



ONTARIO EMERGING TECHNOLOGIES FUND

Frequently Asked Questions

The following information is subject to change without notice.

What is the Ontario Emerging Technologies Fund?

The Ontario Emerging Technologies Fund (“OETF” or “the Fund”) is a direct investment fund established by the province of Ontario in 2009. It is a discretionary, non-entitlement investment fund.

The Fund will provide \$250 million to co-invest alongside Qualified Investors into innovative, high-growth, Ontario-based companies. The deal structure of a co-investment will be the same for the Fund and the Qualified Investor in any one investment round.

What is the purpose of the Fund?

The Fund is designed to increase the amount of capital available to innovative, high-growth, Ontario-based companies to help them grow and compete globally in industry sectors of strategic importance to Ontario.

What is a Co-investment?

Generally, a co-investment is an investment made by two or more investors in a given transaction. For the purpose of the OETF, a co-investment occurs when an Ontario Capital Growth Corporation (OCGC) Qualified Investor or Other Qualified Investor identifies and brings an investment opportunity to the Fund for consideration. If the investment opportunity is eligible, OCGC may make an investment in the company alongside a Qualified Investor or an Other Qualified Investor.

How does the Fund work?

The Fund is a program of the Ontario Ministry of Research and Innovation (MRI), and is being implemented by the Ontario Capital Growth Corporation (OCGC), an agency of MRI. OCGC will manage and make investment decisions on individual co-investment opportunities.

The Fund is based on the principle that it will follow the lead of qualified investors who have identified and evaluated an investment deal. If the investment opportunity meets the Fund's eligibility criteria, it may make a direct co-investment into the company alongside the Qualified Investor. OCGC always reserves the right to exercise its discretion not to make any particular investment even if all the criteria are satisfied.

Investors must apply to OCGC to become a Qualified Investor. All co-investments made by OCGC must be approved against the Fund's eligibility criteria. There are separate application forms for Qualified Investors and Eligible Investments. These can be found on OCGC's website at www.ontario.ca/ocgc

Is the Fund a matching program?

No. Applications for a co-investment will be evaluated on an individual basis against the Fund's investment guidelines:

- *The aggregate amount of an initial investment by OCGC in an Investee Company will not be more than \$5 million;*
- *The aggregate amount of all investments made by OCGC in an Investee Company over the life of the Fund will not be more than \$25 million;*
- *OCGC's investment in an investment round or an Investee Company will not be more than the Qualified Investor's investment;*
- *OCGC will not be the largest single investor in an Investee Company.*

What types of companies will OCGC co-invest in?

OCGC will invest only in companies in the clean technology, life sciences, advanced health technologies, digital media, and information and communications technology sectors. These are sectors that are of strategic importance to the province of Ontario.

Can OCGC invest in a company on its own?

No. The Fund invests alongside a qualified investor such as a venture capital fund. The Fund will not be the lead investor. OCGC's investment will not be greater than the largest Qualified Investor's investment in any investment round. OCGC will not be the largest single investor in the round or the largest shareholder in the Investee Company.

What is a Qualified Investor?

A Qualified Investor is an investor that is eligible to submit a potential co-investment opportunity to the Fund for consideration. Investors must apply to OCGC to become a Qualified Investor. Applicants will be reviewed against a set of criteria that evaluate the investor's past performance among other factors. For a complete list of eligibility criteria, see the Fund Guidelines.

Qualified Investors typically include venture capital and other private equity firms that meet the criteria.

Can OCGC only co-invest with venture capital and other private equity funds?

No. Ontario's interest is in increasing the amount of capital available to companies. The capital required to do this is often from a broad scope of investors. Investors (other than venture capital and other private equity funds) may apply for certification with OCGC as "Other Qualified Investors."

Is the application process different for those applying to become an Other Qualified Investor?

Yes. These investors must present a specific co-investment opportunity for evaluation, concurrently with an application to become an Other Qualified Investor. These proposed co-investment opportunities, which otherwise would qualify as an Eligible Investment, will be considered on an individual basis.

Are the evaluation criteria different for Other Qualified Investors?

Yes. Please refer to the Fund Guidelines for details.

Will investors from outside of Ontario and Canada be considered as a Qualified Investor or Other Qualified Investor?

Yes, if the investor applies to OCGC and meets the evaluation criteria set by the Fund. OCGC always reserves the right to exercise its discretion not to approve any particular application for Qualified Investor or Other Qualified Investor even if all the criteria are satisfied.

How do I become a Qualified Investor or an Other Qualified Investor?

You must complete and submit an application to OCGC. Applications are available online at www.ontario.ca/ocgc

OCGC assesses the completed application against the criteria, and may contact the applicant for further details and conduct background checks. OCGC notifies the applicant of its decision in writing.

How long will it take to become a Qualified Investor?

OCGC recognizes the importance of timeliness and will expedite approvals, at OCGC's discretion, in the following order of priority:

1. *Qualified Investor (Venture Capital / Private Equity Funds) with a co-investment opportunity;*
2. *Other Qualified Investor (Angels / Angel Syndicates / Corporate Investors / Pledge Funds) with a co-investment opportunity;*
3. *Potential Qualified Investor (Venture Capital / Private Equity Funds) without a co-investment opportunity.*

What is an Eligible Investment?

