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*These Guidelines are subject to change from time to time without notice at the sole discretion of the Ontario Capital Growth Corporation*
1. Introduction

Ontario is investing in an innovation agenda to ensure it has one of the winning economies in the 21st century. A key focus of the agenda is to support growth in the companies that will create Ontario’s next generation of jobs and prosperity.

To ensure their continued growth, Ontario’s innovative companies need to secure access to capital throughout their entire lifecycle – this includes early stage investment, angel investment, venture capital, private equity investment, government support programs, and public markets.

Early-stage innovative companies in particular have a critical need for access to capital. That is why the Ministry of Research and Innovation (MRI) has created a number of initiatives to encourage seed and early-stage investment, including the Investment Accelerator Fund, the Innovation Demonstration Fund, the Ontario Venture Capital Fund and the Ontario Emerging Technologies Fund ("OETF" or "the Fund").
The Fund’s objectives are to:

A. Increase the amount of investment made directly into Ontario-based companies targeting only three key sectors:
   - Clean technologies;
   - Life sciences and advanced health technologies; and
   - Digital media; and information and communication technology

B. Become self-sustaining by reinvesting any returns from its investments.

The Fund model is based on a number of design principles that are consistent with achieving the government’s goals and objectives for the Fund:

- **Market-based investment decisions** - identification of investment opportunities will be undertaken by qualified investors that have a proven track record of success and have been pre-qualified by Ontario

- **Rapid deployment of capital** - the Fund will have the ability to make investments directly into companies within a short time frame

- **Focus on key industry sectors for Ontario** - the Fund will focus its investments on sectors of strategic importance to the province

- **Government’s role as a catalyst** - Ontario will act as a catalyst to leverage private sector capital

- **Ability to make additional investments into an investee company** - the Fund will be able to make both initial and follow-on investments to support the ongoing growth of high potential, innovative companies
2. Overview of the Ontario Emerging Technologies Fund

The Fund is a direct investment fund established by the Province of Ontario in 2009. It is a discretionary, non-entitlement investment program.

The Government has announced that the Fund will be a $250 million fund over five years, to a maximum of $50 million per year for each of the five years, to co-invest alongside Qualified Investors into innovative, high-growth Ontario companies. The deal structure of a co-investment will be the same for the Fund and the Qualified Investor in any one investment round.

The Fund is managed by the Ontario Capital Growth Corporation ("OCGC"), an agency of the Ontario Ministry of Research and Innovation.

The Fund is expected to be a self-sustaining investment fund by reinvesting any net capital or profits returned to it from its investments. After the Fund’s five-year funding allocation, it will only make new and follow-on investments from any capital or profits returned to OCGC from its investments.

The Fund is always co-investing with a Qualified Investor on the same terms and at the same time. These Fund Guidelines outline the criteria for an Eligible Investment, and as such, the Fund is prohibited from investing outside program criteria in prohibited investments.
3. Investment Guidelines

The OCGC is subject to the following guidelines, including:

• 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 Fund 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.
4. How to Become a Qualified Investor

OCGC will follow the market-based assessment made by Qualified Investors who bring potential investment deals to OCGC. Investors must apply to OCGC to become Qualified Investors. Applicants will be reviewed against a set of criteria that evaluate the investor’s past performance among other factors.

Note that applicants for certification as a Qualified Investor may concurrently submit an application for a co-investment to OCGC for consideration as an Eligible Investment (as defined in Section 6), or they may apply for certification alone.

Priority will be given to those investors seeking to be qualified that also have a potential eligible investment.

CRITERIA FOR CERTIFYING A QUALIFIED INVESTOR

In assessing a Venture Capital or other Private Equity Fund for qualification, OCGC will consider a number of factors, including, but not limited to, the following:

• Dollar value of assets under management

• Amount of capital available for investment

• Capital invested and track record of investments made in the preceding five years

• Location of the principal office and commitment to invest in Ontario

• Principals (partners or senior executives) who have been employed or engaged by the applicant or an affiliate, and have relevant and sufficient experience investing in, operating and selling early-stage companies in the Eligible Sectors (as defined in Section 6).

• Experience making equity or quasi-equity investments in portfolio companies

• Portfolio company exits in the preceding five years

• Previous limited partners, fund sponsors, and investors.
CEASING TO BE A QUALIFIED INVESTOR

Ontario has set a high standard for qualification of investors, and must ensure that no material changes have occurred since the date they were certified.

Therefore, each time a Qualified Investor submits an application for an Eligible Investment, it must also confirm that the information provided to OCGC as part of the investor qualification process has not changed.

