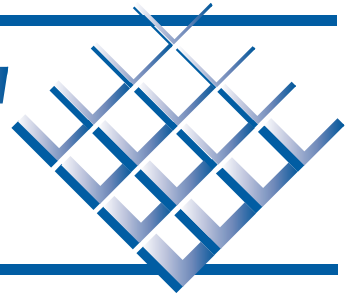


ENTERPRISE



CANADIAN VENTURE CAPITAL ASSOCIATION (CVCA)/ ASSOCIATION CANADIENNE DU CAPITAL DE RISQUE (ACCR)

2000 Builds on Strong 1999 Finish

The number of financings and amount of capital invested by Canada's venture capital industry reached a record high in the first quarter of 2000. This powerful beginning to the year is clearly linked to the industry's strong performance in the later stages of 1999, when several new records were established.

By the end of the first quarter of 2000, total disbursements reached a total of \$1.1 billion in capital, up by 88% over the \$612 million disbursed in the first quarter of 1999, and surpassing the record high in Q4 by 12%.

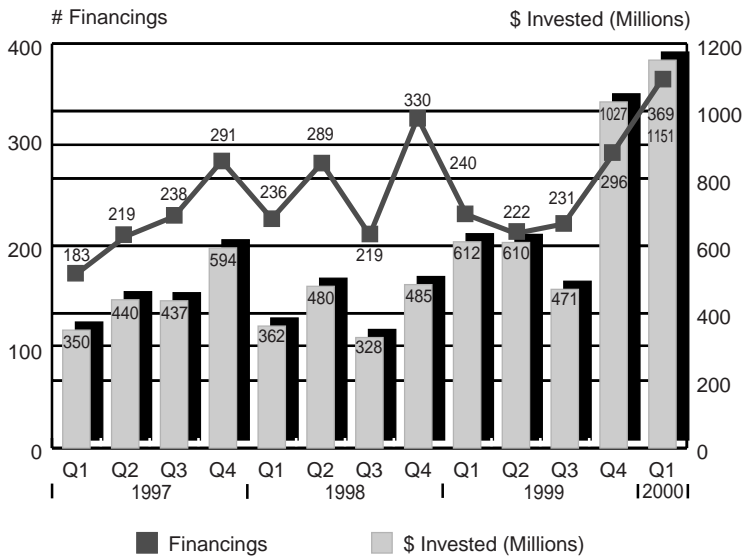
Deals involving more than \$5 million accounted for 75% of total capital invested in the first quarter, up dramatically from the 64% share deployed for all of 1999. These 51 deals averaged \$17.0 million in the first quarter, as compared to an average of \$10.6 million in the first quarter of 1999. Some notable deals that raised more than \$20 million in venture capital during the first quarter include Nu-Wave Photonics Inc., Solect Technology Group, Wysdom, Truespectra, Bridgewater Systems Corporation, Stream Intelligent Networks, Chrysalis-ITS, Xantrex Technology and DWL Inc.

Record highs are also being set south of the border. According to Venture Economics, an increase of 266% over the first quarter 1999 has been recorded, with \$22.7 billion disbursed in the first quarter of this year as compared to \$6.2 billion in Q1 1999. As in Canada, this money is chiefly going to US information technology industries.

The average round of financing in the US has more than doubled from Q1 last year to \$14.57 million. Activity continues to be strongest in Northern California, which accounted for almost \$8 billion. This represents a 347% increase over activity in the first quarter of last year. The State of California alone accounted for almost half of the total disbursements in the US.

At an annualized rate, the Canadian venture capital industry is well ahead of 1999's impressive results. But some of this unprecedented early surge stemmed from the intensive activity in late 1999, which is not likely to be sustained over the course of the year. The volatility experienced by tech stocks in the public markets in recent months may also serve to moderate activity.

Quarterly Investment Activity
By Canadian Venture Capital Industry



Prepared for CVCA © Macdonald & Associates Limited

Follow-on financings continue to increase their share of the total disbursements, accounting for 68% of the deals done and absorbing \$873 million or 76% of the total disbursements. The average size of financing has climbed to \$3.1 million as compared to \$2.7 million in 1999. There was a sharp increase in the amount of capital being invested in technology deals, which accounted for more than 83% of all investments made, and captured over 89% of the total disbursements in Q1. This compares with 75% and 80% respectively for all of 1999. Close to half of Q1 disbursements flowed to Canada's computer products industry.

