ONTARIO CAPITAL GROWTH CORPORATION

2013-2014 ANNUAL REPORT

Ontario

Ontario Capital Growth Corporation

www.ontario.ca/ocgc

1 ABOUT THE ONTARIO CAPITAL GROWTH CORPORATION
2 MESSAGE FROM THE BOARD AND SENIOR MANAGEMENT
4 MANAGEMENT'S DISCUSSION AND ANALYSIS
4 Venture Capital Markets in 2013
6 Operations and Results Achieved
6 Ontario Venture Capital Fund
7 Ontario Emerging Technologies Fund
10 Northleaf Venture Catalyst Fund
10 Ontario Venture Capital Ecosystem Activities
11 FINANCIAL STATEMENTS
11 Management's Responsibility for Financial Reporting
12 Independent Auditor's Report
13 Statements of Financial Position
14 Statements of Operations and Changes in Accumulated Operating Surplus
15 Statements of Remeasurement Gains and Losses
15 Statements of Changes in Net Assets
16 Statements of Cash Flows
17 Notes to Financial Statements
28 CORPORATE GOVERNANCE
28 Overview
28 Accountability
28 Roles and Responsibilities
29 Financial Reporting
29 Internal Controls
29 Operations
30 MEMBERS OF THE BOARD OF DIRECTORS
32 RISK MANAGEMENT POLICIES AND PROCEDURES
32 OUTLOOK FOR FISCAL 2014–15
BC CONTACT INFORMATION

The Ontario Capital Growth Corporation (OCGC) was established by the *Ontario Capital Growth Corporation Act, 2008* and launched on February 27, 2009. The principal business of OCGC is to manage the limited partnership interests of the Province of Ontario (the Province) in the Ontario Venture Capital Fund LP (OVCF) and the Northleaf Venture Catalyst Fund LP (NVCF) and to manage and operate the Ontario Emerging Technologies Fund (OETF).OCGC is an operational enterprise agency of the Ministry of Research and Innovation (the Ministry).

ABOUT THE ONTARIO CAPITAL GROWTH CORPORATION

The Ontario Capital Growth Corporation (OCGC) was established by the *Ontario Capital Growth Corporation Act, 2008* and launched on February 27, 2009. The principal business of OCGC is to manage the limited partnership interests of the Province of Ontario (the Province) in the Ontario Venture Capital Fund LP (OVCF) and the Northleaf Venture Catalyst Fund LP (NVCF) and to manage and operate the Ontario Emerging Technologies Fund (OETF). OCGC is an operational enterprise agency of the Ministry of Research and Innovation (the Ministry).

The $205 million OVCF is a limited partnership between the Province and leading institutional investors including: Ontario Municipal Employees Retirement System (OMERS), Royal Bank of Canada, TD Bank Group, the Business Development Bank of Canada, and Manulife Financial. OVCF was established to invest primarily in Ontario-based and Ontario-focused venture capital and growth equity funds that support innovative, high potential companies. The Province has committed $90 million, with the balance coming from its partner institutions.

NVCF is a limited partnership between the Province, the Government of Canada (the Federal Government) and key private sector investors: Canada Pension Plan Investment Board, OpenText Corporation and major Canadian banks. NVCF will invest primarily in Canadian venture capital and growth equity funds and direct co-investments in innovative Canadian companies. As of January 31, 2014, the first closing amount was $218.5 million, with the Province committing $36.25 million[1].

OVCF and NVCF are fund-of-funds, whereby investors pool their capital to invest in a range of funds (predominantly venture capital funds) and make direct co-investments into innovative, high-potential companies. Both funds are managed by Northleaf Capital Partners. As a limited partner, OCGC does not have an active role in the management of these funds.

These fund-of-funds were designed to ultimately foster innovation and investment by making fund commitments and direct investments in high performing funds and companies that aim to enhance long-term investment returns and contribute to the creation of a globally competitive and self-sustaining venture capital industry in Ontario and Canada.

Through the OETF, OCGC makes direct investments alongside qualified co-investors in early stage, emerging technologies companies in three designated sectors: clean technologies; life sciences and advanced health technologies; and digital media and information and communication technologies. It is a discretionary, non-entitlement investment program making equity and quasi-equity investments directly into Ontario-based companies. Any net capital profits returned to it from its investments are to be reinvested. As directed in May 2012 by the Ministry, OETF no longer invests in new companies and only makes follow-on investments into its existing portfolio of companies, as warranted.

OCGC's mandate also allows for OCGC to invest in additional venture capital funds which are managed by a private sector fund manager and have a goal to promote the creation of a globally competitive venture capital industry in Ontario and Canada.

[1] Ontario and the Government of Canada have committed to make a combined capital commitment of $1 for every $2 committed by private sector investors to the fund, up to a maximum of $50 million each.

MESSAGE FROM THE BOARD AND SENIOR MANAGEMENT

We are pleased to present the 2013–14 Annual Report of the Ontario Capital Growth Corporation (OCGC). This report highlights OCGC's progress during the fiscal year which ended on March 31, 2014.

OCGC is focused on strengthening the economy and creating jobs by continuing to play an important role in developing a long term venture capital industry in Ontario. OCGC provides much needed access to capital allowing Ontario firms to achieve the scale necessary to realize their full economic potential and compete in global markets.

The Ontario Venture Capital Fund (OVCF) helped establish nine Ontario-based/Ontario-focused venture capital funds, providing important lead orders to those funds to raise additional capital available to support Ontario companies. OVCF has also made seven direct investments in a number of successful Ontario companies, including Shopify Inc. The capital invested to date by OVCF, together with third party capital, have collectively provided over $1 billion for Ontario-based/focused funds and companies.

Through the Ontario Emerging Technologies Fund (OETF), OCGC has committed investments totalling $82 million to 27 Ontario-based early stage companies and levered an additional $192 million in third party investments. Total proceeds from a recent OETF investment exit are expected to generate a return of three times invested capital. The current OETF portfolio valuation and returns now exceeds investments made into portfolio companies.

In January 2014, Ontario was the first province to launch a fund-of-funds under the Federal Government's Venture Capital Action Plan. Northleaf Venture Catalyst Fund (NVCF) builds on the successful OVCF model that has gained the confidence of our investment partners. NVCF executed a first closing of $218.5 million in commitments in January 2014. NVCF recently made its first two fund commitments totalling $60 million to Ontario-based XPV Water Fund II and Georgian Partners Growth Fund II. Subsequent to year end, NVCF also made its first direct co-investment in Ontario-based Wattpad. NVCF serves as an important catalyst to Ontario's ongoing efforts to create a profitable, globally competitive and self-sustaining venture capital industry.

