March 7, 2013

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

Sent via Email: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

Re: OSC Staff Consultation Paper 45-710 – *Considerations for New Capital Raising Prospectus Exemptions*

As a stakeholder in the Canadian Exempt Market, I support your mandate of protecting investors from unfair, improper or fraudulent practices, while **equally** fostering fair and efficient capital markets.

Over the years, I have had the opportunity to establish a considerable number of relationships with Exempt Market Dealers ("EMD") and product manufacturers across the country. It is through those relationships that I have acquired certain awareness to the effects of this proposed review. Understandably the exempt market space encompasses many different views relating to one's specific industry, therefore while the comments below are my own, they do reflect perceptions of conversations from many such entities.

Consultation Questions

Prospectus Exemptions Based on Relationships with the Issuer

- **Is the 50 security holder limit under the private issuer exemption too restrictive? If so, what limit would be appropriate? Please explain.**

I agree with this exemption 'as is'.

- **Should the OSC consider re-introducing the closely held issuer exemption in addition, or as an alternative, to the private issuer exemption? If yes, should the conditions be changed?**

In interest of harmonizing with other Canadian jurisdictions, I would suggest they maintain the private issuer exemption 'as is'.

- **Should the OSC consider adopting a family exemption, that allows for securities to be issued to an <u>unlimited</u> number of family members of the directors, executive officers or control persons of the issuer or its affiliates? Please explain.**

YES. The Ontario Security Commission ("OSC") originally chose not to adopt a similar version of the friends, family and business associates exemption as at that time, and unlike every other province in Canada, they indicated potential investor protection concerns, thus it was limited. This said, and in interest of harmonizing with other Canadian jurisdictions, I would suggest adopting this exemption, however in addition, propose to potentially alleviate your initial concerns by adopting something similar to Saskatchewan's treatment of this exemption in

that investors are required to execute a 45-106 F5 (Risk Acknowledgement). It places accountability on the investor and provides for further disclosure, which very much like the Offering Memorandum ("OM") offers investor protection while enabling efficiency in the capital raising process.

- **Are there other changes that should be made to the current Ontario exemptions referred to above?**

Along with the adoption of the friends, family, and close business associate exemption as realized in all other Canadian provinces, I would propose Ontario (and other provinces) adopt a similar requirement to that of Saskatchewan, and incorporate the use of Form 45-106 F5 (Rick Acknowledgment), which as noted above places more accountability on the investor.

Considerations for Crowdfunding Exemptions

Note that I do NOT agree with the OSC's decision to combine comments regarding the Crowdfunding exemption with that of the OM exemption. The OSC should perhaps not have included proposals relating to this exemption with the OM exemption, as the two are unquestionably different. They are, as you note, subject to different conditions, and while they both provide greater access for retail investors to the exempt market, the differences are too great, and could cause confusion to those looking to properly comment. You indicate that "both exemptions are premised on some form of disclosure", and yet you also compare the OM as having similar disclosure to that of a long-form prospectus. Further, those under the OM exemption are additionally provided statutory rights under Section 130.1 of the Securities Act, not to mention have access to a registrant that provides proper suitability prior to entry.

I would also like to point out that this paper has addressed 19 questions relating to the crowdfunding exemption, while only 5 were addressed towards the OM exemption. Not to begrudge the benefits our market could realize with the crowdfunding exemption, however you indicate "the importance of meaningful feedback from stakeholders on these concepts ideas to 'appropriately' address exempt market capital raising concerns that continue to deliver strong investor protections", and yet only 6 out of 110 letters received from one of these consultations focus on crowdfunding, whereas 57 mentioned the OM exemption. Respectfully, we understand that the OSC feels the need to compete with the US, but arguably its stakeholder majority would suggest more importance be placed on the need of an OM exemption.

- **Would a crowdfunding exemption be useful for issuers, particularly SMEs, in raising capital?**

Given the fact that you note that approximately 30% of Canadians are seeking financial advice online, it only opens the argument that they should also be able to invest online. It is already widely done in the public markets via self directed accounts. This being said, crowdfunding is still relatively new and there are certainly doors that could lead to fraud, therefore I do feel the need for heightened regulation due to restricted disclosure. I also would like to propose the use of an electronic Risk Acknowledgment to ensure investors are given some level of accountability.

- **Have we recognized the potential benefits of this exemption for investors?**

I like the idea of a tiered entry point for SMEs and other market participants to raise capital. I appreciate the OSC's attempt to provide greater access to such participants, however I believe you have unjustly tied crowdfunding to the OM exemption which would require different regulation, thus while I believe you have recognized the potential benefits of crowdfunding, you perhaps have not for the OM exemption, which is why I appreciate your efforts now to seek comment.

