



**THE NEWFOUNDLAND  
AND LABRADOR GAZETTE  
EXTRAORDINARY**

Part II

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**NEWFOUNDLAND AND LABRADOR  
REGULATION**

**5/05**



**NEWFOUNDLAND AND LABRADOR  
REGULATION 5/05**

*Labour-Sponsored Venture Capital Tax Credit  
Regulations (Amendment)*  
under the  
*Labour-Sponsored Venture Capital Tax Credit Act*  
(O.C. 2005-012)

*(Filed January 28, 2005)*

Under the authority of section 18 of the *Labour-Sponsored Venture Capital Tax Credit Act*, the Lieutenant-Governor in Council makes the following regulations.

Dated at St. John's, January 27, 2005.

Tim Murphy  
Deputy Clerk of the Executive Council

**REGULATIONS**

*Analysis*

- |                                |   |
|--------------------------------|---|
| 1. S.2 Amdt.<br>Interpretation | 2. S.4 R&S<br>Criteria for registration |
|--------------------------------|---|

NLR 153/04

**1. Subsection 2(1) of the *Labour-Sponsored Venture Capital Tax Credit Regulations* is amended by adding immediately after paragraph (c) the following:**

- (c.1) "non-convertible", with respect to eligible shares, means shares that are not convertible or exchangeable other than as prescribed under subparagraph 3(1)(a)(iv) of the regulations;

(c.2) "non-redeemable" with respect to eligible shares means shares that are

(i) not redeemable until the time set out in subsection 9(2) of the Act has expired, except as permitted under the Act and regulations made under the Act, or

(ii) redeemable at any time provided that amounts payable under subsection 9(2) of the Act shall be deducted from the redemption proceeds and remitted by the labour-sponsored venture capital corporation or the fund manager to the minister on behalf of the redeeming shareholder;

**2. Section 4 of the regulations is repealed and the following substituted:**

Criteria for registration

**4.** For the purpose of section 4 of the Act, the criteria that shall be met for a corporation to be a registered labour-sponsored venture capital corporation are that the corporation

(a) maintain a permanent establishment in the province;

(b) establish a separate investment committee in the province, with a majority of its members being residents of the province provided that the investment committee is delegated the full authority and control to approve and reject investments in the province;

(c) has or will have, immediately after registration and afterwards, capital of at least \$250,000;

(d) has authorized capital that includes Class A shares having rights, privileges, restrictions and conditions attached to them that provide that the Class A shares are either

(i) not redeemable until the time set out under subsection 9(2) of the Act has expired, except that the holder of the shares or that holder's personal representative may require the corporation to redeem those shares on the holder's death or under circumstances that are prescribed under these regulations, or

- (ii) redeemable at any time provided that amounts payable under subsection 9(2) of the Act shall be deducted from the redemption proceeds and remitted by the labour-sponsored venture capital corporation or the fund manager to the minister on behalf of the redeeming shareholder;
- (e) has a constitution that provides for
- (i) assisting businesses in creating and maintaining employment by making specified investments in eligible business entities,
  - (ii) exercising ownership rights with respect to investments made by the corporation in eligible business entities, and
  - (iii) providing the administrative support necessary to carry on the business of the corporation, including preparation of annual reports and the holding of meetings of shareholders and the board of directors;
- (f) issues shares in compliance with the *Securities Act*;
- (g) or its manager employ, or will employ within 6 months of registration, one full time equivalent investment manager who is resident in the province and, unless otherwise agreed by the minister, the corporation or its manager commits to additional investment managers in proportion to the amount of capital raised and under management in the province; and
- (h) is in compliance with the *Securities Act*.

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