

University of Virginia's Venture Capital Conference

March 28, 2025

Bobby Franklin

DREW MALONEY | BOBBY FRANKLIN | OCTOBER 2024

Agenda

- NVCA's Policy Priorities
- VC's Importance to the U.S. Economy
- Venture Capital 101
- Median Fund Size
- VC Market Conditions

NVCA's Policy Priorities



TCJA Extension

Tax provisions affected by the Tax Cuts and Jobs Act (TCJA)*

TCJA tax provision	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 & beyond
Individual rate reduction										
Change to individual AMT										
Increased standard deduction										
SALT deduction limit of \$10k										
Excess business loss limitation										To 2028
Increased estate tax exemption										
§199A pass-through deduction										
Corporate rate reduction										Permanent
Corporate AMT repeal										Permanent
Immediate expensing of capital expenditures										Phasing out
§163(j) business interest limitation										Permanent
NOL limitation										Permanent
§174 R&E capitalization										Permanent

Permanent changes

Temporary changes set to expire

Temporary changes that will phase out over time

*Not an exhaustive list

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Tax: 64% weren't on committee during 2017 TCJA debate

Ways & Means Republicans
Chairman Jason Smith (R-MO)
Vern Buchanan (R-FL)
Adrian Smith (R-NE)
Mike Kelly (R-PA)
Dave Schweikert (R-AZ)
Darin LaHood (R-IL)
Jodey Arrington (R-TX)
Ron Estes (R-KS)
Lloyd Smucker (R-PA)
X Carol Miller (R-WV)
X Kevin Hern (R-OK)
X Greg Murphy (R-NC)
David Kustoff (R-TN)
Brian Fitzpatrick (R-PA)
X Greg Steube (R-FL)
Claudia Tenney (R-NY)
X Michelle Fischbach (R-MN)
X Blake Moore (R-UT)
X Beth Van Duyne (R-TX)
X Randy Feenstra (R-IA)
X Nicole Malliotakis (R-NY)
X Mike Carey (R-OH)
X Aaron Bean (R-FL)
X Max Miller (R-OH)
X Nathaniel Moran (R-TX)
X Rudy Yakym (R-IN)

Ways & Means Democrats
Ranking Richard Neal (D-MA)
Lloyd Doggett (D-TX)
Mike Thompson (D-CA)
John Larson (D-CT)
R Earl Blumenauer (D-OR)
Bill Pascrell (D-NJ)
Danny K. Davis (D-IL)
Linda Sanchez (D-CA)
Terri Sewell (D-AL)
Suzan DelBene (D-WA)
Judy Chu (D-CA)
Gwen Moore (D-WI)
Don Beyer (D-VA)
Dwight Evans (D-PA)
Brad Schneider (D-IL)
Jimmy Panetta (D-CA)
X Jimmy Gomez (D-CA)
X Brendan Boyle (D-PA)
Stacey Plaskett (D-VI)
Tom Suozzi (D-NY)

Senate Finance Republicans (14)
Ranking Mike Crapo (R-ID)
Chuck Grassley (R-IA)
John Cornyn (R-TX)
John Thune (R-SD)
Tim Scott (R-SC)
Bill Cassidy (R-LA)
James Lankford (R-OK)
Steve Daines (R-MT)
Todd Young (R-IN)
John Barrasso (R-WY)
Ron Johnson (R-WI)
Thom Tillis (R-NC)
<i>Marsha Blackburn (R-TN) was a House member in 2017</i>
<i>Roger Marshall (R-KS) was a House member in 2017</i>

Senate Finance Democrats (13)
Chairman Ron Wyden (D-OR)
Maria Cantwell (D-WA)
Michael Bennet (D-CO)
Mark Warner (D-VA)
Sheldon Whitehouse (D-RI)
Maggie Hassan (D-NH)
Catherine Cortez Masto (D-NV)
Elizabeth Warren (D-MA)
<i>Bernie Sanders (I-VT)</i>
X Tina Smith (D-MN)
X Ben Ray Lujan (D-NM)
X Raphael Warnock (D-GA)
<i>Peter Welch (D-VT) was a House member in 2017</i>

Bold = On committee in 2017 **X** = not in Congress in 2017 *Italic* = new to committee in 2025, or returning after an absence

Tax Priorities

Tax Priorities

- Carried interest
- R&D
- QSBS
- Capital gains rate
- Endowment tax

TCJA Process

- One bill vs. Two bills
- Reconciliation
- Current policy baseline debate

Capital Markets Priorities

Playing defense: Easing regulatory burden

- Reporting requirements
 - FinCEN's Anti-Money Laundering rule
 - SEC's Beneficial ownership requirements
 - Ease the fundraising process [SEC no-action letter on 506(c) offerings]
- Addressing registered investor constraints
 - Communication restrictions
 - Fund of fund eligibility under the Volcker Rule

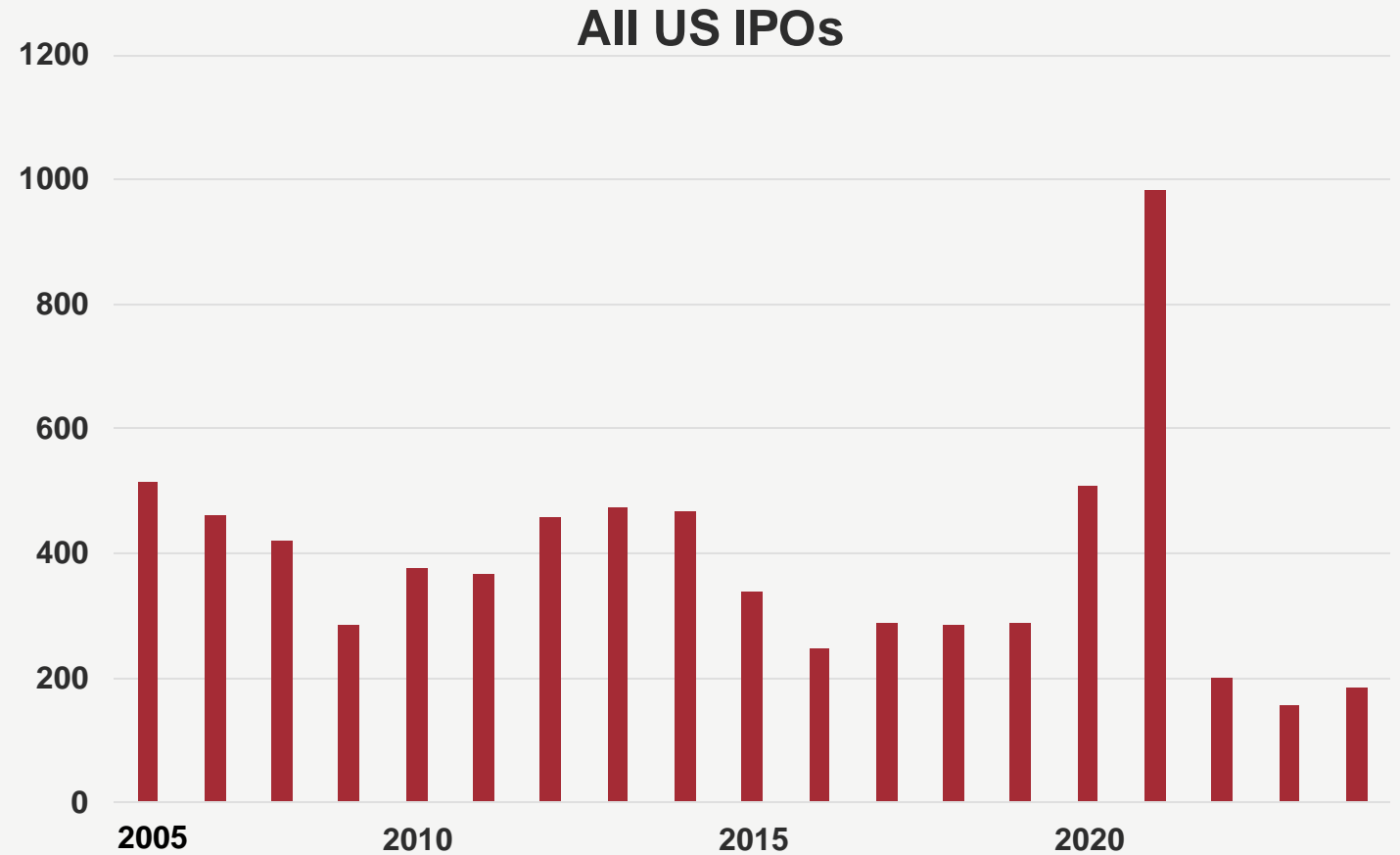
Playing offense:

- Creating opportunities within the private & public markets
 - Expand the 20% "nonqualifying" bucket (DEAL Act)
 - Modify the qualifying VC fund exemption (ICAN Act)
 - Expand accredited investor definition
 - Ease investment in the secondaries market



Regulatory Priorities

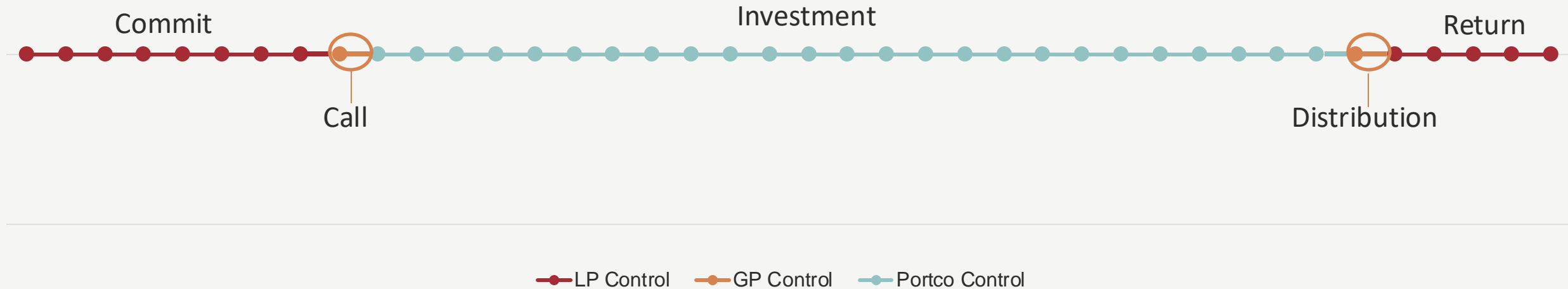
- What would follow JOBS Act?
- NVCA supports policies that encourage companies to go public