OCGC may at any time, in its sole discretion, revoke the certification of a Qualified Investor, and upon such revocation the investor will cease to qualify as a Qualified Investor.
5. Criteria for Qualifying Other Qualified Investors

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. Therefore, a separate certification process has been established to qualify individuals and organizations that have the financial resources to invest in high-growth, innovative companies in Ontario. Investors (other than venture capital and other private equity funds) may apply for certification with OCGC as “Other Qualified Investors”.

These investors will include:

- Angel investors or angel groups
- Pledge funds
- Corporations or other entities (e.g. pension funds) that are not principally engaged in the making venture capital or private equity investments
- Venture capital or other private equity funds where 80% or more of such fund's assets under management or committed capital has been provided or committed, as applicable, by one individual or an Affiliated Group.

Other Investors, while able to apply to OCGC for qualification, must present a specific co-investment opportunity for evaluation, concurrently with an application to become an Other Qualified Investor. Qualification of an Other Qualified Investor will be considered concurrently with the review of its investment opportunity, on a case by case basis. Other Qualified Investors do not retain qualification status from one co-investment opportunity to another and therefore must reapply for qualification each time they apply for approval of a potential co-investment opportunity. These proposed co-investment opportunities, which otherwise would qualify as an Eligible Investment, will be considered on an individual basis.

In assessing an Other Qualified Investor for qualification, OCGC will consider a number of factors, including, but not limited to, the following:

- Whether the investor will receive the same financial benefit from the investment as OCGC and whether the co-investor(s) will receive other consideration such as free or preferential pricing on products as a result of the investment
• No restrictive covenants in the investment agreements with shareholders and the company that would hinder or prevent the OCGC from exiting the investment, through a sale of its holdings or the sale of the entire company

• Capital available for follow-on investment

• Investments made in the preceding five years and whether these investments were made in an Eligible Sector or experience operating and selling a company in the relevant sector and investments in the last five years in the Eligible Sectors

• Portfolio company exit(s) in the preceding five years

• Location of principal office and commitment to invest in Ontario

• Experience making equity or quasi-equity investments in portfolio companies

Criteria used in the evaluation of the principals of Other Qualified Investors will include but are not limited to:

• **Angel Investor:** experience making, managing and exiting investments in early-stage companies in an Eligible Sector

• **Angel Syndicates:** experience making, managing, and exiting investments in early-stage companies in an Eligible Sector, and one angel investor with a minimum of $250,000 to invest

• **Pledge funds:** principals with relevant experience investing in, operating and selling early-stage companies in an Eligible Sector, employed or engaged by the applicant or an affiliate, having relevant experience investing in, operating and selling early-stage companies in an Eligible Sector

• **Corporations and Other Entities (e.g. pension funds):** principals with relevant experience investing in, operating and selling early-stage companies in an Eligible Sector, employed or engaged by the applicant or an affiliate, having relevant experience investing in, operating and selling early-stage companies in an Eligible Sector

• **Venture Capital or Other Private Equity Funds** where 80% or more of their assets under management or committed capital has been provided or committed, as applicable, by one individual or an Affiliated Group: the sponsor of the investment fund has relevant experience making, managing, and exiting investments in early-stage companies in an Eligible Sector, or its principals relevant experience investing in, operating and selling early-stage companies in an Eligible Sector.
6. Eligible Investments

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, it is targeting companies at a specific stage of growth, and will invest only in the Eligible Sectors.

OCGC will consider co-investment opportunities in private companies only.

Criteria for eligible investment are listed below.

Companies seeking investment cannot apply directly to the OCGC. They should approach one of the OCGC’s Qualified Investors. A list of Qualified Investors and Other Qualified Investors will be posted on the OCGC web site.

TYPES OF ELIGIBLE INVESTMENTS

OCGC can make either a first time investment ("Initial Investment") in an Investee Company or a subsequent investment ("Follow-on Investment") in an Investee Company where OCGC has previously made an Initial Investment.

An Initial Investment will be classified as follows:

A. New Company Investment:

- An Initial Investment in an Investee Company by OCGC and an Initial Investment by a Qualified Investor, where the aggregate investment in the Investee Company in the investment round is at least $1 million but less than $4 million, or

- An Initial Investment in an Investee Company by OCGC and a follow-on investment in the Investee Company by a Qualified Investor, where the Qualified Investor’s existing investment in the Investee Company is $1 million or less, and the aggregate investment in the Investee Company in the investment round is at least $1 million, but less than $4 million.

