ABOUT THE
ONTARIO CAPITAL
GROWTH CORPORATION

The Ontario Capital Growth Corporation (OCGC) is a corporation without share capital that was established by the Ontario Capital Growth Corporation Act, 2008 (the “Act”), which was proclaimed in force as of February 1, 2009.

Under the Act, OCGC’s objects allows for investments in market-based venture capital funds that are managed by private sector fund managers with a goal to help grow a globally competitive venture capital industry in Ontario and Canada. These externally-managed funds include the Ontario Venture Capital Fund LP (OVCF), the Northleaf Venture Catalyst Fund LP (NVCF), and the ScaleUp Venture Fund I LP (SUVF). OCGC is also responsible for managing and operating the Ontario Emerging Technologies Fund (OETF).

The $205 million OVCF and the $300 million NVCF are limited partnerships structured as fund-of-funds, with the ability to also make direct co-investments into innovative, high-potential companies. Northleaf Capital Partners manages both funds and makes all investment decisions. OVCF and NVCF are committed to generating superior risk-adjusted returns. Through their performance, both funds seek to attract the attention of private sector institutional investors and provide the confidence to invest in the world class emerging funds and technologies being developed in Ontario. These funds were designed to ultimately support continued innovation within the province, provide evidence of the potential for long-term investment returns of venture capital as an asset class, and contribute to the creation of a globally competitive/self-sustaining venture capital industry in Ontario.

The Province, through OCGC, committed $25 million to SUVF, which is managed by a private sector fund manager and expected to reach a final size of more than $75 million. The SUVF is aimed at providing both funding and mentorship to high-growth companies in large, growing markets. Initial investments are expected to range from $500,000 to $3 million, with the potential for follow-on investments as portfolio companies progress.

OCGC makes direct investments through OETF alongside qualified co-investors in early stage, emerging technology 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 fund making equity and quasi-equity investments directly into Ontario-based companies. Any monies returned to it from its investments are to be reinvested. As directed in May 2012 by the Ministry of Research, Innovation, and Science (the Ministry), OETF no longer invests in new companies and only makes follow-on investments into its existing portfolio of companies, as warranted.
We are pleased to present the 2016-17 Annual Report of the Ontario Capital Growth Corporation (OCGC). This report highlights OCGC’s progress during the fiscal year which ended on March 31, 2017.

OCGC is focused on developing a long term, sustainable venture capital industry in Ontario, which in turn will help strengthen Ontario’s economy and create job opportunities in key economic sectors of the province. OCGC provides access to capital that will enable innovative, high potential Ontario-based companies to achieve the scale necessary to realize their full economic potential and compete in global markets. Through OCGC’s venture capital initiatives, our portfolio companies have created/retained to date over 10,000 careers in Canada, with the majority of these in Ontario, and cumulatively recorded approximately $4.3 billion in revenues and $1.2 billion R&D expenditures\(^1\).

OVCF helped establish nine Ontario-based/focused venture capital funds, providing important lead orders to those funds to raise additional capital available to Ontario companies. OVCF has also made seven direct investments in a number of successful Ontario companies, including Achievers and Shopify. Through OVCF, together with third party capital, over $1 billion has been made available to Ontario-based/focused funds and companies.

NVCF is fully committed/reserved with a portfolio of 13\(^2\) venture capital funds and 11 high potential companies with a presence in Canada/Ontario. NVCF has assisted the Province in reinforcing its position as a North American leader in venture capital by attracting investment capital into Ontario and helping businesses compete globally.

As part of the 2015 Ontario Budget, the Province committed to partnering with private sector investors and business leaders to create SUVF. SUVF is expected to help address the early-stage gap in access to risk capital for high potential companies in Ontario and provide these companies with mentorship through a leadership council of approximately 30 senior business leaders and successful entrepreneurs. As directed by the Ministry in January 2017, OCGC committed $25 million and will administer the Province’s limited partnership interest in SUVF.

OCGC makes direct investments through OETF alongside qualified co-investors in emerging

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\(^1\) Revenues and R&D expenditures have been aggregated since first OVCF, OETF or NVCF investment.

\(^2\) Includes two commitments that closed subsequent to March 31, 2017 year end.
technology companies in three designated sectors, thereby providing access to risk capital for these firms. As directed in May 2012, OETF no longer invests in new companies and only makes follow-on investments into its existing portfolio companies, as warranted. To date, OETF has committed investments totalling approximately $96 million to 27 Ontario-based companies and levered an additional $289 million in third party investments.

Access to capital continues to play a critical role in accelerating the growth of innovative startups and entrepreneurial firms into medium and large companies. With portfolio diversification across a number of funds/companies, OCGC continues to provide a market focussed means to help develop high potential companies and to better capture the associated economic benefits over the long term.

In 2017-18, OCGC will continue to manage the OETF investment portfolio and the Province’s partnership interests in OVCF, NVCF, and SUVF in an efficient and cost-effective manner. We will also continue to support the development of Ontario’s venture capital ecosystem and provide advice and support on the Province’s venture capital policies.

