

Record Levels of Investment Continue

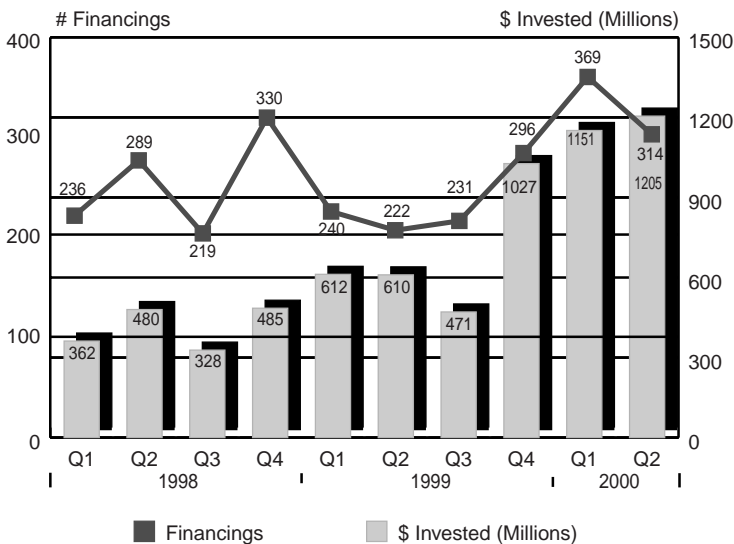
The Canadian venture capital industry continued to propel itself to new record highs in the second quarter this year, completing 314 rounds of financing and disbursing \$1.21 billion. The amount of capital invested in the quarter was almost double the \$610 million invested in the same period last year while the number of deals done was up by 40%. This aggressive pace reinforced a strong Q1 with the result that by the end of the first half of this year, the industry had completed 683 rounds of financing and deployed more than \$2.3 billion. This compares with the 989 financ-

Follow-on financings continue to account for slightly more than two-thirds of the industry's activity in terms of both deals and dollars. This trend is likely to continue as technology companies are raising growing amounts of capital over several rounds of financing. The ability of Canadian technology companies to raise large amounts of capital continued to improve through the second quarter when 16 companies completed financings involving more than \$20 million, together raising \$568 million or an average of \$35 million each. Some of the more notable large deals included Novatel Wireless (US\$33.9 million) and webPlan (\$50 million) and SiGe Microsystems (\$33.9 million). The average financing overall has risen to \$3.5 million, up from \$3.1 million at the end of the first quarter.

Private independent funds showed a healthy resurgence over the first half of the year, suggesting that these funds are once again becoming significant players in the Canadian market. Institutional, foreign and other investors continue to demonstrate a very strong interest in Canadian technology companies, together investing \$1.1 billion over the first six months or almost half of the total amount deployed. Companies with a focus on e-commerce and the Internet continued to receive solid backing from the venture industry, attracting 23% of total disbursements over the first half.

Despite the very rapid rate at which Canadian VCs are deploying capital, they continue to lag their US counterparts, who invested US\$24.5 billion in the second quarter, virtually unchanged from the US\$24.8 billion they invested in Q1. When currency exchange is taken into account, disbursements by the Canadian industry were running at only about 3% of those in the US to the end of the first half.

Quarterly Investment Activity
By Canadian Venture Capital Industry



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ings done in total in all of last year and these deals together absorbed what was then a record-setting \$2.7 billion.

Disbursements in 1999 were up by almost 60% from the prior year, so some moderation in activity might reasonably have been expected. But in fact, the reverse has been the case and it seems that the industry was simply setting the stage in 1999 for what was to be a very strong growth spurt. By the end of June of this year, the Canadian venture industry and its partners had already deployed 85% of the record amount invested in 1999, so there is little doubt that by year-end, the industry will have attained dramatically higher new records.

News From the CVCA

Conference 2001

The 2001 National Conference of the Association will be held at the Sheraton Hotel, Waterfront, in Halifax, Nova Scotia from June 13-15, 2001. The theme of the conference will be upbeat, "A Celebration of Success" in our industry over the past 10 years. Some of the most notable venture capital wins in the past decade will be featured with entrepreneurs and their v.c.'s telling their stories.

The conference promises to have an excellent program with opportunities to see what's happening in this dynamically growing area while enjoying its wonderful scenery, great seafood, and entertaining music.

New Funds

❖ **Celtic House** and **Latitude Partners** announced their informal partnership, which will link Celtic House's strengths in venture capital investments in the early stage of company development, with the acquisition and financial turnaround and merchant banking skills of Latitude Partners. **Longitude Fund Ltd. Partnership** is the new \$60 M first merchant-banking fund dedicated to technology, Internet and communications sectors. For more information, contact Tom Eisenhauer at Latitude Partners at (416) 513-9090 ext. 109 or eisenhauer@latitudepartners.com.

