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John Stevenson,
Secretary,
Ontario Securities Commission

Dear Mr. Stevenson

I recently attended your meeting in Calgary. This meeting was poorly advertised and promoted to the investment community and I believe was primarily attended by those who were informed of the meeting and its ramifications by other industry stakeholders.

Firstly, it was mentioned that other licensed investment professionals were of the view that those of us who raise funds under the exemption rules were at some significant level benefiting from the high integrity of the licensed community. I would dispute this hypothesis, do you remember Briex, Canadian Mining sector irregularities, obvious insider trading activity of the TSX etc. I have not done a study, but it is fairly common knowledge white collar "crime" is a no risk activity in Canada. Can you name anyone who has done time or even paid a substantial fine? A prospectus does not provide any additional probability an investment will be ethical or successful. My point here is there is a lot to clean up in the regulated industry which represents 95% of the investment dollar in Canada. No one at your meeting could site any statistics of complaints, charges or scope of the problem you seem to indicate exists.

Notwithstanding, I have several concerns about the RRP;

1. The RRP will significantly increase the cost of raising funds. For example a Mortgage Investment Company (MIC) would have to pay 5-10% commission to the investment professional for services, together with costs of start up tripling or quadrupling. Mortgage Investment Corps. need low costs to keep the rates lower and continue the flow of funds in the housing market, which is the engine of the economy.
2. The proposed \$50,000 working capital is unworkable in the Mortgage Investment Corp. sector. Our mandate is to ensure every dollar is out working and indeed a component of leverage is both desired and outlined in section 160 of the income tax act. The Act also mandates that "ALL earnings must be distributed annually" leaving no retained earnings.

3. Most Mortgage Investment Corporations are loosely governed by the Real Estate Council of Alberta and as such; criminal records are provided for licensing, educational courses are taken and an ongoing educational requirement is mandated. Your assertion that the ASE and RECA do not cooperate, as stated at the meeting, is difficult to understand. I would submit that you should try to “play nice in the sand box” before you impose regime which will certainly harm and curtail business and entrepreneurialism
4. We offer our shares in the company we are employed with and have a substantial investment in. I doubt an investment dealer would be able to explain my business better than those who work in it on a daily basis.

I do believe most sectors require some oversight to ensure ethical individuals are involved, particularly when dealing with somebody’s investment money. There will always be dishonest people in any industry where there is liquid capital. And no one I have spoken with has an objection to registering those involved in the exempt sector. Accordingly, I have the following suggestions;

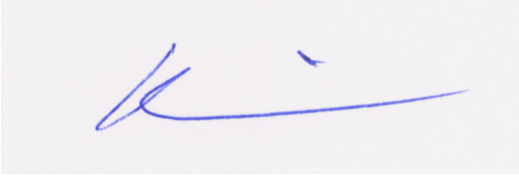
1. Register all participants by way of application, criminal record check and a minimum education level. But give credit for post secondary education, real estate agent licence (if working in that sector), lawyer etc.
2. Co-ordinate with real estate councils and other regulatory bodies to recognise synergies
3. Co-ordinate with the white collar crime unit of the police and support enforcement of existing laws and the strengthening of those laws. I believe you will find that the law is adequate to deal with fraud and other criminal activity, however, these laws are rarely enforced and it is even rarer that they are prosecuted
4. Mandate a minimal level of financial annual reporting to identify any problems. Notice to Reader being a level the banks require of many businesses to maintain loan accounts and this might be an acceptable level. Audits are too expensive and disruptive to business activities of small companies.
5. What ever rules you come up with they must be universal across the country. Let’s not have a piece meal system in this country again. It is often easier to do business in the U.S. than it is west to east in Canada

I trust you recognise that we are genuinely concerned about our ability to conduct ethical, profitable business of our shareholders. It is critical you ensure any regulations are well thought out, universal, non constrictive, cost effective and effective.

It is also critical that the process you establish is transparent and that each stakeholder is represented at the table. As I understand the situation now, the Steering Committee is dominated with members from those organizations with a mandate to expand their influence and control on our industry. I would suggest several spokespersons from the exempt sector be included in this group, if for no other reason than to give the appearance of fairness.

I trust my suggestions and comments will be considered.

Regards,

A handwritten signature in blue ink, appearing to be 'P. Briddon', on a light grey background.

Philip Briddon
President