This has been a year of significant change at OCGC’s senior leadership level. The Board of Directors would like to thank Mr. John Marshall, who was the President and CEO since OCGC was established in 2009 until his departure in August 2016. Mr. Marshall continues to promote and support the development of Ontario businesses in his new role as the Assistant Deputy Minister of the Commercialization and Scale-Ups division within the Ministry of Research, Innovation and Science. His dedication and leadership at OCGC culminated in the agency receiving an Amethyst Award, the highest recognition of achievement from the Ontario Public Service. Mr. Marshall has left behind him an important legacy and we are grateful for his significant contributions to the organization. The Board of Directors is expected to complete its recruitment for a new President and CEO in early 2017-18.

We would also like to thank the dedicated OCGC staff for their ongoing effort and commitment to OCGC’s success, as well as the members of the Board of Directors for their advice and oversight during the fiscal year. We look forward to working with both staff and the Board in the new fiscal year.

Jeff Kehoe
Chair

Rob Burns
Interim President and
Chief Executive Officer
ONTARIO VENTURE CAPITAL MARKET IN 2016

Venture investment in Ontario throughout 2016 continued the trend of year-over-year gains in total investment and set a new post dot-com record for annual investment. In the fourth quarter alone, Ontario companies received over $720 million in venture financings. In 2016, over $1.8 billion was committed to 176 Ontario-based companies, which accounted for 50% of Canadian venture investment totals and increased Ontario’s ranking to 4th amongst North American jurisdictions.

Multiple large cap deals helped drive growth in the Ontario market in 2016. Toronto-based BlueRock Therapeutics was the largest deal reported in Canada, securing approximately $295 million, while Kitchener-based Thalmic Labs and Markham-based Real Matters each secured $100 million or more. Bolstered by the increasing frequency of larger transactions, average values of Ontario venture capital deals rose significantly. The $8.2 million average equity investment per deal marked an increase of over 50% on last year’s $5.1 million. While this is a significant improvement, it is still well below many other jurisdictions.

Ontario venture investment continues to be information and communications technology (ICT) dominant, capturing 67% of the province’s 2016 total – this represents a slight decrease from the previous two years, which averaged 72%. Life science investment increased by 10% from 2015, finishing with 26% of total Ontario venture capital investments. Cleantech companies finished a distant third, receiving only 4% of investment dollars.

In 2016, venture capital fund managers in Ontario raised nearly $1.2 billion led by Georgian Partners, which secured $485 million in capital commitments for its third fund. The federal government venture capital action plan (VCAP) program can be credited with catalyzing recent increases in fund raising, with $1.35 billion in combined capital across the four fund-of-funds it created. However, with NVCF fully committed/reserved and the remaining VCAP funds substantially committed, current gains against historic fund raising levels may be isolated and not representative of a new trend.

Building on VCAP’s success, the federal government announced the Venture Capital Catalyst Initiative (VCCI) as part of its 2017 budget. Through the VCCI, a total of $400 million will be made available over three years to increase late-stage venture capital available to Canadian entrepreneurs which, combined with expected capital leveraged from

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3 All statistics, figures and data refer to calendar year and are sourced from Thomson Reuters unless otherwise noted.
third parties, could provide up to $1.5 billion to Canadian companies.

Exit activity continued to be sparse in Ontario in 2016. Mergers and acquisitions (“M&A”) remain the most prominent exit vehicle, with 11 transactions. There were two venture-backed IPOs announced in 2016.

The impact of OCGC’s venture capital funds can be found in greater detail in the Operations and Results Achieved section which follows.

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**OPERATIONS AND RESULTS ACHIEVED**

**Ontario Capital Growth Corporation**

OCGC currently manages the Province’s limited partnership interests in three externally managed funds: the Ontario Venture Capital Fund LP, the Northleaf Venture Catalyst Fund LP, and the ScaleUp Venture Fund I LP. OCGC is also responsible for managing and operating the Ontario Emerging Technologies Fund. OCGC participated in a number of activities throughout the year to support the development of Ontario’s venture capital ecosystem.

OCGC is expected to experience both investment gains and losses, which is typical for funds targeting early stage technology companies. On an aggregated basis, the interim performance of OCGC’s venture capital investments has a valuation of 1.18x as of December 31, 2016, based on a multiple of capital\(^4\) compared to 1.15x as of December 31, 2015 (see Figure 1).

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\(^4\) Multiple of capital as calculated is net of underlying fund manager fees, expenses and carried interest, but before OCGC’s operating costs.

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**Figure 1**

**OCGC Interim Fund Performance as at December 31, 2016**
OCGC had an increase of $25 million in capital commitments in 2016 (see Figure 2). The new commitments are attributed to a $25 million investment in ScaleUP Venture Fund I. As of December 31, 2016, approximately 79% of OCGC’s committed capital has been funded.
Ontario Venture Capital Fund
During its active investment period, OVCF made a total of 11 fund commitments to qualified venture capital funds and seven direct co-investments in Ontario-based companies totalling approximately $195 million, with reserves held for additional follow-on financing to direct co-investments.

Through its investment lifecycle, capital committed by OVCF, together with third party capital, has collectively provided over $1 billion for Ontario-based/focused funds and companies. As of December 31, 2016, OVCF Ontario-based portfolio companies have cumulatively recorded $2.6 billion in revenues, $600 million in R&D expenditures and employ 4,500 people5.

