

## **CVCA 2009 Annual Conference**

President's Address

By Gregory Smith

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Thank you, and good morning, everyone. Welcome to the 2009 annual conference of Canada's Venture Capital and Private Equity Association.

As some of you may know, I'm from Saskatchewan and called Calgary home for many years, so it's great to be back in Western Canada. And Alberta --- with its rich history and enterprising spirit --- is the ideal setting for the 2009 conference.

Canada's west has long held the allure of adventure....and the promise of being able to shape your own destiny.

Alberta has always exemplified opportunity and reward --- from 1754, when the explorer Anthony Henday charted this great province for the first time, through to the present day.

Anthony Henday's life depended on his ability to adapt to a harsh and unpredictable environment. It depended on his ability to see the opportunity for success in each and every setback. And it depended on his ability to forge a path where none had dared to pass before --- no matter how great the obstacles.

Looking out at our members here today, I recognize this early explorer's passion and drive in each of you.

In many ways, for the past several months we have been charting new and unfamiliar terrain.

When I took on the role of President last year, I never could have predicted the extent of the challenges before us. We've witnessed a global economic meltdown. The fundraising environment is tougher than it's been in years. And the level of venture capital activity has reached an all-time low in 2009.

But as I've travelled across the country and met with our members and prospective members, I've been inspired by your resilience, creativity and drive in the face of these challenges.

And that's what this year's conference is about: embracing and harnessing our energy.

It's about studying our successes --- and learning where and how we can do better. It's about reaching out to our stakeholders, whether it's communities, governments or employees. It's about building partnerships across borders. And it's about driving Canada's 21<sup>st</sup> century knowledge-based economy....and doing our part to create prosperity for Canadians from coast to coast.

The CVCA has grown tremendously from six members in 1974 to more than 1,800 today. And make no mistake --- we are continuing to thrive in the current economic climate. This conference is sold out, with more than 500 people in attendance. That's a pretty compelling measure of the interest in our sector.

It's also a measure of the progress we've made in telling our story and shaping a favorable policy environment. In fact, the CVCA is winning increasing support for its mission.

A major achievement of the past 12 months was in the area of research. In two groundbreaking reports, we quantified the huge contribution that Canada's private capital sector makes to our national economy, to employment and to innovation.

We demonstrated that Canada's venture capital-backed firms --- with the cutting-edge science and new technologies they produce --- are vital incubators for innovation and economic renewal.

These companies directly and indirectly employ nearly 150,000 people in Canada. And VC-backed companies grow five times faster than the overall economy. This 'snowball' effect fosters an entrepreneurial spirit. And that spirit is the lifeblood of our economy, productivity and prosperity.

In a similar vein, Canada's buyout firms bring specialized business-building skills and discipline to the task of reinvigorating Canadian companies. A robust buyout sector leads to successful enterprises that will stand the test of time.

Our buyout firms add about \$25 to \$30 billion to Canada's GDP. Between 2002 and 2006, they created 114,000 jobs for Canadians. They've also returned tremendous value to Canada's pension funds and their millions of beneficiaries.

Together, our VC and buyout sectors account for about 3% of Canada's GDP ---- and that's an incredible contribution.

While Canada's private capital sector is fundamentally sound, the economic turmoil has taken a toll, particularly in the area of fundraising.

The lack of funding is particularly acute for venture capital firms, where the availability of capital has been declining for years and is now at a critical low. Without new funding, there is an increasing and very real risk that Canada will not be able to fully capitalize on its multi-billion dollar national investment in research and development. And that puts Canada's innovation at risk.

That brings me to another recent achievement for the CVCA --- the tabling of our five-point commercialization support program to the federal government. This program includes:

- Improving the Scientific Research and Experimental Development program;
- Setting up a \$500-million, third-party managed fund of funds;
- Enabling greater use of government procurement and offsets to encourage domestic and foreign multinational investment in Canadian VC funds; and
- Creating an incentive for large Canadian corporations to invest in Canadian VC funds.
- And enhancing the ability of retail investors to participate in the venture capital asset class.

This platform offers a practical solution to the VC crisis in this country, and we're working hard to take our message to governments across Canada. If adopted, this platform will ensure that Canada's start-up companies can realize their full potential. And that will help to strengthen Canada's competitiveness.

