



8 March 2013

SENT VIA EMAIL

jstevenson@osc.gov.on.ca

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8

Attention: Mr. John Stevenson, Secretary

Dear Mr. Stevenson:

**Re: OSC Exempt Market Review - OSC Staff Consultation Paper 45-710,
Considerations For New Capital Raising Prospectus Exemptions**

Interactive Ontario (IO) is pleased to provide these comments in response to the Ontario Securities Commission's (OSC's) consultation on considerations for a new capital raising prospectus exemptions. IO will limit its comments to the proposed crowdfunding exemption.

Interactive Ontario is a not-for-profit trade association, originally formed 12 years ago as the New Media Business Alliance (NMBA). Our mandate is to assist our members in growing their interactive digital media (IDM) businesses. IO represents approximately 300 Ontario interactive digital media companies who create interactive content across a range of sectors and for the entire spectrum of digital media devices. Our members create video games, e-learning applications, apps, web content, transmedia and other content designed to inform educate and entertain consumers on a variety of platforms including consoles, mobile, online media, advertising campaigns and social media.

Ontario's interactive digital media industry generates annual gross revenue of \$1.5 billion and employs approximately 16,000 people. Ontario's IDM companies are mostly SMEs – two-thirds of Ontario companies employ ten or fewer employees. They are highly export-oriented, with most firms relying on foreign sales for the vast majority of revenues.

Government's role has been critical in fostering a successful digital media climate in Ontario and the rest of Canada. The Ontario Interactive Digital Media Tax Credit (OIDMTC) and OMDC's Interactive Digital Media (IDM) Fund – along with federal programs such as Scientific Research and Experimental Development (SR&ED) tax credits and the Canada Media Fund (CMF) – are noted time and time again by Ontario IDM companies as representing a major competitive edge for them in the international marketplace.

IO supports the OSC's proposed new prospectus exemption for crowdfunding, as we believe it could fill a useful gap in the current capital environment for Canadian IDM companies.

As primarily SMEs, Ontario IDM companies typically cite access to capital as their biggest ongoing challenge.

Start-up IDM companies face an increasingly favourable climate in Canada (through incubators, experimental funds, friends and family etc.). And, if fortunate, bigger capital needs can be met from Angels, VCs and other private investors in Canada and the U.S.

Ontario-based IDM companies already take advantage of the limited crowdfunding opportunities available to them to raise moneys that extend their reach beyond “friends and family” and can even help in attracting VC investment. At IO's recent GameON: Finance conference in January, VC's noted that use of crowdfunding portals like Kickstarter can be extremely useful in demonstrating consumer demand, and may well, over time, become a *de facto* pre-requirement for raising equity from them.

An OSC prospectus exemption for crowdfunding has the potential to significantly expand access to capital for Ontario IDM SMEs. If done right, it could materially expand capital access beyond typical “friends and family” and angel investors, and complement, if not sometimes replace, VC and other exempt private capital.

IO considers the proposed terms and conditions in OSC's crowdfunding exemption “Concept Idea” to be sound. In particular, we note favourably OSC proposals to:

- limit the exemption to Canadian Issuers
- not impose any requirement to spend proceeds in Canada
- have a limit of \$1.5 Million on offerings within any 12 month period
- allow the use of social media to direct investors to the funding portal or the issuer's website
- limit an investor's single investment to \$2,500 and no more than \$10,000 per year total
- impose no restrictions on the nationality of the purchaser
- impose minimal mandated information disclosure requirements

We believe these proposals strike a reasonable balance between permitting SME IDM companies or corporate entities to raise material capital amounts (up to \$1.5 Million) while ensuring investors are not exposed to excessive risk. Moreover, the ability of Ontario IDM companies to reach a global market of investors through registered crowdfunding portals will greatly expand the potential capital “pool”.

IO thanks the OSC for the opportunity to provide these comments, and urges the OSC to implement the proposed crowdfunding exemption as soon as possible.

If IO can be of any assistance in providing additional information on Ontario's Digital Media sector, and its capital needs, please do not hesitate to contact us.

Yours very truly,

INTERACTIVE ONTARIO

A handwritten signature in black ink, appearing to read 'Donald Henderson', with a long horizontal flourish extending to the right.

Donald Henderson
President & CEO