



**Strategic Operations and
Policy Summit
Policy Briefing
November 1, 2017**

NVCA Policy Agenda Goals

Support venture
capital returns

Increase and protect
investment
opportunities

Support investment
into venture capital

Challenge regulatory
burden on VCs and
startups

The Trump Administration: Challenges and Opportunities



Challenges

- Immigration
- Free Trade
- Net Neutrality
- Basic Research Investment



Opportunities

- Regulatory Relief
- IPO Market Reform



Unknown

- Tax Reform
- Gov't Procurement
- Patent Policy
- Tech Transfer

Tax Reform: Beware a Cornered Animal



Tax Reform Priorities & Potential Offsets

Business Tax Priorities	Potential Pay-Fors
Corporate Rate Reduction	Repatriation
Territorial Tax System	State and Local Tax Deduction
Business Pass-through Rate	Interest Deductibility
Expensing/Depreciation	“Rothification” of Retirement Accounts
	Dynamic Scoring

Tax Reform Should Encourage New Company Formation



NVCA Tax Reform Agenda

R&D Credit for
Startups

QSBS
Simplification

NOL/R&D
Credit Safe
Harbor

Stock Option
Tax Deferral

Carried
Interest
Capital Gains

Capital Gains
Rate

Fall is Now Tax Season

- First detailed proposal should be out any minute?
 - First indicator of where we lie on carried interest/QSBS
- Markup in House scheduled for next week, first gauge of momentum
- Senate supposed to introduce their version next week and markup following week, but skeptical about this timeline
- IF something gets done, likely Q1/Q2 2018

Immigration Policy Continues to be Active



NVCA leads on Int'l Entrepreneur Rule

NVCA will continue to advocate for IER through:

- direct lobbying;
- public comments;
- public awareness campaign;
- organizing allies; and
- litigation opportunities

★ America's Heartland Supports ★
The International Entrepreneur Rule
Because it will help talented entrepreneurs create new companies and high-quality jobs in the U.S.


A group of startup founders, investors, economic development organizations, and civic leaders from emerging startup ecosystems across the country signed a letter to President Trump in support of the International Entrepreneur Rule. The signatories represent the economies of the following states:



★ "This rule will unleash considerable pent-up entrepreneurial energy, spur new companies and produce high-quality jobs in communities all across the United States," said the signatories, who represent local economies across America's Heartland. ★


Where does Int'l Entrepreneur Rule stand?

- The effective date of IER was July 17, but the Trump Administration pushed the effective date to March 2018 and said it would propose to rescind the rule.
- We have proposed the administration allow the rule to go into effect, but issue an 'accompanying memorandum' to address any concerns.

 **NVCA** @nvca · Jul 10
Delaying the International Entrepreneur Rule is a missed opportunity to create #Jobs & strengthen the US economy:



  11  11 

 **NVCA** @nvca · Jul 10
NVCA's @JeffFarrah on how delaying the International Entrepreneur Rule is at odds with @POTUS's #Jobs & #tech goals:



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NVCA joins lawsuit on IER

Suing the government is not a decision to take lightly and was done in consultation with our board

