



Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

About NACO

NACO has worked as a not-for-profit organization since 2002 to ensure that Canadian entrepreneurs can access the resources they need to develop and commercialize their innovative companies locally. As the only national industry association for Angel investors in Canada, we represent more than 2100 Angel investors across Canada who since 2010 have provided Canadian companies with over \$180M of direct financing across 475 investments.

We support Angels as they help entrepreneurs turn good ideas into great businesses. Our members assist Canadian entrepreneurs in every region and industry to execute their vision and compete on the global stage by providing them with patient risk capital, expert advice and professional networks when traditional financial and other institutions cannot.

The Need to Professionalize Angel Investment

Angel investment has in the past been a largely private activity, conducted by individual investors working in silos. This approach has created challenges for both investors and entrepreneurs, making it difficult to gain access to existing knowledge, networks or capital.

NACO was founded by a group of individual investors who banded together to support each other and improve the flow of information and opportunities. Over the last three years, the Government's support has allowed us to accelerate the growth of our community to include over 2100 investors and more than 30 Angel groups, including the Golden Triangle Angel Network, which benefitted from programs like those proposed. These groups often act as local champions, helping to identify and introduce new investors into the early-stage / startup business community and educating them on best practices. In doing so, NACO has improved the efficiency of the marketplace by increasing transparency and providing members with access to more and better opportunities.

Angel investors are critical to the success of promising Canadian companies as they help to bridge the financing and commercialization gap between ideation and expansion, as well as the gap between incubators / accelerators and venture capital funds. Entrepreneurs working with incubators and accelerators to develop their ideas into commercial enterprises rely on Angel investors to provide them with the capital and networks needed to commercialize their ventures and grow revenues before they are able to access institutional venture capital. With the support of a growing community of Angel investors, we are helping to close Canada's innovation and productivity gap by ensuring that our best companies and brightest ideas can continue to thrive in Canada and are guided through the often cited "valley of death", without having to sell early or relocate to other markets with more established investor networks.

A more professional Angel investor asset-class will lead to the improved competitiveness of our early stage companies by providing patient risk capital, networks and mentorship. More competitive companies will support better investment outcomes, which our experience has shown will generate more investment into new businesses. The long-term sustainability of the Canadian risk capital market depends on the professionalization of this important asset-class of investors.



The Opportunity for Mobilizing the Angel Investor Community

As the national industry association for Angel investors, NACO is able to leverage the knowledge, experience and networks of its membership to support Canadian early-stage investors and improve access to risk capital for promising Canadian entrepreneurs. The proposed initiative would allow us to immediately target resources on accelerating the growth and professionalization of Angel investing across Canada.

- NACO estimates there are between 15,000 – 30,000 Angel investors across Canada, but only 2100 are currently part of the visible Angel investor community.
- There are currently over 30 identifiable Angel groups/networks across Canada, most of which are current NACO members, 45% of which are concentrated in southern Ontario.
- Given the nature and composition of the Angel investor community, our members would be ideally positioned to provide support to companies operating in every region and sector.
- Our initiative will improve the competitiveness of our businesses, creating economic growth and good jobs across Canada.

Request for Funding Support

Following the successful partnership between NACO and the Federal Economic Development Agency for Southern Ontario (FedDev Ontario), we are requesting that the committee consider expanding support to other regions across Canada to ensure that Canadian entrepreneurs in every region and industry can benefit from access to a more visible and professional Angel investor asset-class;

1. NACO is requesting \$5M of direct funding over three years (2015 – 2018) to execute on a plan that will accelerate the growth of Canada's Angel investor community, foster leadership, strengthen connectivity to the greater ecosystem, facilitate cross-border and foreign investment, and improve investor and entrepreneur financial literacy.

We will do this by focusing on expanding our already successful research and professional development activities and by helping to establish or strengthen professional investor networks in all major regions of Canada by providing them with the resources and support they need to identify, recruit, engage and educate local investors on best practices for investment.

Through these efforts, we will increase the accessibility, reputation and connectivity of our Angel investor community and support its long-term sustainability, thereby improving the competitiveness and success of promising Canadian growth companies.

2. In addition to the direct funding requested, we are also proposing that the Government partner with NACO to establish a national co-investment fund that will encourage the mobilization of additional risk capital into the most promising investor-backed ventures.

For the establishment of such a fund, we encourage the Government to look at the model successfully employed by FedDev Ontario in the delivery of their Investing in Business Innovation (IBI) fund, which provides a 50% matching loan of up to \$1M to companies that receive investment from a NACO-recommended Angel investor group. This structure, which invests alongside private risk capital, is less cumbersome for companies to access and has increased both the number and size of investments made by participating Angels while providing unparalleled visibility into the investor community.



We are aware of discussions currently underway at Industry Canada for the development of a national co-investment fund, and would stress that our request is for a fund that can be directly accessed by Angel-backed companies.

Expected Outcomes

Similar programs already executed in southern Ontario have generated 37 dollars of leveraged investment for every dollar invested by the Government and have created over 1000 highly skilled jobs. Our goal would be to generate similar outcomes across Canada by expanding this initiative.

With growing regional wealth and investment opportunities, the growth and professionalization of Canada's Angel investor asset class over the three years of this program will lead to:

- 300% growth in the number of visible investors engaged with the startup community, encompassing all regions across Canada
- 200% growth in the amount of funding provided by investors to early-stage Canadian companies
- Improved investment outcomes, further supporting the funding and success of Canadian entrepreneurs
- Nationally relevant best practices for early-stage investment
- Improved visibility and research into the Canadian early-stage risk capital ecosystem



NACO Representative

Robert L Douglas, CPA, CA

A chartered accountant by profession, Rob Douglas is an incurable entrepreneur, Angel investor, and founding President of the Golden Triangle Angel Network (GTAN), one of Canada's largest and most active Angel Networks. In addition, Rob serves on the Board of the National Angel Capital Organization (NACO), and is currently its Treasurer.

As an entrepreneur, Rob has been on the receiving end of Angel investment, and has learned, first hand, the powerful contribution provided by Angel investors who typically provide investee companies with invaluable coaching and mentoring in addition to financial capital.

As an angel investor, Rob currently holds equity positions in several early-stage growth companies. Now it's his opportunity to give back to the early-stage ecosystem in the same fashion that his investors did a couple of decades ago.

Rob is quick to point out, however, that one of his crowning achievements was being a co-founder and President of GTAN. From a standing start in September, 2009, GTAN has grown to over 100 Angel investor members, has screened over 500 early-stage companies, and showcased more than 160 companies to its membership. The outcome of this activity is 40 plus companies funded, with Angel investors committing over \$20 million in capital, which in combination with other sources of financing has resulted in over \$43 million of capital infusion into local, early-stage companies, and the creation and retention of 750 jobs.

GTAN is proof positive that, by increasing the quality and quantity of Angel investing in early-stage companies, Angel investors drive local economic growth and prosperity and ultimately strengthen the social fabric of the communities in which they serve.