B. Significant New Company Investment:

- An Initial Investment in an Investee Company by OCGC and an Initial Investment by a Qualified Investor where the aggregate investment in the Investee Company in the investment round is at least $4 million but less than or equal to $15 million.
C. Portfolio Company Investment:

- An Initial Investment in an Investee Company by OCGC and a follow-on investment in the Investee Company by a Qualified Investor where the aggregate investment in the Investee Company in the investment round is greater than $2 million but less than or equal to $15 million; provided that, where another Qualified Investor is also making an initial investment in the Investee Company and such investment is at least $1 million and constitutes at least 20% of the investment round, such investment shall be deemed to be a New Company Investment or a Significant New Company Investment, as applicable.

Please see Appendix A (pg. 22) for an illustration of Initial Investments.

INVESTMENT ROUND SIZE

The investment round size must meet the following requirements:

- The company is seeking to raise an initial investment of at least $1 million and not more than $15 million
- OCGC’s initial investment will not be more than $5 million
- 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.

ONTARIO FOOTPRINT

The Investee Company must have and maintain an “Ontario Footprint”:

- 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 working in Ontario
- The majority of the company’s full-time employees must be working in Ontario; and
- The majority of senior officers must maintain their permanent residence in Ontario.

CEASING TO BE AN ONTARIO COMPANY

In the event that an Investee Company no longer maintains its “Ontario Footprint” as described above, OCGC will have the option of exiting its investment by selling its interest to the Investee Company at a specified price (See Appendix B).
SECTORAL FOCUS

The Investee Company must carry on business solely in one of the Eligible Sectors of Clean Technology, Life Science and Advanced Health Technologies, and Digital Media and Information Communications Technology, in the appropriate North American Industry Classification System categories as set out below:

**CLEAN TECHNOLOGY** - Which generally includes, but is not limited to:

- Potable water or waste water treatment technologies (NAICS #22131 and 22132)
- Waste water treatment technologies (NAICS #562210)
- Air cleaning or purification technologies (NAICS #56291)
- Energy conservation technologies (NAICS #2211)
- Alternative energy equipment (NAICS #221119)

**Not Eligible:** Companies engaged principally in the installation of equipment or the development or management of power generation ventures. Companies engaged in the business of non-proprietary waste disposal.

**LIFE SCIENCES AND ADVANCED HEALTH TECHNOLOGIES** - Which generally includes, but is not limited to:

- Drug discovery (NAICS #32541)
- Medical device development (NAICS #33911)
- Agricultural biotechnology (NAICS #3254)
- Advanced health technology business primarily engaged in using technology in (i) the development of assistive medical devices, pharmaceutical drugs, regenerative medicine, biologics, medical procedures or surgical procedures, or (ii) human tissue engineering.
- Bioeconomy business primarily engaged in (i) the production of biofuel, biogas, or bioplastics from organic matter or waste organic material, or (ii) the development of technology or processes that enable the use of wind, water, a biomass resource, hydrogen, biofuel, biogas, landfill gas, solar energy, geothermal energy, tidal forces or thermal waste as a source of energy.
Not Eligible: Companies engaged principally in the manufacture of generic drugs or the management of clinical trials.

Digital Media and Information and Communications Technology - Which generally includes, but is not limited to:

- Animation software or hardware development (NAICS #5112)
- Computer game development (NAICS #5112)
- 3D software or hardware development (NAICS #5112)
- Software development (NAICS #33461)
- Fabless semiconductor design (NAICS #33441)
- Manufacture of computer peripheral equipment (NAICS #3341)
- Communications equipment manufacturing (NAICS #3342)

Not Eligible: Companies engaged principally in the production, distribution or marketing of digital media content, such as films, documentaries and advertisements. Companies engaged in the resale of long distance products or the operation of semiconductor fabrication facilities.

Investment Structure

To be considered as an Eligible Investment, an Initial Investment must be structured and priced as follows:

New Company Investment

The OCGC co-invests with at least one Qualified Investor who is making a new investment in an Investee Company and the valuation of the investment is determined by the Qualified Investor. All deal structure terms of the investment will be the same for the OCGC and the Qualified Investor. Where the Qualified Investor’s existing investment in the Investee Company is $1 million or less, the investment will be treated as if it were a new Investee Company by the Qualified Investor.

Significant New Company Investment

OCGC co-invests with at least one Qualified Investor and one Significant Investor, each of whom is making a new investment in an Investee Company and the valuation is set by the Qualified
Investor, and where each of the Qualified Investor and the Significant Investor invests at least $1 million in the Investee Company and each such investment constitutes at least 20% of the investment round. All deal structure terms of the investment are the same for OCGC, the Qualified Investor and the Significant Investor.

**Portfolio Company Investment**

OCGC co-invests with at least one Qualified Investor and one Significant Investor where each of the Qualified Investor and the Significant Investor invests at least $1 million in the Investee Company and each such investment constitutes at least 20% of the investment round.

