



# **Ontario Capital Growth Corporation 2020-2023 Business Plan**

**As of February 26, 2020**

Authorization:  
Original approved by:  
"Vic Fedeli"

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

The Honourable Vic Fedeli  
Minister of Economic Development, Job Creation and Trade

# Table of Contents

- 1.0 Executive Summary..... 3
- 2.0 Highlights of 2019-20 Results to Date ..... 5
- 3.0 Mandate and Governing Legislation ..... 9
- 4.0 Overview of Current and Future Initiatives ..... 10
- 5.0 Environmental Scan: Assessment of Issues Facing OCGC ..... 12
- 6.0 2020-2023 Strategic Directions ..... 14
- 7.0 Overview of Corporate Risk Assessment and Management ..... 17
- 8.0 Human Resources..... 18
- 9.0 Communication Plan ..... 18
- 10.0 Overview of 2019-20 Results ..... 19
- Appendix A: Financials..... 24
- Appendix B: Corporate Governance ..... 28
- Appendix C: Organizational Chart..... 30

## 1.0 Executive Summary

The annual business plan for the Ontario Capital Growth Corporation (“OCGC”) maps out the agency’s strategic direction and upcoming activities for the next three fiscal years.

Management Board of Cabinet (“MBC”) characterizes OCGC as a “board-governed agency”. Board-governed agencies are able to carry on as a business and conduct operations in support of their mandates. Such agencies are also required to submit their annual business plan to their responsible Minister no later than one month before the beginning of the provincial agency’s fiscal year for approval (for OCGC, by March 1). As such, results included in this business plan do not cover the entire 2019-20 fiscal year and will instead be reported as of the date of submission.

OCGC was established as an agency of the Crown on February 1, 2009 by the *Ontario Capital Growth Corporation Act, 2008* (the “Act”) and is accountable to the Minister of Economic Development, Job Creation and Trade (the “Minister”). OCGC’s mandate is closely aligned with the Province’s focus on economic growth and increased employment in Ontario. Specifically, OCGC:

- Makes investments in venture capital funds and technology companies;
- Manages the Ontario Emerging Technologies Fund;
- Administers its limited partnership interests in externally-managed funds;
- Provides advice to the Province on venture capital matters; and
- Supports the development of Ontario’s venture capital ecosystem and the implementation of the Province’s venture capital policies.

OCGC has committed approximately \$330 million to Ontario-based/Ontario-focused fund managers and start-up companies. OCGC’s venture capital initiatives, together with the third-party capital, have collectively made available over \$3 billion to venture capital fund managers and companies in Canada. Through OCGC’s venture capital initiatives, portfolio companies currently employ over 11,000 people in Canada, with the majority of these in Ontario, and have cumulatively recorded approximately \$7.5 billion in revenues and \$2 billion in R&D expenditures<sup>1</sup>.

Compared to traditional economic development programs (e.g. grants, loans and tax credits), OCGC’s investments in venture capital funds have proven to be an effective tool to create the next generation of high quality, high paying jobs in Ontario, with little to no cost to government. OCGC’s venture capital initiatives are intended to ultimately generate net positive returns to the Province and capture the full economic benefits of such investments (e.g. jobs, tax revenues, etc).

---

<sup>1</sup> Revenues and R&D expenditures have been aggregated across OCGC’s portfolio since inception.

Access to venture capital is critical to the success of small Ontario businesses, given that venture capital plays a key role in their development, until such time that they can access conventional sources of financing, such as loans and other debt instruments. OCGC also supports small Ontario businesses by developing Ontario-based fund managers and investment professionals. This helps to ensure that there is local talent capable of identifying world class entrepreneurs and technologies, with the necessary experience to guide these companies in scaling up their operations and ultimately to a profitable exit.

A strong venture capital infrastructure and investment climate, which includes access to capital for all stages of a company's development and top tier fund managers able to provide expertise in scaling and monetizing technologies, are needed to build and retain globally competitive companies in Ontario – rather than “seeding” the companies which are later forced to relocate (e.g. to the U.S.) to access larger, more available pools of capital and global markets.

The development of a long-term, sustainable venture capital industry in Ontario, this in turn will help strengthen Ontario's economy and create job opportunities in key economic sectors of the province. To this end, OCGC provides Ontario's leading technology entrepreneurs with much needed capital that may otherwise not be available to them, so that they can bring new discoveries to market, help them to achieve the scale necessary to realize their full economic potential.

To date, pursuant to its mandate, OCGC has made investment commitments to the following externally-managed funds, including:

- Ontario Venture Capital Fund LP (“OVCF”);
- Northleaf Venture Catalyst Fund LP (“NVCF”);
- ScaleUp Venture Fund I LP (“SUVF”);
- Yaletown Innovation Growth LP (“Yaletown”);
- Lumira Ventures III LP (“Lumira”); and
- Genesys Ventures III LP (“Genesys”).

OCGC also makes direct investments through the Ontario Emerging Technologies Fund (“OETF”) alongside qualified co-investors in emerging technology companies.

With portfolio diversification across a sizable number of funds and companies to mitigate financial risks, OCGC provides a market focussed means to help develop small businesses and to better capture the associated economic benefits over the long term, including the creation of high quality, high paying jobs for the people of Ontario.