Overall, Ontario's market based approach to venture capital funds has demonstrated that holding an equity stake alongside private sector institutional investors is working effectively. With portfolio diversification across a sizable number of funds/companies to mitigate financial risks, the Province has a market-focused means to help develop high-potential companies and to better capture the associated economic benefits over the long term.

In the upcoming fiscal year, OCGC will continue its focus on ensuring the necessary operational plans, administrative policies, and sound corporate governance are in place in order for the agency to continue to operate in an efficient and cost-effective manner.

Tony LaMantia was recently appointed to OCGC's Board of Directors (Board). We are pleased to welcome Mr. LaMantia to the Board and the experience he brings to the organization as we continue to deliver on our mandate. We would also like to acknowledge the departure of Wendy Tilford as OCGC's outgoing Vice-Chair and the dedication, passion and commitment she brought to OCGC. In addition, we would also like to acknowledge the departure of Selma Lussenburg as OCGC's outgoing Chair. We are indebted to her vision and commitment in contributing to OCGC's success. Her leadership of OCGC's Board of Directors was invaluable.

We would like to thank the OCGC staff for their hard work and the members of the Board for their advice and oversight during the 2013–14 fiscal year. We look forward to working with both staff and the Board in 2014–15.

Gadi Mayman
Vice Chair

John Marshall
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

VENTURE CAPITAL MARKETS IN 2013[2]

Venture investment and fundraising markets continue to recover from the 2008-09 economic downturn (See Figure 1). Both the Ontario and overall Canadian investment ecosystems have shown steady year-over-year increases since the historic lows of 2009. With world class technology start-ups spinning out of Ontario's universities and incubator programs, as well as through its burgeoning technology clusters, increasing investment trends suggest that investors are regaining confidence and starting to allocate larger portions of their portfolios to venture investment[3].

While the dot-com boom (1999-2002) resulted in an oversaturated supply of capital, 2003 through 2006 saw a stable and prosperous period that averaged over $750 million invested across nearly 150 companies per year. Investment activity in Ontario is showing evidence of a return to a similar level of stability. 2013 mirrored 2012 both in terms of capital invested and number of companies financed, averaging $685 million and 136 respectively. While the opportunity exists for additional improvements, there is a more optimistic view of the Ontario venture ecosystem going forward, given the continued increase in investment activity, a more active exit market (18 exit events during 2013 with 16 acquisitions and 2 IPOs) and several Ontario based companies poised to IPO.

Figure 1 - Venture Capital Investment

[2] All statistics, figures and data refer to calendar year and are sourced from Thomson Reuters unless otherwise noted.

[3] Source: http://www.bloomberg.com/news/2014-03-13/canada-poised-for-tech-ipo-rebound-paced-by-hootsuite-de.html

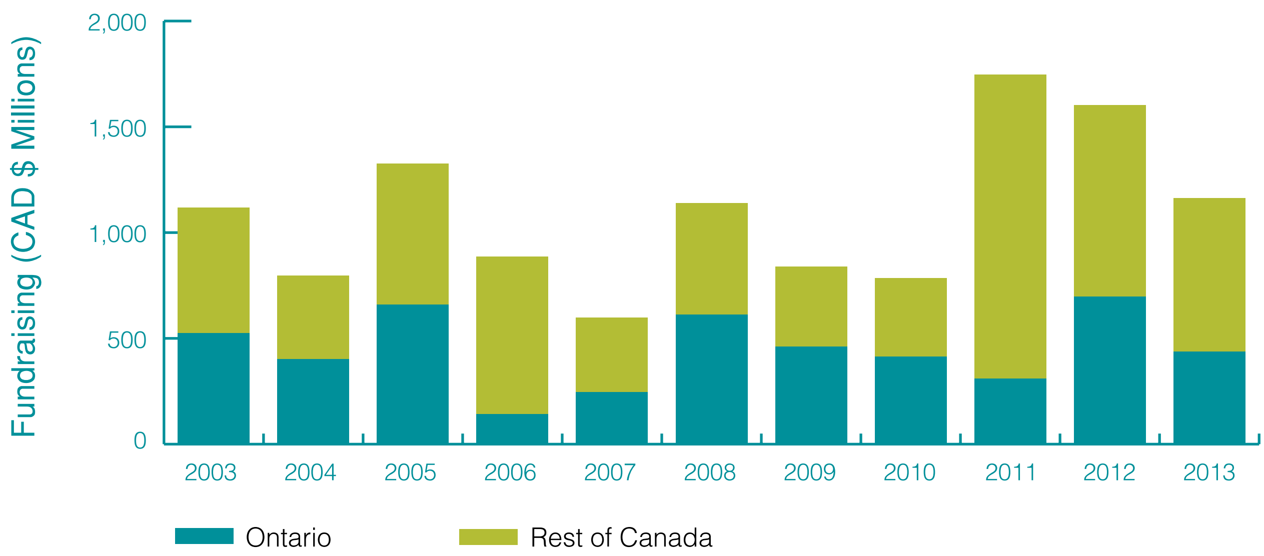
Ontario has proven to be an attractive jurisdiction for seed and early stage high technology start-ups. With its robust network of incubators, angel networks, and fund managers focused on early stage companies and specialized in investing/mentoring first time and serial entrepreneurs, Ontario has positioned itself as a leader in nurturing and growing emerging technology companies. OCGC's venture capital funds are helping to support high-potential, Ontario-based companies through the stages of their growth.

On average, investment per innovative Ontario-based company, at $4.8 million, is significantly less than those based in the U.S. (~$9 million) but once again exceeds European companies (~$4.5 million), thus continuing a trend which began in 2011. Larger late stage deals are also emerging in the province, such as the recently completed Shopify $100 million Series C and Desire2Learn $80 million Series B rounds drawing significant attention and capital from leading foreign venture capital partnerships such as New Enterprise Associates and Insight Venture Partners.

Throughout 2012 and 2013, 13 new Ontario-based funds were formed for a total fundraising of $1.1 billion (See Figure 2). Although capital is still limited and first time managers continue to experience the most difficulty in securing capital to their first time funds, proven managers have been able to successfully raise successor funds, such as XPV's launch of its now fully subscribed $250 million XPV Water Fund II.

The impact of OCGC's venture capital funds can be found in the following Operations and Results Achieved section of the 2013–14 annual report.

Figure 2 - Venture Capital Fundraising



OPERATIONS AND RESULTS ACHIEVED

Ontario Venture Capital Fund

During OCGC's fiscal year, the Ontario Venture Capital Fund (OVCF) closed on its fund commitment to Georgian Partners Growth Fund II and closed a direct co-investment in Newterra Group Ltd.

