

March 8, 2013

Mr. John Stevenson,
Secretary,
Ontario Securities Commission, 20 Queen Street West,
Floor 19, Box 55,
Toronto, Ontario, M5H3S8

Dear Mr. Stevenson,

I am writing to you in my capacity as President and Co-Founder of York Angel Investors Inc. and additionally as an experienced and active Angel investor.

Our York Angels office is located in Vaughan Ontario, yet in terms of the investment activity of our members; our organization serves York Region and Ontario in general. Our members are "Accredited Investors" (under the OSC definition of same).

Having incorporated York Angel Investors Inc. as a Not for Profit Organization in 2008, we have at this point some 37 active investor members of a total of 59 investor members. Generally these individuals are either entrepreneurs that have been very successful in founding and building one or more successful companies, or individuals that have had distinguished business careers including upper middle and senior executive roles in Fortune 500 companies. A key point here that I wish to emphasize, is that these individuals are very well suited to guide and mentor the many young entrepreneurs in whose companies they invest. They also provide, in many cases, valuable, no-charge advice, to the entrepreneurs that have approached York Angels for investment.

Since April 2008 we have been continually growing our base of members and investee companies. The capital that is invested by our members is, of course, very high risk capital, yet it is so desperately needed to allow young companies to survive and move forward. It is well recognized that there are very few bona fide and legitimate sources of early stage investment capital in Ontario and in Canada generally at this point. There are even fewer sources of capital that come with infinitely qualified, experienced advice and assistance, which is provided by our Angel Investor members and their counterparts in other recognized Angel groups. In essence, the Angels fill the critical financing gap between the "friends and family" seed financing and the first Venture Capital investment round.

It is somewhat ironic though, that the Angel Groups themselves often struggle for capital to sustain their Not for Profit Organizations, yet the membership of these same groups is comprised of high net worth individuals. Ontario's Angel Groups continue to depend heavily on government grants to sustain their organizations and operations. Securing such grants and members is a keen focus of most all of these groups simply because the Angel groups have very limited sources of revenue to offset even the most basic operating expenses. Certainly, funding for member recruiting events, or even for paid promotion/advertising for these purposes, is difficult to come by.

The members of the Angel groups invest their own monies in these "start-up"/early stage companies, however it is often the management and/or administration of these Angel groups that prepare the ground and work very hard in a coordination role with the investees and the Angels for these investments to take place. Prospective investee companies must be identified, engaged, and screened to determine if they are advanced enough to present in front of the

entire membership of a given Angel group, or to determine if they are in need of further mentoring before they would be ready to present their investment opportunity to the group.

There is, needless to say a cost to operating an Angel group which naturally includes basic management and administration costs. There is much to be done each day by the management and admin team such as; responding to and sourcing accredited investors as potential members, facilitating the day to day informal education of new Angel members, and responding to inquiries from members and government and industry colleagues.

Coordination and scheduling of the group's membership is key in order for the members to be able to maximize both their Angel group experience and investment opportunities. Similarly, so is coordination with the Selection or Screening Committee regarding companies to book for review in regular Selection Meeting sessions, and then organizing both formal and informal forums as well as events wherein the members can view presentations from promising entrepreneurial companies seeking critical investment capital.

Then there are the usual costs of maintaining an office including rent, telecommunications expenses for conference calls amongst members and between members and investee companies, legal expenses, couriers, printing, website maintenance, signage for events and much more.

Additionally, it is often the management and the admin personnel of an Angel group that prepare the paperwork to enlist new members once they have been properly qualified, and answer the many, many questions each week from members and prospective members. The recruiting effort to add members to the group is very important for any Angel group and to a large degree this needs to be done by either the management or other seasoned members of the Angel group. In essence, Angel recruiting is a "high touch" business best handled by existing members or management.

Again, the Angel Groups all struggle to one degree or another to keep their organizations financially afloat and yet their existence is so very critical to Ontario's future in terms of creating successful and in some cases, world class companies and the associated employment opportunities that are derived from them.

In closing, it is suggested that over expenditure or unwise spending is not the problem in Ontario's recognized Angel groups; this is simply the case if for no other reason than there is not usually any surplus to spend. What the groups generally do have, is a revenue problem and if these groups are to be sustainable in the long term then this revenue problem must be solved to reduce and eventually eliminate the strong reliance on government funding.

It is suggested that the Commission carefully consider allowing certain exemptions for Not for Profit Angel Groups to enable them to collect modest fees from funding applicants to recover basic costs incurred (which would be deducted from the collective funds placed by the investors on each investment). There is indeed a significant value to the members in being part of an Angel group as the groups attract and receive a reasonably good level of high quality deal flow which provides all investor members with more companies to choose from when investing. As well, there is "safety in numbers" in terms of investment evaluation and decision making and many members take comfort in making their investment decisions in concert with their respected colleagues in the Angel group.

There is also a significant collegial element to being part of a group which many members truly appreciate and enjoy.

The opportunity to present the views and thoughts expressed herein to the Commission is indeed appreciated.

Thank you and best regards,

Scott MacCannell
York Angel Investors Inc.