OCGC will only invest in the Investee Company by way of a convertible debenture which provides (i) for a conversion price equal to an amount to be established at a discount to the valuation set in the next Qualified Investment Round (as defined below) in which a Qualified Investor that has not previously invested in the Investee Company invests at least $1 million in the Investee Company, and (ii) that if a liquidation event occurs prior to a Qualified Investment Round, the holder may elect to convert its convertible debenture into the equity instrument employed in the investment round immediately preceding the issuance of such convertible debentures. All deal structure terms of the investment are the same for OCGC, the Qualified Investor and the Significant Investor.

**Follow-on Investment**

OCGC co-invests with at least one Qualified Investor. All deal structure terms of the investment are the same for OCGC and the Qualified Investor.

A “Significant Investor” is an investor that is not a Qualified Investor and that invests in an Investee Company in any investment round at least $1 million, which investment constitutes at least 20% of the aggregate amount invested in such investment round, provided that a Significant Investor may not be a syndicate of investors unless each syndicate participant invests at least $1 million in the investment round.

“Qualified Investment Round” means an investment round in which the Investee Company raises an amount that is at least equal to the amount raised by the Investee Company in the investment round in which the OCGC acquired its convertible debentures and in which a Qualified Investor that has not previously invested in such Investee Company invests at least $1 million, which investment constitutes at least 20% of the aggregate amount invested in such investment round.
7. Investment Restrictions

PACING OF OCGC’S INVESTMENTS

Of the $250 million of capital announced by Ontario over a five-year period, there is a pre-determined annual allocation limit of $50 million per year. For this reason, only one investment opportunity submitted by a Qualified Investor will be accepted for review at any time. Once OCGC makes a decision with respect to a co-investment opportunity, the Qualified Investor may present another investment opportunity to OCGC.

INVESTMENT INSTRUMENTS

Investments will be structured and negotiated by the Qualified Investor and will be equity or quasi-equity investments (e.g. common shares, preferred shares and convertible debentures). Debentures or other debt which have principal and/or interest payments from the eligible Investee Company or shares which have cash dividend payments within three years are ineligible. Ineligible investments include debt which has principle or interest payments due within 3 years.

STACKING OF GOVERNMENT FUNDS

The intent of the Fund is to co-invest alongside qualified private sector investors. OCGC has established limits on stacking of government funding (total government funding – federal, provincial or municipal investment provided to a company for the same purpose).

For the purposes of OETF, “Government Funds” are defined as any equity or quasi-equity investment made by any federal, provincial or municipal government, agency or Crown corporation, and includes, without limitation, equity or quasi-equity investments made by:

- Ontario Venture Capital Fund (OVCF);
- Investment Accelerator Fund (IAF);
- Northern Ontario Heritage Fund Corporation (NOHFC);
- Business Development Bank of Canada (BDC);
- Export Development Canada (EDC);
- Farm Credit Canada (FCC);
- Ontario Commercialization Investment Funds (OCIF); and
• Any future government equity or quasi-equity investment programs that may be announced during the active investment period of the Fund.

With respect to an Investee Company that has received or will receive Government Funds concurrently with OCGC’s investment, the following limitations will apply:

• The aggregate amount of Government Funds plus the investment from OCGC cannot exceed 50% of the aggregate investment in an Investee Company in any investment round

• The aggregate amount of Government Funds plus the investment from OCGC cannot exceed 50% of the aggregate investment in an Investee Company at any time

• OCGC’s pro rata share of an investment made as a limited partner of OVCF is to be calculated in determining the amount of Government Funds invested in an Investee Company by OCGC as a limited partner of OVCF

• The Ministry of Research and Innovation’s (MRI) pro rata share of an OCIF is to be calculated in determining the amount of Government Funds invested in an Investee Company.

ETHICAL INVESTMENT

The Investee Company will not, during such period of time as OCGC holds an investment in such Investee Company, directly or indirectly, through a subsidiary or otherwise, engage in (i) the sale, marketing or provision of gambling, gambling services or pornography, (ii) the production, sale or marketing of tobacco or alcohol products, or (iii) the manufacture, sale, distribution or promotion of goods or services that are not legal in the Province of Ontario.

COMPLIANCE WITH APPLICABLE LAWS

In order to be considered for investment, the potential Investee 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.

ADDITIONAL REQUIREMENTS

Please refer to Appendix B.
8. Administering, Monitoring and Exiting of Investments

During the time in which the OCGC holds an investment, a number of matters will arise that require shareholder agreement. In general, OCGC will act as a passive investor following the Qualified Investor, but it will undertake regular monitoring and reporting of investments, and when required, act as a shareholder in the company.