OVCF has completed its investment program and is fully committed. In accordance with the OVCF portfolio guidelines, OVCF has made a total of eleven fund commitments to qualified venture capital funds. Nine commitments to Ontario-based or Ontario focused funds totalled approximately $164 million and two commitments to other non-Ontario based/focused funds totalled $3.4 million. OVCF has also made seven direct co-investments in Ontario-based companies.

As of March 31, 2014, capital committed by OVCF, together with third party capital, have collectively provided over $1 billion for Ontario-based/focused funds and companies.

OVCF has invested in the following Ontario-based or Ontario focused fund managers:

OVCF has made direct co-investments in the following Ontario-based companies:

Ontario Emerging Technologies Fund

In fiscal 2013–14, OCGC approved 12 follow-on co-investments into portfolio companies of the Ontario Emerging Technologies Fund (OETF), representing a total investment commitment from OCGC of approximately $12 million. During the same fiscal year, OCGC flowed approximately $11 million in follow-on investments. OCGC also successfully exited one investment in fiscal 2013–14 receiving a positive return on investment.

As directed in May 2012 by the Ministry, OETF no longer invests in new companies and only makes follow-on investments into its existing portfolio of companies, as warranted.

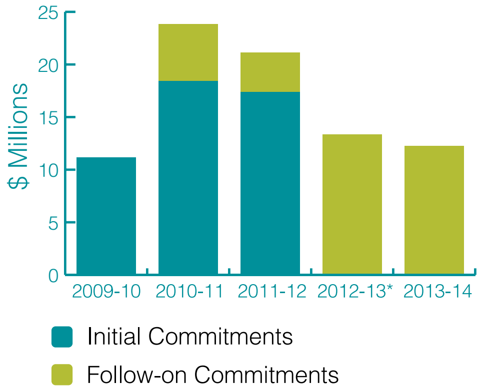
As of March 31, 2014 OETF's portfolio included the following companies:

- AVVASI
- beringmedia
- ecobee green made easy
- ENERGATE interactive energy management solutions
- FileTrek
- IGLOO
- INTERACTIVE SPORTS TECHNOLOGIES INC.
- legitmix
- MOREGA™
- Natrix
- NeurAxon Next Generation Pain Therapeutics
- PERASO
- shoplogix™ OUTPERFORM
- Sidense The Future of Logic NVM™
- smart energy instruments
- STICKER YOU .COM
- TELOIP
- verold
- vive™
- WOODLAND BIOFUELS INC.
- Xagenic

Since inception to March 31, 2014, OCGC has conditionally approved 62 co-investments, including both initial and follow-on investments. OCGC's total capital commitment of approximately $82 million is expected to lever over 2 dollars in additional capital for every dollar invested.

57% of OETF's dollar commitments have been towards initial investments and the remaining 43% in follow-ons.

OETF Commitments by Fiscal Year

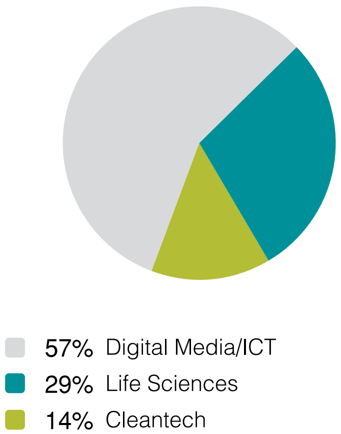


*In the first quarter of fiscal 2012-13 a pause was placed on new initial investments

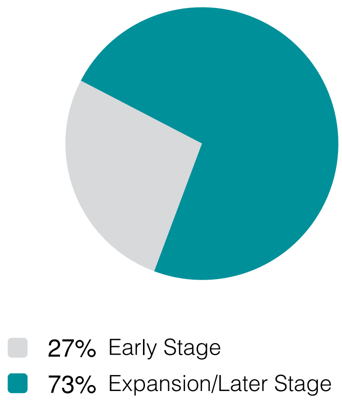
The majority of OETF commitments have been committed to companies in the digital media and information and communication technologies (ICT) sector, which is a trend consistent with the overall venture capital market in Ontario and Canada.

In terms of stages of company development, the majority of OETF co-investments have been committed to early-stage companies based on each company's stage at time of commitment.

OETF Committed Co-Investments by Sector
(% of Total $ Committed)

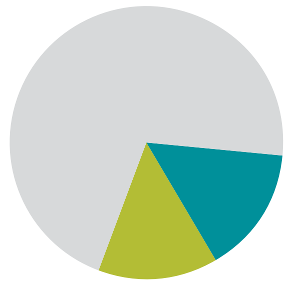


OETF Committed Co-Investments by Stage
(% of Total $ Committed)



Similar to the overall Ontario venture capital industry[4], the majority of OETF commitments have been made to companies based in the Greater Toronto Area.

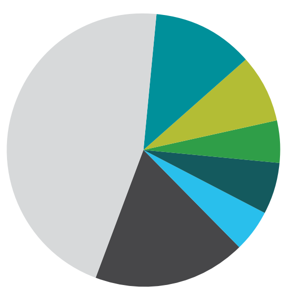
OETF Committed Co-Investments by Location
(% of Total $ Committed)



- 71% Greater Toronto Area
- 15% Kitchener-Waterloo
- 14% Ottawa

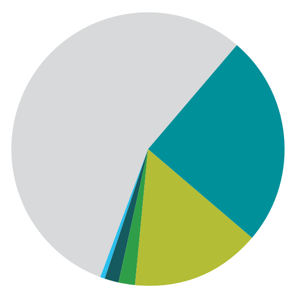
Through OETF, OCGC has attracted a diverse group of investors from various locations to co-invest alongside OCGC into Ontario companies. It should be noted that over 48% of the dollars leveraged as of March 31, 2014 originated from outside of Ontario.

OETF Leverage by Investor Type
(% of Total Flowed $ Leveraged)



- 46% Private Independent
- 12% Retail
- 8% Corporate
- 5% Angel Syndicate
- 6% Other
- 5% Government
- 18% Foreign

OETF Leverage by Investor Location
(% of Total Flowed $ Leveraged)



- 51.4% Domestic - Ontario
- 24.2% Domestic - Rest of Canada
- 17.9% Foreign - United States
- 1.9% Foreign - Europe
- 4.1% Foreign - Asia/Pacific
- 0.4% Foreign - Middle East

As noted in the audited financial statements and notes, OCGC realized gains and recognized impairments on venture capital investments in fiscal 2013-14. OCGC is expected to experience both investment gains and losses, which is typical for venture capital funds targeting investments in early stage technology companies. To date, OETF portfolio companies have performed well, such that the current OETF portfolio valuation and returns now exceeds total combined investments made to portfolio companies.