News From the CVCA



Capital Summit 2000, co-hosted by CVCA and led by Réseau Capital, was held earlier this month in Montreal. It was a tremendous success with 900 venture capitalists from 30 countries attending this event which provided Canadian VCs and their investees with a "window on the world" as they race to global scale.

Mark This Date!

CVCA's Annual General Meeting and Dinner will be held on Wednesday, September 27th, 2000, in Toronto. More detailed information will be sent to the membership in August.

New AdVENTURES

❖ **CastleHill Ventures** has recently moved their offices to 11 King Street West, Suite 600, Toronto, ON M5H 4C7. Phone and fax remain unchanged at (416) 862-8574 and (416) 862-8875.

❖ **Yad Garcha** has been promoted to Senior Vice-President of Investments at **Growthworks Capital**. Yad can be reached at yad.garcha@growthworks.com. **Rolf Dekleer**, formerly with Cymbolic Sciences, has recently joined Growthworks as an Investment Manager. Rolf can be reached at rolf.dekleer@growthworks.com. Both Yad and Rolf can be reached at (604) 688-9631.

❖ **HDL Capital** has moved to 20 Adelaide St. East, Suite 1104, Toronto, ON M5C 2T6. Email addresses have changed to firstname@hdlcapital.com. Telephone and fax numbers remain unchanged at (416) 599-7330 and (416) 599-7957.

❖ **Dinesh Kakadia**, has recently left Haywood Securities to join **Lumic Electronics Inc.** as an Associate. Dinesh can be reached at (613) 224-9926.

❖ **Medical Research Council of Canada** has recently moved their offices to 410 Laurier Avenue West, 9th Floor, Address Locator: 4209A, Ottawa, ON K1A 0W9. Phone and fax numbers remain unchanged at (613) 941-2725 and (613) 941-1040.

❖ **Michael Lay**, formerly with Ontario Teachers' Pension Plan Board, has recently joined **Oncap Investment Partners** as Managing Director. Michael can be reached at (416) 214-1108. **Dean Metcalf** has been promoted to Vice President of the Merchant Banking Group at Ontario Teacher's, filling Michael's previous role. Dean can be reached at (416) 730-6166 or dean_metcalf@otpp.com.

❖ **Pinetree Capital Corp.** has recently appointed **Larry Goldberg** as Executive Vice President and Chief Financial Officer. Larry can be reached at goldberg@pinetreecapital.com or (416) 941-9600.

❖ A reorganization within the Royal Bank has led to the formation of **Royal Bank Capital Partners**, a combination of part of Royal Bank Ventures with Royal Bank Equity Partners, effective as of May 1, 2000. This newly combined VC/private equity fund with committed capital of over \$1 billion will focus on five sectors (life sciences, information technology, advanced manufacturing technology, communications & media and energy) throughout North America. **Royal Bank Ventures** will focus on seed/start-up funding through four seed funds (eLab Technology Ventures, Primaxis Technology Ventures, Milestone Medica and Foragen). For more information on RB Capital Partners please contact (416) 842-7519. For more information on RB Ventures please contact Susan Smith at (416) 974-0574.

❖ **Darren Sissons** has recently joined **Royal Bank Capital Partners** as an analyst in the Toronto office and can be reached at (416) 974-2241 or darren.sissons@royalbank.com.

❖ **Howard Steinberg**, has recently joined **Royal Bank Capital Partners** as an analyst in the Vancouver office and can be reached at (604) 665-5111 or hsteinberg@rbventures.com.

❖ **Denis Labrecque** has been recently appointed Group Vice President, Turnaround Management and Special Projects at the **Solidarity Fund QFL**. Denis can be reached at dlabrecque@fondsftq.com. **Jacques Simoneau** has been appointed Group Vice President, Investments and can be reached at jsimoneau@fondsftq.com. **Daniel Laporte** will replace Jacques in his previous role as Group Vice President, Technological Investments and can be reached at dlaporte@fondsftq.com. Alternatively, Denis, Jacques and Daniel can all be reached at (514) 383-8383.