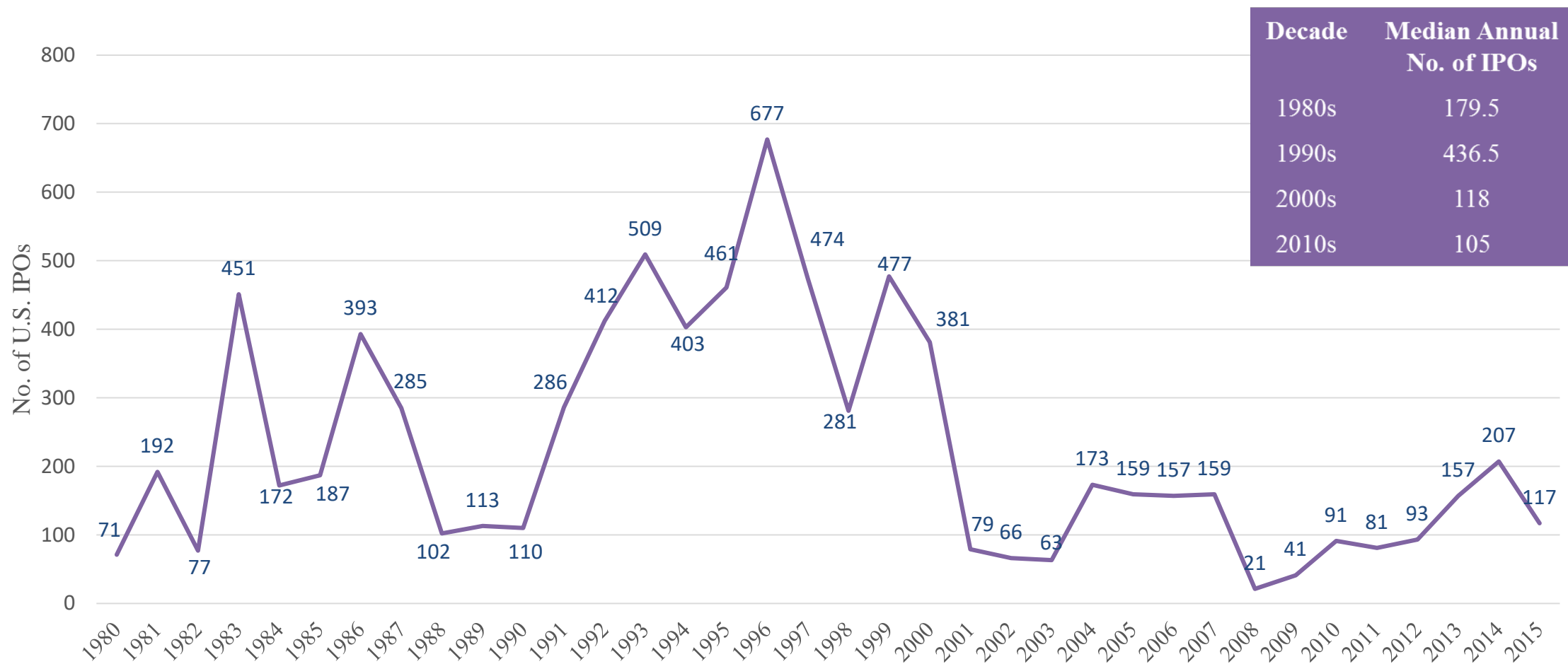
Benefits and upsides of joining suit

- NVCA's voice is needed on policy affecting immigrant entrepreneurship; there is no better group to lead the fight
- Immigration policy is a top priority for our industry and we understand the role immigrants have played in our ecosystem
- Litigation will increase chances of success on IER

Capital Markets & Regulatory Agenda

- **Volcker Rule:** Exempt investment into venture capital funds from the “covered funds” prohibition in the Volcker Rule. Use modified VC exemption definition (below)
- **Registered Investment Advisor (RIA):** Modify VC exemption definition to allow for investments into Emerging Growth Companies (EGCs) and Fund of Funds investments
- **Capital Markets Reform:** Prioritize capital markets reform to encourage more U.S. IPOs

Capital Markets: JOBS Act 2.0 Coming?



What are We Trying to Solve For?

- **Regulatory/Disclosure** – The increased cost & complexity of being a public company
- **Liquidity** – The challenge of lack of liquidity and impact on stock price
- **Research** – Collapse of research coverage in small cap companies make it harder to attract investment
- **Culture of Short-Termism** – Increased short-term nature of public markets discourages long positions in many small and capital-intensive companies