[4] Based on disclosed Ontario investment data sourced from Thomson Reuters

Northleaf Venture Catalyst Fund

Northleaf Venture Catalyst Fund (NVCF) was successfully launched in January 2014 and builds on the successful OVCF model that has gained the confidence of our investment partners. NVCF had a first close of $218.5 million in January 2014. NVCF recently made its first two fund commitments totalling $60 million to Ontario based XPV Water Fund II and Georgian Partners Growth Fund II. NVCF serves as an important catalyst in on-going efforts to create a profitable, globally competitive and self-sustaining venture capital industry in Ontario and Canada

NVCF has invested in the following Ontario-based fund managers:

Subsequent to the 2013-14 fiscal year end, NVCF announced a direct co-investment into Ontario-based Wattpad in April 2014.

Ontario Venture Capital Ecosystem Activities

OCGC supports the development of Ontario's venture capital ecosystem by:

- Participating in major conferences and events in the venture capital industry to raise awareness of OCGC's mandate and potential investment opportunities in Ontario;
- Working with the Ministry to support Ontario's efforts to strengthen the venture capital ecosystem in Ontario; and,
- Seeking to enhance the venture capital community's awareness of the full range of other government initiatives that complement the OCGC's mandate.

To that end, OCGC participated in several events this past fiscal year to increase the profile of its portfolio companies and to support Ontario emerging technology companies in gaining access to the broader investment community. OCGC proactively engaged with investors at Canada's Venture Capital and Private Equity Association (CVCA) Annual Conference and Extreme Startups Demo Day, and participated in events hosted by the Canadian Innovation Exchange, the National Angel Capital Organization (NACO), the Ontario Centres of Excellence, and the Ontario Network of Entrepreneurs.

In December 2013, OCGC organized a forum in collaboration with its OETF cleantech co-investors between power industry stakeholders, which included early stage companies, utilities, venture capital investors and government regulatory agencies involved in the power and utility industry. The meeting allowed companies and utilities to exchange valuable insights in addressing key business challenges and opportunities.

OCGC was able to attract 48% of its levered capital from outside of Ontario through its marketing efforts of OETF portfolio companies to U.S. funds, other Canadian investors and corporate investors. These outreach activities also resulted in OCGC attracting a number of investors interested in the Ontario venture capital market, including multinational companies with venture capital arms, foreign-based venture capital/private equity investors, and pension funds.

ONTARIO CAPITAL GROWTH CORPORATION

FINANCIAL STATEMENTS

March 31, 2014 and 2013

June 20, 2014

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 20, 2014.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board of Directors in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent auditor, PricewaterhouseCoopers LLP. The auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian public sector accounting standards. The auditor's report, which appears on the following page, outlines the scope of the auditor's examination and its opinion.

On behalf of Management:

John Marshall
President and Chief Executive Officer

June 20, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ontario Capital Growth Corporation

We have audited the accompanying financial statements of Ontario Capital Growth Corporation, which comprise the statements of financial position as at March 31, 2014 and 2013 and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, changes in net assets and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Capital Growth Corporation as at March 31, 2014 and 2013, and the results of its operations, its remeasurement gains and losses, changes in its net assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215
"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

ONTARIO CAPITAL GROWTH CORPORATION

Statements of Financial Position

As at March 31, 2014 and 2013

	2014	2013
	$	$
ASSETS		
Cash and cash equivalents	**8,253,639**	3,560,956
Marketable securities (note 5)	**113,187,167**	38,390,258
Accounts receivable (note 4)	**3,145,833**	15,254
Ontario Venture Capital Fund LP (OVCF) (note 6)	**43,772,166**	56,474,673
Ontario Emerging Technologies Fund (OETF) (notes 7 and 10)	**59,076,002**	55,878,817
Northleaf Venture Catalyst Fund LP (NVCF) (note 8)	**2,632,720**	–
	230,067,527	154,319,958
LIABILITIES		
Accounts payable (note 13)	**312,500**	201,375
NET ASSETS	**229,755,027**	154,118,584
Accumulated surplus	**229,755,027**	154,118,584
Accumulated surplus comprises		
Accumulated operating surplus	**228,744,433**	153,947,441
Accumulated remeasurement gains	**1,010,594**	171,143
	229,755,027	154,118,584

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

ONTARIO CAPITAL GROWTH CORPORATION

Statements of Operations and Changes in Accumulated Operating Surplus

For the years ended March 31, 2014 and 2013

	2014 $	2013 $
REVENUES		
Funding and transfer payments from the Province of Ontario		
OETF (note 7)	**14,996,703**	14,500,000
NVCF (notes 4 and 8)	**50,000,000**	–
Interest income	**1,075,089**	550,992
Investment income in funds (note 11)	**1,182**	1,135,383
Realized gains on sale of investment in funds	**13,003,704**	13,156
	79,076,678	16,199,531
EXPENDITURES		
Reimbursements to MRI (note 13)	**1,035,319**	943,626
Cash management fees (note 9)	**32,608**	26,315
Professional services fees (note 9)	**562,782**	598,396
Board and committee member fees	**10,100**	24,788
Impairment of OETF investments (note 12)	**2,652,198**	2,670,000
Foreign currency exchange gain	**(13,321)**	(9,900)
	4,279,686	4,253,225
OPERATING SURPLUS	**74,796,992**	11,946,306
ACCUMULATED OPERATING SURPLUS - BEGINNING OF YEAR	**153,947,441**	142,001,135
ACCUMULATED OPERATING SURPLUS - END OF YEAR	**228,744,433**	153,947,441

The accompanying notes are an integral part of these financial statements.

ONTARIO CAPITAL GROWTH CORPORATION

Statements of Remeasurement Gains and Losses

For the years ended March 31, 2014 and 2013

	2014 **$**	2013 $
ACCUMULATED REMEASUREMENT GAINS - BEGINNING OF YEAR	**171,143**	77,537
Unrealized gains attributable to		
Foreign exchange	**435,250**	93,606
Marketable securities	**404,201**	–
	839,451	93,606
ACCUMULATED REMEASUREMENT GAINS - END OF YEAR	**1,010,594**	171,143

Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2013

	2014 **$**	2013 $
NET ASSETS - BEGINNING OF YEAR	**154,118,584**	142,078,672
Operating surplus	**74,796,992**	11,946,306
Net remeasurement gains	**839,451**	93,606
Increase in net assets	**75,636,443**	12,039,912
	229,755,027	154,118,584

The accompanying notes are an integral part of these financial statements.

