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2019-2022 Business Plan

Authorization:
Original Executed by:
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Signature

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

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Date

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1.0 Executive Summary

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

Management Board of Cabinet (“MBC”) characterizes OCGC as a “board-governed agency”. Board-governed agencies are able to carry on as a business and conduct operations in support of their mandates. Such agencies are also required to submit their annual business plan to their responsible Minister (the “Minister”) no later than one month before the beginning of the provincial agency’s fiscal year for approval (for OCGC, by March 1). As such, results included in this business plan do not cover the entire 2018-19 fiscal year and will instead be reported as of the date of submission.

OCGC was established as an agency of the Crown on February 1, 2009 by the *Ontario Capital Growth Corporation Act, 2008* (the “Act”) that is accountable to the Minister. In accordance with the Act, OCGC:

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

OCGC 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 Ontario’s best technologies and leading entrepreneurs with much needed access to capital that may otherwise not be available to them, so that they can bring new discoveries to market, help them to achieve the scale necessary to realize their full economic potential, and enable them to compete in global markets.

To date, OCGC has made investment commitments to a number of externally-managed funds, including Ontario Venture Capital Fund LP (“OVCF”), Northleaf Venture Catalyst Fund LP (“NVCF”), ScaleUp Venture Fund I LP (“SUVF”) and Yaletown Innovation Growth LP (“YIG”). OCGC also makes direct investments through the Ontario Emerging Technologies Fund (“OETF”) alongside qualified co-investors in emerging technology companies.

Portfolio companies within OCGC’s venture capital funds currently employ over 10,000 people in Canada, with the majority of these in Ontario, and have cumulatively recorded approximately \$5.7 billion in revenues and \$1.6 billion in R&D expenditures¹.

¹ Revenues and R&D expenditures have been aggregated across OCGC’s portfolio since inception. As individual fund managers may co-invest in syndicate, the aggregated figures may overstate these metrics due to potential double counting.

Overall, OCGC's investments in venture capital funds are demonstrating that the policy of holding an equity stake alongside private sector institutional investors is working effectively and can potentially be self-sustaining compared to traditional economic development programs (e.g. grants, loans and tax credits). With portfolio diversification across a sizable number of funds/companies to mitigate financial risks, the Province has a market focussed means to help develop high-potential companies and to better capture the associated economic benefits over the long term, including the creation of high quality, high paying jobs for the people of Ontario.

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

- Manage the remaining OETF investment portfolio until all investments have been fully realized;
- Administer OCGC's limited partnership interests in externally-managed funds; Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies; and
- Undertake specific priorities outlined in the agency mandate letter.

2.0 Highlights of 2018-19 Results to Date

OCGC is currently on track to meet the following key objectives:

(1) Manage the OETF investment portfolio

Currently, OCGC is substantially meeting all 2018-19 targets related to OETF, including:

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

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

Summary of OETF results:

1. Overall Results²:

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

2. OETF portfolio companies have cumulatively recorded to date:

- \$690 million in revenues;
- \$380 million in R&D expenditures; and
- Support an estimated 525 full-time careers in Ontario.

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

Currently, OCGC is substantially meeting all 2018-19 targets related to its limited partnership interest in externally-managed venture capital funds, including:

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

² Aggregated since initial investment by OETF

Below is a summary of results for OVCF, NVCF, and SUVF. YIG is in the early stages of its active investment period and results will be reported in the next business plan.

Summary of OVCF results:

1. Overall Results³:

- OVCF is fully committed as follows:
 - 9 commitments to Ontario-based/focused funds totalling approximately \$170 million; and
 - 7 direct co-investments into Ontario-based companies totalling \$26 million.
- OVCF leverage on investments:
 - Overall: \$5.1 in third party capital for every \$1 of OVCF capital invested
 - Fund: \$4.6 in third party capital for every \$1 of OVCF capital invested
 - Direct co-investment: \$8.0 in third party capital for every \$1 of OVCF capital invested
- Capital committed by OVCF, together with third party capital, have collectively provided over \$1 billion to Ontario-based/focused funds and companies.

