EXEMPT EXPERTS

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

June 18, 2014

Re: Request for Comment on Proposed Amendments to NI 45-106.

Dear Sir or Madam,

Thank you for the opportunity to comment on the proposed changes to NI 45-106.

Exempt Experts believes the exempt market is a key part of an effective capital market, filing the gap between traditional bank financing and the public markets. To this end, we applaud the proposal to implement the Offering Memorandum ("OM") exemption in the Ontario marketplace.

However, while we support the adoption of the OM Exemption, we disagree with the proposed limits on investment. We think that the advisor/dealer oversight introduced recently in NI 31-103 should be given time to work. This structure, regulating the advisors rather than dictating investment limits, has been acknowledged by the regulators as an appropriate method of managing the public markets. Unless and until there is substantial evidence these regulations are not providing sufficient protection for exempt market investors, we believe investment limits are an unnecessary intrusion into the personal finance decisions of Canadians.

Given the broad range of circumstance of investors, we believe that suitability and limits should be determined on an individual basis, by registered dealers completing thorough KYC procedures. Exempt market dealers and representatives are in the best position to understand their clients' financial goals, the options available in the marketplace and to provide advice on appropriate investment diversification.

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While there are an infinite number of circumstances where investments beyond the $30,000 limit may be appropriate, a few example of such investors include:

- Young professionals with significant time prior to retirement. Their investment timelines provide for the ability to recoup potential losses and they can therefore afford to place more funds into higher-risk securities, such as the exempt market or public market equities.
- An investor with $800,000 in net investable assets and a $1,500,000 mortgage-free house. The proposed rules would limit this investor to $30,000 per year, ignoring the fact that they are clearly financially healthy and well positioned to assume the risk associated with an exempt market investment of more than $30,000.

Additionally, the OSC, and other regulators, have repeatedly noted their difficulty in stopping investors from lying about their eligibility to invest in a product they would otherwise be locked out of, such as their qualification as an Accredited Investment. We expect regulators will continue to see the same issue if yet another hard cap is implemented.

With regards to restrictions on the sale of securities under the OM exemption, we believe that related party sales should be allowed, subject to appropriate disclosure of the conflict of interest; this would be similar to the situation for first-party IIROC dealers. Dealers and representatives selling related products would still be subject to KYC and KYP requirements, as well as providing suitability advice to their clients. As a result, regulators would be able to initiate disciplinary action against any dealer or representative failing properly serve their clients.

In conclusion, we are happy to see Ontario join with the rest of Canada in adopting the OM exemption, which will allow all Ontarians to invest in the exempt market. However, we caution the Commission against implementing overly restrictive investment limits that will unnecessarily hinder investors' access to an important alternative to the public markets.

Feel free to contact the undersigned at 403.261.7500 with any comments or concerns.

Regards,

Ryan Hoult, CA
CFO