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cc: Cora Pettipas, NEMA (cora@nemaonline.ca)

Re: CSA and OSC Proposed Amendments Relating to the Offering Memorandum Exemption

Dear Sirs and Madams:

On behalf of our Exempt Market Dealership, Pinnacle Wealth Brokers Inc, we are writing to comment on the proposed amendments to NI 45-106, responding to requests from both the OSC and that of the CSA Multilateral Notice of Publication as supported by the ASC, FCAA, AMF, and FCNB.

Pinnacle Wealth Brokers has established itself as Canada's largest distribution network of Dealing Representatives who have registered with their provincial securities regulators and follow the guidelines of 31-103. As a leadership team, we believe in the importance of the private capital markets, and the integration of alternative asset classes as suitable to the individual circumstance, into proper portfolio development. We invest in private investment opportunities personally and have positioned both friends and family into these investments. As a Dealership, our primary concern is investor protection and transparency, as we believe that ongoing client relationships are the lifeblood of our business; therefore we

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would submit to yourselves as the regulatory authorities, that our goals and intentions are aligned with the Commissions.

We will address specific requests for comments as requested in the OSC proposal and the separate CSA Proposal and provide appropriate referencing to these documents.

Specific Requests For Comment – OM Prospectus Exemption:

1) **Making the OM exemption a useful financing tool for start-ups and SMEs -** The OM exemption has had little exposure to the general marketplace and has been largely an unknown option. Having the OM Exemption available in Ontario and thus consistent throughout Canada, will assist in creating general awareness. This option still needs to be recognized as a viable alternative for many issuers that are raising capital in the public. Many startups and SMEs are not aware of the availability of such option, nor the rules surrounding participation, so an awareness campaign should be considered. It is important to note that if there is encouragement for startups and SME's to participate, this will require broader market adoption than could be sustained with the imposed annual limitation on investor participation

2) **Limitations on the amount of Capital to be raised by non-reporting issuers –** We believe this to be a very interesting question that merits consideration on a number of fronts. We have witnessed issuers who gain market awareness and position clients in numerous iterative product offerings. We also see issuers whose business model relies on a significant amount of capital to achieve economic viability. Industry Canada defines a medium-sized business as one with fewer than 500 employees. What amount might a business this size need to raise? We don't believe a simple fixed limit is appropriate to be imposed. We do agree that those issuers whose business model is to raise capital for iterative offerings, should be limited to a set limit of either offerings or capital, not for a lifetime, but until successful exits of investor capital has occurred. We would also ask the Regulators to consider a separate form of registration, whereby non-reporting issuers, are subject to a form of scrutinization and oversight (a limited reporting issuer concept), so that the Regulators have greater authority over such issuers than is currently available.

3) **Varying the requirements of the OM Exemption for different industries or sectors –** We agree with this concept and believe that disclosure requirements may need to be specific by industry. We are seeing more and more varied sectors becoming represented in the Exempt market and with the arrival of these new sectors, greater disclosure requirements and clarity of business plan would assist in market understanding.

4) **Considering Tailored disclosure requirements in a secondary review or concurrent with current Introduction of the OM -.** As a market participant, continually evolving rules are difficult to constantly move into an operational process. As such we would strongly encourage tailored disclosure requirements to come out concurrently with the current OM exemption adoption in Ontario in order that we, as market participants, can build our controls immediately.
5) 5**) We are proposing to specify types of securities that may not be distributed under the OM Prospectus Exemption, rather than limit the distribution of securities to a defined group of permitted securities. Do you agree with this approach? Should we exclude other types of**

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securities as well? – We feel more information should be shared with background data before a change here should be made.

6) **Should there be exclusions of certain types of securities in order to prevent complex and/or novel securities being sold without the full protections offered by a Prospectus** – We would not agree with this rationalization. If it makes sense for an issuer to utilize certain types of securities which may make the offering more complex, yet at the same time make it a better or more sound investment, then they should have the same opportunity that a prospectus has. What is critical in this scenario is that the necessary disclosures and clear understanding of the instrument are made available to investors. Exempt offerings are normally too small to justify prospectus level costs, and with the proper understanding, disclosure and documentation, we would contend these are appropriate in the exempt market.