OVCF’s portfolio includes approximately $166 million in capital commitments to the following Ontario-based/focused fund managers (see Figure 3).

OVCF’s direct investment portfolio includes seven co-investments in leading Ontario-based technology companies, such as Achievers and Shopify, totalling approximately $25 million.

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5 Revenues and R&D expenditures have been aggregated since first OVCF investment
Northleaf Venture Catalyst Fund

NVCF was the first fund launched under the federal VCAP program and is now fully committed/reserved. To date, capital committed by NVCF and third party capital leveraged have collectively provided over $1.5 billion for Canada-based/focused funds and companies. NVCF’s Canada-based portfolio companies have recorded $1.3 billion in revenues, $300 million in R&D expenditures and employ over 5,000 people.

NVCF made 13 fund commitments totalling approximately $230 million to funds with a Canadian presence, seven of which are based in Ontario (see Figure 4).

NVCF has also made 11 direct co-investments totalling approximately $50 million, in leading Canada-based technology companies such as ecobee, ScribbleLive and Freshbooks.

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6 Revenues, R&D expenditures and employment figures recorded as of December 31, 2016
7 Revenues and R&D expenditures have been aggregated since first NVCF investment
8 Includes two commitments that closed subsequent to March 31, 2017 year end.
**ScaleUp Venture Fund I**
Announced in the 2015 Budget, SUVF is expected to provide high potential early stage companies with a unique combination of capital and mentorship to increase the pipeline of firms that can grow into the next generation of global companies. As directed by the Ministry in January 2017, OCGC committed $25 million to the fund and is administering the Province’s limited partnership interest in SUVF.

As of March 31, 2017, SUVF’s investment portfolio consists of eight co-investments, including six Ontario-based technology firms, totalling approximately $8 million.

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**Ontario Emerging Technologies Fund**
OCGC continues to actively manage its direct investment activities across a portfolio of 11 Ontario-based technology companies. In fiscal 2016-17, OCGC approved follow-on co-investments into portfolio companies of the Ontario Emerging Technologies Fund (OETF), which represented new capital commitments of approximately $4.1 million. During the same period, approximately $5.7 million in follow-on investment was funded to OETF portfolio companies\(^9\). Since inception to March 31, 2017, OCGC has conditionally approved approximately $96 million in co-investments.

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.

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**Portfolio Diversification**

<table>
<thead>
<tr>
<th>Stage</th>
<th>OETF Committed Co-Investments by Stage (% of Total $ Committed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
<td>Early Stage</td>
</tr>
<tr>
<td>34%</td>
<td>Expansion/Later Stage</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>OETF Committed Co-Investments by Sector (% of Total $ Committed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>Digital Media/ICT</td>
</tr>
<tr>
<td>30%</td>
<td>Life Sciences</td>
</tr>
<tr>
<td>18%</td>
<td>Clean Tech</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geography</th>
<th>OETF Committed Co-Investments by Location (% of Total $ Committed)</th>
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</thead>
<tbody>
<tr>
<td>76%</td>
<td>Greater Toronto Area</td>
</tr>
<tr>
<td>14%</td>
<td>Kitchener-Waterloo</td>
</tr>
<tr>
<td>10%</td>
<td>Ottawa</td>
</tr>
</tbody>
</table>

\(^9\) Consists of capital flowed from deals approved in fiscal 2016/17 as well as tranches from deals approved in previous years.
OETF was launched in 2009 in response to the financial crisis to supply much needed capital to high-potential private Ontario companies in the clean technology; life sciences and advanced health technologies; digital media and information & communications technology sectors when access to capital was the most challenging for Ontario’s start-up community. OETF’s portfolio diversification with respect to investment stage and target sectors helps to mitigate the inherent financial risk associated with venture capital investment. OETF’s portfolio of companies is well represented and dispersed throughout the major urban centers of southern Ontario referred to as Ontario’s Innovation SuperCorridor.

**Capital Leverage**

Through its role as a market catalyst, a key measure of OETF’s success is in leveraging third party capital through its co-investments.

**OETF Leverage by Investor Type**

<table>
<thead>
<tr>
<th>Type</th>
<th>% of Total Flowed $ Leveraged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Independent</td>
<td>45%</td>
</tr>
<tr>
<td>Foreign</td>
<td>18%</td>
</tr>
<tr>
<td>Government</td>
<td>10%</td>
</tr>
<tr>
<td>Retail</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>Corporate</td>
<td>7%</td>
</tr>
<tr>
<td>Angel Syndicate</td>
<td>4%</td>
</tr>
</tbody>
</table>

OCGC’s total capital commitments of about $96 million have leveraged approximately $289 million dollars in additional third-party capital, a ratio of $3 for every dollar invested.

