
UPDATE: New \$165M fund created to boost venture capital creation

By Krystle Chow, Ottawa Business Journal Staff

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The Ontario government has created a new \$165-million venture capital fund, a move which will aid the creation of new investment funds to spur innovation in the province.

The McGuinty government on Wednesday signed a letter of intent with several large Canadian institutional investors to create the fund, including OMERS Administration Corp., RBC Capital Partners, Business Development Bank of Canada and Manulife Financial.

"Working together with sophisticated corporate and institutional investors, we can help Ontario's innovative thinkers take their ideas to the next level," said Premier Dalton McGuinty in a statement. "And that will generate prosperity and good, high-paying jobs for Ontarians in the future."

The provincial government is investing \$90 million in the first round of the fund, with the remaining \$75 million coming from the partner investors. The government will look for additional private-sector investors to contribute to a second round of the fund.

Ontario Minister of Research and Innovation John Wilkinson said his hope is that the fund will be able to achieve two-to-one leverage and raise an additional \$105 million from private-sector partners.

"Ontario is home to some amazing research and young startups, but the big pools of capital held by pensions and institutional investors have not been investing in Ontario since the dot-com bubble burst," Mr. Wilkinson said in an interview. "It's just starting to turn around, but the best practices around the world have shown that you really have to engage your own pools in your own jurisdiction (to strengthen the venture capital market)."

Mr. Wilkinson said the Ontario government, in collaboration with its private-sector partners, has started looking across the globe for a top-tier fund manager to oversee the fund's investments, and expects to announce the new fund manager and begin deploying capital in January.

"This is a market-based initiative, which is really quite historical, because you have a government which is willing to make the lead investment in the VC fund but allow business partners to take the initiative," he added.

The move could ease the pain of some of local companies in search of risk capital, which has been dwindling in part because of the phasing-out of the 15-per-cent labour-sponsored investment fund tax credit since 2005.

"It's a kickstart, at least, to creating a new set of venture capital pools in Ontario," said Ottawa Centre for Research and Innovation chief Jeffrey Dale. "In Ottawa, over the last couple years it's been very challenging for companies looking for risk capital, and we're very hopeful that some new Ontario funds will be created to support innovation and growth.

"From the Ottawa perspective, we know we have great ideas here, and if we can get funds created, we're positive our companies will have a good opportunity to access those funds."

Mr. Dale said he hopes this new fund-of-funds will also encourage the creation of venture capital funds centred out of Ottawa, like Celtic House and SkyPoint, and added that he is encouraged by the private-sector investors involved in the fund.

"There are some very strong private-sector partners co-investing in this fund, and it is very much needed. I hope they continue to invest, not just in the fund-of-funds, but also directly in subsequent individual funds which will be created," he said.

The Ontario Venture Capital Fund is borne out of a \$160-million Ideas-to-Market strategy which supports emerging companies.

