

CONSULTATION QUESTIONS:

1. Should an OM exemption be adopted in Ontario? If so why?

Answer: YES we definitely need this exemption in Ontario!

-From the point of view of a MIC, we rely mainly on the Accredited Investor exemption to raise funds. This greatly limits our capability to grow and raise funds.

- By allowing an OM we are going back to the original intent of the regulatory regime..."provide the information to the investor to make their own decisions" as opposed of creating essentially arbitrary rules on investor financial capability or educational background. The philosophy of creating an "elite" group that is defined by arbitrary rules is a very dangerous path. This should be completely eliminated. We need to focus on how to provide the information to investors without bankrupting the issuer! Why should this be such a costly process?

- We also need to be somewhat consistent with other jurisdictions in Canada. Why Ontario has chosen to eliminate this exemption? Were there more abuses or complains than other jurisdictions? Please provide the rational as to why this was eliminated in Ontario.

- OSC should be looking at creating more opportunities for raising capital. Any monies raised by MIC's provide employment and directly benefit the consumer. Most financial products (options, puts etc) are merely 'side bets' between people and offer zero direct benefit to our economy.

2. Should there be any monetary limits on this exemption?

ANSWER: There should not be any limits.

- By imposing proper and enforceable guidelines as to structure and content, the OM is essentially a mini prospectus. Companies relying on this exemption should be liable for any improper or false information. Again, most companies are prepared provide information to the investor and take on the liabilities associated with misrepresentation.

3. Should a purchaser be required to receive investment advice from an adviser in order to rely on this exemption?

ANSWER: No.

-If the information in the OM provides for disclaimers and provide proper risk analysis, the advisor will be redundant as to what more they can offer.

-To incorporate advisors or additional parties other than OSC to the process does not necessarily protect the investor. It in fact adds additional costs (normally to the investor) and leads to possibly more abuse (more people to regulate).

-The general concept of creating laws, regulations and rules for the public and than having other people interpreting them (lawyer's accountants, advisors) is a result of a badly composed regulation.

4. Should there be mandatory disclosure required in the OM?

ANSWER: Yes.

-Obviously not as much as a prospectus.

-Ontario had an OM exemption in place. Use the same format and address or incorporate any concerns OSC may have based on the fact as to why they eliminated this exemption in the first place...

-Also, incorporate liabilities for misrepresentation, similar to a prospectus.

5. Should we require registrant involvement as a condition of this exemption?

ANSWER: Definitely NO!

-First of all, in principal, if you are creating an 'exempt product' and then imposing a registration requirement, in fact OSC is talking from both 'sides of the mouth'. Either the product is exempt or not!

-Again this 3rd party input creates additional costs and adds more people to the process that have to be regulated!

-OSC should not hand off the responsibility of their regulations to a 3rd party. This comment applies to the requirement of MIC's having to use EMD's to process their investors in general. -- Specifically, for an OM exemption, we do not need an EMD to process this investor. A proper OM should be sufficient for the investor to make their decision; the EMD cannot add any value here (the same for an advisor).

GENERAL COMMENTS:

My company is a Mortgage Investment Corporation (MIC), as such all our observations and comments are based on challenges and issues related to MIC's as a result of OSC regulations.

1.0 Exempt Market Product:

We appreciate that we can raise capital without filing a prospectus, however the fact that this is made available to us based on the premise that it is "too expensive" to go through the prospectus route, reflects the inefficiencies of our present systems. We feel that EMPs are a 'band aid' method of disguising some major issues with the regulatory regime. Providing information to the investor to make an educated decision should not be such an arduous effort, demanding the input of expensive lawyers and accountants. Most issuers of EMP's would readily provide information and assume all liabilities associated with misrepresentation. The premise of scrutinizing the investors, as to their financial capability, extent or type of education etc., is a complicated and very dangerous path. Not only are there questions related to Charter of Rights, but it also allows arbitrary decisions (constant moving target) as to suitability. Let's make it easier to provide accurate information to the investor to make their own decisions! That was the intent of securities organizations in the first place.

Another major issue in Ontario, is that Ontario (as opposed to other jurisdictions) has Eliminated the OM exemption and also modified the closely held issuer exemption. The Result is that we have a very limited investor pool in Ontario. OSC has chosen to limit and Further restrict the EMP by not only disallowing exemptions, but also imposing Registration requirements. Please just shoot us instead and put us out of our misery!

2.0 Exempt Market Dealers:

In addition to restricting the investor pool, we are also now required to process our investors through an EMD. THIS REQUIREMENT has basically placed the very existence of the MIC in 3rd party hands! The decision to accept the issuer or not accept is in the hands of the EMD's. By possibly refusing to represent any MIC in fact prohibits the MIC from doing business! We are now held hostage by a 3rd party. Also the fact that most of our investors come from referrals and not from the general public, to be forced to have these investors to be processed by an EMD at additional cost to us (which are exorbitant some times) is totally counterproductive. By creating the EMD, the Securities organizations have

simply handed the ball to this 3rd party to enforce their regulations! This not only creates unnecessary expenses to the issuer, but also adds additional people to the process, leading to even more abuse. In fact this happened to one of our investors, we had an EMD rep sway our client to buy someone else's security!

The OSC is now spending precious time in regulating the EMD! Eliminate this body, we can do KYC's and by issuing audited statements (already a requirement of MIC's) and an OM (with liabilities for misrepresentation) we can provide the KYP obligations. Please, OSC, come over and look at our company we do not need an EMD to do your work! The EMD is not necessary for MIC's!

3.0 In summary:

- The 'Exempt Product' is not really exempt, by imposing EMD (registration), and narrowing the investor pool (Ontario), we have a situation where we are constantly imposing limitations on this product. Why is the OSC playing with semantics? Exempt from a prospectus but required to be registered?!! We now have a product which is not exempt at all! Please save us! How can I file a prospectus or provide the information to my investor without going bankrupt?

-By requiring the EMD to process most investments, we created another layer for possible abuse and unnecessary costs. Where does liability fall now? On the issuer, on the EMD? We have further muddied the water. In fact there is less protection for the investor. The KYP requirement has fallen on the EMD, the reason for EMP product is that there is no requirement for company disclosure! The EMD can demand something similar to a 'prospectus' or nothing at all! Please OSC, let's just provide info directly to the investor! The OSC is not in the business to create new growth industries. THE REQUIREMENT TO USE EMDs IS UNNECESSARY, especially for MICs.

-OSC should focus on how we can "PROVIDE INFORMATION TO THE INVESTOR TO MAKE THEIR OWN DECISIONS" and not "PROVIDE RULES AND REGULATIONS AS TO THE TYPE OF PEOPLE ARE ALLOWED TO INVEST".

-consider special arrangement for MIC's