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Venturing back into Ottawa

Capital investment figures rebound

By **ANNE HOWLAND**, Ottawa Sun

TWELVE LOCAL companies landed venture capital in the first three months of the year, a number unmatched in more than two years, a report shows. According to data released yesterday by the Ottawa Centre for Research and Innovation, Ottawa-based companies attracted more than \$34 million in venture capital in the first quarter of 2005.

Not only was the amount invested more than double the amount from the same quarter last year, the deal count, at 12, was unmatched since the end of 2002, the report stated.

"What we have seen in the first quarter is the momentum carrying from the end of 2004 and by all indications should continue through 2005," said Jeffrey Dale, president and CEO of OCRI.

BIG INCREASES

"2004 saw significant increases in both the Canadian and U.S. venture markets, and Ottawa is once again attracting its fair share.

"While the amount of venture dollars invested in Ottawa companies doubled compared to Q1 2004, the key indicator for us is the number of companies who received funding in the first quarter of 2005."

The city's most active venture capital firm was Axis Capital, a seed-stage venture capital firm with a sizable portfolio of Ottawa startups, the OCRI report said.

Axis Capital managing partner Doug Hewson believes the local Q1 numbers, as well as a return to early stage investing in the U.S., bodes well for the rest of the year.

"It's a promising environment," he said, adding that indicators point to the beginning of another growth cycle.

EXPANSION FUNDS

The quarter's largest deal featured Cloakware Corporation, a developer of solutions for protecting software and systems from unauthorized access and piracy. The company received more than \$12 million.

Cloakware CEO Jeff Waxman said the company plans to use the fresh capital to fund growth, international expansion, R&D and marketing efforts.

"We are now moving to the next phase of our aggressive plan to deliver more innovative security solutions to address the rapidly growing applications security threats faced by our

customers," Waxman said.

Cloakware, which is headquartered in the U.S. but has most of its operations in Ottawa, also said it will add about a dozen staff, mostly in the nation's capital.

CASH BONANZA

Here are some of the local companies that received venture capital in the first three months of 2005 with the amount, in millions, received by each:

- Cloakware: \$12.06

- Epocal: \$5.00

- BTI Photonics: \$3.10

- AssetMetrix: \$3.00

- Netistix: \$0.75

- Third Brigade: \$6.00

Total disclosed: \$29.91

Total undisclosed: \$4.55

Q1 total: \$34.46

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