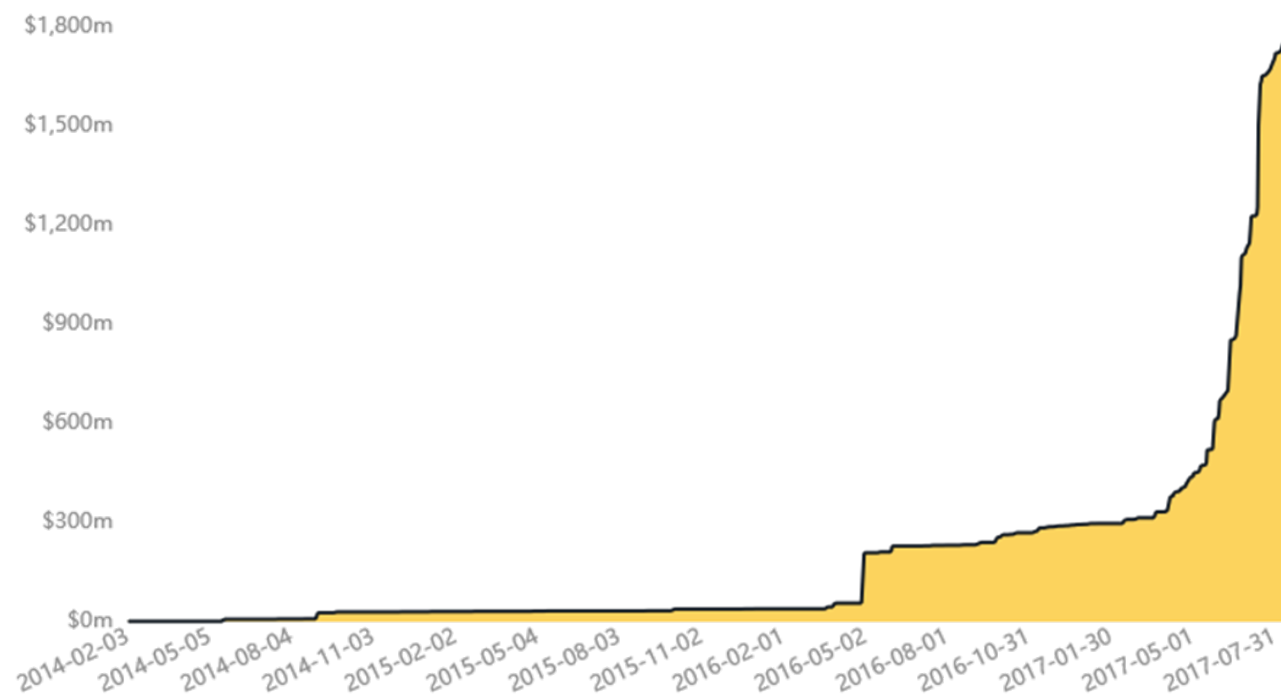
Ideas from Across Town

Regulatory	Liquidity/Research	Disclosure/Accounting	Governance/other
Extend EGC status from 5-10 years	Safe harbor for pre-IPO research from gun jumping/other violations	Reform corporate disclosure requirements	Increase shareholder proposal thresholds
Limit premature phaseout of EGC status	Safe Harbor for pre-IPO research syndicate participation	Allow EGCs to continue private company accounting post-IPO	Regulate proxy advisors
EGC status for all companies for 5 years	Allow EGCs to choose venues they trade on	Allow EGCs to use Reg A+ disclosure	Allow tenure-based voting
Extend Sarb-Ox Exemption for EGCs	Increase mutual fund diversified limits	Simplify quarterly reporting	Require short position disclosure
Registered Investment Advisor (RIA) reform	Give EGCs option to increase tick-size	Study re: stock option accounting	

Initial Coin Offerings

- Where is this trend heading, how will it affect the industry, and what (if anything) should we be doing?

All-Time Cumulative ICO Funding



Healthcare Policy

- FDA User Fee Reauthorization
 - Bipartisan bill signed into law August 18, 2017 – 5 yr extension
- Drug pricing
 - Trump executive order
- Medical device reimbursement
 - CMS ExCITe proposal pending



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Following



Critical [#Congressional](#) action is needed for [#VC](#)-backed life science [#innovation](#) to continue. [Learn more](#)



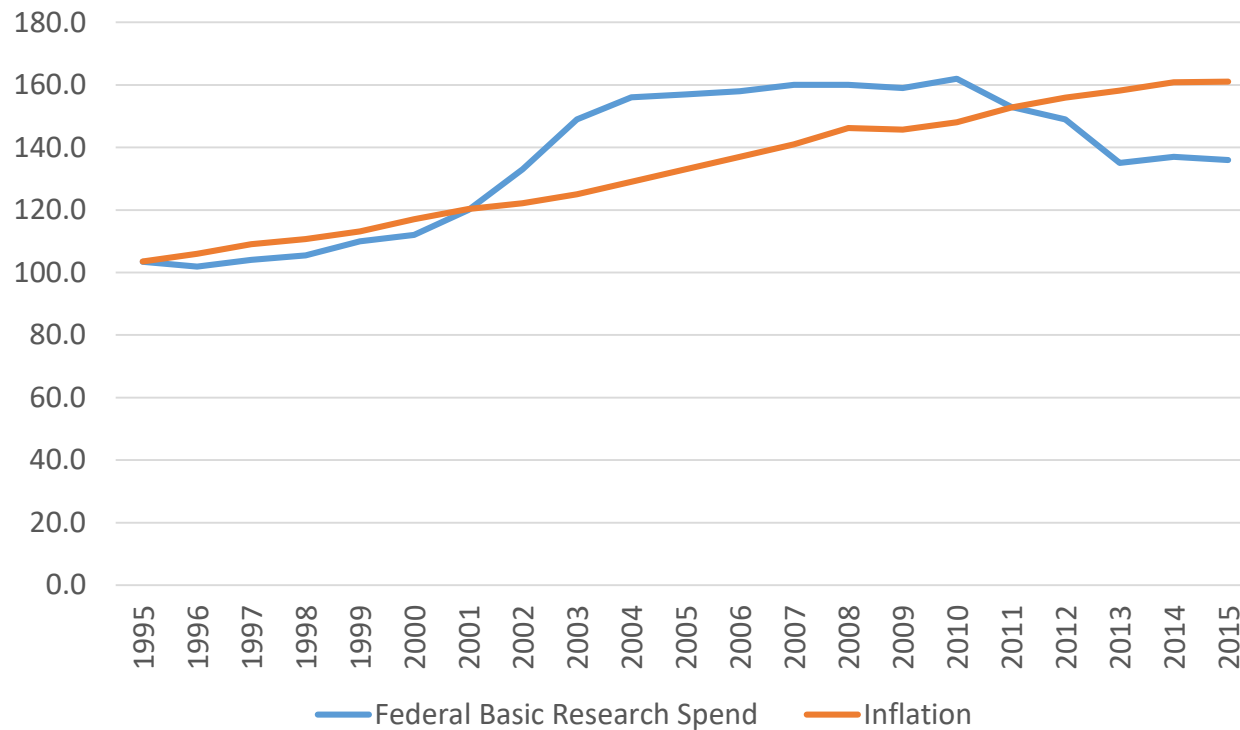
Timely Reauthorization of PDUFA & MDUFA Is Critical to VC...

