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The Secretary
Ontario Securities Commission
20 Queen Street West
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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. I am strongly opposed to a “one size fits all” annual investment limit.

I have been an advisor in the private market space since 2008. I experienced the introduction of the exempt market while working for a private real estate investment company, who then became their own EMD. I have since worked with two other EMD's currently a representative for Pinnacle Wealth Brokers.

I feel one of, if not the most important part of my job is determining client suitability. The reason this is so important is because every investor's personal situation is so very different in so many ways from risk tolerance to investment knowledge, assets, income, family and business. The idea of an annual limit for all investors goes against everything we know and practice in our businesses.

I believe investors should have the choice of where they want to invest their money. I know many of my current clients would be outraged by an imposed limit. Unable to move more than \$30,000 a year, investors with greater assets are forced to hang onto underperforming public market investments or sit in cash.

An investor that has \$30,000 in financial assets has a much different profile than an investor who has \$900,000. To recommend a rule change that suggests these two investors should invest in the same fashion doesn't make sense. They are clearly in very different financial situations and should be allowed to decide how and where they would like to invest their money.

My parents for example, have made more money on their exempt market investments in the last two years than they had made on their mutual funds with the large financial institutions, over the last 25+ years. They were worried about having to work longer than they planned on. Had they only been able to invest a total of \$60,000 over the last two years, the majority of their money would still be in the underperforming mutual funds not making much and at the risk of dropping in value given the volatile nature of the public markets. They are much better off today having had the ability to invest a large portion of their investable assets in exempt market products.

Today we have the majority of their funds in a well diversified exempt market portfolio. They have experienced great returns and have even had investments mature where they received their original principle plus profit back in their hands. They of course wanted to turn around and reinvest this money in the same type of investments that had made them such a great return in the first place, the exempt market.

Setting a limit like \$30,000 a year on the amount people can invest in the exempt market makes absolutely no sense. If it was a percentage that would at least make far more sense, but still doesn't make sense in my mind. It doesn't allow investors to decide what they want to invest in, forces investors to only investing in the public market, prevents diversification, and doesn't take into consideration that investors have different needs and goals. This rule change wouldn't regulate the EM it would just stop people from investing in it, so there would no longer be a need for regulators. The industry would die off fairly quickly as EMDs and dealing reps wouldn't be able to survive.

Diversification is a very important aspect when it comes to portfolio protection. I could see rules put in place where EMDs are force to comply with maximum percentage amount for any one individual exempt market investment. I don't believe it would be a hard and set rule for every investor but for the majority. If investor were limited to only investing 10% of their financial assets into any one exempt market investment, then this would work well for ensuring a high level of diversification. I still believe that suitability should override a rule like this. For a 30 year old with \$25,000 to invest they are likely to have the time frame and risk tolerance to invest half of their portfolio into one exempt market investment.

All regulated investing requires investors must go through the know your client process to ensure that an investment is suitable. We currently have this process in the EM and I think it works just as well in this market as it does in all others. I believe that this is sufficient and allows regulators to watch over things and ensure that an investor's investment is in fact suitable to their personal situation.

As with all investments, not all are going to be big winners and this is a risk that I take as an advisor, and that my clients take as investors and this is why we focus on diversification within their portfolios. But this risk is not exempt market specific, with the public market or any other type of investments, there will be winners and there will be losers. So, to put a limit on this one exempt market sector just doesn't seem fair. People should have the right to choose what they are most comfortable with.

I also worry that this change would encourage advisors to be transaction focused, one and done type advisors always looking for their next \$30,000 transaction because they are not able to do

greater overall portfolio planning for clients, given that they are now only managing such a small portion of any given clients portfolios. This advisor mentality is not good for the investors. Currently, when a client has more money to invest, or an investment matures we sit down and take a look at the overall picture and talk about options and work together on a plan for the funds. Advisors would not be motivated to continue this great service if they knew they couldn't do any business with the client until next year. Only being able to invest \$30,000 per client each year I fear would entice advisors to place the funds in the products that pay a higher commission, which are usually the higher risk options.

In summary I don't believe it's the regulators job to regulate the investor, but to regulate the EMDs and their representatives to ensure all trades are compliant and suitable. I believe investors should have the right to choose where and how much of their money they invest into any sector. Investors find comfort in investing in things they understand and if they feel they understand the exempt market, then they should be free to invest as they wish.

Thank you for your time and consideration in reading this letter. If you would like clarification or elaboration on my comments, please feel free to contact me at kate.broste@pinnaclewealth.ca

Kind Regards,

Kate Broste

Dealing Representative for Pinnacle Wealth Brokers