

Please accept this email as a concise, but relevant opinion and comment on the proposed changes to the act.

After a twenty five year career financing large corporate entities, I have recently become more active with a number of early stage companies, many of them pre-revenue, or 'at' revenue. I am fascinated and encouraged by the talent, passion and prospects for so many early stage companies in our market. These companies, however, share a common and sometimes insurmountable challenge, that of financing their businesses.

Consistently, many early stage companies require limited amounts of capital to commercialize their ideas, typically under \$1 million. Their advisors are creative, and can almost always structure capital instruments with attractive upside. Unfortunately, as we all know, the risk of loss (or downside) with an early stage company is very high. There is no credible way to manage the downside to the investor (or Loss Given Default), except to manage Exposure at Default. Often these businesses go unfunded because they are difficult to finance, and as such the prospect of economic and employment leverage associated with entrepreneurial activity is forgone.

Furthermore, to the extent investors have a higher level of capital at risk, they demand proportionately more economic upside, which has a negative drag on entrepreneurs and their ideas; mostly a greater give-up on equity which is discouraging to the entrepreneur.

It is for these, amongst other reasons we should consider allowing a greater number of investors, investing smaller amounts (sometime referred to as 'crowd funding'); (1) entrepreneurs will have easier access to capital, (2) capital will be less structured and less expensive, (3) new ventures will have access to a greater pool of potential investors and thereby much needed liquidity, (4) investors will have an opportunity to diversify their limited capital across a wider base of investments, thus managing risk, (5) investors will have greater protection against exposure at default, and (6) entrepreneurs and ideas will be more effectively leveraged and will ultimately generate greater economic activity.

Regards,

Paul

Paul R DeMelo
prdemelo@rogers.com
(647) 628 6414