

# eVENTURE newsletter

VOLUME 4 – NOVEMBER 2011

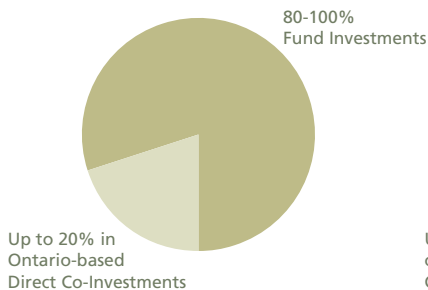
## About OVCF

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.

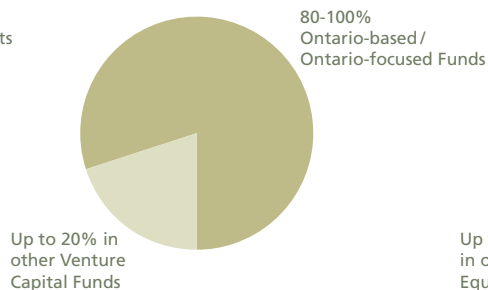
Through a disciplined focus on generating superior returns for its Lead Investors and fostering the development of best-in-class fund managers, OVCF serves as an important catalyst in ongoing efforts to create a profitable, globally competitive and self-sustaining venture capital industry in Ontario.

The portfolio guidelines of the Fund are as follows:

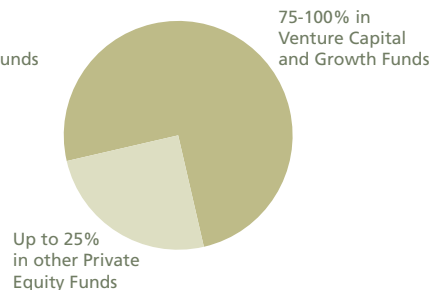
Investment Type



Geographic Focus



Sector Focus



## LEAD INVESTORS



## FUND MANAGER

## CONTACT

Northleaf Capital Partners, 79 Wellington Street West, 6th Floor, Box 120, Toronto, Ontario M5K 1N9  
tel: 1.866.964.4141 | fax: 416.304.0195 | [ovcf@northleafcapital.com](mailto:ovcf@northleafcapital.com) | [www.ovcf.com](http://www.ovcf.com)

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## Ontario Venture Capital Fund closes on a lead commitment to BlackBerry Partners Fund II

The Ontario Venture Capital Fund continued to build out its Ontario-focused investment portfolio with a lead commitment to BlackBerry Partners Fund II (BlackBerry Partners), an independent venture capital firm focused exclusively on mobile internet investing. The BlackBerry Partners Fund, a Toronto-based firm, ranks among Canada's most active technology investors and had its initial fund closing in June 2011. OVCF committed \$20 million to the fund which is targeting an ultimate fund size of US\$150 million.

Founded in 2008, BlackBerry Partners has a unique relationship with Research in Motion (RIM), which provides it with privileged access to RIM's engineering, strategy, product and senior executive teams. BlackBerry Partners has a multi-stage approach and will invest from seed through Series C rounds with a primary focus on North American companies. BlackBerry Partners' investment strategy is device and platform agnostic, but leverages the firm's deep and unique partnership with RIM/BlackBerry for market insight, due diligence and portfolio company growth opportunities. BlackBerry Partners II is co-led by John Albright and Kevin Talbot, who both have extensive venture capital experience and also lead BlackBerry Partners I.

"We are delighted to support one of Ontario's most promising venture capital funds with a lead commitment as they continue their successful strategy of investing in a large and rapidly growing market," said Melissa McJannet, Managing Director of Northleaf Capital Partners, the manager of OVCF. "The investment in BlackBerry Partners reflects OVCF's strategy of investing in best-in-class Ontario-based and Ontario-focused venture capital and growth equity funds. BlackBerry Partners has served as a local champion in the Ontario market and we believe its differentiated investment strategy positions it to succeed on a global basis."