❖ **CCFL** has announced a closing on its third mezzanine fund, **CCFL Subordinated Debt Fund (III) Limited Partnership** with initial capitalization of \$143 M. The fund will focus on subordinated debt investments in mostly private companies with the objective of trying to achieve equity-like merchant banking returns. For more information contact Richard Kinlough (416) 640-7650; rkinlough@cctl.com or Robert Olsen (416) 640-7650; rolsen@cctl.com, co-presidents of CCFL Mezzanine Partners.

❖ **O'Donnell Capital Group** has raised \$9 million and created a network of angel investors to explore new economy opportunities. O'Donnell Capital Group has to date invested about \$150,000 in seven startups. Expectations are to increase that number to 11 by the end of the year. For more information contact David Morris at dmorris@odonnellcapital.com or Jim Goar at jgoar@odonnellcapital.com.

❖ **GrowthWorks Capital Ltd.**, manager of the Working Opportunity Fund, is launching three private funds that together are targeted to raise \$300 million. **Pacific Venture Fund**, a \$100 million mezzanine fund, will target medium-sized companies in a variety of sectors. The fund has raised \$35-million and is expected to close sometime this Fall. **TechWorks Venture Fund** is set to raise a maximum of \$125 million to invest in early-stage telecommunications, wireless, photonics and Internet-based businesses. **BioWorks Venture Fund**, also expected to raise \$125 million, will provide both equity and debt financing for companies that specialize in health care and biotechnology. For more information contact David Levi, Chief Executive of GrowthWorks at david@wofund.com.

❖ Toronto-based law firm **Goodman and Carr** recently helped launch a \$10 million fund with **Bryker Technology Partners**, managed by technology investor Bryan Kerdman. Creating a professionally managed fund represents a new stage in developing tools to build clientele and to recruit young lawyers. For more information contact Bryan Kerdman of Bryker Technology Partners at bryank@bryker.com.

❖ **Non-Linear Creations Inc.** and **KPI Ventures** have joined forces to form the new **Non-Linear Ventures Inc.** The new group will offer various services to start-ups including web and branding initiatives, funding and seed capital research as well as corporate and operational strategic planning. For more information contact Daniel Roberge, Chief Operating Officer of Non-Linear Ventures Inc.

❖ **Clairvest Group Inc.** and **Yorkton Securities Inc.** have announced the formation of a private fund to provide bridge financing to growth companies in the technology and health sciences industries prior to large, more permanent financing. This partnership will provide financing on a debt plus warrant basis for terms of up to one year. The fund initially was capitalized with \$7 million and it will grow with returns on its invested capital. For more information contact Lana Reiken, VP Finance of Clairvest Group Inc. at lanar@clairvest.com or Alan Schwartz, President, Yorkton Proprietary Asset Management Inc. at aschwartz@yorkton.com

❖ **TechnoCap** has raised an additional \$110 million bringing its fund to \$210 million. Participating in this round were **Bombardier Trust**, the global leader in the production of passenger rail cars; **Desjardins Pension Fund**, one of the largest credit unions in the world; **Solidarity Fund**, the largest labour investment fund with 400,000 individual investors; and **TechnoAnge Inc.**, a group of technology angels who assist in building startup technology companies. For more information contact Brigitte Stock at TechnoCap at nstock@technocap.com.

❖ On Monday, October 16th, **Royal Bank Ventures Inc.** (RB Ventures), **SGF Soquia Inc.** (SGF), and the **Saskatchewan Opportunities Corporation** (SOCO) and the **Crown Investments Corporation of Saskatchewan** (CIC) announced a \$42 million investment fund devoted to the creation and start-up of Canadian advanced agricultural technologies ventures in the Agri-food and Agri-biotechnology sector called Foragen Technologies Limited Partnership.

The announcement came at the Bio Agro Contact 2000 conference, with the participation of Bernard Landry, Québec's Deputy Prime Minister and Minister of State for the Economy and Finance. A similar announcement was made in Saskatchewan on Oct. 19.

Royal Bank Ventures Inc. founded Foragen Technologies by committing initial funding a year and a half ago to help keep Canadian Agri-Sciences innovations and intellectual property in Canada. Foragen's mandate is to promote venture creation by offering seed capital, technology management advice and networking opportunities that will allow entrepreneurs to concentrate on developing their technologies.

Foragen is owned by: Royal Bank Ventures Inc.: the Saskatchewan Opportunities Corporation (SOCO) and the Crown Investments Corporation of Saskatchewan (CIC); and SGF Soquia Inc. Each partner has committed to invest up to \$14 million. Foragen has offices in Québec, Ontario and Saskatchewan.

