Why Do Venture Capitalists Bet Young?

Conflict between VC and Founder Investment Horizons

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Abstract

This paper documents a mismatch between venture capital (VC) funding and entrepreneurial success across founder ages. VC dollars flow disproportionately to young founders, even though the founders who build the fastest-growing firms are typically middle-aged. I find that funds with a shorter remaining investment horizon are more likely to back young founders, and that young-founder companies reach M&A exits sooner. The age tilt becomes more pronounced after a court ruling that weakened investors' ability to force an exit through governance, suggesting that VCs prioritize exit-aligned founders. I then show that the exit speed advantage is concentrated among founders with strong outside options and that, in a within-startup design, young founders' post-exit labor market outcomes are better than those of their more mature co-founders. Overall, the findings highlight founder outside options as an important determinant of exit timing and show how horizon constraints may distort VC investment decisions.

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1 Introduction

Venture capital is widely seen as "smart money" and as a driver of economic growth (Kortum and Lerner, 2000; Kaplan and Lerner, 2010). A large share of investment capital is allocated to VC funds on the premise that VCs can identify the most promising startups and generate superior returns. Yet this paper documents a striking mismatch between where VC money goes and where the most successful startups are. Azoulay et al. (2020) show that the mean founding age among the fastest-growing new U.S. ventures is 45 and that the probability of a successful exit *rises* with founder age. By contrast, I document that most VC money goes to founders in their late 20s to mid-30s (Figure 1)[1]. Why VCs systematically tilt toward less successful startups is, ex ante, puzzling.

While there is probably several reasons for this tendency such as age bias, this paper explores a rational explanation that ties to the conflict between the VC fund life cycle and the founder life cycle. A VC fund is a closed-end partnership with a finite life, where the general partner (GP) will invest the committed capital and return funds and capital gains to limited partners (LPs) within the fund's typical ten-year life. Failing to do so is a negative signal that not only reduces GP returns, but also hampers their ability to raise future funds. Founders, by contrast, run on a different clock: they optimize over a working lifetime of ventures and jobs, and their willingness to accept an early sale depends on their outside option. Young founders are more likely to be serial entreprenuers and are more likely to end up in another employment position; for an older founder whose current firm may be the best remaining draw of a career, the incentive may be to hold on to the company longer and be more reluctant to sell. As a fund's deployment deadline approaches, its GP increasingly values founders who will deliver a timely exit, and founder age is a proxy for that willingness. The age tilt, on this account, reflects exit-timing alignment rather than beliefs about ability. I study how this contractual investment horizon introduces exit pressure for VCs and pushes them toward more exit-aligned founders.

Using PitchBook data on more than 30,000 new investments made by U.S. closed-end VC funds spanning the years 2000–2024, I find that deals made under high deployment pressure—by funds at least five years old—are 2.2 percentage points more likely to back a young founding team than deals made by the same investor earlier in the cycle, a roughly 4% increase relative to the baseline rate. If exit pressure is the driving force, the age tilt should disappear for funds that do not have a fixed end date. Corporate venture capitalists, who invest off a parent company's balance sheet and face no fixed end date, show no such

[1] In Figure 1, the dashed red line reproduces Azoulay et al. (2020): the probability that a founder of a given age builds a top 1% employment-growth company. The solid blue line shows the probability that a founder of a given age receives VC funding, constructed from VC investment data.

tilt as their fund age increases.

I also use a legal shock to exit control to zero in on the channel. Within VC-backed companies, founders hold common shares and VCs tend to hold convertible preferred shares. Since both hold equity claims, VCs' and founders' interests are typically aligned during operation. However, when the firm decides to pursue an exit, preferred shares carry liquidation preferences, and VCs might prefer an earlier exit due to the fund cycle; this creates potential conflict between the two classes of shareholders. In 2013, the Delaware Court of Chancery's ruling in *In re Trados* (hereinafter "Trados") held that directors of VC-backed firms—including directors appointed by the preferred shareholders—owe their fiduciary duties to common stockholders, exposing board-forced exits to entire-fairness review and shifting exit control toward founders. If deadline-pressured GPs had previously relied on governance tools to force timely exits, the ruling should push them toward selecting founders whose own preferences deliver exits. In a difference-in-differences estimate, the late-cycle tilt toward young founders is concentrated almost entirely after 2013. This result makes me more confident that the age tilt we observe for late-cycle investment is driven by exit-related concerns.