7) **Offering Parameters** – It is our opinion that the current OM Prospectus Exemption available in other jurisdictions is satisfactory in this regard, and we do not believe that limits should be set on the Offering Period. We believe that the time frame of an Issuer raising capital through the OM exemption should be determined by their business model, their need for capital from a timing perspective, and clear communication of these items through proper disclosure and transparency. With the current regulations and guidelines, "stale dated" Offerings can be monitored by the Dealerships offering them, to ensure investors are receiving proper disclosures.

8) **Registrants – Prohibition of registrants that are "related" to the issuer** – Fundamentally, we do agree with the proposal given the inherent underlying conflict of interest present, in assessing suitability. We do believe that an immediate implementation of this change would potentially create significant issues for those offering providers involved in a current capital raise and could adversely impact partially underwritten business plans or offerings, thus jeopardizing investor capital (funding risk). We recommend a clear system of disclosures for related issuers in both the exempt market and the public markets. When Banks sell their own mutual funds the conflict it is clear to the consumer. Related issuers in the exempt market could utilize a 3rd party underwriter.

9) **The Role of Unregistered Finders in the Exempt Market** – We do not share the Commission's concerns regarding the utilization of unregistered finders, where such finders are strictly restricted to providing an introduction to a Registered Representative. We feel this should entail restrictions where Unregistered finders DO NOT attend client meetings in assessing suitability, are clearly transparent in their introduction of the client whereby the client knows a referral fee is being garnered, and the client clearly understands that their relationship as to the suitability of an investment to their portfolio is with the Registered Dealing Representative and the Dealership, NOT the unregistered Finder.
10) **Proposed Change to the Net Asset test to Exclude Primary residence and reduce threshold to $250,000** – We do not agree with the proposal in the manner it has been expressed. While eliminating the primary residence does make sense to us, we would put forward that a consistent application of "Net Financial Assets" as defined in the Accredited investor category is utilized

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rather than "Net Assets", and that the threshold limit be further reduced down to a level of $100,000 of such Net Financial Assets. Below such level, we believe the $10,000 Non-Eligible limit is suitable, but for investors with even $100,000 in Net Financial Assets, we believe investors should have the right to allocate more than 10% of their portfolio to various private investments.
We are concerned that if the regulators restrict general Canadians ability to invest like the wealthy the separation gap between the wealthy and the average investor will continue to grow.

11) **Expansion of the category of Registrants qualified to act as an Eligibility Advisor broadened to include EMD's** – We strongly believe and would petition that an EMD is the most informed Advisor on the products it agrees to distribute, so put forward that the EMD should definitely qualify as an Eligibility Advisor. Many current Registered Investment Dealers, Lawyers, and Accountants that an average investor would approach are much less familiar with the OM and risks surrounding these investments and often have not had the opportunity to perform extensive KYP requirements on such offerings. It has been our experience, that it has been very difficult for investors to currently find an Eligibility Advisor even willing to give advice for these reasons.

12) **Investment Limits on the amounts individuals can participate in the Exempt Market** – As personal investors, Market Participants, and average Canadians, we are vehemently opposed to the fixed dollar limits which have been proposed for introduction. The proposed **limits of $30,000 for Eligible Investors fixed at once per year among ALL prospective Exempt Offerings is neither fair nor constitutional, as it would be taking away personal freedom of choice.** As Canadians, in a country where the banks routinely advertise Home Equity Lines of Credit, we have the freedom to make retail purchase decisions for large ticket purchases such as automobiles, exotic vacations, and real estate purchases. We can choose to gamble to excess and we can open a discount trading account to randomly decide on public securities, participate in high frequency trading, or purchase pre earnings Over the Counter stocks which have negligible trading volume.

