

2/26/2013

Sentry Group/ Pinnacle Wealth Brokers
291 Woodlawn Rd. West, Unit 12B, Guelph, ON, N1H 7K7

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

Attn: John Stevenson
Sent via Email: jstevenson@osc.gov.on.ca

RE: OSC Staff Consultation Paper 45-710

We are an investment and insurance broker business that focuses on finding the right solutions for our clients. Having sold mutual funds for several years and a brief time worked with a securities broker I find I do the same amount if not more discovery (KYC & information gathering, disclosure, etc.) for exempt market product sales as I did for securities and mutual funds.

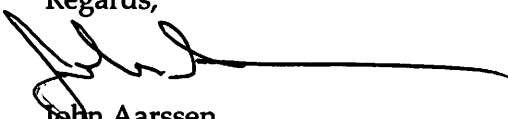
If you compare a stock broker who works with a diversified stock portfolio consisting of 32 holdings, how can he/she know all the companies and their competitors to make decisions for their clients? We only need to know a few select products as we are only offering a small portion of an investor's portfolio.

My exempt market dealer has to approve all my trades, which includes, KYC, client suitability, full disclosure and we have regulations that limit the amount of investment per portfolio.

I have found the people in Ontario want alternative investments that are not correlated to the stock market. Today stock markets are driven by fear, greed and media and are out of control. Exempt markets offer this non-correlated approach to investing. Pinnacle Wealth Brokers (my dealer) does their due diligence on the offerings we offer. I get training through product webinars, reading the OM and our analyst review documents and I can talk directly to the management teams and CEO's of the offerings and I get to meet them usually 2-3 times per year. Clients can also meet and talk to the principles. The real work comes from providing the right product for the client's objectives (i.e. risk, timeframe, income, protection, growth, taxation & diversification). Having met with other EM brokers in other provinces I feel the Ontario investing public are being discriminated against and are not being allowed to make the decision on their own.

I have also attached reasons why the offering exemption and limitation should be adopted in Ontario.

Regards,



John Aarssen
Sentry Group/Pinnacle Wealth Brokers
Executive Consultant

Should an Offering Memorandum (OM) exemption be adopted in Ontario? If so, why? Yes. When properly utilized, the OM exemption is an efficient tool for business and investors alike

- For Business;
 - It is a powerful tool for Small and Medium Enterprises (“SMEs”) that allows them to raise capital without the high costs of a prospectus
- For Investors;
 - It provides investors with a simple to read document that is actually comprehensible while still providing them with many of the same rights afforded by a prospectus.
 - Investors are seeking out alternative investments given the public market volatility over the past number of years
 - The current arrangement in Ontario provides for an unfair benefit to individuals who hold corporate pension plans, as they are able to benefit from these funds investments in exempt market securities (and the accompanying returns) that they could not personally invest in. Meanwhile, individuals who rely solely upon their own RRSP for their retirement have little or no access to these markets.
- Additional Regulatory Related Points
 - EMDs offer similar, sometimes even the exact same products as investment dealers and have similar requirements in regards to suitability, KYC, KYP, etc. Given this, why should they be restricted to speaking to 2% of the population?

Should there be any monetary limits on (the OM) exemption?

- Perhaps, but the proposed limits are impractical for EMDs, issuers, and Investors alike
- An OSC mandate is “fostering fair and efficient capital markets and confidence in capital markets”. Restricting an investor to \$2,500 doesn’t provide confidence but rather fear of deal risk and requiring an issuer to sign up a minimum of 600 investors (3/business day) to get \$1,500,000 could hardly be described as efficient.
- For an Issuer;
 - \$1,500,000 is not significant enough to absorb the costs generally associated with the preparation of an OM, particularly when an issuer has to cover the costs (legal, printing, reporting, etc.) associated with hundreds of investors due to the small investor limit.
 - Placing these restrictions on an offering immensely increases the risk of under capitalization which goes against a fundamental mandate of the OSC, protecting investors.

Pinnacle Wealth Brokers

- Many knowledgeable investors will avoid a particular investment because \$2500 is just too small to be worth their time reviewing an OM.
- For an EMD (and their DRs);
 - Given suitability requirements, there shouldn't even be a need for monetary caps within OMs involving sales by an EMD. Suitability should ensure that the client invests the right amount.
 - Were the OSC to adopt the proposed OM exemption parameters, a DR would effectively be telling a non-accredited client "you can invest \$2,500 or \$150,000". How can they provide "suitable" advice if not given reasonable parameters to work within?
- For Investors
 - Investors can invest \$10,000 on a penny stock through a discount broker with the click of a mouse even though they are provided with no disclosure documents (unless they actively seek out the financial statements themselves, which they likely wouldn't understand) and no suitability advice. Why then would you restrict them to \$2,500 in a deal where they get the benefits of easy-to-read disclosure and professional suitability advice?
 - Any Ontario resident can buy a car that immediately depreciates by 20% after driving it the lot. Furthermore they can go to a casino and put as much money as they want on a hand at blackjack but the OSC proposes to restrict them to investing \$2,500 in a start up after being given disclosure, purchaser's rights, and even suitability advice. Does that make any sense?