

[REDACTED]

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Sent: June-17-14 10:23 AM
To: Denise Weeres; consultation-en-cours@lautorite.qc.ca; comments@osc.gov.on.ca
Cc: cora@nemaonline.ca
Subject: Comments about CSA Proposed Amendments Relating to the Offering Memorandum Exemption

June 17, 2014

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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.

It is with much time, thought & consideration for the most valuable assets that I have, my investor clients, that I have prepared the following comments. I readily agree that the general public needs to be protected from fraudsters and scam artists alike, especially in these days of hi-speed, hi-tech growth.

Although up to now the majority of investment clients here in Ontario have not been permitted to participate in the private placement space via the Exempt Market, I can say with certainty that the current proposed restrictions have missed the mark of looking out for the best interests of the client. They will not protect the client from fraudsters, but simply limit the loss to \$30,000. Additionally if the investor is limited to only \$30,000 then they will have a hard time diversifying over more than one product as minimums often exceed \$20,000. This in itself hand-cuffs me as an advisor!

These proposed changes will force investors to throw all \$30,000 into one investment, instead of having the option to invest more over a number of issuers. (Incidentally some investors have commented to me that they don't like the fact that the regulators are trying to impose their opinions on them as investors without knowing anything about them, their investment sophistication, financial situation, or their risk tolerance, investment objective, or time horizon!) This restriction seems somewhat beyond the bounds of the regulators too ...

preventing Canadian investors from having the freedom to choose where & how much money they invest into the private markets here in Canada.

Adding to this is the fact that a change with such a maximum annual cap gives the clear indication that the regulators assume all non-accredited investors are in the same 'financial boat'. For instance one could not logically conclude that a simple factory worker making \$30 per hour, mandated to work overtime (bringing his annual income up to just over \$75,000 per year) would in any way be of the same investment sophistication as a very successful entrepreneur that has been able to build his business up to making \$100,000 MORE than the simple factor worker, (\$175,000 per year), even building his investment portfolio up to multiple 6 figures. I know for a fact that this does not sit well with sophisticated investors that are just shy of the accredited status. This is what the KYC process is for!

From the Dealing Representative side of things we can do a much better job for our investment clients by building them a truly diversified portfolio. My particular Exempt Market Dealer has over 20 different products on the shelf & one of the reasons that I chose to register with this firm is the fact that I would be able to better service my clients, building truly diversified portfolios. Utilizing a percentage of their portfolio for the private placement investments without being forced to make decisions based on this very low ceiling of \$30,000 will allow us to better serve our clients.

The Exempt Market is a very large space here in Canada and there are many options for Canadian investors. To illustrate: From the clients perspective I feel that financial investment sectors (Public, private, mortgage based, GICs, MICs, etc) are like many roads to help them get to their financial destination. As a Dealing Representative I have the job of helping people to decide what road to use & what vehicles they would like to use to get where they want to go. By limiting the exempt investment room to \$30,000 I am basically saying that any investment vehicle in the exempt space can only be used in first gear, unless you are accredited, then you can use gears 2-6, based on your comfort level & experience. In the Public investment side, on the other hand, the client can invest as much as they like whenever they like, although there has been some horrific portfolio crashes over the years. The regulations are basically telling them that these investment vehicles can be run at top speed, even if you have no clue how to operate this investment vehicle.

Additionally as a Dealing Representative it is my duty to determine if an exempt market investment has any business in someone's investment portfolio, and then to determine what investment vehicles make the most sense. After that I have a fiduciary duty to inform the client of the pros & cons of that investment, then determine how much they can reasonable relegate to the exempt market space. This arbitrary limit undermines my professional services, and prevents my clients from making informed choices that they feel to be in the best long term benefit of their investment objectives.

I strongly feel that the obligations placed on Exempt Market Dealers and us as Dealing Representatives with respect to KYC & KYP Due Diligence do a far better job to protect investors from fraudulent schemes than simply limiting the investment room. Additionally if the Issuer is willing to provide investment disclosure via the regulated Offering Memorandum investors should have the freedom to decide the amount of capital that they would like to invest in the private space.

Please reconsider adopting the Alberta regulations as they have been operating for some time & will work far better for the individual investor than what is currently proposed, and respect the constitutional rights of Canadian investors!

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 [REDACTED]

Appreciatively,

Benjamin Crocker

CC:

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