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

- \$3.1 billion in revenues;
- \$700 million in R&D expenditures; and
- Currently employ over 4,500 people.

Summary of NVCF results:

1. Overall Results⁴:

- NVCF is fully committed/reserved including:
 - 14 fund commitments totalling \$236 million; and
 - 12 direct co-investments into Canadian companies totalling \$57 million.
- NVCF leverage on investments:
 - Overall: \$7.5 in third party capital for every \$1 of NVCF capital invested
 - Fund: \$7.1 in third party capital for every \$1 of NVCF capital invested
 - Direct co-investment: \$9.1 in third party capital for every \$1 of NVCF capital invested
- Capital committed by NVCF, together with third party capital, have collectively provided over \$2 billion to funds and companies with a Canada/Ontario presence.

³ Aggregated since initial investment by OVCF

⁴ Aggregated since initial investment by NVCF

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

- \$2 billion in revenues;
- \$550 million in R&D expenditures; and
- Currently employ over 5,000 people.

Summary of SUVF results:

1. Overall Results⁵:

- SUVF is currently in its active investment period and has made:
 - 11 direct co-investments into Ontario-based companies totalling approximately \$20 million.
- SUVF has leveraged \$2 in third party capital for every \$1 of SUVF capital invested.
- Capital committed by SUVF, together with third party capital, have collectively provided approximately \$60 million to Ontario companies.

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

- \$36 million in revenues;
- \$14 million in R&D expenditures; and
- Currently employ over 300 people.

⁵ Aggregated since initial investment by SUVF

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

OCGC is substantially meeting all 2018-19 targets related to supporting the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies. As of the date of this report, OCGC has participated in a number of important Canadian venture capital and angel-related events and conferences, including:

- Canadian Corporate Innovation Summit;
- Canadian Innovation Exchange (CIX);
- Canadian Venture Capital Association (CVCA) Annual Conference;
- National Angel Capital Organization Annual Conference;
- Ontario Centers of Excellence (OCE) Discovery Conference;
- Quebec City Conference (QCC);
- Toronto Stock Exchange (TSX) Industrial & Clean Technology Investor Day; and
- TSX Technology Investor Day.

OCGC's participation at such venture capital industry initiatives is helping to raise awareness of OCGC's mandate and potential investment opportunities in Ontario, as well as gather further market intelligence to support venture capital public policies and to help continue the development of Ontario's venture capital ecosystem. OCGC is also continuing to monitor, review, and respond to developments and government venture capital policy initiatives as required.

3.0 Mandate and Governing Legislation

The Act sets out the following objects for OCGC:

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

Ontario Regulation 278/09 made under the Act prescribes additional objects with respect to investments, which authorizes OCGC to make:

1. Investments in venture capital funds that invest in,
 - i. for-profit businesses, if the venture capital fund's investments include investments in private businesses, or
 - ii. other venture capital funds that invest in for-profit businesses if the other venture capital fund's investment includes investments in private businesses.
2. Investments in for-profit businesses that are,
 - i. private businesses⁶, or
 - ii. public businesses⁷, if the Corporation,
 - A. invested in the business when it was a private business, or
 - B. has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.
3. Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

OCGC also has additional objects to help further develop the Ontario venture capital ecosystem as follows:

- (a) Develop or participate in conferences or other events regarding venture capital matters;
- (b) Collect, analyze or distribute information regarding venture capital matters;

⁶ In the regulation, "private business" means a business that is not a public business;

⁷ In the regulation, "public business" means a business that lists its securities on a stock exchange.

- (c) Provide advice to the Government of Ontario on venture capital matters; and
- (d) Undertake other activities that are similar or related to the objects described in the bullets above.

OCGC is required to provide its annual report to the Minister within 120 days of fiscal year end. The annual report is tabled in the Legislature. The financial statements are consolidated with the Public Accounts of Ontario.