Corporate activities for the next three fiscal years will focus on the following strategic directions:

- Manage OCGC's investment portfolio and general business operations in a prudent and cost-effective manner;
- Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies; and
- Undertake specific priorities outlined in the annual agency mandate letter.

## 2.0 Highlights of 2019-20 Results to Date

OCGC is on track to meet the following key objectives:

### ***(1) Manage the OETF investment portfolio***

OCGC is substantially meeting all 2019-20 targets related to OETF, including:

- Administering OETF in an efficient and cost-effective manner;
- Closing approved investment transactions within required timelines; and
- Monitoring interim results and reporting on key performance indicators.

OCGC continues to participate in follow-on investments into its remaining OETF portfolio companies, as warranted.

### **Summary Results**<sup>2</sup>:

#### 1. OETF Results:

- Investments:
  - Committed a total of approximately \$101 million to 27 Ontario-based companies
- Leverage on investments:
  - Approximately \$3.5 of third-party capital for every \$1 of OETF capital invested

#### 2. OETF portfolio companies have cumulatively recorded to date:

- \$820 million in revenues;
- \$400 million in R&D expenditures; and
- Support an estimated 636 full-time careers in Ontario.

---

<sup>2</sup> Aggregated since initial investment by OETF

## **(2) Administer OCGC's limited partnership interests in externally-managed funds**

OCGC is substantially meeting all 2019-20 targets related to its limited partnership interest in externally-managed venture capital funds, including:

- Overseeing the management of its limited partnership interests in externally-managed funds in an efficient and cost-effective manner;
- Meeting all capital calls within the required timelines; and
- Monitoring interim results and reporting on key performance indicators.

Below is a summary of results for OVCF, NVCF, and SUVF. Yaletown, Lumira and Genesys are in the early stages of their respective active investment periods and results are anticipated for the next business plan.

### **Summary of results**<sup>3</sup>:

#### 1. OVCF Results:

- OVCF is fully committed including:
  - 9 commitments to Ontario-based/focused funds; and
  - 7 direct co-investments into Ontario-based companies.
- OVCF has leveraged approximately \$5 in third party capital for every \$1 of OVCF capital invested.
- Capital committed by OVCF, together with third party capital, have collectively provided over \$1 billion to Ontario-based/focused funds and companies.

#### 2. OVCF Ontario-based portfolio companies have cumulatively recorded to date:

- \$3.7 billion in revenues;
- \$780 million in R&D expenditures; and
- Currently employ over 3,300 people.

#### 1. NVCF Results:

- NVCF is fully committed including:
  - 15 fund commitments; and
  - 12 direct co-investments into Canadian companies.
- NVCF has leveraged \$7.5 in third party capital for every \$1 of NVCF capital invested.

---

<sup>3</sup> Aggregated since initial investment

- Capital committed by NVCF, together with third party capital, have collectively provided over \$2 billion to funds and companies with a Canada/Ontario presence.

2. NVCF Canada-based portfolio companies have cumulatively recorded to date:

- \$3 billion in revenues;
- \$820 million in R&D expenditures; and
- Currently employ over 6,500 people.

1. SUVF Results:

- SUVF is currently in its active investment period and has made:
  - 16 direct co-investments into Ontario-based companies totalling approximately \$29 million.
- SUVF has leveraged approximately \$2.3 in third party capital for every \$1 of SUVF capital invested in Ontario-based companies.
- Capital committed by SUVF, together with third party capital, have collectively provided approximately \$95 million to Ontario companies.

2. SUVF Ontario-based portfolio companies have cumulatively recorded to date:

- \$124 million in revenues;
- \$42 million in R&D expenditures; and
- Currently employ approximately 500 people.

**(3) Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies**

While participating in less venture capital events to date in 2019-20 than in previous years due to the government-wide freeze on discretionary expenditures, OCGC is proactively meeting with venture capital funds, investors, technology industry thought leaders and subject matter experts to gather critical market intelligence that will help shape appropriate venture capital public policies in the coming years. OCGC is also continuing to provide advice to the Ministry and the Province on venture capital matters as required.

OCGC is participating in local venture capital events, including Canadian Fintech 3.0 Summit, Collision Conference 2019, and True North 2019. OCGC also takes an active role in industry events, such as speaking at the Canadian Innovation Exchange, the Canadian Private Equity Summit, as well as other regional conferences. Such events are essential to building and

maintaining strong relationships with other investors that interact with companies at various stages of their lifecycle. The stronger these relationships are, the more effectively OCGC can access market intelligence with respect to funds that are currently or expected to fundraise, as well as insight to help identify potential stage or sector gaps faced by Ontario-based small and medium enterprises.

On June 27, 2019, the Ministry directed OCGC to pause new venture fund investments, but to continue monitoring investment opportunities “so that investments can begin if and when the pause is lifted”. Therefore, OCGC is carrying on with the proactive engagement of fund managers that are currently fundraising to stay current on potential investment opportunities. In doing so, OCGC continues to gather market intelligence and can resume investment activities in a timely manner once authorized to do so.