"We are thrilled with the support from our existing investors, including Research in Motion, Thomson Reuters, Corus Entertainment and Slight Communications as well as from new investors such as OVCF for our second fund," said John Albright, Co-Managing Partner of BlackBerry Partners Fund. "We look forward to delivering strong returns to our investors by finding the next generation of exceptional entrepreneurs around the world who are shaping the future of the mobile ecosystem."

For more information on BlackBerry Partners, visit [www.blackberrypartnersfund.com](http://www.blackberrypartnersfund.com)

## Northleaf Capital, the manager of OVCF, recently sat down with BlackBerry Partners Fund to discuss their new fund and outlook on the mobile sector

*BlackBerry Partners has a focused strategy. Can you expand on your investment thesis and how you have a differentiated value proposition? How is the team structured to take advantage of this opportunity?*

We believe there are titanic shifts in the way businesses and consumers are interacting with each other. As part of our investment thesis, we have segmented these changes into broad themes based on the changes in culture, society, and technology – and the interplay between them that is facilitated by mobile devices.

More specifically, the themes encompass the always-on, hyper-networked environments that are blurring the lines between professional and personal lives.

The team is positioned to capitalize on this shift due to our tenure, expertise, and most importantly, relationships with our strategic partners and investors. Research in Motion, Thomson Reuters, Corus Entertainment and Slight Communications have assisted our portfolio companies by becoming customers, providing sales opportunities and marketing insights, co-investing where appropriate and providing technology expertise. In addition, the BlackBerry Partners Fund is the 5th most active mobile investor in North America, which has allowed us to gain an enormous amount of domain knowledge due to our sole focus on mobile.

***BlackBerry Partners Fund II has a global mandate with a focus on North America. What regions around the world have attractive and successful mobile ecosystems that you will target and why?***

The shifts and themes mentioned earlier are seen throughout the world, with arguably a more pronounced effect in developing countries and regions. The BRIC countries (Brazil, Russia, India, China) each have an established mobile infrastructure and more mobile subscribers than in Canada and the U.S. combined. Ultimately we are opportunity driven, and will focus on geographic areas that have established infrastructure and opportunities for companies we invest in to achieve hyper-growth.

***Despite the fund's name, the investment focus is platform agnostic. What is RIM's motivation for supporting this broader mandate?***

Research In Motion was an early pioneer in the mobile ecosystem and has deep expertise in building technology that millions of people use. As an investor, RIM has assisted our entrepreneurs and portfolio companies by providing technology and marketing expertise. RIM and its founders, Mike Lazaridis and Jim Balsillie, would both like to see the continued growth of the global mobile ecosystem and the creation of new Canadian companies that are successful on a global basis.

***What types of mobile opportunities are you seeing in the Ontario market?***

We are seeing a lot of very exciting early stage opportunities in Ontario. For example, Ontario-based start-ups are developing software applications that disrupt the way people communicate with each other and the world around them; change the way people shop and transact; provide mobile services for connected devices; result in new games and social networks; create new mobile applications that reside on mobile/connected devices; provide new ways for monitoring and improving health care; and provision mobile devices for video and media.

***What is your outlook on the mobile sector for the next 2-5 years? What major changes are influencing the types of investments you are making today?***

Three years ago we recognized that ubiquitous connectivity combined with the proliferation of mobile devices would disrupt long-established industries. In the next 2-5 years, we expect the pace of change to accelerate. There will continue to be opportunities to invest in companies seeking to become leaders in newly established or newly disrupted industries that are being consumed from a mobile/connected device. We expect the number of smartphones to go from a penetration rate of 20% to 80% and the number of connected devices to grow from 100 million to billions.

Specifically, we are looking at the shift in the way consumers and businesses interact with each other, the way they consume media, and the way they transact. We believe that the mobile paradigm will facilitate these changes and are looking for products, entrepreneurs, and companies that are enabling or benefiting from these changes.