Source: PitchBook (2024)

Regulatory: Anti-Money Laundering Regulations

Timeline of A VC Investment (By Quarter)



VC's only have custody of committed funds for 5-10% of the life of a fund

Defense Policy

- There has been a 25x investment in VC defense investments from 2014-2024
 - VC firms looking for return on investment
- Top priority: **procurement reform** (let the best technology win)
 - SBIR reauthorization

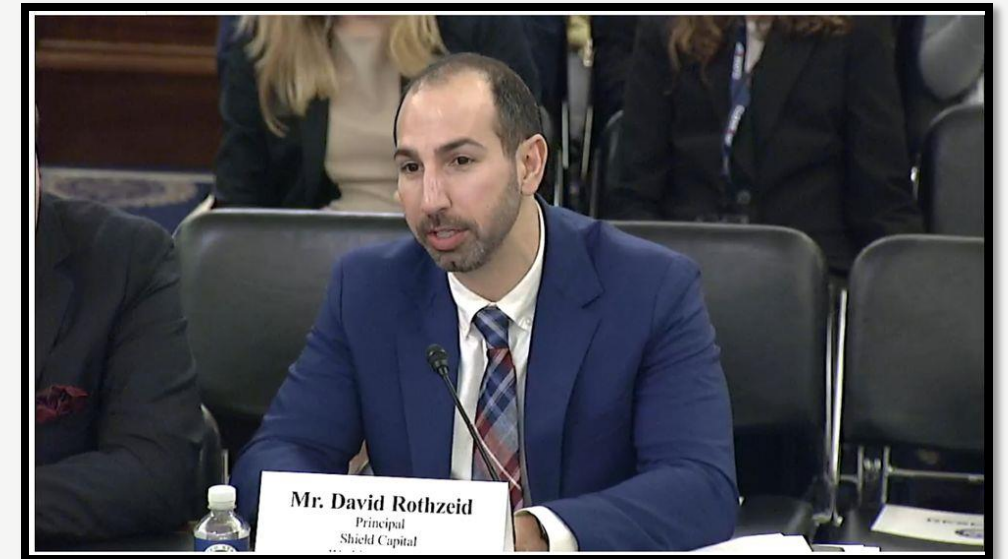
1%

VC-backed companies only receive about 1% of Department of Defense funding.

Source: Govini (2024)

Defense Policy

- NVCA member **David Rothzeid** from **Shield Capital** testified at Senate Hearing on SBIR earlier this month.
- From his testimony: "Private capital plays a crucial role in accelerating the development and deployment of next-generation defense technologies. VC provides more than just funding; it brings expertise, networks, and a culture of speed and iteration that is essential in a world where technological superiority is contested."

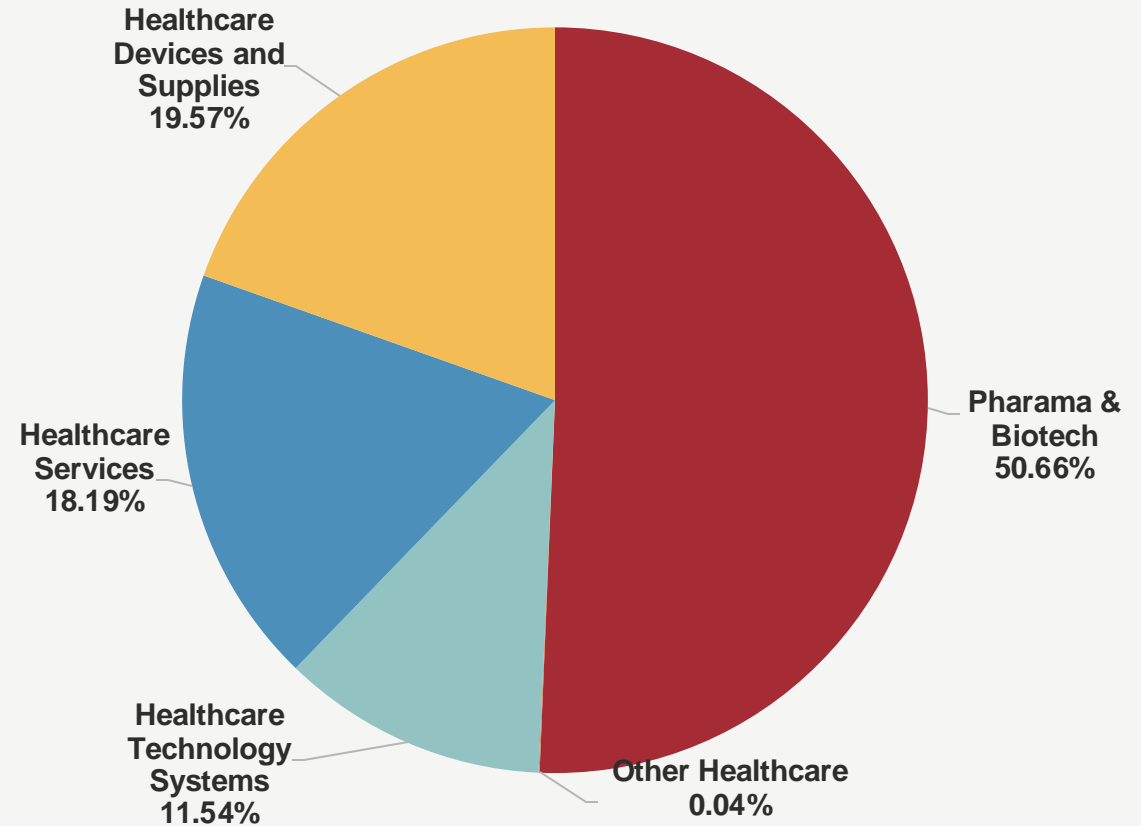


Healthcare Policy

Top priorities:

- Drug pricing
 - Most favored nation (MFN) status
 - Small molecule
 - FDA frameworks

VC-backed companies are at the center of American healthcare innovation ➡



Source: PitchBook, 2024

AI Policy

- Level the playing field to help startups compete with big tech
- Support federal gov't investment in AI R&D
- Expand data access by aggregating federal gov't data silos into a shared resource
- Develop AI talent domestically and support targeted immigration reforms to attract top global AI talent to the U.S.

21x

**Growth in AI VC investments from
2019-2024**

Source: PitchBook, 2024

Blockchain Policy

Top Priorities

- **Stablecoin bill** – passed out of Senate Banking Committee by a vote of 18-6 this month
- Broader blockchain regulatory framework
- FIT21 update



Energy Policy

Vibe Shift:

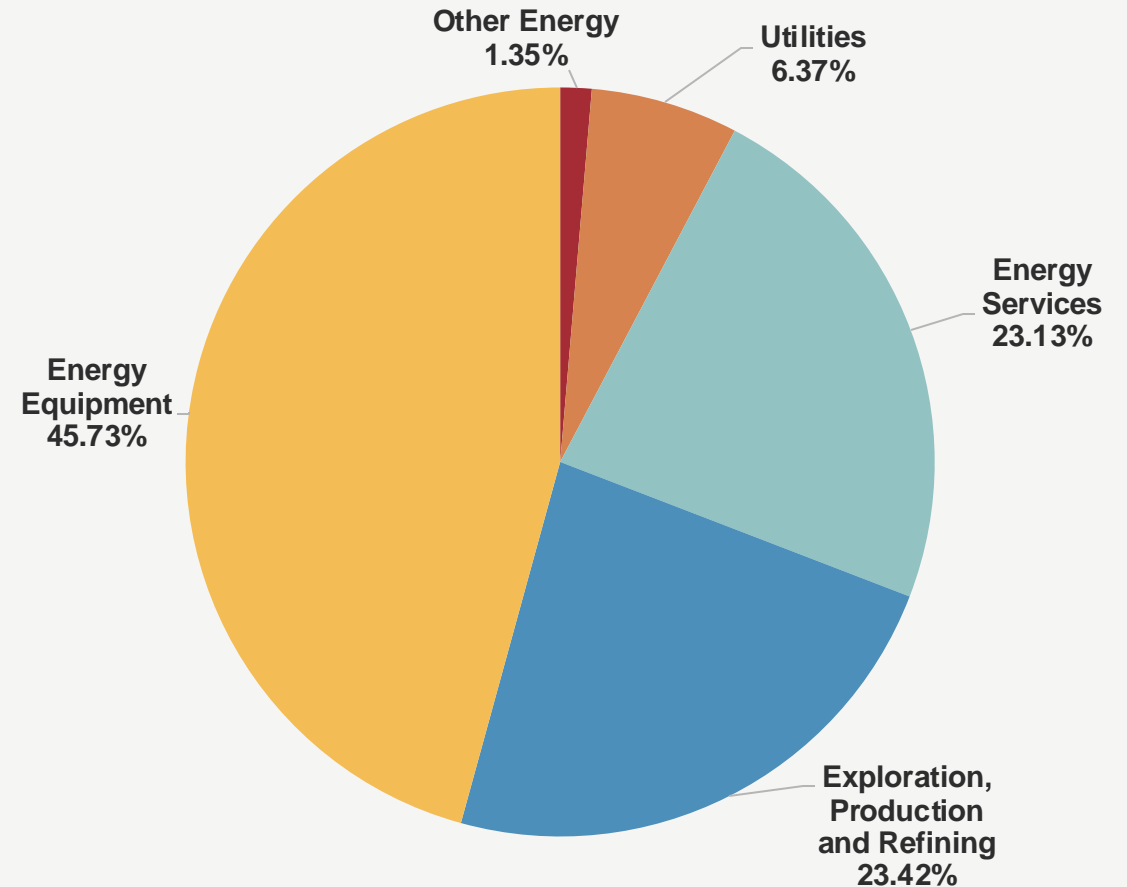
- Climate → Energy Domination
- Energy's role in powering AI innovation and helping America win the global AI race
- Jobs in GOP districts

Playing offense:

- Permitting reform
- Nuclear energy regulations

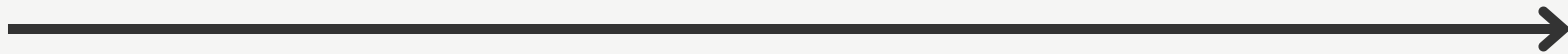
Defending IRA tax credits:

- Tax credit transferability
- 45Q Carbon Capture credit
- 45X Advanced Manufacturing credit



Source: PitchBook (2024)

