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FOR IMMEDIATE RELEASE

CVCA Applauds Budget Decision to Remove Foreign Investment Barrier

Toronto, March 4, 2010 – Canada's Venture Capital and Private Equity Association (CVCA) today applauded the removal of the Section 116 obstacle to foreign investment in the venture capital and private equity industry as announced in today's federal Budget.

"The CVCA has long requested the elimination of Section 116 as it pertains to the venture capital and private equity industry and we wish to congratulate the federal government for taking action," said Gregory Smith, President of the CVCA. "Many CVCA members, as well as a large number of individuals and organizations, have been actively encouraging the federal government to eliminate this section of the Income Tax Act which has had a dampening effect on cross-border venture capital and private equity transactions. Its removal provides an important signal to foreign investors that Canada welcomes their contributions to growing companies and employment."

The CVCA also welcomed the focus on innovation in today's federal Budget.

"Today's ultra-competitive world leaves us with no choice but to focus on innovation – new goods and services delivered in new ways – in order to be able to create jobs across the whole gamut of industries from manufacturing to digital media and clean tech." added Mr. Smith.

In particular, the CVCA is looking forward to participating in the comprehensive review of federal support for R & D and in particular the commercialization of that research that was announced in the Budget. We share the perspective that federal R & D support must be examined with a view to improving its contribution to innovation and to economic opportunities for business.

"In our view," said Mr. Smith, "the innovation 'gap' that Canada is facing is directly related to our relative inability to effectively commercialize the world-leading R & D that currently resides in Canada. This situation is itself a direct result of the crisis facing venture capital in Canada today, which remains unresolved."

To address the venture capital crisis, the CVCA has proposed that government:

- set up a substantial, independent fund of funds entity to invest directly in venture capital funds
- re-orient the IRB program to facilitate 'offset' investment in venture capital funds by major contractors
- put corporate investments in venture capital funds on the same tax basis as their internal corporate R & D spending
- improve the tax treatment accorded investors in retail venture capital funds, as recommended by the House Finance committee in a recent 2009 report

- improve the SR & ED tax credits so that qualifying SME companies receive more money from this already popular program.

CVCA

The CVCA - Canada's Venture Capital & Private Equity Association (www.cvca.ca), was founded in 1974 and is the association that represents Canada's venture capital and private equity industry. Its over 1800 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.

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

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