OCGC will monitor its overall investment portfolio and individual investments on a regular basis. This review will include, but not be limited to, the Investee Company’s adherence to the Fund’s eligibility guidelines (e.g. maintaining an Ontario Footprint), the company’s standard financial reports and board decisions.

On occasion, significant non-operational matters may occur that could have an impact on OCGC’s investment holdings. Under such circumstances, OCGC will assess the potential impact and the strategy being proposed by the Investee Company, its board and the investors to resolve these matters.

OCGC will normally exit its investments at the same time and on the same terms as the Qualified Investor. When an exit opportunity occurs, OCGC will assess the terms and conditions pertaining to the exit.
9. Application and Review Process

There are two steps involved in the approval process that must be successfully completed before OCGC will co-invest in a company:

1. **Review of application for certification as a Qualified Investor**

2. **Review of application for an Eligible Investment including satisfaction of terms and conditions required by OCGC.**

There are separate application forms for certification as a Qualified Investor and approval of an Eligible Investment. The application process is described in greater detail in the following section.

Note that all applications may be disclosed to any external advisors that may be retained by OCGC and who are subject to confidentiality arrangements with OCGC. Further information regarding confidentiality is provided in the Fund application forms.

OCGC reserves the right during the Fund’s start-up period to manage the application and review process to ensure orderly operations of the Fund and achievement of its objectives.

**1. APPLYING TO BE CERTIFIED AS A QUALIFIED INVESTOR**

Whether an applicant seeks certification as a Qualified Investor (i.e. Venture Capital or Other Private Equity Fund) or as an Other Qualified Investor, it must submit an Application form to become a Qualified Investor to the OCGC.

The following table indicates the application that is to be completed and submitted depending on the type of investor who is applying:

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Name of Application Form to Complete</th>
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</thead>
<tbody>
<tr>
<td>Venture Capital or Other Private Equity Funds</td>
<td>[Venture Capital or Private Equity Fund Qualification Application Form]</td>
</tr>
<tr>
<td>Angel investor or a syndicate of angel investors</td>
<td>[Angel or Angel Syndicate Qualification Application Form]</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Name of Application Form to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledge fund</td>
<td>Pledge Fund Qualification Application Form</td>
</tr>
<tr>
<td>Corporation or other entity (i.e. pension fund) that is not principally engaged in the business of making venture capital or private equity investments</td>
<td>Corporation or other Entity Qualification Application Form</td>
</tr>
<tr>
<td>Venture capital or private equity fund where 80% or more of such Fund's assets under management or committed capital has been provided or committed, as applicable, by one individual or Affiliate Group.</td>
<td>Other Venture Capital or Private Equity Fund Qualification Application Form</td>
</tr>
<tr>
<td>Public Sector Organization (i.e. government entities and public sector pension plans that make early stage investments)</td>
<td>Public Sector Organization Application Form</td>
</tr>
</tbody>
</table>

**Applications available on-line**

Application forms are available for download at the OCGC website at [www.ontario.ca/ocgc](http://www.ontario.ca/ocgc), where you can also find further information, including frequently asked questions related to the Fund.

Further information regarding submission procedures are on the application forms.

Applicants will be notified upon receipt of their application.

**Review**

OCGC assesses the completed application in accordance with the applicable criteria however it reserves the right in all cases to exercise its discretion in reviewing applications.
In undertaking the review, OCGC at its discretion, will retain third party expertise as applicable. The applicant may be contacted for additional information or documentation. OCGC may also conduct background, criminal, credit and other similar checks on any applicant, principal or syndicate participant.

**DECISION**

After OCGC has completed its review, it will notify the applicant in writing whether they have been approved as a Qualified Investor. Applicants will receive the results of the OCGC’s decision in a timely manner. Complex applications may take longer. All OCGC decisions are final.

2. APPLYING FOR CO-INVESTMENT

For Venture Capital or other Private Equity Funds who have already been designated by OCGC as being a Qualified Investor, the following form is to be completed:

- Co-Investment Application Form

*For Venture Capital or other Private Equity Funds who have not yet applied to OCGC to be approved as a Qualified Investor, the following forms are to be completed:*

- Venture Capital or Private Equity Fund Qualification Application Form
- Co-Investment Application Form

Other Investors with a co-investment opportunity are required to complete the applicable application form.

**APPLICATIONS AVAILABLE ON-LINE**

Application forms are available for download at the OCGC website at [www.ontario.ca/ocgc](http://www.ontario.ca/ocgc) where you can also find further information, including frequently asked questions related to the Fund. Further information regarding submission procedures can be found on the application forms. Applicants will be notified upon receipt of their application.