**(4) Undertake specific priorities outlined in the recent agency mandate letter**

The agency mandate letter, dated December 20, 2018, outlined a number of specific priorities to be accomplished in fiscal 2019-20, in addition to managing OCGC’s current investment portfolio and supporting the development of Ontario’s venture capital ecosystem. The chart below sets out each priority and the current status:

Priority	Status
Negotiate and enter into a limited partnership agreement(s) for one or more life sciences venture capital funds	To date, OCGC has successfully negotiated and entered into a limited partnership agreement with two life sciences venture capital funds. OCGC continues to work with the remaining identified fund manager towards an investment commitment.
Revise the memorandum of understanding (MOU) between OCGC and the Ministry	The revised MOU was fully executed on August 22, 2019.
Implement the annual investment framework	<p>OCGC developed the annual investment framework in consultation with the Ministry, which was approved by the OCGC board of directors and formally submitted to the Ministry on January 29, 2019.</p> <p>As outlined in #3 above, the Ministry subsequently directed OCGC to “<i>pause due diligence and plans to make venture fund investment proposed in the approved</i>”</p>



Priority	Status
	<i>investment framework until further notice from the Ministry</i> . OCGC continues to follow this direction.

### 3.0 Mandate and Governing Legislation

OCGC was established by the *Ontario Capital Growth Corporation Act, 2008* (the “Act”) and performs the following activities:

- (a) Receive, hold, administer and otherwise deals with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;
- (b) Acquire, manage and otherwise deal with the other investments or classes of investments that are prescribed by the regulations;
- (c) Carry out the other objects that are prescribed by the regulations; and
- (d) Receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objects described in clause (a), (b), or (c).

The Act provides that the Minister may issue policies or directives in writing to OCGC on matters relating to the exercise of its powers or duties, and the OCGC Board of Directors (the “Board”) shall ensure that such policies and directives are implemented in a timely manner.

Ontario Regulation 278/09 made under the Act (the “Regulation”) prescribes additional duties with respect to investments, which authorizes OCGC to make:

1. Investments in venture capital funds that invest in,
  - i. for-profit businesses, if the venture capital fund’s investments include investments in private businesses, or
  - ii. other venture capital funds that invest in for-profit businesses if the other venture capital fund’s investment includes investments in private businesses.
2. Investments in for-profit businesses that are,
  - i. private businesses<sup>4</sup>, or
  - ii. public businesses<sup>5</sup>, if the Corporation,
    - A. invested in the business when it was a private business, or
    - B. has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.

<sup>4</sup> In the regulation, “private business” means a business that is not a public business;

<sup>5</sup> In the regulation, “public business” means a business that lists its securities on a stock exchange.

3. Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

Under the Regulation, OCGC can also perform other activities to help further develop the Ontario venture capital ecosystem as follows:

- (a) Develop or participate in conferences or other events regarding venture capital matters;
- (b) Collect, analyze or distribute information regarding venture capital matters;
- (c) Provide advice to the Government of Ontario on venture capital matters; and
- (d) Undertake other activities that are similar or related to the objects described in the bullets above.

The Act, together with OCGC's corporate by-laws and the Memorandum of Understanding (MOU) between the Minister and Chair of the Board, describe in general terms the manner in which OCGC is to be operated and managed. OCGC is required to provide its annual report to the Minister within 120 days after fiscal year end. The annual report is tabled in the Legislature. The financial statements are consolidated with the Public Accounts of Ontario.

## **4.0 Overview of Current and Future Initiatives**

### **4.1 Current Initiatives**

OCGC is responsible for managing its:

- OETF investment portfolio; and
- Limited partnership interests in externally-managed funds.

#### **(1) OETF Investment Portfolio**

Launched in July 2009, the OETF was announced as a \$250 million fund that makes direct co-investments alongside qualified investors into innovative, high-potential private Ontario companies in the following sectors: clean technology; life sciences and advanced health technologies; digital media; and information & communications technology. As directed in May 2012, OETF no longer invests in new companies and only makes investments into its existing portfolio of companies, as warranted. OCGC is responsible for making all investment decisions related to OETF.

**(2) OCGC's Limited Partnership Interests in Externally-Managed Funds**

OCGC is responsible for managing its limited partnership interests in the following externally-managed funds:

**(a) Ontario Venture Capital Fund LP ("OVCF")**

Fund Manager:	Northleaf Capital Partners Ltd.
Vintage Year:	2008
Current Status:	Fully committed
Fund Structure:	Fund-of-funds <sup>6</sup>
Investment Sector:	Generalist
Total Fund Size:	\$205 million
OCGC Investment Commitment:	\$90 million

**(b) Northleaf Venture Catalyst Fund LP ("NVCF")**

Fund Manager:	Northleaf Capital Partners Ltd.
Vintage Year:	2014
Current Status:	Fully committed
Fund Structure:	Fund-of-funds <sup>7</sup>
Investment Sector:	Generalist
Total Fund Size:	\$300 million
OCGC Investment Commitment:	\$50 million

**(c) ScaleUP Venture Fund I LP ("SUVF")**

Fund Manager:	ScaleUP Venture Partners, Inc
Vintage Year:	2016
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	ICT
Total Fund Size:	\$106 million
OCGC Investment Commitment: <sup>8</sup>	\$25 million

**(d) Yaletown Innovation Growth LP ("Yaletown")**

Fund Manager:	Yaletown Partners Inc.
Vintage Year:	2017
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	ICT/cleantech
Total Fund Size:	\$128 million
OCGC Investment Commitment:	\$20 million

<sup>6</sup> OVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario-based companies

<sup>7</sup> NVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario/Canada-based companies

