

VENTUS DEAL A BOOST FOR WIND POWER

AND DOES NATIONAL BANK HAVE AN FMF ON ITS HANDS?

By Barry Critchley

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The really big news occurred this week in Paris when the government-owned Gaz de France and the publicly owned Suez agreed to create the world's third-largest listed power-and-gas company -- a deal worth \$80-billion.

Locally, the big news occurred about six weeks back when Suez Energy North America agreed to outlay \$124-million to purchase all of Ventus Energy Inc.

That deal, which is set to close in a couple of weeks, is noteworthy because it represents the first entry of Suez into the North American wind-energy market. Suez has a lot of traditional power assets in North America, with extensive operations in Massachusetts and Florida.

For its part, Ventus has been around since 2003. It has a portfolio of 25 wind-energy development projects in six provinces, all in Eastern Canada. The Ventus portfolio has about 2,000 MW of electricity generation of various stages of development. Ventus will now become the platform for Suez's North American wind development.

It's been a dramatic four years for Ventus, formed by Jeff Jenner (the chief financial officer) and John Douglas (chief executive) and backed by the labour-sponsored venture-capital fund, VentureLink Brighter Future Balanced Fund. "We invested in a business plan, with Jeff and John," said John Varghese, a managing director at VentureLink and the original chairman at Ventus. (David Peterson, the former premier of Ontario, is the chairman.)

At the time, Ventus had a pre-money valuation of \$3-million. The original plan was to obtain "good" properties on which the company's equipment could

be based. We had modest goals. But we got so good, that we ended up with 17 million acres," Varghese said.

"At that stage we decided to become developers. And I have been writing cheques ever since," he added.

Over the past four years, Ventus required more capital, a goal that meant a wider group of investors had to be invited in, given that VentureLink's resources were limited by the size of its fund. Two other funds within the VentureLink group invested, including one that focuses on mezzanine debt.

VentureLink's final equity round was completed last fall at \$4.25 a share. It also raised \$29-million of debt. (Last December, the Ventus unit that deals with wind power in P.E.I. raised \$25-million via the sale of limited partnership units.) In time, Good Energies and Blackrock joined the fray as did the Middlefield Group. Those two are Ventus's largest outside shareholders.

Overall Varghese said that the sale is a great result for his three funds: Two of them will generate an annual compound rate of return of more than 50% while the other (the debt fund) will post a gain of more than 35%.

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