

### **Impact of Harmonized Sales Tax (HST) on VenGrowth Labour-Sponsored Funds**

As a result of the sales tax harmonization that is set to come into effect on July 1<sup>st</sup>, 2010, investment funds in Canada will be changing the way that GST/HST is calculated. Investment funds will be required to calculate HST according to specific rules that the Department of Finance released on May 19<sup>th</sup>, 2010.

According to the Department of Finance's publication, all management fees and operating expenses will be subject to HST. Currently, all management fees and operating expenses are subject only to the GST. As a result, the new tax structure will lead to an increase in the Management Expense Ratio's (MERs) for the VenGrowth Funds, as taxes are included in this calculation.

Specifically, the rules require that the HST be calculated using the residency of the shareholders and the current value of their shares, rather than the physical location of the Fund Manager. Following a careful review of the breakdown by province of our shareholders we have determined that over 98% reside in harmonized provinces. Shareholders residing in non-HST provinces will bear the same rate as those investors that reside in a harmonized province.

In the event that you have any questions or require further information, please don't hesitate to contact the VenGrowth Sales Department at 1-877-789-7070, or Client Services at 1-800-461-4814.

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