<sup>8</sup> As directed by the Ministry in January 2017

**(e) Lumira Ventures III LP (“Lumira”)**

Fund Manager:	Lumira Capital Investment Management Inc.
Vintage Year:	2017
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	Life Sciences
Total Fund Size:	\$179 million
OCGC Investment Commitment:	\$23 million

**(f) Genesys Ventures III LP (“Genesys”)**

Fund Manager:	Genesys Capital Management (Fund III) Inc.
Vintage Year:	2016
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	Life Sciences
Total Fund Size:	\$107 million
OCGC Investment Commitment:	\$17 million

**4.2 Future Initiatives**

OCGC will implement new initiatives as approved by the Province. As capital is returned from current investments, OCGC will work with the Ministry to develop and implement economic development policies that support small Ontario businesses, which may include, but are not limited to:

- Identifying sectors of need in the Ontario venture capital market through research, networks and market intelligence; and
- Deploying capital in those areas through strategic investments in fund managers targeting such sectors.

The agency will also continue to focus on developing a long term, sustainable venture capital industry in Ontario to create an environment where small businesses can thrive, which in turn will help grow Ontario’s economy and create job opportunities in key economic sectors of the province.

**5.0 Environmental Scan: Assessment of Issues Facing OCGC****5.1 External Factors**

2019 saw the second consecutive annual venture capital investment total in Ontario exceed \$2 billion. The \$2.7 billion in venture investment significantly topped the 2018 total of \$2.1 billion and continues the general trend of year-over-year increases experienced over the last decade.

Ontario continues to lead all other provinces in venture investment capturing 38% of the nation's total, including multiple deals valued at over \$100 million and, ranking 7<sup>th</sup> amongst North American jurisdictions. The Toronto Area remains at the top of the list of Canadian regional investment targets securing \$2.1 billion in venture deals, but fell out of the top ten North American metro regions to 12<sup>th</sup> overall. ICT deals continue to be the recipient of the majority of Ontario's venture investment totalling \$2.08 billion across 176 deals in 2019. Life sciences and cleantech deals made modest gains in value and number in 2019 but still rank well behind ICT.

Foreign capital continues to play a key role in Canadian venture investment. In 2019, Canadian funds supplied less than half (46%) of total disclosed invested capital, and were surpassed by U.S. based funds which supplied 47%. While the confidence of foreign investment can be seen as encouraging, the increased level of foreign to domestic capital highlights the need to continue to support local fund managers' ability to grow and scale. Larger domestic funds with the ability to provide larger rounds of financings improve Ontario's private companies' access to the required levels of capital to scale and compete internationally. Availability of appropriate levels of domestic venture capital can promote a positive cycle of increased investments, successful exits, and return on investments to Canada's venture markets.

### Economic Outlook

Mounting trade tensions and geopolitical uncertainty have combined to produce a dramatic slowdown in global commerce for 2019. The recent World Trade Organization's pace of growth estimate of 1.2%, is less than half of the 2.6% anticipated in April. Such an outcome would mark the weakest pace in a decade, leaving the world economy with a thin cushion to absorb further political and economic shocks.

Moves by central banks around the world to ease monetary policy are expected to help soften the negative cycle taking hold in sentiment and ultimately sow the seeds for a modest recovery in 2020. According to the World Trade Organization, the projected increase in trade growth is expected to reach 2.7% in 2020, down from the previously forecasted 3%.

Historically, deteriorating economic conditions in Europe and Asia have not led to recessions in North America. The economic and financial linkages generally flow in the other direction. However, a further weakening in foreign demand and trade flows will continue to restrain growth in the U.S. and Canada.

OCGC will continue to monitor the economy and the potential impact on its investment portfolio, if any, and adjust its investment strategies accordingly.

## 5.2 Internal Factors

As an agency of the Ontario government, OCGC is required to report on its activities, operations and results, which can be impacted by changes in government directions and policies. OCGC will continue to meet its business objectives while adhering to applicable government-wide directives and reporting requirements.

## 6.0 2020-2023 Strategic Directions

OCGC was established to promote the creation of a globally competitive venture capital industry in Ontario, which supports Ontario-based innovative companies. OCGC's long-term goal is to strategically invest in funds that:

- Help increase the supply and effective deployment of early-stage investment capital in Ontario and the supply of top performing fund managers to manage venture capital investment in Ontario;
- Help increase the level of institutional and corporate investment in venture capital in Ontario; and
- Help improve the flow of capital at all stages of investment in Ontario-based, innovative companies.

To support OCGC's long-term goals, corporate activities for the next three fiscal years will focus on initiatives to meet the strategic directions as listed below, while also targeting the specific priorities outlined in the most recent agency mandate letter, which covers the period of April 1, 2020 to March 31, 2021:

### ***(1) Manage OCGC's investment portfolio and business operations in a prudent and cost-effective manner***

- Administer OCGC's limited partnership interests in externally-managed funds;
- Oversee the remaining OETF portfolio companies until all investments have been fully realized; and
- Ensure OCGC business operations are managed efficiently and effectively.

### ***(2) Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies***

- Develop key relationships and networks to gather market intelligence for potential investments and venture capital public policies; and
- Leverage OCGC's relationships and networks to attract new investment in Ontario companies.

**(3) Undertake specific priorities outlined in the recent agency mandate letter**

- Complete the Board approved investments under the Life Science Venture Capital Fund initiative; and
- Continue to pause investment activity under the Investment Framework.

