

eVENTURE newsletter

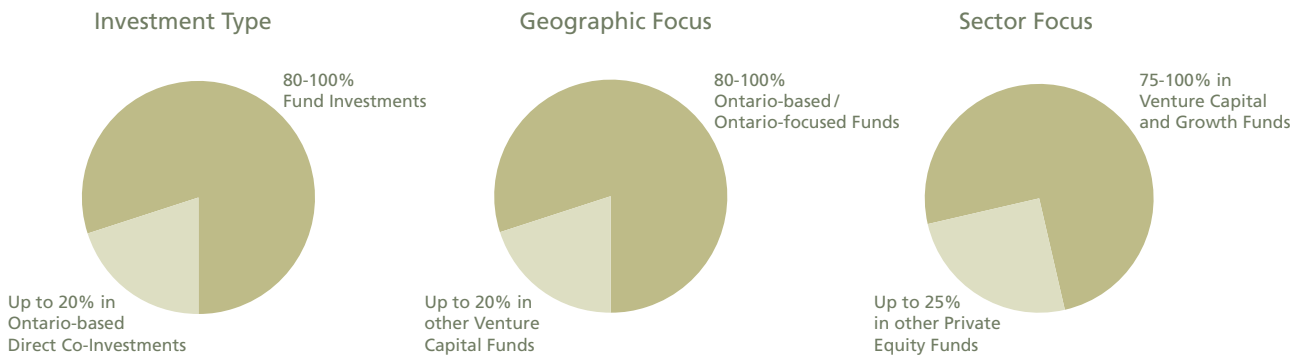
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About OVCF

The Ontario Venture Capital Fund (OVCF) is a joint initiative between the Government of Ontario and leading institutional investors to invest primarily in Ontario-based and Ontario-focused venture capital and growth equity funds that support innovative, high growth companies. OVCF is structured as a fund of funds.

Through a disciplined focus on generating superior returns for its lead investors and fostering the development of best-in-class fund managers, OVCF will serve as a new and important catalyst in ongoing efforts to create a profitable, globally competitive and self-sustaining venture capital industry in Ontario.

The portfolio guidelines of the Fund are as follows:



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LEAD INVESTORS



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OVCF serves as lead investor for first closing of Georgian Partners Fund I

Georgian Partners announced in July 2010 that it has successfully completed a first close ahead of its \$50 million initial target for Georgian Partners Growth Fund I, an Ontario-based growth equity fund focused on expansion stage companies, including high-potential Ontario companies, in the information technology, information aggregation and enterprise software sectors. The Ontario Venture Capital Fund (OVCF) had previously announced its commitment as Georgian Partners' lead investor and has been actively assisting the Georgian Partners team to raise the capital required to reach a first institutional close.

“OVCF is delighted that Georgian Partners has surpassed its initial fundraising target, particularly in such a challenging fundraising environment,” said Melissa McJannet, Managing Director of Northleaf Capital Partners, the manager of OVCF. “Our lead investor commitment to Georgian Partners reflects OVCF’s long-term strategy of constructing a portfolio of high potential Ontario-based and Ontario-focused venture capital and growth equity funds with sufficient scale and resources to execute their plans and deliver world class returns. We believe Georgian Partners is a fund manager capable of applying its deep global software domain knowledge and proven operational expertise to help its portfolio companies achieve their growth potential. Georgian Partners’ successful closing represents an important validation of OVCF’s lead investor model and approach.”

By providing capital to promising Ontario funds, OVCF seeks to strengthen the ability of the province’s

venture capital sector to support innovative, high-growth companies in Ontario by making it easier for them to find the capital, expertise and support they need.

“We are grateful for the assistance that OVCF and Northleaf Capital Partners have provided in our fundraising efforts. Not only have they facilitated introductions to potential investors, but they have mentored us throughout the fundraising process, which has proved to be immensely helpful to an emerging fund such as ours,” said Justin LaFayette, Co-Founder and Managing Director of Georgian Partners. “We feel that having the OVCF as our lead investor has provided us with the momentum to exceed our initial target and we look forward to our ongoing partnership with them.”

For more information on Georgian Partners, visit www.georgianpartners.com.

Northleaf Capital Partners, the manager of OVCF, recently caught up with Georgian Partners to discuss their differentiated investment strategy, the team and opportunities in Ontario for their first fund:

Georgian has a focused, niche strategy. Can you expand a little more on your investment thesis and how it better positions you in the marketplace?

Georgian focuses on growth and later stage enterprise software companies which are leaders in markets believed to be 3 to 5 years away from consolidation by major global software and information companies. We differentiate ourselves from other funds in three key ways:

Market Focus

Georgian targets a strategic part of the enterprise software market characterized by the convergence of hosted solutions, analytical optimization and information ownership.

