



National Venture Capital Association

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MORE THAN 1400 CEOs, COMPANY FOUNDERS, AND ENTREPRENEURS IMPLORE CONGRESS TO PRESERVE CAPITAL GAINS TAX STATUS FOR LONG TERM VENTURE CAPITAL INVESTMENT

American Business Leaders Assert That a “Vote to Double Taxes on Venture Capital Carried Interest is a Vote Against U.S. Innovation, Job Creation and Economic Leadership”

May 18, 2010, Arlington, VA -- Today every member of Congress will receive a letter signed by more than 1400 chief executive officers, founders and entrepreneurs urging lawmakers to recognize the critical role that venture capital has played in the US economy and retain a long term capital gains tax incentive for venture capital carried interest. Signatures were collected in a 24 hour period this week, demonstrating strong entrepreneurial opposition to a proposal in Congress to raise the taxes on venture capitalists to pay for short term tax extensions. As the letter states, such a proposal would effectively double the taxes on those who are committed to building companies, creating jobs and bringing innovation to market at a time when America needs this activity the most.

The letter was signed by business leaders from more than 40 U.S. states including regions rich in venture capital investment such as California, New England, New York, and Washington as well as areas that have emerging venture capital ecosystems like New Jersey, Ohio, Florida and Pennsylvania. Signers represented a broad base of industries including information technology, life sciences and clean technology and included CEOs and other leaders from companies such as AMD, Akamai, Blue Tarp Financial, Cisco, EnerNOC, Infinera, Ironwood Pharmaceuticals, Novell and Riverbed Technology. Additional signers included notable academics from institutions such as MIT; serial entrepreneurs and Institute Professors Robert Langer and Nobel Laureate Phillip Sharp.

The letter made three specific points, the first being that eliminating the capital gains incentive would discourage this important investment in America’s start-up companies:

When the policy makers double the tax on certain activities, the message is clear: They want to discourage that type of behavior. We have seen this type of policy before in areas such as tobacco use. Does government really want less venture capital investment at a time when our country is in desperate need of it? Does venture capital investment fall into the same category as tobacco use? Make no mistake: A vote to double the taxes of venture capitalists is a vote against U.S. innovation, job creation, and global economic leadership.

Second, that investment is critical to start-up company formation and growth:

Long term venture capital investment has been a critical component to our success. Without the risk capital and business expertise provided by these professionals over many years, the ability to grow our companies and innovate would be seriously compromised.



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And lastly, the entrepreneurs asked Congress to consider other, less damaging options to raise revenues:

Currently there are several proposals in the Senate which would continue to recognize the importance of long term investment in emerging growth companies while still raising sizable revenues to pay for government programs. As entrepreneurs, we urge you to voice your support for these balanced proposals rather than a draconian blanket tax change which would penalize venture capitalists who are committed to bringing jobs and innovation to our country.

Kate Mitchell, Chair of the National Venture Capital Association expressed the venture industry's appreciation for the support received by the entrepreneurial community: "It is our privilege as venture capitalists to work each day alongside the best and brightest entrepreneurs in the world. Together, we have built companies, hired employees, and brought ground breaking innovations to market. We are grateful for the support shown by our CEOs, founders and management teams to maintain the current system of tax incentives that has worked so well for so long. We hope to be in the position to continue to support these highly talented entrepreneurs in their efforts to build the next generation of innovative companies."

About the National Venture Capital Association

The National Venture Capital Association (NVCA) represents more than 425 venture capital firms in the United States. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy and support entrepreneurial activity and innovation. According to a 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the United States in 2008. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.