**Manage OCGC's investment portfolio and business operations in a prudent and cost-effective manner**

Objective	Performance Measure	Targets
<ul style="list-style-type: none"> <li>• Ensure OCGC's business operations are managed efficiently and effectively, including its limited partnership interests in externally-managed funds and the remaining OETF investment portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• OCGC operating expenses as a percentage of invested capital</li> <li>• Legislative requirements met.</li> </ul>	<ul style="list-style-type: none"> <li>• Operating expenses as a percentage of invested capital is no more than 0.25%, which is significantly below management fees charged by fund-of-funds managers of typically between 0.4%-0.75%.</li> <li>• Annual business plan and annual report submitted on March 1 and within 120 days after its fiscal year end respectively.</li> </ul>
<ul style="list-style-type: none"> <li>• Track results and report on key performance indicators.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain key performance indicators and other relevant metrics from the general partners on a quarterly basis; review and ensure adherence to limited partnership agreements; and gather market intelligence with respect to fund commitments/ investments.</li> </ul>	<ul style="list-style-type: none"> <li>• On a quarterly basis, key performance indicators are obtained and if not, action is taken as required.</li> </ul>
<ul style="list-style-type: none"> <li>• Respond to all capital calls from externally-managed funds by the required deadline.</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of capital calls met by the required deadline.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of capital calls met by the deadline specified by the general partner.</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure continuity of business services.</li> </ul>	<ul style="list-style-type: none"> <li>• % of employee turnover.</li> </ul>	<ul style="list-style-type: none"> <li>• No more than 15% employee turnover annually.</li> </ul>

***Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies***

<b>Objective</b>	<b>Performance Measure</b>	<b>Targets</b>
<ul style="list-style-type: none"> <li>Develop key relationships and networks to gather market intelligence for potential investments and venture capital public policies.</li> </ul>	<ul style="list-style-type: none"> <li>Number of meetings with potential investors, fund managers, and other venture capital stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>12 meetings per year.</li> </ul>
<ul style="list-style-type: none"> <li>Maintain a positive net multiple of capital across OCGC's investment portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Aggregate net multiple of capital for OCGC investment portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain net multiple of capital of at least 1.2x.</li> </ul>

***Undertake specific priorities outlined in the recent agency mandate letter***

<b>Objective</b>	<b>Performance Measure</b>	<b>Targets</b>
<ul style="list-style-type: none"> <li>Complete the Board approved investments under the Life Science Venture Capital Fund initiative.</li> </ul>	<ul style="list-style-type: none"> <li>All investments under the Life Science Venture Capital Fund initiative completed.</li> </ul>	<ul style="list-style-type: none"> <li>Investments completed by March 31, 2021.</li> </ul>



## 7.0 Overview of Corporate Risk Assessment and Management

<b>Risk Factor</b>	<b>Description</b>	<b>Likelihood of Occurrence</b>	<b>Impact if Risk Realized</b>	<b>Mitigation Strategy</b>
Human Resources Risk	Risk that OCGC does not have sufficient staff resources to deliver on its mandate.	Medium	High	Review organizational needs on an annual basis and work with the Ministry to take corrective action as needed.
Financial Risk	Potential weakness in capital markets could make it more difficult to recoup OCGC investments through exits.	Medium	High	OCGC monitors the performance of its investment portfolio by reviewing the OETF semi-annual valuation reports from its external service provider and the quarterly reports provided by the fund managers. Any potentially adverse situation with respect to the portfolio is reviewed and a course of action is developed to best remediate such situation.
Operational Risk	Business continuity risk in the event of disasters or other events.	Medium	Medium	OCGC's business continuity plan is reviewed, updated and approved annually to ensure the agency is prepared for disruption to standard working conditions. Systems, procedures and controls are in place and key staff are adequately prepared to ensure continuity of operations.
Strategic Risk (Policy Changes)	Changes made by the Province to current venture capital policies could result in additional changes to responsibilities for OCGC.	Medium	High	Monitor, assess, and respond to policy development matters in support of the Province's venture capital policies and plans. Provide technical analysis and advice to support the policy process.

## 8.0 Human Resources

OCGC's full-time equivalents ("FTEs") are included as part of the Ministry's overall FTE count. The Ministry's cost of eight (8) OCGC positions and associated overhead are fully recoverable from OCGC. Only one (1) of these positions is excluded from collective bargaining. Employees are compensated in accordance with Part III of the *Public Service of Ontario Act, 2006* (Ontario) and employees earning more than \$100,000 annually are subject to the *Public Sector Salary Disclosure Act, 1996* (Ontario).

OCGC's staffing levels are lean compared to public sector bodies with similar economic development mandates, such as BDC and Investissement Québec. Given the lean staffing model and to ensure prudent operations, OCGC is also supported by a limited number of external service providers having specialized knowledge in fund evaluation, direct co-investments and fund investments, as well as audit and accounting services.

OCGC works with the Ministry's Strategic Human Resources Business Unit to implement and maintain the Province's human resources strategies, policies, and practices. OCGC will continue to maintain its existing business objectives at currently approved staffing levels.