**REVIEW**

OCGC assesses the completed application against the applicable criteria however it reserves the right in all cases to exercise its discretion in reviewing applications. In undertaking the review,
OCGC at its discretion, will retain third party expertise as applicable. The applicant may be contacted for additional information or documentation. OCGC may also conduct background, criminal, credit and other similar checks on any applicant, principal, syndicate participant, or Investee Company.

**DECISION**

OCGC will notify the Qualified Investor in writing whether or not the investment opportunity has been approved as an Eligible Investment. Applicants will receive the results of the OCGC’s decision in a timely manner. Complex applications may take longer. All OCGC decisions are final.

**APPLICATION PRIORITY**

As the Fund was designed to assist companies, applications from a potential investor received at the same time are processed, at OCGC’s sole discretion, in the following order of priority:

1. **Qualified Investor (Venture Capital or Private Equity Fund) with a co-investment opportunity**

2. **Other Qualified Investor (Angels/Angel Syndicates; Corporation or Other Entity; Pledge Funds; Other Venture Capital or Private Equity Funds) with a co-investment opportunity**

3. **Potential Qualified Investor (Venture Capital or Private Equity Fund) without a co-investment opportunity.**
10. Confidentiality

An applicant should identify any information in its application and accompanying documentation supplied in confidence for which confidentiality is to be maintained by OCGC. The confidentiality of such information will be maintained by OCGC, except as otherwise required by law or by order of a court or tribunal. Applicants are advised that their applications will, as necessary, be disclosed on a confidential basis to OCGC’s advisers retained for the purpose of evaluating or participating in the evaluation of their applications.

11. Disclaimer

These Fund Guidelines, the application forms, including but not limited to the program criteria, are subject to change from time to time without notice, at the sole discretion of OCGC.

12. Contact Information

Questions pertaining to the Fund or OCGC can be directed as follows:

Ontario Capital Growth Corporation
393 University Avenue, suite 1701
Toronto, ON M5G 1E6

Phone: 416-325-6874
Toll-free: 1-877-422-5818
Fax: 416-326-9654
Email: ocgc@ontario.ca
Website: www.ontario.ca/ocgc
## Appendix A
### Initial Investment Made by the Fund

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<th>Significant New Company Investment</th>
<th>Portfolio Company Investments</th>
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<td>• First investment for OCGC</td>
<td>• First investment for OCGC</td>
<td>• First investment for OCGC</td>
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<td></td>
<td>• Follow-on investment for a Qualified Investor</td>
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<td>• No Qualified Investor making a first investment of at least $1 million, representing at least 20% of the investment round</td>
</tr>
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<table>
<thead>
<tr>
<th>Aggregate Value of Investments in Investment Round $1 to 4 million</th>
<th>Aggregate Value of Investments in Investment Round $4 to 15 million</th>
<th>Aggregate Value of Investments in Investment Round At least $2 to $15 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>• At least 1 Qualified Investor</td>
<td>• At least 1 Qualified Investor investing at least $1 million, representing at least 20% of the investment round</td>
<td></td>
</tr>
<tr>
<td>• First investment for Qualified Investor or follow-on investment for Qualified Investor where existing investment is $1 million or less</td>
<td>• At least 1 other investor investing at least $1 million, representing at least 20% of investment round</td>
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<tr>
<td></td>
<td>• At least 1 other investor investing at least $1 million, representing at least 20% of investment round</td>
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<td></td>
<td>• Convertible debenture is issued to OCGC and other investors with the conversion price established at a discount to a future investment round where in such future round the valuation is established by a Qualified Investor that is making a first investment of at least $1 million, representing at least 20% of such round, and the aggregate investment made in such future round is not less than the aggregate investment made in the investment round for which the convertible debenture was issued</td>
<td></td>
</tr>
</tbody>
</table>
Appendix B
Terms and Conditions Required by OCGC

In connection with OCGC’s investment in an Investee Company, OCGC, the Qualified Investors, all Other Investors and the Investee Company will enter into a shareholder’s agreement or similar agreement (the “Investor’s Agreement”) which contains the terms set out in this Appendix B.

CUSTOMARY PROVISIONS RELATING TO SHARE CAPITAL AND SHARE TRANSFERS

The Investors Agreement will contain customary provisions relating to:

- Pre-emptive rights
- Anti-dilution protection
- Tag-along rights
- Restrictions on transfers of shares except to affiliates or family members
- Restrictions on repayment of shareholder loans
- Retraction rights and mandatory redemption rights
- Information and reporting requirements.

