



August 30, 2005

FOR IMMEDIATE RELEASE

**CVCA comments on Ontario's decision to end tax credits for  
Labour sponsored Investment Funds**

The Canadian Venture Capital and Private Equity Association (CVCA) is today commenting on yesterday's announcement by the Ontario government that it intends to end the provincial tax credits for Labour Sponsored Investment Funds (LSIFs).

Dr. Robin Louis, President of the CVCA expressed surprise that this decision would be taken without consultation with the industry. "This is a major change in a program that has become a significant part of the venture capital industry" said Dr. Louis "we would have thought that consultation with industry participants, both LSIFs and others, would have been useful. Certainly there should be discussions with the industry on how best to implement this decision."

**LSIF Participation in the Ontario Venture Capital Market**

Since the implementation of the LSIF program in Ontario in 1991, the funds which raise their capital under the LSIF program have grown to become a major part of venture capital investment in the province. For example, over the past 2.5 years (Jan-03 to June-05) LSIFs in Ontario invested 28% of the venture capital dollars invested and participated in 56% of the financings. The total value of financings which included at least one LSIF was approximately 55% of the total amount invested.

"With the end of tax credits we would expect that the LSIF's would reserve much of their currently available liquidity for follow on investments therefore we would expect that their participation in the funding of new investments will decline sharply" commented Dr. Louis.

**Availability of venture capital funding in Canada**

Capital raised by the venture industry in Canada declined in 2004 and, based on the first half of 2005 (most LSIF funds are raised in the first half of the year) will likely not increase in 2005.

(\$ millions)	2003	2004	1H 2005
Capital raised—LSIF's	1,486	1,108	745
Capital raised—Private Funds	276	445	374
Total	1,762	1,553	1,119

Over the same period, the amount invested has been quite stable

(\$ millions)	2003	2004	1H 2005
Capital invested—LSIF's	535	596	289
Capital invested—Private Funds	228	285	164
Capital invested—Other Sources	899	935	509
Total	1,662	1,816	962

Dr. Louis added “New sources of capital, such as an increase in the funds raised by private independent funds, increased activity by corporate investors, or an increase in foreign investment, may increase over time and replace the LSIF investment. However we would expect that, in the short term, the end of the tax credits in Ontario will reduce overall venture capital investment activity in the province.”

### **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 tax and regulatory matters.

To arrange an interview with Dr. Robin Louis, President of the CVCA and President of Ventures West Management Inc., please contact Kim Leroux at (604) 891-3270 or [kleroux@ventureswest.com](mailto:kleroux@ventureswest.com)

End