

B.C. venture capital pool deepens

New Yellow Point 1 fund to focus on Western Canada; \$250-million Ventures West 8 to invest in early stage tech, communications, and energy companies

Glenn Drexhage

B.C.'s financing climate continued to heat up last week, with a new private equity firm's first deal and the closing of a record-setting fund.

Vancouver's **Yellow Point Equity Partners LP** – which features impressive founders and focuses on later-stage private companies – unveiled the debut deal under its inaugural fund, Yellow Point 1.

The firm is investing \$7 million in **Prism Medical Ltd.**, an Ontario health-care equipment company.

Overall, Prism raised \$11 million, with the remainder coming from the company's officers and directors. The financing was made via convertible debentures.

However, local Yellow Point deals are likely to surface, as the bulk of the fund's investments are planned to take place in western Canada.

"I think the majority will be in British Columbia," said managing partner **Brian Begert**. "We are just very bullish on the opportunities in British Columbia over the next five or six years."

The fund will aim to make between two and six investments annually, with deal sizes typically ranging from \$2 million to \$10 million, Begert said. However, a single investment could reach as high as \$20 million.

Yellow Point, which launched its fund at the end of June, was founded by managing partners **David Chapman** and Begert, along with non-executive chairman **Rusty Goepel**.

The fund is also backed by **Cypress Capital**, a western Canadian money management firm, and by 18 unnamed CEOs in B.C. and Alberta.

Yellow Point 1's size has not been disclosed.



DOMINIC SCHAEFER

Brian Begert (l) and David Chapman: the duo behind the launch of Yellow Point Equity Partners' Yellow Point 1 fund

However, the three founders contributed more than \$5 million of their own capital, which was matched by Cypress. The CEOs each put in between \$500,000 and \$2 million.

The firm's founding trio brings notable experience to the venture. Chapman, 35, is the former chairman and CEO of Burnaby's **Greenlight Power Technologies Inc.**, the fuel cell testing company.

At the beginning of 2003, Mississauga's **Hydrogenics Corp.** bought Greenlight in a deal worth about US\$19 million. Chapman left Greenlight later that year.

In 1989, Begert was a founding partner of **Goepel Shields & Partners**, which was sold to **Raymond James Financial Inc.** in 2000 following a subsequent merger. That deal totalled \$130 million.

For years, Begert, 47, served as the managing director of investment banking for Raymond James and its predecessors.

Begert and Chapman met while the former was acting as an adviser to Greenlight.

"Brian and I started talking about founding Yellow Point, and this really seemed like a dream opportunity for me," Chapman said.

In addition, Rusty Goepel, the firm's non-executive chairman, also helped found Goepel Shields and is the senior vice-president of Raymond James' Canadian operations. Chapman said the fund would consider fuel cell and alternative energy investments, a fitting scenario given his former position with Greenlight. However, Yellow Point will also examine an array of other sectors, including basic manufacturing, technology, communications,

New capital: funds flowing into province

health care and services.

In addition to Yellow Point, there was other investment news, as local firm **Ventures West Management Inc.** announced the closing of Canada's biggest-ever private venture capital fund.

Dubbed Ventures West 8, the \$250-million vehicle will invest in early-stage companies in biotechnology, communications, and energy and information technology.

Some new institutional investors include the **Caisse de dépôt et placement du Québec** and the **University of Toronto Asset Man-**

agement Corp.

This update follows West 8's first closing, worth \$158 million, in November 2003. In 2000 Ventures West closed a \$235-million fund.

Hans Knapp, a partner at **Yaletown Venture Partners** – which closed a debut fund last year that's worth more than \$30 million – lauded the range of financing options now available. "Overall, the message is it's good for B.C., but it's also a filling out of the venture capital pool from which companies can go and tap money in B.C."

Given the recent influx of funding news –

in July, **Haywood Capital Partners** announced a partnership with **Galiano Ventures Inc.** to launch a life sciences fund – Knapp suggested it was an apt time for the market to digest the developments.

"The venture capital landscape has clearly improved from where it was a few years ago," he said. "And rather than overfilling the pot with too much capital, it's probably prudent at this time to wait and see how well the current crop of funds do in placing their capital."

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