VC's Importance to the U.S. Economy



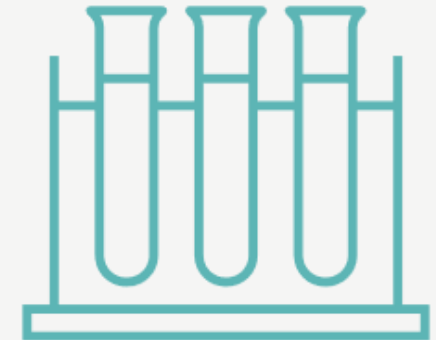
VC's Importance to the U.S. Economy



**Generate
Greater Value**



**Create
More Jobs**



**Spark
Better Innovations**

Most Valuable Companies by Market Cap

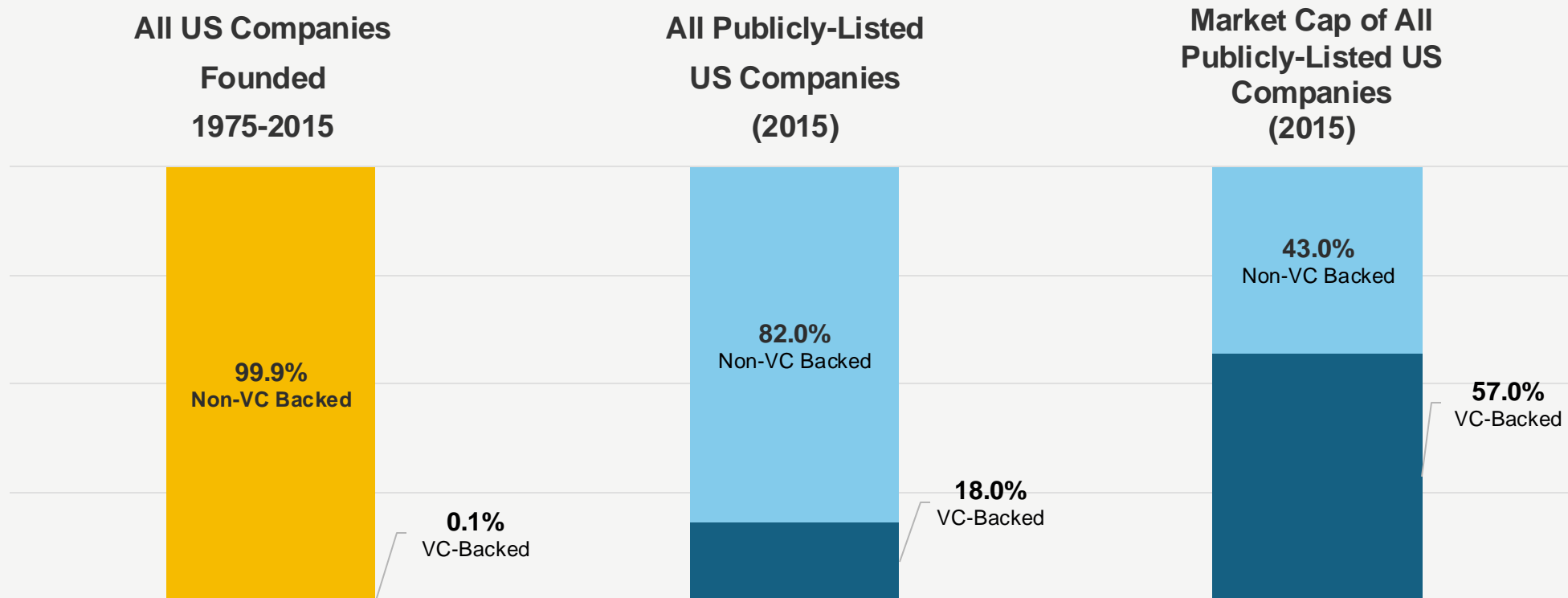
	Market Cap	Country
Apple	\$3.34 T	USA
Microsoft	\$2.85 T	USA
Nvidia	\$2.71 T	USA
Amazon	\$2.10 T	USA
Google	\$2.03 T	USA
Saudi Aramco	\$1.70 T	Saudi Arabia
Meta	\$1.54 T	USA
Berkshire Hathaway	\$1.07 T	USA
Broadcom	\$909.47 B	USA
TSMC	\$893.74 B	Taiwan

- **7 of the top 10** companies are VC-backed American companies.
- These VC-backed American companies make up **86%** of top company market cap.



Source: CompaniesMarketCap.com (as of 3/11/25)

VC-Backed Companies Create Tremendous Value



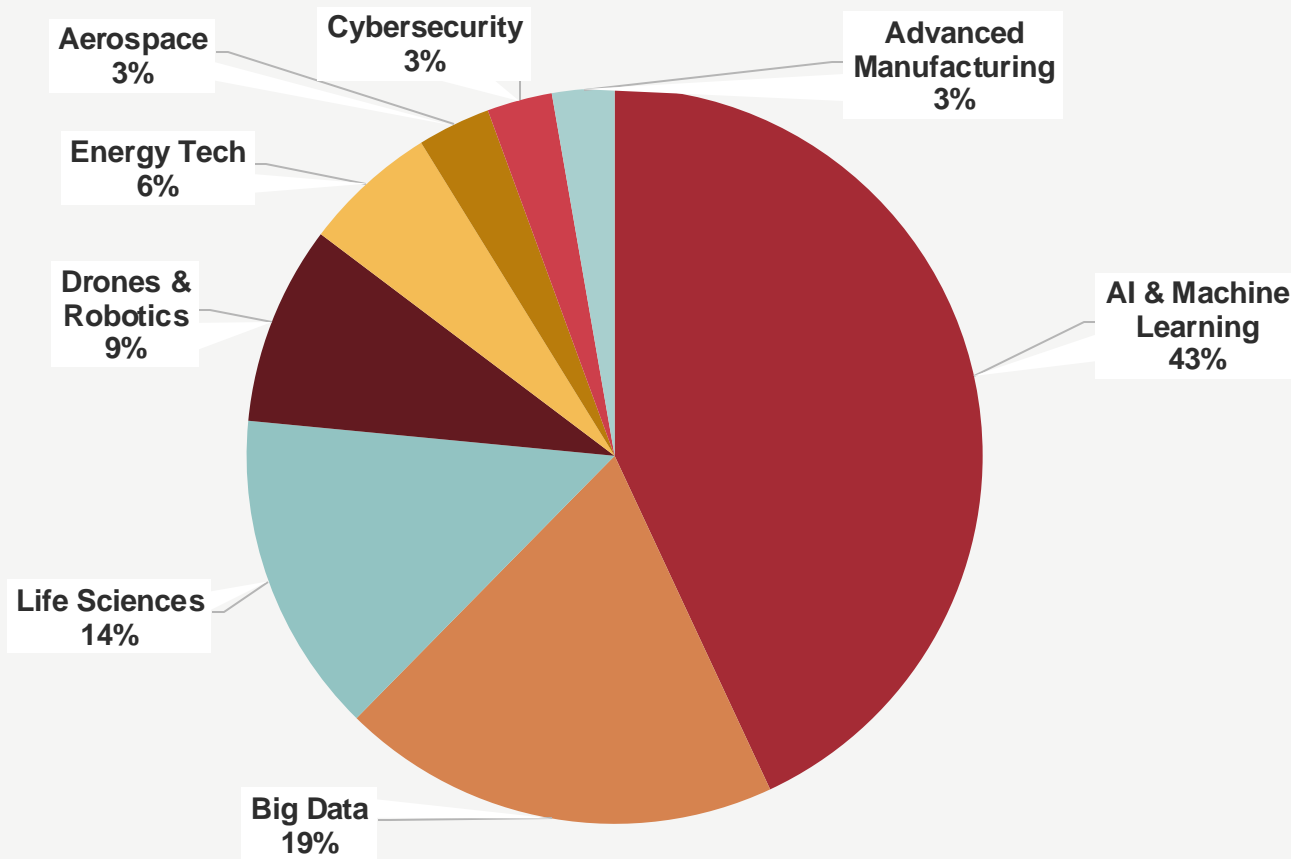
Source: Strebulaev & Gornall (2016)

Job Growth from 1990 to 2022



Source: Brown & Tillemann-Dick (2024)

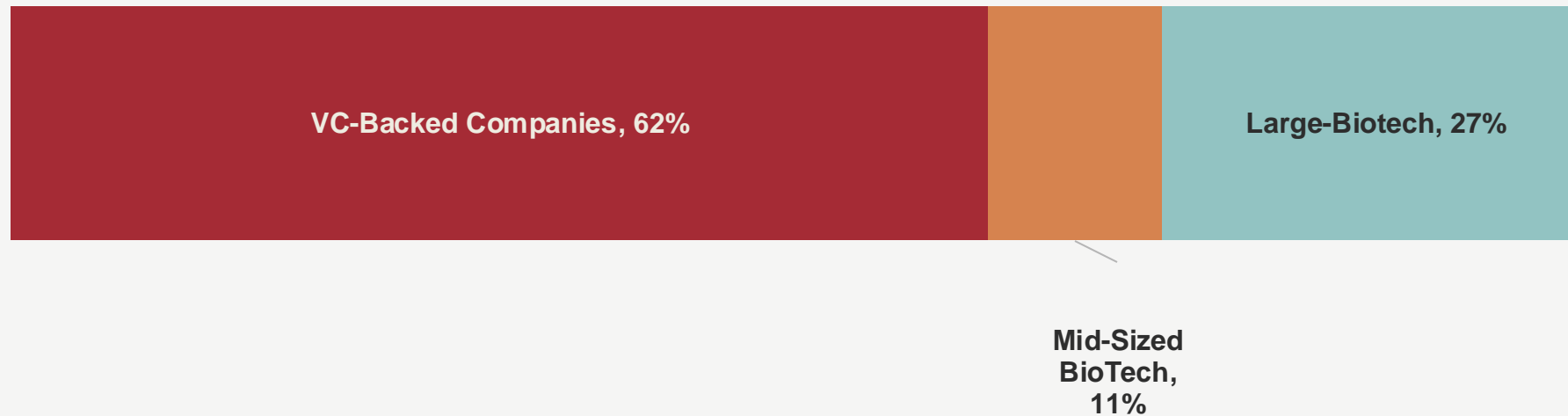
VC Backed Critical Tech Investments (2024)



Source: Pitchbook

Healthcare Innovation

New Medicines Developed By Company Type, 2013-2022



Source: Foundation for Research on Equal Opportunity (2024)

Healthcare Innovation

The Moderna logo features the word "moderna" in a red, lowercase, sans-serif font. Below the text is a horizontal dashed line in a light blue color.The GRAIL logo consists of the word "GRAIL" in a bold, purple, uppercase, sans-serif font. The letter "I" is stylized with three vertical bars of increasing height.The Tempus logo features the word "TEMPUS" in a bold, black, uppercase, sans-serif font.