The introduction of NI 31-103 put a mechanism of oversight in place to protect investors from historical ponzi or promotional marketers of alternative investments. We believe that NI 31-103 is effective and should be allowed the necessary time to mature in the market place. We believe the Commissions are grossly overstepping the boundaries of regulatory protection in this regard, with the current proposal. We can agree on limiting an investor's concentration risk in any single investment, but categorizing all private market opportunities, SMEs and Start Ups as the same is completely unreasonable. This is a massive market which stimulates the Canadian economy and investor options are growing quickly.

As Market participants, both our Dealership and our Representatives are deeply affected, disturbed, and irate at incidences of Product issuer's taking advantage of an average investor. NI 31-103 implemented many control measures that have proven to be very effective in protecting investors while still allowing small business to raise capital, be more profitable, pay more taxes, and create more jobs. At Pinnacle we have a comprehensive compliance training and review process that aligns investors with investment options that are suited to their risk tolerance and time horizons. Many investor protection mechanisms have been implemented as a result of the regulations and are already in place at the point of sale, such as:

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- 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

As a Dealership, the implementation of the proposed limits, will severely impact our ability to effectively provide the above mentioned oversight mechanisms. Currently, our Dealership advocates diversification of Exempt products within an individual's portfolio. At the same time an average trade ticket in the Exempt market is currently in the $25,000 - $30,000 range. With an overall limit imposed at the proposed levels, Dealerships will not be able to effectively diversify clients' Exempt holdings, without incurring significant costs in attempting to review small dollar transactions, which will not be economically viable for the Dealership. This by necessity will thus cause additional costs of issuance, to cover Deal processing costs, putting adverse pressure on client yield relative to the risk of the offerings.

Our dealership, to our knowledge, currently has only 1 filed complaint to do with only 1 of our 140 representatives. This complaint stems from activities prior to his tenure with our firm, and the individual has been under strict supervision by our Dealership. We have almost 5000 new clients since October 2010. We believe that the requirements placed on our Dealership through NI 31-103 are effective and are working. We do question how many complaints regulators may be getting from clients dealing with sales people not registered like those under the NW exemption available in Western Canada? We realize that Ontario has not participated in the NW Exemption, but place this comment to our Principal Regulator in Alberta, in that perhaps the 30k/yr cap should be imposed and limited to those not following new regulations. (Or stop allowing untrained, non-registrants to sell securities). We believe that this would be a better, more equitable solution than punishing all those dealers that went through substantial time and expense to adhere to regulation and built controls, processes and procedures to demonstrate suitability.

It is our position that ANY annual investment fixed dollar limit imposed, would not be in the best interest of Canadians and this suitability requirement should be left with the Dealers and representatives that actually do <u>know the client</u>. We believe our category of registration should be fair and consistent with that of IIROC and the MFDA. If this goes through, would you propose that fixed dollar limits are set for those dealers as well? Imagine the impact to investors, dealers and the economy…

SOLUTION – Fundamentally, we believe in an open market where investors have the freedom to decide what is right for their circumstance and portfolio. We do understand the necessity for protection mechanisms to safeguard individuals from predatory sales practices, shysters, and criminals. From a protection standpoint, we believe that focus should be on a product by product basis and NOT on the entire Exempt Market Sector. We do believe that proper portfolio management limits the percentage of net financial assets that should be invested in any one product (public or private) and believe it would achieve your goal if a consistent market application limiting

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the exposure to any one product, as a percentage of Net Financial Assets, were imposed. To limit the amount an investor can invest in the entire Private Market is unfair and unconstitutional. Our clients have chosen to diversify into the Private Market along with the traditional public markets, specifically because they see the opportunity to diversify, enhance their overall returns, and achieve their personal financial goals.

This is something that they have not been able to accomplish through the public markets alone. Restricting an investor's ability to invest only 30k/yr is unsatisfactory to someone with a 400k to 999k portfolio. This doesn't allow the appropriate diversification that the successful pension and endowment funds use and investors look to emulate.

