Venture Capital in Canada

A Guide and Sources

Industry, Science and Technology Canada

Association of Canadian Venture Capital Companies

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Sponsored by

Industry, Science and Technology Canada

Association of Canadian Venture Capital Companies

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Although venture capital has become a topic of growing interest in recent years in financial circles and in the business media, most entrepreneurial Canadian companies (and many of their professional advisors) find the venture capital industry somewhat confusing and do not have a good understanding of how it operates in Canada. This guide has been produced as a start to developing this understanding with a view to helping entrepreneurial growth firms evaluate the venture capital option and identify the best venture capital partner to meet their needs.

The Canadian venture capital industry has grown rapidly since the early 1980s. In days gone by, venture capital was the domain of a selected group of entrepreneurial investors. As a result, it was not generally seen as a financing alternative to be even considered by most young companies. And, given the limited supply of venture capital available, most companies in search of capital believed the venture capitalists held most of the negotiating power, making it difficult to reach a fair agreement and workable partnership.

But things have changed dramatically in the intervening years. Today venture capital is mainstream to the ongoing business of many private investors, pension funds, corporations, financial institutions, investment dealers, and professional business advisors. The amount of capital available for investment has increased sharply in the process, which in turn has increased the competition for good investment opportunities and balanced out the power between the venture capitalist and the entrepreneur.

Today, venture capital is increasingly being identified by entrepreneurs as a potential source of capital with which to finance the growth of their companies. Given the growth of the venture industry in Canada over the past five years, venture capital should certainly be on the list for serious consideration when a private growth-oriented firm is examining its financing options. But in many cases, the entrepreneurs running or starting these companies are not familiar with the process or the players. The information presented in this guide will help more Canadian entrepreneurs to assess the venture capital option and to find the right venture capital partner.

I. What is Venture Capital?

Venture capital is often assumed to be speculative, high-risk capital invested in seed or very early stage companies. But, in fact, it has a much broader meaning than this. Broadly defined, venture capital is capital which is not secured by assets and is invested in or loaned to a company by an outside investor. It is often referred to as risk capital since it is not only unsecured, but generally lacks liquidity as well.

The willingness to take on the risk associated with a venture capital investment is rewarded with an opportunity to participate in the company's growth through equity, by owning a share of the company. The venture capitalist will not normally look to dividends or interest to provide the return on the investment commensurate with the risk, but will look instead for a capital gain, or an increase in the value of his shares in the company.

The cost to the entrepreneur, therefore, does not come in the form of interest or dividend payments, but in the equity which is sold to the venture capitalist. However, the benefits of an infusion of equity can be substantial. It is the equity capital that will provide the company with the financial muscle to embark on its growth course. The venture capitalist will be looking for those entrepreneurs who, with their companies, appear to have the attributes necessary to move along this growth course and, in time, become a medium or large company.

There is no question that venture capital is not an appropriate financing option for all, or even most private firms. But in the right situations, venture capital can be extremely valuable to a company in realizing its growth potential.

There are three criteria which differentiate venture capital from more conventional sources of capital. A venture capital investment typically

- ❐ involves equity or quasi-equity participation (owning common shares outright, or having the right to convert other financial instruments into common shares);
- ❐ is expected to be a long-term investment (generally for anywhere from three to eight years); and

- requires active involvement by the investors in the companies which they finance until they are sufficiently developed for disposition.

In short, the focus of venture investing is on business development for long-term capital appreciation. It is not confined to "technology" or to "start-ups", but spreads across all industry sectors and encompasses the whole spectrum of the business development cycle.

It is crucial to recognize at the outset that venture capital represents an active rather than a passive form of financing. All venture capitalists will strive to add value, beyond capital, to their investments in an effort to achieve a superior return at the end of the day. To do this requires some degree of active involvement, and almost all venture capitalists will, at a minimum, want a seat on the board of directors.

Since the venture investor takes more risk than conventional lenders (in anticipation of the potential returns), he also views this involvement as a means of providing some degree of protection for the investment. Venture capital therefore is not generally the best route for a company which is not prepared to deal with an active outside investor.

It is also important to recognize that the primary objective of venture capital investors is to achieve a superior rate of return through the eventual and timely disposition of investments. Although a venture capitalist invests for the long haul, that does not mean forever. A good venture capitalist will be considering potential exit strategies from the time the investment is first contemplated. However, since the returns to the venture capitalist on disposition will be a function of the health and growth of the investee company during the intervening period, entrepreneurs can rest easy. To be successful, the venture capital process must be mutually beneficial to both the investor and the investee.

Types of Financings: From Start-ups to Buy Outs

The old adage ... "you can't be all things to all people" ... has had some influence on the investment strategies of Canadian venture capital firms. Entrepreneurs who are just starting out typically have very different needs than those well established and ready to expand their companies. Many venture capitalists have found that their own skills are better suited to helping one type of entrepreneur than another. As a result, venture capitalists tend to define their investment preferences by stages in the business development cycle.

These stages are generally defined as:

Seed financing is normally provided to prove a concept. It may involve some product development but rarely involves any initial marketing.

Start-up financing is provided to companies for use in product development and initial marketing. Companies may be in the process of being organized or may have been in business for a short while (usually a year or less), but have not yet sold their product commercially. Generally firms looking for start-up financing would have assembled the key management and prepared a business plan.

First-stage financing is provided to companies that have expended their initial capital and started to sell their product, but require additional funds to initiate full commercial production and sales.

Second-stage financings generally support the initial expansion of companies that are making progress but may not yet be profitable.

Mezzanine financings (or third-stage expansion financings) provide capital for major growth expansion for companies whose sales are increasing and who are either breaking even or profitable. The funds are used for plant expansion, marketing, working capital or new product development. These financings often are done using subordinated debt instruments (unsecured loans) with equity kickers, or provisions which entitle the investor to some common shares if the company succeeds.

Leveraged buy out financings provide the capital to enable operating management or outside investors to acquire a product line, a division or a company. The assets of the companies involved in these transactions are normally highly leveraged to minimize the equity required.

These definitions should be used when examining the investment preferences of the venture capital firms identified in the directory at the back of this guide.

Although venture capital comes from broad and diverse sources, this guide focuses primarily on the professionally managed pools of capital that have been established for the purpose of making venture investments. The amount of capital committed to these groups and the investments made by them can be tracked on an ongoing basis, allowing for analysis which can be beneficial to entrepreneurs aspiring to secure venture capital. Informal venture capital, which often comes from private individuals willing to invest in attractive situations as they arise, plays an important role in financing young enterprises, particularly at the pre-venture stage, when an entrepreneur is still too far from the commercial market to justify an investment from a formal venture investor. However, these sources are not investing regularly and are difficult to identify in any sort of comprehensive fashion.

II. Some Historical Background: A Quick Look Back

The Canadian venture capital industry of the late 1980s is very different from that of the 1960s and 1970s. A quick look back at the development of the venture capital industry in Canada over the past few decades can provide some useful background for young companies wishing to access some of the capital available today.

The venture capital industry formally got its start in Canada in 1952 when the French and English-backed Charterhouse Canada Limited opened its doors. Charterhouse had the market pretty well to itself for the first six years and invested in some highly profitable ventures (including, for example, Bow Valley Resources). In 1958, Canada Overseas Investment Limited was established and another five years passed before the arrival of the third entrant, Canadian Enterprise Development Corporation (CED). CED was modelled after and partially funded by General Doriot's American Research and Development Corporation (ARD), the Boston-based pioneer of the venture capital industry in the United States.

It wasn't until the late 1960s and early 1970s that the industry began to develop some momentum. Between 1968 and 1973, Helix Investments, Ventures West Resources, Trucena Investments, Innocan Investments and SB Capital all made their entrance. The banks also stepped onto the stage during this period with the establishment of TD Capital Group and the Royal Bank's Roymark Financial Services. By the end of 1973, the nucleus of the industry was in place and a rather diverse structure was evolving. These firms were all structured as closely held private corporations, drawing their capital from financial institutions, private individuals and families, and some institutional investors.

In the early days, most of the venture investors generally took a minority equity position; invested with a long-term perspective, not expecting returns for at least five years; did not overly concern themselves with liquidity; and were involved with their investments primarily in astrategic way at the Board level. The industry was so small that investors generally did not have to worry about competition for good deals.

However, from about 1974 until the end of the decade, the venture capital industry was operating under less than ideal conditions. The economy was reeling from the OPEC shocks and consequent recessions, and the U.S. venture capital industry was virtually grinding to a halt in response to adverse economic conditions and an unfavourable tax environment. Canadian venture capitalists struggled with many of their existing investments and annual disbursements hovered in the $10 million to $15 million range.

During this period, the environment for making investments, and for realizing gains on existing investments became much tougher. Liquidity was hard to come by, and even the good investments often took longer than expected to realize their potential. In response to these conditions, venture capitalists began to take a much more active posture with their investments, becoming more directly involved with their portfolio companies. They worked more closely with their modestly (or poorly) performing portfolio companies in an effort to turn them around and to protect their investments. Many venture capitalists adopted a policy of taking control positions in an effort to gain more control over the liquidity and the outcome of their investments. Others shifted away from straight equity investments to quasi-equity instruments, (subordinated debt with equity kickers).These did not necessarily reduce the risk, but allowed for the repayment of capital with interest by those companies which succeeded, thereby allowing investors to be more patient in terms of realizing capital gains.

By 1980, however, the environment began to change in a positive direction and the Canadian venture capital industry entered a new stage of development. Sharp reductions in the capital gains tax rates in the U.S., combined with the clarification of pension investment rules, led to an upsurge in capital commitments and investment activity in that country, which attracted the attention of Canadian investors. Funds formed in earlier years in both Canada and in the U.S. began to realize attractive returns, demonstrating the viability of venture investing. Canada experienced some success stories with technology based firms like Mitel and AES Data. And the economic restructuring forced by changing international economic conditions shifted the focus away from large-scale manufacturing towards small information, technology and service firms, creating an environment more conducive to entrepreneurial activity and to the development of new investment opportunities.

The upshot of these changes was that the venture capital industry really started to take hold in Canada. Corporate, institutional and private investors slowly began to look more closely at the benefits of building a venture component into their investment strategies. The stage was set for significant growth in the capital available for investment, the number of venture investors participating in the market and ultimately in the number of deals being done.

As a result, the base of capital committed for venture investing grew from about $400 million at the beginning of 1980 to more than $2.5 billion by the end of 1988. Entrepreneurial firms are now facing a much larger and more mature industry, with a more diverse group of participants than they were five years ago. Along with the resulting increased access to capital has come an increased maturity in the expectations of the venture investment process from investors and investees alike.

III. The Venture Capital Market in Canada Today

In assessing alternate sources of financing, an emerging growth firm and its advisors must first determine if venture capital represents an appropriate financing option for the company. To do this, it is important to have a good sense of the types of investors that are operating in the Canadian market and the types of the deals they are doing. It is therefore useful to look at the trends for the industry as a whole to gain an appreciation of where the money is and where it is going.

How Much Capital Is There?

How much venture capital is there in Canada? According to estimates by Venture Economics Canada Limited,[1] the total capital under management at the end of 1988 was more than $2.5 billion. This excludes the capital committed under various provincial/territorial venture capital initiatives (such as the Small Business Development Corporation program in Ontario and Alberta's Small Business Equity Corporation program), which are discussed in the final section of this guide.

The Canadian venture capital pool has grown rapidly in the past few years, with more than $800 million of new capital flowing into the industry in 1987 alone.The industry's current resources are now almost double the $1.3 billion that was under management at the end of 1985.

[1]Venture Economics, which is recognized internationally as the expert source on the venture capital industry, is the source for all the data and analysis presented in this chapter.

Slightly more than 50 percent of the formal venture capital in Canada is managed by private independent venture capital firms, which include those venture groups which are institutionally or privately funded and independently managed. There are about 50 such Canadian venture firms, most of which are actively investing. A key difference between these firms and the corporate and government-related venture groups (discussed below) is that their capital is committed for the long term. Their legal structure requires that they be managed according to a 10 to 12 year lifespan, so they will almost never be wound up on short notice. By contrast, corporate and government venture funds are more short term in their orientation, in that they can be dissolved overnight in response to a changing political or strategic agenda.

Therefore, the more prevalent these independent firms are within the industry, the more secure is the long- term supply of capital. The share of the Canadian industry's capital being managed by the independent funds has been increasing steadily over the past several years, which is a healthy sign for the venture capital industry.

Subsidiaries or divisions of financial and non-financial corporations account for about 30 percent of the capital under management in Canada. About eight Canadian industrial corporations have established venture capital operations. Some of these investors have a mix of financial and strategic objectives, and are looking not only for a good financial return on their venture investments but also for a window on new technological and product developments of potential strategic interest to the corporation. Their access to corporate technical resources in some cases allows these groups to participate more readily in particular technology-based investments. Seven Canadian financial institutions have also established venture capital operations. Given their credit-driven background, many of these groups have historically participated in larger deals with more mature companies, drawing heavily on quasi-equity financing instruments.

Government agencies and venture groups with some government support account for the remaining 20 percent of the capital under management, giving governments a much higher profile within the Canadian venture industry than is the case in the U.S. There are currently about half a dozen significant Canadian venture groups with ties to the government.

The Federal Business Development Bank's (FBDB) large and active venture capital division, which invests across the country, is the only significant federal government fund. At the provincial level, several funds have been formed in the past few years, primarily to address perceived gaps in the markets being served by private sector investors. In British Columbia, Discovery Enterprises focuses primarily on early stage companies, as does the Alberta Opportunity Company and Innovation Ontario. Vencap Equities, which was established in 1983 with the assistance of a $200 million debenture from the Government of Alberta, is the largest venture capital fund in the country ($250 million under management) and its mandate requires that the bulk of its investment activities be confined to Alberta.

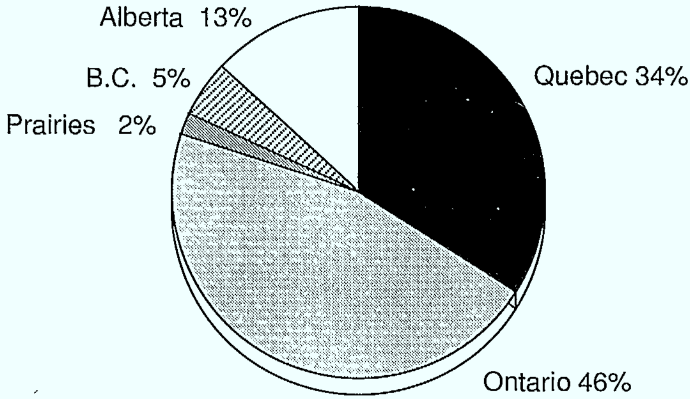
The federal and provincial governments have played an important role in encouraging the development of the venture capital industry in Canada. In the early days, the federal government seeded several of the private independent funds with capital to help them raise capital from other private investors. As the industry has evolved, the need for this support has declined and governments have been able to confine themselves to addressing specific gaps in the market.

The diversity of players within the Canadian industry creates some differences with respect to the objectives of the investors. Government-related venture capital groups normally have economic development objectives to serve in addition to their financial goals while industrial corporations will often be pursuing some strategic objectives through their venture capital operations. The private independent venture capital funds typically are pursuing only financial objectives. These objectives can lead to different investment strategies which will be reflected in the investment preferences of each fund. These preferences are shown in the profile of each venture capital firm listed in the directory.

Given their active involvement with the companies they finance, venture capital investors typically will want investments which can be conveniently accessed for board meetings and other meetings with the company. The regional distribution of the capital under management therefore has implications for firms seeking financing. As the figure opposite (top) illustrates, about 80 percent of the current pool of capital is managed from central Canada.