**OETF Leverage by Investor Location**

<table>
<thead>
<tr>
<th>Location</th>
<th>% of Total Flowed $ Leveraged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>52%</td>
</tr>
<tr>
<td>Rest of Canada</td>
<td>26%</td>
</tr>
<tr>
<td>Foreign</td>
<td>22%</td>
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</table>
Ontario Venture Capital Ecosystem Activities
OCGC supports the development of Ontario’s venture capital ecosystem by:

- Participating in venture capital initiatives to raise awareness of potential investment opportunities in Ontario, as well as to gather further market intelligence to support venture capital public policies and gather data on opportunities generated;
- Working with the Ministry on venture capital public policies 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 and private sector initiatives that support venture capital and innovation within the province.

To that end, OCGC participated in several events this past fiscal year and proactively engaged with investors to increase the profile of its portfolio companies and to support Ontario emerging technology companies in gaining access to the broader investment community. Events included:

- Canada’s Venture Capital and Private Equity Association (CVCA) Annual Conference;
- 18th Annual Canadian Private Equity Summit;
- Cantech Investment Conference;
- Second Annual Venture North Conference; and
- A number of important forums, panels, round tables, and conferences hosted by industry stakeholders such as the Canadian Innovation Exchange, the National Angel Capital Organization, C100, the Toronto Stock Exchange, Ontario Centres of Excellence, and several accelerators and incubators.
Management’s Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCCG) 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 March 31, 2017.

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:

Robert Burns,
Interim President and Chief Executive Officer
June 20, 2017

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, 2017 and 2016 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. These 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, 2017 and 2016, and the results of its operations and changes in accumulated operating surplus, 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.

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, 2017 and 2016

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<tr>
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<th>2017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
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<tr>
<td>ASSETS</td>
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<td>Cash and cash equivalents</td>
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<td>7,651,779</td>
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<td>Marketable securities (note 5)</td>
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<td>85,010,689</td>
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<td>Accounts receivable (note 4)</td>
<td>346,971</td>
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<td>Ontario Venture Capital Fund LP (OVCF) (note 6)</td>
<td>66,308,481</td>
<td>61,519,631</td>
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<td>Ontario Emerging Technologies Fund (OETF) (notes 7 and 11)</td>
<td>42,372,654</td>
<td>43,731,441</td>
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<td>Northleaf Venture Catalyst Fund LP (NVCF) (note 8)</td>
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<td>30,069,727</td>
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<td>ScaleUP Venture Fund I, LP (note 9)</td>
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<td></td>
<td>264,630,599</td>
<td>228,006,089</td>
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<td>LIABILITIES</td>
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<tr>
<td>Accounts payable and accrued liabilities (note 14)</td>
<td>278,443</td>
<td>221,177</td>
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<td>Accumulated surplus</td>
<td>264,352,156</td>
<td>227,784,912</td>
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<tr>
<td>NET ASSETS</td>
<td>264,352,156</td>
<td>227,784,912</td>
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<tr>
<td>Accumulated surplus comprises</td>
<td></td>
<td></td>
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<tr>
<td>Accumulated operating surplus</td>
<td>263,791,514</td>
<td>226,829,545</td>
</tr>
<tr>
<td>Accumulated remeasurement gains</td>
<td>560,642</td>
<td>955,367</td>
</tr>
<tr>
<td></td>
<td>264,352,156</td>
<td>227,784,912</td>
</tr>
</tbody>
</table>

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, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding and transfer payments from the Province of Ontario</td>
<td></td>
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<tr>
<td>OETF (note 7)</td>
<td>7,800,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td>SUVF (note 9)</td>
<td>25,000,000</td>
<td>-</td>
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<tr>
<td>Interest income</td>
<td>612,227</td>
<td>876,362</td>
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<tr>
<td>Investment income on OETF portfolio investments</td>
<td>1,318,977</td>
<td>109,794</td>
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<tr>
<td>Investment income on distribution from OVCF</td>
<td>-</td>
<td>4,082</td>
</tr>
<tr>
<td>Investment income on distribution from NVCF</td>
<td>-</td>
<td>15,003</td>
</tr>
<tr>
<td>Realized capital gain on OETF investments</td>
<td>655,767</td>
<td>235,578</td>
</tr>
<tr>
<td>Capital gain on distribution from OVCF</td>
<td>5,121,691</td>
<td>869,895</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>40,508,662</td>
<td>8,110,714</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
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<td>Reimbursements to the Ministry of Research, Innovation and Science (note 14)</td>
<td>874,424</td>
<td>851,236</td>
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<td>Cash management fees (note 10)</td>
<td>28,450</td>
<td>38,261</td>
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<tr>
<td>Professional services fees (note 10)</td>
<td>398,845</td>
<td>377,138</td>
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<tr>
<td>Board and committee member expenses</td>
<td>7,159</td>
<td>13,570</td>
</tr>
<tr>
<td>Foreign exchange (gain) loss (note 3)</td>
<td>(27,995)</td>
<td>14,573</td>
</tr>
<tr>
<td>Impairment of OETF portfolio investments (note 13)</td>
<td>2,265,810</td>
<td>21,406,237</td>
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<tr>
<td><strong>Total Expenditures</strong></td>
<td>3,546,693</td>
<td>22,701,015</td>
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<tr>
<td><strong>OPERATING SURPLUS (DEFICIT)</strong></td>
<td>36,961,969</td>
<td>(14,590,301)</td>
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<tr>
<td><strong>ACCUMULATED OPERATING SURPLUS - BEGINNING OF YEAR</strong></td>
<td>226,829,545</td>
<td>241,419,846</td>
</tr>
<tr>
<td><strong>ACCUMULATED OPERATING SURPLUS - END OF YEAR</strong></td>
<td>263,791,514</td>
<td>226,829,545</td>
</tr>
</tbody>
</table>