❖ **TD Capital** and **SCC Canada** have moved offices and will jointly occupy 66 Wellington St. W., 9th Floor, P.O. TD Tower, Toronto, ON, M5K 1A2. Phone and fax numbers remain unchanged.

❖ **VenGrowth** has recently added three new individuals to their team. **Peter Carrescia**, has joined as Director and can be reached at pcarrescia@vengrowth.com or (416) 971-6656 ext. 225. In addition to Peter's expertise in the creation and execution of sales and marketing initiatives, he will be responsible for reviewing business opportunities, due diligence and the negotiating and structuring of transactions. **Tatiana Badescu**, formerly with Royal Bank, has joined VenGrowth as an Investment Analyst. Tatiana can be reached at tatiana@vengrowth.com or (416) 971-6656 x243. Tatiana is responsible for reviewing business plans, industry research, financial analysis, and undertaking due diligence. **Martin Horne**, has also recently joined as Entrepreneur-In-Residence ("EIR") and can be reached at martin@vengrowth.com or (416) 971-6656 x224. Martin's new role will include reviewing potential investment opportunities and providing consulting as well as other expertise to VenGrowth's technology portfolio companies

❖ **Marc Wickham**, formerly with the Business Development Bank of Canada's Venture Capital Division in Ottawa, has been appointed Vice President and opened the **Ventures West** office in Ottawa on June 5, 2000. Marc will focus on telecommunications and IT opportunities in the Ottawa area. Marc can be reached at (613) 270-9911 or at mwickham@ventureswest.com. The new Ottawa office is located at 135 Michael Cowpland Drive, Suite 203, Kanata, Ontario K2M 2E9.

❖ **Chris Laird** has recently joined **Ventures West** as a Researcher in the Vancouver office and will focus on biotechnology. Chris can be reached at claird@ventureswest.com or (604) 891-3267.

New Funds

❖ **Arc Financial Corporation** recently announced a closing of \$153.5 million for their ARC Canadian Energy Venture Fund 2. This private equity investment partnership will focus on start-ups to early stage companies in the energy sector, including non-conventional oil and gas related technologies, transportation and infrastructure, electricity, fuel cell technology, refinery process and technologies and other new or alternative energy related areas. For more information, contact Philip Swift, President and CEO at (403) 292-0680 or www.arcfinancial.com.

❖ **eHealthPark Inc.**, a new internet healthcare startup fund has recently been formed and is currently capitalized at \$12.5 million, with \$5 million from EcomPark, \$2.5 million from MDS Capital Corp., \$2.5 million from Ex Fund Technologies Corp., and \$2.5 million from Yorkton Securities. This new fund will focus on providing seed capital to Internet companies in the electronic technology and Internet service areas of the healthcare and life sciences sector. Start-up investments will generally range from \$250,000 to a maximum of \$1 million. For more information, please contact Harry A. Jaako at (604) 683-3000 or hjaako@discoverycapital.com.

❖ **Foundry Ventures** has announced their first closing on approximately \$7 million for Foundry Ventures I, LP and will focus principally on private companies that target telecommunications solutions, wireless applications, software development, new media development and medical devices. For more information, contact, Vince Krynski, vkrynski@foundryventures.com, Hal Peters, hpeters@foundryventures.com or Kim Wong, kimw@foundryventures.com at (403) 571-0300.

❖ **GTI Capital** has recently closed an initial financing of \$40.7 million for its current fund GTI V. This fund will focus on financing early stage IT companies based in Canada and New England. For more information, please contact Bernard Hamel at (514) 845-3800 ext. 26 or bhamel@gticapital.com.

❖ IBM Canada has invested \$5 million in the **J.L. Albright III Venture Fund** as a limited partner. This fund will focus on emerging Internet, e-commerce, network and software companies. For more information, contact John Albright at (416) 367-2440 or info@jlaventures.com.

❖ devine interVentures Inc., a Chicago based US \$500 million venture capital firm has purchased 31% of LAUNCHworks shares. **LAUNCHworks**, a Calgary-based technology incubator founded in 1999, focuses on early-stage financing to software companies in Canada and parts of the U.S. and currently has invested in four technologies. For more information, please contact Stephen Kenny, President at (403) 269-1119 or stephenk@launchworks.com, or Bryon Osing, CEO and Chairman at (403) 270-2513 or byrono@launchworks.com.