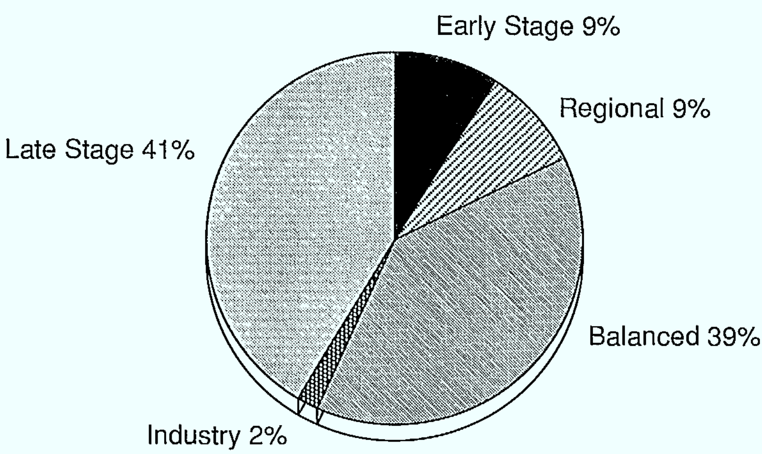
As the industry has grown in recent years, venture capitalists have moved towards more specialized investment strategies. Ten years ago, most Canadian venture groups operated on a balanced portfolio basis, in that they did not target their funds towards investments in particular industry sectors or at a particular stage of development. But that is no longer the case. Only about 40 percent of the industry's capital is now managed by funds which are prepared to invest across all sectors and stages. More than 40 percent of the capital is managed by groups interested only in financing expansions in more mature companies or LBOs (up from less than 25 percent in 1985). The remaining 20 percent of the capital has been specifically targeted for early stage deals and/or for investments in specific regions (most notably

Regional Distribution of Capital Under Management
(as of the end of 1988)



Total Pool of Capital: $2.5 billion
Source: Venture Economics Canada Limited

Investment Focus of Capital Under Management
(as of the end of 1988)



Total Pool of Capital: $2.5 billion
Source: Venture Economics Canada Limited

Les Fonds Solidarite, which now has more than $200 million in assets and invests exclusively in Quebec). As the industry continues to grow, there will be even more differentiation among the new groups entering the market.

How Much Is Being Invested and Where?

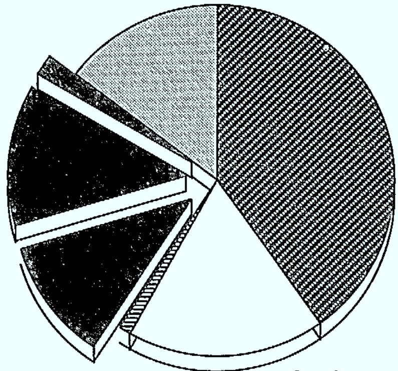
Disbursements by Canadian venture investors in 1987 (1988 data is not available at the time of writing) reached $346 million, representing 279 financings in 265 companies. (A financing is one round of capital provided to a company, regardless of the number of investors in that round. Since some companies receive more than one round of financing in a given year, the number of financings will generally be somewhat higher than the number of companies financed.) Of the 265 companies financed, 221 were Canadian, and these firms received $292 million (85 percent) of the capital the industry invested.

As recently as 1984, total disbursements were only $123 million, of which just $72 million went to 65 Canadian companies. These figures provide ample evidence of the growing role being played by the Canadian venture capital industry in financing emerging growth companies in this country. Total investment activity more than doubled in terms of both deals and dollars between 1984 and 1987. The amount invested in Canadian companies increased by more than 4 times during that period. Only 15 percent of the $346 million invested in 1987 went to companies located in the United States, compared with more than 40 percent of the $123 million invested in 1984. Canadian venture capitalists are obviously finding more attractive investment opportunities that they are willing to back within their own borders.

Within Canada, the distribution of the capital invested across regions is somewhat uneven. The provinces experiencing the fastest growth in terms of the amount of capital invested in 1987 were British Columbia (up 190 percent from the previous year), Ontario (up 117 percent) and Quebec (up 81 percent). The growth in British Columbia and Quebec was primarily the result of the number of companies being financed, which increased by 83 percent and 63 percent respectively. In Ontario, the bulk of the growth came from an 80 percent increase in the average size of investment, which rose to $1.3 million during 1987.

While the regional investment trends change to some extent from year to year, the bulk of investment activity in recent years has been concentrated in British Columbia, Alberta, Ontario and Quebec. However, with the recent formation of Merchant West Capital in Saskatchewan, Small Business Growth Fund in Manitoba, and Atlantic Growth Capital which is currently being formed in Atlantic Canada, venture capital should be more accessible in these regions in the future.

Canadian Venture Capital Investments by Region
Percentage of $346 Million invested-1987



Source: Venture Economics Canada Limited

What Types of Deals are Being Done?

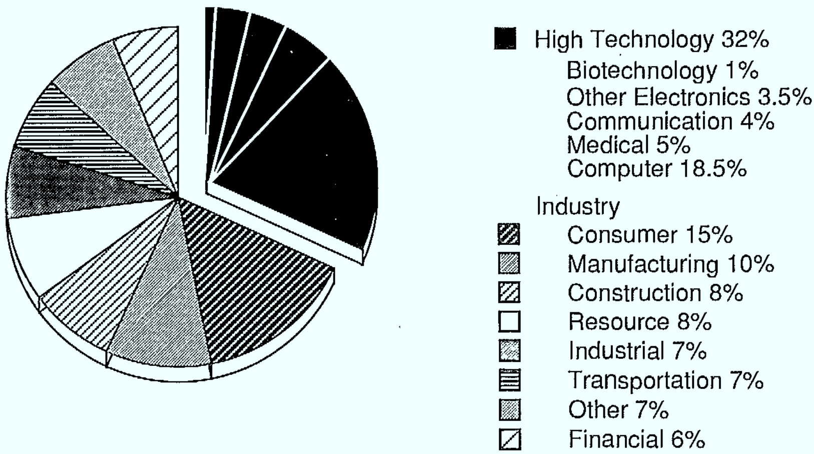
Unlike their U.S. counterparts, Canadian venture capitalists are not primarily interested in technology companies. Some do technology deals, but most finance many other types of companies as well. The word best describing the sectoral orientation of the Canadian venture capital community is "diversified".

In 1987, a large portion of the capital invested went to conventional industries, as illustrated in the chart on the following page. Miscellaneous manufacturing firms captured $36 million; construction and building products firms received $28 million; and $25 million went to transportation firms.

Investment activity in sectors classified as high technology (communications, computer related, other electronics, industrial automation, biotechnology and medical related) captured $110 million, or 32 percent of the total amount invested.

Canadian venture capitalists do not focus on a narrow range of industry sectors, but invest across the full spectrum. Therefore, it can be assumed that access to venture capital will be determined by the dynamics of the particular company and its management rather than by the sector which it is in. More

Canadian Venture Capital by Industry
Percentage of $346 Million invested-1987



Percentage of $346 million invested
Source: Venture Economics Canada Limited

segmentation is starting to occur with respect to preferences for companies at a particular stage of their development cycle. A growing portion of capital being committed to new venture funds is targeted for expansion and mezzanine financings and leveraged buyouts. As a result, an increasing share of the total amount of capital being invested is going to these more mature companies, with a consequent reduction in share for earlier stage companies.

In 1987, the amount of capital invested in early stage companies increased by 25 percent, compared with a 69 percent increase in disbursements for the industry overall. Companies in the seed or start-up stages of their development captured 19 percent of the total capital disbursed in 1987.

But looking at early stage investments in dollar terms can be misleading. Investments for expansions and acquisitions tend to be larger than start-up investments, and as the average size of investments increases, their share of the total amount invested increases accordingly. Although they are smaller in dollar terms, seed and start-up companies have in fact been accounting for a growing share of the actual number of investments being made by Canadian venture capitalists. In 1987, 45 percent of all investments made were in companies still at the seed or start-up stage. Only a few of the private sector venture capital firms focus primarily on early stage deals, most notably Ventures West, Altamira, and Grayrock Shared Ventures. But several of the government-related venture capital funds have an early stage focus and have become a very important source of capital for entrepreneurs whose firms are still in the early stages of development and not yet sufficiently developed to attract the interest of a private venture firm.

Established companies in search of new capital to finance expansion, an acquisition, or a buy out are well positioned in today's market to attract venture capital. A good company that is prepared to bring in an outside investor on reasonable terms will not go begging for venture capital in today's market. All but the most exceptional early stage companies will probably have to work a bit harder to find capital, but the money is there for those entrepreneurs that have the potential to grow and are willing to do so.

How Much Money do Venture Capitalists Invest?

In 1987, the average size of financing for the venture capital industry as a whole was $1.2 million. The average financing for technology companies was just less than $1 million, while the average amount invested in firms in conventional industries was closer to $1.5 million.

Not surprisingly, the average deal size is smaller for early stage companies than for more mature companies. The average financing for startup companies in 1987 was just over $500 000, while the average expansion financing was $1.4 million. Canadian venture capitalists invested almost $2 million, on average, in each buy out or acquisition financing they participated in.

While the absolute numbers will change from year to year, they do show that venture capitalists don't generally invest less than $500 000. While they are often criticized for this, and accused of not being "venturesome", there are some economic realities that must be acknowledged.

It was stressed at the outset that an entrepreneur must recognize that a venture capitalist's primary objective is to earn an attractive rate of return, and that is done, at least in part, by being an active investor. Let us say for a moment that a venture capital fund has $20 million under management and will invest as little as $250 000. The venture capitalists could find themselves with as many as 80 investments in their portfolio, which is clearly unmanageable.

The trend in both Canada and the United States in recent years has been towards larger funds, with the average fund in Canada now approaching $50 million. If the venture capitalists are to earn a 20 percent annual return for their investors over the 10-year life of the fund, they will have to turn that $50 million into more than $300 million during that period. If they are to succeed, they must look for opportunities that will provide them with the potential for significant upside potential in real dollar terms. Unfortunately, that is tough to do with very small investments.

None of this is to say that there is not a very real need for access to small amounts of venture capital, for there clearly is. However, this capital is much more likely to come from informal sources ... friends, relatives, associates ... than from professionally managed venture capital funds.

How Are The Deals Structured?

One-third of the deals done in 1987 made use of common equity alone. Another 15 percent involved only preferred shares, most of which were convertible. About one-quarter of all the financings used primarily debt instruments, although in most cases, they were convertible or carried an equity rider.

Just under 10 percent of the investments made use of debt instruments alongside common shares, while only 2 percent involved a combination of debt and preferred shares. Only 8 percent of the deals employed common and preferred shares in their structure.

Again, it is clear that there are no hard and fast rules in the world of venture capital. Every deal will be structured in a way that best serves the interests of the venture capitalist and the company. All of the conditions of the deal, including pricing, are negotiable and will eventually require the support of both parties.

But an entrepreneur should not even consider entering into the process of looking for venture capital if he or she is not mentally prepared to give up some equity and enter into an agreement that is equally beneficial to both parties. Although it can be difficult to consider giving up some ownership in your own company, it can make a good deal of financial sense if it will lead to a bigger and stronger company. An entrepreneur owning 75 percent of a company worth $20 million is in a better financial position than one who owns 100 percent of a company worth $1 million.

IV. Raising Venture Capital

There are eight specific steps involved in the process of raising venture capital: (1) making the decision; (2) selecting the short list; (3) picking the timing; (4) making the first contact; (5) preparing the business plan; (6) having the first meeting; (7) doing the due diligence; and (8) closing the deal.

1. Making the decision

If the venture capital process is to be mutually beneficial to the venture capitalists and the company, there must be a good fit in both directions. A venture capitalist will always make sure he or she is comfortable with a company before investing in it. But it is equally important that the entrepreneurs are comfortable with their venture capital backer. The venture investor will probably be around for a long time, so it is critical to find the right type of partner.

Even assuming the right type of investor can be found, venture capital is not the right option for everyone. Venture capital involves bringing in an outside equity investor, or partner, and a commitment to build a growing company. Raising venture capital can be a difficult and time-consuming process that is filled with frustration and anxiety. And once the deal is closed, the investee company has a new, long-term business partner.

Any firm contemplating the venture capital option should therefore assess all of the implications in advance, and not just focus on the need for capital. Venture capitalists are prepared to invest for the longer term, take more risk, and tap their network of contacts to help the investee company. Their rate of return is tied to the company's success, so it is in their best interest to do everything they can to help the company to succeed.

But venture capitalists expect a lot in return. At the end of the day, they want a rate of return that compensates them for the lack of liquidity and the risk and they want to be able to protect their investment along the way. From the outset, they want a management team that is fully committed and prepared to strive constantly for top performance.

Virtually all venture capitalists have certain basic investment considerations, regardless of their specific investment focus. Any firm in search of venture capital should recognize that they will be assessed against other firms competing with them for the investor's attention based on these factors. An honest assessment by the entrepreneurs of how their companies stack up on each of these considerations before approaching any venture capitalists will prove to be time well spent.

(i) Potential for capital gain: Since venture capitalists are striving to achieve a gain on their investment, their first interest is likely to be in the longer term growth potential of the company. Most venture capitalists like to see the potential for an annual increase in the value of an investment of 30 percent to 40 percent compounded (although a somewhat lower rate might be acceptable in mezzanine type investments where the risk is perceived to be lower). While these expectations may seem extreme on the surface, the reality is that the majority of emerging growth companies do not fully achieve the potential they appear to have at the time they are financed. Venture capitalists have to look for the potential for high returns on each investment if they are to achieve an acceptable rate of return on the portfolio overall, recognizing that at least some of their investments will fail and others will fall short of expectations.

(ii) Potential liquidity: A venture investor will also examine the potential to realize the increased value down the road. The options for the eventual disposition of an investment normally include a public issue, sale of the venture investor's position to another private or public company or the repurchase of the position by the investee firm. A venture capitalist will always examine the likelihood of exiting using one of these routes before committing to an investment, and if the likelihood seems small, will probably turn the investment down.

(iii) Future capital requirements: A venture capitalist will be looking to estimate the amount of capital likely to be required over time for the company to grow according to plan, and the requirements if things don't unfold according to expectations. This can be particularly relevant in the case of technology companies with ongoing R&D requirements. Venture capitalists will typically assume a less optimistic stance than the entrepreneur to determine the potential exposure in the event of delays or shortfalls in terms of the plan. The eventual value of an investment is often contingent on avoiding undue dilution over time, so the venture capitalist will want to develop realistic estimates of the capital required to maintain his or her position over the life of the investment.

(iv) Management is ultimately the key: Although each investment will be examined in the context of the preceding factors, the ability of the management team will be of overriding concern throughout the whole process. The biggest mistake an entrepreneur can make in the search for venture capital is assuming the investor is backing the technology or product, rather than the management team.

Perhaps the most obvious indicator of management's commitment to the project is the financial commitment of the founder and of the management team and the amount of private capital committed by family and friends. Venture capital should never be seen as a substitute for this type of capital. The entrepreneur must be fully financially committed to the business before a venture capitalist will even entertain the possibility of investing. This commitment is really the only security an outside investor will have that the entrepreneur will do his or her best to make the business work.

The underlying premise for most venture capitalists is they would rather back a second rate product with first rate management than the other way around. While an entrepreneur is invariably driven by his or her own vision, it is critical to recognize that the rest of the world will view it as a business proposition.

If, in assessing itself on these factors, the company must give itself a poor grade, venture capital is probably not the right option for it to pursue. Banks, governments, suppliers, friends and private investors may well be more appropriate sources of capital in that their expectations and those of management are the same. However, if the company believes it can satisfy a venture investor's expectations, the next step is to identify the right potential investors.

2. Selecting the short list

Raising venture capital is similar in many ways to making a very large sale to an essential customer, and should be treated as such. Raising capital, like making a sale, requires knowledge of the customer, his purchasing criteria, the people involved in the final decision, and the process by which a decision will be made.

The first step is to understand the market, so the entrepreneur should spend some time studying the venture capital market, ideally several months prior to fund raising. Interest in the proposal should be tested through informal meetings with a few carefully selected venture capital firms. While the entrepreneur should have a general outline of what is needed, these meetings will provide valuable intelligence before the proposal and business plan are finalized.

The growth in the venture capital industry in recent years has made it easier in many ways for entrepreneurial firms to raise capital. First, there is obviously more capital, which means more firms can be financed. Second, since there is more capital, and more venture capitalists managing that capital, there is more competition among venture capitalists to finance the good companies. This works to the advantage of those good companies. And finally, in response to this increased competition, venture capitalists are focusing their investment strategies and identifying the markets they want to be in, which makes it much easier for the entrepreneur to identify the best suited investors. The information presented in the directory at the back of this guide has been developed specifically with this need in mind.