4.0 Overview of Current and Future Initiatives

4.1 Current Initiatives

OCGC is currently responsible for managing its:

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

(1) OETF Investment Portfolio

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

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

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

(a) Ontario Venture Capital Fund LP (“OVCF”)

| | |
|-----------------------------|---------------------------------|
| Fund Manager: | Northleaf Capital Partners Ltd. |
| Vintage Year: | 2008 |
| Current Status: | Fully committed |
| Fund Structure: | Fund-of-funds ⁸ |
| Investment Sector: | Generalist |
| Total Fund Size: | \$205 million |
| OCGC Investment Commitment: | \$90 million |

(b) Northleaf Venture Catalyst Fund LP (“NVCF”)

| | |
|-----------------------------|---------------------------------|
| Fund Manager: | Northleaf Capital Partners Ltd. |
| Vintage Year: | 2014 |
| Current Status: | Fully committed |
| Fund Structure: | Fund-of-funds ⁹ |
| Investment Sector: | Generalist |
| Total Fund Size: | \$300 million |
| OCGC Investment Commitment: | \$50 million |

⁸ OVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario-based companies

⁹ NVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario/Canada-based companies

(c) ScaleUP Venture Fund I LP (“SUVF”)

| | |
|---|-----------------------------------|
| Fund Manager: | ScaleUP Venture Partners, Inc |
| Vintage Year: | 2016 |
| Current Status: | Active investment period |
| Fund Structure: | Direct investments into companies |
| Investment Sector: | ICT |
| Total Fund Size: | \$106 million |
| OCGC Investment Commitment: ¹⁰ | \$25 million |

(d) Yaletown Innovation Growth LP (“YIG”)

| | |
|-----------------------------|-----------------------------------|
| Fund Manager: | Yaletown Partners Inc. |
| Vintage Year: | 2017 |
| Current Status: | Active investment period |
| Fund Structure: | Direct investments into companies |
| Investment Sector: | ICT/cleantech |
| Total Fund Size: | Targeting \$200 million |
| OCGC Investment Commitment: | \$20 million |

4.2 Future Initiatives

OCGC will implement and deliver new initiatives as approved by the Province. The agency will also continue to focus on developing a long term, sustainable venture capital industry in Ontario, which in turn will help grow Ontario’s economy and create job opportunities in key economic sectors of the province.

¹⁰ As directed by the Ministry in January 2017

5.0 Environmental Scan: Assessment of Issues Facing OCGC

5.1 External Factors

Ontario's venture market in 2018 continues to build momentum with investment totaling in excess of \$2.1 billion; which surpasses the previous year's total investment of \$1.4 billion. Year-over-year gains have consistently been posted since the 2008-2009 financial crisis with only 2017 and 2013 being exceptions to the trend. In 2018, the annual investment total exceeded \$2 billion for only the third time historically and the first time in the post dot-com era.

As reported by Thomson Reuters, Ontario ranked 6th amongst North American jurisdictions in 2018. Toronto emerged as the key investment hub, ranking 10th out of all North America metro regions attracting \$1.8 billion in venture capital dollars. The ICT sector continues to be the engine powering Ontario's investment market, accounting for 88% of investment totals and 81% of deal volume.

Expansion and later stage rounds account for an average 54% of total deal flow in 2018, but an increased weighting of 70% of total investment dollars. Average investment per deal and per company in later stage and expansion rounds increased appreciably over 2017 and currently rank at their highest historically. As a whole, the Ontario market is recording record highs in per deal and per company venture investment

Ontario's companies appear to be increasingly able to source the capital required to fund growth and the scaling required to compete in global markets. In 2018 investment capital from Canadian investors accounted for one third of total Ontario investment compared to 2008 through 2010, when Canadian investments in Ontario exceeded 50%. This elevated focus and presence from foreign investors could suggest a recognition of, and confidence in, the world class technologies and talent originating from within the province.

Several new Ontario-based funds were raising capital in 2018, including Georgian IV, closing at \$550 million USD, and Golden Ventures III securing \$72 million. Several other managers are currently in various stages of fund raising and are expecting to close in early 2019.

5.2 Internal Factors

As an agency of the Ontario government, OCGC is required to report on its activities, operations and results. OCGC will continue to meet its business objectives while adhering to applicable government-wide directives and reporting requirements.

