

RE: OSC Proposed Prospectus Exemptions and Proposed Reports of Exempt Distribution in Ontario

June 20, 2014

British Columbia Securities Commission
Attn: Mark Wang
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The Secretary
Ontario Securities Commission
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comments@osc.gov.on.ca

Minister of Finance
Honorable Joe Oliver
Department of Finance Canada
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The Honorable Michael de Jong
Minister of Finance
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Dear Sirs/Madams:

We are writing to comment on the proposed amendments to NI 45-106. We support Ontario in their efforts to open up the markets to allow for an Offering Memorandum Exemption; however we do have a few concerns about the proposed annual investment limits for non-accredited investors as well as the proposal restricting Exempt Market Dealers from being able to sell securities of related Issuers.

The Ministries of Finance of British Columbia and Ontario are drafting new securities legislation of their own which will transfer securities regulation and oversight to the new regulator (CCMR). Harmonization of securities regulation and oversight between British Columbia and Ontario is the goal of the new regulator in advance of July 2015. The Prospectus Exemptions and Exempt Market changes will most likely form the basis of CCMR and therefor this issue is very important and relevant to BC investors and dealers.

Fisgard supports the creation of CCMR especially in areas that enhance investor decision-making through improved investor suitability, oversight and enforcement, common standards for Offering Memoranda and consistency in marketing and advertising. These are the areas that the proposed changes should focus on.

We do not support the regulatory changes as they are presently proposed because they will severely diminish investor rights in British Columbia and put investors in Ontario at a disadvantage.

Registrants

Fisgard does not agree with your proposal to prohibit "related party issuers". Investor protection is better handled through proper disclosure, KYP, KYC, client suitability, risk acknowledgment, and common standards regarding OM's and regulatory oversight. This proposal is taking a step back from NI 31-103 that was only implemented a few years ago. As a leader in our industry Fisgard supports registration for all companies wishing to distribute securities utilizing the OM exemption.

As the first Mortgage Investment Corporation (MIC) in British Columbia to become a registered Exempt Market Dealer we enthusiastically embrace any regime that protects investors. We are proud of the strong and lasting relationships our Dealers have made with investors, developing trust and providing quality personal service.

RE: OSC Proposed Prospectus Exemptions and Proposed Reports of Exempt Distribution in Ontario

Currently consumers go to Ford to purchase a Ford, not a Chevrolet; they go to Royal Bank to purchase Royal Bank investment products, not to BMO; so why would investors not be able to go directly to Fisgard (a related party issuer) when they have been dealing with our representative for many years. Full disclosure on related parties is currently disclosed within the RDI and OM. A possible enhancement would be similar to the MFDA where related party notification is also included on the confirmation transaction.

The OSC has also raised concerns about the role of unregistered finders in identifying investors of securities. We do support prohibiting the payment of commission's and finder's fees to any person, other than a registered dealer, in connection with a distribution. We do not feel that this will negatively impact the industry for raising capital.

Investor Qualifications

We do not support nor agree to the net asset and net income tests in anyway if an investor is dealing with an Exempt Market Dealer. Therefore there should be no category for eligible or non-eligible investors. The tests are very wide ranging, not applicable to and in many cases detrimental to individual circumstances. Suitability is determined by more than just net worth or income levels. Making sure the investors receive complete disclosure and are fully aware of the investment, the risks, their suitability and their risk acknowledgement are paramount for each and every investor and their specific circumstances.

Investment Limits

We do not support investment limits on the amounts that an individual investor can invest under the OM Prospectus Exemption. Investments are specific to an individual and suitability is determined by the Exempt Market Dealer and the investor. To arbitrarily impose limits is detrimental to clients that have chosen to diversity in the Exempt Market.

The implementation of NI 31-103 with its emphasis on Client Suitability has had a very positive effect on the industry and provided excellent guidelines for investment selections and suitability. There is great concern that by providing a cap on an investment an investor will not be properly diversified nor will they be able to reinvest existing capital into the Exempt Markets when they choose to do so.

We are also extremely concerned that imposing annual investment limits for non-accredited investors would negatively impact current and future investors. Investor rights will be diminished and this will also restrict the amount of capital that can be raised through the Exempt Market. There is no concrete data that demonstrates that the Exempt Market investments are a riskier investment than other products such as mutual funds or stocks, yet there are no proposals to limit investment amounts being made in either of these industries.

Point of Sale Disclosure

Investor protection is an important component of this proposed regulatory change and we therefore support a standardized Offering Memorandum including **Audited** annual financial statements. We also recommend adding a new standardized practice of disclosure in the OM and Websites around "**All Active Funds**" defined as Funds that currently having investors holding any shares in the portfolio assets whether or not they are raising capital (assets should include Real estate and any other investment of the fund – partnerships, corporate shares, etc.).

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Disclosure should include all funds within a MIC (regardless of Manager) **and** disclosure of all funds that are “managed” that are from related companies and/or related persons of the voting shareholders, corporate directors or management of the MIC. Our view is transparent and full disclosure is essential to show the key risk metrics that an investor should be aware of for each fund is.

Ongoing Information Available to Investors

We support ongoing disclosure for issuers that have used the OM Prospectus Exemption to include such mechanisms as the proposed requirement for **Audited** annual financial statements. We feel all financials should be audited no matter what the size of the company.

We would recommend a similar requirement of the MFDA for dealers to send out an annual fund facts document and make available the current OM (if currently raising capital) at the investor’s request.

This submission is made on our own behalf.

The OSC has shown leadership in proposing the OM Exemption and we feel it will have a positive effect on Ontario’s and BC’s economic growth; it will increase the market opportunities for issuers and dealers across Canada and most importantly, improve the investment options and increase disclosure for investors. As with any new proposal, industry and investor feedback is crucial for success and again the OSC is looking for constructive feedback to the initial proposal.

We feel our response provides support for many elements being proposed. We have also provided positive solutions in areas we feel are not in the investor’s best interests, specifically the annual investment limits for non-accredited investors and the restriction to Exempt Market Dealers from being able to sell securities of related issuers.

If you have any questions or would like to discuss further please contact anyone listed below.

Yours truly,

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