The research and policy analysis that we've produced over the past few months validates and showcases the importance of what our members do. It helps to support the small and medium-sized businesses that form the core of our national economy. And it has also captured the attention of the media, which filters our message to Canadians across the country. On a national scale, we are proving the value of our sector to the Canadian economy.

In fact, as governments face the challenge of economic revival, the contribution of our sector is more important today than ever before.

Our efforts to highlight what the private capital sector contributes to the Canadian ecosystem are resonating with both the federal and provincial governments. Thanks to the quality of our

members, the CVCA has a strong and credible voice. Governments also recognize that we have the expertise to help shape the policies that are needed to support and encourage investment.

Indeed, elected and ministry officials are now reaching out to *us* for views on public policy.

In the past few months, we've seen governments step up to the plate with new capital commitments for VC funds. These vehicles include the Alberta Enterprise Corporation, Québec's Teralys Fund, the Ontario Venture Capital Fund and the B.C. Renaissance Capital Fund. And other incentives have been put in place to encourage investment in early-stage companies. Together, these initiatives will help to cultivate more of the leading-edge companies upon which Canada's future economy depends.

Clearly, as the private capital sector grows, so, too, does the size of our public audience.

The diversity of our stakeholders is increasing. They include public policymakers, foreign investors and individual Canadians in every community across the country. That means that we must create opportunities to build understanding and support for the role of private capital in Canada's social and economic fabric --- from the grassroots and up.

We have a tremendous responsibility to these stakeholders and can never take the support that we enjoy for granted. Our members have always demonstrated a strong sense of corporate social responsibility and accountability. And we must continue to find new ways to give back in the communities where we operate.

Simply put, while we deal in private capital, we cannot be private any longer. So we'll continue to tell our story to an increasingly large audience --- through the media, through our website and through *Private Capital*, our new magazine.

One initiative in the months ahead will be to work with our Board of Directors on assessing international guidelines for members around governance practices, reporting standards and codes of conduct. With a common approach on these matters, we can further enhance our credibility and build the trust of our stakeholders.

Indeed, by sharing our successes as well as our challenges, Canadians and policymakers will understand what we do and how we operate. They will understand what we contribute to Canada's ecosystem. They will understand that we play a vital role in developing the knowledge-based economy of the future.

That's what the next two days are about: exploring how we can harness our energy and create the conditions for mutual success and reward.

We have a great line-up of speakers, all of whom have made a meaningful contribution to the sector.

You will hear from two outstanding keynote speakers:

- Thomas Barrack, Jr., the Founder, Chairman and CEO of Colony Capital; and
- Timothy Draper, the founder and managing director of Draper Fisher Jurvetson.

You will hear from leading institutional investors on market trends and new approaches to asset allocation.

The four guests on our Founders' panel are pioneers of private investing in Canada. They will share their predictions for what the future holds.

And for the first time at a CVCA annual conference, you'll hear from one of Canada's most accomplished political leaders, the Honourable Ed Stelmach, Premier of Alberta, who will tell us about Alberta's approach to building long-term prosperity.

The great turnout at our conference is strong testimony to the fantastic work of our members, committees and staff at the CVCA. And leading the CVCA's charge are the various committee chairs and our Board of Directors. Collectively, your tireless commitment to elevating the prominence of the CVCA is the most valuable calling card we have. Thank you.

I'd also like to especially acknowledge and thank Ross Bricker, the conference chair, and Rakesh Suref, his vice chair. Ross and Rakesh have committed countless hours to organizing this year's conference. It promises to be a great two days that will set the tone for the balance of this year and 2010 as we seek to extend the CVCA's momentum and position our industry for continuing growth.

Finally, I want to say what a sincere honor it is to represent you as President of the CVCA. I'm inspired every day by your innovation, intelligence and sheer grit in the face of unprecedented times.

While market conditions have been challenging for all of us, there is excellent reason to be optimistic about the next leg of our journey:

- Canada's financial sector is relatively strong and our financial institutions are healthy.
- Our buyout firms have considerable capital available to deploy, which puts us in a great position to meet the financing needs of Canadian businesses.
- And the federal and provincial governments are taking positive steps towards addressing Canada's venture capital financing gap.

I'm excited about the opportunities before us in 2009, 2010 and beyond. I look forward to working with all of you as we chart the CVCA's course and stake our claim as a key driver of Canada's economic prosperity.

Thank you very much, and enjoy the conference!