If you have any questions, please call Murray McLaughlin, President & CEO, Foragen Technologies Limited Partnership at (519) 824-7923 or René Douville, VP, Life Sciences Venture Group, Royal Bank Ventures Inc. at (416) 974-1116. You can also visit Foragen's Web site at www.foragen.com.

New AdVENTURES

❖ **Michael McGee** has recently joined **Bank of Montreal Capital Corporation**, Calgary, Alberta, in the capacity of Director. Michael can be reached at (403) 234-1847.

❖ **Brightspark** has announced several additions to the team. **Steven Bloom** has joined as CFO; **Bonnie Busby**, as VP, People; **Mikki Nasch**, VP, Business Development; **Les Ableson**, VP, Operations; **Rick McLaughlin**, VP, Marketing; and **Stefan Janicki**, General Counsel. All can be reached at (416) 488-1999.

❖ **Michel Vennat** has been appointed as President and Chief Executive Officer of the **Business Development Bank of Canada (BDC)** for a five-year term. Michel Vennat, who has been Chair of the Board of the BDC since June 1998, can be reached at michel.vennat@bdc.ca.

❖ **James Hamilton** has joined **CCFL Advisory Services Inc.** as Vice President and **Patrick Trainer** has taken on the position of Associate for **CCFL Mezzanine Partners**. Both can be reached at (416) 640-7650.

❖ **David Morris**, the former chief financial officer of O'Donnell Investment, will head the new firm **O'Donnell Capital Group** and be responsible for making investments in telecommunications and Internet-based companies. **Jim Goar**, the former vice-president of investments of O'Donnell Investment has also joined the team. David can be reached at (416) 218-3204 or dmorris@odonnellcapital.com.

❖ **Penfund Management Limited** has moved to 390 Bay Street, Suite 1720, Munich Re Centre, Toronto, ON M5H 2Y2. Email addresses remain unchanged. Telephone and fax numbers remain unchanged at (416) 865-0707, Voice Mail (416) 865-0300 and Fax (416) 364-4149.

❖ **James Lawson** and **Peter von Schilling** have left Royal Bank Capital Partners to join **Merrill Lynch** as Analysts. The pair will be working together on software, Internet, computer services and wireless plays. James can be reached at james_lawson@ca.ml.com and Peter can be reached at peter_vonschilling@ca.ml.com.

❖ **Judy Dobbs** has taken on the position of Communications Manager at **Royal Bank Ventures Inc.** Judy can be reached at judy.dobbs@royalbank.com.

❖ **Nigel Howard** has been appointed President of **Saskatchewan Opportunities Corporation (SOCO)**. Mr. Howard was formerly Vice President of Corporate Development at Crown Life Insurance Company, and brings a wealth of experience gained through his 20 years in the corporate and commercial finance sector. **Debra Duncan** has been promoted to Investment Manager at SOCO's Head Office in Regina, while **Ruth Savage** has been promoted to Investment Manager in the SOCO's Saskatoon Investments Office. **Mike Digout** joins the Investment Division at SOCO's Saskatoon Investment Office as an Investment Analyst. Ms. Duncan manages investments in the agriculture value-added sector and is available at (306) 787-8528. Ms. Savage handles investments in the forestry and nutraceutical/functional food sectors and can be reached at (306) 933-6601.

❖ **Tamarack Group Ltd.** has recently merged with **Meyers Norris Penny** to become the **MNP** venture capital vehicle throughout the firm. While the investment focus will remain unchanged, the merger adds considerably to Tamarack's ability to finance venture capital transactions.

❖ Earlier this year, **TD Capital** established a Mezzanine Fund with \$300 million of committed capital from TD Bank. **Ian M. Kidson**, Managing Director and **Tom J. Rashotte**, Managing Director, were hired from CIBC Capital Partners to manage the fund. Three new associates have since joined the team – **Rick A. Eng** from SCC Canada Inc., **Jonathan Kay** from Scotia Capital Inc. and **Daniel Klass** from Richter Corporate Finance. The fund will be focused on \$15-\$75 million investments in North American businesses.

❖ **TD Capital Canadian Private Equity Partners**, which focuses on investments in Canadian businesses looking for \$10 million to \$75 million, has added two new members to their investment team – **William C. Stevens**, Vice President, formerly with Harrowston Inc. and **Antanaska Novakova**, Associate, formerly with Credit Suisse First Boston.