APPROVALS REQUIRING SPECIAL CONSENT

Each of the following actions require the approval of investors holding not less than 66 2/3% of the class of shares or the series of convertible debentures held by OCGC:

- Any amendment to the articles of incorporation or by-laws of the Investee Company
- Any amendment to the capital structure of the Investee Company
- The creation of any subsidiary of the Investee Company
- Any change in the primary business of the Investee Company (on a consolidated basis) or any Successor or the entering into by the Investee Company or any subsidiary or Successor of any

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1 “Successor” means any person resulting from a transaction (whether by way of an amalgamation, arrangement, merger, reorganization or otherwise) whereby all or substantially all of the undertaking, property and assets of the Investee Company would become the property of another person.
business other than the business currently carried on by the Investee Company or any ancillary business ancillary

- The winding-up or dissolution of the Investee Company or any subsidiary, the filing of a proposal for bankruptcy or the making of any arrangement or assignment for the benefit of creditors of the Investee Company or any subsidiary or the appointment of a trustee, receiver or receiver-manager to administer the affairs of the Investee Company or any subsidiary

- Any amalgamation, arrangement, merger, reorganization or other similar transaction involving the Investee Company or any subsidiary

- The transfer, sale or other disposition of all or substantially all of the assets of the Investee Company or any subsidiary or all of the shares of any subsidiary

- Any change in the auditors of the Investee Company.

INFORMATION AND ACCESS RIGHTS

- **Financial Reporting**: The Investee Company will provide to OCGC:
  
  A. Audited consolidated and non-consolidated financial statements of the Investee Company and any of its subsidiaries;
  
  B. Unaudited consolidated and non-consolidated profit and loss statement, cash flow statement, and balance sheet for the quarter; and
  
  C. An annual business plan, together with the operating, capital expenditure and R&D budgets, approved by the board of directors of the Investee Company.

- **Information Provided to the Board of Directors of the Investee Company**:
  
  A. All written information provided to the board of directors, including Minutes of Board and Committee meetings will be provided to OCGC at the same time as it provided to the board members of the Investee Company.

- **Right to Access Information**:
  
  A. Upon twenty-four (24) hours notice, OCGC, or its designated representative, may, during normal working hours, and at its own expense, have the right to inspect the financial and management records of the Investee Company.
SPECIAL CONDITIONS OF THE FUND

ONTARIO FOOTPRINT

The Investee Company will, at all times OCGC holds an investment in it, maintain its Ontario Footprint. If the Investee Company ceases to maintain its Ontario Footprint, OCGC may require the Investee Company to repurchase all of the Investee Company’s securities held by OCGC ("OCGC Securities") for an aggregate purchase price equal to the greater of:

A. The fair market value of OCGC Securities (securities held by the OCGC (which value shall not apply any ‘minority interest’ discount to OCGC Securities), as determined by a valuator selected by the OCGC and approved by the Investee Company that is independent of the Investee Company, all existing and prospective security holders and each of their respective affiliates and associates (each within the meaning of the Business Corporations Act (Ontario)) and (ii) has appropriate qualifications; and

B. The aggregate amount OCGC paid to acquire OCGC Securities plus 10% of such amount per year the OCGC Securities have been outstanding, compounded annually.

ETHICAL INVESTMENT

The Investee Company will not, during the period of time OCGC holds an investment in it, directly or indirectly, through a subsidiary or otherwise, engage in the following:

(i) The sale, marketing or provision of gambling, gambling services or pornography;

(ii) The production, sale or marketing of tobacco or alcohol products; or

(iii) The manufacture, sale, distribution or promotion of goods or services that are not legal in the Province of Ontario.

COMPLIANCE WITH LAWS

The Investee Company will, at all times while OCGC holds an investment in it, comply in all material respects with all 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.

2 OCGC is not obligated, but may at its discretion, pay all or a portion of the fees incurred for such a valuation exercise.
PERMITTED TRANSFERS

OCGC may transfer, sell or otherwise dispose of the OCGC Securities to the Crown in right of Ontario or any agency, body or entity thereof, provided that the transferee agrees to be bound by the terms and conditions of the Investors Agreement and executes and delivers to the Investee Company and its shareholders an executed counterpart of the Investors Agreement.

RIGHT TO OBSERVE

OCGC may designate a representative (will not be a director of the Investee Company), to:

(i) Attend all meetings of the Investee Company’s board of directors and any committees; and

(ii) Receive all written information provided to the Investee Company’s Board of Directors or its committees.

The Investee Company will provide to the designated representative all Board information at the same time it is provided to the investee company’s Board of Directors.