While there will still be failures – both in public and private markets – the solution is not imposing arbitrary investment limits, but rather developing a more active, yet sensible culture where regulators, dealers, representatives, and investors perform greater due-diligence and demand strong corporate governance structures and processes that align management with investors; where advisors follow responsible guidelines for Know Your Client, Know Your Product, and Client Suitability – all of which the Exempt Market industry is currently practicing and continually enhancing for the long-term benefit of all parties involved.

The imposition of investment limits as proposed would increase costs for administration, compliance and reporting, which will result in investors incurring higher fees and lower returns. This would be a function of the higher volume of investors required to raise capital for each project. From market experience, one defined truth is that smaller investments still require an equal amount of service.
A secondary outcome of such investment limits may be that more experienced and educated Dealing Representatives will migrate out of the industry, as they wont be able to earn competitive incomes. This will undoubtedly cause more harm than good to Canadian investors, which the regulators are attempting to protect.
The Dealing Rep's that remain in the industry will not be able to offer some higher quality offerings that have higher minimums. (Sometimes 50k or more which may be suitable for someone with 500k+ of liquid assets or a high income) It would also restrict their ability to diversify investor's portfolios.
At the same time the Dealers that are currently making positive strides in the industry will lose necessary revenue, impairing their viability as a vital component of the regulatory regime in Canada.

From an economical standpoint, the proposed limits do not take into account the earning potential, sophistication, or investible assets of the individual, and therefore the individual needs of the investor. They assume an absolute level of risk when in fact risk is a relative consideration. Please reconsider something fair for Canadian investors such as our recommendation of a limitation by product issuance, as a % of net financial assets.

13) **Blind Pool Issuers utilization of the OM Exemption and usefulness of specific disclosures related to Blind Pool offerings** – It is our experience that many issuers come to the market with a business plan looking to capitalize on a current market condition rather than a

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specific underwriting, and thus propose a blind pool offering. The utilization of a Blind Pool style of offering is appropriate in these circumstances, as long as the business plan and mandate clearly articulates the requirements and attributes of the assets being brought into the pool. We definitely believe that specific disclosure requirements for these types of offerings would be beneficial for investors. Subject assets being acquired into a blind pool should be disclosed as acquired, with specific disclosure to both invested and future prospective investors, indicating the attributes of the acquired asset and disclosing how it meets the investment mandate.

14) **Potential tools to encourage OM's to be drafted in a manner that is clear and concise** – Regulatory guidance and structure specifically targeted to concisely provide prospective investors with the understanding of the product, its business model, and risks (KYP requirements)

15) **Requirement for Marketing materials to be incorporated by reference into the OM** – As a Dealership, our current onus of responsibility entails our compliance department to review all marketing materials put forward by an issuer through our distribution channels, to ensure consistency with the Offering Memorandum. We find this extremely onerous, and are continually concerned that liability for misstatements may be directed back at the dealership, rather than the issuer who created such documents. We are strongly in support of incorporating the Marketing materials by reference into the Offering Memorandum

16) **Requirement for Issuers to provide ongoing disclosure and Audited Financial Statements** – We believe that this should be a regulated requirement for issuers relying on any of the exemptions in 45-106 to offer Private Securities to the public. Our experience has been that Issuers are willing to provide continuous disclosure during the Capital raising stage of the project, but after the capital is raised and prior to exit and return of investment, we as a Dealership, have no leverage to ensure that an Issuer provides ongoing Financial updates or material changes to us as a Dealership or our investors. This is an ongoing concern for us, as our fundamental belief is that our Representatives are relationship based with their clients (investors) and NOT merely transactional sales people. As a result, we spend significant time, energy, and expense, following, pursuing, and monitoring issuers we have raised capital for historically, to provide insight and updates to our investor clients.

