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The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

Dear Madams:

I am writing to comment on the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors.

Having been involved in the financial industry for 21 years, I have experienced matters related to suitability, qualification, and regulation from a number of different perspectives. The perspectives included previously being

- Mutual funds licensed
- Securities licensed
- Insurance licensed
- Sales director for a major mutual fundco
- VP Business Development for a major Canadian brokerage firm

Currently, I am a registered dealing representative with Raintree Financial Solutions.

As a financial professional, I would like to commend the various regulatory bodies for wanting to ensure investor protection, and adherence to the credo “the client’s interests always come first”. Careful steps must be taken to ensure investors are not only informed, but that any recommendations being made consider qualification and suitability as a top priority.

I deal with exempt market investors on a daily basis. When introduced to a new investor, one of the first topics covered deal with suitability and qualification. Various subject covered include:

- age, marital and family status
- employment and income situation
- investor knowledge and experience
- net worth snapshot

- current portfolio allocation, focusing on amounts in various categories such as cash, fixed income, equities, and liquid vs non-liquid investments
- Investor attitudes about various financial products, are there any biases present
- Risk tolerance
- Have they suffered losses in the past? How did this affect them?

During this conversation, I am continuously striving to formulate a suitability opinion:

- Can the client understand all necessary aspects of these products, including regulatory environment, fees and commissions, risk, illiquidity
- What is the overall time horizon, and are there products suited to fit that horizon?
- What are the objectives (income, growth, tax savings), and are there products suited to fit?
- Does the investor have adequate liquid investments for short-term and emergency needs?
- What is an appropriate % allocation of illiquid, high risk products suitable for this particular individual, if any?

After this, plus additional information, is gathered and disseminated, a determination is made as to the % allocation of their portfolio, IF ANY, is suitable. There have been many instances where I have recommended that an investor not include our shelf of exempt products, as they are not suitable. However, for others, these products serve as an excellent complement to existing traditional products.

An excellent example of suitability would involve this type of investor

- Physician making less than 200K//yr
- In practice for 10 yrs, built up a traditional cash/stock/bond/mutual fund portfolio of 750K
- Does not qualify as accredited for income or assets, however meets all other suitability criteria as an “eligible” investor
- A 20% portfolio allocation in private, real asset, exempt market products would serve to enhance this person’s portfolio through diversification. An appropriate total would be 150K
- Additional stability is provided, as the investor now has less exposure to stock market volatility
- Real assets will become the portfolio’s only protection in an inflationary environment, so now we have these bases covered
- The investor portfolio becomes stronger overall

Under proposed legislation of a \$30,000 maximum investment for this individual, we will not be able to execute this suitable strategy.

If I, as a diligent exempt market representative, am expected to take steps to ensure qualification and suitability, the proposed changes do not fit within the context of this expectation. Essentially, the identical suitability measure is being placed on the example above as an individual with a 150K portfolio. The proposed changes will allow for the 150K investor to purchase an appropriate % allocation, but the individual with a larger portfolio will be penalized for having a larger portfolio, all other things being equal.

Respectfully, under proper suitability measures, this \$30,000 limit is not a fit, it simply does not make sense.

There are a few negative consequences that could result from the proposed amendments, including:

- As a representative must have a practice that is economically viable, the 30K limit could severely hamper that individual’s ability to carry on in practice. Many otherwise high-quality individuals will be forced to abandon the industry

- A likely result of the limit is having more money placed into higher-commission products. This is an unintended consequence that can result in less suitable recommendations, not more. This equals less investor protection
- As this industry is growing, imposing these impractical limits could force some exempt market dealers to close

In my opinion, securities regulators should work with exempt market dealers to ensure proper qualification and suitability requirements are being adhered to, as an alternative to the 30K limit. I can attest to the fact that my dealership, Raintree Financial, has an extremely strong and diligent compliance team. We regularly discuss, and are educated on, proper Know Your Client Procedures, proper note-taking, diversification, and ensuring that suitability is being adhered to. The job that our dealership is doing assists me in enhancing the financial well-being of many Canadians. Hopefully there is a recognition and understanding that there are some great business models out there, which not only adhere to our regulatory environment, but serve as shining examples of what an EMD should look like.

The proposed changes may actually serve to regress the industry back to pre-regulatory conditions. Under current Alberta regulations, I am being provided with the tools to perform my job appropriately. The 30K limit amendment will serve to prevent me from doing my job appropriately.

I am urging you to carefully consider the ramifications of proposed changes. If client qualification suitability, and protection is what we truly strive for, this limit is unnecessary.

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me at dave@investingbeyond.com

Regards,

David Wiitala
Registered Dealing Representative
Raintree Financial Solutions

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me at **EMAIL**.

Regards,

David Wiitala
Registered Dealing Representative
Raintree Financial Solutions

CC:

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