

# eVENTURE newsletter

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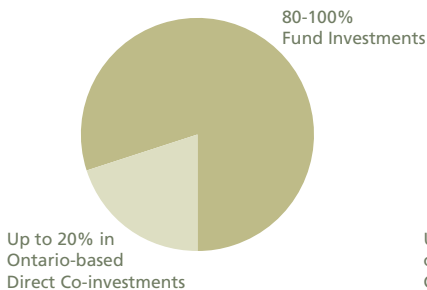
## About OVCF

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.

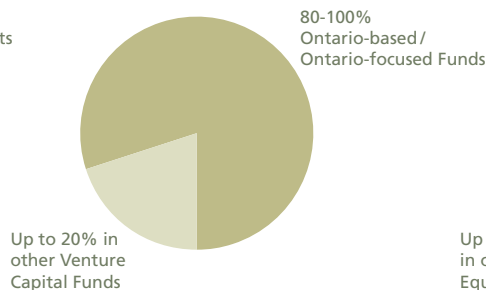
Through a disciplined focus on generating superior returns for its Lead Investors and fostering the development of best-in-class fund managers, OVCF will serve as a new and important catalyst in ongoing efforts to create a profitable, globally competitive and self-sustaining venture capital industry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

The portfolio guidelines of the Fund are as follows:

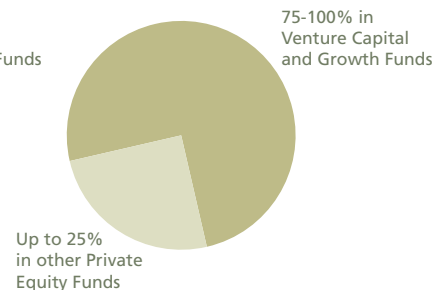
Investment Type



Geographic Focus



Sector Focus



## LEAD INVESTORS



## FUND MANAGER

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## Ontario Venture Capital Fund strengthens Ontario's venture capital industry with a commitment to Georgian Partners

The Ontario Venture Capital Fund recently made a commitment of up to \$15 million to Georgian Partners Growth Fund I (Georgian Partners), an Ontario-based venture capital fund focused on expansion stage companies, including high-potential Ontario companies, in the information technology, information aggregation, and enterprise software sectors. Georgian Partners Growth Fund I is Georgian's first fund and will be managed by a team of three partners with experience in operations, technology and investments/mergers and acquisitions. Supporting the partners is a group of operational consultants with long term working relationships with the partners. The firm was founded by Justin LaFayette and Simon Chong, two former executives of DWL Inc., and John Berton, formerly Managing Director at VRG Capital. As Georgian Partners' lead investor, OVCF will actively assist Georgian Partners in raising the balance of the capital required to reach a first institutional close. For more information on Georgian Partners' investment strategy and team, visit [www.georgianpartners.com](http://www.georgianpartners.com).

TD Capital, the manager of OVCF, sat down recently with Georgian Partners to discuss their investment strategy:

### *What is Georgian Partner's investment focus?*

We are a Toronto-based venture capital fund focused on expansion stage companies in the information technology, information aggregation, and enterprise software sectors.

### *How is the team structured to take advantage of this opportunity?*

We aim to apply our deep domain knowledge and proven operational expertise to identify suitable companies, conduct due diligence and – post investment – help companies achieve their growth potential. We are supported by our Georgian Impact Group consisting of seven consultants with strong proven global tactical expertise.

### *How will Georgian add value to its portfolio companies?*

We provide strategic support while the Georgian Impact Group provides tactical support in the key areas required to accelerate growth in investee companies: sales methodology, market strategy, product marketing, product management, R&D and intellectual property ownership. The Georgian Impact Group also plays an important role in due diligence by providing us with analysis of potential investee capabilities in their respective areas of expertise. This will result in an identification of post investment acceleration opportunities prior to closing a transaction.

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

There are numerous high growth companies that are looking to expand on a global basis. Founded on strong technology and management, these companies need capital and global expertise in this critical stage of growth. Many of these companies possess the ability to become leaders in their space.



## Ontario Venture Capital Fund makes commitment to EdgeStone Capital Venture Fund III

The Ontario Venture Capital Fund recently made a commitment of \$20 million to EdgeStone Capital Venture Fund III (EdgeStone), an Ontario-based venture capital fund focused on early and growth stage Canadian information technology companies. EdgeStone Ventures is an established venture capital fund managed by a team of five investment professionals with a mix of operating, technical, and financial experience. The EdgeStone Ventures team, led by Bryan Kerdman and Derek Smyth, has more than 50 years cumulative experience investing in and operating highly successful Canadian growth companies. EdgeStone Ventures' track record of successful investments includes Ontario-based companies such as Workbrain, SlipStream Data, Protus IP Solutions, and Varicent. As the lead investor in EdgeStone Capital Venture Fund III, OVCF's commitment will assist the fund in reaching its first close milestone of \$100 million. For more information on EdgeStone Ventures' strategy and team, visit [www.edgestone.com](http://www.edgestone.com).

TD Capital, the manager of OVCF, recently caught up with EdgeStone Ventures to discuss their plans and outlook for their new fund:

### *What is EdgeStone Ventures' investment focus?*

We invest in Canadian-based information technology companies delivering value to enterprise customers, large and small, around the world. We look to partner with and build exceptional management teams and invest in companies with proven technologies that possess strong and flexible intellectual property. We seek to achieve extraordinary returns for our investors, and therefore seek to invest in extraordinary people.

