



# SLOANE CAPITAL CORP.

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**Attn: John Stevenson**

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**RE: OSC Staff Consultation Paper 45-710**

Sloane Capital Corp. is an Exempt Market Dealer registered in 6 Canadian Provinces with over 25 professional, Dealing Representatives. Sloane's owner, Stephen Freedman, has been registered through the Ontario Securities Commission for over 38 years and is currently registered in 6 Canadian Provinces. Mr. Freedman registered his first Limited Market Dealer in Ontario in 1990, over 22 years ago.

**Should an Offering Memorandum (OM) exemption be adopted in Ontario? If so, why?**

There are several reasons why a "Proper" Offering Memorandum Exemption should be adopted in Ontario. There are many reasons why the proposed Offering Memorandum, with a monetary limit of \$1.5 Million for the issuer and \$2,500 per investor, should absolutely never see the light of day. With the costs of an OM, legals, accounting, commissions, promotion, administration, office etc., far too high a percentage of the \$1.5 Million raised would go into anything except the investment it was intended for. Charities have their charitable status revoked for raising money and having most of it going into administration rather than supporting the charitable cause it was originally set up for. Investors are guaranteed to lose 100% of their investment under the proposed OM exemption with the \$1.5 M and \$2,500 limits. That would only serve to tarnish the Exempt Market, Exempt Issuers and Exempt Market Dealers. Future statistics illustrating a 100% loss rate to issuers and investors will definitely not bode well for the Exempt Market. Please cancel the proposed OM Exemption with a Limit of \$1.5 M to the issuer and \$2,500 to the investor.

Please indulge me for a moment. I am writing this at 2:40 pm EST on March 8<sup>th</sup>, 2013 while I am sitting on a plane flying from Toronto to Calgary. I initially left Toronto on the morning of Tuesday, February 19<sup>th</sup> for 16 days of meetings in Vancouver, Victoria, Kelowna, Calgary and Edmonton returning to Toronto yesterday, Thursday March 7<sup>th</sup>, at 1:30 am for 1 ½ days of meetings in Toronto. And here I am flying back to Calgary for an event tonight and meetings tomorrow morning. I was born in Toronto. I have always lived in Toronto. I have been registered for over 38 years, 35 of them only in Ontario. What is wrong with this picture?

There is no "Retail" Exempt Market business in Ontario. I will fly out west all year long because there is no point of hosting a retail seminar in Ontario. It is unlikely that a sufficient percentage of the attendees would meet the definition of Accredited Investor. I do not believe in the \$150,000 minimum investment for someone who doesn't qualify as an Accredited Investor. That is an accident waiting to happen.

That said, who suffers the most because of the requirement that the Ontario investor must meet the definition of an Accredited Investor? Companies looking for capital to expand? Investors looking to participate in an Exempt Offering? Exempt Market Dealers? All of the above?

We all agree that all participants need to be protected. Companies from inexperienced 'consultants' who claim they can help those companies raise capital. Investment Structures may not be the most efficient for the company and the investors. Investors need to be protected from weak Offerings. Investors also need to be protected from their own inexperience and lack of knowledge.

My suggestion is to combine the Offering Memorandum Exemption with the requirement that it be marketed only by a Registrant. A Dealer has several checks and balances to protect the investor. Dealing Representatives must pass an exam and become registered with an Exempt Market Dealer. The Dealer has a registered Compliance Officer who reviews every KYC and every order to ensure that the investor Qualifies and also that the trade meets the Suitability requirements for the respective investors. Overly risky investments or over concentration would be weeded out prior to the trade being processed.

There should not be any monetary limits on the issuer or on the investor. The compliance review by the Compliance Officer of the Dealer will prevent a higher than prudent percentage of an investor's portfolio going into any one investment.

With regard to the O M Exemption for Ontario, my suggestion is that as long as a prescribed Offering Memorandum is involved, and it is being sold to an investor by a properly registered Dealing Representative, then the Accredited Investor requirement should not apply.

On a personal note the investor requirements for the OM Exemption in BC may be a tad light. The current investor requirements in Ontario, in order to purchase through an OM, are far too restrictive. In my opinion the solution should be somewhere in the middle, where we usually find acceptable solutions.

My suggestion is to have prescribed OM's with their significant disclosure and rights for investors, marketed by properly registered Dealing Representatives to Investors who meet one of the following criteria. Reduce the required Income for an Individual from \$200,000 to \$125,000. Reduce the required Combined Income for Spouses from \$300,000 to \$200,000. Reduce the required Net Worth, including real estate, from \$ 5 Million to \$1.5 Million. Eliminate the \$1 Million Net Financial Assets option.

As stated in OSC materials less than 2% of Ontario tax payers report over \$200,000 of income. We all agree that the Exempt Market should be available to more than 2% of the Ontario population. It is incredibly discriminatory to intentionally exclude 98% of the Ontario population from Exempt opportunities. In 2013 I believe the time has come to open up Exempt opportunities to at least 10% to 15% of Ontario's population. Perhaps the other 85% can still invest up to a maximum of \$10,000 per Offering if they would like to participate.

Some fear risk to investors due to Exempt Offerings of the past and use that to argue against an OM Exemption in Ontario. The OM Exemption is working well outside Ontario. The horror stories of investments that blew up out west occurred before Registration out west was required. Issuers hired their own unregistered sales forces to sell only their one, proprietary investment regardless if it was suitable for the investor. It is 2013 and the landscape has changed for Issuers and Exempt Dealers. Dealing Representatives must pass an exam and be supervised by their Compliance Officer and their firm. Issuers must be reviewed and accepted by a Dealer, most with a rigorous due diligence process. The horror stories of the past are much less likely to occur under all of the new rules.

Thank you for the opportunity to provide my opinion and I truly hope the opportunity to create a retail Exempt Market in Ontario that will benefit both issuers and investors will soon arrive.

Good luck.

Stephen Freedman, CEO

Sloane Capital Corp