New medicines from VC-backed companies:

- mRNA-based medicines and vaccines
- Early cancer detection through liquid biopsy and genomic testing
- Cell-based immunotherapies for cancer treatment

Defense Innovation (2014-2024)

25x

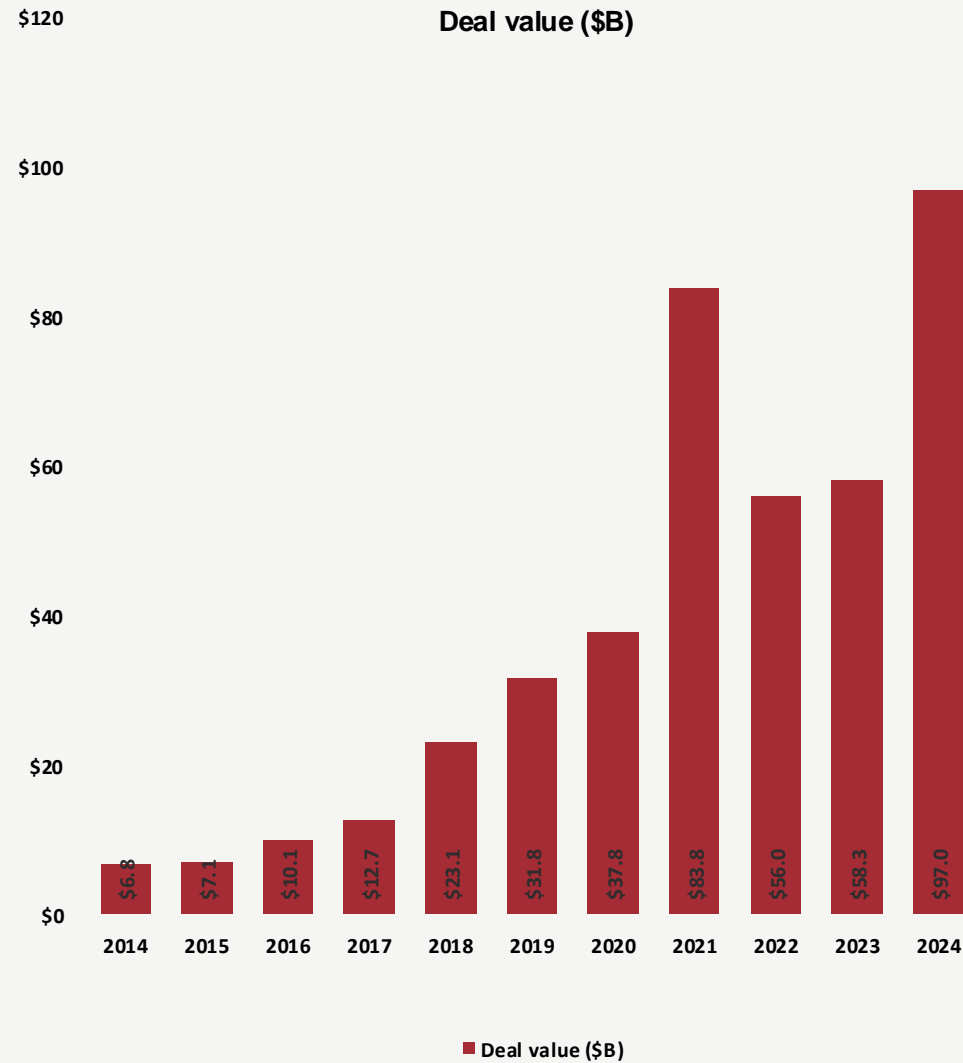
VC investment into **defense tech** is up 25x over the last decade in dollar terms.

Technologies: Unmanned aerial systems (UAS) and drones, advanced imagery and sensor fusion, autonomous transport, cyber defense, etc.



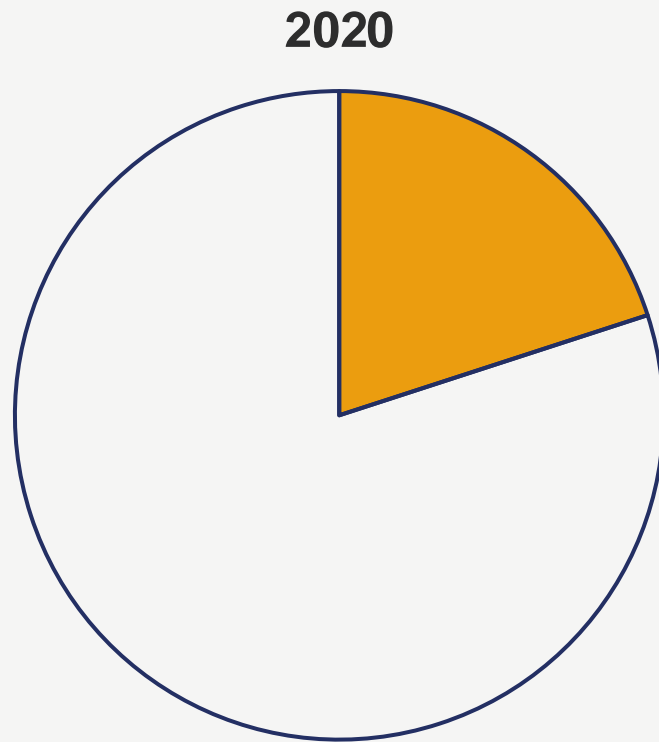
Source: Chronograph PE (2024) PitchBook

AI Innovation



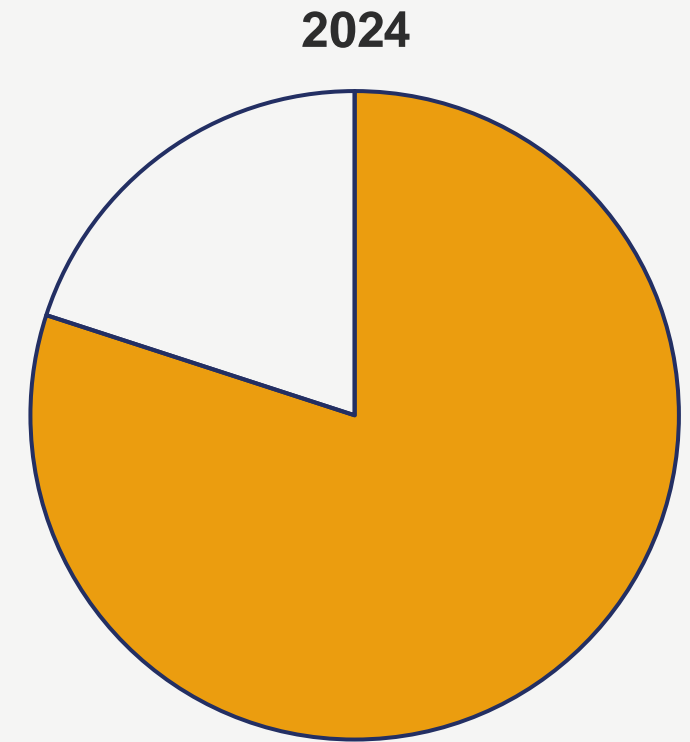
Source: Pitchbook

AI Innovation



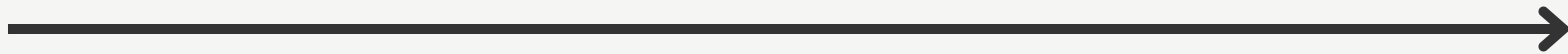
72%

**of businesses are
integrating in 2024,
up from 20% in 2020**



Source: McKinsey Global Survey (2024)

Venture Capital 101



Comparison of Capital Markets



The diagram consists of two large circles side-by-side. The left circle is dark red and contains text about public capital markets. The right circle is light pink and contains text about private capital markets.

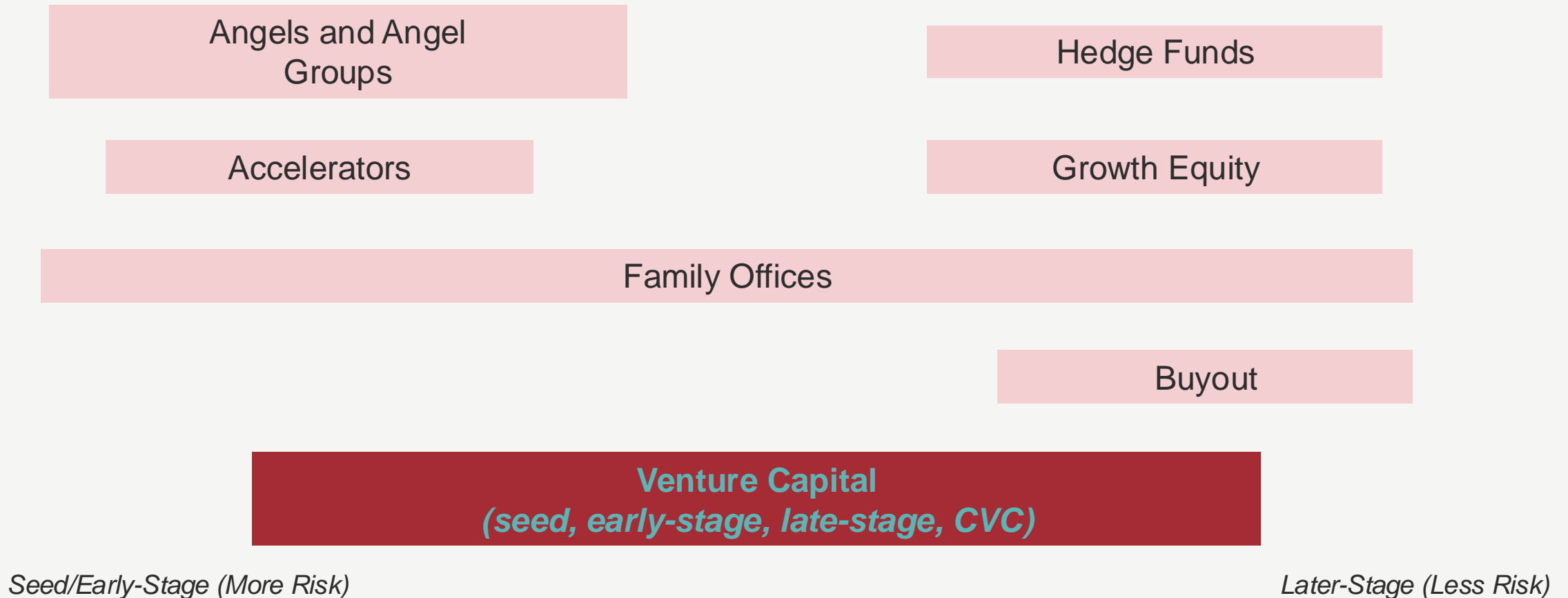
Public Capital Markets

Public Equity (Stocks)
Public Debt (Bonds)