❖ **Novacap** is presently raising a new \$250 million investment fund and expects to close a first tranche in July and a final closing is scheduled for December. For more information, please contact Marc Beauchamp, President at (450)

651-5000 or mbeauchamp@novacap-inc.com or Jean-Pierre Chartrand, Vice-President at (450) 651-5000 or jpchartrand@novacap-inc.com

❖ Following the acquisition of **Penfund inc.** by a management group led by John Bradlow and Barry Yontef, Penfund has completed a new \$50 million mezzanine fund. The fund will provide mezzanine capital in the \$1-7million range to traditional businesses to help finance growth, acquisitions, management buyouts and ownership reorganizations. For more information, please contact John Bradlow at (416) 865-0300 ext. 206 or Barry Yontef at (416) 865-0300 ext. 229 or visit the Penfund website at www.penfund.com.

❖ **StartingStartups.com**, a new hi-tech incubator has recently been created by Tim McCunn, Calvin Stiller, Doug Hewson and Peter Low. This Ottawa-based incubator provides seed money under \$500,000 to internet applications, dot coms and telecommunications companies with an incubation period of six to 18 months. For more information, please visit their website at www.startingstartups.com or (613) 236-6006.

❖ McCarvill Corporation has recently formed **Techbanc Inc.**, a new private venture capital firm. Techbanc will focus on technology companies, ranging from angel-type financings to more mature pre-IPO equity investments in private companies with promising proprietary technology. For more information, please contact Tim A. Bowman, President & CEO, tbowman@techbancinc.com or (416) 947-1492 or Gerald P. McCarvill, Chairman & CEO, McCarvill Corporation at (416) 865-4787.

❖ **Tera Inc.**, a new joint venture corporation formed by **Tera Capital Corporation** and **Banyan Investment Management**. For more information, please contact Duncan Stewart, Tera Capital Corporation at dstewart@teracap.com or (416) 368-1070 or Michael Freund, Banyan Investment Management at mfreund@cclgroup.com or (604) 643-2023.

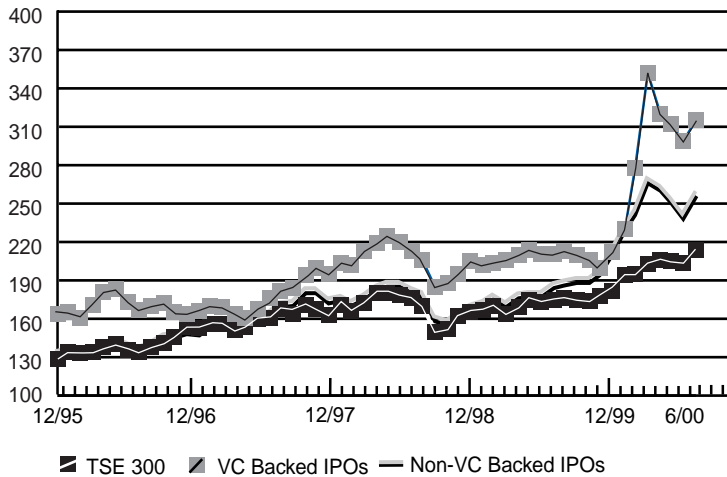
❖ **Trellis Capital Corporation**, a new private \$10 million fund, founded by Sunil Selby (formerly with the Royal Bank) will focus on IT/Electronic infrastructure and Industrial, manufacturing and alternative energy applications and invests between \$0.5-\$2MM in the form of customized equity capital. For more information, please visit their website at www.trelliscapital.com or contact Sunil Selby, Managing Director at selby@trelliscapital.com or (416) 398-2299.

November 13-14, 2000 in Vancouver

Canada's Premier Venture Capital Showcase, the Canadian IT Financing Forum, presented by Macdonald & Associates Limited and CanadaIT.com, will be held on November 13 & 14 at the Delta Pinnacle in Vancouver. 30 to 40 emerging IT companies will make presentations to a group of major venture capital investors from Canada, the US and abroad. For more information on becoming a presenting company or to register on-line please visit their website at www.financingforum.com or contact Nancy Hizaka-Vilardo at (416) 964-1265, ext. 3.