17) **Events for which non-reporting issuers must notify security holders within 10 days of occurrence** – We agree that all the events listed in the proposal need to be disclosed to investors, however we would suggest that simple disclosure of such material events, is inadequate in and of itself. Investors relying on the Offering Memorandum to make an investment decision on an illiquid investment need to have assurance that the issuer will not deviate from the stated business plan in the Offering memorandum. Events as you have listed, may materially change the risk, time horizon, or nature of the investment, and investors should have special rights to have a voice in any such material changes. Too often Offering Memorandum are structured with non-voting rights for the investors who place the capital, yet in such events as these, we believe these should require a special resolution of investors prior to being exercised. As you have proposed, this would let

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investors know of a material change, but would not afford any options, rights, or provisions to avoid the effect of such events.

18) **Other Useful Disclosures -** One suggestion (slightly out of the box) would be to mandate Offering Memorandums hold specific strategies (may be multiple) to specifically exit an investors capital. With this in place, Offerings could create milestone events, along the lifecycle of the project, such that investors can have regular disclosures as the Project continues and meets such milestones. With such a process in place, Investors could have a roadmap of progress in an offering and understand if timeframes are on schedule, ahead of schedule, or behind schedule.

19) **Continuance of providing ongoing disclosure until becoming a reporting issuer or ceasing to carry on business** – We absolutely agree with this proposal and as referenced in Item #16 above, believe that Non-Reporting issuers should be mandated to report to all Investors AND any Dealerships who have raised capital on their behalf until such time as they are Reporting Issuers, cease to carry on business, OR fully exit investors of their investment.

20) **Collection of further information on Category of Eligible investor** – We do not see the usefulness or need for this type of information to be captured and reported. Without understanding specific reasons why this is contemplated, we feel this is overreaching by the Commissions and do not feel the extra reporting is warranted.

<u>The following further questions as proposed by the CSA Multilateral Notice of Publication are addressed as follows;</u>

1. **Under the current framework in Alberta, Quebec and Saskatchewan, both individual and non-individual investors are subject to the $10,000 annual investment limit if they do not meet the definition of an eligible investor. Should non-individual investors, such as companies, be subject to the $10,000 limit if they do not qualify as an eligible investor?**

Please explain?
No, non-Individual investors, such as companies, may not qualify only because of their utilization of tax planning strategies to distribute cash, absorb business losses, reduce taxable income, or move assets out of the corporate entity. As such, they may have more expendable cash and should be allowed to participate if the Principles of the company are, in fact, eligible Investors.

2. **Are there circumstances where it would be suitable for an individual eligible investor who is not an accredited investor and not eligible to invest under the FFBA exemption to invest more than $30,000 per year under the OM Exemption? If so, please describe them.**

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We absolutely believe that there are numerous circumstances where it is both suitable and appropriate for an individual eligible investor to invest more than $30,000 per year. Please reference our response to OSC Question #12 (above).

3. **Given the costs associated with doing so, how likely is it that an individual would create a corporation or other entity to circumvent the $30,000 cap?**

Given the imposition of such a restrictive fixed amount, we believe that there would be a high prevalence of tax planning, corporate structuring and restructuring in order to participate as investors deem appropriate in the Private Capital Markets. We believe that the imposition of such a cap will be a major step backwards, and will in fact, cause investors to find more risky means to circumvent such a regulatory barrier. We are very concerned that Investors will merely move to multiple dealer channels, not fully disclose their Exempt holdings or full financial picture, and take multiple positions thus putting themselves at greater risk in the marketplace.

4. **Investors who do not qualify as eligible investors based on net income or net assets can qualify as eligible investors on the basis of advice from a registered investment dealer. In what circumstances do investors actually seek and receive advice from a registered investment dealer? Does this introduce any complications or difficulties?**

We ask you to refer to our response to OSC Question #11 above. As one of Canada's largest dealerships, we rarely if ever, see files where an investor seeks advise from a "Registered Investment Dealer". As the subject matter Experts, Exempt Market Dealers are better equipped to act in this capacity, and traditional lawyers, accountants, and brokers do not have the requisite industry knowledge to provide this service.