In an effort to control the time and frustration associated with the fund raising process (which will no doubt be too much in the entrepreneur's view in any event), it is important to narrow the field of venture capital firms in advance. Only a small portion of the venture community will be interested in any particular opportunity, so it is important to determine in advance which firms are most likely to invest.

The first step towards selecting a short list is to compare the company's characteristics and its financing requirements with the stated investment preferences of each venture firm with respect to:

- ❐ size of investment required;
- ❐ geographic location of company;
- ❐ stage of company's development;
- ❐ size (revenues) and status (profit/loss) of company; and
- ❐ business of company.

This process should yield a list of eight to 12 investors whose interests match the entrepreneur's needs. With this list in hand, the intelligence gathering that is fundamental to the selling process should begin. Accountants and lawyers can and should play a critical role in this process, both in identifying appropriate venture capital firms, and more importantly, providing or finding good introductions to them. While a first class opportunity will get financed regardless, the value of referrals cannot be overstated. Therefore, time spent identifying possible introductions will be time well spent. The list of venture firms identified as having compatible investment strategies should then be reviewed in the context of these contacts.

The growth in the industry has also increased the importance of referrals, which can come from accountants and lawyers, professional associates, former colleagues, other portfolio companies, etc. Since the venture capitalist is ultimately making a judgement call on the ability of a management team, a recommendation from someone he or she knows and respects will add a good deal of weight to his or her own assessment.

A short list should therefore be developed of the venture firms most likely to be interested and to whom personal referrals can be made. The list should be fairly short, since it is important to avoid the appearance of "shopping" the deal to too many prospective investors. If a venture firm feels too many other firms have already seen the deal, it is apt to assume it's a bad deal, and not give it a fair hearing.

3. Picking the timing

Ironic as it may seem, the best time for most companies to raise venture capital is when they need it least. The less urgent the need for capital, the more flexibility the company has in negotiating the best deal for its long-term needs. Most companies also underestimate the amount of time and energy required to raise new equity ... time and energy that is taken away from normal business. So venture capital should be pursued when the company is not desperate for funds, and when management believes it can best afford the tremendous distraction that is inevitable. Of course, many companies are growing so quickly that they do not have the luxury of picking the best time to raise new equity.

But if the timing can be controlled, the following factors should be taken into account before starting to contact prospective venture investors.

- ❒ Company year end: If the year end is approaching, most venture capitalists will prefer to wait until year-end financials and perhaps audited statements are available.

- ❒ Pending contracts: If a major contract is in the works, the venture firm may wish to delay the closing until the deal is certain, or at least tie the valuation to the closing of the contract.

- ❒ Financial performance: If the company has recently had a temporary setback, it would be wise to delay raising capital until it has regained its previous momentum if possible. Otherwise, the venture capitalists could want to wait until performance improves, or reduce the valuation of the company.

4. Making the first contact

Most deals that eventually close begin with a phone call. Ideally this call should come from someone who knows both the entrepreneur and the venture capitalist. The call can be made by the entrepreneur's lawyer or accountant, or by some other contact, as long as this third party is reputable and respected by the venture investor. This person need not be a paid intermediary, but only someone who, through his/her contact with the venture capitalist, can enhance the entrepreneur's prospects for success.

Most venture capitalists are highly skilled at screening deals over the phone. They know what questions to ask to weed out unlikely prospects, and usually will know by the end of the call whether it is worthwhile to go the next step. A typical venture capitalist is approached on more than a hundred investment opportunities a year, so not surprisingly, learns to trust his own instincts. If the entrepreneur has done his or her homework in preparing the short list of investors, there should be no problem in getting past this first screen.

5. Preparing The Business Plan

Most venture capitalists will not meet with an entrepreneur before reading a business plan or executive summary, so the initial contact should not be made until a business plan has been prepared.

The business plan is a company's selling document. It has to be well thought out, clear, concise, and well presented, and should be accompanied by an executive summary. It will speak for the entrepreneur, and will serve as the second screen, before the entrepreneur even meets the venture capitalist. Its importance cannot be overstated.

Even if an intermediary is involved in the preparation of these documents, the entrepreneur must take control of the content, which is the company's story. He or she must be completely comfortable with every last detail, particularly the financial statements and projections. An intermediary can be very helpful in polishing and packaging the material and particularly in opening the door to prospective investors. But ultimately the venture capitalist is investing in the entrepreneur, and expects him or her to know the business and especially the numbers.

An executive summary is an excellent tool for telling the company's story without disclosing too much information at a preliminary stage. The summary should be no more than five pages, and need not contain proprietary or sensitive information. The purpose of the summary is to pique the investor's interest and to make it easier for him to decide whether to pursue the opportunity further.

An executive summary should include:

- ❒ name of company, address, phone and fax numbers;
- ❒ description of the business, products, markets, sales channels and major competitors;
- ❒ funding required, equity offered, shares outstanding and expected use of proceeds;

- ❒ names and titles of senior management and a brief description of their backgrounds;
- ❒ financial history (up to five years, as available); financial projections and assumptions underlying these assumptions;
- ❒ names of key shareholders and directors; and
- ❒ recent press clippings or trade articles.

As already noted, the business plan is the key financing document and must be very carefully prepared. The company will be relying heavily on this document to sell its story. The business plan reflects management's ability to direct and control the business and they will be judged on that basis.

The plan should be thorough and accurate, but need not be lengthy or elaborate. It should be exciting, but reasonable. Balance within the plan is important. Long descriptions of the product or technology are not necessary, and in fact are apt to be a liability, suggesting the entrepreneur is more concerned with the product than the business.

The business plan should normally not be more than 30 or 40 pages (excluding appendices) and above all should be readable. The draft should be read by someone familiar with raising capital before it is finalized. This role can also be served by the entrepreneur's lawyer or accountant, or by a friend, relative, or colleague with the experience necessary to provide practical feedback on the plan. While the contents of a business plan will vary to some extent, depending on what stage of its development a company is at, the plan will usually contain the following information.

1. table of contents, phone and fax numbers, and name of key contact;
2. summary: name of company, funds required, equity offered, use of funds;
3. history of the company, business description, previous financings and investors, current ownership and present status;
4. organization and management: organization chart; description of departments; numbers of employees; names, titles, ages of key management with a background paragraph on each, outlining previous accomplishments and positions held (detailed resumes can go in an appendix);
5. board of directors: names and backgrounds of directors;
6. the market: market trends with reference to market studies; size of market and growth rates; customers and buying criteria; distribution channels; and detailed discussion of competition and market shares;
7. product lines: description of products; principal advantages relative to competition; patents or other protection; product pricing; research and development activities; and future plans;

8. marketing and sales strategy: sales analysis by product group, distribution channel and region; key customers; order backlog and orders pending; sales plan; description of sales organization; distributors; promotion activities; and future plans;
9. production/service/distribution operations: facilities and equipment description and location; manufacturing capacity; key suppliers; and capital investment/expansion plans;
10. financial information: detailed listing of profit and loss statements (past five years if available); most recent year-end balance sheet; interim financial statements (less than 60 days old), including a balance sheet; three-year projection of profit and loss and cash flow by month with key assumptions; discussion of recent performance;
11. present and past financings: description of previous financings and detailed list of shareholders (including options, warrants and convertible securities); description of securities being offered and expected use of funds; need for further funding; plans for going public or providing for investor liquidity; and justification of valuation;
12. company data: bank with name of account manager; legal counsel; auditors; other advisors;
13. appendices: audited financial statements; marketing literature; customer letters and testimonials; and resumes.

6. Having the first meeting

After reviewing the executive summary, the venture capitalist will decide if a meeting is worthwhile. If no meeting is suggested, it will probably be counterproductive to force the issue. Instead, the entrepreneur should try to find out why the proposal has been rejected and to solicit referrals to other venture capitalists that might be interested.

The first meeting will often take place at the venture capitalist's office. To make life easier, an entrepreneur should try to schedule all the initial meetings fairly closely together if coming from out of town, to minimize the disruption.

The first meeting is crucial, and the entrepreneur should prepare well for it, including rehearsing a half-hour presentation if that technique is appropriate. The executive summary can serve as an outline for the presentation. (Even if the venture capitalist already has the business plan, he or she will have reviewed it only briefly, and will need to be reminded of the key aspects of the proposal.) The venture capitalist will be interested in the history of the company and the background of the management team.

The entrepreneur should emphasize the strengths of the proposal, and explain how the venture capitalist will make money from an investment. Lengthy explanations of the technology or the intricacies of the product should be avoided unless specifically requested. If the venture capitalist expresses an interest in going further, the two parties should agree on the next steps and the time-frame.

Following the meeting, the entrepreneur should make written notes on the meeting, outlining the areas of key concern, the aspects of the deal that the venture capitalist liked, and the questions that were asked.

More than anything else, the venture capitalist will be evaluating the entrepreneur during this first meeting. He or she will be looking for evidence of high energy, honesty, market knowledge, business experience and sound judgement. The entrepreneur should also use the meeting to assess the venture capitalist, learn about his previous investments, get his perspective on what he will contribute and determine how he would be involved in the operations of the company.

7. Doing the due diligence

Assuming the first meeting goes well, the venture capitalist will then begin the investment review, or what is known as "due diligence", which in essence means finding out everything there is to know about the company, its management, products, market, competitors ... everything that is apt to influence the company's future prospects, and a prospective investor's decision to invest. This is a time-consuming and expensive process, so a venture capitalist is not likely to start it unless reasonably sure that he wants to do the deal. The objective is to either verify that the deal makes sense or find a reason for not doing it.

It can take weeks or months to do the due diligence, and frustration for the entrepreneur is an inevitable part of the process. Once an investor is comfortable with the company, he will normally issue a letter of intent laying out the terms and conditions for the investment.

If the two sides agree on this basic document, the final legal documentation will be prepared, the deal closed, and the money transferred to the company's account. The whole fund raising process can take as little as a few weeks or as much as six months, but three months would be a reasonable allocation of time from the first contact to the closing.

The investment review, like any major "sale", should be managed by the entrepreneur, who should keep track of the various questions and requests for information. Throughout the review process, the entrepreneur should be discussing the terms of the final financing with the prospective investor(s) to ensure that there are no surprises at the end. Unless a first right has been given to one venture firm, he or she will likely be dealing with several firms at the same time. Frequently if one firm asks for additional information, the others will soon follow. The entrepreneur may consider assembling a secondary package of information that will bring all of the venture firms to the same point as quickly as possible. The secondary package might contain:

1. detailed breakdown of previous year's sales - by units, dollars, product, market or geographic region, and by customer;

2. profitability/gross margin analysis - by sales office or product line;

3. sales literature and detailed product specifications;

4. press clippings, trade journal articles, testimonials from customers, extracts from market research reports;

5. internal detailed financial statements, lists of accounts receivable and inventory, detailed marketing plans;

6. material contracts, shareholders' agreements, and employment contracts.

If the entrepreneur is likely to need several investors to raise the required amount of capital (which means the deal will be "syndicated"), he/she will need to decide quickly which one is most likely to lead the investment. Once a letter of intent has been provided by the lead investor, a meeting of the remaining interested parties could be arranged to help bring about the necessary syndicate.

The venture capitalist's due diligence efforts will normally include reference checks on each key member of the management team, discussions with the firm's key customers and suppliers, and inspection of the facilities and sales offices. The venture capitalist will also spend considerable time evaluating the market and competition and may retain technical or industry experts for specific assessments. In addition, he may have his legal counsel review material contracts and patents or his accounting advisors study the internal controls and accounting practices. Overall, the venture capitalist will be trying to learn as much as he possibly can prior to becoming an investor. He will not be looking to avoid doing the deal. He will usually have invested a great deal of time in the project by this point and will be extremely disappointed if he has to abandon the deal. Nonetheless, he has investors to answer to and he must act prudently.

The entrepreneur should also be doing his due diligence on the venture capitalists during this period. He should contact a number of each venture capitalist's investees to find out what kind of a relationship they have with their venture capital backer; whether the venture capitalist has been helpful; whether they attend board meetings and make a useful contribution; whether they add value by helping solve problems like finding new people, establishing financial controls, arranging introductions or raising more capital; and whether they were fair and reasonable when the company needed more money.

It would also be useful to ask the venture capitalists for the names of some of their less successful investments, who may be able to provide some useful observations on the style of their venture firm during difficult times.

The last component of the entrepreneur's due diligence is assessing the personal chemistry and work style of the prospective investors with his or her own. As previously noted, this will be a close working relationship, and it is critical that the parties feel comfortable with each other and that they share the same goals if it is going to succeed. No matter how much a venture firm seems to have to offer, if the parties are not compatible, the investment won't work.

8. Closing the Deal

This should be the easiest part of the process, although this step is never assumed to begin until the parties are actually ready to sign the documents. The advantage of all that has gone before is that, by the time the deal closes, a relationship has already been established between the entrepreneur and the venture capitalist and the stage is set for them to work productively together. The only thing left to do is open the champagne!

The deal

The letter of intent issued by the venture capitalist will outline the terms and conditions of the proposed investment, but the shareholders agreement will be the technical legal agreement between the two parties. The financing can be structured using preferred shares, common stock, convertible or straight debentures, warrants or a combination of these instruments. The profiles in the following section discuss some of the structures that might be used.

Some venture capitalists insist on having a controlling position, but most do not. However, to protect their investment as a minority shareholder, most venture capitalists will insist on certain rights, which will be reflected in the legal agreements. Such rights are likely to include:

- ❒ regular financial reporting and access to company information;
- ❒ seat(s) on the board of directors;
- ❒ approval of annual business plans, expenditures above a certain level, and all management salaries/new hires;
- ❒ right of first refusal on future financings, "piggy back" rights to sell alongside other selling shareholders, anti-dilution protection;
- ❒ key man insurance on the founder/president.

Post-investment relationship

While venture capitalists will have varying degrees of involvement with their investee companies, they are all interested in seeing their companies prosper. The venture capitalist can be an excellent sounding board for new ideas and has a large network of contacts that can be brought to bear to help build the company's business. Occasionally, there may be opportunities for working together with other companies backed by the venture capitalist or with companies that approach him for financing.

The venture capitalist understands the problems that a growing company can face and can assist in the long-term planning process and the development of corporate strategy. He can contribute to increased efficiency by effecting management controls through plans, budgets, and regular reports. The venture capitalist can be particularly helpful with introductions to investment advisors, institutional investors and bankers. He can also assist in bringing on experienced directors and through his network of contacts may be able to locate additions to the management team. He can help to set up stock option and employee incentive plans and by his presence as an investor can bring valuable credibility to a young company. Most importantly perhaps, he is a source of future financing and a readily accessible advisor to the business.

Why deals are turned down

Most deals never reach the formal due diligence stage and most venture capitalists close on less than three of every 100 deals that come to their attention. While disagreements over valuations can sometimes break a deal, the problem is more likely to be:

- ❒ management — incomplete team or over-reliance on one key individual;
- ❒ management — inexperienced at building a business and penetrating large markets;
- ❒ management — too little commitment;

- business plan - poorly thought through; lacking in research and realism;
- market — too small, too much competition or too little growth.

Many entrepreneurs are afraid that taking on venture capital means taking on an outside investor who will want to manage the company. Most venture capitalists have 20 to 30 companies in their portfolio, and the last thing they want to do is manage those companies. In fact, a venture investor generally only gets directly involved in the management of a company when his investment is in big trouble! His main objective, when doing a deal, is to bring to the management team whatever incremental value he can to help the company grow.

When it works properly, venture capital should, in the end, make both parties better off! The four successful Canadian companies profiled in the following section that chose the venture capital option are testimony to this.

V. A Tool for Growth: Some Canadian Success Stories

Many Canadian companies have discovered first hand that venture capital can be a powerful and valuable tool in pursuing their growth objectives. While they might have had some reservations about seeking equity capital from an outside investor initially, many of these firms are now great supporters of the venture capital option.

The experiences of four such companies are profiled below, representing a start-up investment, an expansion financing, a management buyout and a turnaround. When a company seeks out the best venture capital partner for its own circumstances and culture, the venture capital option can be highly beneficial to all concerned.

