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FOR IMMEDIATE RELEASE

**CANADA'S VENTURE CAPITAL MARKET IN Q2 2011:
PACE OF VC INVESTED SLOWS, FUND-RAISING CONTINUES DECLINE**

TORONTO: In the second quarter of 2011, Canadian venture capital (VC) investment made no further advances on growth in previous quarters, and instead registered a slight drop in disbursements, in part because of stalled fund-raising activity. This was one of several findings of a statistical report released today by CVCA- Canada's Venture Capital & Private Equity Association and research partner Thomson Reuters.

According to the report, VC invested across Canada totaled \$328 million between April and June, down 2% from \$335 million invested the year before. Less cash went to more firms, with companies financed with VC totaling 134 in this period, up 11% from Q2 2010.

Due to a more active Q1 2011, Canadian VC deal-making showed moderate growth over the first half of the year. Dollars invested totaled \$686 million at the end of June, or 10% more than the \$626 million invested during the first half in 2010.

"After a period of steady, if moderate, expansion in VC invested, it is very concerning to see weaker dollar flows at this point", said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial. "Clearly there is demand coming from young, entrepreneurial businesses – a fact that is borne out by year-over-year growth in company financings – but this demand is not being met by an adequate supply of value-added risk capital." added Mr. Smith.

Mr. Smith observed that VC deal capitalization levels, which are imperative to innovative businesses with the potential for high growth, have not improved, regardless of swings in overall market activity. "To date in 2011, domestic firms have captured only 36% of the dollars going to counterpart firms in the United States, which is even lower than the 38% averaged in 2010," said Mr. Smith.

Mr. Smith singled out slow rates of VC fund-raising activity in Canada as a primary factor influencing investment trends at present. New commitments to VC funds totaled \$132 million between April and June, or 57% below the \$308 million committed at the same time last year. Over the first half of 2011, fund-raising was comparably sluggish, with new supply totaling \$374 million, down 46%.

"The fund-raising situation continues to undermine deal-making, and impedes our capacity to draw out the natural strengths inherent in Canada's emerging technology sectors and entrepreneurial managers," said Mr. Smith. He added: "VC investment, which has historically been the catalyst for knowledge-based economic growth, cannot effectively do this job until we take determined steps to ensure more stable supply."

"Given the demonstrably large contribution of VC-backed companies to Canadian growth rates, exports, and levels of R&D expenditure, a strong and well-capitalized VC fund management

industry is even more important as the global economy enters a new period of uncertainty and potential contraction,” said Mr. Smith.

On a brighter note, exits from Canadian innovative companies appeared to continue at post-slowdown levels in Q2 2011, with 9 liquidity events counted – including Cephalon Inc.’s acquisition of Gemin X Pharmaceuticals Inc. in April – bringing the total in the first half of the year to 14. At the same time, portfolio realizations remain skewed to strategic acquisitions, with only one VC-backed IPO reported to date in 2011.

The report found VC market trends in Q2 2011 were experienced differently by Canadian region, with 11% growth in Ontario- and Québec-based disbursements, relative to Q2 2010, but reduced activity in the West. IT sectors continued to be the focus of deal-making, taking 42% of total dollars invested in the second quarter, though VC activity in them was down 7% year over year. On the other hand, clean technology sectors saw a 17% gain in activity over the same period.

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 1900 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.

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To arrange an interview with Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial, contact Lauren Linton, Director of Marketing, 416 487-4299 llinton@cvca.ca .

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