6.0 2019-2022 Strategic Directions

On-going corporate activities for the next three fiscal years will focus on initiatives to meet the strategic directions as listed below, while also targeting the specific priorities outlined in the agency mandate letter for the period of April 1, 2019 to March 31, 2020:

(1) Manage the remaining OETF investment portfolio until all investments have been fully realized

- Administer OETF in an efficient and cost-effective manner;
- Close approved investment transactions by the required deadline; and
- Monitor interim results and report on key performance indicators.

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

- Oversee OCGC's limited partnership interests in an efficient and cost-effective manner;
- Respond to all capital calls by the required deadline; and
- Monitor interim results and report on key performance indicators.

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

- Participate in venture capital industry initiatives to raise awareness of OCGC's mandate and potential investment opportunities in Ontario, as well as to gather further market intelligence to support venture capital public policies and to help continue the development of Ontario's venture capital ecosystem; and
- Monitor, review, and respond to developments and/or government venture capital policy initiatives.

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

- Negotiate and enter into limited partnership agreement(s) with one or more new life sciences venture capital fund(s);
- Revise the memorandum of understanding between OCGC and the Ministry; and
- Implement the annual investment planning framework.

Manage the remaining OETF investment portfolio until all investments have been fully realized

| Objective | Performance Measure | Targets |
|--|---|--|
| <ul style="list-style-type: none"> Ensure OETF investments maximize value creation. | <ul style="list-style-type: none"> Track and benchmark existing OETF investments using key performance indicators, available market-based comparators, and applicable venture capital metrics on a quarterly basis or more frequently if the situation warrants it. | <ul style="list-style-type: none"> 100% timely reporting of metrics. Fund performance reflects Canadian venture capital industry norms and corrective action taken as necessary. |
| <p>Portfolio Management:</p> <ul style="list-style-type: none"> Review and analyze revenues, expenses, and budget forecasts to model the company(ies) cash flow requirements, such that follow-on financing demands of investors can be determined and whether participation in future financings continues to be justified. Aggregate follow-on financings to model overall impact and pressures to the OETF portfolio both in the short and intermediate term through to exit of the portfolio company. Review and analyze investee company operating plans and results. Provide recommendations for follow-on financing or strategic exits. | <ul style="list-style-type: none"> In order to make portfolio management decisions, OCGC will, on a quarterly basis, or more frequently if the situation warrants it, review and assess the following (including, but not limited to): <ul style="list-style-type: none"> Follow-on financings; Potential mergers and acquisitions; Assignment of company assets; Forbearance of covenants; Election of company directors; Employment of key company executives or changes thereof; Business operating plans and results; and Other material company changes. | <ul style="list-style-type: none"> Information is generated on a timely basis so that OCGC can make fully informed discretionary decisions in the best interests of OCGC. |
| <p>For each OETF portfolio company:</p> <ul style="list-style-type: none"> Track portfolio company operating results against their respective business plan targets. | <ul style="list-style-type: none"> Review and analyze key performance indicators on a quarterly basis. Compare performance relative to similar publicly-listed companies in the same industry sector. | <ul style="list-style-type: none"> Review key performance indicators and portfolio company developments on a quarterly basis, including impacts to |

| Objective | Performance Measure | Targets |
|--|--|---|
| <ul style="list-style-type: none"> Attend portfolio company board meetings as required. Consult with other investors on portfolio company performance as required. | <ul style="list-style-type: none"> Gather market intelligence. Identify and take required action to remediate issues of concern in a timely manner. Review and assess key performance indicators. | the long-term success and valuation of the portfolio company. |