MDI MOBILE DATA INTERNATIONAL: A Startup Investment

A seed stage investment is a unique deal. In most other investments, a venture capitalist can look at a proposal and evaluate the company, its management, the competition and the market. In a seed stage investment that is difficult to do, since most of the pieces still have to be put in place. The investor usually sees a rudimentary technology intended for a market that is yet unserved, and often undefined. This was the case when Ventures West invested in MDI Mobile Data International.

The story of MDI started in 1977 when MacDonald, Dettwiler and Associates (MDA), a Vancouver computer systems firm, won a federal contract to develop a mobile data product and install a prototype system for the Vancouver Police Force. MDI was created when Bill Thompson, a local businessman, and Tom Purdy of MDA, agreed to "spin out" the core technology from MDA, and Ventures West Capital agreed to finance it. Ventures West, a Vancouver-based venture capital firm, was a shareholder in MacDonald Dettwiler and approved of the spin out because it would allow MDA to concentrate on its core business. Ventures West provided $450 000 of seed capital to finance the spin out and the launching of Mobile Data International.

The system being designed would allow data to be transmitted over conventional voice radio channels in a mobile environment. It would allow two-way communication of data in text form between mobile terminals, between mobile terminals and a fixed computer terminal, and between mobile terminals and host computers. At the time of the spin out, no one knew if the technology could work, or if it could, whether anyone would buy it.

The system sold by MDI today consists of three elements. Terminal products include both keyboard and display screen terminals for use in vehicles, and portable, hand-held terminals often used by employees operating on foot. Base communications equipment integrates the radio system, the computer system, and the mobile terminal system. The third element is the software to link MDI systems with other customer-owned computer equipment, and to provide alternative use features for the system.

At the outset MDI faced two major obstacles ... technical development and market acceptance. Both of these proved to be significant, and the latter almost insurmountable. The initial management group was unable to overcome these and other challenges, so in 1979, two years after they made their original investment, Ventures West installed Victor Jones as president. His two-year mandate included making the technology applicable to market requirements, finding a big lead order, and getting a long-term, market-oriented president for MDI.

Jones struggled with the first two aspects of his mandate for most of the two years, during which time the Vancouver Police received the first system. An installation was made in the Phoenix Fire Department, and Federal Express agreed to a small trial in Chicago. By late 1980, Ventures West was funding the company on a month-to-month basis, since the early cash had long since run out. They had invested a good deal of time and money in MDI by now and were seriously wondering if they would ever see anything for it.

One day in July 1981, Jones called Mike Brown (President of Ventures West) and told him that the prospects were bleak and there was no point in continuing to put up money. Jones agreed to compile the costs for winding up the firm, and to meet Brown the next morning to confirm the decision to close the company.

When Jones arrived at the Ventures West office, he was not carrying MDI's death certificate, but a telex from Federal Express saying that its trial was a success, that it was placing a $400 000 order, and that the cheque was in the mail (which in fact it was). The Federal Express order was the beginning of a strong relationship between the two companies that continues to this day. Federal Express estimates the productivity of its field force increased by 30 percent through the use of the mobile data communications network.

Later in the year, on schedule, Jones recruited Barclay Isherwood as MDI's long-term successor president. MDI has grown rapidly since 1981, with sales jumping from $1.9 million to more than $40 million by 1987. The firm had a net profit margin in 1987 of more than 10 percent.

In addition to the Vancouver plant, MDI now owns production facilities in Puerto Rico. This plant, which is run by the former manager of Mitel's Puerto Rican facilities, is valuable in terms of production, economics, and marketing. The latter benefit stems from the "Made in America" label which is so important to government purchasing agents in the U.S.

Barclay Isherwood was surprised at the value that was added by the venture capitalist at MDI. He credits Ventures West with attracting key personnel to the management of the firm. For Ventures West, this investment proved to be a major success, although it almost wrote it off along the way. Between 1978 and late 1981, Ventures West invested $1.25 million through debentures and preferred shares which carried an equity kicker. By 1983, Ventures West had been completely repaid (with interest), but still held 2 million common shares.

In September 1986, MDI made an initial public offering of common shares. Some of these were a secondary sale of securities, and MDI raised a total of $15.6 million. MDI had several objectives for the coming years, one of which was the diversification of the client base. Federal Express had been MDI's single largest customer since the beginning.

MDI's products started to penetrate a number of markets, including couriers, public safety organizations, utilities, and taxi companies. MDI's competition includes some firms operating in market niches, such as Kanata-based Gandalf Technologies, which operates in the taxi market. In terms of overall competition, the only other industry player is Illinois-based Motorola, Inc. which competed in every market. In the summer of 1988, Motorola paid about $100 million to buy all of the shares outstanding in MDI. Ventures West's shares, which had long since been sold or distributed to the fund's partners, were valued at about $27 million by the Motorola offer.

Even after Ventures West had distributed all the shares and gains from its MDI investment, the venture capital company continued to play a major role in the company. Mike Brown remained as MDI's Chairman of the Board; Victor Jones stayed on as a director; and Ted White, a Ventures West partner, was an active vice-chairman. Isherwood states that the role played by Ventures West in the building of MDI was crucial, and extended well beyond the provision of capital.

MDI is now part of one of the world's largest and most successful electronics companies. It expects to gain from Motorola's worldwide distribution network, and world-class R&D abilities. Furthermore, the credibility of Motorola with potential long-term clients will enhance the marketing process.

MDI Mobile Data International is a Canadian venture capital success story on all fronts. Significant financial gain through the creation of a new product, a new company, and a new market is the foundation of classical venture capital. An added bonus is the recognition that venture capitalists can, and do, add significant value to a young growth company.

COGNOS INC.:
Financing Expansion

Venture capital is an important source of capital for private companies that have their feet on the ground and are ready to enter into the expansion phase. The established capital markets are relatively weak in this segment of the market. The amount of capital needed is often fairly large, but the company does not yet have the financial history to inspire the confidence of equity markets nor the assets to attract the interest of the chartered banks.Venture capitalists often fill this gap.

Cognos Incorporated is an Ottawa-based company that has benefitted from venture capitalists' interest in this type of financing. In 1982, Noranda Enterprise provided Cognos with expansion capital that helped the company to grow by 10 times over the next six years. Noranda Enterprise is the Ottawa-based venture capital arm of Noranda Inc., and usually invests in technology-oriented companies.

Cognos developed and successfully commercialized a fourth generation computer programming language (4GL), PowerHouse. The concept of a 4GL language is a simple and powerful one. As society devotes more and more resources to software development, programming productivity becomes increasingly important, given the limited supply and the expense of the inputs (programmers and computer time) required.

PowerHouse offers programmers in the Hewlett Packard, Digital Equipment and Data General mini-computer environments this productivity. A personal computer version of the product is also available for use on IBM PC/AT systems and most 386-based compatibles. PowerHouse improves programmer efficiency in these environments by a factor of 10.

Cognos was founded in 1969 as Quasar Systems Limited, which was a data processing consulting company that developed custom software packages for its clients. At this stage, programmer productivity was important for the firm as a user.

During the mid-1970s, Cognos began research into advanced programming languages. In 1979, it released its first software product, a productivity tool for computer programs available on the Hewlett Packard HP3000 Series minicomputer. In 1982, Cognos made a strategic decision to focus solely on the opportunities in the market for software development tools, and by 1984, custom software development operations had been discontinued.

In 1981, Cognos and Noranda Enterprise Limited discussed an investment proposal but could not agree on a valuation of Cognos or on the share of the equity that Noranda would acquire. Eighteen months later, Noranda made a direct investment in Cognos, and at the same time, bought out an existing outside shareholder.

Two key factors influenced Doug Cameron and his team at Noranda in their decision to become a major shareholder of Cognos ... the high-quality, highly principled, and multi-disciplinary management team at Cognos; and the worldwide opportunities of a first-class product aimed at increasing programmer efficiency in the vast software market.

Michael Potter, CEO of Cognos, believes that Noranda has added significant value to the company above and beyond the capital committed. Noranda's experience in the development of a high technology company; its discipline in periods of business difficulty; and its commitment to the long-term success of Cognos have all proved to be very valuable to Cognos.

Cameron's experience and discipline were crucial in keeping the firm on track through the inevitable difficult periods of building a business. During these times, growing firms typically abandon plans and operate in an ad hoc fashion. An active board member who had been through it before was extremely beneficial to the firm.

Noranda's commitment has been displayed in many ways. While many investors use their position on the board and audit committee solely as a means of monitoring the performance of their investment, Michael Potter credits Doug Cameron with using his position on the board, and several of its committees, to help build the business.

Noranda also demonstrated its commitment by referring the PowerHouse products throughout the Noranda/Brascan management information network. Although this did not lead to an overwhelming number of orders, it did significantly increase Cognos' exposure.

In addition to adding value, Noranda of course has had to invest capital. The financial history of the relationship between Cognos and Noranda does have an interesting twist. Noranda made three direct venture capital investments in Cognos between 1982 and December 1983, totalling over $6.4 million.

In addition to its original secondary purchase in 1982, Noranda has made several subsequent share purchases, primarily from managers of Cognos, when they needed liquidity. These purchases gave existing shareholders additional comfort, knowing their investment of money and effort had some degree of liquidity.

Noranda continued to show its financial commitment to Cognos when the company made its initial public offering on the Toronto Stock

Exchange in 1986, and Noranda purchased shares in the offering. This purchase was an important signal to public market investors. In many cases these investors are committing capital to a firm while existing shareholders are cashing out, a situation that often generates concern. If the firm is as good an investment as shareholders are being told, why are people who know this better than others abandoning ship? By purchasing shares Noranda was telling potential Cognos shareholders that an existing investor believed it was a good bet.

In all, one-third of the shares held by Noranda came through the secondary public market purchases. In July 1987, Cognos made an offering of shares on the NASDAQ exchange in the U.S. After this offering (in which Noranda sold a small portion of its holdings), Noranda owned slightly more than 20 percent of the shares outstanding in Cognos.

In the year ending February 1988, Cognos achieved annual revenues of $83 million with net income of approximately $5 million. This represents significant growth from $9.7 million of product revenues and net income of $900 000 achieved in 1982, the year Noranda made its initial investment.

To achieve these results, Cognos emphasizes strong, well compensated management and a strong commitment to research and development. In 1988, research and development expenditures exceeded $11 million. Cognos believes its future lies in good management and a premier product.

The future for Cognos hinges on three factors: increasing the market penetration of its current products; successfully bringing to market products that address a broader audience; and expanding the size of the market.

To achieve increased penetration, Cognos emphasizes its direct sales networks, with more than 40 offices located around the world. It is expanding this network, beginning to use value added resellers and distributors, and modifying its products for programming in other languages such as French. Furthermore, its existing base of sales adds to the firm's credibility. One of the most important factors in the purchasing decision of a product of this complexity is the confidence that the firm will be around to provide the service and updates required. In other words, sales lead to sales.

Cognos has released, and will continue to release applications products using the 4GL language, moving into a value-added area of the market. Currently, PowerHouse has options that relate to areas such as graphics, user reporting, instant prototyping and automatic documentation. These are value-added products for programmers. As well, Cognos offers direct end-user packages based on 4GL capability. These include an accounting system known as MULTIVIEW, and a financial planning tool known as POWERPLAN.

The size of the market for PowerHouse is a function of the number of organizations that use the Hewlett Packard, Digital Equipment and Data General minicomputers on which PowerHouse can be used.

PowerHouse is now available for use on IBM PC/AT systems and compatibles, as well as 386-based machines. The company recently introduced an expansion to its product line in PowerHouse StarBase, an advanced, SQL relational database management system.

The future looks bright for Cognos. Noranda, as a long-term investor, intends to share in this future.

VISWAY TRANSPORT INC.: A Management Buy Out

Management buy outs (MBOs) are different from other types of venture investments. In a MBO financing, the venture capitalists provide management with the equity capital they need to purchase a major position in companies for which they have often worked for many years. Many large corporations have become much more receptive to divesting themselves of non-mainstream subsidiaries or divisions in recent years, and MBOs have become a mechanism for these divestitures.

Since the resident management team is usually experienced and the business profitable (or showing the potential to be turned around in a relatively short time), many venture investors find it easier to assess the risks associated with this type of investment than those as-sociated with early stage deals.

The story of Visway Transport Inc. is an example of a highly successful venture-backed MBO. The venture investors, management and the company have all benefitted significantly from this buy out.

At the end of 1983, Avis Canada, Inc., Avis's Canadian truck leasing and rental operation, was in a solid position. The company had been generating annual revenue increases in excess of 15 percent for several years, and it was profitable. But the company, which was wholly owned by Avis Leasing Corporation, U.S.A. (New York), was something of an orphan. Avis's U.S. truck leasing and rental business had not been as healthy as its Canadian counterpart, so the company decided to divest itself of its North American truck operations in 1982. Avis made the decision to concentrate its efforts and resources on its car rental and leasing operations ... and Avis Canada, Inc. was on the selling block.

By the end of 1983, Avis had divested itself of its truck leasing and rental operations in the U.S. and the U.K. At the time, Pierre Habib was President and General Manager of Avis's Canadian operations, which included both car and truck rental and leasing. He had been with the Avis organization for eight years. Given the strength of the Canadian operation, and the corporate divestiture strategy, Habib recognized an opportunity ... Avis Canada was a logical candidate for a management buy out.

In late November 1983, Habib incorporated a new company, Visway Transport Inc. as the vehicle with which to acquire Avis Canada, Inc. In March 1984, Visway Transport Inc. purchased all outstanding shares of Avis Canada, Inc. for $23 million ($3 million in equity and $20 million in bank debt), and changed the name to Visway Leasing Inc.

Visway also negotiated an exclusive licence to use the Avis name in conducting truck leasing and rental activities in most major cities in Ontario and Quebec.The term of the agreement is 10 years, with Visway having the right to extend for an additional 10 years, subject to renegotiation of related fees.

Habib arranged the venture financing for the equity component of the buy out through Charterhouse Canada Limited (now Hendron Holding Corp.), which acted as the lead investor, North American Ventures Fund II, the Mercantile Bank of Canada, Irving Bank of Canada, and another institutional investor who subsequently sold out on a pro rata basis to the other investors.

Habib also made a significant financial commitment. Although the financial commitment of the entrepreneurs in an MBO may often seem insignificant in the context of the total financing, they are normally very significant from the individual's perspective. In many cases, entrepreneurs will mortgage their financial futures to deliver their share of the capital. Venture capitalists expect a strong show of personal commitment from the entrepreneurs they back, and the case of Pierre Habib was no exception.

There are two stages to the eventual exit from this type of buy out investment which combine to generate a deal structure that is not a simple purchase of common shares. The first stage allows investors to get their capital back; the second allows them to realize a profit. The investors in Visway took their position in redeemable preferred shares with dividends, special shares, and common shares. The deal was structured to allow Habib to maximize his ownership position if he redeemed the preferreds at a predetermined rate over a seven-year period.

After the buy out in March 1984, Habib continued to lead Visway along a strong growth path. The fleet was expanded by more than 100 units in fiscal 1984 and by more than 400 units in fiscal 1985. Late in 1984, Visway acquired Quebec Truck Bodies Inc., which manufactures, installs and repairs truck bodies on light and medium truck cabs and chassis, allowing Visway to provide its customers with prompt delivery of new truck bodies and rapid repair services for existing stock.

Visway continued to engage in full service truck leasing, short-term truck rental, finance leasing of trucks, and related services (fuel sales and repair services for customer-owned vehicles) through its 10 truck centres in Ontario and Quebec. By the spring of 1985, Visway was strong enough and sufficiently well positioned to begin the process of "going public". In October 1985, Visway made an initial public offering (IPO) of its shares through the Montréal Stock Exchange.

Habib took advantage of the Quebec Stock Savings Plan to make a public offering of Visway shares on the Montréal Exchange. Some 1.5 million common shares were sold (bringing total shares outstanding to 4.4 million taking into account a 7-for-1 stock split prior to the offering) at $7.25 per share. The offering raised a total of $11.2 million to retire bank loans (increasing existing lines of credit for fleet expansion), and to redeem the outstanding preferred shares.

After completion of the offering, $2.6 million of the $2.75 million originally invested to finance the buy out was returned to the venture investors. Step one of the exit process had been completed and virtually all of the original capital had been returned to the four outside investors after only 18 months.

