

From: Rick Price <ricksprice@gmail.com>
Sent: Wednesday, October 9, 2024 11:57 AM
To: Mark Wright <mwright@obsi.ca>
Subject: Loss Calculation Proposal Comments

Hi Mark

I am aware that you requested a word document but below are some words:

Below are some comments on the loss calculation proposal:

- The only reason that an opportunity cost calculation is involved is potentially the fact that investors are being directed to unsuitable investments, typically exempt market investments, through an incorrect assessment / application of the KYC and KYI criteria. More resources need to be directed towards KYI and KYC information gathering and assessment.
- Exempt market investments have a lot of marketing hype and the downside risks are glossed over. Years ago, exempt market investment sellers did not even have to disclose sales commissions on the products that they were selling but thankfully must do now but really how evident is that disclosure.
- For exempt market investments in my opinion all the perks including potential vacations / dinners and commissions / fees received **MUST** be disclosed in bigger **bolded** font on the **FRONT PAGE** and there also needs to be more risk discussion in **bolded** bigger text including potentially requiring investors to obtain legal sign off as ultimately, we should be trying to prevent losses so no opportunity loss calculations are required.
- The opportunity loss calculation should be based on what the validated KYC states with regards to risk profile, time horizon and investment objectives. It is critical that a framework be developed and implemented for KYC's as the large issue is when investors get into the exempt market investments there is a lot of marketing hype around these "**golden**" opportunities and the risks are downplayed. I know that from experience.
- Overconcentration in exempt market securities must be considered unsuitable depending on the client's personal/ financial situation, AGES, net worth, risk tolerance, capacity to sustain a **100% loss**, time horizon and the overriding portfolio goals.
- For managed accounts, the account must be assessed on a total portfolio basis notwithstanding that the exempt market security could be used as a component for potentially achieving superior returns by balancing the portfolio investments. Exempt investments in managed accounts **MUST** be discussed with all investors prior to making the investment.
- An index or combination of indices (low-cost ETF's) may / may not always be appropriate as the overriding objective is to make the complainant whole using the fairest manner possible.
- I agree that if the unsuitable illiquid security cannot be priced then it should be returned to the Dealer once OBSI has made an unsuitability determination. "Unsuitable" includes sale of the exempt security to persons who do not qualify for an exemption. In my opinion many investors are qualifying for exemptions when in fact there is no way that they should qualify. In that regard, as an investor gets older the exempt market threshold value should be increased dramatically.

Given the EMD industry stated positions on OBSI's loss calculation methodology, I recommend that the OBSI amend its rules regarding low ball settlements. Until the OBSI gets binding mandate authority, if

ever, the OBSI should refuse low ball settlements to prevent EMD from undermining the compensation calculated by any loss calculation methodology.

Finally, sellers of illiquid or other exempt market securities including EMD MUST be prohibited from using GAG ORDERS to restrict complainant victims from informing other potential victims of the potential harm as evidenced by the OBSI compensation recommendation. GAG ORDERS perpetuate these issues.

Regards

Rick Price
Toronto, Ontario