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, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCUMULATED REMEASUREMENT GAINS - BEGINNING OF YEAR</td>
<td>955,367</td>
<td>1,466,892</td>
</tr>
<tr>
<td>Unrealized gains (losses) attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(813,432)</td>
<td>273,512</td>
</tr>
<tr>
<td>Investments</td>
<td>418,707</td>
<td>(785,037)</td>
</tr>
<tr>
<td></td>
<td>(394,725)</td>
<td>(511,525)</td>
</tr>
<tr>
<td>ACCUMULATED REMEASUREMENT GAINS - END OF YEAR</td>
<td>560,642</td>
<td>955,367</td>
</tr>
</tbody>
</table>

ONTARIO CAPITAL GROWTH CORPORATION

**Statements of Changes in Net Assets**

For the years ended March 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET ASSETS - BEGINNING OF YEAR</td>
<td>227,784,912</td>
<td>242,886,738</td>
</tr>
<tr>
<td>Operating (deficit) surplus</td>
<td>36,961,969</td>
<td>(14,590,301)</td>
</tr>
<tr>
<td>Net remeasurement losses</td>
<td>(394,725)</td>
<td>(511,525)</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>36,567,244</td>
<td>(15,101,826)</td>
</tr>
<tr>
<td>NET ASSETS - END OF YEAR</td>
<td>264,352,156</td>
<td>227,784,912</td>
</tr>
</tbody>
</table>

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, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH PROVIDED BY (USED IN)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>36,567,244</td>
<td>(15,101,826)</td>
</tr>
<tr>
<td>Remeasurement losses</td>
<td>394,725</td>
<td>511,525</td>
</tr>
<tr>
<td>Realized gains on sale of OETF investments</td>
<td>(655,767)</td>
<td>(235,578)</td>
</tr>
<tr>
<td>Realized gains on sale of OVCF investments</td>
<td>(5,121,691)</td>
<td>(869,895)</td>
</tr>
<tr>
<td>Impairment of OETF portfolio investments</td>
<td>2,265,810</td>
<td>21,406,237</td>
</tr>
<tr>
<td>Changes in non-cash operating balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in accounts receivable</td>
<td>(324,149)</td>
<td>9,992,255</td>
</tr>
<tr>
<td>Increase in accounts payable and accrued liabilities</td>
<td>57,262</td>
<td>(60,150)</td>
</tr>
<tr>
<td><strong>Total Operating Activities</strong></td>
<td>33,183,434</td>
<td>15,642,568</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal and redemptions of marketable securities</td>
<td>142,418,283</td>
<td>213,163,619</td>
</tr>
<tr>
<td>Purchase of marketable securities</td>
<td>(146,185,925)</td>
<td>(205,754,435)</td>
</tr>
<tr>
<td>Purchase of investments in OVCF</td>
<td>(6,466,594)</td>
<td>(7,703,835)</td>
</tr>
<tr>
<td>Proceeds from investments in OVCF</td>
<td>5,121,691</td>
<td>869,895</td>
</tr>
<tr>
<td>Return of capital from OVCF</td>
<td>1,677,744</td>
<td>1,230,636</td>
</tr>
<tr>
<td>Purchase of investments in NVCF</td>
<td>(19,930,273)</td>
<td>(12,330,329)</td>
</tr>
<tr>
<td>Purchase of investments in SUVF</td>
<td>(4,250,000)</td>
<td>-</td>
</tr>
<tr>
<td>Sale of investments in OETF</td>
<td>5,343,367</td>
<td>3,299,215</td>
</tr>
<tr>
<td>Purchase of investments in OETF</td>
<td>(5,955,652)</td>
<td>(5,007,598)</td>
</tr>
<tr>
<td><strong>Total Investing Activities</strong></td>
<td>(28,227,359)</td>
<td>(12,232,832)</td>
</tr>
<tr>
<td><strong>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</strong></td>
<td>4,956,075</td>
<td>3,409,736</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</strong></td>
<td>7,651,779</td>
<td>4,242,043</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - END OF YEAR</strong></td>
<td>12,607,854</td>
<td>7,651,779</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
1 DESCRIPTION OF BUSINESS

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 at February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). In May 2016, MRI was reorganized as the Ministry of Research, Innovation and Science (collectively the Ministry). As at March 31, 2017, OCGC is responsible to the Minister of Research, Innovation and Science (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:

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

- the Government of Canada;
- the Corporation; and
- 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:

- other funds that supply venture capital to companies; and
- 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. Through a number of subsequent fund closings, as at July 2015, the commitment was increased to a total of $50 million.

In May 2014, the Government of Ontario announced a new Life Sciences Seed Venture Capital Fund (LSSVCF) of up to $30 million. The Corporation will seek to establish the fund in partnership with hospital foundations and the private sector to help finance early-stage Ontario life sciences companies.