- **What would motivate an investor to make an investment through crowdfunding?**

Diversity, along with the same motivation that investors with self-directed accounts possess. With the advent of social media, investor access to information is considerable. Those that already perform their financial due diligence online (30% as identified on P. 24 of this consultation notice) have more than likely already noted the decrease in public holdings within sophisticated pension funds http://www.theglobeandmail.com/globe-investor/pension-plans-see-investing-opportunities-in-alternative-assets/article4555497/ , and the increase in private, thus why those in particular would find this and the OM exemption ideal for greater access.

- **Can investor protection concerns associated with crowdfunding be addressed and, if so, how?**

As it is still relatively a new method of capital raising, I feel that a close monitor is warranted. In addition, and void of registrant participation, I think strong disclaimers (Risk Acknowledgement) must be made to the investor to ensure they realize the risks they are taking, and that THEY must be held accountable for THEIR choice. I would also encourage looking at what other markets have done with regards to crowdfunding. After attending a recent event on the subject, there were some considerably favourable numbers with regards to the default rate of existing portals.

Ultimately, with crowdfunding, you are limiting the ability of proper suitability and Know your Client ("KYC") execution, therefore really only calling on Know your Product ("KYP") to these issuers. To this end, it would only then seem fitting that these portals operate underneath an EMD. They already are responsible for KYP on products relying on other exemptions, therefore it only makes sense to their continued involvement.

- **What measures, if any, would be the most effective at reducing the risk of potential abuse and fraud?**

I believe your first approach to this to be valid in that you are limiting the amount to be invested, until such time as crowdfunding protection measures can be realized rather than simply tested. This differs greatly from the OM exemption, as it has been under regulation for some time, and with the incorporation of NI 31-103, has ensured greater security to investors who rely on that exemption. In this case, the use of a registrant is absent, thus the requirement of "trial regulation" via "limited exposure".

- **Are there concerns with SMEs that are not reporting issuers having a large number of securities holders?**

No. I believe a reporting issuer is just as likely to be fraudulent as a non-reporting issuer. There will always be those that resort to fraud, though it should not mean closing opportunity, but rather accepting certain amounts of risk.

There would certainly be concerns such as the competency of a non-reporting issuer, but again it is up to the investor to be aware, and to be properly advised that they are responsible for their own due diligence. This said, I would limit the marketing of the non-reporting issuer relying on this exemption to ensure that the investor only rely on the details of the deal rather than the 'glitter'.

- **If we determine that crowdfunding may be appropriate for our market, should we consider introducing it on a trial or limited basis? For example, should we consider introducing it for a particular industry sector, for a limited time period or through a specified portal?**

I would never agree to limiting 'who can' and 'who cannot' invest, along with limiting it to 'a particular industry sector' but I do agree that a trial would be effective, in that you limit the amount that the issuer can raise for a select time period, at which point you re-visit.

Issuer Restrictions

- **Should there be a limit on the amount of capital that can be raised under this exemption? If so, what should the limit be?**

Again, I can appreciate a 'tiered' system to those looking to raise capital under prospectus exemptions. Due to the low cost associated with setting up a fund such as this, it would Not affect the cost of capital that in turn could potentially become a detriment to the investor (high management fees). I would also like to note that this is another example of the difference to that of the OM exemption.

The amounts proposed are a bit low based on the low default rates evidenced in other jurisdictions, therefore I would increase to a maximum of $2M in a 12 month period, while limiting the investment size to $5,000 per deal, to a maximum of $20,000 in a 12 month period (although with multiple portals, I would expect this to be difficult to monitor, therefore you may just be left with limiting the portal investment amount to a maximum of $5,000).

- **Should issuers be required to spend the proceeds raised in Canada?**

NO. It is my understanding that you are not here to regulate the competency of the issuer, and if they 'choose' to invest it elsewhere, and the investor in turn 'chooses' to invest, it is their freedom to do so.

Again, it is my assumption that regulators are not here to choose the investments or product type, but rather enforce regulation on those entrepreneurs who make those choices.

Investor Protection Measures

- **Should there be limits on the amount that an investor can invest under this exemption? If so, what should the limits be?**

Yes (please see comments above). This keeping in mind your mandate of ensuring investors have the ability to withstand financial loss, but also in ensuring efficiencies in the capital raising process.