## 9.0 Communication Plan

OCGC works closely with the Ministry when news releases or announcements are scheduled to be released to the public, including industry stakeholders. Updates related to OCGC can be found on its website, [www.ocgc.gov.on.ca](http://www.ocgc.gov.on.ca). The site includes OCGC's annual business plan, annual report and relevant portfolio related information including new investments and successful exits. OCGC's annual financial statements are also available in Volume 2 of the Public Accounts of Ontario.

Updates on the other funds can be found at the following websites.

Externally-Managed Fund	Website
OVCF	<a href="http://www.ovcf.com">www.ovcf.com</a>
NVCF	<a href="http://www.northleafcapital.com">www.northleafcapital.com</a>
SUVF	<a href="http://www.suv.vc">www.suv.vc</a>
Yaletown	<a href="http://www.yaletown.com">www.yaletown.com</a>
Lumira	<a href="http://www.lumiraventures.com">www.lumiraventures.com</a>
Genesys	<a href="http://www.genesyscapital.com">www.genesyscapital.com</a>

OCGC responds to inquiries from the public regarding its mandate and responsibilities as required, in a timely manner and in accessible formats as requested.

## 10.0 Overview of 2019-20 Results

As of the date of this report, OCGC is substantially on-track to meet its 2019-20 targets:

### *Manage the OETF investment portfolio*

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> <li>Ensure OETF maximize value creation.</li> </ul>	<ul style="list-style-type: none"> <li>Track and benchmark existing OETF investments using key performance indicators, available market-based comparators, and applicable venture capital metrics on a quarterly basis or more frequently if the situation warrants it.</li> </ul>	<ul style="list-style-type: none"> <li>100% timely reporting of metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Metrics reported in a timely manner.</li> <li>Fund performance reflects Canadian venture capital industry norms and corrective action taken as necessary.</li> </ul>
<p>Portfolio Management:</p> <ul style="list-style-type: none"> <li>Review and analyze revenues, expenses, and budget forecasts to model the company(ies) cash flow requirements, such that follow-on financing demands of investors can be determined and whether participation in future financings continues to be justified.</li> <li>Aggregate follow-on financings to model overall impact and pressures to the OETF portfolio both in the short</li> </ul>	<ul style="list-style-type: none"> <li>In order to make portfolio management decisions, OCGC will, on a quarterly basis, or more frequently if the situation warrants it, review and assess the following (including, but not limited to):               <ul style="list-style-type: none"> <li>Follow-on financings;</li> <li>Potential mergers and acquisitions;</li> <li>Assignment of company assets;</li> <li>Forbearance of covenants;</li> <li>Election of company directors;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Information is generated on a timely basis in order that OCGC can make fully informed discretionary decisions in the best interests of OCGC.</li> </ul>	<ul style="list-style-type: none"> <li>Required information generated on a timely basis to assist with OCGC investment decisions.</li> </ul>

Objective	Performance Measure	Targets	Results
<p>and intermediate term through to exit of the portfolio company.</p> <ul style="list-style-type: none"> <li>Review and analyze investee company operating plans and results. Provide recommendations for follow-on financing or strategic exits.</li> </ul>	<ul style="list-style-type: none"> <li>Employment of key company executives or changes thereof;</li> <li>Business operating plans and results; and</li> <li>Other material company changes.</li> </ul>		
<p>For each OETF portfolio company:</p> <ul style="list-style-type: none"> <li>Track portfolio company operating results against their respective business plan targets.</li> <li>Attend portfolio company board meetings as required. Consult with other investors on portfolio company performance as required.</li> </ul>	<ul style="list-style-type: none"> <li>Review and analyze key performance indicators on a quarterly basis.</li> <li>Compare performance relative to similar publicly-listed companies in the same industry sector.</li> <li>Gather market intelligence.</li> <li>Identify and take required action to remediate issues of concern in a timely manner.</li> <li>Review and assess key performance indicators.</li> </ul>	<ul style="list-style-type: none"> <li>Review key performance indicators and portfolio company developments on a quarterly basis, including impacts to the long-term success and valuation of the portfolio company.</li> </ul>	<ul style="list-style-type: none"> <li>Key performance indicators and portfolio developments reviewed on a quarterly basis.</li> </ul>

**Administer the Province's LP interests in externally-managed funds**

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> <li>Oversee OCGC's limited partnership interests to maximize value creation.</li> </ul>	<ul style="list-style-type: none"> <li>Track and benchmark investments using venture capital metrics quarterly, seeking to continuously find opportunities to improve efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>Operating costs within approved budget allocation.</li> <li>Fund performance reflects Canadian venture capital industry norms and corrective action taken as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Operating costs remained within approved budget allocation.</li> <li>Fund performance reflects Canadian venture capital industry norms and corrective action were taken as necessary.</li> </ul>
<ul style="list-style-type: none"> <li>Oversee OCGC's investment commitments to ensure adherence to the goals and objectives of the respective funds.</li> </ul>	<ul style="list-style-type: none"> <li>Review on quarterly basis, or more frequently if the situation warrants, adherence to limited partnership agreements, including but not limited to any parameters on investments; geographic/industry diversification of portfolio; and pacing of commitments etc.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure funds have the necessary portfolio diversification to achieve performance targets and make necessary inquiries if targets are not met.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed update reports prepared by the fund managers and made inquiries as necessary.</li> </ul>
<ul style="list-style-type: none"> <li>Respond to all capital calls by the required deadline.</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of capital calls met by the required deadline.</li> </ul>	<ul style="list-style-type: none"> <li>100% of capital calls met by the deadline specified by the general partner.</li> </ul>	<ul style="list-style-type: none"> <li>100% of capital calls met by the specified deadline.</li> </ul>