ONTARIO CAPITAL GROWTH CORPORATION

Statements of Cash Flows

For the years ended March 31, 2014 and 2013

	2014 $	2013 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Increase in net assets	**75,636,443**	12,039,912
Unrealized gains attributable to marketable securities	**(404,201)**	–
Impairment of OETF investments	**2,652,198**	2,670,000
Realized gains on sale of investment in funds	**(12,412,364)**	(1,129,962)
Changes in non-cash operating balances		
Decrease (increase) in accounts receivable	**(601,648)**	3,500,556
(Decrease) increase in accounts payable	**111,125**	(598,625)
	64,981,553	16,481,881
INVESTING ACTIVITIES		
Purchase of marketable securities	**(151,321,669)**	(98,250,298)
Sale of marketable securities	**77,532,183**	118,442,192
Purchase of investments in OVCF	**(19,387,189)**	(20,684,347)
Purchase of investments in OETF	**(11,436,315)**	(14,904,554)
Sale of investments in OETF	**14,867,144**	220,100
Return of capital from OVCF	**32,089,696**	–
Purchase of investments in NVCF	**(2,632,720)**	–
	(60,288,870)	(15,176,907)
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**4,692,683**	1,304,974
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**3,560,956**	2,255,982
CASH AND CASH EQUIVALENTS - END OF YEAR	**8,253,639**	3,560,956

The accompanying notes are an integral part of these financial statements.

ONTARIO CAPITAL GROWTH CORPORATION

Notes to Financial Statements

March 31, 2014 and 2013

1. DESCRIPTION OF BUSINESS

The Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as of February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). As of March 31, 2014, OCGC is responsible to the Minister of Research and Innovation (the Minister).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;

b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

c) to carry out the other objects that are prescribed by regulations.

In July 2009, additional objects were prescribed by Ontario Regulation 278/09 made under the Act:

a) to acquire, manage and otherwise deal with a portfolio of investments in businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes; and

b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objectives described in clause 1(a).

In May 2013, additional objects were prescribed by Ontario Regulation 149/13 made under the Act to participate in the formation of one or more funds, to acquire interests in the funds, and to hold, administer and otherwise deal with those interests, where each fund meets the following criteria:

a) It receives funding directly or indirectly from, among others, one or more of the following:

i) the Government of Canada;
ii) the Corporation; and
iii) private sector entities.

b) Its goals include promoting the creation of a globally competitive venture capital industry, increasing the supply and effective deployment of early-stage investment capital and increasing the supply of top performing fund managers to manage venture capital investments in Ontario and Canada.

c) It invests in one or both of the following:
i) other funds that supply venture capital to companies; and
ii) innovative companies that require venture capital.

d) It is managed by a private sector fund manager.

In January 2014, as part of a Government of Ontario $50 million commitment to establish a new Ontario venture capital fund, the Corporation made an initial commitment of $36.25 million to the Northleaf Venture Catalyst Fund LP alongside the federal government and private sector investors.

As required by the Agency Establishment and Accountability Directive, the Corporation and the Minister have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the Minister, MRI and the Corporation.

OCGC is classified as an Operational Enterprise Agency. OCGC is responsible for fulfilling the Province of Ontario's contractual obligations as a limited partner in the Ontario Venture Capital Fund LP (OVCF) and the Northleaf Venture Catalyst Fund LP (NVCF). OCGC is also responsible for establishing, holding, managing and administering the Ontario Emerging Technologies Fund (OETF).

OVCF is a joint initiative between the Province of Ontario and leading institutional investors. It is structured as a fund-of-funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which, in turn, make investments in innovative, high-growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

OETF is structured as a direct co-investment fund that will only make investments in innovative high potential companies alongside other qualified investors with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in innovative high potential companies with an Ontario footprint in three strategic sectors: (a) clean technology; (b) digital media and information and communications technologies; and (c) life sciences and advanced health technologies.

NVCF is an initiative between the Government of Ontario, the federal government and private sector investors. It is structured as a fund-of-funds that invests primarily in Canadian venture capital and growth funds which, in turn, make investments in innovative, high potential companies. NVCF was established to continue the goals and objectives of OVCF; that is, generate risk-adjusted returns by investing in enterprises to help create large, globally competitive companies.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). With the establishment of a Harmonized Sales Tax (HST), OCGC pays the HST on taxable supplies and services, and subsequently applies for a rebate of the HST paid.

OCGC operates in the same fiscal year ending March 31 as the Government of Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation's functional and presentation currency is the Canadian dollar. All financial statement disclosures have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents

Cash and cash equivalents include demand deposits that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents include investments that are short-term and highly liquid and have maturities of less than three months from the original purchase date.

Marketable securities

Marketable securities quoted in an active market are measured at fair value as at the dates of the statements of financial position with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statements of operations and changes in accumulated operating surplus when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Investments in marketable securities that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statements of operations and changes in accumulated operating surplus when they occur.

Ontario Venture Capital Fund LP (OVCF)

The investment in OVCF is classified as a financial instrument and carried at cost based on the capital calls made by the general partner of OVCF. The investment in OVCF is not traded in an active market; therefore, the fair value of the investment is not readily determinable. OVCF investments are subsequently tested for impairment on each statements of financial position dates and any losses due to impairment are recognized in the statements of operations and changes in accumulated operating surplus on that date.

Ontario Emerging Technologies Fund (OETF)

The investments in OETF are classified as financial instruments and carried at cost or measured at fair value based on whether or not there exists an active market for the securities. OETF investments quoted in an active market are measured at fair value as at the statements of financial position dates with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses are reclassified to the statements of operations and changes in accumulated operating surplus when an investment becomes impaired or is derecognized. Impairment losses that are other than temporary are recorded to the statements of operations and changes in accumulated operating surplus when recognized. Fair value includes the value of accrued interest or dividends payable, as applicable.

When an OETF investment is not traded in an active market, it is measured at cost. OETF investments are tested for impairment on each statements of financial position dates and any impairment losses are recognized in the statements of operations and changes in accumulated operating surplus on those dates.

Accrued interest, dividends and realized gains on the sale of OETF investments are recorded as described below under revenue recognition. If the Corporation has evidence the amounts owing will be collected, these amounts are accrued as receivable; otherwise, a reserve is taken against these amounts. If, in a future year, the Corporation receives an amount that had been written off, it is recorded as a recovery that had been previously deemed uncollectible. Amounts written off or recovered are recognized in the statements of operations and changes in accumulated operating surplus in the year in which they occur.

Northleaf Venture Catalyst Fund LP (NVCF)

The investment in NVCF is classified as a financial instrument and carried at cost based on the capital calls made by the NVCF general partner. The investment in NVCF is not traded in an active market and therefore fair value of the investment is not readily determinable. After an initial minimum five years to make commitments to underlying funds, the investment in NVCF will be subsequently tested for impairment on each statements of financial position dates and any losses due to impairment will be recognized in the statements of operations and changes in accumulated operating surplus on those dates.