The Fund is designed to invest in opportunities that will contribute to the growth of innovative Ontario companies. OCGC has established eligibility criteria for the investments that it will consider. In particular, the Fund is targeting companies at a specific stage of growth, and will invest only in the Eligible Sectors of Clean Technology, Life Sciences and Advanced Health Technologies, and Digital Media and Information Communications Technology. Companies must also maintain an Ontario footprint.

Please refer to the Fund Guidelines for a complete list of Eligible Investments.

How do you define “Ontario Footprint”?

The Investee Company must:

- *Be privately held at the time of the Initial Investment;*
- *Pay at least 50 per cent of wages, salaries and fees to employees and contractors in Ontario;*
- *Have the majority of its company’s full-time employees working in Ontario; and*
- *Have the majority of its senior officers maintain their permanent residence in Ontario.*

Are any types of companies within those Eligible Sectors excluded?

Yes. For example, in the Life Sciences sector, companies engaged exclusively in the manufacture of generic drugs or the management of clinical trials are not eligible. See the Fund Guidelines for other exclusions.

Is the Fund for first-time investments only?

No. An Eligible Investment can be a first-time investment by the Fund in a company, or a subsequent (follow-on) investment by a Qualified Investor into a portfolio company, provided that it is from a Qualified Investor and is an Eligible Investment.

Can I submit more than one application for a co-investment at a time?

Yes.

If I am certified as a Qualified Investor by OCGC, how do I get the Fund to consider a specific investment opportunity?

Qualified Investors submit a Co-Investment Application Form, available online at www.ontario.ca/ocgc

How many companies will the Fund invest in?

The number of companies that the Fund will ultimately invest in is difficult to determine as it depends on several variables, including the number of eligible investments brought forward by Qualified Investors, the amount of capital required by each investment, the success of the company in receiving follow-on investment based on milestones, requisite approvals by its investors and the timing of exits which will provide capital to reinvest in new companies.

Does the Fund only take an equity position in an eligible company? Does it offer other types of financial assistance, for example, a loan?

The Fund will invest in shares or convertible debentures (see Fund Guidelines) as determined by the Qualified Investor who brings the deal to the Fund. Investments that are solely debt and require principal and/or interest payments in the first three years are not eligible.

I'm an entrepreneur seeking to raise capital. Can I submit an application for a co-investment?

No. OCGC makes investments only as a co-investor alongside a Qualified or Other Qualified Investor. For a list of Qualified and Other Qualified Investors, please go to www.ontario.ca/ocgc

I'm an entrepreneur who isn't getting any interest from your Qualified Investors. Is there anything else I can do to raise some capital?

Yes. Seek out an angel, angel group or other investors (some corporations make venture capital investments into companies) and suggest that they look into submitting an application to become an Other Qualified Investor. If successful, the Fund could potentially co-invest in your company if the eligibility requirements are met, subject to OCGC's discretion. There are also a number of government web sites that identify sources of capital. OCGC will post links to venture capital and angel groups in Ontario to direct Ontario companies to other potential sources of capital.

I am a company seeking investment capital and would like to meet with OCGC staff to discuss my business plan. Can I schedule a meeting?

No. OCGC makes investments only as a co-investor alongside a Qualified Investor who identifies an investment opportunity for consideration as a co-investment. For a list of Qualified Investors, please go to www.ontario.ca/ocgc

Are there any investments that are automatically excluded?

Yes. There are specific exclusions in each of the Eligible Sectors listed in the Fund Guidelines. Also, the Fund will not invest in a company directly or indirectly involved in gambling, gambling services, pornography, tobacco, alcohol products, weapons, ammunition or other similar controlled goods, or any goods or services that are not legal in Ontario. The company must not be in violation of laws, statutes, ordinances, regulations, rules, judgments, decrees or orders applicable to the Investee Company or any of its subsidiaries, or the business carried on by it or any of its subsidiaries.

Are there any fees involved in the application process?

No.

Are university-based research institutes and other organizations engaged in research and commercialization activities eligible for investment from the Fund?

No. The Fund invests with qualified venture capital funds and other private sector investors to drive investment in companies in the target sectors. University-based research institutions and other entities engaged in research and commercialization activities may be eligible under other government programs, such as those offered by the Ministry of Research and Innovation. Further details can be found on the ministry's website at www.ontario.ca/innovation

How can I be sure that confidential company information will be protected in the event of a request under the *Freedom of Information and Protection of Privacy Act* (FIPPA)?

As an agency of the Ministry of Research and Innovation, OCGC is subject to the *Freedom of Information and Protection of Privacy Act*. The Act provides every person with a right of access to information in the custody or under the control of the ministry, subject to a limited set of exemptions. Section 17 of the Act provides a limited exemption for third party information that reveals a trade secret or scientific, commercial, technical, financial or labour relations information supplied in confidence where disclosure of the information could reasonably be expected to result in certain harms. Any trade secrets or scientific, technical, commercial, financial or labour relations information submitted to OCGC in confidence should be clearly marked. OCGC will notify you before granting access to a record that might contain information referred to in Section 17 so that you may make representations to OCGC concerning disclosure.