Thirty years ago, the median time for the Food and Drug Administration (FDA) approval of a new drug was 33 months. As one can imagine, major backlog at the agency caused significa...

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Federal basic research should be increased

US Federal Research Spend vs Inflation
1995-2015



- The United States constitutes 27 percent of global R&D spending, whereas China is now 20 percent (2nd place)
- China is increasing R&D investment an average of 19.5 percent per year

Federal basic research & technology transfer



Net Neutrality

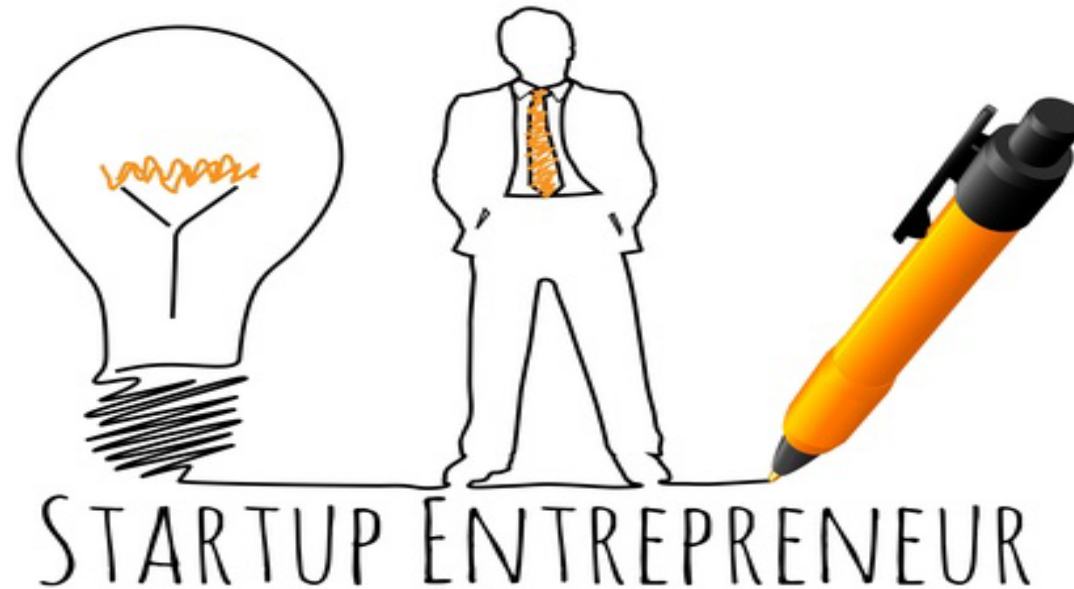
- **Republicans seeking to change net neutrality rules through three channels:**
 - Courts: Title II legal challenge could be headed to the Supreme Court.
 - FCC: Initiated rulemaking to undo Title II
 - Early move by FCC to allow zero ratings plans.
 - Congress: Legislative effort to change rules.