In February 2017, as part of a Government of Ontario initiative to establish a new venture capital fund to help Ontario-based companies grow their operations to the point of attracting follow-on financing, the Corporation made an investment commitment of $25 million to the ScaleUP Venture Fund I, LP alongside private sector investors.

As required by the Agencies and Appointments 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, the Ministry 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), the Northleaf Venture Catalyst Fund LP (NVCF) and the ScaleUP Venture Fund I,
LP (SUVF). 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 makes 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: (i) clean technology; (ii) digital media and information and communications technologies; and (iii) 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.

SUVF is an initiative between the Government of Ontario and private sector investors. It is structured as a direct investment fund that invests primarily in promising Ontario-based start-ups that have shown initial market success and demonstrate strong growth potential, but require new investment financing and mentorship to expand their operations.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). As a provincial entity listed in Schedule A of the Canada-Ontario Reciprocal Taxation Agreement, OCGC can claim government rebates of the Harmonized Sales Tax (HST). Under the pay-and-rebate model, 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.

Investments
Investments in securities that are traded 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 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. The OVCF investment is subsequently tested for impairment on each statement of financial position date and any losses due to impairment are recognized in the statement 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 statement of financial position date and any impairment losses are recognized in the statement of operations and changes in accumulated operating surplus on that date.

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 statement 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 the fair value of the investment is not readily determinable. The NVCF investment is subsequently tested for impairment on each statement of financial position date and any losses due to impairment will be recognized in the statement of operations and changes in accumulated operating surplus on that date.

**ScaleUP Venture Fund I, LP (SUVF)**
The investment in SUVF is classified as a financial instrument and carried at cost based on the capital calls made by the SUVF general partner. The investment in SUVF is not traded in an active market and therefore the fair value of the investment is not readily determinable. The investment in SUVF is subsequently tested for impairment on each statement of financial position date and any losses due to impairment will be recognized in the statement of operations and changes in accumulated operating surplus on that date.

**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, NVCF and SUVF are not readily determinable and have been recorded at cost. OVCF, NVCF and SUVF 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 an other 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 loss 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 represents fair value at the time of acquisition. Investments in OETF 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 these dates is recognized in the statements of remeasurement gains and losses until the investment is derecognized in which the gain or loss is recognized in the statement of operations and changes in accumulated operating surplus. All other investments in OETF 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 the 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. Interest income is recorded on an accrual basis in accordance with the terms of the purchase agreement and to the extent that such amounts are expected to be collected.

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.

Distributions from OVCf, NVCF and SUVF 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, SUVF and LSSVCF funding received represents monies transferred from the Ministry to the Corporation, as described in notes 7, 9 and 15, respectively. The funding is recognized when received.

**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 Agencies and Appointments Directive of Management Board of Cabinet (February 2015). In 2015, the Canada Revenue Agency (CRA) ruled that part-time per diem appointees (PTPDAs) are to be treated as employees for tax purposes only. This means that HST may not be paid for per diem services, since CRA does not consider appointee services (a) to be taxable supply; and (b) Employment Insurance is applicable. PTPDAs cannot participate in the Canada Pension Plan with respect to their PTPDA services.

Reimbursements to the Ministry represent direct OCGC expenses paid by the Ministry 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, investments in SUVF 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 those 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 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, the Ministry 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 $4,037,509 to the US dollar as at March 31, 2017 (2016 - $5,009,838). A 5% increase or decrease of the Canadian dollar against the US dollar as at March 31, 2017 would result in a decrease or increase of $201,875 (2016 - $250,492) on the statements of remeasurement gains and losses 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 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, NVCF
and SUVF drawdowns projected by their respective fund managers. 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, 2017, if the value of the investments in OVCF, NVCF, SUVF and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by $8,146,557 (2016 - $6,766,040). Investments made through OVCF, NVCF, SUVF 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 statement of financial position date; 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, 2017, amounted to $10,209 (2016 - $21,935).

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. Accounts receivable, as a result of dispositions of OETF investments made in 2017, amounted to $336,762 (2016 - $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:

<table>
<thead>
<tr>
<th>Par value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
</tr>
<tr>
<td>Province of Ontario treasury bills, due dates ranging from May 3, 2017 to March 21, 2018, average coupon rate of 0.00%</td>
<td>55,183,000</td>
</tr>
<tr>
<td>Province of Ontario treasury bills, due dates ranging from May 10, 2017 to July 26, 2017, average coupon rate of 0.00%</td>
<td>33,871,000</td>
</tr>
<tr>
<td>Par value</td>
<td>Par value</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>89,054,000</td>
<td>88,744,639</td>
</tr>
</tbody>
</table>

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, 2017, a change in interest rates of 1.0% would result in an impact of $887,456 (2016 - $850,107) 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 OVCF general partner. As OVCF is not traded in an active market, 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, 2017, the aggregate OETF transfer payments received from the Ministry were $7,800,000 (2016 - $6,000,000).

