



June 20, 2007

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

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

Background on Alexander Capital Group Inc.

Alexander Capital Group Inc. (“ACG”) was registered as an LMD in November 2005. My purpose in starting ACG was to provide small and mid-size private and public Canadian companies with the kind of capital markets and M&A advice which I had been providing to senior Canadian companies at BMO Nesbitt Burns for 20 years. In the vernacular of OSC Staff Notice 11-758 (the “Notice”), ACG could be considered a “Sole LMD”.

Defining the Client

It is worth noting from the Notice that 62% of all LMDs fall into the category of Sole LMD. The business focus of the Sole LMD is serving the needs of corporations. When this involves raising capital, the client relationship of the LMD runs to the issuer and not to the investor. This is a unique distinction of the Sole LMD relative to their senior cousin, the “Investment Dealer”. The Investment Dealer serves two distinct clients in a capital raise: the issuer (through its corporate finance/investment banking group) and the investor (through its private client division). The protections afforded by the OSC for private client investors, while necessary for an Investment Dealer, are not necessary for a Sole LMD company because the Sole LMD has only one client: the issuer. Further, investors are either institutions who are active participants in the capital markets and who are obliged to perform their fiduciary duties when evaluating potential investments without protection from the OSC, or they are accredited investors with sufficient net worth to be deemed responsible investment decision makers. In both cases these investors understand that they are not in a client relationship with the LMD and that the LMD is being solely compensated by the issuer.

Comments on NI 31-103

My comments apply specifically to Sole LMDs which according to the Notice comprise the majority of LMDs.

1. Proficiency Requirements

An exception from exams for representatives of an EMD should be permitted when similar proficiency exams have been completed previously and when there has been less than a 3-year gap in the employment of the individual in the securities industry. Consideration should be given to an individual’s qualifications in non-Canadian jurisdictions. Further, sponsorship from senior well-known executives in the financial industry should permit exemption if other qualifications are not met. This should enable grandfathering.

2. Solvency Requirements

For Sole LMDs whose compensation is comprised of either an agency fee for placing securities on an advisory fee from a corporation, no capital is required to complete the transaction, hence there is no need to impose a \$50,000 capital requirement on the dealer. Similarly, monthly

capital reports will be of no value. And finally, for Sole LMDs with no “assets under management” or “client assets” the minimum financial institution bond of \$200,000 serves no purpose. If the proposed requirements are not modified, the majority of LMDs (i.e. the Sole LMDs) will be incurring costs for zero regulatory benefit.

The current arrangement in Ontario where LMDs must be prepared for an audit of their annual financial statements works well for Sole LMDs. This “state of readiness” for an audit imposed on the LMD by the regulator means that the LMD can remain compliant without incurring the unneeded expense of an annual audit.

3. Conduct Rules

Most of the proposals on conduct in NI 31-103 pertain to LMDs who are not Sole LMDs and who maintain investor client relationships. Sole LMDs should have no issue complying with any of these requirements.

Conclusion

Sole LMDs provide an important service to small and mid-size Canadian corporations which is otherwise not available from senior investment dealers. This activity should be encouraged and not hampered to ensure vigorous growth of new enterprise in the Canadian economy. The activities of the Sole LMD result from a unique relationship built between the LMD and the corporation. Client duty runs from the LMD to the corporation. Compensation is paid to the LMD entirely by the corporation. For these reasons, Sole LMDs are a special category of LMD and should be regulated in a manner that recognizes the unique issuer-dealer relationship that exists at the core of each piece of business. We recommend considerable streamlining of the proposed rules under NI 31-103 to eliminate phantom protections where none is required and to minimize unproductive administrative burden on the Sole LMD.

Yours truly,

ALEXANDER CAPITAL GROUP INC.

A handwritten signature in black ink, appearing to read "Alexander Rhind". The signature is fluid and cursive, with a large initial 'A' and 'R'.

Alexander (Sandy) Rhind
President

AR:dd