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and

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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.

As an Exempt Market Dealing Representative who joined the industry in September, 2010, with the adoption of NI 31-103, I am extremely disappointed to hear of the proposed amendments to limit investments for non-accredited investors to \$30,000 per year. There are numerous negative consequences to adopting such an amendment.

For Ontario to add a modification of a \$30,000 limit per year in allowing non-accredited investors to start participating in the Exempt Market is a good first step forward, but the addition of the same limit in other provinces would be a significant step backwards. Many small businesses are reliant upon raising funds in the Exempt Market in order to execute on their business plans and many of these companies could end up eventually going public, thereby sustaining the growth in the markets.

I focus my time and attention to providing my clients with product and investment suitability advice. A client with \$400,000 in assets is treated differently from a client with \$800,000 of assets. As a dealing representative, I review the client's current and future income, investment knowledge, fixed and financial assets, asset mix, financial goals, risk tolerance and investing preferences.

Many of my clients are looking to the Exempt Market in order to provide them diversity away from the public markets. Many of my clients are tired of losing their money on the public markets, either through stock purchases or through mutual funds. I am able to assist my clients in achieving their financial goals and objectives through the addition of the Exempt Market in their investment portfolios.

A \$30,000 annual investment limit would restrict my ability to provide my clients with a well-diversified portfolio of Exempt Market Products. Most of my clients are extremely pleased with their overall investment returns and want to invest more within the Exempt Market. As the products are becoming stronger and corporate governance is strengthening, why should we be limiting how much an investor wants to invest in the Exempt Market? I completely understand restricting the percentage of net financial assets that can be invested in any one product, but to limit the amount an investor can CHOOSE to invest in the Exempt Market is unfair and unconstitutional. My clients are CHOOSING the Exempt Market over public markets because they see the opportunity to diversify, enhance their overall returns, and hopefully achieve financial freedom. This is something that they have not been able to accomplish through the public markets.

The freedom to invest in Exempt Markets should not be limited to the rich. Building an investment portfolio should be individualized and permit options to satisfy the needs of the investor. Further, Exempt Markets help to shelter investors from the fluctuations within the public sector.

The Exempt Market is now regulated under NI 31-103 and many improvements have come with regulation. Exempt Market Dealers are putting more and more pressure on ensuring Product Issuers are of high quality with good management and governance. In addition, policies and guidelines within the Exempt Market Dealers restrict how much of a client's financial assets can be invested in any one product. Protection of our clients' equity is of prime concern. Every client dealing with a dealing representative goes through a suitability review. This cannot be said for investors who are investing in penny stocks or other publicly traded investments. It also cannot be said for investors who invest in companies through the Northwest Exemption. Many Exempt Market Dealers in Canada have invested significant capital in order to establish and grow a strong and fiscally sound Exempt Market. Policies and procedures established within the Exempt Market Dealers are helping to protect investors and satisfy the needs of NI 31-103. Contribution limits will put constraints on the growth of Exempt Market Dealers and could have significant negative ramifications on survivability.

In order to provide my clients and other Albertans and Canadians with the flexibility of building a holistic portfolio based on investor suitability, the proposed amendments cannot be adopted. Individual decisions should be based on personal choice, income, net worth, risk tolerance, investors' goals, preferences and sophistication. They should NOT be based on an arbitrary limit set by regulators. I also question whether the Securities Commission even has the right to dictate a cap on the amount of funds an investor can put into a particular asset class.

Please remember that there are currently many investor protection mechanisms in place, such as:

- Know Your Client
- Know Your Product
- Client Suitability Obligations
- Suitability discussions between the client and the dealing representative
- Approval of transactions by a Compliance Officer
- Policies and procedures of the Exempt Market Dealer
- Regular reviews conducted on Issuers by Exempt Market Dealers

Limiting the annual contribution into Exempt Market Products for non-accredited investors is unfair, unrealistic and against the very fiber of a free world economy. There are better ways at helping to protect investors, such as elimination of the Northwest exemption, limiting exposure to the investment in any one product to a maximum percentage of Net Financial Assets, and ensuring investments are being made using a suitability assessment and education from a Dealing Representative. NI 31-103 has already brought in significant changes to the industry and we continue to see the industry strengthen and provide exceptional investment opportunities for investors.

I hope you will reconsider the proposed amendment to limit contributions by non-accredited investors and not adopt such a backwards moving amendment, and allow the industry to continue to grow and strengthen, as it has over the past 4 years.

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 farouk.haji@pinnaclewealth.ca or [REDACTED] (cell).

Regards,

Farouk Haji, B.Sc. Pharm
Dealing Representative, Branch Administrator
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CC:

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