Administer OCGC's limited partnership interests in externally-managed funds

| Objective | Performance Measure | Targets |
|--|--|---|
| <ul style="list-style-type: none"> Oversee OCGC's limited partnership interests to maximize value creation. | <ul style="list-style-type: none"> Track and benchmark investments using venture capital metrics quarterly, seeking to continuously find opportunities to improve efficiencies. | <ul style="list-style-type: none"> Operating costs within approved budget allocation. Fund performance reflects Canadian venture capital industry norms. |
| <ul style="list-style-type: none"> Oversee OCGC's investment commitments to ensure adherence to the goals and objectives of the respective funds. | <ul style="list-style-type: none"> Review on quarterly basis, or more frequently if the situation warrants, adherence to limited partnership agreements, including but not limited to any parameters on investments; geographic/industry diversification of portfolio; and pacing of commitments etc. | <ul style="list-style-type: none"> Ensure funds have the necessary portfolio diversification to achieve performance targets and make necessary inquiries if targets are not met. |
| <ul style="list-style-type: none"> Respond to all capital calls by the required deadline. | <ul style="list-style-type: none"> All capital calls met by the required deadline. | <ul style="list-style-type: none"> All capital calls met by the deadline specified by the general partner. |
| <ul style="list-style-type: none"> Track interim results and report on key performance indicators. | <ul style="list-style-type: none"> Obtain key performance indicators and other relevant metrics from the general partner on a quarterly basis; review and ensure adherence to limited partnership agreements; and gather market intelligence with respect to fund commitments/ investments. | <ul style="list-style-type: none"> On a quarterly basis, key performance indicators are obtained and if not, action is taken on a timely basis. |

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

| Objective | Performance Measure | Targets |
|---|---|--|
| <ul style="list-style-type: none"> Participate in venture capital industry initiatives to raise awareness of OCGC's mandate and potential investment opportunities in Ontario. | <ul style="list-style-type: none"> Gather market intelligence to support venture capital public policies to help continue to develop Ontario's venture capital ecosystem and gather data on opportunities generated. | <ul style="list-style-type: none"> Assess the market intelligence and data and take action as appropriate. |
| <ul style="list-style-type: none"> Monitor, review, and respond to developments and/or government venture capital policy initiatives. | <ul style="list-style-type: none"> Assess relevant governmental/industry developments on a quarterly basis. | <ul style="list-style-type: none"> Assessments completed on a quarterly basis and appropriate action taken. |

Undertake specific priorities outlined in the recent agency mandate letter

| Objective | Performance Measure | Targets |
|--|--|---|
| <ul style="list-style-type: none"> Negotiate and enter into limited partnership agreement(s) with one or more new life sciences venture capital fund(s) | <ul style="list-style-type: none"> Internal approvals are obtained in a timely manner. | <ul style="list-style-type: none"> Enter into one or more limited partnership agreement no later than March 31, 2020. |
| <ul style="list-style-type: none"> Revise the memorandum of understanding between OCGC and the Ministry (the "MOU"). | <ul style="list-style-type: none"> Negotiations completed and internal approvals obtained in a timely manner. | <ul style="list-style-type: none"> Revised MOU executed no later than the date prescribed by government directive. |
| <ul style="list-style-type: none"> Implement the annual investment planning framework. | <ul style="list-style-type: none"> Progress updates provided to the Ministry on a quarterly basis, or as otherwise agreed upon. | <ul style="list-style-type: none"> Annual investment planning framework is operationalized no later than March 31, 2020. |

7.0 Overview Of Corporate Risk Assessment and Management

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

8.0 Human Resources

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

Given the lean staffing model, OCGC is also supported by a limited number of external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-funds investments, as well as audit and accounting services.

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

9.0 Communication Plan

OCGC staff continues to work closely with the Ministry when news releases or public announcements are scheduled to be issued. As part of its future activities, OCGC will seek to develop a communications strategy, which may include an enhanced mobile friendly website and a potential rebranding of the agency. These enhancements would allow OCGC to remain competitive with similar entities in the Canadian venture capital marketplace.

Updates related to OCGC can be found on its website, www.ocgc.gov.on.ca. The site includes, but is not limited to, the annual reports and OETF investment updates. OVCF updates can be found at www.ovcf.com and NVCF updates are available at the general partner's website www.northleafcapital.com. SUVF and YIG updates are provided by their respective fund managers at www.suvf.vc and www.yaletown.com. OCGC's annual financial statements are also available in Volume 2 of the Public Accounts of Ontario.

