

Dear Mr. John Stevenson, Secretary, Ontario Securities Commission & The Honorable Iris Evans
Minister of Finance, Province of Alberta,

As an exempt securities Sales Consultant, I feel that it is necessary to comment on the proposed changes for regulating the exempt securities market in Alberta. The proposed changes will do very little to actually protect investors, which from my understanding is the desired outcome at the end of the day.

The suggested changes really “**Miss the Mark**” for a number of reasons including the following:

- 1) Currently when having investors sign up for a **Real Estate Investment** into these offerings, the investor must sign several copies of the **Risk Acknowledgement** which is marked in Bold Letters on the page - **WARNING** and cannot be mistaken as anything other than a **WARNING**. Those pages are prepared and taken right out of the offering memorandum which very clearly explains all the potential risks of the project and investment, including numerous unlikely and extremely “worst case” scenarios. The investors must sign these forms stating clearly that they understand the risks of the investment and that they are prepared and able to lose their money if the project doesn’t go as planned or any combination of the very real risks that can occur during the project.

To have a client complete a **KYC (know your client)** form in addition to this would be pointless given the circumstances. If a KYC form is really necessary, then surely all of the risk explanations and Risk Acknowledgement can be removed from the Offering Memorandum and Subscription Agreement. But the current set up is clearly more effective in protecting investors. I have personally experienced on several occasions potential investors who liked the concept of the real estate projects being discussed right down to the fine details until fully reviewing the offering memorandums as required. Potential investors who were previously extremely excited about making an investment have been sent running for the hills after reading all of the risk factors noted in the offering memorandums and subscription agreement. And that has happened even on extremely secure projects with considerably more security than any mutual fund on the market. I have even heard potential investors comment that they “cannot believe **ANYONE** would invest in this after reading that document”. I’m all in favor for protecting investors, as are any ethical promoters, but this will be about as effective as the gun registry!

In addition to that, with no disrespect to the true financial advisors out there who respect their clients and sincerely look out for all of their financial and planning needs and best fits for products, KYC forms in no way guarantee that a financial advisor will do what is truly best for the clients, especially considering that depending on the licensing agreements, sponsorship for licenses, etc., many (if not most) financial planners are restricted to the products they “recommend”, or in other words, **SELL**, to the client. How anyone can say that a BMO Nesbitt Burns financial advisor is completely unbiased is completely beyond me. Does anyone honestly believe that if a BMO advisor thinks a particular TD Bank product is slightly better for the client that they’ll really recommend them to go across the street to TD Waterhouse or any other financial Institution?

That isn’t realistic at all. If the client completes a KYC form with BMO Nesbitt Burns it doesn’t mean the client ends up with the best financial products for their needs. It simply means they’re likely to end up with the closest fit available from BMO. Thousands of investors every year get killed on stocks and lose millions of dollars in mutual funds after signing KYC

forms and trusting their “advisors”. Many of them would have been much better off in an exempt, Real Estate backed project that the investor can actually understand and personally evaluate risk on their own.

KYC forms in relation to this issue will do nothing to correct the problem. They are being signed by the investor left and right before purchasing financial products which can ultimately drop to a zero value as well.

- 2) In regards to the recommendation for exempt dealers and representatives to take the Canadian Securities Course, once again this will not solve the real issues or do anything to reach the end goal of protecting investors. Real estate offerings in particular have nothing at all to do with mutual funds or following the stock market. The relevancy in being “skilled” at evaluating stocks, if such a thing truly exists, doesn’t apply to evaluating land opportunities and future development sites. **INVESTING IN ANYTHING HAS RISKS!** Let the client decide if they want to invest in land or stocks. Given the current regulations anyone investing over \$10,000 must sign an eligible investor form regardless. How are these points being missed? If a new investor chooses to invest in an exempt offering and loses their \$10,000, it’s not perfect but at least the downside has been capped. If they lose more than \$10,000 it is because they qualified to make that choice! That is based on regulations already in place.

If anyone wants to question whether or not the current rules truly explain the risks to investors, I recommend trying to get a cheque for \$50,000 alongside of those lovely **Risk Acknowledgement WARNING** pages. If the project makes sense, and the investor qualifies, let them choose how to invest their money. Taking a securities course isn’t going to in any shape or form improve my ability to effectively choose properties and then spend three years trying to re-zone it for development. An actual, true, real estate investment and land use course would provide many people, including investors and consultants in the Real Estate investment industry way more education than anything that is CSC related.

The reality is, whether or not a client completes a KYC form with a financial advisor/planner OR an exempt dealer, there is no guarantee that the client will receive unbiased information or advice. If the MFDA wants to level the playing field, perhaps massive, bold print **WARNING** pages should be written all over the mutual fund agreements in addition to becoming mandatory on all advertisements. I’m sure it wouldn’t be difficult to find a list as long as a soccer field full of unhappy and disappointed investors who lost millions upon millions of dollars in mutual funds even over the last six months and in previous years as well. Had they been invested in land, it may have been a different story.

These proposed changes need to be taken back to the drawing board and completely revised. It’s always scary when “experts” from the outside, who don’t even play in the same arena in this case, the MFDA, start giving suggestions on how to improve it.

Sincerely,

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