## OVCF makes a direct co-investment in Fresco Microchip

The Ontario Venture Capital Fund participated in the \$9 million Series C financing of Fresco Microchip Inc. (Fresco), an Ontario-based fabless semiconductor company focused on leading-edge radio frequency, analog and digital signal processing technologies. The company's products deliver Value Through Innovation™ by offering significantly lower system solution costs at optimal performance. Fresco's patent-pending technology transcends a broad range of consumer devices creating a fundamental paradigm shift in the television market and the company's customers include top-tier tuner manufacturers who supply leading consumer electronic brands.

OVCF participated in the financing alongside Fresco's existing investors, which include Celtic House Venture Partners and Ventures West. The funds raised will be used to commercialize Fresco's expanded product portfolio and to augment its ability to serve customer demand in emerging markets. Capitalizing on the company's market leadership and engineering expertise in analog and digital television, Fresco has launched a family of innovative silicon tuner products that reduce design complexity and system cost.

"Fresco's success is a direct result of our ongoing commitment to deliver value through innovation," said Lance Greggain, CEO, President, and Co-Founder of Fresco Microchip. "We are delighted to expand our investor syndicate with solid backing from Canada's leading investment partners, including OVCF. We see this kind of support as a testament to our team's technical know-how, deep market understanding and ability to deliver industry-leading products in high volume to our customers."

"OVCF is delighted to join our investment partners, Celtic House and Ventures West in supporting Fresco's next stage of growth to deliver world class returns," said Ian Carew, Director of Northleaf Capital Partners, the manager of OVCF. "OVCF was designed to support innovative, emerging companies in Ontario, and Fresco is a great example of a high-potential firm that is well positioned to succeed on the global stage."

For more information on Fresco Microchip, visit [www.frescomicrochip.com](http://www.frescomicrochip.com)

Northleaf Capital, the manager of OVCF, sat down with Fresco CEO, President, and Co-Founder, Lance Greggain to discuss the future growth prospects for Fresco Microchip:

*What are the key reasons customers are adopting Fresco's technology?*

Fresco is widely recognized as the industry standard for television picture quality. By applying Fresco's technology, customers significantly reduce design costs and streamline production, accelerating time-to-market. Fresco's silicon tuners leverage an innovative, game-changing architecture that eliminates redundant functionality and components that are commonly found in the television system-on-chip (SOC).

*What are the biggest challenges selling into the consumer electronics market?*

"Cost down" is the single most important driver in consumer electronics. The ability to achieve the lowest cost system solution without compromising performance requires disruptive technology. Fresco's technical know-how and deep market understanding enables the company to deliver innovative, industry-leading products in high volume.

*What other applications/markets can Fresco's technology be applied to?*

Fresco's technology and its cost and performance advantages are applicable to virtually any radio including television, mobile and wireless applications.



## OVCF makes a direct co-investment in Dealfind

The Ontario Venture Capital Fund has completed a direct co-investment in Dealfind, a leading player in the online daily deal space. Dealfind.com is a Toronto-based online daily deal service business which offers customers places to dine, shop and visit, at a fraction of the usual cost.

Dealfind was launched in May 2010 by Gary Lipovetsky and Michael Tulman as a division of MenuPalace.com, an online restaurant directory which was founded in 1999. Dealfind represents a natural evolution for the MenuPalace.com team into performance based local advertising for business verticals beyond restaurants.

The company secured a \$31 million investment from OVCF and two other leading venture capital investors, Insight Venture Partners and Georgian Partners. The three investors' resources will allow Canada's leading daily deal website to further finance its growing infrastructure and advance its plan to expand across Canada and the United States in 2011.

By the end of 2011 Dealfind's goal is to be in over 100 cities in North America. The online group-buying phenomenon continues to grow and internal research from Dealfind indicates the significant purchasing

power of the average Dealfind consumer. A full one third of Dealfind customers have an average annual household income of \$100,000 or more, with another third of its customers stating their average household income ranges from \$60,000 to \$100,000 per year. As consumers continue to pursue opportunities to get the most value from their dollars, Dealfind expects to continue to grow.