5. **The eligible investor definition includes persons that have a net income of $75,000 and persons that have net assets of $400,000. These income and asset thresholds currently apply equally to individual and non-individual investors, such as companies.**

   a. **Should the $75,000 income threshold only apply to individuals? If so, please explain.**
   As our interpretation of this would be at the Net Income level, we would contend that the $75,000 income level should only apply to individuals. Companies may accrue or incur expenses to facilitate growth, minimize tax liability, and do strategic planning.

   b. **Should the net asset amount exclude the value of the principal residence for individual investors? If so, should the $400,000 net asset threshold be lowered as a result?**
   Please refer to our response to OSC question #10 for our complete response to this question.

   c. **Should pensions be included in the net asset test under the OM Exemption?**

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As expressed in our response to OSC question #10, we would recommend that a consistent application to Net Financial Assets is more appropriate.

6. **The FCAA would appreciate feedback on whether lawyers and public accountants should continue to be considered "eligibility advisers" in Saskatchewan for purposes of the OM Exemption? Please provide the basis for your opinion.**

Consistent with our discussion in response to OSC Question #11, we do not believe that lawyers and public accountants should be considered as Eligibility Advisors given the fact that they generally have little to no product knowledge of the specific issuers involved and will most likely not even provide this service to clients. We believe that only registered Dealerships, who are mandated to understand the specific Product (KYP requirements) through research and due diligence, are in a position to determine suitability to an investor.

7. How common is it for an issuer that relies on the OM Exemption to make annual financial statements available to security holders? After the selling period it is not common at all.

a. How is this done? Are they delivered? It varies. Some are emailed/mailed, and some are posted on a secure website or just available upon request.

b. Are those financial statements typically audited? Not if it is after the selling period.

c. **If the financial statements are not typically audited, is there an auditor involved and, if so, what standard of engagement is typically applied? Notice to reader.**
As a Dealership we have commenced requesting Audited Financial statements to provide us more transparency and disclosure.

d. **Do issuers that prepared financial statements in accordance with IFRS for inclusion in their OMs typically continue to prepare financial statements in accordance with IFRS or do they transition to generally accepted accounting principles for private enterprises (ASPE)?**
Unknown – We have not seen ASPE prepared statements.

e. **Is it common for security holders to request annual financial statements? Do they request audited financial statements?**
As a Dealership we request and review annual financial statements to monitor issuer progress. Less than 20% of investors have been requesting audited financials, although this increases substantially when performance is suffering.

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f. **What do you estimate as the annual cost of preparing the proposed audited annual financial statements?**

In discussion with Issuers we have worked with who are undergoing annual audited statements we believe this cost to be in the range of $30K - $70K per annum

g. **Do you anticipate that issuers will mail annual financial statements to security holders or place them on a website?**
We would anticipate that Issuers will utilize technology as much as possible and place statements and disclosure documents to a form of secured website. We have seen this trending with existing issuers.

h. **What do you estimate as the cost of making annual financial statements available to security holders?**
We would anticipate the % of this cost to be the audit cost as expressed in subsection (f) above, as well as up to a few thousand dollars in annual costs to distribute divided by the size of the offering.

8. **Under the Proposed Amendments, issuers relying on the OM Exemption would be required to deliver annual financial statements until the issuer either becomes a reporting issuer or ceases to carry on business. Are there other situations when it would be appropriate to no longer require ongoing annual financial statements for such issuers? If so, please describe them.**

It is our view, as expressed in OSC item #16, that Issuers also be required to deliver Audited annual financial statements until such time as all Investors Capital is fully returned (exited).

9. **How do issuers relying on the OM Exemption typically communicate with their security holders? Do they maintain websites?**

There is no consistent methodology employed at present by the Issuers currently relying on the OM Exemption. Based on the size and sophistication of the Issuer, there is a combination of approaches including physical mail, email distributions, and posting updates to an Issuer website. As a Dealership, we attempt to always be copied by the Issuers we work with, so that we can also communicate pertinent information to our Representatives and ultimately to our clients.

10. **Should issuers be permitted to cease providing annual financial statements to their security holders after proceeds of a distribution are fully spent? If so, is there a period**

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of time after which it is reasonable to assume that the proceeds of a distribution under the OM Exemption will have been fully spent?