❖ **TD Capital** has established an office in London, UK to focus on European communications investments in the \$15 million – \$100 million range. The new team consists of **Jose E. Brena**, Managing Director, formerly with GE Capital, **Mark T. Kelly**, Vice President, formerly with Mercury Capital, **Douglas A. Rediker**, Managing Director, formerly with Lehman Brothers, and **Kristen A. Rosenbaum**, Associate, formerly with TD Capital New York. TD Capital Communications Group in New York, which focuses on \$15 million to \$100 million investments in US communications businesses, has added three new Associates to their team. These include **Daniel Galpern**, formerly with Skadden, Arps, Meagher and Flom, **Nicholas Stevens**, formerly with GE Capital, and **Joseph Scharfenberger**, formerly with Salomon Smith Barney. Finally, **TDiCapital**, focuses on making investments of \$2 million to \$15 million in on-line financial service businesses globally, has added **Joshua Crane** as an Associate to the team. Joshua was formerly with Salomon Smith Barney.

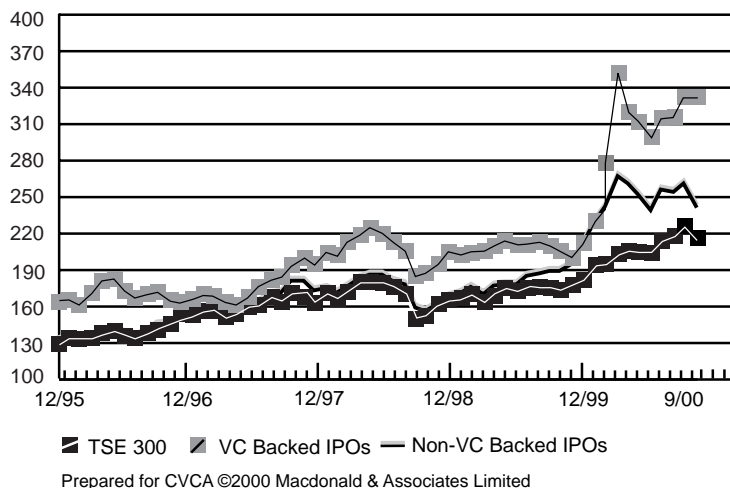
❖ Two new members have joined the team at **VenGrowth**. **Antoine Paquin**, founder of Skystone Systems and Philsar, has taken on the role of Entrepreneur in Residence while **Terri Williams** has joined the team as Director of Communications. Both can be reached at (416) 971-6656.

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. 30-40 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 – September 2000 (TSE)



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.

Deal of the Year Winner



CVCA held its Annual General Meeting, Reception and Dinner at the King Edward Hotel, Toronto on September 27. On this evening, Alain Bélanger, representing Novacap Investments Inc. accepted the "Deal of the Year" award in recognition of Novacap's investment in InnoMediaLogic (IML) Inc.

In the picture above Michel Ré, Chair of the Deal of the Year committee is on the left, Alain Bélanger, centre and Ron Begg is on the right.

New IPOs

New Canadian IPOs (non-resources, non-financial, non-utilities and non-real estate) from June 2000 to August 2000.

Toronto Stock Exchange (TSE):

- Ecopia BioSciences Inc. (10/2000)
- Mediagrif Interactive Technologies Inc. (10/2000)
- SiGem Inc. (10/2000)
- MedComSoft Inc. (9/2000)
- Name Inc. (9/2000)
- BridgePoint International Inc. (9/2000)
- Coretec Inc. (9/2000)
- PSION Canada Inc. (9/2000)
- Isotechnica Inc. (9/2000)
- ACD Systems International Inc. (9/2000)
- International Medical Innovations Inc. (8/2000)
- Pivotal Corporation (8/2000)
- EzeNet Corp. (8/2000)
- eDispatch.com Wireless Data Inc. (8/2000)
- Procyon Biopharma Inc. (8/2000)
- Seitel Inc. (7/2000)
- Nortran Pharmaceuticals Inc. (7/2000)
- SMTC Manufacturing Corporation of Canada (7/2000)

Montreal Exchange (ME):

- ZAQ Inc. (8/2000)
- Jitec Inc. (7/2000)
- Prolab Technologies Inc. (7/2000)
- nStein Technologies Inc. (6/2000)

Canadian Venture Exchange (CDNX)

- HeartLink Canada (1999) Inc. (10/2000)
- First Step Incorporated (10/2000)
- Avalanche Networks Corporation (9/2000)
- Waratah Pharmaceuticals Inc. (9/2000)
- Netrue Communications Inc. (9/2000)
- Cybercom Systems Inc. (9/2000)
- Q-Tel Wireless Inc. (9/2000)
- CST Coldswitch Technologies (8/2000)
- C-Com Satellite Systems Inc. (8/2000)
- Tetratel Inc. Corp. (8/2000)
- Vantek Technology Inc. (7/2000)
- Merit Industries Inc. (7/2000)
- QHR Technologies Inc. (6/2000)
- Computer Modelling Group Ltd. (6/2000)
- Head4 Solutions Inc. (6/2000)
- API Applications Corp. (6/2000)



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

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