



March 8, 2013

Mr. John Stevenson
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
Email to: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson

I am pleased to provide the following input and observations regarding OSC Staff Consultation Paper 45-710. My comments come from the perspective of being an active participant in the angel investor community, both as an investor and as a founder and president of the Golden Triangle Angelnet (GTAN), an organization primarily focused on addressing the funding needs of early-stage, innovative companies in the Kitchener-Waterloo, Cambridge and Guelph areas of southwestern Ontario. We are located in Ontario's "ICT Heartland" where we see regular deal flow from Brant County, Wellington County, Cambridge, Kitchener, Waterloo, Guelph and Stratford. We touch eight MPP's ridings and have a catchment area that stretches 50 km north and south of "Main Street Ontario", Highway 401.

The Golden Triangle Angelnet (GTAN) was incorporated in 2009. It is managed by a 7 person board of directors which in turn is supported by a committee structure which deals with matters ranging from member education to auditioning companies for presentation to our angel members. We also have an administrative assistant who is responsible for communications with our members and arranging monthly investor meetings.

As pointed out in the Consultation Paper, the OSC has a dual mandate:

- to protect investors from unfair, improper or fraudulent practices, and
- to foster fair and efficient capital markets and confidence in capital markets

These are worthy goals, and in practice, bring a high level of stability to Ontario's securities marketplace. In many respects, Ontario, and Canada as a whole, is the envy of the world for its stable and effective institutions – government, banking, and law, including securities regulation. That said, we must be ever mindful that there is a delicate balance between protecting investors from unsavoury practices and encouraging a healthy investment climate. Over-regulation of our investment community will undoubtedly lead to a reduction in investment activity, reduced economic growth, and ultimately a decline in prosperity for our citizenry.

It is well known, that early-stage venture capital declined precipitously in the period 2000-2007, leaving many worthy companies with inadequate funding to develop new-age products and pursue new markets. This decline brought increased focus on angel investors, long known as key catalysts in the commercialization of innovation by small- and medium-size companies, and as drivers of employment growth. Traditionally, most of these angels invested “solo”, not as part of formal groups. Governments, both federal and provincial, embraced the notion that angel investors were an important factor in addressing the capital availability gap and it was felt that “solo” investors would benefit significantly from access to other like-minded individuals through more formal angel networks which would increase access to deal flow, as well as providing a best practices environment for due diligence, investing and follow-on monitoring. Governments responded as follows:

Ontario

The Ontario Government, under the auspices of the Market Readiness Program (MRP) of the Ministry of Research and Innovation (subsequently known as the Ministry of Economic Development and Innovation (MEDI)), established the Angel Network Program (ANP) in July 2007 with an allocated budget of \$2.5 million over four years, and has renewed this program from 2011 to 2014 with a budget of \$1.875 million. The program is administered by the Network of Angel Organizations – Ontario (NAO-O).

The main thrust of the ANP program is to create new Angel Groups in Ontario where none existed, and foster the success of new and existing networks with best practices, information and educational tools.

The ANP provides:

- Funding for new and currently operational Angel Groups in Ontario;
- Educational materials, workshops and resources to boost the activity and returns of funded Groups;
- Follow-on investment facilitation activities co-ordinated among funded Angel Groups, to encourage investment in opportunities with larger future capital requirements;
- Referral activities to bring new investors and opportunities to Angel Groups, as well as other members of the Ontario Network of Excellence (ONE).

From a standing start in 2007, NAO-O has successfully nurtured the development of ten angel investor networks across Ontario. Established as not-for profit groups, these networks operate under strict guidelines established by MEDI and are having increasing success at funding early-stage, high growth companies.

Federal Government

Like the Ontario Government, the Federal Government has responded to the funding requirements of early-stage companies and the important role played by angel investors by creating the Investing in Business Innovation Program (IBI) which was announced in October of 2010.



Briefly, the Federal Economic Development Agency for Southern Ontario (FedDev) contributes by way of repayable loans, one-third of the amount required to close eligible angel deals – two-thirds to be contributed by angels. The maximum contribution by FedDev to a single deal is \$1mil, with a program cap of \$190 million between now and 2014.

The Outcome

Both the ANP Program and IBI Program have been great successes. These government supported initiatives have been instrumental in developing a network of ten angel investor networks across Ontario and have had a positive impact on private (angel) investment activity. More specifically, the IBI Program, by topping-up angel investments with repayable loans (non-dilutive, interest-free, unsecured, with favourable repayment terms), has created a significant incentive for angel investors to become more active, more often, with larger sums of money.

GTAN, as other angel networks, has now become a key element of our local and regional economic ecosystem. Over the 3.5 years of our existence, we've forged strong working ties with:

- Regional Innovation Centres – Guelph, Waterloo, Hamilton
GTAN maintains open lines of communication with Innovation Guelph, Communitech and Innovation Factory, both as trusted sources of deal flow and resource centres to which we refer companies that are not “investment-ready” and need coaching and mentoring.
- Chambers of Commerce – Kitchener-Waterloo, Cambridge, Guelph
GTAN has strong support from local Chambers of Commerce, all of whom have hosted at least one of our monthly meetings over the past two years.
- Municipal Governments – Kitchener, Waterloo, Stratford, Cambridge, Guelph
As an endorsement of our member's investment activities, our local municipalities often act as hosts for our monthly investor meetings. In addition, we have strong support from our Regional Government, the Regional Municipality of Waterloo.
- Service Clubs and Other Community Organizations
As part of our community outreach program, we have been asked to do presentations to numerous local organizations who are interested in knowing more about GTAN, angel investing, and how they can provide support. Such organizations include:
 - Bioenterprise (Guelph)
 - Rotary Clubs of Guelph and K-W Conestoga
 - The Waterloo-Wellington Chartered Accountants Association
 - Canada's Technology Triangle (CTT)...to mention a few.



- Sponsors
GTAN has four founding sponsors whose financial support and name endorsement has been instrumental in the early success achieved by GTAN. These sponsors are:
 - Miller Thomson
 - KPMG
 - TD Commercial Banking
 - CNSX (Canadian National Stock Exchange)

- Champion Angels
GTAN has been fortunate to attract as part of its membership a solid base of experienced angels who bring to the table exceptional credentials in building companies and doing deals, as well as significant financial capital to lead our investment process.

Conclusion:

Since 2007, angel investors, and perhaps more importantly angel investor networks, have become an integral part of our financing ecosystem in the province of Ontario. As pointed out above, the impact of both Ontario's ANP program and the Federal IBI program represent significant government investments in developing a robust investing climate where accredited investors may participate in the funding and growth of our early-stage, high-potential start-ups in a well-structured, but uncomplicated system. The results to date, whether measured by companies funded, dollars invested or jobs created, is very impressive, and trending upward. This upward momentum needs to be supported and encouraged, not stifled by any form of regulation which will act as a disincentive for accredited investors to band together in formal angel groups.

Sincerely,

Robert L Douglas, CPA, CA
President
Golden Triangle Angelnet