We absolutely do not feel this should be permitted. We feel very strongly that Issuers should be mandated to continue providing annual financial statements and disclosures to investors until all Investors capital is fully exited, the Issuer becomes a reporting Issuer, or ceases to be in business. As more fully described in our responses to OSC Question #16 and #19, we believe this is of great importance to mandate in the regulations.

11. .Should non-individual investors (e.g., companies or trusts) be required to sign a risk acknowledgment form? Please explain. Yes Risk acknowledgement should be consistent.

12. Should "permitted clients" as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Obligations be required to sign a risk acknowledgement form? Please explain.Yes Risk acknowledgement should be consistent.

13. Should non-redeemable investment funds continue to be permitted to use the OM Exemption? Yes, if those investment funds are investing in SME business they should fall under the OM exemption.

14. Are there certain types of issuers that should be excluded from using the OM Exemption? Issuers and individuals that have had past OM's and failed to follow their stated business plan should either be denied or required to seek Securities Commission approval.

15. **Should issuers that are related to registrants that are involved in the sale of the issuer's securities under the OM Exemption be permitted to continue using the OM Exemption?**

We refer you to our response to OSC Question #8 (Above) to address this item.

16. **Currently, most CSA jurisdictions that have an OM Exemption have adopted local blanked orders that permit an issuer to raise up to $500,000 under the OM Exemption without having to include audited financial statements in the OM. Further, the blanket orders permit the financial statements to be prepared in accordance with ASPE rather than IFRS.**

    a. **Should these blanket orders be continued or revoked? Please provide the basis for your answer.**

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As a Dealership, we do not typically work with Offering Memorandums under a minimum of $3M. Given that the legal cost of preparation of an Offering Memorandum ranges from $30K - $100K, we would believe it to be cost prohibitive (From a cost of raising capital perspective) for an issuer to prepare an OM for such a small undertaking. As such we would not be opposed to these blanket orders being revoked.

b. If you believe that blanked orders should be continued, should the same threshold amount be used in determining which issuers are subject to an ongoing annual financial statement requirement or an audit requirement? Please provide the basis for your answer.

N/A, we do not believe the blanket orders need to be continued.

We appreciate the strides being taken by the Regulators to more fully understand the Private Capital markets and their positioning in the retail investors portfolio. We believe that more still needs to be done and as leaders in this industry we are working with other dealers and associations to enhance investor protection. Over the last 10 years a majority of OM's that failed in our space were due to lack of corporate governance within the issuer. Since regulation came into effect on Sept 28 2010, NI 31-103 has gone a long way to reduce the amount of exposure investors have in the highest risk offerings. Each dealer has varying standards as regulation is new and both participants and regulators are better understanding this marketplace.

We would like to work with regulators on solutions that enhance protections and corporate governance within each issuer operating under the OM exemption. This is the one area that can have the greatest impact on investor protection. Our issuers have already voluntarily enhanced their own corporate governance proving the industry is self-correcting problems of the past.

We all know that a larger % of SME will fail than larger public corporations, especially start ups that are common in this space. "In Canada, SMEs such as Energent comprise more than 98 per cent of our economy and generate 43 per cent of private sector jobs, according to Industry Canada. Thousands of these high potential startups are created each year and many more entrepreneurs are waiting in the wings. These companies hold an important key to help us unlock greater productivity."[1] Without those start ups the Canadian economy will eventually collapse. We believe that the retail market plays a vital role in helping to facilitate this sector, and it would be a great mistake to implement investment caps that would effectively stifle and undermine our macro economic fundamentals.

We would like to recommend that the CSA and provincial commissions continue to work with the leaders in the industry to fully establish this regulatory framework. With input from the leaders on the ground, ideas and solutions will be found in a much more efficient manner.

[1] http://www.theglobeandmail.com/report-on-business/small-business/sb-money/valuation/why-so-many-high-potential-startups-fail-in-canada/article5085493/

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If you would like further elaboration on these comments, please feel free to contact any of our Executive team at the addresses listed below.

Regards,

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