After the IPO, the venture investors were well positioned for the second part of the exit from their investment ... to realize a significant profit. After the redemption of their special and preferred shares, their combined carrying cost was only $160 000 which was their cost of the common shares. Through these shares, they collectively owned 26 percent of the company after the public offering. The venture investors continued to hold positions on Visway's board of directors.

The IPO left the company with more than $8 million in new equity capital after the redemption of all outstanding preferred and special shares, which allowed Visway to strengthen its position considerably, largely by reducing its leverage from about 9.3 to 3.9. The new equity was used to continue to expand the fleet and its branch network.

In late 1985, Visway acquired Hamilton, Ontario-based Guardsman Equipment Leasing Limited, giving it a stronger foothold in the tractor trailer business and improved access to the highly industrialized Golden Horseshoe market.

Visway's core business is largely resistant to both economic and seasonal fluctuations. It is also part of a relatively young and rapidly growing industry. Only 20 percent of truck sales in Canada now go to truck leasing and rental companies compared with 60 percent in the United States. Industry analysts expect these sales to reach 60 percent and 90 percent respectively by the end of the decade, indicating the expectations for future growth.

Visway has capitalized on the industry's growth and has achieved a 20 percent annual compound growth rate in revenues over the past five years. The customer base is diversified and stable, with almost half of Visway's customers being among the 200 largest Canadian corporations, enhancing the company's ability to maintain this growth.

Visway, Pierre Habib and the venture investors have all benefitted from the buy out. Habib maintained a strong and growing Canadian company. By 1987, Visway had annual revenues of $58 million. In February 1988, after the stock market crash, Visway was acquired by Quebec-based Intercan Leasing Inc. for $32 million, which generated attractive returns for all concerned. The financial risk that Habib took at the outset paid off handsomely and the venture investors who stayed in got four times their capital back in four years.

TREE ISLAND INDUSTRIES LTD: A Turnaround Investment

The Federal Business Development Bank's investment in Tree Island Steel Co. Ltd. is a successful case study of a turnaround investment. Tree Island is a Richmond, B.C.-based wire drawing manufacturing company that makes steel products such as nails, bailing wire and strands for wire rope. The firm was founded in 1964 and had expanded rapidly and profitably through to 1978, when, in hindsight, its troubles began.

The company had expanded its Richmond plant to an 80 000 ton capacity. It had also acquired a wire lathe factory in California in 1975, which was performing well. But in 1978, Tree Island duplicated its Richmond facilities in California ... and by 1981, this decision was creating dire consequences.

Long distance management and control proved more difficult than expected. By the time problems in areas such as inventory management, production efficiency and financial controls were worked out, the high interest rates of 1981 had arrived, stifling Tree Island's markets and increasing its debt service costs. By 1984, the Canadian company's accumulated tax loss was $23 million and its U.S. subsidiary's was $19 million.

In addition to these income statement difficulties, there were balance sheet problems as well. During the 1970s, Tree Island had received financial assistance for its expansion from a Japanese trading company. During the crisis of the early 1980s, this firm provided additional much needed help, but with very stringent repayment requirements. If a substantial portion of their investment was not repaid by the end of 1984, control of the firm would change from Canadian to Japanese. Furthermore, and as one would expect, the firm's chartered bank was becoming quite impatient. The bottom line was Tree Island needed to do a $48 million capital reorganization. It was under these circumstances that Tree Island's senior management approached the FBDB's venture capital officers in July 1984 looking for $10 million.

The FBDB's venture capital activities began during the 1970s as an offshoot of its term lending on a deal-by-deal basis. After a while, a significant portfolio of equity investments had been created and in 1983, a decision was made to create a division that concentrated on making, managing, and exiting from non-term debt investments.

At the time, the FBDB's total venture capital pool was only $29 million, so the investment being contemplated in the troubled Tree Island would account for more than a quarter of the group's total resources. The only reason the discussion progressed beyond polite conversation was the FBDB was aware of some of the past successes of the Tree Island shareholders and management.

The FBDB team visited the Tree Island plant in Richmond, meeting with senior managers and plant supervisors. Two things became apparent at this meeting. One was that all the people at Tree Island were confident and optimistic, the atmosphere was positive, the plant was efficient, clean and well laid out. Furthermore, operating and financial information showed that the Richmond facilities were, on a normalized basis, very profitable. The firm was very capable of turning out quality product at a low cost.

It was with this impression of a well run, profitable operating company mired in non-directly related financial problems, that the FBDB team decided to approach their investment committee. Given FBDB's capital pool size, they proposed to invest $2.5 million directly and to underwrite a further $2.5 million worth of common shares. Initial blessing was provided by the committee and the due diligence began. By mid-December, the deal was done, and the FBDB contributed 50 percent of the required equity capital. With this $10 million of new equity and with the debt restructured, the financial reorganization was complete, and time alone would determine whether the confidence of the investors was justified.

It did not take long for the investors to be proved right. Upon completion of the reorganization, financial stability prevailed and management was able to concentrate on increasing plant efficiencies and profits, which they did. Given the firm's growing sales, and its desire to expand further, more capital was needed and Tree Island decided a public offering was in order. In early 1986, the firm went public at an issue price of $10 per share, which was almost triple what the FBDB had paid just two years earlier.

The FBDB continued to hold its investment. Tree Island kept on increasing its profits, ate up all its tax loss carry-forwards, turned the debt/equity ratio upside down, expanded its capacity and paid healthy dividends to its shareholders. In 1987, the firm had revenues exceeding $90 million, net income exceeding $13 million, and cash flow from operations exceeding $20 million.

In February 1989, Georgetown Industries Inc. of Charlotte, North Carolina, purchased Tree Island Industries for $120 million. Under the terms of the offer, the Venture Capital Division of the FBDB netted a 43 percent compounded rate of return on its $5 million investment.

VI. The ACVCC and ISTC and How They Can Help

Association of Canadian Venture Capital Companies

The Association of Canadian Venture Capital Companies (ACVCC) was formed in 1974 to represent the collective interest of venture capital companies in Canada on both national and local levels and to improve the quality of venture capital activities through internal education programs and conferences. The Association has grown from a membership of 12 in 1974 to over 60 full members and 110 associate members today with $1.8 billion in assets under administration. The Association was formed for two purposes:

a) to promote the use of venture capital investments for the development and advancement of Canadian business enterprises; and

b) to promote and foster communications and association among all corporations, companies, partnerships, syndicates and persons engaged in venture capital investments in Canada.

These continue to be the main goals of the Association although considerable emphasis is currently being placed on disseminating knowledge of venture capital investing to a broad spectrum of the financial and business community.

ACVCC Activities

Over the past decade, the ACVCC has developed a wide range of programs aimed at improving the quality and knowledge of venture capital activities in Canada. The Association has been invited to advise numerous provincial governments and the federal government prior to the enactment of tax legislation affecting private investment. Consultation with federal and provincial bodies in matters relating to equity investment and business formation in small to medium-size enterprises continues to be a major interest of the Association.

Every year, the Association sponsors a venture capital conference at which key national and international spokesmen address issues vital to the industry. The topics are geared to be of interest to both investors and to companies that may be seeking venture capital. The conferences sponsor programs in which promising young companies are invited to present their investment proposals to Association members assembled in one place, at one time – a very efficient means of seeking new investments.

Beyond the annual conference, numerous professional development sessions are held throughout the year aimed at educating members through lectures and seminars chaired by leaders of the investment community. The Association's Research and Development Committee also engages in ongoing studies of capital investment, characteristics of successful venture capital investments, divestiture experience surveys and other professional issues, which are distributed to Association members for their use.

Who Gets Involved?

Approximately 60 firms and companies with a broad range of risk equity investments are full members of the ACVCC, each with full-time venture investment managers and more than $1 million to invest. All agree to disclose to the Association, on a confidential basis, broad statistical information required for Association surveys.

A further 110 individuals are registered as associated members of the ACVCC. This group includes those that do not qualify for Association membership, or do not wish a vote in Association matters, but have an interest in furthering and being involved in the venture capital process in Canada.

Membership Qualifications

If you have a minimum $1 million in your investment pool, at least one full-time investment officer and are willing to submit aggregate statistics, on a confidential basis, to the Association's auditors for its yearly activity survey, you may be considered for full voting membership in the Association.

If you do not quality as a full member, but are interested in involvement on a non-voting basis in the Association, you may apply for associate status by submitting an application along with references.

Industry, Science and Technology Canada (ISTC)

What is ISTC?

The mandate of Industry, Science and Technology Canada (ISTC) is to act in full partnership with the private sector, the science community and other levels of government to promote international competitiveness and industrial excellence in Canada; to renew and rebuild our scientific, technological, managerial and production base; and to bring together in a concerted way the talents required to guarantee Canada's place in the first rank of industrial nations. The focus of ISTC policy development, program and service delivery, and its advocacy role inside and outside government can be summed up as BUILDING COMPETITIVENESS.

How Does ISTC Help?

The department's business and industry related programs are based on a three-pronged approach that includes support for strategic technologies, industry sector competitiveness initiatives, and business information and development services.

Strategic technologies - information technology, biotechnology and advanced industrial materials — are those essential for Canada's competitiveness and future prosperity. In co-operation with the private sector and universities, the department provides support to help industry develop, acquire or apply these technologies. In particular, firms are encouraged to make alliances and create networks, thereby sharing the costs and risks of accelerating the development and application of these technologies.

Sector competitiveness initiatives are carried out in co-operation with industry and other departments. Industry, Science and Technology Canada develops individually tailored action plans to assist industry sectors to become more internationally competitive. Depending on the needs of individual sectors, initiatives could include export promotion drives, selective investment promotion, and technology applications for new and enhanced products.

Business information and development services include: provision of information and databases for business marketing needs and opportunities; assistance to entrepreneurs to search out, acquire and implement foreign technology which could usefully be applied to their businesses; and other services aimed at helping companies improve their competitive position.

The department's science-related activities include meeting the federal responsibilities under the National Science and Technology Policy, and administering InnovAction, the Canadian Strategy for Science and Technology.

InnovAction initiatives include the Federal Microelectronics Strategy, the Canadian Manufacturing Advanced Technology Exchange (CAN-MATE), the national network of Centres for Excellence, the Canada Scholarships Programs, funding for the University Research Granting Councils and a public awareness of science and technology program.

Responsibilities for regional development in Atlantic and western Canada have been given to the Atlantic Canada Opportunities Agency and the Department of Western Economic Diversification, respectively, while Industry, Science and Technology Canada retains responsibility for federal regional economic development programs and activities in Ontario and Quebec. These responsibilities are executed by separate offices established for this specific purpose within the department.

Underlying all its activities is the department's function as the chief advocate, within government, for Canada's business and scientific communities. The department advocates on behalf of the business and science communities in areas such as taxation and regulation.

All the department's programs and activities are based on frequent and extensive consultation with the private sector, the science community, other levels of government and other interested Canadians.

How does ISTC Work?

ISTC's organization is based on two principles:

- ❑ The direct delivery of services and programs is done primarily through a national network of provincial and territorial offices.

- ❑ Expertise in the corporate headquarters provides advice and assistance to major firms and industries.

Every province has a regional office, which works closely with headquarters to serve the needs of the department's constituency.

ISTC has offices in the following locations: *(See next page)*

ISTC Regional Offices

Newfoundland
Parsons Building
90 O'Leary Avenue
P.O. Box 8950
St. John's, Newfoundland
A1B 3R9
Tel.: (709) 772-4866

Prince Edward Island
Confederation Court Mall
134 Kent Street, Suite 400
P.O. Box 1115
Charlottetown,
Prince Edward Island
C1A 7M8
Tel.: (902) 566-7400

Nova Scotia
1496 Lower Water Street
Box 940, Station M
Halifax, Nova Scotia
B3J 2V9
Tel.: (902) 426-4782

New Brunswick
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, New Brunswick
E1C 8P9
Tel.: (506) 857-4782

Quebec
Tour de la Bourse
800 Victoria Place
Suite 3800
P.O. Box 247
Montreal, Quebec
H4Z 1E8
Tel.: (514) 283-8185

Ontario
4th Floor Dominion Public Building
1 Front Street West
Toronto, Ontario
M5J 1A4
Tel.: (416) 973-5000

Manitoba
330 Portage Avenue
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2
Tel.: (204) 983-4090

Saskatchewan
105-21st Street East, 6th Floor
Saskatoon, Saskatchewan
S7K 0B3
Tel.: (306) 975-4400

Alberta
Canada Place, Room 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel.: (403) 495-2944

British Columbia
900-650 West Georgia Street
P.O. Box 11610
Vancouver, British Columbia
V6B 5H8
Tel.: (604) 666-0434

Yukon
Suite 301, 108 Lambert Street
Whitehorse, Yukon
Y1A 1Z2
Tel.: (403) 668-4655

Northwest Territories
Precambrian Building
P.O. Bag 6100
Yellowknife,
Northwest Territories
X1A 2R3
Tel.: (403) 920-8570

Headquarters

Industry, Science and
Technology Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5

Investment and Technology
Development Directorate
International Affairs Branch
Tel.: (613) 954-5290

and
Business Service Industries
Division
Commercial Service Industries
Directorate
Tel.: (613) 952-7399

Provincial/Territorial Venture Capital Initiatives

Each of the provinces and territories has introduced an initiative in recent years to encourage equity investments in local private firms. Most of these initiatives provide for a grant or an interest-free loan for individuals committing capital to a venture capital fund under the program.

The contacts for these initiatives in each province are as follows:

Newfoundland
Newfoundland & Labrador
Development Corporation
Viking Building
136 Crosbie Road
St. John's, Newfoundland
A1B 3K3
Tel.: (709) 753-3560

Prince Edward Island
PEI Development Agency
West Royalty Industrial Park
Charlottetown,
Prince Edward Island
C1A 1B0
Tel.: (902) 368-5800

Nova Scotia
Business Capital Corporation
1690 Hollis Street
Halifax, Nova Scotia
B3J 2V2
Tel.: (902) 424-6800

New Brunswick
Provincial Holdings Ltd.
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1
Tel.: (506) 453-2474

Quebec
Société de développement
industriel du Québec
770 Sherbrooke W., 9th Floor
Montreal, Quebec
H3A 1G1
Tel.: (514) 873-4375

Ontario
Small Business Development
Corporation
Ministry of Revenue
33 King Street West
Oshawa, Ontario
L1H 8H9
Tel.: (416) 434-7232

Manitoba
Venture Capital Program
501-155 Carlton Street
Winnipeg, Manitoba
R3C 3H8
Tel.: (204) 945-2019

Saskatchewan
Saskatchewan Economic
Development & Tourism
Venture Capital Program
6th Floor, 1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 3V7
Tel.: (306) 787-2252

Alberta
Small Business Equity Corporation
Sterling Place, 7th Floor
9940-106th Street
Edmonton, Alberta
T5K 2P6
Tel.: (403) 422-5025

British Columbia
Venture Capital Program
Equity Programs Branch
Ministry of Regional Development
Parliament Buildings
Victoria, B.C.
V8V 1X4
Tel.: (604) 387-0230

Yukon
Venture Capital Program
Department of Economic
Development
Yukon Territorial Government
Box 2703
Whitehorse, Yukon
Y1A 2C6
Tel.: (403) 667-5466

Northwest Territories
Venture Capital Program
Box 1320
Yellowknife,
Northwest Territories
X1A 2L9
Tel.: (403) 873-7383

VII. Sources of Venture Capital in Canada

AGATE VENTURE (NORTHERN AND EASTERN) INC.

Box 1437
Sault Ste. Marie, Ontario P6A 6N1
705-945-9700

Contacts:
D.B. Stinson, President
F.S. Sarlo, Vice President

Firm Information:
Year founded: 1988
Type: Private venture capital firm

Project Preferences

Role in Financing:
Prefer role as deal originator
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
(Usually companies 1-3 years old)

Minimum Investment: $100 000

Preferred Investment: $100 000-$250 000

LBO Financing:
Preferred size of investment $500,000
Sales range of company to be financed $2-5 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss:Profits
Geographical Preferences:
Ontario

Industry Preferences

Computer Related:
Software related

Consumer:
Consumer products

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery

Medical/Health Related:
Diagnostic and therapeutic products or services
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Tourist related

Businesses Excluded:
Real estate
Service industries

Methods of Compensation:
Return on investment is most important, but also charge fees.