“Securing such significant financing after only one year in business is a testament to the current success of Dealfind, as well as our future expected growth,” said Gary Lipovetsky, President, Dealfind. “From day one, we have been committed to providing consumers with premium online group-buying services and these funds will allow us to continue achieving that goal.”

“Dealfind has established itself as the leader in the Canadian market, and we are proud to have partnered with Georgian Partners and Insight Venture Partners to support Dealfind in its next phase of growth,” said Ian Carew, Director of Northleaf Capital Partners, the manager of OVCF. “This represents OVCF’s fourth direct co-investment and we are delighted to include this high potential fast growing Internet company in the portfolio.”

For more information on Dealfind, visit [www.dealfind.com](http://www.dealfind.com)

## Northleaf Capital, the manager of OVCF, met with Dealfind Chief Marketing Officer, Marina Glogovac to discuss the rapidly growing daily deal sector and [dealfind.com](http://dealfind.com)

### *What factors are driving the phenomenal growth in the daily deal sector?*

The daily deal sector is benefiting from the convergence of an explosive growth in online shopping, recessionary economic fundamentals, consumers’ proven and long-standing support for local deals and coupons, and the continued effectiveness of the daily deal method in promoting local merchants. The daily deal sector has been the first viable way for local retail to leverage the Internet. These industry factors have proven valuable in driving growth for the daily deal sector.

### *How is Dealfind differentiated from the hundreds of other sites that are offering coupons and deals?*

Dealfind differentiates itself by size and scale, coupled with deep local sales knowledge; the vast majority of competition is limited to one or a select few markets while Dealfind operates in nearly 50 markets across North America, with professionals dedicated to each individual market. Dealfind offers extended customer service and a full 30-day refund policy to ensure its customers are being treated fairly and will remain loyal to the company. Dealfind’s strong younger female skew relative to other sites allows for further customization and effective target marketing.

Additionally, Dealfind offers a unique one-to-one referral program with a cash payout – you can recommend Dealfind deals to others, and get paid every time they purchase the deal.

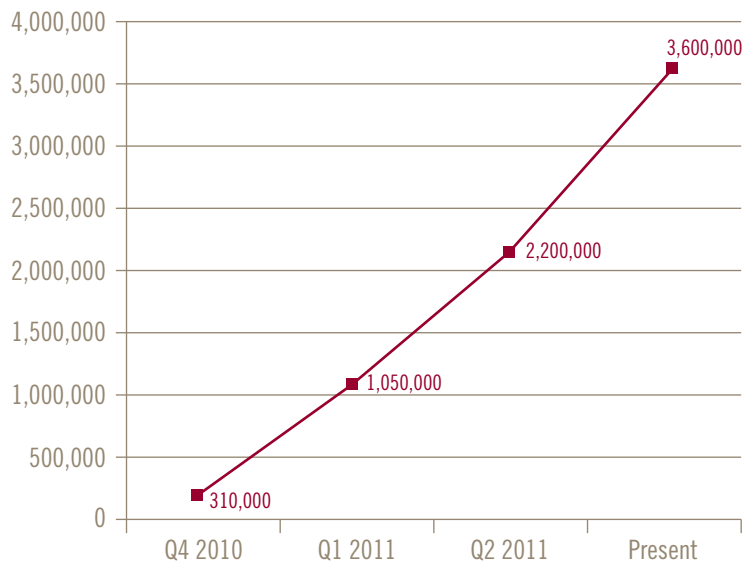
### *How has the Company grown over the past year?*

Dealfind has grown substantially over the past year; in the last six months alone, the number of cities covered by Dealfind has doubled and the number of subscribers has tripled.

