.

As these effects will not be good for Investors, one needs to ask who is behind the implementation of these new regulations? Is it the banks, MFDA and IDA?



On behalf of CMV's hundreds of satisfied clients, and the investing public we urge the Regulators to accept that there is a system in place with adequate checks and balances. The bottom line is that our clients are happy and they are being well served – or is the bottom line that the banks and brokerage firms are losing too much ground?

Respectfully yours,

**Charles Vander Griendt
President & CEO
CMV Financial Corp.**

**cc: Mr. William S. Rice, Q.C., Chair & Chief Executive Officer, Alberta Securities Commission
Mr. Ted Morton, MLA for Foothills – Rockyview
Mr. Dave Wild, Chair, Saskatchewan Financial Services Commission
Ms. Barbara Shourounis, Director, Saskatchewan Financial Services Commission
Mr. Frank Quennell, Minister of Justice, Legislative Office
Mr. Gregory Selinger, Minister of Finance, Legislative Office
Mr. Donald G. Murray, Chair, Manitoba Securities Commission
Ms. Janis Tarchuk, MLA, Legislative Office**