- **What information should be provided to investors at the time of sale as a condition of this exemption? Should that information be certified and by whom?**

Any information presented should be certificated similar to that of Section 2.9 (8) of NI 45-106. This in addition to some form of risk acknowledgement.

- **Should issuers that rely on this exemption be required to provide ongoing disclosure to investors? If so, what form should this disclosure take?**

Annual financial statements for funds over $1M.

- **Should the issuer be required to provide audited financial statements to investors at the time of the sale or on an ongoing basis? Is the proposed threshold of $500,000 for requiring audited financial statements (in the case of a non-reporting issuer) appropriate?**

I would propose under this exemption that annual financial statements for funds over $1M be required.

- **Should rights and protections, such as anti-dilution protection, tag-along rights and pre-emptive rights, be provided to shareholders?**

While these are common amongst Venture Capital deals, I do agree with the Anti-Dilution, however the Tag-Along does not necessarily apply as most of these issuers are illiquid until project close. Pre-emptive rights additionally could be overlooked as one would expect the shares of such an offering to be non-voting.

Funding Portals and Other Registrants

- **Should we allow investments through a funding portal (similar to the funding portals contemplated by the crowdfunding exemption in the JOBS Act)? If so:**

    - **What obligations should a funding portal have?**

Registration as an EMD, along with KYP requirements prior to entry on the portal. It could also be useful to have software that ensures updates are timely; if not, an automatic report sent to the applicable commission.

- - **Should funding portals be exempt from certain registration requirements? If so, what requirements should they be exempted from?**

As noted above, I believe that portals should fall under the EMD registration category.

- **Should a registrant other than the funding portal be involved in this type of distribution? If so, what category of registrant? Should additional obligations be imposed on the registrant?**

No, as the cost of capital in managing this would no longer provide efficient access to capital. EMDs should perform proper KYP on each issuer thereby ensuring investor protection, not to mention their own reputation as a reputable portal.

Consideration for OM Prospectus Exemptions

- **Should an OM exemption be adopted in Ontario? If so, why?**

Emphatically YES. The OSC originally chose not to adopt an OM exemption as at that time, and unlike Every other province in Canada, they indicated potential investor protection concerns. I would not only like to address those concerns, but further the argument as to why Ontario should adopt this exemption.

One of the objectives of this policy review is how to best regulate the exempt market in a manner that provides retail investors with greater access to investment opportunities. This by definition reduces risk as it encourages further diversification (p.4). It has also been frequently expressed, as identified within this consultation note, a desirability of harmonizing prospectus exemptions across Canadian jurisdictions. The majority of those jurisdictions have accepted such exemptions, and thus democracy would dictate under such majority an acceptance of this exemption.

You note under section 2.1 of this notice (P.6) *"In limited circumstances, securities may be distributed without a prospectus. This is typically referred to as an 'exempt distribution' that occurs in the 'exempt market'. As long as the terms of an available exemption are met, no disclosure is mandated to be provided to purchasers."* The inclusion of an OM exemption would not only afford such disclosure that the OSC **has noted as being similar to that of disclosure found within a prospectus** (P. 5).

The OSC has also disclosed that those who meet the accredited investor definition as being able to invest in this type of product, therefore those issuers who do not wish to go through the process (cost) of preparing an OM can

then rely upon the accredited exemption, whereas those who wish to work with investors who do not meet this and other definitions allowable under Ontario exemptions, must then go through the process of preparing an OM, and adhering to its subsequent liabilities as identified in the Securities Act under section 130.1. As opposed to simply saying "No, your investor cannot invest in this type of product", provide a 'Solution', and say that "your investors do not meet the qualifications as identified in certain exemptions, therefore you must incur the liability and cost of going through the process of providing proper disclosure and statutory protections as realized under the OM".

You note that an exempt distribution avoids the costs associated with a prospectus offering and may be a more effective means for a smaller issuer to raise capital. An OM exemption would provide the same benefit, as the costs are still significantly lower than the costs associated with preparing a prospectus.

You further make the comment that "there is no requirement for issuers to distribute securities through a registrant" (multiple pages 6, 13). I would like this further clarified, as I am under the understanding that any security offered via a prospectus exemption must offer it via a registered dealer (registrant), unless relying upon a registration exemption as identified under NI31-103. It is then the responsibility of the EMD to perform proper due diligence (KYP) of the product, and thus identify any misrepresentations prior to approving the trade. This, in addition to performing proper suitability of the client.

