CRANSON CAPITAL SECURITIES

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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 use of the offering memorandum exemption in an attempt to open up the exempt market for further activity from investors across Ontario that have an interest in investing in private transactions but do not meet the current accredited investor regulations.

Cranson Capital Securities Inc. (Cranson) is a registered exempt market dealer that has experienced great success in raising capital from accredited investors while maintaining a strong compliance culture. Cranson raises capital almost exclusively through the accredited investor exemption primarily for issuers in real estate, technology and other high growth sectors. We believe that the exempt market is very important for small and medium sized enterprises (SMEs) who have limited access to institutional investors and the public market. The Private Capital Markets Association of Canada recently stated that SMEs account for over 50 percent of job creation in Canada and the introduction of this OM Exemption seems to be a very positive step in giving SMEs and investors access to new capital and opportunities. We commend the OSC for making this crucial step in the advancement of the exempt market in Ontario.

However, the proposed regulation has caused us great trepidation in our excitement for the OM exemption. Our concerns relate to a few key considerations 1) the $30,000 annual investment limit for eligible investors, 2) no commentary related to the prescribed form of the offering memorandum and 3) prohibition on proprietary products of related issuers.

We commend the OSC in its decision to open up the exempt market to a larger group of investors – the 'eligible investors'. This helps put Ontario investors onto a more even keel to investors in all of the other provinces across Ontario. However by placing a $30,000 cap on these newly eligible investors, you are restricting the potential

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investment opportunities available to them from the exempt market space. For a firm like ours where we have spent much effort in building a compliance-focused culture, we feel that we have the capability of assessing a client's suitability for an investment and should not be bound by an arbitrary cap.

Limiting investors who are categorized between the threshold level of an eligible investor and an accredited investor hinders their ability to diversify their portfolio. Further, how can the government group all individual eligible investors into one homogeneous cohort when everyone qualifies through a variety of tests and invest for different purposes. Suitability tests and dealing representative training are in place for this exact reason and therefore an investment limit is not necessary.

As the baby boomer segment of our population continues to age and more enter into retirement, investments are an important means to income. An exempt market investor with a current accredited status (based on income) may lose this status when they retire, due to a reduced earned income. If this investor falls slightly short of the accredited investor liquid asset requirements, but is still capable of investing more than $30,000 per year in EMD products, why should they be restricted? What if their retirement income is dependent on the yields generated from their exempt market investments? Without the opportunity to continue investing in the exempt market space, how can such investors continue to grow their portfolio or cover living expenses?

The OSC assumes that this OM exemption will assist start-ups and SMEs in raising capital, but many of these firms cannot afford the cost that comes along with the production of the prescribed form of offering memorandum that exists in other provinces. Depending on how much capital is raised, an OM may not be financially viable. Perhaps offering a simplified version of the OM for those firms who raise smaller dollar amounts at a lower cost can be created in order for all sizes of firms to benefit from this exemption.

The OM Exemption also precludes relying on related issuers as there may be higher conflicts of interest that hinder appropriate KYC, KYP and suitability assessments. In many situations, the SMEs that we work for cannot afford to compensate us through cash fees or the transaction is too small to make sense to do the required work (including due diligence and KYP procedures), so we take compensation through equity to provide us with significant upside if the company performs. Once we, as the registrant, become an equity holder of the issuer, it would then preclude us from using the OM exemption for any future capital raising for this issuer because they would be considered a related party. NI 31-103 already calls for significant conflict of interest disclosure and we feel that this is adequate and the decision to bar related party issuers being able to use the OM exemption will be counter-productive.

I believe that these proposed amendments to NI 45-106 will impede the growth of the EMD space when the focus should be on growing and expanding this sector to help SMEs raise capital, boost economic development and create jobs.

This submission is being made on behalf of Cranson Capital Securities Inc., a registered exempt market dealer.

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

Regards,

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President, UDP, CCO, Cranson Capital Securities Inc.

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