Strength is passion of our members



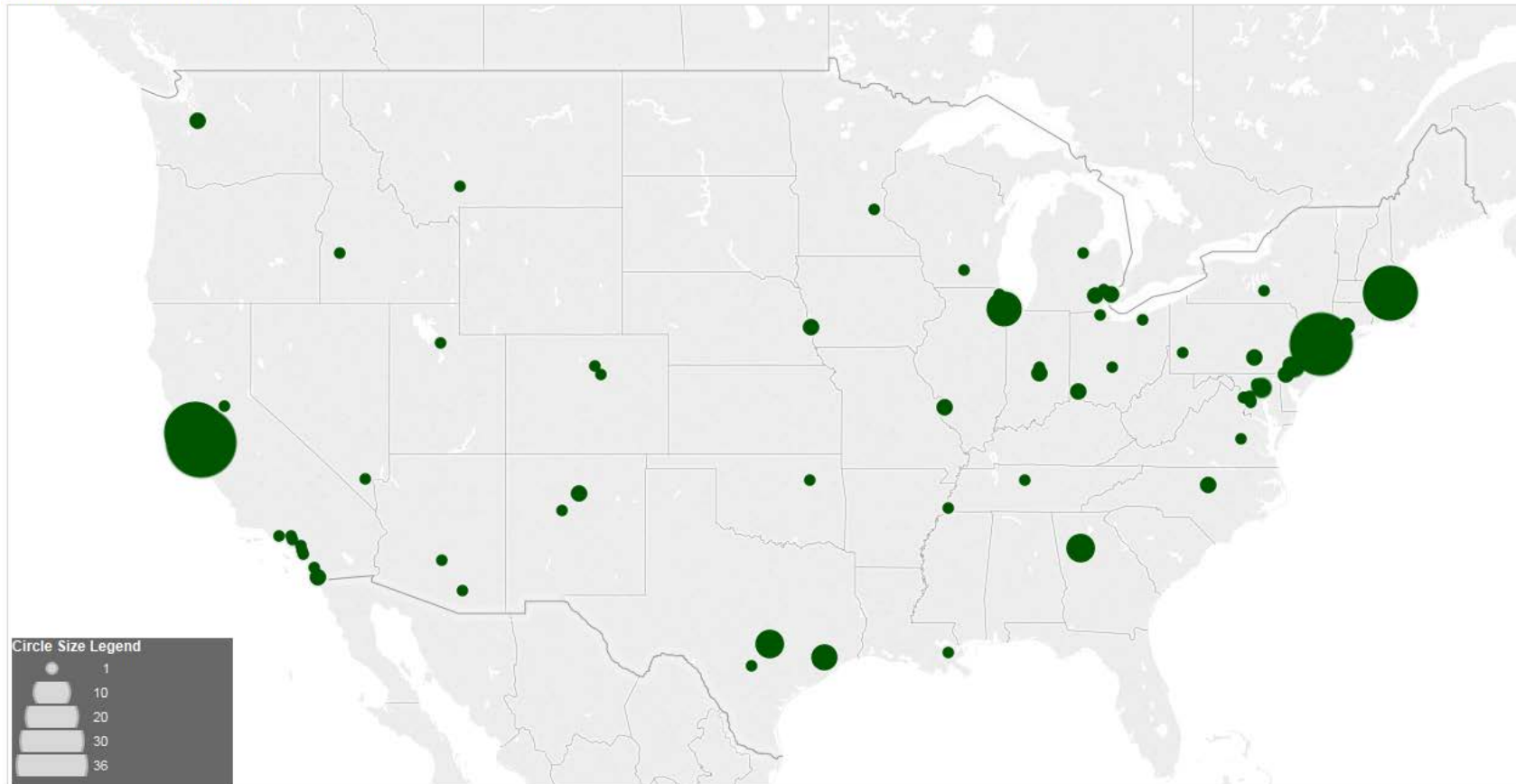
Strength is power of our message

It's all about the.....



Weakness is geographic concentration

NVCA Member Firms by HQ



Weakness: DC is a big pond

Silicon Valley presence in Washington

Tech Trade Associations	Tech Cos	Representing VCs
Consumer Tech Association	Google	NVCA
Internet Association	Cisco	Kleiner Perkins
BSA - The Software Alliance	Intel	
CCIA	EMC	
Computing Technology Industry Association	Dell	
Silicon Valley Leadership Group	Oracle	
TechNet	Yahoo!	
Telecom Industry Assn	Qualcomm	
ITIC	Hewlett Packard	

Allies in Washington



PARTNERSHIP FOR A
NEW AMERICAN
ECONOMY



The Real Estate Roundtable



MEDICAL DEVICE MANUFACTURERS ASSOCIATION

MDMA

VenturePAC is key component to our engagement



- Political action committee that supports candidates for federal office who are champions of our industry

VenturePAC Board Participation



100%

Generous industry participation allows us to support the re-election efforts of champions of our industry

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