



CANADIAN VENTURE CAPITAL ASSOCIATION (CVCA)
ASSOCIATION CANADIENNE DU CAPITAL DE RISQUE (ACCR)



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FOR IMMEDIATE RELEASE

Canadian Venture Capital Activity Up Slightly in Q3

Dollars invested by Canada's venture capital industry were up slightly in the third quarter of 2002 according to the latest industry statistics released today by Macdonald & Associates and the Canadian Venture Capital Association (CVCA). This occurred in spite of increasingly tight exit avenues in IPO and acquisition markets. The industry invested \$475 million in Canadian companies between July and September of this year, up by 7% from the \$445 million invested in the second quarter.

Canada continues to fare better than the United States where capital invested fell by 26% from US\$6.0 billion in Q2 to US\$4.4 billion in Q3. While institutional investors are pulling back from investment in US venture funds, Canada's venture capital funds have attracted more institutional money in recent months. This will provide the venture capital and private equity industry with additional liquidity to invest in Canadian businesses.

"Although the venture capital industry has been facing some real challenges in both Canada and the US, activity levels suggest that the Canadian industry is weathering the storm reasonably well." says Mary Macdonald, President of Macdonald & Associates, the venture industry experts.

Renewed activity in communications and networking, computer software and other IT sectors accounted for much of the quarter-to-quarter rise in capital invested in Canada. In addition, the disbursements by American venture funds, strategic corporate funds and other foreign investors grew by 13% to reach \$101 million, after falling sharply in the second quarter.

News on the Canadian industry's institutional fund-raising front continues to be very encouraging. By the end of September, new capital commitments from institutions had reached \$707 million, or 46% more than the \$483 million raised in the whole of 2001.

"We are cautiously encouraged by the growth in investment from Q2 to Q3 this year" says Brad Ashley, President of the CVCA and Managing Partner of PRIVEQ Capital Funds. "As venture capitalists are seeing more attractive new investment opportunities this fall, I am hopeful that this positive investment trend will continue into Q4 2002". Ashley also noted that "the increased support of venture funds by institutional investors bodes well for the future of our industry".

Canadian Venture Capital Association (CVCA)

The CVCA represents the venture capital and private equity industry in Canada and promotes the development and advancement of Canadian businesses through the use of venture capital. The CVCA fosters professional development, networking, communication, research and education within and outside the venture capital industry and represents the industry in tax and regulatory matters. The CVCA currently has over 800 members across Canada.

Macdonald & Associates Limited

Macdonald & Associates Limited is an information company tracking the fundraising and investment activities of more than 200 venture capital and private equity investors across the country. Its proprietary database is now available online through VCReporter™. Twice a year Macdonald & Associates co-hosts the Canadian IT Financing Forum, which brings together many of Canada's leading fast growing IT companies with most of the country's IT focused venture investors.

For further information, please contact:

Lauren Linton, Director of Marketing, CVCA, 416 487-4299

Brad Ashley, President, CVCA; Managing Partner, PRIVEQ Capital Funds, 416-447-3330

Mary Macdonald, President, Macdonald & Associates, 416-964-1265 www.canadavc.com

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