ADDITIONAL REPORTING REQUIREMENTS:

The Investee Company will provide to OCGC:

A. At least once per financial quarter, confirm that all taxes and other source deductions required to have been remitted to a governmental authority have been remitted;

B. Within two business days of receipt by the Investee Company of any notice advising the Investee Company of a material breach of contract, a copy of the notice;

C. On an annual basis, written confirmation from the Investee Company’s auditors that the Investee Company paid 50% or more of its wages, salaries and fees to employees and contractors whose ordinary place of work is a permanent establishment of the investee company in the Province of Ontario;

D. On an annual basis, written confirmation, signed by an officer of the investee company that the majority of the company’s full-time employees are working in the Province of Ontario; and

E. That the majority of the company’s senior officers maintain their principal residence (within the meaning of the Income Tax Act (Canada)) in the Province of Ontario.
**No Collateral Benefits**

No investor in an Investee Company has or will receive any benefit, directly or indirectly, as a consequence of its investment that is not otherwise available to any other investor.

**Additional Rights**

The Investee Company will not enter or will not have entered into any agreement or side letter with any existing or future investor of the Investee Company that has the effect of establishing rights or otherwise benefiting such investor in a manner more favourable in any respect to such investor than the rights and benefits established in favour of OCGC by the Investors Agreement unless, in any such case, OCGC has been offered in writing the opportunity to receive such additional rights.

**Paramountcy**

Nothing in the Investors Agreement or any other agreement or document derogates or will derogate from any of the terms and conditions required by the OCGC as set out in this document. In the event of any conflict or inconsistency between the terms and conditions required by OCGC as set out in this document and the other terms of the Investors Agreement or any other agreement or document, the terms and conditions of required by OCGC will prevail to the extent of such conflict or inconsistency.

**Public Disclosure**

Notwithstanding any confidentiality or non-disclosure obligation contained in the Investors Agreement:

(i) The OCGC may make reasonable disclosure of its investment in the Investee Company consistent with Government of Ontario practice related to grants, loans and investments made by the Government of Ontario in private sector companies; and

(ii) Each party to the Investors Agreement acknowledges that the OCGC is subject to the Freedom of Information and Protection of Privacy Act and as such may be required to disclose the Investors Agreement and any term contained therein in accordance with that Act.

**Other Conditions**

OCGC reserves the right to stipulate other terms and conditions.
Appendix C
Ontario Emerging Technologies Fund - Glossary of Terms

APPLICANT
An investor that has submitted an Application to OCGC.

AFFILIATED GROUP
Two or more companies who are “affiliated companies” within the meaning of the Ontario Securities Act (OSA) and any company and its direct or indirect controlling shareholder as determined in accordance with the OSA.

COMMON SHARES
A unit of ownership of a company.

CONVERTIBLE DEBENTURE
A quasi-equity investment instrument in which the holder has the option to convert from debt into equity at a later date. For the purposes of OETF, debentures or other debt which have principal and/or interest payments from the eligible Investee Company or shares which have cash dividend payments within three years are ineligible. Ineligible investments include debt which has principle or interest payments due within 3 years.

ELIGIBLE INVESTMENT
An investment opportunity presented by a Qualified Investor (or an investor applying to be certified as a Qualified Investor) that satisfies each of the criteria established by OCGC for an Eligible Investment, as set out in Section 6 of the Fund Guidelines.

ELIGIBLE SECTOR
Sectors in which the Fund will consider an investment. These are more particularly described in Section 6 of the Fund Guidelines.

EQUITY
Ownership interest in a company in the form of common shares or preferred shares.
**Ethical Investment**
Has the meaning set out in Section 7 of the OETF Guidelines.

**Follow-on Investment**
A subsequent investment by OCGC in an Investee Company where the OCGC has previously made an Initial Investment.

**Initial Investment**
An initial investment by OCGC in an Investee Company under the Fund.

**Investee Company**
A company in which OCGC has invested under the Fund.

**Ontario Footprint**
Has the meaning set out in Section 6 of the Fund Guidelines.

**Other Qualified Investors**
Has the meaning set out in Section 5 of the Fund Guidelines.

**Pledge Fund**
A special type of fund in which members of the fund work toward a specific investment goal, by making defined contributions in a pool over a period of time.

**Preferred Shares**
Also known as Preference Shares. A unit of ownership in a company that encompass preferential rights over ordinary common shares, such as the first right to dividends and any capital payments.

**Qualified Investor**
A venture capital or other private equity fund that is approved by OCGC as eligible to submit a potential investment opportunity to OCGC for consideration. See Section 4 of the Guidelines.

**Quasi-Equity**
A category of debt taken on by a company that has some traits of equity. For the purposes of the Fund, quasi-equity means a convertible debenture.
**Significant Investor**

An investor that is not a Qualified Investor and that invests at least $1 million in an Investee Company in an investment round, which investment constitutes at least 20% of the aggregate amount invested in such round, provided that the Significant Investor may not be a syndicate of investors unless each syndicate participant invests at least $1 million in such round.