AGENCE QUEBECOISE DE VALORISATION INDUSTRIELLE DE LA RECHERCHE (AQVIR)

C.P. 1116, Succ. Place du Parc
Montreal, Quebec H2W 2P4
514-873-3395

Contacts:
Claude Richard, President
Jacques Archambault, Vice President Development
Robert Lachance, Innovation Agent

Firm Information:
Year founded: 1984
Capital under management: $40 million
Number of investments (1988): 100
Amount invested (1988): $8 million
Type: Crown-related

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financings:
Research & development

Minimum Investment: $50 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 3 years)

Geographical Preferences:
Quebec only

Industry Preferences

None

Businesses Excluded:
Any business that is not involved in a R&D project for the development of an innovative product or technology with a good market potential.

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ALBERTA OPPORTUNITY COMPANY

Suite 1405, Canada Trust Tower
10104-103 Avenue
Edmonton, Alberta T5J 0H8
403-428-6118

790-10655 South Port Road S.W.
Calgary, Alberta T2W 4Y1
403-297-6437

Contacts:
S.H. Wittenberg, Manager, Edmonton
G.E. Taylor, Manager, Calgary

Firm Information:
Year founded: 1987
Capital under management: $35 million
Investments (1988): 17
Amount invested (1988): $18 million
Type: Crown-related (Corporation of Alberta Government)

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: (Except LBO's)
$250 000-$5 million

Preferred Investments (LBO): $1-5 Million

Minimum Operating Data:
Annual Sales: $500 000
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Construction and building materials
Forestry

Businesses Excluded:
Farming/Ranching
Housing
Highly competitive situations

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ALTA-CAN TELECOM INC.

26H, 411-1st Street S.E.
Calgary, Alberta T2G 4Y5
403-231-8535

Contacts:
Dr. Michael E. Raymont, President and CEO
David F. Campbell, Director of Finance
Terry L. Umbach, Director of Technology
Mark E. Leonard, Director of Investments

Firm Information:
Year founded: 1982
Capital under management: $10 million
Investments (1988): 1
Amount invested (1988): $750 000
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1-2 years)

Geographical Preferences:
Western Canada

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery

Businesses Excluded:
Real estate
Financial services
Merchandising
Resource industries
Long-term manufacturing
Retail services

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ALTAMIRA CAPITAL CORP.

475 Michel Jasmin
Dorval, Quebec H9P 1C2
514-631-2682

Contact:
C. Winn, Vice President, Finance

Firm Information:
Year founded: 1984
Capital under management: $100 million
Investments (1988): 14
Amount invested (1988): $60 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
Second stage financing
Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even
Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Telephone related

Computer Related:
Hardware related
Software related

Consumer:
Consumer products

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Metal fabrication
- Finance and insurance
- Publishing

Businesses Excluded:
- Natural resources
- Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ATLANTIC GROWTH CAPITAL

Suite 1400, P.O. Box 1656, Cogswell Tower
Scotia Square, Halifax, Nova Scotia B3J 2Z7
902-426-9673

Contact:
Terry Norman, President

Firm Information:
- Year founded: 1988
- Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
- First stage financing
- Second stage financing
- Mezzanine financing
- Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1-3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences: Atlantic Canada

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Computer Related:
- Service related

Consumer:
- Consumer products
- Consumer services

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Education related
- Wholesaling, distribution, import and export
- Finance and insurance
- Publishing
- Specialty consulting
- Transportation

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

BCE VENTURES CORPORATION

P.O. Box 188, First Canadian Place, Suite 6200
Toronto, Ontario M5X 1A6
416-865-3050

Contacts:
Raymond J. Herpers, President and CEO
Les Barton, Vice President
James H. Boyle, Vice President
Dale Scott, Vice President and General Counsel
Andrew M. Smullen, Vice President and Controller

Firm Information:
Year founded: 1988
Capital under management: $84 million
Investments (1988): 13
Amount invested (1988): $11 million
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
National
U.S.

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Mobile

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Industrial Products & Equipment:
Chemicals and materials
Robotics/vision systems
Controls and sensors
New materials and processes

Medical/Health Related:
Non patient invasive electronics applications

Businesses Excluded:
Entertainment

Methods of Compensation:
Return on investment is of primary concern; do not charge fees

BG ACORN CAPITAL FUND

141 Adelaide Street West
Toronto, Ontario M5H 3L9
416-362-9009

Contacts:
Stephen Baker, President
Eduard Mayer, Executive Vice President
Ted Higgins, Vice President

Firm Information:
Year founded: 1984
Capital under management: $18 Million
Investments (1988): 6
Amount invested (1988): $5 Million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $15-$100 million
Profit & Loss: Break even

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications

Computer Related:
Software related

Consumer:
Consumer products

Energy/Natural Resources:
Drilling and exploration services

Miscellaneous:
Construction and building materials

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

BETWIN INVESTMENTS INC.

Box 954
Sault Ste. Marie, Ontario P6A 5N5
705-945-9700

Contacts:
D.B. Stinson, President

Firm Information:
Capital under management: $300 000
Investments (1988): 2
Amount invested (1988): $150 000
Type: Private venture capital firm

Project Preferences

Role in Financing:
Prefer role as deal originator

Type of Financing:
Second stage financing
(Usually companies 1-3 years old)

Minimum Investment: $100 000

Preferred Investment: $100 000-$250 000

LBO Financing:
Preferred size of investment $250 000
Sales range of company to be financed $2-$5 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Profits
Geographical Preferences:
Ontario

Industry Preferences

Computer Related:
Software related

Consumer:
Consumer products

Genetic Engineering:
Food-related
Medical-related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Trust establishments

Businesses Excluded:
Service industry

Methods of Compensation:
Return on investment is most important, but also charge fees.

CCL CONSULTECH CANADA

1 Place Ville Marie, Suite 3601
Montreal, Quebec H3B 3P2
514-866-0844

Contact:
Eric Blistein

Firm Information:
Year founded: 1987
Capital under management: $10 million
Type: Private venture capital/consulting firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
First stage financing
Second stage financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Profits

Geographical Preferences:
Ontario
Quebec
Atlantic Canada

Industry Preferences

Communications:
Data communications
Commercial communications

Computer Related:
Hardware related
Software related

Consumer:
Consumer products

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Energy/Natural Resources:
- Alternative energy
- Energy conservation

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Forest products

Businesses Excluded:
- Furniture
- Clothing
- Franchising

Methods of Compensation:
Return on investment is most important, but also charge fees.

C.D.F.C. TRUST PLC

30 Finsbury Circus
London, England EC2M7QQ
01-588-6000

Contact:
C.N.G. Hobbs, Investment Manager

Firm Information:
- Year founded: 1987
- Capital under management: $200 million
- Investments (1988): 3
- Amount invested (1988): $4.5 million
- Type: U.K. quoted investment trust

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
- Second stage financing
- Mezzanine financing
- Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Break even

Geographical Preferences:
- British Columbia
- Ontario
- Quebec
- U.S.

Industry Preferences
None

Businesses Excluded
- Natural resources
- Oil and gas
- Property development

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

CANADIAN CORPORATE FUNDING LIMITED

70 University Avenue, Suite 1450
Toronto, Ontario M5S 2M4
416-977-1450

1000 Sherbrooke Street West, Suite 2210
Montreal, Quebec H3A 2R7
514-287-9884

Contacts:
Grant Brown, Exec. Vice President (Toronto)
David Baskin, Senior Vice President (Toronto)
Alex Paterson, Vice President (Toronto)
Rod Middleton (Toronto)
Michel Morin (Montreal)
Jean Louis Montgrain (Montreal)
Gabe Sagratini (Montreal)
Guy Bernier (Montreal)

Firm Information:
- Year founded: 1979
- Capital under management: $410 million
- Investments (1988): 67
- Amount invested (1988): $70 million
- Type: Merchant banking firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
- Mezzanine financing
- Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $2-$10 million

Preferred Investment (LBO): $10-$50 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer:
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Forest products
Distribution
Finance & Insurance
Publishing
Specialty consulting
Transportation

Businesses Excluded:
Natural resources
Early stage
Leading edge technology
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

CANADIAN VENTURE CAPITAL CORPORATION INC.

Suite 1120, 120 Adelaide Street West
Toronto, Ontario M5H 1V1
416-364-2557

Contact(s):
James Stewart, President
Gary Wade, Vice President

Firm Information:
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment:
$250 000

Preferred Investment:
$500 000-$1 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Profits
Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export
Finance and insurance

Publishing
Specialty consulting
Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

CAPITAL MARKETS WEST INC.

Suite 885, 4445 Calgary Trail S.
Edmonton, Alberta T6H 5R7
403-436-9330

Contacts:
E.A. Clarke, CEO
K.W. Brown, CFO

Firm Information:
Year founded: 1980
Capital under management: $3.5 million
Investments(1988): 3
Amount invested (1988): $600 000
Type: Private venture capital firm
(Becoming public in April, 1989)

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
(Usually companies up to 1 year old)

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$250 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses
Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Technology related to exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Education related
Publishing
Specialty consulting
Transportation

Businesses Excluded:
Real estate
Direct mineral production

Methods of Compensation:
Return on investment is most important, but also charge fees.

CENTRAL CAPITAL CORPORATION

P.O. Box 38, Suite 3800, First Canadian Place
Toronto, Ontario M5X 1G4
416-345-4600

Contact:
Richard Hazell

Firm Information:
Year founded: 1986
Capital under management: $250 million
Type: Investment banking or merchant "banking" firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
  Second stage financing
  Mezzanine financing
  Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1 - $10 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Losses (Profits after 1 year)
Geographical Preferences:
  No preference

Industry Preferences

Consumer:
  Consumer products
  Consumer services
  Specialty consumer sectors

Industrial Products & Equipment:
  Equipment and machinery
  Packaging materials and systems
  Pollution and waste management systems

Medical/Health Related:
  Diagnostic/therapeutic products/services
  Nursing/retirement homes

Miscellaneous:
  Agriculture, forestry, fishing
  Forest products
  Metal fabrication
  Real estate

Businesses Excluded:
  Software

Methods of Compensation:
  Return on investment is most important, but also charge fees.

THE CHURCHILL CORPORATION

2300 - 10060 Jasper Avenue
Edmonton, Alberta T5J 3R8
403-424-8230

Contact:
Emile Beaudry, Vice President

Firm Information:
  Year founded: 1981
  Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
  Prefer role as deal originator

Types of Financings:
  Mezzanine financing
  Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $3-$10 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits

Geographical Preferences:
  Western Canada

Industry Preferences

Communications:
  Data communications
  Commercial communications
  Telephone related

Computer Related:
  Hardware related
  Software related
  Service related

Consumer:
  Consumer products
  Consumer services
  Specialty consumer sectors

Electronic Components and Instrumentation:
  Analytical and scientific instrumentation
  Computer related
  Military related

Energy/Natural Resources:
  Alternative energy
  Drilling and exploration services
  Energy conservation
  Oil and gas exploration and production

Genetic Engineering:
  Agricultural/animal biotechnology
  Food-related
  Medical-related
  Industrial biotechnology

Industrial Products & Equipment:
  Chemicals and materials
  Equipment and machinery
  Packaging materials and systems
  Industrial automation
  Pollution and waste management systems
  Robotics/vision systems
  Controls and sensors

Medical/Health Related:
  Diagnostic/therapeutic products/services
  Drug delivery
  Pharmaceuticals

Miscellaneous:
  Agriculture, forestry, fishing
  Forest products
  Metal fabrication
  Construction and building materials
  Education related
  Wholesaling, distribution, import and export
  Finance and insurance
  Publishing

Real estate
Specialty consulting
Transportation

Methods of Compensation:
Return on investment is most important, but also charge fees.

CITIBANK CANADA, INVESTMENT CAPITAL DIVISION

123 Front Street West, Suite 1900
Toronto, Ontario M5J 2M3
416-947-5756

Contacts:
Greg Daniels, Vice President
Gregg Campbell, Vice President
Tom Broughton, Vice President
Victor Roskey, Vice President

Firm Information:
Year founded: 1971
Investments (1988): 3
Amount invested (1988): $26 million
Type: Venture capital subsidiary of commercial bank

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

LBO Financing:
Preferred size of investment $5 million
Sales range of company to be financed $50 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits
Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Cable TV

Computer Related:
Hardware related
Software related
Service related
Low-tech or high-market share

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Energy/Natural Resources:
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems and services
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Medical labs

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export companies
Publishing
Transportation

Businesses Excluded:
Very high technology risks
Financial services

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

CROWN LIFE INSURANCE CO.

120 Bloor Street East
Toronto, Ontario M4W 1B8
416-928-7635

Contact:
Bruno Maruzzo, Senior Analyst

Firm Information:
Year founded: 1985
Capital under management: $55 million
Investments (1988): 12
Amount invested (1988): $15 million
Type: Insurance company

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
 First stage financing
 Second stage financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
 No preference

Industry Preferences

Communications:
 Data communications
 Commercial communications
 Telephone related
 Fiber optics

Computer Related:
 Hardware related
 Software related
 Service related

Consumer:
 Specialty consumer sectors

Electronic Components and Instrumentation:
 Analytical and scientific instrumentation
 Computer related
 Military related

Energy/Natural Resources:
 Oil and gas exploration and production

Genetic Engineering:
 Agricultural/animal biotechnology
 Food-related
 Medical-related
 Industrial biotechnology

Industrial Products & Equipment:
 Equipment and machinery
 Industrial automation
 Pollution and waste management systems
 Robotics/vision systems
 Controls and sensors

Medical/Health Related:
 Diagnostic/therapeutic products/services
 Drug delivery
 Pharmaceuticals

Miscellaneous:
 Finance and insurance

Businesses Excluded:
 Real estate

Methods of Compensation:
 Return on investment is most important, but also charge fees.

DISCOVERY ENTERPRISES INC.

220 - 3700 Gilmore Way
Burnaby, B.C. V6G 4M1
604-430-3533

Contacts:
David Scott, President
Dang Chauvel, Group Investment Manager
Jim Charlton, Group Investment Manager

Firm Information:
 Year founded: 1983
 Capital under management: $56 million
 Investments (1988): 8
 Amount invested (1988): $1.03 million
 Type: Subsidiary of non-profit agency

Affiliation: ACVCC

Project Preferences

Role in Financing:
 Will function either as deal originator or investor in deals created by others

Types of Financings:
 Seed
 Research & development
 Startup financing
 First stage financing
 Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment:
 $100,000-$3 million depending on stage

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)
Geographical Preferences:
 British Columbia

Industry Preferences

Communications:
 Data communications
 Commercial communications
 Telephone related

Computer Related:
 Hardware related
 Software related

Electronic Components and Instrumentation:
 Analytical and scientific instrumentation
 Computer related
 Military related

Energy/Natural Resources:
 Alternative energy
 Technology related

Genetic Engineering:
 Agricultural/animal biotechnology
 Food-related
 Medical-related
 Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Applied technology manufacturing business with a British Columbia dimension

Methods of Compensation:
Return on investment is most important, but also charge fees.