In the OSC's decision from its notice dated December 17, 2004, it indicated that there was 'no registrant involvement' when referencing the BC Model. Very few issuers would qualify under 'not in the business'. More over, the CSA has recently published a note to investors endorsing "Check Registration Day", and further make the comment of reporting any issuer that is not registered immediately to the local regulator – this would imply (with the exceptions of certain exemptions) that that vast majority of issuers must go through a registered dealer.

To further comment to the OSC's decision from the notice dated December 17, 2004 as to why you chose, at that time, not to adopt the OM exemption was that you were concerned that both the BC and AB models of the exemption may place investors in Ontario at risk as the OM is a non-vetted prospectus-like document provided to non-accredited investors who may not have the ability to withstand financial loss. The industry scandals that gave rise to the Commission's concern pre-date the current regulatory regime, not to mention coincide with a global economic downturn that uncovered gross incompetence by many issuers, rather than fraudulent behavior.

With the inception of NI31-103, proper suitability of the investor must be performed thus alleviating some of the concern for the investors' ability to withstand financial loss, etc. This point is additionally addressed in CSA staff notice 33-315 (Suitability Obligation and Know Your Product). Further, the prospectus may be vetted by the regulators, however only to its required content, and similarly as noted above, not to the competency of the issuer. Bill Rice, executive chair of the Alberta Securities Commission, recently quoted in Maclean's magazine "that while the commission would investigate all allegations of fraud and misconduct, it is not the regulators mandate to sanction people for incompetence. It is up to the investor to decide whether a deal is worth the risk." I agree with this whole heartedly, and point out as well that the OM is a vetted document in that EMD's are required under regulation to perform proper KYP on the issuers they represent. In addition, if updated disclosures are not met (financial statements etc), regulators have been quick to subsequently 'vet' the OM. We, as an industry, have witnessed this many times, as the OM is available for review anytime by the regulators. Further, and as Mr. Rice points out, it is ultimately up to the investor, and the requirement of Form 45-106 F4 as a way of ensuring investors understand that 'they' are the ones ultimately making the decision. It is similar to that of any waiver we as a population sign – when things go wrong, undoubtedly people will complain, but if the risks were clearly outlined to them (so much that there is a large printed "WARNING"), they need to accept accountability – regulators and EMD's were there to ensure no misrepresentations were made, and as well EMD's are there to aid in ensuring competency of the issuer, which also is relayed to the investor. Mr. Weston's recent

proposal to include the exempt market under the OBSI (Obudsmen) could further aid in ensuring that EMDs are doing high level due diligence on private issuers (this provides additional incentive to the vetting process).

Investors additionally have greater access to information with the advent of social media, and other search engines afforded via the internet. You note that 30% of Canadians are seeking financial advice from online news articles, blogs and from social media. This is also potentially why the public markets are not as popular within certain institutional funds (see above), as information is very hard to contain within the internet.

In your own words, you state that 'disclosure requirements (such as an OM), that are imposed on issuers help support and inform registrants' compliance with their KYP and suitability requirements, and these requirements **may be viewed as complementary to the distribution process'**.

- **Should there be any monetary limits on this exemption? If so, should those limits be in addition to any limits imposed under any crowdfunding exemption?**

NO. What the OSC is proposing here could potentially cause more harm to the investor should they implement a limit on what could be raised. I would also like to add that this proposal was ardently disagreed to as witnessed in attendance to not only the OSC discussion from January, but also at both Canadian Exempt Market Associations (NEMA and EMDA) discussions. The costs associated with the preparation of a disclosure document, one that the OSC and CRA have both considered to be similar to that of a prospectus, would significantly cause an impact to those investors who participated in that fund as the fees incurred to create it, along with all else that is required under regulation, would greatly impact its potential return.

You indicate that you are "guided by the statutory principle that the business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought to be realized". This proposal does NOT align the interest of issuers and investors for reasons noted above (p.5).

With regards to the purchasers' investment size, this too goes against your mandate to raise capital efficiently. The administrative costs alone with the amount of investors applicable to this proposal would undeniably stifle the use of this exemption. This is NOT crowdfunding, and there are many such protections afforded to those relying on this exemption, and therefore it should not be capped.

I would also like to note that I Do Not agree with limiting where the Issuer's location may be. So long as they adhere to the rules with raising capital within Canada, they should have the freedom to do so. I understand the Commission's intent is to ensure enforcing regulation on those companies located in foreign countries, but it is up to the registrant, and ultimately the investor to assume that risk.