8 NORTHLEAF VENTURE CATALYST FUND LP (NVCF)

In January 2014, the NVCF was established with an initial investment commitment of $36.25 million from the Ontario Capital Growth Corporation. As at March 31, 2016, OCGC had increased its commitment to a final total of $50 million. NVCF is a $300 million joint initiative of the Government of Ontario, Government of Canada and the private sector, formed to invest primarily in Canadian venture capital funds that support innovative, high potential companies.

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.

9 SCALEUP VENTURE FUND I, LP (SUVF)

In February 2017, the Ontario Capital Growth Corporation made an investment commitment of $25 million to the SUVF. SUVF is a joint initiative of the Government of Ontario and the private sector, formed to invest primarily in promising Ontario-based start-ups that have shown
initial market success and demonstrate strong growth potential, but require new investment financing and mentorship to expand their operations. The total fund size is $70.25 million as at March 31, 2017.

The investment in SUVF is carried at cost, based on the capital calls net of any return of recallable capital made by the SUVF general partner. As SUVF is not traded in an active market, the fair value of the investment is not readily determinable.

10 CONTRACTUAL COMMITMENTS

OCGC has the following contractual commitments:

- In accordance with a financial service agreement between the 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.
- Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2017, the total uncalled commitment is $21,825,537 (2016 - $27,675,537) to be drawn down over the remaining years of the limited partnership.
- Pursuant to the NVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2017, there is no further uncalled commitment (2016 - $19,930,273) to be drawn over the remaining years of the limited partnership.
- Pursuant to the SUVF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2017, the total uncalled commitment is $20,750,000 (2016 - $nil) to be drawn down over the remaining years of the limited partnership.
- 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.
- In accordance with the contract between LP Analyst and OCGC, LP Analyst provides investment consulting services including sourcing strategy, conducts due diligence services and activities for potential new fund investments, provides business advice to support negotiation and undertakes portfolio monitoring and reporting. OCGC pays both fixed and hourly rates for these services and activities, respectively.
• 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.
• In accordance with the contract between Weiler & Company and OCGC, Weiler & Company performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.

11 INVESTMENTS IN OETF

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition cost</td>
<td>Carrying value</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>CAD investments</td>
<td>45,081,492</td>
<td>39,064,467</td>
</tr>
<tr>
<td>USD investments</td>
<td>1,413,160</td>
<td>3,308,187</td>
</tr>
<tr>
<td></td>
<td>46,494,652</td>
<td>42,372,654</td>
</tr>
</tbody>
</table>

* Represents historical cost net of investments exited and investments written off to $nil.
** 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, 2017, the OETF investment portfolio consisted of investments in 11 different companies, ranging from 0.19% to 4.40% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or $nil carrying value.

12 INCOME ON INVESTMENT IN FUNDS

During the year ended March 31, 2017, the Corporation recognized $1,318,977 (2016 - $109,794) of investment income in funds.
13 IMPAIRMENT OF OETF INVESTMENTS

For the year ended March 31, 2017, impairment charges of $2,265,810 (2016 - $21,406,237) in OETF investments were identified by management and were recognized in the statements of operations and changes in accumulated operating surplus.

14 ACCOUNTS PAYABLE

The Corporation and the Ministry carry out their respective operations on a shared cost basis. The Corporation reimburses the Ministry for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology allocations per staff member, accommodations, 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 the Ministry, and approval of the extent and scope of the Ministry services to be provided. For the year ended March 31, 2017, the Corporation will seek certification from the Ministry 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 the Ministry under accounts payable based on estimates provided by the Ministry that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2017 amounted to $90,628 (2016 - $93,125).

The remaining balance as at March 31, 2017 for $187,815 (2016 - $128,052) represents payables in arrears to miscellaneous service providers.

15 LIFE SCIENCES SEED VENTURE CAPITAL FUND (LSSVCF)

On March 27, 2015, the Ministry entered into the LSSVCF transfer payment agreement with OCGC to establish and invest in a new Ontario life sciences seed venture capital fund. The size of the proposed fund is up to $30 million with capital commitments from the Government of Ontario, hospital foundations and the private sector.
As at June 30, 2015, the Corporation met the terms and conditions of the LSSVCF transfer payment agreement for the Ministry to disburse the entire $10 million funding obligation which was subsequently received.

As at March 31, 2017, the LSSVCF initiative remains in development.

**16 NON-FINANCIAL ASSETS**

The Corporation does not have any tangible capital assets or prepaid expenses. An inventory of office supplies is held for use and expensed in the year in which they are purchased. The total cost of these supplies is not material to the financial statements and they are expected to be used up in a period of less than one year from their purchase date.
CORPORATE GOVERNANCE

OVERVIEW

OCGC is an agent of the Crown characterized by Management Board of Cabinet Directive as a board-governed provincial agency.

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

ACCOUNTABILITY AND RESPONSIBILITIES

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 Management Board of Cabinet, the Minister and the Public Service Commission relating to Crown agencies, form a framework under which OCGC is governed.

Each year, 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.