Operational Support

The founding partners have strong global operating expertise that is supported by a strong network of consultants with proven execution in market strategy, sales, marketing, alliance-building, engineering and product management. These individuals make up our Impact Team, and are critical in assisting our portfolio companies achieve their growth potential post investment.

Deal Syndication

Georgian has pursued a deliberate strategy of establishing strategic relationships with some of the strongest players in the growth equity marketplace, who value our market knowledge and operational resources.

The founding team members have a range of experiences as entrepreneurs, technology executives and investors. How do these diverse sets of professional experiences complement the investing approach at Georgian? With two of the three founding partners coming from an operating background, and one from an investing background, Georgian has a very balanced approach to evaluating companies. Investment cases tend to start with the market that a company is in, the actual differentiation of the technology and the credibility of the management team. This allows us to have a little more flexibility in deal structure to pursue opportunities Georgian better understands and can help accelerate growth.

Georgian is focused on growth equity investments. How does this differ from venture deals? What is the profile of the typical company you invest/will invest in? We define growth stage as companies with proven technology and market leadership in markets that have not yet been successfully entered into by the large IT and Information Aggregators. A Georgian growth equity investment will typically have at least \$10 million in revenue, be at or approaching break even and be growing aggressively. We also invest in later stage technology companies, which are larger and doing \$50 – \$150 million in annual revenue. These businesses will have a proven technological differentiation, allowing them to thrive in markets in which large diversified IT companies already compete.

What opportunities do you see in Ontario? How does your pipeline look at this point? Ontario benefits from a large and diversified corporate ecosystem, which in turn spins off a very strong network of enterprise software companies. Ontario based companies currently make up a large portion of our pipeline, with particular strength in network management, systems management and industry focused solutions in the financial services, healthcare, manufacturing and media sectors.

VENTURE CAPITAL WATCH

Venture Capital Industry Update: Recent articles regarding the Canadian venture capital industry highlight positive developments

Stephen Hurwitz, a partner at Choate Hall & Stewart LLP, who specializes in Canada-U.S. cross-border transactions involving venture capital, private equity and technology companies writes in the article “Funds brighten future of Canadian innovation” that the governments of Ontario and Quebec have each created a new venture capital model to begin turning the tide.” Hurwitz believes these “innovative partnerships between government and institutional investors” are an important step forward for the Canadian venture capital industry. [Click here](#) to read the full article.

In July 2010, *Exchange Magazine* highlighted the efforts of the Ontario government in supporting various venture capital initiatives. The article entitled “Ontario Leads VC Activity with Local Investment” reports that programs sponsored by Ontario’s Ministry of Research and Innovation have positioned the province as industry leader in venture capital policy and programs. The article states, “every single Ontario dollar is leveraging up to \$3 from the market that’s flowing directly into high-growth Ontario companies.” Also mentioned in the piece is OVCF’s contribution. [Click here](#) to read the full article.

OVCF PARTNERS

OVCF Partner Profiled: The Ontario Capital Growth Corporation (OCGC)

Launched in February 2009, the Ontario Capital Growth Corporation (OCGC) manages the limited partnership interest of the Government of Ontario in OVCF as well as manages and operates the \$250 million Ontario Emerging Technologies Fund (OETF). Northleaf Capital Partners, the manager of OVCF, recently spoke with John Marshall, President & CEO of OCGC, to learn more about the organization and get an update on recent developments.

Tell us more about OCGC and your mandate.

OCGC was created by the Ministry of Research and Innovation (MRI) to oversee Ontario’s limited partnership interest in OVCF and directly manage OETF. At a time when early stage capital remains limited in Ontario, OVCF and OETF are important – but distinct – anchors in the Ontario government’s venture capital strategy. Whereas OVCF is a fund-of-funds that invests primarily in venture capital and growth equity funds, OETF invests directly in high-growth, Ontario-based businesses alongside qualified investors. It was with great care and foresight that MRI created OCGC as independent, arms-length agency in order to ensure that investment decisions were made in an autonomous and effective manner. OCGC relies on the investment decisions of its fund manager, Northleaf Capital, in regard to OVCF matters, and retains the services of Northwater Capital and Covington Capital to assist in reviewing potential investors and investments made by OETF.

OCGC has come a long way since its inception in 2009, and has been particularly busy in 2010. On the investment side, OCGC has seen a number of new investments made by both OVCF and OETF. We believe that the activity in these funds demonstrates the market’s confidence in the agency as an investor and the design of OETF and OVCF as market based investment funds. On the operational side, OCGC continues to ensure proper administration, oversight and accountability. Today the OCGC staff work hard to balance the workload of properly managing a government agency while also expeditiously bringing forward deals for consideration by the Board.

How do you work with OVCF and OETF?