Fair value and impairment

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair values of investments in OVCF and NVCF are not readily determinable and have been recorded at cost. Both OVCF and NVCF do not have a quoted market price in an active market. Subject to an impairment assessment policy, the Corporation may carry out periodic testing of fund investments to determine whether there has been another than temporary loss in value that would indicate impairment. If the investment is determined to be impaired, it is written down to the new carrying value and the resulting impairment expense is recognized immediately in the statements of operations and changes in accumulated operating surplus.

The co-investments made in OETF are recorded at cost, which represent fair value at the time of acquisition. Investments that are quoted in an active market are measured at fair value at the statements of financial position dates. Any unrealized gain or loss at this date is recognized in the statements of remeasurement gains and losses until the investment is derecognized or other than temporarily impaired. All other OETF investments are measured at cost or amortized cost. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the impairment expense is recognized immediately in the statements of operations and changes in accumulated operating surplus. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case, the derivative would be required to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or in absence of this, by applying a suitable valuation technique.

Revenue recognition

Interest income is recognized as it is earned. For marketable securities and OETF investments, interest income is accrued using the effective interest rate method.

Dividend income is recognized in the year the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective disposition.

Revenue on distributions from OVCF and NVCF are recognized in the year the Corporation becomes entitled to receive the distribution as per the terms and conditions of the respective limited partnership agreement.

OETF and NVCF funding received represents monies transferred from MRI to the Corporation, as described in notes 7 and 8, respectively.

Expense categories

Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Government Appointees Directive of Management Board of Cabinet (May 1, 2011).

Reimbursements to MRI represent direct OCGC expenses paid by MRI on its behalf for administrative purposes only.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in the statements of operations and changes in accumulated operating surplus. Unrealized foreign currency gains and losses on marketable securities, investments in OVCF, investments in NVCF and OETF investments are recognized in the statements of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statements of remeasurement gains and losses to the statements of operations and changes in accumulated operating surplus when the financial instrument is derecognized.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Corporation has exposure to credit risk, liquidity risk, currency risk, interest rate risk and other price risk arising from financial instruments. This note presents information about OCGC's exposure to each of these risks.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF. The Corporation considers obligations of the Governments of Ontario and Canada to be relatively risk-free (note 5).

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in raising funds to meet both expected and unexpected cash demands associated with its financial liabilities. The Corporation manages liquidity risk by maintaining holdings of cash or highly liquid investments. In addition, MRI provides funding to the Corporation to meet obligations as required.

Currency risk

Currency risk is the risk to the Corporation's results of operations that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $4,655,823 to the US dollar as at March 31, 2014 (2013 - $5,669,025). A 5% increase (5% decrease) of the Canadian dollar against the US dollar as at March 31, 2014 would result in an impact of $232,791 on the statements of remeasurement gains and losses (2013 - $283,451) with no impact on the operating surplus. In practice, the actual trading results may differ from this sensitivity analysis and the impact could be material.

Interest rate risk

Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF investments. Risks from interest rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the OVCF drawdowns projected by the OVCF fund manager and anticipated NVCF drawdowns projected by the Corporation. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation.

Other price risk

Other price risk is the risk the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2014, if the value of the investments in OVCF, NVCF and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by $5,274,044 (2013 - $5,617,675). Investments made through OVCF, NVCF or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost less changes for any other than temporary impairment in value at the statements of financial position dates however, the amounts that may ultimately be realized could be materially different.

4. ACCOUNTS RECEIVABLE

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2014 amounted to $13,681 (2013 - $15,254).

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective dispositions. The remaining balance as at March 31, 2014 in the amount of $3,132,152 represents receivables as a result of miscellaneous dispositions (2013 - $nil).

5. MARKETABLE SECURITIES

OCGC may temporarily invest any monies not immediately required to carry out its objectives in:

a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

b) interest bearing accounts and short-term certificates of deposit issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

The value of investments in marketable securities as at March 31 is as follows:

	2014		2013	
	Par value	**Fair value**	Par value	Fair value
	$	**$**	$	$
Province of Ontario treasury bills, due dates ranging from June 11, 2014 to June 22, 2016, average coupon rate of 0.00%	**53,230,000**	**52,666,610**	38,495,000	38,390,258
Province of Ontario treasury bills, due dates ranging from April 16, 2014 to July 8, 2015, average coupon rate of 0.00%	**61,052,000**	**60,520,557**	–	–
	114,282,000	**113,187,167**	38,495,000	38,390,258

Fair value includes any accrued interest owing on the treasury bills.

The fair value of the marketable securities may fluctuate depending on changes in interest rates. For the year ended March 31, 2014, a change in interest rates of 1.00% would result in an impact of $1.3 million (2013 - $0.080 million) to the results of operations.

6. ONTARIO VENTURE CAPITAL FUND LP (OVCF)

In June 2008, the OVCF was established with an investment commitment from the Province of Ontario of $90 million. OVCF is a $205 million joint initiative of the Government of Ontario and private institutional investors, formed to invest primarily in Ontario-based and Ontario-focused venture capital and growth equity funds that support innovative, high potential companies.

The investment in OVCF is carried at cost, based on the capital calls made by the general partner of OVCF. OVCF is not traded in an active market and the fair value of the investment is not readily determinable.

7. ONTARIO EMERGING TECHNOLOGIES FUND (OETF)

OETF was launched in July 2009 with a commitment from the Province of Ontario to provide funding of $250 million. OETF, as a direct co-investment fund, makes investments into innovative high potential companies alongside other qualified investors with a proven track record of success. Investments are in three strategic sectors: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences and advanced health technologies.

On May 30, 2012, the Corporation implemented a pause on any new investments under OETF for an indefinite period of time. This decision did not affect the Corporation's ability to continue to make follow-on investments into existing portfolio companies and did not affect investments-in-process that had already been approved by OCGC's Board of Directors but had not yet closed.

For the year ended March 31, 2014, the aggregate OETF transfer payments received from MRI were $14,996,703 (2013 - $14,500,000).

8. NORTHLEAF VENTURE CATALYST FUND LP (NVCF)

On March 27, 2013, MRI entered into a transfer payment agreement with OCGC to invest in a new Ontario venture capital fund, subsequently named the Northleaf Venture Catalyst Fund. To be structured as a limited partnership, the proposed target size of the fund is $300 million with capital commitments from the Government of Ontario, Government of Canada and the private sector. The Government of Ontario has committed to provide funding of $50 million to the Corporation to execute this limited partnership.

In January 2014, the NVCF was established with an initial investment commitment from the Corporation of $36.25 million. The investment in NVCF is carried at cost, based on the capital calls net of any return of recallable capital made by the NVCF general partner. As NVCF is not traded in an active market, the fair value of the investment is not readily determinable.