Private Capital Markets

Venture Capital
Private Equity
(and others)

Private Capital Ecosystem



Venture Capital 101

- Venture Capitalists provide capital to private businesses with **high growth potential**
- Investments are generally **high-risk and illiquid**, making them unsuitable for traditional bank financing
- To compensate for the risk, returns are high with funds generally **targeting a 3x return**
- In addition to capital, venture capital firms **help portfolio companies** with **personnel, operations, networking, and other issues**

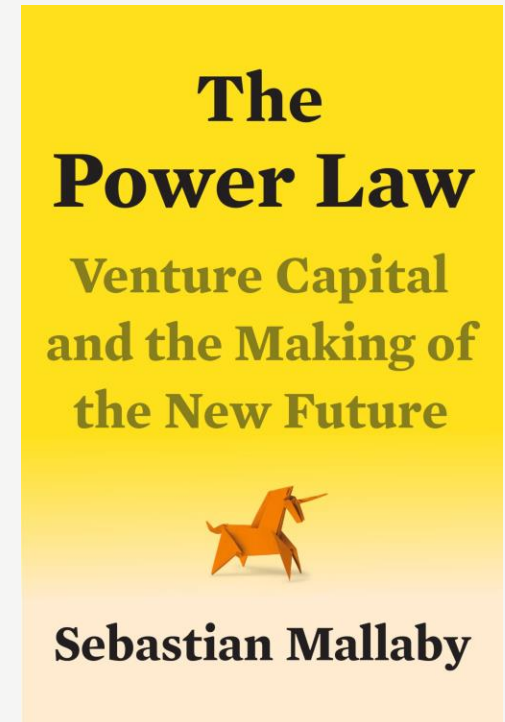
Power Law

- A small number of VC investments will generate the vast majority of returns.
- VCs are looking for **grand slams**, not singles.



Power Law

"Venture capital's distinguishing feature is its focus on backing transformative technologies. The power law works because the rare companies that succeed have the potential to reshape industries and create enormous value."

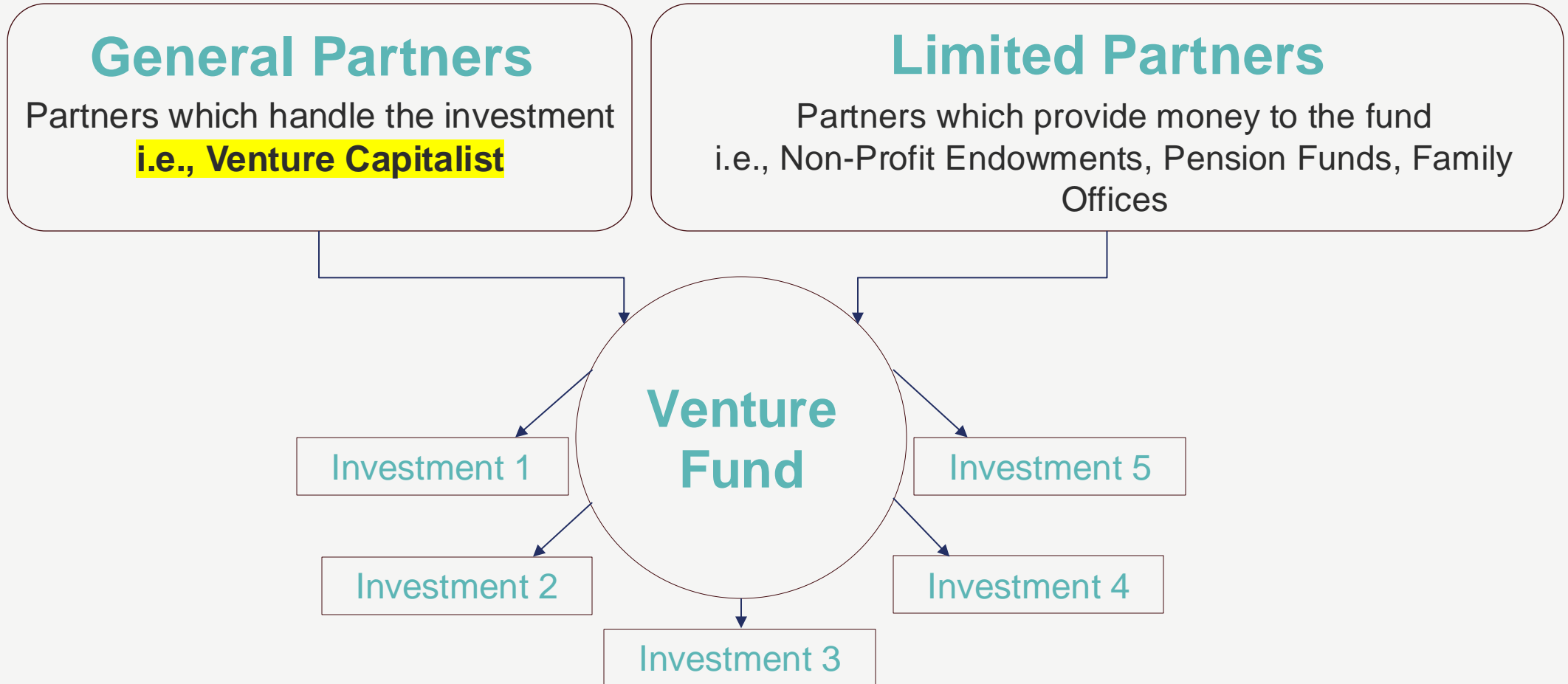


VC Startup Failure Rate



Source: Gosh (2012)

What is a VC fund?



