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Denise Weeres
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The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: CSA Proposed Amendments to National Instrument 45-106 Relating to Offering Memorandum Exemption

Reference is made to the CSA Notice and Request for Comment regarding proposed amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* ("NI 45-106") and in particular to those amendments (the "Proposed Amendments") relating to the Offering Memorandum Exemption (the "OM Exemption").

I am the Chief Executive Officer for OmniArch Capital Corporation, an alternative investment firm dedicated to developing and providing investment opportunities relating to real estate and asset backed securities through exempt market dealers and to sourcing and investing in venture capital opportunities.

In that capacity, please find below a number of comments on the proposed amendments to NI 45-106. The below comments are not intended to be exhaustive but are limited to OmniArch's causes of concern with respect to the Proposed Amendments. OmniArch is generally supportive of the introduction of the OM Exemption in Ontario but has a number of concerns with respect to the substance of the proposed amendments, in particular:

Aggregate Investment Limits

The Proposed Amendments impose investment limits for both eligible and non-eligible investors that are individuals of (i) $10,000 per calendar year for individuals that do not meet the definition of eligible investor; and (ii) $30,000 per calendar year for individuals that qualify as eligible investors. I do not believe that such investment limits are appropriate or necessary.

OmniArch currently places securities through a network of registered exempt market dealers ("EMDs"). Such EMDs operate in a regulated environment and have been required to be registered with applicable securities regulatory authorities under NI 31-103. Pursuant to such registration requirements such EMDs have existing obligations to their clients with respect to "know your client", "know your product" and suitability obligations. Imposing an additional investment amount limitation on investors who are being advised by an EMD undermines the very purpose of such EMD obligations and provides an unnecessarily restrictive safeguard. The imposition of such an investment restriction may in fact create additional risk for an investor as it may not allow an investor to achieve appropriate diversification in their investment portfolio. Instead, forcing an investor who desires to participate in the exempt market to put their maximum allowable investment into just one preferred investment, rather than allowing for investment in multiple offerings that would have the benefit of diversifying such investor's portfolio.

In addition, the OM Exemption is entirely based upon the premise that any investor using such exemption will have received a comprehensive disclosure document regarding the investment they are making which provides rescission rights in the event that such OM contains any misrepresentation. The OM itself is additionally required to contain current financial information about the issuer, including audited annual financial statements. The whole purpose of such an OM is to allow an investor to make an informed decision regarding the investment. To impose an additional investment restriction on an investor who has already been advised as to suitability by a registered EMD and who has had the benefit of a comprehensive disclosure document and related rescission rights seems unnecessarily paternalistic and may have the unintended consequence of restricting capital to the businesses that depend on it. Imposing such an investment restriction may additionally require that an issuer significantly expand the number of subscribers to an offering in order to obtain the required amount of capital. This significantly expanded base of security holders comes with additional costs and administrative burden to the issuer where management's time and the issuer's capital could be better deployed in growing the value of the issuer's business, for the benefit of the investors themselves. Far from facilitating an efficient capital market, adding an investment restriction in the OM Exemption would in my view unnecessarily constrain the capital markets for no tangible additional benefit.

In addition to the above policy based concerns, logistically, it will also be impossible for any issuer to definitively know whether or not a new subscriber has exceeded the imposed annual investment limits. While inquiries can be made in this regard and representations received from the investor an issuer will have no way to realistically confirm whether such limit has been exceeded.

Eligible Investor Definition

The Proposed Amendments create two different definitions of "eligible investor" depending upon which jurisdiction the offering is being made, with separate thresholds existing in Ontario and New Brunswick from those deemed suitable in all other provinces. OmniArch views this as a negative result and a step back from the positive strides which have been made recently by Canadian Securities Administrators to harmonize securities legislation across the country. We urge the securities commissions to re-examine the need for two separate standards in applying the "eligible investor" definition and would favour the definition proposed by all provinces other than Ontario and New Brunswick.

Ongoing Disclosure Obligations

The Proposed Amendments would require issuers to deliver to investors and the applicable securities commissions: (i) annual audited financial statements; (ii) an accompanying annual notice disclosing the use of aggregate gross proceeds raised in all OM distributions; and (ii) notice of certain changes to the issuer's capital structure, business, significant acquisitions, changes of directors and executive officers and other events. This disclosure would be required notwithstanding that the issuer may have long ceased distributing securities under the OM Exemption. In my view, such a requirement confuses the difference between reporting issuers and non-reporting issuers and imposes an unnecessary administrative and financial burden on non-reporting issuers. Particularly for smaller start-up ventures capital is precious and the costs associated with an annual audit can be significant. I note that existing corporate legislation already imposes a requirement to provide annual audited financial statements unless shareholders have agreed to dispense with that requirement. For the securities administrators to impose such an audit requirement in situations where corporate law does not otherwise require it seems both punitive and unnecessary and may prohibit early stage companies from being able to effectively utilize such exemption to raise much needed start-up capital.

Preferable from our perspective would be to require disclosure in the offering memorandum itself of the type of financial and other reporting that investors can expect to receive and allow the investors themselves to decide whether they are willing to invest in the security with full knowledge of that reporting.

Yours truly,

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