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

10.0 Overview of 2018-19 Results

As of the date of this report, OCGC is substantially on-track to meet its 2018-19 targets:

Manage the OETF investment portfolio

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

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

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

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

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

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

| Objective | Performance Measure | Targets | Results |
|---|---|--|--|
| <ul style="list-style-type: none"> Participate in venture capital industry initiatives to raise awareness of OCGC's mandate and potential investment opportunities in Ontario. | <ul style="list-style-type: none"> Gather market intelligence to support venture capital public policies to help continue to develop Ontario's venture capital ecosystem and gather data on opportunities generated. | <ul style="list-style-type: none"> Assess the market intelligence and data and take action as appropriate. | <ul style="list-style-type: none"> Market intelligence and data gathered at industry initiatives assessed, with action taken as required. |
| <ul style="list-style-type: none"> Monitor, review, and respond to developments and/or government venture capital policy initiatives. | <ul style="list-style-type: none"> Assess relevant governmental and industry developments on a quarterly basis. | <ul style="list-style-type: none"> Assessments completed on a quarterly basis and appropriate action taken. | <ul style="list-style-type: none"> Relevant governmental and industry developments assessed quarterly, with action taken as required. |

Appendix A

Financials

Proposed Operating Expenditures, Projected Revenues & Funding Requirements

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

OCGC's annual business plan sets out the operating expenditures and revenues of the OCGC in the past fiscal year with a forecast over the next three fiscal periods, as well as the corresponding projection for the Statements of Financial Position¹¹.

Note: For the Statement of Operations & Changes in Accumulated Operating Surplus, no speculations are taken with respect to investment income in funds, gains/(losses) in funds, impairment in funds or foreign exchange gains/(losses) subsequent to the year ending March 31, 2019. The values of these financial assets are held constant only for budgeting purposes.

¹¹ These statements are consistent with Public Sector Accounting Standards.

Table 1:

| Statements of Operating Expenditures | Actual results for the initial 6 months of fiscal 2018-19 | Forecast for 12 months of fiscal 2018-19 | Forecast for the fiscal years ending March 31st ¹² | | |
|--|---|--|---|--------------|--------------|
| | | | 2019-20 | 2020-21 | 2021-22 |
| All figures are unaudited (\$,000) | | | | | |
| Shared operating costs with the Ministry: | | | | | |
| Salaries & wages | 402 | 821 | 862 | 906 | 952 |
| Benefits | 44 | 81 | 85 | 89 | 94 |
| Transportation & communications | 14 | 21 | 24 | 25 | 25 |
| Services | 22 | 30 | 32 | 33 | 35 |
| Accommodations | 29 | 66 | 70 | 73 | 77 |
| Supplies & equipment | 72 | 103 | 13 | 14 | 14 |
| Total reimbursements to the Ministry | 583 | 1,122 | 1,086 | 1,140 | 1,197 |
| Other direct operating expenses: | | | | | |
| Cash management fees | 18 | 39 | 59 | 65 | 58 |
| Professional services fees | 366 | 840 | 521 | 244 | 255 |
| Board and committee member expenses | 4 | 6 | 13 | 13 | 14 |
| Total ODOE | 388 | 885 | 593 | 322 | 327 |
| Total direct operating expenses | 971 | 2,007 | 1,679 | 1,462 | 1,524 |

¹² OCGC is in discussion with the Ministry on the forecasted numbers.

Table 2:

| Statements of Operations & Changes in Accumulated Operating Surplus | Actual results for the initial 6 months of fiscal 2018-19 | Forecast for 12 months of fiscal 2018-19 | Forecast for the fiscal years ending March 31st ¹³ | | |
|--|---|--|---|----------------|----------------|
| | | | 2019-20 | 2020-21 | 2021-22 |
| All figures are unaudited (\$,000) | | | | | |
| Revenues: | | | | | |
| Funding & transfer payments ¹⁴ | 0 | 28,640 | 32,000 | 2,000 | 2,000 |
| Interest income | 1,466 | 2,965 | 3,000 | 2,500 | 2,200 |
| Investment income in funds | 32 | 32 | n/a | n/a | n/a |
| Net realized gains/(losses) on sale of investments in funds | 142 | 142 | n/a | n/a | n/a |
| Foreign currency exchange gains/(losses) | 38 | 207 | n/a | n/a | n/a |
| | 1,678 | 31,986 | 35,000 | 4,500 | 4,200 |
| Expenditures: | | | | | |
| Reimbursement to the Ministry | 583 | 1,122 | 1,086 | 1,140 | 1,197 |
| Cash management fees | 18 | 39 | 59 | 65 | 58 |
| Professional services fees | 366 | 840 | 521 | 244 | 255 |
| Board & Committee fees | 4 | 6 | 13 | 13 | 14 |
| Impairment of investments in funds – OETF | 5 | 5 | n/a | n/a | n/a |
| | 976 | 2,012 | 1,679 | 1,462 | 1,524 |
| Operating surplus for the period | 702 | 29,974 | 33,321 | 3,038 | 2,676 |
| Accumulated operating surplus - beginning | 363,610 | 363,610 | 393,584 | 426,905 | 429,943 |
| Accumulated operating surplus - ending | 364,312 | 393,584 | 426,905 | 429,943 | 432,619 |