Objective	Performance Measure	Targets	
<ul style="list-style-type: none"> <li>Track interim results and report on key performance indicators.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain key performance indicators and other relevant metrics from the general partner on a quarterly basis; review and ensure adherence to limited partnership agreements; and gather market intelligence with respect to fund commitments/ investments.</li> </ul>	<ul style="list-style-type: none"> <li>On a quarterly basis, key performance indicators are obtained and if not, action is taken on a timely basis.</li> </ul>	<ul style="list-style-type: none"> <li>Key performance indicators obtained in a timely manner, with follow-up as appropriate.</li> </ul>

***Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies***

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> <li>Participate in venture capital industry initiatives to raise awareness of OCGC's mandate and potential investment opportunities in Ontario.</li> </ul>	<ul style="list-style-type: none"> <li>Gather market intelligence to support venture capital public policies to help continue to develop Ontario's venture capital ecosystem and gather data on opportunities generated.</li> </ul>	<ul style="list-style-type: none"> <li>Assess the market intelligence and data and take action as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>While participation in venture capital events was less than in previous years due to the government-wide freeze on discretionary expenditures, OCGC proactively met with venture capital funds, investors, technology industry thought leaders and subject matter experts to gather market intelligence that will help shape appropriate</li> </ul>

Objective	Performance	Targets	Results
			venture capital public policies in the coming years.
<ul style="list-style-type: none"> <li>• Monitor, review, and respond to developments and/or government venture capital policy initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess relevant governmental and industry developments on a quarterly basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Assessments completed on a quarterly basis and appropriate action taken.</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant governmental and industry developments assessed quarterly, with action taken as required.</li> </ul>

To receive any section of this report, or the report in its entirety, in a more accessible, alternative format, please contact [ocgc@ontario.ca](mailto:ocgc@ontario.ca).

## Appendix A: Financials

### Proposed Operating Expenditures, Projected Revenues & Funding Requirements

OCGC is a Board-governed provincial agency. It has a legislated requirement to issue audited financial statements for the fiscal year, which are approved by its Board of Directors and to formally submit these to the Minister within 120 days after the end of every fiscal year. The financial statements summarize OCGC's revenue and expenditures and are tabled in the Legislature once approved by the Minister. The statements are also included in the Public Accounts of Ontario. OCGC's financial results are consolidated with those of the Province for Public Accounts and Budget purposes.

OCGC's annual business plan sets out the operating expenditures and revenues of the OCGC in the past fiscal year with a forecast over the next three fiscal periods, as well as the corresponding projection for the Statements of Financial Position<sup>9</sup>.

**Note:** For the Statement of Operations & Changes in Accumulated Operating Surplus, no speculations are taken with respect to investment income in funds, gains/(losses) in funds, impairment in funds or foreign exchange gains/(losses) subsequent to the year ending March 31, 2020. The values of these financial assets are held constant only for budgeting purposes.

---

<sup>9</sup> These statements are consistent with Public Sector Accounting Standards.



Table 1:

<b>Statements of Operating Expenditures</b>	Actual results for the initial 6 months of fiscal 2019-20	Forecast for 12 months of fiscal 2019-20	Forecast for the fiscal years ending March 31st <sup>10</sup>		
			2020-21	2021-22	2022-23
All figures are unaudited (\$,000)					
<b>Shared operating costs with the Ministry:</b>					
Salaries & wages	397	825	867	911	1023
Benefits	43	81	85	90	97
Transportation & communications	3	15	17	17	17
Services	39	52	55	58	61
Accommodations	41	67	70	73	77
Supplies & equipment	2	2	2	2	2
<b>Total reimbursements to the Ministry</b>	<b>525</b>	<b>1,042</b>	<b>1,096</b>	<b>1,151</b>	<b>1,277</b>
<b>Other direct operating expenses:</b>					
Cash management fees	16	44	60	63	64
Professional services fees <sup>11</sup>	123	319	443	466	158
Board and committee member expenses	1	5	5	5	5
<b>Total ODOE</b>	<b>140</b>	<b>368</b>	<b>508</b>	<b>534</b>	<b>227</b>
<b>Total direct operating expenses</b>	<b>665</b>	<b>1,410</b>	<b>1,604</b>	<b>1,685</b>	<b>1,504</b>

<sup>10</sup> OCGC is in discussion with the Ministry on the forecasted numbers.

<sup>11</sup> Professional services fees includes external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit, bookkeeping and legal services.

