

Why LSIFs? Venturing beyond 30% tax credits

Tax credits of up to 30% help to make LSIFs an appealing investment. But like any smart investor, you're looking for an investment that goes further to maximize your potential for growth, deliver integrity and liquidity, and allow you to participate in the significant opportunities available in the venture capital market. LSIFs can do this and more – it's a matter of finding the right manager and the right fund to fit your investment strategy.

What is an LSIF?

LSIFs are venture capital funds that seek to invest in up-and-coming companies with strong growth potential. People who invest in LSIFs receive tax credits of up to 30% because they help provide the vital capital needed by small- and medium-sized firms to realize their full potential. It's the venture capital investing that allows these companies to bring to market the kinds of innovative ideas that make Canada one of the world's leading developers of new technologies.

Not all LSIF managers are created equal. To succeed, they must have more than the ability to pick winning firms among the hundreds of potential choices available in Canada; LSIF managers must also have a management philosophy that empowers the companies in their managed funds' portfolios with the knowledge and capital needed for potential significant growth, and minimizes the risks for those that invest in those funds.

Invest sooner. Not later.

GrowthWorks*, a recognized leader in the Canadian venture capital industry, typically takes an early stage investment approach for its managed funds. "Typically, our managed funds enter in the first or second round of institutional investors," says David Levi, President and CEO of GrowthWorks. "Before that comes the 'angels,' and the 'love' money from family and friends."



This early investment approach offers several distinct advantages: it gives GrowthWorks' expert management teams the opportunity to offer early critical advice – the kind of guidance that can mean the difference between success and failure; it minimizes the potential for loss should something go wrong; and it provides GrowthWorks managed funds with increased potential for greater gains. "If you look at our biggest wins in the portfolio," says Levi, "in most cases they are early-stage investments where we took a 20 to 30 percent equity position in the company, while later-stage investors usually have less than ten percent."

Successful Investment Strategy.

GrowthWorks managed funds have experienced many successes using this investment strategy. For example, in 1996 the GrowthWorks managed Working Opportunity Fund¹ made its initial investment of \$1 million in HotHaus Technologies, a developer of voice over Internet protocol (VOIP) software technology. Over time, WOF increased its investment to \$4.5 million as the company grew. That four and a half million dollar total investment turned into a \$120 million dollar gain when HotHaus was sold to Broadcom Corporation just three years later.

Galleon Energy Inc. is a current winner for GrowthWorks Canadian Fund. The Fund has invested a total of \$12.7 million in Galleon since December 2002 and has realized gains of \$55.3 million to September 30, 2005, while still holding shares in Galleon worth \$30.6

million (at September 30, 2005 closing price less the applicable liquidity discount).

Participate in the potential of Venture Capital.

LSIFs are one of the few investment vehicles that allow smaller investors to participate in the great potential of the venture capital market, minimize the risk involved in venture capital investing, and benefit from the knowledge of an experienced venture capital investment team. When you factor in the tax credits, LSIFs become more than an intriguing investment vehicle; they represent a serious opportunity for those looking to augment their portfolio with a strategically sound long-term investment in venture capital opportunities.

Management with integrity.

Returns are obviously important, but so too is the ability to earn them with a trusted manager who can also reduce your risk in venture capital investing. GrowthWorks managed funds support the use of valuation methods recommended by Canada's Venture Capital and Private Equity Association (CVCA). These rules-based and event-driven procedures give investors the confidence of knowing that GrowthWorks managed funds' share prices are determined using recommended industry standards.

GrowthWorks is a recognized leader in the Canadian venture capital industry, specializing in the management and growth of regionally based venture capital funds, with combined assets under management of more than \$800 million. The funds under management include the Working Opportunity Fund, GrowthWorks Canadian Fund, GrowthWorks Commercialization Fund and GrowthWorks Atlantic Venture Fund.

*GrowthWorks means affiliates of GrowthWorks Ltd. and includes GrowthWorks Capital Ltd., manager of the Working Opportunity Fund (EVCC) Ltd., GrowthWorks WV Management Ltd., manager of GrowthWorks Canadian Fund Ltd. and GrowthWorks Commercialization Fund Ltd., and GrowthWorks Atlantic Ltd., manager of GrowthWorks Atlantic Venture Fund Ltd. ¹When the Working Opportunity Fund began it was internally managed. In 1999, all WOF employees, including the investment team, moved and began working for GrowthWorks Capital Ltd. Commissions, trailing commissions, management fees and expenses all may be associated with investments in labour-sponsored investment funds (LSIFs). Please read the prospectus before investing. LSIFs are not guaranteed, their values change frequently and past performance may not be repeated. Tax credits are subject to certain conditions. GrowthWorks Canadian Fund, GrowthWorks Commercialization Fund, and GrowthWorks Atlantic Venture Fund use the valuation principles and guidelines in existence and recommended by the CVCA as of August 31, 2005. Adoption of the CVCA valuation guidelines by the Working Opportunity Fund (EVCC) Ltd. has been approved by shareholders and the Board and is subject to regulatory approval.