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 to OCGC. The Deputy Minister of the Ministry of Research, Innovation, and Science (the Ministry) ensures organizational capacity in the Ministry to monitor OCGC, and ensuring it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The Board performs a supervisory role. It oversees the management of the business and affairs of OCGC to ensure that OCGC’s mandate is fulfilled. The Board is comprised of both public servants employed by the Crown and independent directors. The Board meets at least quarterly and receives regular reports from the CEO and OCGC staff concerning the operations of OCGC and its compliance with applicable laws and policies. Standards of conduct for Board members are set out in a Board-approved Code of Conduct.
There are also two committees of the Board to assist it 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 through the Chair and provides regular reports on OCGC’s performance to the Board. Given that the CEO is employed under Part III of the Public Service of Ontario Act, 2006, the CEO is also accountable to the Deputy Minister of the Ministry of Research, Innovation, and Science. The CEO is responsible for managing the day-to-day operations and ongoing activities of OCGC, including the supervision of staff, in accordance with government policies.

FINANCIAL REPORTING REQUIREMENTS

OCGC prepares audited annual financial statements in accordance with the Canadian Public Sector Accounting Board Standards (PSAB) of the Chartered Professional Accountants of Canada. The financial 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 they present the financial results fairly and in accordance with Canadian Public Sector Accounting Standards. The findings are reviewed by the Audit & Risk Committee and the Board. These audited financial statements are tabled in the Ontario Legislature as part of the Annual Report and are 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 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:

- Business planning;
- 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.

As part of its annual business plan, OCGC conducts an overall assessment of corporate-wide risks and develops appropriate mitigation strategies.

OPERATIONS

In keeping with the original OCGC model and to support its mandate, OCGC remains a small agency with a limited staff involved in operations, governance, financial controls and investments, and supported by external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit and bookkeeping.
JEFF KEHOE  
**Chair, OCGC Board of Directors**  
*Date of Initial Appointment to OCGC Board of Directors: July 2014  
End of Current Term: April 2018*

Jeff Kehoe is currently the Director of Enforcement at the Ontario Securities Commission. Prior to joining the OSC, he was Managing Partner and General Counsel at Difference Capital Inc. He has over a decade of experience overseeing the Canadian Capital Markets as Director and Vice-President of Enforcement at the Investment Industry Regulatory Organization of Canada (IIROC).

Prior to IIROC, he served as a Crown Attorney and Department of Justice Crown Counsel. Mr. Kehoe has a Bachelor of Laws degree from the University of Windsor, a Juris Doctor degree from the University of Detroit Mercy, a Master of Laws degree specializing in securities law from Osgoode Hall Law School, a Certified Regulatory and Compliance Professional certificate from Wharton University of Pennsylvania and has received securities regulation training from Harvard.

He currently serves on both private and public boards including charitable non-profit organizations. He completed the Rotman Institute Corporate Directors program (ICD. D).

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GADI MAYMAN  
**Vice-Chair, OCGC Board of Directors**  
*Date of Initial Appointment to OCGC Board of Directors: February 2009  
End of Current Term: January 2020*

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.
ANNIE ROPAR
Date of Initial Appointment to OCGC Board of Directors: April 2014
End of Current Term: April 2020
Annie Ropar is Chief Financial Officer at Aequitas NEO Exchange Inc., a new stock exchange in Canada launched in March 2015. Prior to joining Aequitas, she was Managing Director and Business Manager of Global Equities at RBC Capital Markets and a Partner of RBC Capital Partners, the bank’s private equity arm.

Ms. Ropar’s past community involvement includes serving as a member of the Wellspring Cancer Support Foundation Emerging Leaders Committee, honorary Chair for Team RBC for the Princess Margaret Foundation Weekend to End Women’s Cancer, member of the Schulich School of Business Career Development Centre Advisory Council and serving on committees for the Wellspring Cancer Support Foundation and the Princess Margaret Hospital Foundation.

She holds a Bachelor of Business Management degree (with honours) from Ryerson University, is a Chartered Professional Accountant and also holds a U.S. CPA designation.

TONY ROCKINGHAM
Date of Initial Appointment to OCGC Board of Directors: February 2009
End of Current Term: March 2018
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.

BOARD REMUNERATION
The total remuneration paid to board members in fiscal 2016–17 was $6,975.00.
As part of its annual business plan, OCGC conducts an overall assessment of corporate-wide risks and develops appropriate mitigation strategies. OCGC’s risk management plan is based on the requirements contained in the *Agencies & Appointments Directive*.\(^{10}\) The risk management plan considers the management of both internal and external risk exposures. The framework for OCGC’s risk management plan, includes, but is not limited to the following risks:

- Financial risk;
- Human Resources risk;
- Operational risk; and
- Strategic risk.

In addition to 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.

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\(^{10}\) Effective April 2017 and may be amended from time to time
OUTLOOK FOR
FISCAL 2017–18

Based on OCGC’s strategy and mandate, a number of priorities have been identified for the 2017–18 fiscal year:

• Manage the OETF investment portfolio;
• Administer the Province’s partnership interests in OVCF, NVCF, and SUVF; and
• Continue to support the development of Ontario’s venture capital ecosystem and the implementation of the Province’s venture capital policies.

CONTACT INFORMATION

For general inquiries and information, please contact OCGC at:

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Toronto, ON M5B 2L7

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Toll-free: 1-877-422-5818
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Email: ocgc@ontario.ca
Web: www.ontario.ca/ocgc