OCGC's mandate is to manage OETF and Ontario's limited partnership interest in OVCF. We work closely with both funds but in varying capacities as they are structured differently. OVCF is a fund-of-funds managed by Northleaf Capital Partners on behalf of a group of limited partners. While the Ontario government is the largest investor in the fund, we see OVCF as a unique partnership between Ontario and these leading institutional investors on a new joint initiative designed to implement a market based approach to address Ontario's venture capital industry. As such, we have forged strong relationships with our co-investors, including OMERS, RBC, BDC, Manulife and TD Bank.

In contrast, the Ontario government is the sole investor in OETF and, as we mentioned earlier, the mandate is also different. OETF approves qualified investors – venture capitalists, angels, corporations and foreign investors – and makes direct, equity co-investments in companies alongside these qualified investors. We are very proud of what OETF has accomplished thus far. The market reacted positively to the fact that MRI and OCGC were able to announce, design and launch a new fund within four months. More importantly, OETF is demonstrating results. So far in 2010, OETF has qualified 15 investors and has conditionally approved 12 deals.

What do you see as OCGC's role in the Ontario venture ecosystem?

OCGC is a government agency focused on executing the government of Ontario's vision of creating a globally competitive venture capital industry in Ontario. With respect to OVCF, we and the other limited partners are ensuring that the fund remains true to its investment strategy. With respect to OETF, we are directing a fund that is rapidly and effectively co-investing capital into innovative Ontario companies alongside other investors. In addition to overseeing both funds' progress, we also collaborate with MRI and partners in the venture capital industry, including Northleaf and OVCF's institutional investors, on a wide range of initiatives designed to strengthen the venture capital industry over the long term.

What can the venture community expect to see from OCGC in 2010 and beyond?

First, I'd like to take a moment to reflect upon, and be proud of, what we have achieved thus far in such a short period of time. Our funds have made thoughtful investments and we have built a strong network of investors. We are setting a new standard by which public and private sector investors can work together, and as a result, we have received positive attention from institutional, domestic, foreign, corporate and angel investors. We are fortunate to have a dedicated team, helpful partners and a supportive Board that has made these accomplishments possible. However, we also recognize that OCGC is still in its early days and we will continue to work hard to implement the mandate that has been given to us by MRI. Continued improvements in corporate governance, accountability and investment management will be an on-going priority as OCGC matures from a start-up into a long term player in the venture capital ecosystem.

We expect both OVCF and OETF to continue to deploy capital in a responsible and timely manner. OVCF has closed on two fund investments thus far and has a strong pipeline of managers in the market, so we anticipate more investments will be made in near term that will fulfill the fund's investment strategy. In the case of OETF, we expect to continue to see more deals being completed. As a result, we are very excited about the future of venture capital in Ontario. Despite a challenging market, Ontario has a great pipeline of companies and entrepreneurs. Through OCGC, funds such as OVCF and OETF and other programs, we are building a great network focused on supporting these emerging firms. It is exciting to be a part of this space as we work together to grow the future of Ontario's economy.

OVCF EVENTS & NEWS

The entrepreneur's perspective is shared at OVCF's Breakfast & Learn event

On July 6, 2010, OVCF partnered with Canada's Private Equity and Venture Capital Association (CVCA) to host a breakfast seminar – The Entrepreneur Panel: A Candid Roundtable Discussion. Held at the Toronto Board of Trade, this is the third instalment of OVCF's professional development series, which covers various topics regarding the venture capital industry in Canada. Over 80 professionals, representing a diverse mix of the venture capital ecosystem were in attendance, including lawyers, investment bankers, government representatives, investors and, of course, entrepreneurs. The panel was moderated by Justin LaFayette, a Managing Partner at Georgian Partners, who himself has made the transition from entrepreneur to investor. Anthony Lacavera, Chairman & CEO of Globalive Communications, Stuart Lombard, President & CEO of ecobee and Razor Suleman, Founder & CEO of I love Rewards, served as panellists. The animated discussion centered on what characteristics make for a successful entrepreneur, the factors that

drive founders to become serial entrepreneurs as well as the benefits and challenges of being an entrepreneur and raising capital in today's environment.

A special thanks to Sandra Bosela, Chair of the CVCA Professional Development Committee, for her leadership in organizing the successful breakfast and learn event, and to the regular series sponsors PriceWaterhouseCoopers, HKMB, HUB International and Chubb Insurance.

OVCF INVESTMENTS IN THE NEWS

[XPV Appoints Debra Coy to its Strategic Advisory Board](#)

[BlueCat Networks Names New Technical Advisory Board Members](#)

[Debut Water Vehicle Makes a Splash](#)

[BlueCat Networks Named 2010 Hot Companies Finalists by Network Products Guide](#)