

Dear Madams:

I am writing to comment on the proposed amendments to NI 45-106

I have sold exempt market products in Ontario for 5 years to only Accredited Investors while turning away hundreds of potential clients that don't meet those requirements, but would under the Eligible Investor rules in Alberta & Quebec. I have also sold mutual funds and segregated funds with no requirements for clients to meet in order to invest. I understand the difficulty the OSC has to face to ultimately try to protect the client. Clients should have the opportunity invest in any type of investment whether that is stocks, bonds, GIC's, mutual funds, exempt market products or real estate. Saying this, closer monitoring in all investment platforms should be taken. Ultimately, the client should have the freedom to invest where they please. There are recourses for any fraudulent or false information is provided to a client by an advisor or issuer. As long as full disclosure and transparency is provided, and the issuers meet all requirements stated by the OSC. Then the client has the right to make their own informed decisions. I recently attended the PCMA conference in Toronto, which a couple of OSC members were on the panel, and I commend them for fielding as many questions as they did.

I have a couple of points to touch on:

- Client true portfolio diversification.
  - The proposed annual investment limits for non-accredited investors.
  - Build Ontario's small and medium size businesses to help create jobs.
  - Issuer and dealer combined
  - There should be an option for advisors to be paid to a corporation.
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1. I have come across many investors over the years with what they and any securities commission would call a diversified portfolio, but to only have that diversification to be within the stock market and bond market. Yet, they experienced large volatility and eventual large losses in the public market from 2000 to 2007. And no recourse has ever come to those markets. These clients should have the freedom to invest where they please, just like most pension plan do with a large percentage of their portfolios outside of the equities markets. Everybody has access to financial newspapers and magazines, and they can read for themselves that the so called "SMART MONEY" is doing something that they are not. So, I applaud the Ontario Securities Commission to opening the private capital market to more of the public however cautiously you do it.
  2. The proposed Eligible investors will have an annual limit of \$30,000 per year in the exempt markets. This seems like you are handcuffing me as an advisor in the true level of diversification that I touched on in point #1. A percentage amount of their portfolio would be a true and effective way to control the amount of exposure clients have to every market including stocks, bonds, and exempt. For Accredited Investors there was always a guideline of a percentage base of a portfolio that they could open up to the exempt market, so I believe a percentage guideline would work best for the client. It was brought up at the PCMA that placing a \$30,000 limit rather than a percentage or having like the accredited exemption, may cause a question of fear in a client's mind about the industry. I agree with this statement. There warning disclosures

everywhere in all the documents for a transaction to take place for the client to clearly understand them. These disclosure are more transparent than the ones in the mutual fund documents in mind opinion. So, to have any level of fear on any of the investment platforms, but to single out one of them doesn't seem right. Having levels of cautiousness in the client is positive for all platforms. Suitability and knowing your clients' needs should be the standard on all platforms.

3. Better access to more capital in Ontario would mean more firms from Ontario would be able to raise money in Ontario rather than go to another province to do it or elsewhere, which would lead to help building the economy here in Ontario with more jobs. There is my political pitch for the past election.
4. I have worked for an issuer that was also a dealer, and now I work with a dealer. I have seen both sides of the fence here, and firmly believe that a firm that is both an issuer and a dealer can't truly see the true meaning of a client's portfolio being diversified. Why, because when you work as a representative for an issuer/dealer you are mandated to get sales and increase those sales as much as possible. Compliance officers will mandate to stay with in a diversified/suitable model for the client. However, when push comes to shove and sales are needed, judgments are easily swayed when you only have one or two products and I have seen this happen. In a dealership model, the representative is an independent and truly has the options available to do what is right for the client.
5. Finally, discussion investment options to clients involves disclosing the tax treatment that each offering provides. Along with discussing the tax shelters (RRSP, TFSA, etc.) available to clients to help them make a decision that would optimize their situation, as every client is different. Other professionals like doctors, lawyers, and accountants have the ability to optimize their situation when being compensated for their work by their clients. When I pay my accountant to do my tax return, I write a cheque to the corporation and not the individual. I firmly believe that professionals in the investment industry should have the same option. It's hard to educate the clients to help them optimize their tax situation, when I am left without the option to help myself.

If you would like further elaboration on my comments, please feel free to contact me at [tyler.mccabe@pinnaclewealth.ca](mailto:tyler.mccabe@pinnaclewealth.ca)

Tyler McCabe

Private Equity Market Specialist

Pinnacle Wealth Brokers  
1101 Prince of Wales Drive, Suite 115  
Ottawa ON K2C 3W7

Cell: 613-859-1696

Email: [tyler.mccabe@pinnaclewealth.ca](mailto:tyler.mccabe@pinnaclewealth.ca)