FEDERAL BUSINESS DEVELOPMENT BANK-VENTURE CAPITAL DIVISION

P.O. Box 335, Stock Exchange Tower
Montreal, Quebec H4Z 1L4
514-283-3609

777 Bay Street, 29th Floor
Toronto, Ontario M5G 2C8
416-973-0031

601 West Hastings Street, Suite 700
Vancouver, British columbia V6B 5G9
604-666-7815

Contacts:
Derek Douglas, Senior Manager, Vancouver
Theo Van De Kletersteeg, Senior Manager, Montreal
Romer Silgardo, Senior Manager, Toronto

Firm Information:
- Year founded: 1977
- Capital under management: $85 million
- Investments(1988): 17
- Amount invested (1988): $11.9 million
- Type: Government venture capital fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financing:
- Startup financing
- First stage financing
- Second stage financing
- Mezzanine financing
- Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1 million

Minimum Operating Data:
Annual Sales: $500 000
Annual Sales (LBO): $5-$15 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
National

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Computer Related:
- Hardware related
- Software related
- Service related

Consumer:
- Consumer products
- Consumer services
- Specialty consumer sectors

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Energy/Natural Resources:
- Alternative energy
- Energy conservation

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Metal fabrication
- Construction and building materials
- Wholesaling, distribution, import and export
- Transportation

Businesses Excluded:
Media

Real estate
Mineral, oil and gas exploration
Lumber/Forestry

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

FIRST MERCHANT EQUITIES

305, 122-1st Avenue South
Saskatoon, Saskatchewan S7K 7E5
306-244-8833

Contact:
Charles J. Hodgins, Vice-Chairman & CEO

Firm Information:
- Year founded: 1985
- Capital under management: $10 Million
- Investments(1988): 8
- Amount invested (1988): $4 Million
- Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
- Seed
- Research & development
- Startup financing
- First stage financing
- Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $250 000-500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
- Saskatchewan
- Manitoba

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Computer Related:
- Hardware related
- Software related
- Service related

Consumer:
- Consumer products
- Consumer services

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Forest products
- Metal fabrication
- Construction and building materials
- Wholesaling, distribution, import and export
- Publishing
- Real estate
- Transportation

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

FONDS DE SOLIDARITE DE LA FTQ

1200 avenue McGill College, Suite 2100
Montreal, Quebec H3B 4G7
514-285-8700

Contact:
Jacques Vallée, Manager, Research Development and Marketing

Firm Information:
- Year founded: 1983
- Capital under management: $230 million
- Investments (1988): 30
- Amount invested (1988): $17 million
- Type: Labour sponsored

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
- Startup financing
- First stage financing
- Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $2 million

Minimum Operating Data:
Annual Sales: Nominal
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences: Quebec

Industry Preferences

Communications:
Commercial communications

Computer Related:
Hardware related
Software related

Consumer:
Consumer products
Specialty consumer sectors

Electronic Components and Instrumentation:
Computer related

Energy/Natural Resources:
Alternative energy

Genetic Engineering:
Agricultural/animal biotechnology
Industrial biotechnology

Industrial Products & Equipment:
Equipment and machinery
Industrial automation
Pollution and waste management systems
Robotics/vision systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Real estate

Businesses Excluded:
None if in Quebec

Methods of Compensation:
Return on investment is most important, but also charge fees.

GRAYROCK SHARED VENTURES LTD.

150 King Street West, Suite 1212,
P.O. Box 12
Toronto, Ontario M5H 1J9
416-979-3747

Contact:
D.P. Driscoll, President

Firm Information:
Year founded: 1981
Capital under management: $100 million
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Research & development
Startup financing

Minimum Investment: $100 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Ontario

Industry Preferences

Communications:
Data communications
Commercial communications

Genetic Engineering:
Food-related
Medical-related
Industrial biotechnology

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

THE GREAT-WEST LIFE ASSURANCE CO.

100 Osborne Street North
Winnipeg, Manitoba R3C 3A5
204-946-8550

Contacts:
Gary N. Coopland, Vice President
Ian S. Robertson, Manager
Paul Sweatman, Assistant Manager

Firm Information
Capital under management: $50 million
Investments(1988): 7
Amount invested (1988): $20 million
Type: Insurance company

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
(Usually companies 1-3 years old)
Mezzanine financing
Leveraged buyout

Minimum Investments: $1 million

Preferred Investment: $1-3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Break even
Geographical Preferences:
National

Industry Preferences

Communications:
Commercial communications

Energy/Natural Resources:
Alternative energy
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology

Industrial Products & Equipment:
Pollution and waste management systems and services

Miscellaneous:
Metal fabrication

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

GRIEVE HORNER & ASSOCIATES INC.

8 King Street East, Suite 300
Toronto, Ontario M5C 1B5
416-362-7668

Contacts:
Anthony Brown
Alan Grieve
Ralph Horner
Samuel Asculai

Firm Information:
Year founded: 1976
Capital under management: $8 million
Investments (1988): 1
Amount investment (1988): $125 000
Type: Private venture capital firm

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing

Minimum Investment: $250 000

Preferred Investment: $250 000- $500 000

Minimum Operating Data:
Annual Sales: $500,000
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Central Canada
U.S. (Eastern)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services

Genetic Engineering:
Agricultural/animal biotechnology
Medical-related

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Publishing
Financial services
Media
Information services

Methods of Compensation:
Return on investment is most important, but also charge fees.

GROUPE CANTAL INC.

835, boul. des Recollets, C.P. 1401
Trois-Rivieres, Quebec G8Z 3W5
819-375-6132

Contact:
Claude Lampron

Firm Information:
Year founded: 1981
Capital under management: $3 million
Investments (1988): 2
Amount invested (1988): $500 000
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
Quebec

Industry Preferences

Industrial Products & Equipment:
Equipment and machinery
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Finance and insurance
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

HEADSTART MANAGEMENT LTD.

100 Adelaide Street West, Suite 802
Toronto, Ontario M5H 1S3
416-867-1893

Contacts:
Larry Woods, Partner
Danny Donn, Partner
David Ross, Partner

Firm Information:
Year founded: 1986
Capital under management: $2.5 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
First stage financing
Second stage financing

Minimum Investment: $100 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses

Geographical Preferences: No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Energy conservation

Genetic Engineering:
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Construction and building materials

Businesses Excluded:
Early stage research intensive

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

HELIX INVESTMENTS LIMITED

350 Bay Street, #1300
Toronto, Ontario M5H 3S6
416-367-1290

Contacts:
Donald C. Webster, Chairman
Michael J. Needham, President

Peter B. Tolnai, Vice President
Reid M. Drury, Vice President

Firm Information:
Year founded: 1968
Capital under management: $100 million
Investments (1988): 10
Amount invested (1988): $15 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing

Minimum Investment: $100 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)
Geographical Preferences:
Western Canada
Central Canada
U.S.A.

Industry Preferences

Communications:
Data communications
Commercial communications

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution/waste management systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/service
Drug delivery
Pharmaceuticals

Miscellaneous:
Construction and building materials
Education related
Publishing
Transportation

Businesses Excluded:
Mineral Extraction
Real Estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

INNOVATION ONTARIO CORPORATION

56 Wellesley St. W., 7th Floor
Toronto, Ontario M7A 2E9
416-963-5717

Contact:
Michael St. Amant, Managing Director

Firm Information
Year founded: 1986
Capital under management: $30 million
Investments (1988): 56
Amount invested (1988): $9.2 million
Type: Crown related

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing

Minimum Investment: $100 000

Preferred Investment: $100 000-$250 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even
Geographical Preferences: Ontario

Industry Preferences

Communications:
Data communications
Commercial Communications

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products

Electronic Components and Instrumentation:
  Analytical and scientific instrumentation
  Computer related
  Military related
  Programmable controls

Genetic Engineering:
  Agricultural/animal biotechnology
  Food-related
  Medical-related
  Industrial biotechnology

Medical/Health Related:
  Diagnostic/therapeutic products/services

Miscellaneous:
  Construction and building materials
  Education related

Businesses Not Considered:
  Retail
  Franchise
  Acquisition
  Real Estate

Methods of Compensation:
  Return on investment is of primary concern; but also charge fees.

LAVALINTECH INC.

1100 Rene-Levesque Blvd. West
Montreal, Quebec H3B 4P3
514-876-7812

Contact:
Michel Branchaud, President and CEO

Firm Information:
  Year founded: 1985
  Capital under management: $10 million
  Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
  Prefer role as deal originator

Types of Financings:
  Research & development
  First stage financing
  Second stage financing

Minimum Investment: $500 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Profits

Industry Preferences

Energy/Natural Resources:
  Energy conservation

Industrial Products & Equipment:
  Chemicals and materials
  Equipment and machinery
  Pollution and waste management systems
  Robotics/vision systems
  Controls and sensors

Businesses Excluded:
  Building products

Methods of Compensation:
  Return on investment is of primary concern; do not charge fees.

MDS HEALTH VENTURES INC.

100 International Blvd.
Etobicoke, Ontario M9W 6J6
416-675-7661

Contact:
Richard Lockie

Firm Information
  Year founded: 1988
  Capital under management: $24 million
  Investments (1988): 2
  Amount invested (1988): $3 million
  Type: Venture capital subsidiary or affiliate of industrial corporation

Project Preferences

Role in Financing:
  Will function either as deal originator or investor in deals created by others

Type of Financing:
  First stage financing

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal
Geographical Preferences:
  No preference

Industry Preferences

Genetic Engineering:
  Medical-related

Methods of Compensation:
  Return on investment is of primary concern; do not charge fees.

MERBANCO INC.

Suite 720-999 8th Street West
Calgary, Alberta T2R 1J5
403-244-2555

Suite 1410, 650 West Georgia Street
Vancouver, British Columbia V6B 4N9
604-688-4422

Contacts:
Kent Fletcher, Vice President, Vancouver
Andrew Hyslop, President, Calgary

Firm Information:
Year founded: 1980
Capital under management: $28 million
Investments (1988): 4
Amount invested (1988): $5.75 million
Type: Private venture capital firm
Investment banking or merchant banking firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
(Usually companies 1-3 years old)
Mezzanine financing

Minimum Investment: $500 000

Preferred Investment: $500 000-$3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Profits
Geographical Preferences:
British Columbia
Alberta
Saskatchewan

Industry Preferences

Energy/Natural Resources:
Oil and gas exploration and production

Industrial Products & Equipment:
Equipment and machinery
Packaging materials and systems
Pollution and waste management systems and services
Controls and sensors

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication

Methods of Compensation:
Return on investment is most important, but also charge fees.

MIDDLEFIELD VENTURES LIMITED

First Canadian Place, P.O. Box 192
Toronto, Ontario M5X 1A6
416-362-8602

Contacts:
W. Garth Jestley, President
Robert S. Coatsworth, Vice President
John A. Walter, Vice President

Firm Information:
Year founded: 1985
Capital under management: $21 million
Investments (1988): 4
Amount invested (1988): $3 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings Preferred:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Preferred Investment (LBO): $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences: National

Industry Preferences

Communications:
Commercial communications

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export

Businesses Excluded:
Computer related
Real estate
Mining, oil and gas

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

MONT ROYAL CAPITAL INC.

2205-1155 Blvd. Rene Levesque
Montreal, Quebec H3B 4T3
514-397-9773

Contact:
Jean Belanger, President

Firm Information:
Year founded: 1985
Capital under management: $9.2 Million
Amount invested (1988) $8 Million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Research & development
Startup financing

Minimum Investment: No preference

Preferred Investment: No preference

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2-3 years)

Geographical Preferences:
Ontario
Quebec

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related
Software related

Consumer:
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Industrial Products & Equipment:
Equipment and machinery
Industrial automation
Pollution and waste management systems
Robotics/vision systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery

Miscellaneous:
Metal fabrication
Transportation

Businesses Excluded:
Real estate
Energy resources
Mining

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

NATIVE VENTURE CAPITAL CO. LTD.

202, 11738 Kingsway Avenue
Edmonton, Alberta T5G 0X5
403-453-3911

Contact:
Milt Pahl, President

Firm Information:
Year founded: 1983
Capital under management: $10 million
Amount invested (1988): $5 million
Type: Privately held

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment:
No minimum

Preferred Investment: $100 000-$250 000

Preferred Investment (LBO): $300 000

Minimum Operating Data:
Profit & Loss: Profits
Geographical Preferences:
Alberta

Industry Preferences
None

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

NORANDA ENTERPRISE LIMITED

Suite 1128
90 Sparks Street
Ottawa, Ontario K1P 5T8
613-230-6205

Contacts:
D. Cameron, President
L.R. Charlebois, Vice President
L.M. Copeland, Director of Special Projects

Firm Information:
Year founded: 1973
Capital under management: $70 million
Investments (1988): 7
Amount invested (1988):$9 million
Type: Venture capital subsidiary or affiliate of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing

Minimum Investment: $500 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Losses (Profits after 2 years)
Geographical Preferences:
National
U.S. (Northeast)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Robotics/vision systems
Advanced engineering materials

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

NOVACAP INVESTMENTS INC.

1981, avenue McGill College, Suite 515
Montreal, Quebec H3A 2X1
514-282-1383

Contacts:
Marc Beauchamp, President
Jacques Tousignant, Vice President
Jean-Pierre Chartrand, Vice President

Firm Information:
Year founded: 1981
Capital under management: $35 million
Investments (1988): 4
Amount Invested (1988): $9.7 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Preferred Investment (LBO): $3 Million

Minimum Operating Data:
Annual Sales: $3 million
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
Central Canada

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Metal fabrication
Prefer manufacturing instead of services

Businesses Excluded:
Real estate
High capital intensive

Methods of Compensation:
Return on investment is most important, but also charge fees.

ONTARIO TRAINING CORPORATION

1099 Bay Street
Toronto, Ontario M5S 2B3
416-975-9260

Contact:
Bob MacBean, Vice President, Investments

Firm Information
Year founded: 1988
Capital under management: $3.2 million/year
Type: Crown related

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Profits
Geographical Preferences:
Ontario

Industry Preferences

Miscellaneous:
Education related
Training and training technologies

Businesses Not Considered:
Invests in new training products or technologies, not in companies.

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

QUORUM FUNDING CORPORATION

Suite 3460, P.O. Box 161,
First Canadian Place
Toronto, Ontario M5X 1C7
416-869-0881

650 West Georgia Street, Suite 3200
Vancouver, British Columbia V6B 4N9
604-687-1919

Bow Valley Square 4, Suite 1500,
250-6th Ave. S.W.
Calgary, Alberta T2P 3H7
403-262-8088

208-93 Lombard Avenue East
Winnipeg, Manitoba R3C 3B1
204-942-1300

3424 Drummond, Suite 300
Montreal, Quebec H3G 1Y1
514-849-4965

139 Water Street, 10th Floor
St. John's, Newfoundland A1C 6J9
709-753-0980

Contacts:
J.R. Yarnell, President, Toronto
C.H. Hebb, President, Vancouver
R. Elhert, President, Calgary
G.A. Fullerton, President, Winnipeg
M.M. Lessard, President, Montreal
R. Pardy, President, St. John's

Firm Information:
Year founded: 1985
Capital under management: $75 million
Investments (1988): 11
Amount invested (1988): $30 million
Type: Private venture capital firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Type of Financing:
Mezzanine financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits
Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products

Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export companies
Publishing
Real estate
Transportation

Businesses Excluded:
Resource exploration

Methods of Compensation:
Return on investment is most important, but also charge fees.

RESOURCE TECHNOLOGY CENTRE

127 Cedar Street, 4th Floor
Sudbury, Ontario P3E 1B1
705-673-6606

Contacts:
J. Dodge, President
P. Tosolini, Business Development Manager

Affiliation: ACVCC

Firm Information:
Year founded: 1983
Capital under management: $10 million
Investments (1988): 20
Amount invested (1988): $4 million
Type: Provincial government agency

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing

Minimum Investment: $100 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal

Industry Preferences

Industrial Products & Equipment:
Equipment and machinery
Industrial automation
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Mining

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

RESOURCECAN LIMITED

Box 5367, 10 Fort William Place
Baine Johnston Centre, St. John's, Nfld.
A1C 5W2
709-576-1287

Contact:
Hubert G. Harnett, President

Firm Information
Year founded: 1981
Capital under management: $5 million
Investments (1988): 3
Amount invested (1988): $300 000
Type: Public venture capital firm

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $250 000-$500 000

LBO Financing:
Preferred size of investment $500 000
Sales range of company to be financed $10 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits
Geographical Preferences:
National

Industry Preferences

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Energy/Natural Resources:
Drilling and exploration services

Industrial Products & Equipment:
Chemicals and materials
Pollution and waste management systems and services

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Real estate
Transportation

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ROYAL BANK CAPITAL CORPORATION

Royal Bank Plaza, South Tower, 13th Floor
Toronto, Ontario M5J 2J5
416-974-6230

La Corporation Placements Banque Royale
1 Place Ville Marie, 8th Floor, North Wing
Montreal, Quebec H3C 3A9
514-874-5081

The Royal Bank of Canada
335-8th Avenue S.W., 23rd Floor
Calgary, Alberta T2P 2N5
403-292-3773

Contacts:
Robert D.D. Forbes, President
Jacques Sayegh, Vice President
R. Neil Careless, Investments Manager
Stephen Lieff, Investments Manager
Barrie G. Laver, Investments Manager

Firm Information:
Year founded: 1983
Capital under management: $150 million
Investments: 15
Amount invested (1988): $22 million
Type: Venture capital subsidiary of commercial bank

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$10 million

Preferred Investment (LBO): $2-$10 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits
Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Cable television, radio, television, microwave

Computer Related:
Service related
Office automation, specialized turnkey systems

Consumer:
Specialty consumer sectors
Household products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Fibre optics
Laser related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Oil and gas exploration and production
Technology related products/equipment

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology
Testing services

Industrial Products & Equipment:
 Chemicals and materials
 Equipment and machinery
 Packaging materials and systems
 Industrial automation
 Pollution and waste management systems
 Robotics/vision systems
 Controls and sensors

Medical/Health Related:
 Diagnostic/therapeutic products/services
 Drug delivery
 Pharmaceuticals
 Hospital/clinical labs and management

Miscellaneous:
 Agriculture, forestry, fishing
 Metal fabrication
 Construction and building materials
 Publishing
 Transportation

Businesses Excluded:
 Computer utilities
 Financial services
 Real estate
 Retail

Methods of Compensation:
 Return on investment is most important, but also charge fees.