IPO Update

Venture-Backed Firms Outperform After IPO
December 1995 – June 2000 (TSE)



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Companies financed with venture capital prior to going public continued to significantly outperform the TSE 300 and all other IPOs through the first half of 2000. This index shows the price performance only of those companies which are listed on the TSE and does not include those venture-backed technology firms which have listed only on NASDAQ.

The Winners' Circle

Providing data to Macdonald & Associates Limited has paid off for two data draw winners. Linda Hubert (left) from Technocap won the draw for returning 1999 investment data and recently enjoyed a trip for two on the beaches of Nassau. Shawn McCarvill (right) from PEI Capital Inc., chose to put the prize value towards a family trip to Disney World, after winning the draw for last year's Economic Impact Survey.



New IPOs

New Canadian IPOs (non-resources, non-financial, non-utilities and non-real estate) from March to June 00.

Toronto Stock Exchange (TSE):

- OnX Incorporated (4/00)
- 360networks Inc. (4/00)
- NRG Group (5/00)
- Neurochem Inc. (6/00)
- Collicutt Hanover Services Ltd. (6/00)
- ART Advanced Research Technologies Inc. (6/00)

Montreal Exchange (ME):

None

Canadian Venture Exchange (CDNX)

- Absolute Software Corporation (3/00)
- Aitchison Capital Inc. (3/00, VCP)
- Astron Resources Corp. (3/00, VCP)
- electroBusiness.com Inc. (3/00, JCP)
- Entreplex Technology Corporation (3/00, JCP)
- E-Xact Transactions Ltd. (3/00)
- Newlook Capital Corp. (3/00, VCP)
- Peachtree Network Inc. (3/00)
- Plutonic Capital Corp. (3/00, VCP)
- Technology Growth Partners Inc. (3/00, VCP)
- TM Capital Corp. (3/00, JCP)
- A.C. Global Capital Corp. (4/00, VCP)
- CZM Capital Corp. (4/00, VCP)
- Emerging Ventures Corp. (4/00, VCP)
- Eveolution Ventures Inc. (4/00, VCP)
- Mega Capital Investments Inc. (4/00, VCP)
- New Horizons Capital Corp. (4/00, VCP)
- Organic Earth Corp. (4/00, JCP)
- Bearclaw Capital Corp. (5/00, VCP)
- Bricol Capital Corp. (5/00, JCP)
- Brisbane Capital Corp. (5/00, VCP)
- Cobra Venture Corporation (5/00, JCP)
- Continuum Health Care Inc. (5/00, CPC)
- Ebully Inc. (5/00, JCP)
- FTM Investment Corporation (5/00, CPC)
- Healey Capital Corp. (5/00, CPC)
- Kingfisher Ventures Inc. (5/00, CPC)
- Patfind Inc. (5/00, CPC)
- Seventh Wave Capital Corp. (5/00, VCP)
- Sitec Ventures Corp. (5/00, CPC)
- Tael Capital Inc. (5/00, CPC)
- Virgin Energy Inc. (5/00, CPC)
- Yes I.C. Technologies Inc. (5/00, CPC)
- Destiny Hospitality Ltd. (6/00, CPC)
- East Side Capital Inc. (6/00, CPC)
- Emercap Ventures Inc. (6/00, CPC)
- Flukong Enterprise Inc. (6/00, CPC)
- Intermedia Capital Corp. (6/00, CPC)
- Medici Mineral Inc. (6/00, CPC)
- Microtec Corporation (6/00, CPC)
- Planex Ventures Ltd. (6/00, CPC)
- Porpoise Capital Network Inc. (6/00, CPC)
- Sonomax Hearing Healthcare Inc. (6/00, CPC)
- WCC Services Inc. (6/00, CPC)
- WWS Capital Inc. (6/00, CPC)



Questions, comments and contributions to the **Enterprise** are welcome! Please contact the CVCA office at:

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This edition of **Enterprise** has been produced by Macdonald & Associates Limited with assistance from the CVCA office.