¹³ OCGC is in discussion with the Ministry on the forecasted numbers.

¹⁴ Projections based on discussions with the Ministry

Table 3:

| Statements of Financial Position | Actual results for the initial 6 months of fiscal 2018-19 | Forecast for 12 months of fiscal 2018-19 | Forecast for the fiscal years ending March 31st ¹⁵ | | |
|---|---|--|---|---------|---------|
| | | | 2019-20 | 2020-21 | 2021-22 |
| All figures are unaudited (\$,000) | | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | 10,438 | 8,870 | 7,331 | 5,869 | 4,345 |
| Marketable securities | 185,332 | 213,425 | 230,269 | 197,819 | 166,173 |
| Accounts receivable | 1,128 | 142 | 2 | 2 | 2 |
| Ontario Venture Capital Fund LP | 76,023 | 76,033 | 80,033 | 84,033 | 86,779 |
| Ontario Emerging Technologies Fund | 31,083 | 31,344 | 31,500 | 36,500 | 36,500 |
| Northleaf Venture Catalyst Fund LP | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| ScaleUp Venture Fund LP | 10,000 | 10,000 | 12,500 | 17,500 | 22,500 |
| Yaletown Innovation Growth LP | 2,400 | 3,800 | 6,800 | 10,000 | 13,600 |
| Life Sciences Venture Capital Fund | - | 1,250 | 6,750 | 17,000 | 29,000 |
| Market-based funds - TBD | - | - | 3,000 | 12,500 | 25,000 |
| | 366,404 | 394,864 | 428,185 | 431,223 | 433,899 |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 719 | 280 | 280 | 280 | 280 |
| Accumulated surplus | 365,685 | 394,584 | 427,905 | 430,943 | 433,619 |
| Accumulated surplus is comprised of: | | | | | |
| Accumulated operating surplus | 364,312 | 393,584 | 426,905 | 429,943 | 432,619 |
| Accumulated remeasurement gains/(losses) | 1,373 | 1,000 | 1,000 | 1,000 | 1,000 |
| | 365,685 | 394,584 | 427,905 | 430,943 | 433,619 |

¹⁵ OCGC is in discussion with the Ministry on the forecasted numbers.

Appendix B

Corporate Governance

Minister

Each year, the Minister responsible for OCGC (the “Minister”) is required to submit OCGC’s 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 issues relevant to OCGC.

Chair

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

Board of Directors

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

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

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

Audit and Risk Committee

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

Human Resources Committee

The Human Resources Committees committee supports the Board by reviewing the human resources programs and practices of OCGC related to compensation, performance evaluation, and training.

President and Chief Executive Officer

The President and Chief Executive Officer (the “CEO”) is appointed by the Board and is employed by OCGC on such terms and conditions as the Board may approve. The CEO works under the direction of the Chair and the Board and 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 responsible for OCGC. The CEO is responsible for managing OCGC’s day-to-day operations and ongoing activities in accordance with applicable government policies.

Employees

All employees of OCGC are civil servants employed under Part III of the *Public Service of Ontario Act, 2006*. OCGC’s business operations are carried out by staff under the supervision of the CEO.

Appendix C

Ontario Capital Growth Corporation Organizational Chart