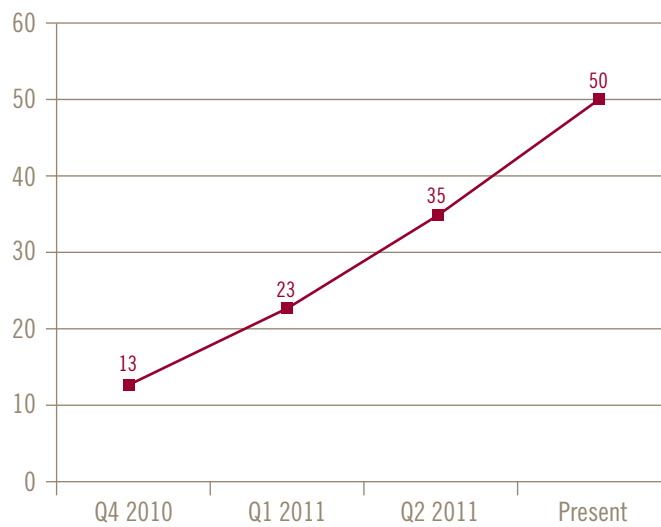
The graphs on the following page outline Dealfind’s recent growth by subscriber and city.



DEALFIND SUBSCRIBER LIST



DEALFIND ACTIVE CITIES



*What is required for the company to continue to grow at the same rate?*

To maintain its growth rate, Dealfind must continue acquiring customer resources and knowledge to expand its subscriber database. Dealfind must expand its reach by increasing sales capacity for further geographic expansion and increased market penetration. Furthermore, to ensure existing and new customer satisfaction, Dealfind needs to maintain and improve the quality of current deals and introduce new deal verticals.

*Name your all-time favourite deal. Is there one deal that sticks out in your mind as being a deal that surprised you in terms of how well it did?*

In March 2011, Dealfind offered a deal for afternoon tea at the Fairmont Hotel Vancouver. For \$36, two people could have tea with pastries, petit sandwiches and house-made scones. With a \$72 face value, this deal sold 11,047 vouchers in three days!

## Building Strategic Alliances: a roundtable discussion at OVCF's recent Breakfast & Learn event

On July 20, 2011 OVCF partnered with Canada's Private Equity and Venture Capital Association (CVCA) to host another successful breakfast roundtable discussion – "Building Strategic Alliances". The panel discussed the benefits to private companies in forging key strategic partnerships to help drive their success. Lance Greggain (President & CEO, Fresco Microchip), Steve Leightell (Business Development and Alliances, Georgian Capital Partners), Amar Varma (Managing Partner & Founder, Extreme Venture Partners), Mike Lee (Vice President, Venture Investments, Rogers Ventures), and moderator Derek Smyth, provided stories from the front lines on their experiences working with, or acting as, a strategic partner and shared helpful insights on relationship dynamics.

# Accelerate TO



## Upcoming event – AccelerateTO

On Wednesday, November 9th, 2011 AccelerateTO, in partnership with the C100, is hosting the second annual AccelerateTO conference – a day of connection and celebration bringing together Toronto's top technology entrepreneurs, influencers and investors. The goal of AccelerateTO is to accelerate early-stage Canadian technology companies through stronger relationships with Silicon Valley and Canadian influencers and investors.

While the planned lunch, afternoon sessions and opening dinner are either by invitation or only open to C100 members, OVCF is pleased to be the presenting sponsor of the AccelerateTO Cocktails and Keynote Reception which will be open to the entire Toronto Tech/Entrepreneurial community.

OVCF is delighted to announce that Chris O'Neill, Managing Director, Google Canada will be the keynote speaker. Space is limited, so please take a moment to register at [www.accelerateto.com](http://www.accelerateto.com). All ticket proceeds will be donated to the United Way.

### AccelerateTO Closing Cocktails and Keynote Reception

Wednesday November 9th, 2011

The ROM

100 Queens Park, Toronto

Cocktails: 6:30 pm

Keynote address: 7:15 pm

For more information or to register for the event, visit [www.accelerateto.com](http://www.accelerateto.com)

## OVCF IN THE NEWS

Northleaf's Melissa McJannet  
on the OVCF's mission