ROYAL TRUST ENTERPRISE CAPITAL

P.O. Box 7500, Station A, 55 King Street West
Toronto, Ontario M5W 1P9
416-981-7499

Contacts:
Pat Nakagawa, Vice President
Bill Danis, Director

Firm Information:
 Year founded: 1989
 Capital under management: $30 million
 Type: Subsidiary of trust company

Project Preferences

Role in Financing:
 Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
 Second stage financing
 Mezzanine financing
 Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits
Geographical Preferences:
 National

Industry Preferences

Communications:
 Data communications

Computer Related:
 Hardware related
 Service related

Consumer:
 Consumer products
 Consumer services
 Specialty consumer sectors

Energy/Natural Resources:
 Alternative energy
 Energy conservation
 Oil and gas exploration and production
 Environmental related

Industrial Products & Equipment:
 Chemicals and materials
 Equipment and machinery
 Packaging materials and systems
 Industrial automation
 Pollution and waste management

Medical/Health Related:
 Diagnostic/therapeutic products/services
 Drug delivery
 Pharmaceuticals

Miscellaneous:
 Agriculture, forestry, fishing
 Forest products
 Metal fabrication
 Construction and building materials
 Education related
 Wholesaling, distribution, import and export
 Publishing
 Real estate
 Specialty consulting
 Transportation

Methods of Compensation:
 Return on investment is most important, but also charge fees.

ROY-L MERCHANT GROUP INC.

22 St. Clair Avenue East
Toronto, Ontario M4T 2S3
416-964-7821

Contacts:
Peter Snucins, President
Pat Michaud, CEO

Firm Information:
 Year founded: 1987
 Capital under management: $32 million
 Investments (1988): 3
 Amount invested (1988): $10.3 million
 Type: Merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Mezzanine financing
Leveraged Buyout

Minimum Investment: $2 million

Preferred Investment: $5-$10 million

Preferred Investment (LBO): $7.5-$10 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $100-300 million
Profit & Loss: Profits

Geographical Preferences:
Central Canada

Industry Preferences

Communications:
Data communications

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Equipment and machinery

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Metal fabrication
Wholesaling, distribution, import and export

Methods of Compensation:
Return on investment is most important, but also charge fees.

ROYNAT INC.

1 First Canadian Place, P.O. Box 51,
Suite 1040
Toronto, Ontario M5X 1B1
416-363-5404

620 Dorchester Blvd. West
Montreal, Quebec H3B 1P2
514-393-4166

Contacts:
Earl Lande, Vice President, Toronto
Luc Charron, Vice President, Montreal

Firm Information:
Year founded: 1962
Capital under management: $1.4 billion
Investments (1988): 25
Amount invested (1988): $23 million
Type: Merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Profits

Geographical Preferences: National

Industry Preferences

Communications:
Commercial communications
Telephone related

Consumer:
Consumer products
Specialty consumer sectors

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Publishing
Real estate
Transportation

Businesses Excluded:
Computer related
Start-ups
Turnarounds

Methods of Compensation:
Return on investment is most important, but also charge fees.

SB CAPITAL CORPORATION LTD.

2 Bloor Street East, Suite 3304
Toronto, Ontario M4W 1A7
416-967-5439

Contacts:
A. George Fells, President
Mitch Kostuch, Executive Vice President

Firm Information:
Capital under management: $60 million
Investments (1988): 16
Amount invested (1988): $12 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: Less than $100 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1-$2 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences: No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export
Publishing
Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SCHRODER VENTURES CANADA LIMITED

1155 Rene Levesque Blvd. West
Montreal, Quebec H3B 2L3
514-397-0700

Contacts:
G.S. Byrn, President and CEO
J.E. Douville, Executive Vice President

Firm Information:
Year founded: 1987
Capital under management: $81.5 million
Investments (1988): 4
Amount invested (1988): $13 million
Type: Investment banking or merchant banking firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Type of Financing:
Leveraged buyout

Minimum Investment: $3 million

LBO Financing:
Preferred size of investment $5 million
Sales range of company to be financed $20 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits
Geographical Preferences:
No preference

Industry Preferences

No preferences

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

SOCCRENT

3251, boul. St-Francois, Box 933
Jonquiere, Quebec G7X 7W8
418-548-1155

Contact:
Marc Lalancette, Vice President, Finance

Firm Information:
Year founded: 1986
Capital under management: $10 million
Investments (1988): 8
Amount invested (1988) $1 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Startup financing
First stage financing
(Usually companies up to 1 year old)

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$250 000

Minimum Operating Data:
Annual Sales: $500,000
Profit & Loss: Losses (Profits after 2 years)
Geographical Preferences:
Saguenay - Lac-Saint-Jean

Industry Preferences

Communications:
Commercial communications

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Agricultural/animal biotechnology

Industrial Products & Equipment:
Equipment and machinery

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SOCIETE D'INVESTISSEMENT DESJARDINS

2 Complexe Dejardins, Box 760
Montreal, Quebec H5B 1B8
514-281-7131

Contact:
Pierre Brunet, Vice President, Investments

Firm Information:
Year founded: 1974
Capital under management: $100 million
Investments (1988): 3
Amount invested (1988): $9 million
Type: Subsidiary of commercial bank

Affiliation: ACVCC

Industry Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $1-$3 million

Preferred Investments (LBO): $3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
Quebec

Industry Preferences

Communications:
Commercial communications
Telephone related

Computer Related:
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Transportation

Businesses Excluded:
Natural resources
Real estate
Finance

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SOCIETE EN COMMANDITE CAPIDEM QUEBEC INC.

1595 boul. Wilfrid Hamel
Quebec City, Quebec G1N 3Y7
418-681-1910

Contacts:
Robert P. Morin
Gilles Desharnais

Firm Information:
Year founded: 1988
Capital under management: $10 million
Investments (1988): 1
Amount invested (1988): $500 000
Type: Private firm

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Startup financing
First stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$250 000

LBO Financing:
Preferred size of investment $500,000
Sales range of company to be financed $1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even
Geographical Preferences:
Quebec

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Energy/Natural Resources:
Any related project

Genetic Engineering:
Industrial biotechnology

Industrial Products & Equipment:
All manufacturing

Medical/Health Related:
Products manufacturing

Miscellaneous:
Metal fabrication
Construction and building materials
Publishing

Businesses Excluded:
Retail
Drilling, exploration
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SPURT INVESTMENT FUND I

c/o Alta-Can Telecom Inc., General Partner
26H, 411-1st Street S.E.
Calgary, Alberta T2G 4Y5

Contacts:
Dr. Michael E. Raymont, President and CEO
David F. Campbell, Director of Finance
Terry L. Umbach, Director of Technology
Mark E. Leonard, Director of Investments

Firm Information:
Year founded: 1985
Capital under management: $5 Million
Investments (1988): 2

Amount invested (1988): $0.2 Million
Type: Private Venture Capital Fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
Mezzanine financing

Minimum Investment: Less than $100 000

Preferred Investment: $250 000-500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1-2 years)
Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery

Businesses Excluded:
Non-tech business

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

T.D. CAPITAL GROUP

P.O. Box 1, 9th Floor, T.D. Center
Toronto, Ontario M5K 1A2
416-982-6235

Contacts:
Peter A. Scott, President
Alan Wearing, Vice President
David McCann, Vice President
David Fu, Vice President

Firm Information:
Year founded: 1972
Capital under management: $160 million
Investments (1988): 12
Amount invested (1988): $40 million
Type: Venture capital subsidiary of commercial bank

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment:
$1 - $3 million equity
$3 - $10 million debt

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Break even
Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Telephone related

Computer Related:
Systems businesses

Consumer:
Limited interest but special situations will be considered

Energy/Natural Resources:
Alternative energy
Energy conservation

Industrial Products & Equipment:
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Medical laboratories, nursing homes, retirement homes

Miscellaneous:
Forest products
Metal fabrication

Businesses Excluded:
Start-up software companies
Biomedical companies

Methods of Compensation:
Return on investment is most important, but also charge fees.

TIEM VENTURE MANAGEMENT INC.

1855 Minnesota Court
Mississauga, Ontario L5N 1K7
416-821-6313

1130 West Pender Street, Suite 1201
Vancouver, British Columbia V6E 4A4
604-681-5445

Business Development Group
510 Burrard Street, Suite 501
Vancouver, British Columbia V6C 3A8
604-681-0303

155 Carlton Street, Suite 1450
Winnipeg, Manitoba R3C 3H8
204-947-2822

Place Iberville Quatre
2954 Boulevard Laurier, Suite 330
Sainte-Foy, Quebec G1V 4T2
418-657-7387

293 George Street, Suite 1
Sydney, Nova Scotia B1P 1J7
902-564-6611

251 Empire Avenue
St. John's, Newfoundland A1C 3H9
709-579-8436

Contacts:
Christopher D. Scott, Chairman, Mississauga
Ian Longshaw, General Manager, Vancouver
Bob Hitesman, General Manager, Winnipeg
Dominique Mascolo, General Manager, Sainte-Foy
Roger LeBlanc, General Manager, Sydney
Ed McKee, General Manager, St. John's

Firm Information:
Year founded: 1987
Capital under management: $1 million
Investments (1988): 48
Amount invested (1988): $500 000
Type: Affiliate of industrial corporation

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings Preferred:
Seed
Startup financing
First stage financing

Minimum Investment: Less than $100 000

Preferred Investment: Less than $100 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Consumer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Real estate
Specialty consulting
Transportation

Methods of Compensation:
Return on investment is most important, but also charge fees.

TRICENTRAL ACQUISITION CORP.

Suite 1120, 120 Adelaide Street West
Toronto, Ontario M5H 1V1
416-364-2557

Contacts:
James Stewart, President
Gary Wade, Vice President

Firm Information:
Type: Investment banking or merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Type of Financing:
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

LBO Financing:
Preferred size of investment $2 million
Sales range of company to be financed $20 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Losses
Geographical Preferences:
No preference

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Consumer:
- Consumer products
- Consumer services
- Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems and services
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic and therapeutic products or services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Education related
- Wholesaling, distribution, import and export companies
- Finance and insurance
- Publishing
- Specialty consulting
- Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

TRUCENA INVESTMENTS LIMITED

Suite 1020, Exchange Tower, P.O. Box 199
2 First Canadian Place,
Toronto, Ontario M5X 1A8
416-869-3945

Contacts:
Peter Bloemen, President
John Puddington, Executive Vice President
Doug Moore, Vice President

Firm Information:
Year founded: 1969
Type: Private investment company

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings Preferred:
- Mezzanine financing
- Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $2-$5 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $20 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services

Energy/Natural Resources:
Oil and gas exploration and production

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Metal fabrication
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Transportation

Businesses Excluded:
Real estate
Mining
Retail

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

TRUST GENERAL DU CANADA

100 University
Montreal, Quebec H3B 2G7
514-871-7140

Contacts:
Guy Gendron, Assistant Vice President Finance
Louis Marquis, Manager Corporate Finance
Jacques Hudon, Vice President Corporate Finance

Firm Information:
Type: Trust company

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

LBO Financing:
Sales range of company to be financed $50-$100 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits
Geographical Preferences:
Ontario
Quebec
U.S.

Industry Preferences

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Wholesaling, distribution, import and export companies

Methods of Compensation:
Return on investment is most important, but also charge fees.

VENCAP EQUITIES ALBERTA LTD.

1980, 10180-101 Street
Edmonton, Alberta T5J 3S4
403-420-1171

2000, 800-5th Avenue S.W.
Calgary, Alberta T2P 3T6
403-237-8101

Contact:
S. Slator, President, Edmonton

Firm Information:
Year founded: 1983
Capital under management: $280 million
Investments (1988): 15
Amount invested (1988): $37.2 million
Type: Publicly traded firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)
Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Real estate
Specialty consulting
Transportation

Businesses Excluded:
Oil and gas exploration
Real estate development
Banking and financial institutions

Methods of Compensation:
Return on investment is most important, but also charge fees.

VENGROWTH CAPITAL FUNDS

200 - 145 Wellington Street West
Toronto, Ontario M5J 1H8
416-971-6656

Contacts:
R.E. Storie, Managing Partner
H.G. Mortimore, Managing Partner
B.M. Gekiere, Partner
T.E. Little, Investment Manager

Firm Information:
Year founded: 1982
Capital under management: $70 million
Investments (1988): 14
Amount invested (1988): $7.7 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings Preferred:
Second stage financing
Leveraged Buyouts

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss:Losses (Profits after 1 year)

Geographical Preferences:
National
U.S. (Eastern)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
- Hardware related
- Service related

Consumer:
- Consumer products
- Consumer services
- Specialty consumer sectors

Energy/Natural Resources:
- Alternative energy
- Drilling and exploration services
- Energy conservation
- Oil and gas exploration and production

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Controls and sensors

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Wholesaling, distribution, import and export
- Finance and insurance
- Publishing
- Specialty consulting
- Transportation

Businesses Excluded:
- Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

VENTURES WEST MANAGEMENT

400 - 321 Water Street
Vancouver, British Columbia V6B 1B8
604-688-9495

300 - 240 Richmond Street West
Toronto, Ontario M5V 1W1
416-979-8333

Contacts:
M.J. Brown, President, Vancouver
J.M. Fletcher, Vice President, Vancouver
Sam Znaimer, Partner, Vancouver
F.T. White, Partner, Toronto
A.L. Gutman, Vice President, Toronto
J.H. McClelland, Partner, Toronto

Firm Information:
- Year founded: 1973
- Capital under management: $90+ million
- Investments (1988): 12
- Amount invested (1988): $11 million
- Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
- Seed
- Research & development
- Startup financing
- First stage financing
- Second stage financing

Minimum Investment: Less than $100 000 (seed only)

Preferred Investment: $250 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss:Losses (Profits after 2 years)

Geographical Preferences:
- No preference

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Computer Related:
- Hardware related
- Software related
- Service related

Consumer:
- Consumer products
- Consumer services

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Energy/Natural Resources:
- Alternative energy
- Drilling and exploration services
- Energy conservation
- Oil and gas exploration and production

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Metal fabrication
- Construction and building materials
- Education related

Businesses Excluded:
- Real Estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees

WORKING VENTURES INC.

1881 Yonge Street, Suite 600
Toronto, Ontario M4S 1Y6
416-322-7787

Contact:
Ron Begg, President

Firm Information:
- Year founded: 1989
- Type: Labour sponsored venture capital fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
- First stage financing
- Second stage financing
- Mezzanine financing
- Leveraged buyout

Minimum Investment: Less than $100 000

Preferred Size of Investment:
$500,000-1 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
- National

Industry Preferences

Communications:
- Data communications
- Commercial communications
- Telephone related

Computer Related:
- Hardware related
- Software related
- Service related

Consumer:
- Consumer products
- Consumer services
- Specialty consumer sectors

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Energy/Natural Resources:
- Alternative energy
- Drilling and exploration services
- Energy conservation
- Oil and gas exploration and production

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Education related
- Wholesaling, distribution, import and export companies
- Finance and insurance
- Publishing
- Real estate
- Specialty consulting
- Transportation

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.