Examples of Limited Partners

Endowments



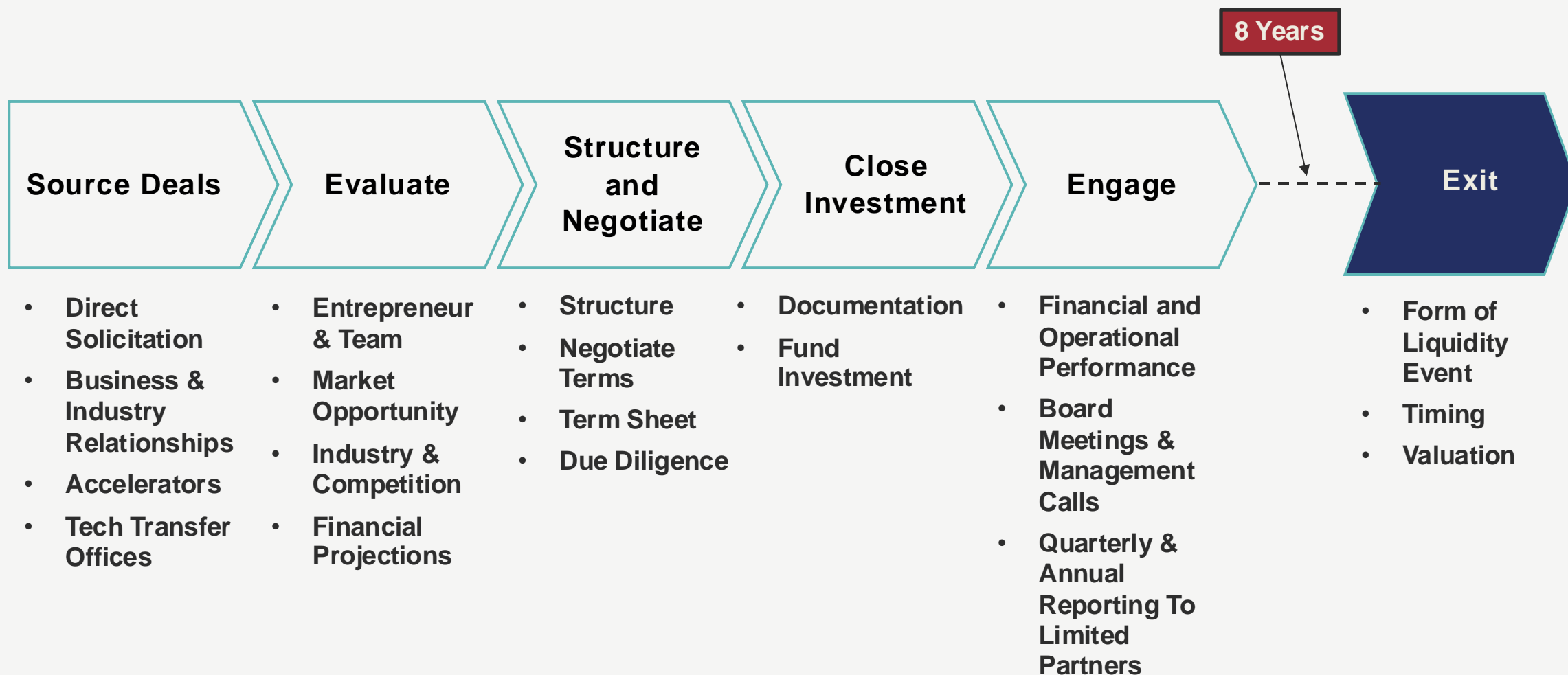
Pensions



Nonprofits



Investment Process



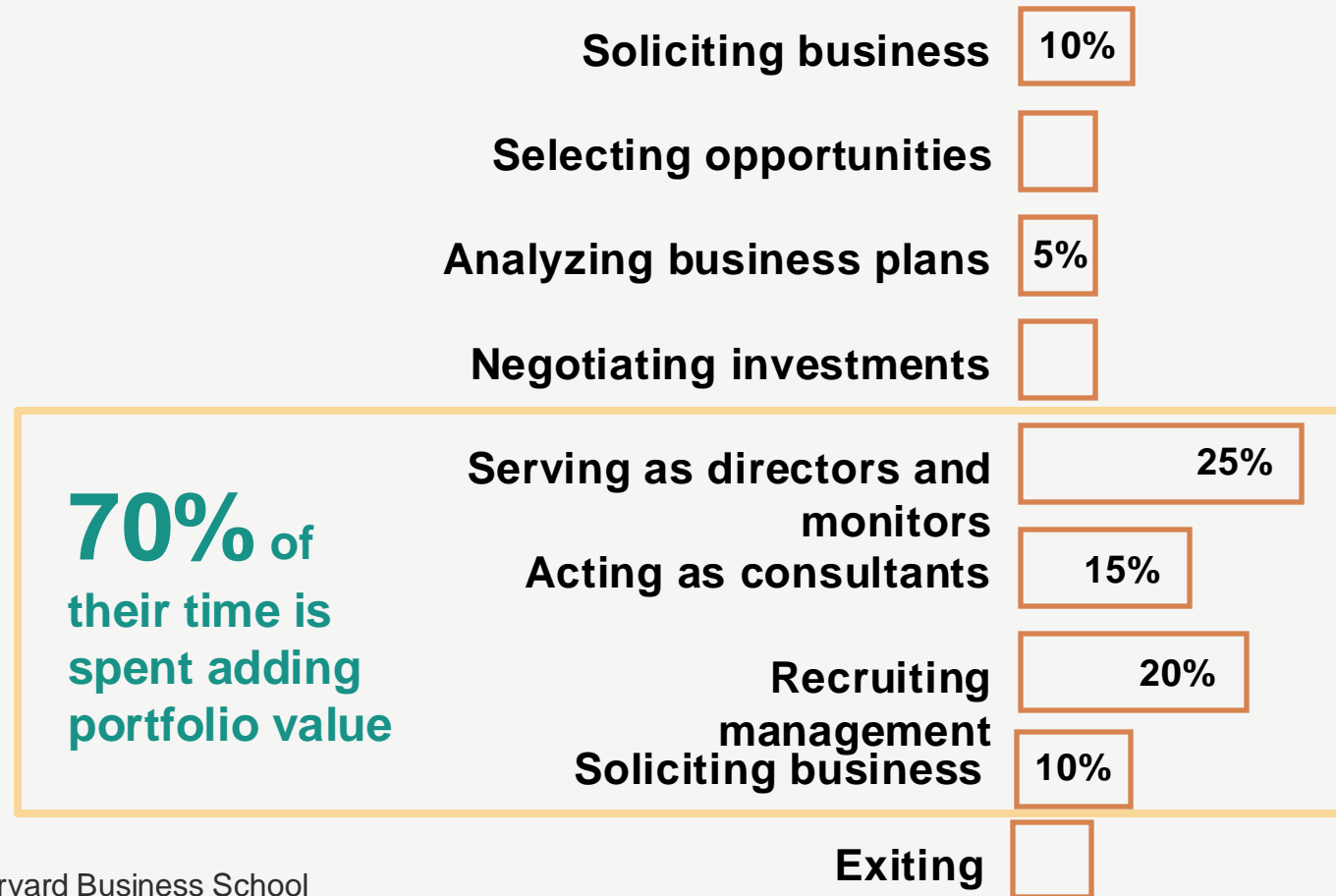
VCs in Constant Engagement

61%

Of partners interact
weekly with their
portfolio companies

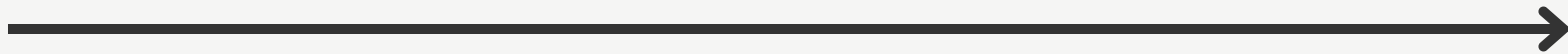
Source: Strebulaev / Harvard Business School

VC Engagement Activities



Source: Strebulaev / Harvard Business School

Median Fund Size



Median Fund Size in 2024

\$21.3M

Source: PitchBook

VC “Two and Twenty” Model

\$426,000

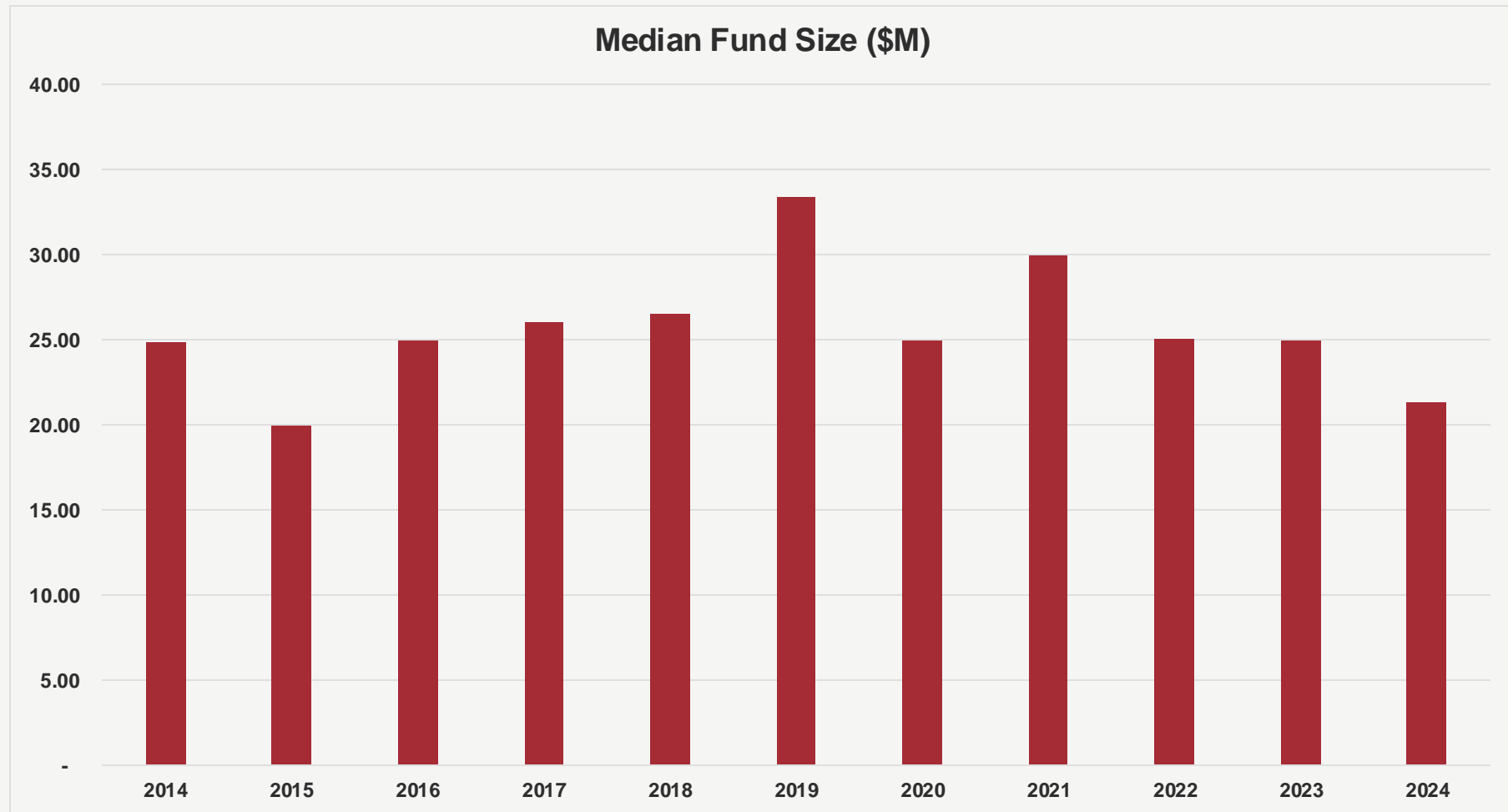
**Median management
fee on the median VC
fund.**

Source: PitchBook

Sample VC Operating Budget

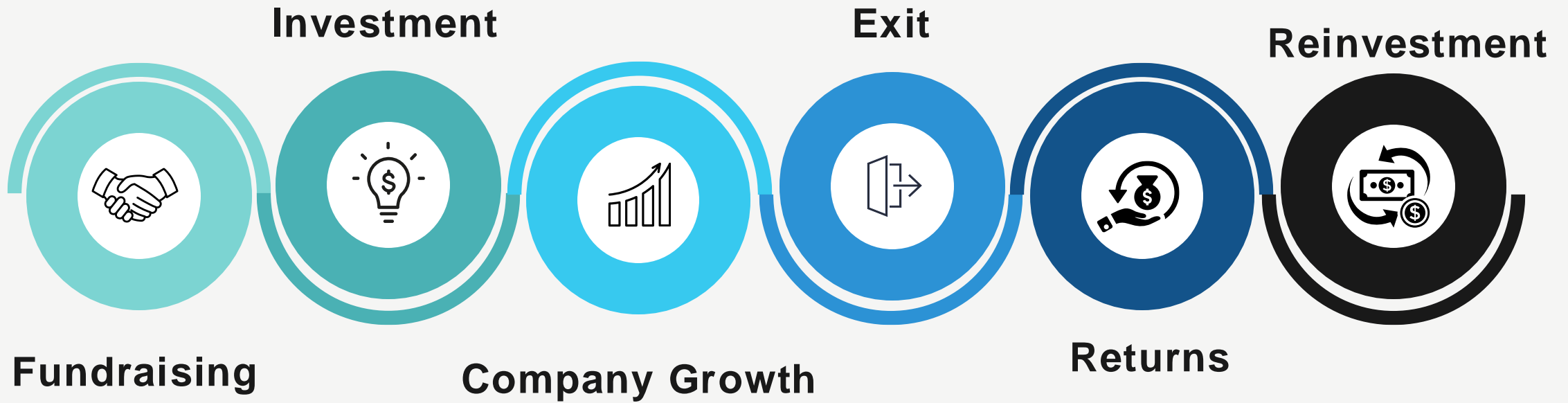
- Salaries & benefits: \$180k
- Legal and accounting: \$95k
- Due diligence: \$40k
- Office and rent: \$30k
- LP expenses: \$20k
- Marketing: \$20k
- Software: \$15k
- Tech & databases: \$15k
- Travel: \$11k