For the year ended March 31, 2014, the Corporation met the terms and conditions of the NVCF transfer payment agreement for MRI to disburse its entire $50 million funding obligation (2013 - $nil).

9. CONTRACTUAL COMMITMENTS

OCGC has the following contractual commitments:

a) In accordance with a financial service agreement between Ontario Financing Authority (OFA) and OCGC, OFA conducts investment and cash management services and activities for OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

b) Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2014, the total uncalled commitment is $45,945,609 to be drawn down over the remaining years of the limited partnership.

c) In accordance with the contract between Ernst & Young LLP (E&Y) and OCGC, E&Y conducts due diligence services and activities to qualify OETF co-investors. OCGC pays both fixed and hourly rates for these services and activities, respectively.

d) In accordance with the contract between Covington Capital Corporation (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF's investments. OCGC pays both fixed and hourly rates for these services and activities, respectively.

e) In accordance with the contract between CanCn Accounting & Tax Inc. (CanCn) and OCGC, CanCn performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.

f) Pursuant to the NVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2014, the total uncalled commitment is $33,617,280 to be drawn down over the remaining years of the limited partnership.

10. INVESTMENTS IN OETF

Investments in OETF can take the form of shares or convertible debt transacted in Canadian dollars (CAD) or US dollars (USD). The investments in OETF as at March 31, 2014 and 2013 are summarized as follows:

	2014			2013		
	Acquisition cost $	**Carrying value $**	**Contingent* $**	Acquisition cost $	Carrying value $	Contingent $
CAD investments	**54,685,216**	**54,420,179**	**4,225,000**	52,902,089	50,662,051	2,856,949
USD investments	**10,215,766**	**4,655,823**	**–**	9,084,044	5,216,766	78,901
	64,900,982	**59,076,002**	**4,225,000**	61,986,133	55,878,817	2,935,850

* Represents follow-up on investments committed to by the Corporation but not yet executed

All investments have been made in accordance with OETF guidelines. As at March 31, 2014, the OETF investment portfolio consisted of investments in 21 different companies, ranging from 0.22% to 4.35% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or $nil carrying value.

11. INCOME ON INVESTMENT FUNDS

During the years ended March 31, 2014 and 2013, the Corporation recognized $1,182 and $1,135,383, respectively, of investment income in funds. With respect to investments in OETF, the accrued interest realized was reinvested into new securities of the respective OETF portfolio companies as part of the exchange or conversion and is reflected in the cost basis of these securities.

12. IMPAIRMENT OF OETF INVESTMENTS

For the years ended March 31, 2014 and 2013, impairment charges of $2,652,198 and $2,670,000, respectively, in OETF investments were identified by management and were recognized in the statements of operations and changes in accumulated operating surplus.

13. ACCOUNTS PAYABLE

The Corporation and MRI carry out their respective operations on a shared-cost basis. The Corporation reimburses MRI for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology and rent allocations per staff member, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual reconciliation between the Corporation and MRI, and approval of the extent and scope of MRI services to be provided. For each fiscal year ending March 31, the Corporation will seek certification from MRI that any further potential financial liability with respect to eligible expenses incurred on behalf of the Corporation is fully satisfied without further recourse.

The Corporation accrues eligible expenses reimbursable to MRI under accounts payable based on estimates provided by MRI that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2014 amounted to $119,931 (2013 - $65,587).

The remaining balance as at March 31, 2014 in the amount of $192,569 (2013 - $135,788) represents payables in arrears to miscellaneous service providers.

CORPORATE GOVERNANCE

OVERVIEW

OCGC is an agent of the Crown and is classified by Management Board of Cabinet (MBC) as an operational enterprise agency of the Ministry of Research and Innovation (the Ministry).

Corporate governance involves processes that permit the effective supervision and management of OCGC's activities by senior management, OCGC's Board of Directors (the Board) and the Minister of Research and Innovation (the Minister). It includes identifying individuals and groups responsible for activities and specifying their roles.

ACCOUNTABILITY

OCGC's accountability structure flows from its governing statute, the Ontario Capital Growth Corporation Act, 2008 (the Act). The Minister is responsible for the administration of the Act with respect to OCGC. The Act, together with directives issued by MBC, the Minister and the Public Service Commission relating to Crown agencies, form a framework under which OCGC is governed.

Each year, the Board is required to submit an Annual Report to the Minister within 90 days after the end of each fiscal year. Thereafter, the Minister is required to submit the Annual Report to the Lieutenant Governor in Council and then table the 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 expectations relevant to OCGC. In the event that the office of the Chair is vacant, the Vice-Chair assumes the Chair's duties and responsibilities as required by the Act.

ROLES AND RESPONSIBILITIES

The Minister maintains communications with OCGC through the Chair regarding government policies, expectations and new directions relevant to OCGC. The Chair is accountable to the Minister for the performance of OCGC in fulfilling its mandate. The Chair is responsible for providing advice and information to the Minister with regard to the operation and affairs of OCGC. In addition, the Chair provides leadership and direction to the Board and President and Chief Executive Officer (CEO), and ensures that OCGC complies with applicable government policies and directives. The Deputy Minister of the Ministry is responsible for monitoring OCGC, and ensuring it manages risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and reports to the Minister through the Chair. The Board performs a supervisory role. It oversees the management of OCGC and helps to ensure that OCGC's mandate, as determined by the Province, is implemented effectively. The Board is currently comprised of both public servants employed by the Crown and independent directors. The Board meets once a month and receives regular reports from the CEO regarding OCGC's operations and its compliance with applicable laws and policy. Standards of conduct for Board members are set out in a Board approved Code of Conduct.

There are also two committees to assist the Board in supervising the management of OCGC. The Audit & Risk Committee approves an annual audit plan prepared by OCGC's independent external auditors and liaises as appropriate with OCGC's internal auditors and the Auditor General of Ontario regarding financial reporting and internal controls. The Audit & Risk committee also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit & Risk Committee is to review OCGC's major risks and mitigation strategies. The Human Resource Committee assists the Board in ensuring appropriate measures are in place relating to compensation, performance evaluation, and training for staff in critical areas.

The CEO is accountable to the Board for OCGC's day-to-day management and the performance of any functions assigned by the Board. The CEO is responsible for managing OCGC's on-going activities, including the supervision of staff. In addition, the CEO ensures that OCGC's policies and procedures remain relevant and effective.

