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FOR IMMEDIATE RELEASE

Venture Capital Investments Decline in Third Quarter Following Q2 Spike

TORONTO— Activity in Canada's venture capital industry dropped in the third quarter, returning to historical levels on an annualized basis, according to market figures released today by Canada's Venture Capital and Private Equity Association and its research partner, Thomson Macdonald.

With Canadian and foreign investors pulling back, venture capital investments during the third quarter ending September 30th, 2005, declined following a very active Q2. Total venture investment in Q3 was \$261 million, down 59% from the \$635 million invested in Q2 of 2005. This resulted in year-to-date activity slightly below that of comparable periods in 2004.

In the year-to-date, venture capital investments in Canada amounts to \$1.23 billion, down approximately 10% from the \$1.36 billion invested at the end of Q3 in 2004. Year-to-date, a total of 551 firms have received venture capital funding in Canada, almost identical to the 560 firms funded in the same period of 2004.

"Third quarter activity levels are disappointing, however, there are often substantial variations in investment volume across quarters in any given year," said Rick Nathan, CVCA President and Managing Director of Goodmans Venture Group.

Third quarter 2005 continued some of the trends that have characterized the Canadian venture capital market for several years, including:

- Canadian venture investors continue to focus on relatively smaller transactions, with the average investment in Q3 at a quite modest \$1.6 million (\$2.7 million year-to-date), compared to a U.S. average of more than \$10 million over the same time period.
- The focus on smaller financings corresponds to the absence of U.S. and foreign funds, which typically invest in larger Canadian transactions.
- Venture capital fund raising also declined, to \$229 million in the third quarter of 2005, down 20% from the \$286 million raised in the same period a year ago.

"Clearly, the Canadian venture capital industry remains undercapitalized," added Mr. Nathan. "It is increasingly important for our domestic venture industry to address this chronic underfunding, if we wish to successfully finance the best emerging growth companies and entrepreneurs in Canada. This is the top priority of the CVCA, and we have a number of initiatives underway in this area."

CVCA

The CVCA - Canada's Venture Capital & Private Equity Association, was founded in 1974 and is the association that represents Canada's venture capital and private equity industry. Its over 1000 members are firms and organizations which manage the majority of Canada's pools of capital designated to be committed to venture capital and private equity investments. The CVCA fosters professional development, networking, communication, research and education within the venture capital and private equity sector and represents the industry in public policy matters.

Thomson Macdonald

Thomson Macdonald (previously Macdonald & Associates) is recognized as the leading source of data, analysis and strategic market intelligence on the venture capital and private equity markets in Canada. Detailed transaction information is available in its online, proprietary database VCRReporter™.

To arrange an interview with Rick Nathan, President of the CVCA, please contact Charlene Wager at 416.597.5912, cwager@goodmans.ca

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