Source: PitchBook



Source: Pitchbook

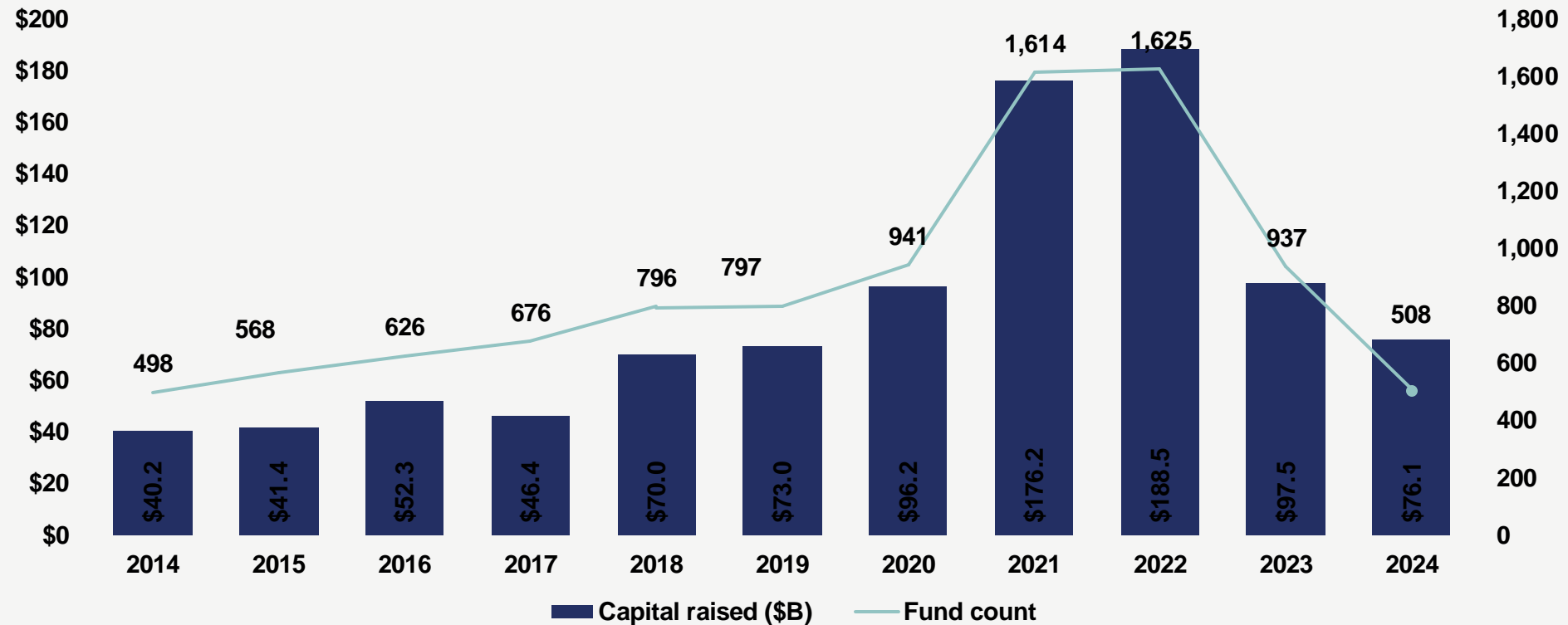
Venture Capital Lifecycle



VC Market Conditions

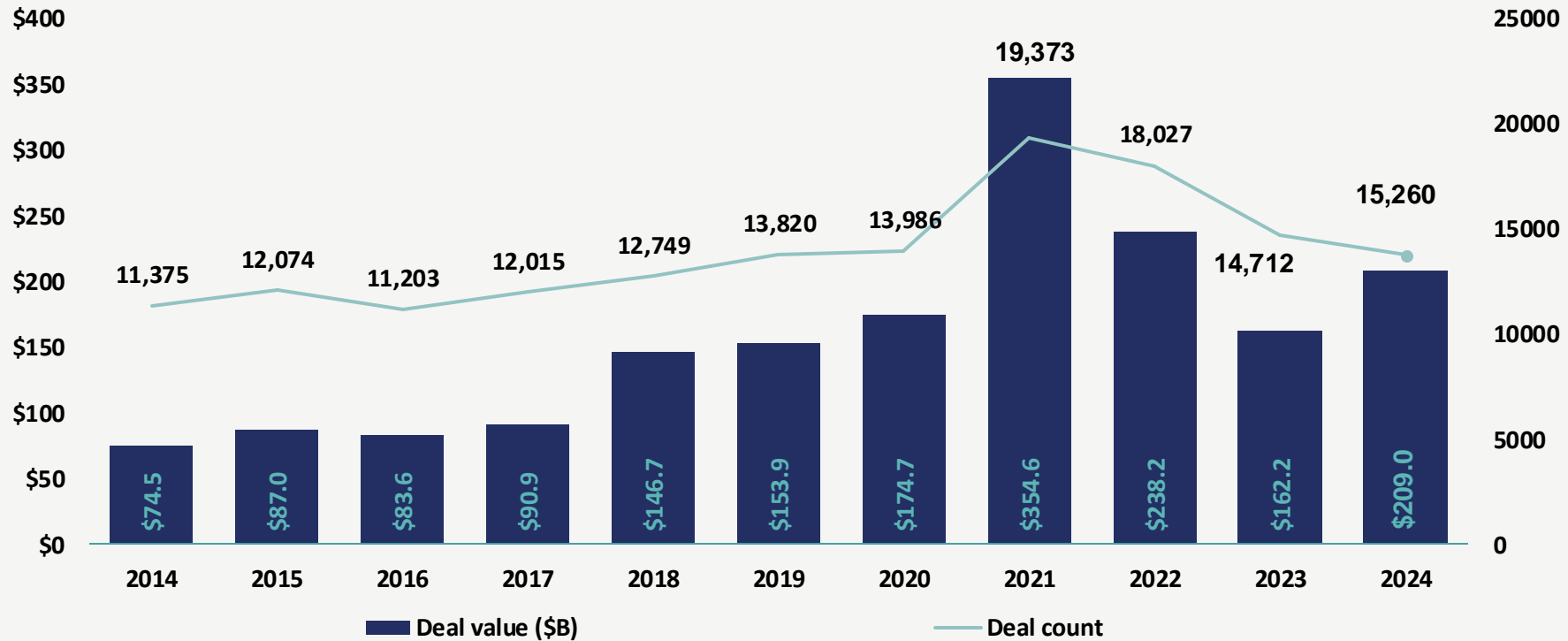


Fundraising



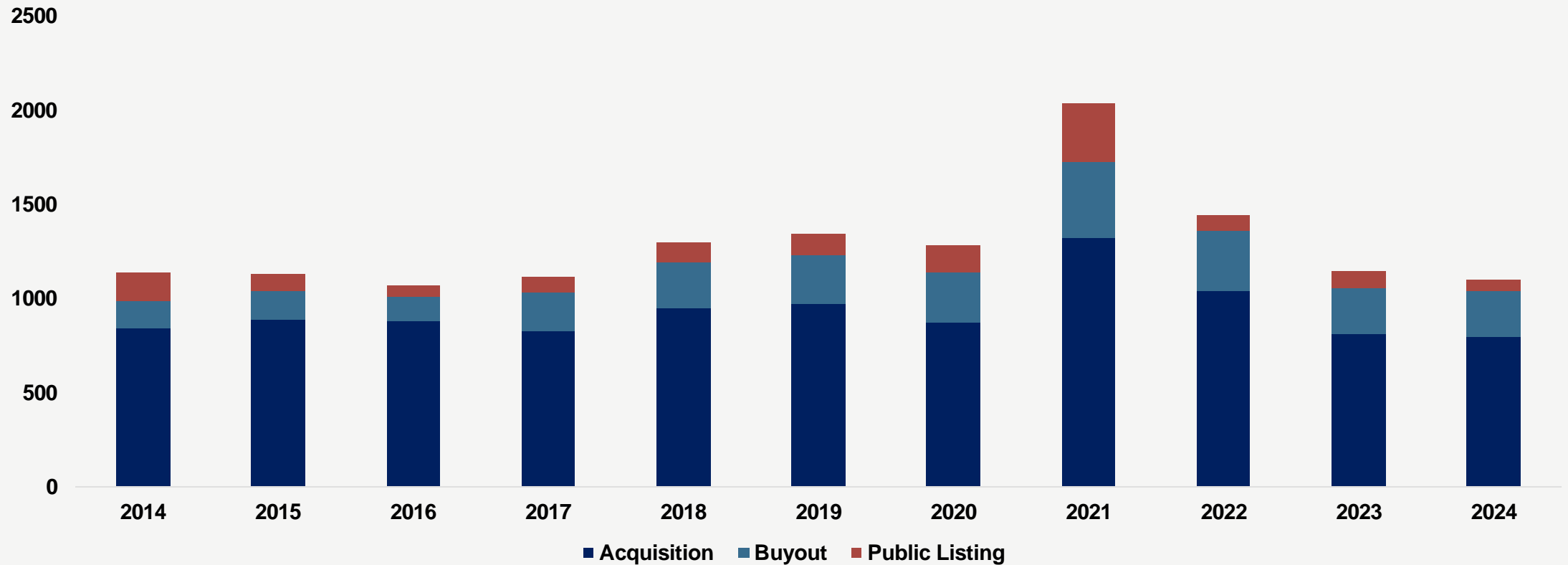
Source: Pitchbook

Investment Value and Deal Count



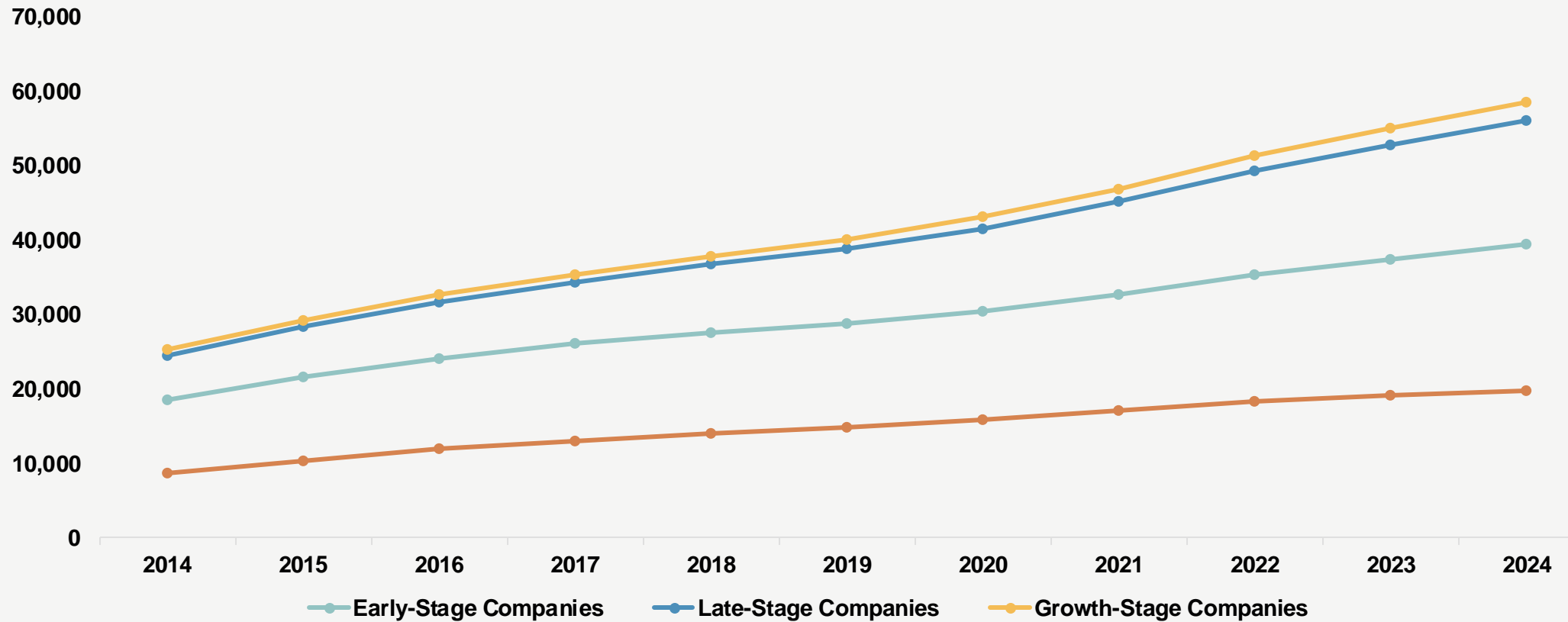
Source: Pitchbook

Exit Activity



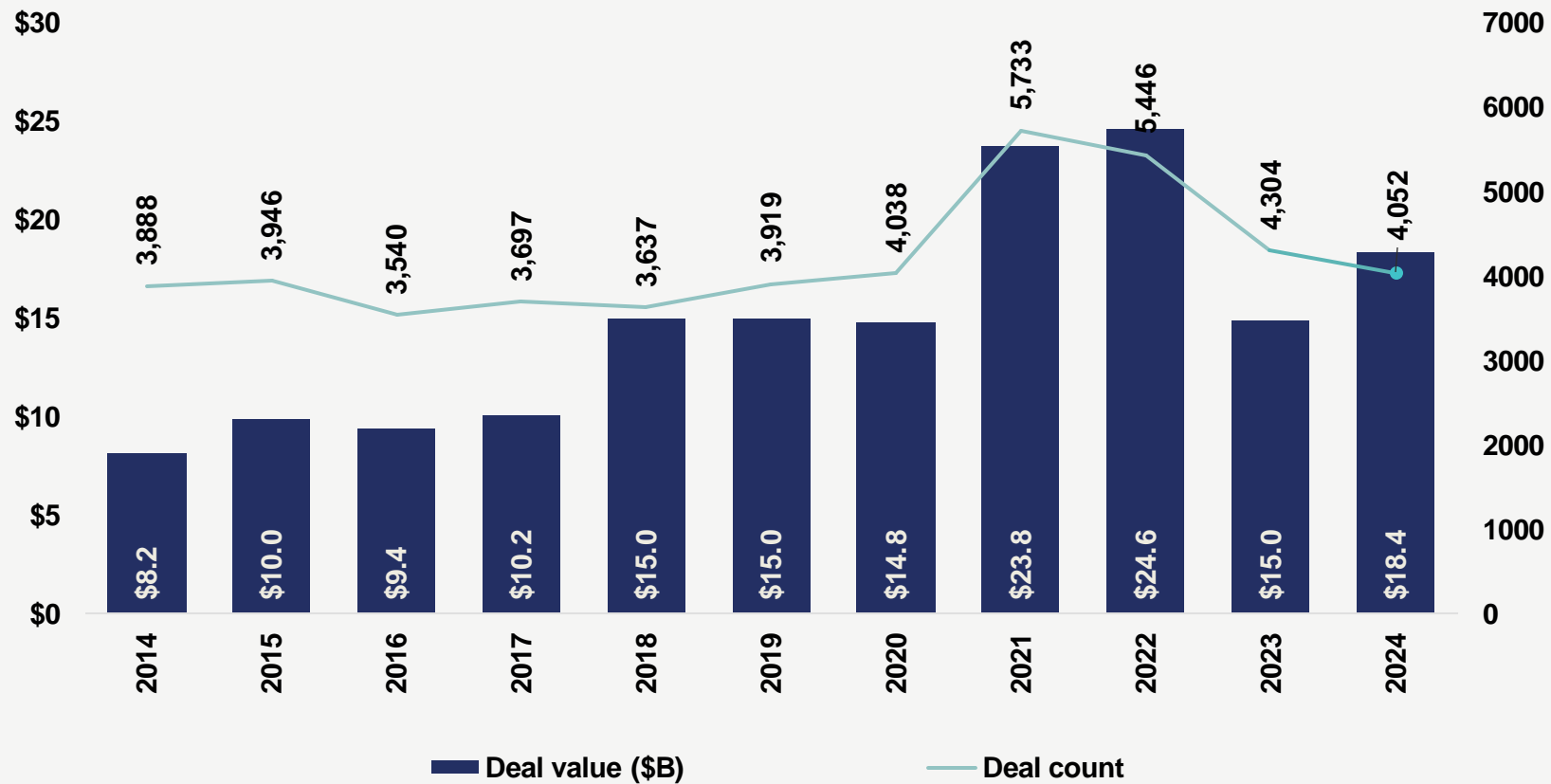
Source: Pitchbook

US VC-Backed Company Inventory



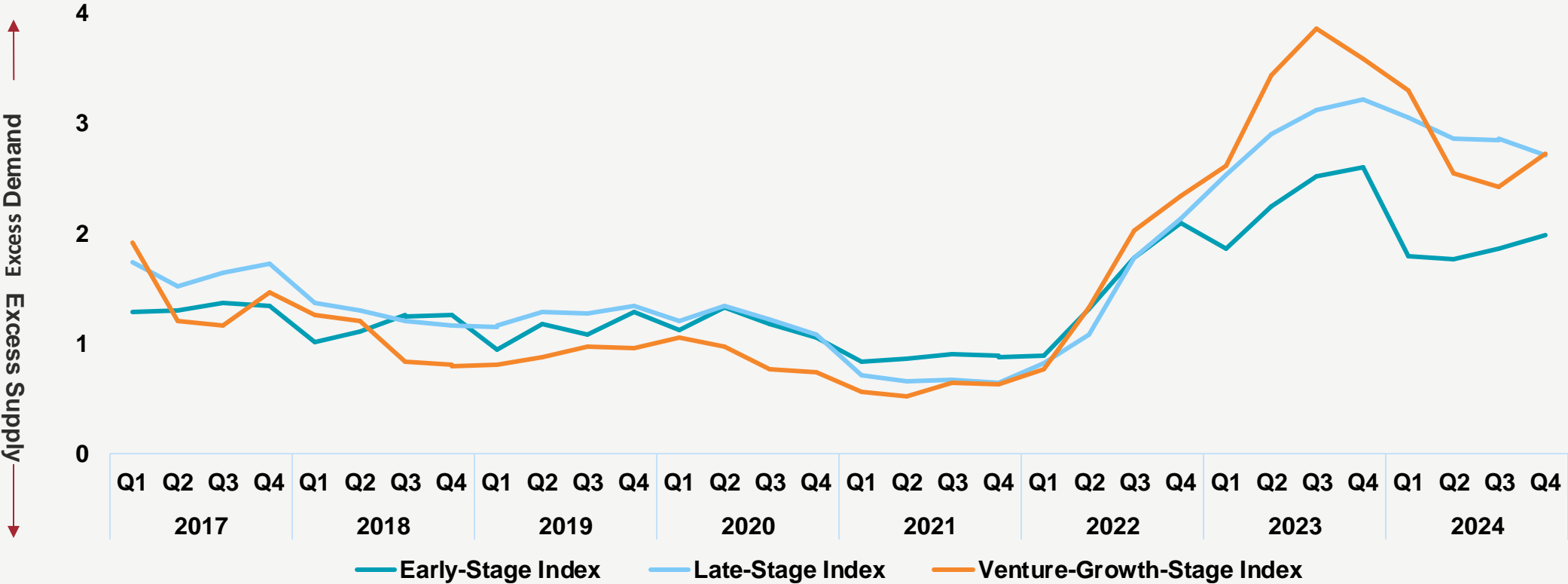
Source: Pitchbook

New Company Formation



Source: Pitchbook

Quarterly Capital Demand vs. Supply Ratio



Source: Pitchbook

VC Policy Priorities



Antitrust



Artificial Intelligence



R&D Innovation



**Capital Markets &
Regulatory**



Taxes



Immigration



**Tech
Commercialization
Econ Dev**



Energy Technology



SBA Activity



National Security



**Healthcare
Innovation**



**Foreign
Investment**



Patent Reform



Blockchain

NVCA Policy Working Groups

CFO Task Force

Growth Equity

National Security

AI

Healthcare
Innovation

Energy

Blockchain

Corporate Venture
Workshops

Venture Forward is NVCA's 501(c)(3) nonprofit providing targeted education, resources, and networking opportunities to accelerate the success of new investors entering VC, emerging investors and fund managers advancing their careers, and VC firms cultivating inclusive cultures and building sustainable, long-term businesses.

Through these efforts, we aim to create a VC ecosystem that has the potential to unlock even greater economic impact, innovation, and financial returns.



Empowering the next generation to fuel the
economy of tomorrow.



VC University

The definitive online course in venture finance.



LP Office Hours

Workshops that connect emerging managers from diverse backgrounds to limited partners, experienced general partners, and industry advisors.



VC Human Capital Survey

The survey collects information from 300+ VC firms regarding demographic information, talent management practices, and mentorship programs.

Interested in learning more?
ventureforward.org | hello@ventureforward.org

QUESTIONS

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