Table 2:

<b>Statements of Operations &amp; Changes in Accumulated Operating Surplus</b>	Actual results for the initial 6 months of fiscal 2019-20	Forecast for 12 months of fiscal 2019-20	Forecast for the fiscal years ending March 31st <sup>12</sup>		
			2020-21	2021-22	2022-23
All figures are unaudited (\$,000)					
<b>Revenues:</b>					
Funding & transfer payments <sup>13</sup>	1,220	27,000	2,000	2,000	2,000
EOI expense recovery	208	208	-	-	-
Interest income	1,942	3,259	2,500	2,000	1,700
Investment income in funds	7	7	n/a	n/a	n/a
Net realized gains/(losses) on sale of investments in funds	261	261	n/a	n/a	n/a
Foreign currency exchange gains/(losses)	(47)	(234)	n/a	n/a	n/a
	3,591	30,501	4,500	4,000	3,700
<b>Expenditures:</b>					
Reimbursement to the Ministry	525	1,042	1,096	1,151	1,277
Cash management fees	16	44	60	63	64
Professional services fees	123	319	443	466	158
Board & Committee fees	1	5	5	5	5
Impairment of investments in funds – OETF	-	-	n/a	n/a	n/a
	665	1,410	1,604	1,685	1,504
Operating surplus for the period	2,926	29,091	2,896	2,315	2,196
Accumulated operating surplus - beginning	395,786	395,786	424,877	427,773	430,088
<b>Accumulated operating surplus - ending</b>	398,712	424,877	427,773	430,088	432,284

<sup>12</sup> OCGC is in discussion with the Ministry on the forecasted numbers.

<sup>13</sup> Projections based on discussions with the Ministry

Table 3:

Statements of Financial Position	Actual results for the initial 6 months of fiscal 2019-20	Forecast for 12 months of fiscal 2019-20	Forecast for the fiscal years ending March 31st <sup>14</sup>		
			2020-21	2021-22	2022-23
All figures are unaudited (\$,000)					
<b>Financial assets:</b>					
Cash and cash equivalents	19,551	18,322	16,717	12,033	7,529
Marketable securities	187,056	199,807	182,607	169,527	152,747
Accounts receivable	606	2	2	2	2
Ontario Venture Capital Fund LP	81,530	83,195	86,716	86,716	86,716
Ontario Emerging Technologies Fund	27,479	32,693	32,693	32,693	32,693
Northleaf Venture Catalyst Fund LP	50,000	50,000	50,000	50,000	50,000
ScaleUp Venture Fund LP	16,500	20,000	25,000	25,000	25,000
Yaletown Innovation Growth LP	5,800	7,400	10,600	14,200	18,200
Lumira Ventures III LP	6,328	7,708	11,388	15,068	18,748
Genesys Ventures III LP	4,972	6,050	7,850	9,649	11,449
Amplitude Ventures	-	1,000	2,500	4,000	5,500
Market-based funds - TBD	-	-	3,000	12,500	25,000
	399,822	426,177	429,073	431,388	433,583
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	500	300	300	300	300
Accumulated surplus	399,322	425,877	428,773	431,088	433,284
<b>Accumulated surplus is comprised of:</b>					
Accumulated operating surplus	398,712	424,877	427,773	430,088	432,284
Accumulated remeasurement gains/(losses)	610	1,000	1,000	1,000	1,000
	399,322	425,877	428,773	431,088	433,284

<sup>14</sup> OCGC is in discussion with the Ministry on the forecasted numbers.

## **Appendix B: Corporate Governance**

### **Minister**

Each year, the Minister of Economic Development, Job Creation and Trade (the “Minister”) is required to table OCGC’s annual report in the Legislature. In addition, the Minister reviews and approves OCGC’s annual business plan. The Minister also maintains communications with OCGC through its Chair, regarding government policies and issues relevant to OCGC.

### **Chair**

The Chair is accountable to the Minister for OCGC’s performance in fulfilling its mandate. The Chair is responsible for providing advice and information to the Minister with regard to OCGC’s operations and affairs. In addition, the Chair provides leadership to OCGC.

### **Board of Directors**

The OCGC Board of Directors (the “Board”) is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The Board performs a supervisory role, overseeing the management of OCGC’s business and affairs to ensure OCGC’s mandate is fulfilled. The Board is comprised of both public servants employed by the Crown and independent directors.

The Board meets at least quarterly and receives regular reports from the President and Chief Executive Officer and OCGC staff concerning OCGC’s operations and its compliance with applicable laws and policies. Standards of conduct for OCGC Board members are set out in the Board-approved Code of Conduct.

There are also two committees of the Board to assist it in supervising the management of OCGC:

### **Audit and Risk Committee**

The Audit and Risk Committee reviews and recommends approval by the Board of an annual internal audit plan and receives reports from OCGC’s internal auditors and Auditor of Record regarding internal controls and financial reporting. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit and Risk Committee is to review OCGC’s major risks and mitigation strategies.

## **Human Resources Committee**

The Human Resources Committee assists the Board in reviewing the human resources programs and practices of OCGC related to compensation, performance evaluation, and training.

## **President and Chief Executive Officer**

Under the *Ontario Capital Growth Corporation Act, 2008* (the “Act”), the President and Chief Executive Officer (the “CEO”) is employed under Part III of the *Public Service of Ontario Act, 2006* (“PSOA”) and is appointed by the Board. The CEO is accountable to the Board for:

- Managing and administering OCGC;
- Supervising OCGC staff; and
- Carrying out the roles and responsibilities assigned by the Board, the Act and applicable government directives.

The CEO works under the direction of the Chair and the Board to implement policy and operational decisions. The CEO reports OCGC’s performance results to the Board, directly or through the Chair.

## **Employees**

All employees of OCGC are civil servants employed under Part III of the PSOA. OCGC’s business operations are carried out by staff under the supervision of the CEO.

Appendix C: Organizational Chart

**Ontario Capital Growth Corporation  
Organizational Chart**