### *How is the team structured to take advantage of this opportunity?*

We are Canada's most tenured information technology venture capital team with a combined over 50 years of operating and investing experience. Our network provides us with rich deal flow and, further, provides our portfolio companies with access to some of the key decision-makers, thought leaders and innovative customers in their respective markets. The members of our team possess a wealth of operating experience, collectively having run ten companies and managing over 1,000 employees. The fund invests in companies where our team can help create significant value by drawing on these experiences to provide tactical and operational guidance as well as strategic and financial advice.

### *In what areas will EdgeStone Ventures add value to its portfolio companies?*

The members of our team have hands-on experience in creating, operating, growing and exiting businesses globally. Whether it is to provide guidance on general operations, on specific projects, or to fill temporary management/staffing gaps, we remain continually engaged with our portfolio management teams. We have been told by our CEOs that we are value-added members of their boards of directors by providing guidance to management on key business decisions. We have a demonstrated history of successfully evaluating and negotiating potential M&A

transactions, sourcing, negotiating and closing financings (including IPOs), and finding new customers and employees.

*What advice are you providing your portfolio companies in light of the current economic environment?*

Measure the key drivers of the business more frequently so that iterations, if necessary, can be made in a timely manner. Our companies are built for growth, but growth is as much a function of strong strategy and excellent execution as it is of overall market dynamics. If these dynamics change because of the current economic environment, the strategy and execution plan may have to change. Waiting too long to implement these changes can put undue risk on the business. We worked with all of our portfolio companies in the summer/fall of 2008 to establish a planning structure to deal with the uncertainties of the market. The flipside is that the current market environment can be an opportune time to exploit the strengths of a company. We are working closely with some of our portfolio companies on projects to accelerate their businesses inorganically.

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

EdgeStone continues to receive a steady stream of high quality deal flow from its target sector of Canadian-based information technology companies. We are seeing an increasing number of second time entrepreneurs that have previously started and built world class technology companies. Companies are becoming increasingly capital efficient by taking advantage of things like cloud computing. Ontario has great clusters of innovation in wireless, digital media, telecom/networking and enterprise software. We see many talented entrepreneurs seeking to take advantage of these market strengths in order to build value-added business applications/services to serve both large enterprise customers as well as the sub-10 person business customer.



## OVCF makes first direct co-investment with investment in I Love Rewards

OVCF recently announced a \$1.8 million direct co-investment in I Love Rewards ([www.iloverewards.com](http://www.iloverewards.com)), North America's fastest growing rewards and recognition program provider. Based in Toronto, I Love Rewards is a web-based provider of employee rewards and recognition, sales incentive and service award programs and works with top employers and leading companies such as Microsoft, Marriott, ConAgra and Bell.

As part of the transaction, I Love Rewards secured an \$8.7 million Series B financing round led by GrandBanks Capital with continued participation by prior investor JLA Ventures. The capital will be used to accelerate I Love Rewards' growth by expanding its sales and marketing capabilities to capture a share of the US\$47 billion rewards and recognition industry.

As part of its investment strategy, OVCF may invest up to 20% of its capital in direct co-investments alongside leading fund managers in high potential Ontario-based portfolio companies. The goal of the direct co-investment portion of the OVCF mandate is to generate attractive returns by providing much needed investment and support to promising later-stage Ontario-based, venture-backed companies to ensure they are able to grow, thrive and continue to contribute to the development of Ontario's economy.

"We are pleased to have worked closely with GrandBanks Capital and JLA Ventures as co-investment partners on the transaction to further support this successful

and growing technology company,” said Melissa McJannet, Managing Director of TD Capital Private Equity Investors, the manager of OVCF. “This represents OVCF’s first direct co-investment and we are delighted to include this high potential Ontario-based company in the OVCF portfolio.”

The I Love Rewards Series B funding follows a series of key milestones achieved by the company:

- Record growth in Q1 2009, reporting a 187% increase in gross billings and 253% increase in new customer acquisition year over year.
- Numerous recent awards including:
  - ✓ Winner, Canada’s Top 10 Tech Award, 2008/09
  - ✓ Winner, Canada’s Top 100 Employers of 2008
  - ✓ Ranked #12, PROFIT 100 Fastest Growing Companies, 2007

## Inaugural OVCF Lunch and Learn Sold Out!

OVCF recently partnered with Canada’s Private Equity and Venture Capital Association (CVCA) on June 17, 2009 to host over 60 venture capital fund managers and their portfolio companies at OVCF’s first “Lunch and Learn” – “How Government Programs can Stretch Your VC Investment”. The successful session was kicked off by opening remarks from Deputy Minister George Ross of the Ontario Ministry of Research and Innovation, one of the Lead Investors in OVCF. The panelists included Bryan Kanarens, Managing Director, Ontario Centres of Excellence; John Marshall, Director, Ministry of Research and Innovation; Sam Stevens, Executive Director Ontario Region, NRC-IRAP; and Jim Valerio, Manager, Policy and Liaison, Industry Canada. Ilse Treurnicht, CEO, MaRS Discovery District moderated the session. The panel provided insights into the workings of their respective government programs and tactical advice on how venture capitalists can leverage the funding and resources available through these programs to directly benefit their portfolio companies. To download a copy of the presentation from the event, please visit [www.ovcf.com/events](http://www.ovcf.com/events).