FINANCIAL REPORTING

OCGC prepares audited annual financial statements in accordance with the Canadian Public Sector Accounting Board Standards (PSAB). These statements are reviewed and recommended by the Audit & Risk Committee and approved by the Board. The annual financial statements are audited by OCGC's independent external auditor who expresses an opinion on whether the financial statements present the financial results fairly and in accordance with PSAB. The financial statements are reviewed by the Audit & Risk Committee and the Board. These audited financial statements are included as part of the Annual Report and included in Volume 2 of the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the Audit & Risk Committee and the Board.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting to safeguard OCGC's assets and to manage its liabilities.

In keeping with good governance, OCGC will continue to evolve its internal controls to ensure they reflect leading industry practices and relevant government directives. In meeting its responsibility for the reliability and timeliness of financial information, OCGC uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- Comprehensive business plan;
- Written communications of policies and procedures governing corporate conduct and risk management;
- Segregation of duties;
- Maintenance and retention of detailed records;
- Responsible delegation of authority and personal accountability;
- Careful selection and training of personnel; and
- Maintenance of updated accounting and financial risk policies.

OPERATIONS

In keeping with the original OCGC model and to support its mandate, OCGC remains a small agency with staff involved in operations, governance, financial controls and investments, and supported by a limited number of external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit and bookkeeping.

MEMBERS OF THE BOARD OF DIRECTORS

GADI MAYMAN, VICE-CHAIR

Date of Initial Appointment to OCGC Board: February 2009
Current Term Expires: January 2017

As CEO of the Ontario Financing Authority (OFA), Gadi Mayman is responsible for the Province's borrowing and debt management strategy, corporate and electricity finance projects, and its banking and capital markets relationships. He is also CEO and Vice-Chair of the Ontario Electricity Finance Corporation (OEFC).

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked at the Export Development Corporation in Ottawa and in the International Division of the TD Bank. Mr. Mayman earned a Bachelor of Applied Science in Industrial Engineering from the University of Toronto in 1981, and a Master of Business Administration from the University of Western Ontario in 1988.

Mr. Mayman is also on the board of Infrastructure Ontario, and is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Committee.

TONY LAMANTIA

Date of Initial Appointment to OCGC Board: January 2014
Current Term Expires: January 2017

Tony LaMantia is the Assistant Deputy Minister, Investment & Industry Division, Ontario Ministry of Economic Development, Trade and Employment/Ministry of Research and Innovation.

Mr. LaMantia has helped lead the Ministry in both attracting investment to the Province and working with industry and regional stakeholders to grow existing anchor companies. Mr. LaMantia held responsibility for the Eastern Ontario Development Fund and the new Southwestern Ontario Development Fund, which support local businesses in Ontario.

Mr. LaMantia's private sector experience includes executive-level roles with innovative, growth-oriented companies in the technology and mining sectors. Mr. LaMantia holds an Honours B.A. from the University of Waterloo, Ontario.

TONY ROCKINGHAM

Date of Initial Appointment to OCGC Board: February 2009
Current Term Expires: March 2017

Tony Rockingham was the Assistant Deputy Minister of the Innovation and Commercialization Division at the Ontario Ministry of Research and Innovation until his retirement in September 2011.

Previously, Mr. Rockingham occupied senior positions at the Ministries of Energy and Environment. In his early career, Mr. Rockingham worked in the British electrical power industry.

Mr. Rockingham earned a Bachelor's degree in Industrial Engineering at the University of Toronto in 1975 and a Ph.D. in Mechanical Engineering from the Imperial College of Science and Technology in London, England in 1981.

TONY VANDER VOET

Date of Initial Appointment to OCGC Board: February 2009
Current Term Expires: June 2014

Dr. Vander Voet was the Assistant Deputy Minister at the Science and Research Division of the Ministry of Research and Innovation until his retirement in 2009.

Since 1980, Dr. Vander Voet held a number of roles of increasing responsibility in several Ontario government ministries and agencies, including the Ministry of Northern Development and Mines, the Ontario Science Centre, the Ministry of Culture, Tourism and Recreation, the Ministry of Solicitor General and Correctional Services, the Ministry of Economic Development and Trade, and, the Ministry of Research and Innovation.

Dr. Vander Voet earned his B.Sc. and M.Sc. in Chemistry from the University of Alberta and holds a Ph.D. in Chemistry from the University of Toronto.

Directors whose term ended during 2013–14

SELMA M. LUSSENBURG, CHAIR

Appointment expired: February 2014

WENDY TILFORD, VICE-CHAIR

Appointment expired: February 2014

RISK MANAGEMENT POLICIES AND PROCEDURES

As part of its annual business plan, OCGC conducts an assessment of corporate-wide risks and develops appropriate mitigation strategies. OCGC's risk management plan is based on the requirements contained in the *Agency Establishment and Accountability Directive*.[5] The risk management plan considers the management of both internal and external risk exposures. The framework for OCGC's risk management plan is based on:

- Strategic, policy and performance risk;
- Accountability and compliance risk;
- Operational risk;
- Workforce compensation risk;
- Information technology & infrastructure risk; and
- Other applicable risks.

In March 2014, OCGC completed its most recent full risk assessment plan which includes the development of risk mitigation strategies. The risk assessment plan formed part of OCGC's Annual Business Plan approved by the Board of Directors and submitted to the Minister of Research and Innovation. Aside from OCGC's Annual Business Plan, a full risk assessment is completed semi-annually at a minimum and provided to the Board. The Board is also informed of real or potential exposure to risk through regular updates by the CEO.

[5] As may be amended from time to time.

OUTLOOK FOR FISCAL 2014–15

Based on OCGC's strategy and mandate, a number of priorities have been identified for the 2014–15 fiscal year:

- Continue to oversee the Province of Ontario's limited partner interest in the OVCF;
- Manage OCGC's active portfolio investments in 21 early-stage Ontario companies through OETF;
- Oversee the Province of Ontario's limited partner interest in NVCF and continue to assist in fundraising efforts towards a second close of the fund;
- Continue to support and develop the Ontario venture capital ecosystem including conducting outreach activities to seek opportunities to support OETF portfolio companies;
- Increase reporting on the impact and successes created by OETF, OVCF and NVCF; and,
- Continue to improve on operational plans, administrative policies, and sound corporate governance practices to maintain efficient and cost-effective operations.

CONTACT INFORMATION

For general inquiries and information, please contact OCGC at:

Ontario Capital Growth Corporation
375 University Avenue, Suite 700
Toronto, Ontario, Canada
M5G 2J5

Direct:	416-325-6874
Toll-free:	1-877-422-5818
Fax:	416-212-0794
Email:	ocgc@ontario.ca
Web:	www.ontario.ca/ocgc

Ontario

Ontario Capital Growth Corporation

♻ Printed in Ontario, Canada on recycled paper

ISSN: 1920-3438
1923-5208 (Online)