This all said, I have also been advised that a 'cap' is imminent, and it has been suggested that regardless if you disagree, a 'number' should be proposed on the maximum amount an issuer can raise in a 12 month period, therefore while I again disagree, if one were to be imposed upon issuers, I go back to my proposal of a tiered solution for Issuers looking to raise capital. If it is a small amount up to $2M, the Crowdfunding exemption (along with others, such as private issuer), may be appropriate. Should they wish to raise up to $20M in a given year, they can rely upon the OM exemption. Anything higher could be subject to institutional financing (accredited exemption).

To summarize, and perhaps clarify, IF it was agreed by the OSC to place a cap, which I disagree with, I would propose it at $20M in a given year, with no maximum placed on the investor as to how much they could invest to ensure efficiencies with dealing in the 'administration' of such funds.

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

A purchaser should rely on the presence of a registrant who has completed proper suitability, along with sufficient means of due diligence into the product (KYP). You state the investors who purchase by way of prospectus (P. 6) are protected due to the full disclosure. To make a statement that there is 'an overwhelming' amount of information that is neither useful nor read by investors is preposterous, and could also be argued similarly with that of a prospectus offering.

The EMD is required to perform proper KYP on the product, thus it is vetted. The prospectus is required to be vetted by the regulators. Both are subject to similar statutory rights. Overall, the OM IS being read prior to the approval of a trade, and in cases where the investor does not read the OM (or prospectus), they are relying on the EMD of their registrant to have done so. To this end, the question could also then be asked as to how many registered advisors of a prospectus offering, actually read the prospectus.

- **Should there be mandatory disclosure required in an OM? If so, what level of disclosure should be required?**

The level currently realized with those currently using the OM exemption. (P.51) Under explanations found within the Appendices to this Consultation, your comments with regards to both BC and Alberta models of the OM exemption is similar to that of the type of disclosure found in a long-form prospectus (side note – while in other areas of this notice, you define it as limited), and the subsequent stakeholder comments declaring it to be an 'overwhelming' amount of information that is neither read nor useful to the investor. My question would then be, is the prospectus also not useful or read by the investor (see above). The OM is a document that requires its issuer NOT to include a misrepresentation, and is then vetted via KYP requirements of the EMD that distributes the product. In addition, you then note that some stakeholders do not wish to incur the cost of preparing an OM. Well they need only then rely on the accredited exemption – should they wish to access additional capital, they can put up the cost of preparing the OM.

Under Risk Factor disclosures in the appendices to this Consultation (P. 52), you note that some stakeholders find the disclosure not helpful as the issuer and its advisors include a lengthy list of risk factors, many of which are 'boiler plate', and as such, could potentially be construed as protecting the issuer from liability. My response would be similar to that of Mr. Rice's comment noted above "at what point does the responsibility fall to the investor?" Form 45-106 F4 (Risk Acknowledgment).

In addition, I would like to reiterate and revise a proposal found in a response letter to Consultation Notice 45-401 dated September 17, 2012 from Richard Corner of IIROC. In addition to the provision of the Offering Memorandum, have investors execute a 'receipt of offering memorandum' on a summary page that provides a brief easy-to-understand information on the investment, which could include a summary of eligibility requirements for eligible investors (were you to adopt the Alberta approach of the OM exemption), significant statutory rights of investors and the unique risks of an exempt market investment.

In reading many of the comment letters sent in under 45-401, there appears to be a lack of awareness towards the preparation of an OM. I have been witness to costs in excess of $300,000 by certain law firms, however I know this to be a gross overage not at all required in the preparation of these documents. Overall, the costs associated with creating an OM are far from that of producing a prospectus.

I am in absolute agreement that those who wish to rely upon this exemption be required to provide audited annual financial statements.

- **Should we require registrant involvement as a condition of this exemption? If so, what category of registration should be required?**

Exempt Market Dealer. The vast majority of these deals require a registrant to be involved, and is something Commissions have strongly enforced. The North West Exemption was also under comment to be abolished, thus lessening those who raise capital without the use of a registrant.

Considerations for Prospectus Exemptions based on Sophistication (Investment Knowledge)

General Questions

- **Would this exemption be useful for issuers, particularly SMEs, in raising capital?**

I feel it redundant – with the adoption of the OM exemption, there would not be a need for this. As an alternative to the OM exemption, I feel again that the OSC should seek to harmonize with that of the rest of Canada, and proposing this as an 'alternative' or 'additional' capital raising exemption is again, redundant.

