



May 29, 2012

Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
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Sent via Email: [rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)

Cc: The Honourable Dwight Duncan  
Minister of Finance

[financecommunications.fin@ontario.ca](mailto:financecommunications.fin@ontario.ca)

Dear Mr. Day:

**Re: Request for Comments Regarding Statement of Priorities**

**About Exempt Market Consultants (“EMC”)**

EMC is a firm dedicated to assisting organizations in the sale of exempt market securities by structuring RRSP eligible investment offerings for presentation to the investing public.

It is because of our role that we have established a considerable number of relationships with Exempt Market Dealers and product manufacturers across the country, and it is through those relationships we have acquired certain awareness to the effects of this proposed review. Understandably, the exempt market space encompasses many different product types, and while the comments below are my own, they do reflect perceptions from conversations from many such entities.

**General Commentary**

I am writing in response to your request for comments and specific advice on the proposed objectives for the fiscal year ending March 31, 2013.

My feedback focuses on two of the five regulatory goals you have laid out, namely your aim to “consider alternate capital raising exemptions” and your desire to “help investors get the necessary information to enable them to make better investment decisions by applying high standards of disclosure through robust prospectus and continuous disclosure reviews.”

In my role as a consultant to this industry, I have witnessed how the absence of the Offering Memorandum exemption in Ontario has obstructed Canada's largest capital market. The increasingly isolated, hyper-regulatory atmosphere in Ontario threatens the competitiveness and prosperity of the province itself. Small businesses (issuers) and Exempt Market Dealers have a much smaller pool – an estimated mere two percent of Ontario's population – from which to attract crucial capital. At the same time, residents of Ontario have far fewer options to grow and diversify their assets beyond the options provided by the banks. **We are taught that by definition, increased diversification naturally decreases an investor's investment risk. As such, would it not be considered further diversification for an investor to invest a portion of his portfolio in exempt product? To further this point, would it not then increase an investor's risk by denying them access to such diversification?**

Respectfully, we are aware that there are issuers whose business model makes sense financially to raise capital via a Prospectus Offering, and issuers who would object to the added expense of preparing an Offering Memorandum as their business model is proficient in relying upon the Accredited Investor or Minimum Amount Exemption. But, for the **MANY** issuers whose model is to look outside the estimated 2%, as it would be deemed "inefficient" to incur the cost of a prospectus offering, yet "efficient" for a suitable alternative in disclosure, logic would then dictate that you consider the adoption of the OM exemption. It is not only timely because of the lack of critical capital available to those businesses, but also sensible for investor protection of those who are deemed "unsophisticated" in terms of disclosure. What reasonable stakeholder would reject the notion of fostering an efficient capital market while championing investor protection by simply recognizing an exemption that has already proven effective in all other provinces across Canada?

I recommend that the adoption of the Offering Memorandum exemption be identified as a priority for the fiscal year. At minimum, the final published Statement of Priorities should include a detailed list of capital raising exemptions under consideration.

Sincerely,

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