



March 29, 2007

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Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territory
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

RE: RESPONSE TO REQUEST FOR COMMENTS – PROPOSED NATIONAL INSTRUMENT 31-103

Osprey Capital Partners would like to thank you for giving us the opportunity to comment on the proposed National Instrument 31-103.

We are acutely aware that some LMDs have taken a relaxed stance of their compliance obligations and that action is needed to protect investors. However LMDs also play a key role in the funding of junior and developing companies which are a significant source of growth and employment for the Canadian economy. LMDs are also an active source for facilitating foreign direct investment.

We believe that certain requirements under the proposed rule will significantly increase the costs and will likely drive many smaller, currently viable and compliant businesses, such as ours, to question whether or not to continue operating in the marketplace as an Exempt Market Dealer. We further believe that these additional requirements will not enhance consumer protection in any significant way.

We hereby submit the following comment on the proposed national instrument 31-103.

BACKGROUND ON OSPREY CAPITAL PARTNERS

Osprey Capital Partners has been a registrant with the OSC as a Limited Market Dealer since 1998. We offer our Issuer Clients two types of services; financial advisory including merger and acquisitions services; and raising debt, equity and other capital for both private and public companies. For raising capital, we introduce our Issuer Clients to appropriate institutional investors including banks, insurance companies, private equity funds and mutual funds. For this activity we typically receive both monetary compensation and/or broker warrants. While we are registered as an LMD to receive commission and brokers warrants, we also believe the LMD provides some additional credibility to our firm.

We believe that we provide a valuable service to the many mid-market companies that are not serviced by the larger broker dealers or other advisors. We deliver competent and professional advice at a cost that is affordable.

The relevant attributes of our business are:

- We only deal with Issuer Clients
- We are not the referring broker for investors
- We don't receive referral payments from any investors
- We don't receive any investor funds (in trust or otherwise) from investors
- We receive commission and broker warrants from the Issuer
- Investors deal with the Issuer Client directly or through their referring broker
- Investors are all Accredited Investors typically only larger institutions

Our business model is not unique and we are aware of a number of other Limited Market Dealers that provide the same services and are organized in a similar manner. We take our regulatory responsibilities very seriously. We have spent significant time and money to ensure we are and remain in compliance with all regulatory policies and requirement. It is in the context of our business model that we would like to comment on specific parts of National Instrument 31-103 as it applies to the proposed Exempt Market Dealer category but recognize that our position would be shared by many other Limited Market Dealers.

PART 4

Division 1: Proficiency requirements

We believe that the proficiency requirements for the Exempt Market Dealers with business models such as ours would not serve to enhance client protection and creates undue cost and time pressure. Imposing proficiency requirements will cause unjustified disruption to the operations of existing LMDs and interrupt the delivery of capital raising for small and mid-cap companies since staff would be prohibited from operating until they pass the exams.

Since we have been a Limited Market Dealer for almost nine years, most of our staff have either completed the CSC or Series 7 more than 36 months ago or have not completed the exam but have been active in the business for years under the LMD registration. In addition, many have not completed the Conduct and Practices Handbook Exam or Partners, Directors and Senior Officers Exam. Notwithstanding the above, our people are experienced industry professionals.

The costs associated with putting our 13 staff through the testing process would be in excess of **\$26,000** not including the cost of time away from conducting the business of the firm. (CSC \$870, Seminar \$600, Conduct and Practices \$595, 13 employees)

Requested Modification

- An exemption from the proficiency requirements that recognizes industry experience of current registrants, or
- An exemption from the proficiency requirements that recognizes proficiency exams that were completed prior to joining the LMD and outside the 36 month time limit.

Division 2 – Solvency requirement

4.16 Insurance

FIB bond insurance is excellent coverage for firms that handle client cash and securities. However because the settlement of private deals are usually undertaken through the Issuer's counsel, LMDs do not handle client cash or securities. Consequently FIB coverage will provide no benefit or client protection and comes at a significant cost.

For example, we have received a quote from our insurance company of \$3,700 for \$200,000 coverage with a \$10,000 deductible. In addition, the bond will require that we complete an annual audit at a cost of \$10,000 to \$15,000 (see below). We have also received a verbal estimate for \$2,150.

The following is a discussion of each of the requested clauses;

Clause	Name	Summary Details	Applicability
A	Fidelity	Loss through employee fraud or theft	adequate coverage under our current business policy
B	On Premises	Loss of money and securities	don't handle money or securities
C	In Transit	Loss of money and securities	don't handle money or securities
D	Forgery or Alteration	Forgery or alteration of cheques, drafts etc. excluding securities	don't handle cheques, drafts etc.
E	Securities	All losses dealing with securities	don't handle securities

Requested Modification

- An exemption from Financial Insurance Bonding for Exempt Market Dealers that do not handle client cash, cheques, funds or investments for other parties.

Division 3 – Financial Records

4.20 Appointment of Auditor

Balance sheets of most LMDs are simple as they do not carry any inventory or client balances. Hence they have low risk of compilation errors. An audit imposes significant cost on LMDs without any material benefit of consumer or regulatory protection.

In our case, we are currently arranged as a partnership with two beneficial owners of the firm. Since one of the partners prepares the financial statements and the other co-signs all cheques there is currently a very limited audience for the financial statements. We understand that an audit could highlight any control and segregation issues but since we don't handle any funds or securities the audit provides little benefit to our Issuer Clients. We have received a written estimate from our accountants for the annual audit of between \$10,000 and \$15,000.

Requested Modification

- An exemption from the Audit requirement for Exempt Market Dealers that do not have investor clients and do not handle client cash, cheques, funds or investments for other parties. Alternately prepared or reviewed financial statement could be filed.

Conclusion

The changes proposed in National Instrument 31-103 discussed above, as they apply to Osprey Capital Partners' business as well as many other LMDs, does not enhance client protection and will add significant costs. It is because of the costs that many Limited Market Dealers will consider abandoning registration and cease providing advice to the small and mid-cap public and private companies that are largely ignored by the broker dealers. This would be detrimental to small and mid-cap public companies.

Osprey Capital Partners takes compliance with its regulatory requirements very seriously. We have an on-going contract with outside consultants to assist with all aspects of compliance including policy and procedures, anti-money laundering and privacy legislation training for our staff. We have a good working set of Policies and Procedures and faithfully adhere to them. But with the one time costs of over \$26,000 for proficiency training and testing and the increased annual costs of over \$40,000, continued registration would be potentially cost prohibitive. Therefore, we request that you consider granting the exemptions outlined above so that we can continue to provide service to our mid-market clients at a reasonable cost.

We would be pleased to discuss our situation in further details at your convenience.

Sincerely,



Stephen R. Jakob
Partner, Designated Compliance Officer
Osprey Capital Partners



D. Richard Brown
Partner
Osprey Capital Partners