- **Are there sufficient investor protections built into this exemption?**

(see above)

Questions on the Specific Terms of the Concept Idea

- **Should we require an investor to satisfy both a relevant work experience condition and an educational qualification condition or would one suffice?**

The exemption in place is currently sufficient.

- **How should we define the relevant work experience criteria?**

(see above)

- **What educational qualifications should be met? Should we broaden the relevant educational qualifications?**

Perhaps under the current exemption, and in coordination with such firms like IFSE or the CSA.

- **Are there other proxies for sophistication that we should consider?**

No comment at this time.

Considerations for Prospectus Exemptions based on Registrant Advice

- **Should we consider a new prospectus exemption that is based on advice provided by a registrant? If so:**
  - **Do you agree with limiting this exemption to a situation where the registrant has a fiduciary duty to act in the best interests of the client?**

No. There are appropriate protections in place that enable registrants under the EMD category to approve a trade. Note that regulators across the country have turned down applications of those registering as a CCO due to limited experience. As it is the CCO that effectively approves the trades of the specific dealer, and that the regulators are ensuring proper experience of the CCO, one could deduce that again, adequate protections are in place. Also, given that Dealing Representatives cannot provide advice, they in turn to can provide the investor with appropriate disclosure obtained via their KYP process. Also, with the proposal of placing EMDs under the OBSI umbrella, it would further enforce motivation on the EMD side to ensure proper suitability and KYP. If there is a concern with specific EMDs (or CCOs), then the regulator should focus on enforcement (as I have seen with regards to approving CCOs as noted above) of following current rules.

Adding to the existing rules which clearly offer protections to the investor, could potentially be considered a case of over-regulation, which upsets the OSCs mandate of fostering efficiency within the exempt market.

- **Do you agree that this type of exemption should be limited to certain types of registrants (e.g., investment dealers) or should this exemption be available for another type of registrant (e.g., an EMD)?**

(see above)

- **Should this type of exemption be available for registrants that sell securities of "related issuers" or "connected issuers" (which would raise conflict of interest concerns, as explained in National Instrument 33-105 *Underwriting Conflicts* and Part 13 of NI 31-103)? If so, would this be consistent with the registrant being subject to a fiduciary duty to the client?**

So long as the conflicts are properly disclosed to the investor, and proof of proper suitability met, there should not be an issue.

- **Would exempting the issuer from a disclosure obligation have implications for a registrant's ability to conduct a meaningful KYP and suitability review?**

Yes. Disclosure (that is found within an OM) when dealing with non-accredited investors should be mandatory.

- **Do you agree that a registrant should be required to have an ongoing relationship with the client?**

No. These transactions should be viewed as 'self-directed'. The assumption of the investor should be that proper suitability and KYP were performed by the EMD approving the trade.

- **Should there be any restrictions on the type of security that could be purchased? For example, should this exemption be available for purchases of securities of investment funds and/or complex products (including securitized products and derivatives)?**

Another emphatic No. You are again proposing to take away from 'freedoms' of those potentially willing to invest in a complex product. Proper disclosure presented to investors considered to have 'less' sophistication is sufficient. More so, regulators from other provinces relying on this exemption have indicated, and Enforced disclosure found in OM's to ensure it is 'easy to read and understand' (45-106 F2 – A.1 General Instructions). Those issuing more complex products must ensure (by your own rules) that the complexities are properly relayed and understood.

- **Should the existing managed account exemption described above be expanded in Ontario to permit purchases of securities of investment funds?**

Yes. It falls within the mandate of harmonizing prospectus exemptions across all Canadian jurisdictions.

Need for Additional Exempt Market Data

- **Are there any concerns with mandating use of the E-form?**

No.

Additional Information Required

- **Are there any concerns with requiring this additional information in the report? Please explain.**

Yes. I agree with all proposed, excluding the 'number of years that the issuer has been in operation' for non-investment funds as this information could be considered irrelevant. In addition, I do not agree with the requirement of age and work status.

- **Are there other types of information that we should require in the report?**

Issuers relying on the private issuer exemption should be required to file basic information similar to that found in an F1.

- **Should we require more frequent reporting for investment funds? If not, why not?**

Upon closing of funds, issuers are required to file the F1. This is sufficient (and I would also note that this should include those relying upon the private issuer exemption).

Conclusion

- **Are there prospectus exemption, in addition to the concept ideas discussed in this paper, that we should consider? Please elaborate.**

(see above)

Thank you for taking the time to read my comments. I appreciate the OSC taking the consideration of industry professionals in the exempt space.

I am happy to discuss the contents of my letter concerning this review at any time.

Sincerely,

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