I further examine whether the tilt I document is driven by exit-timing preferences: are young founders correlated with faster exits? Companies founded by young teams reach an M&A exit about 6% sooner, with a 9% higher exit hazard; there is no corresponding difference for IPOs, where the exit does not separate the founder from the firm. I also investigate the mechanism behind why young founders exit faster. The speed advantage is traced to outside options rather than to youth itself. I first proxy outside options using the location of the founder's bachelor's-degree institution. Because U.S. citizens are very likely to earn their undergraduate degree in the U.S. or Canada, a foreign bachelor's degree is a useful proxy for immigrant founders or founders with weaker U.S. ties. The key idea is that this proxy should matter most for young immigrant founders who recently just received their bachlor degree: they are more likely to have thinner U.S. networks and may still face visa-related constraints, which weakens their outside options and makes an early exit less attractive. For mature founders, by contrast, a foreign bachelor's degree is typically a legacy background characteristic rather than a current constraint, so it should be much less informative about their exit preferences. Consistent with this interpretation, the faster-exit result disappears for young founders educated outside the U.S. and Canada.

Secondly, I directly test founders' post-exit redeployment by examining whether younger and older founders have different labor market outcomes. After an M&A exit, young founders are roughly 40% more likely to found another VC-backed company within three years, and are significantly more likely to take a new employment position. This effect is even stronger

among co-founders who founded the same company together and exited through the same deal. In addition, relative to more mature founders, young founders see a significantly larger jump from pre-founding to post-exit employment: salary rises by 27%, total compensation by 42%, and job seniority more than doubles. Together, these results suggest that young founders accept early exits because they have attractive opportunities available to them.

It is plausible that the age tilt at the late-cycle period is not driven by exit preferences but by some other omitted variable that correlates with age. Firstly, one possible interpretation is that pressured VCs are simply selecting inexperienced negotiators to negotiate better terms or push founders into early sales. If this is true, the tilt should be weaker when the VC naturally has higher bargaining power. I proxy VC bargaining power using VC rankings (Lee et al., 2011) and the number of prior funds the investor has raised, and I do not find differences between VCs with different bargaining power. Secondly, this could be driven by quality sorting: if funds invest in their best deals first and work down the ranking, and if young founders proxy for worse-quality investments, then ex-post deal quality should decline over the fund cycle. However, I do not find a robust decline in deal quality, measured by exit through M&A or IPO. Thirdly, if underwater funds were gambling on high-variance young founders to resurrect the fund, young-founder deals should deliver more home runs. Using an exit multiple of 2x or 5x, I do not find evidence that young-founder deals are more likely to generate right-tail returns. Despite this, young founders' companies are more likely to exit within the fund's horizon even though they are no more likely to exit at all[2], which again confirms the exit-timing story.

How important this exit-timing alignment is remains an open question. I close my analysis by conducting a back-of-the-envelope counterfactual calculation: If the horizon constraint were removed, how much of the gap between VC investment and high-growth startups could be explained? CVCs are VCs that invest off their parent company's balance sheet who do not have a fixed fund life, so a natural counterfactual is to use CVC investment decision. I reallocate VC deals across founder ages the way CVCs do; this shifts capital toward older founders and explains roughly *20%* of the divergence between where venture dollars go and where the highest-growth founders are found. This suggests that, although exit alignment is not the only explanation for the misallocation, it captures an important part of it.

Understanding how VCs make investment decisions, and how the horizon constraint leads to potential misallocation of funding toward less-promising startups, has important implications for capital market efficiency. Overall, this paper connects the literature on the fund horizon, which shows that finite horizons distort VC behavior (Gompers, 1996; Kandel et al.,

[2]The vast majority of companies exit within the fund horizon; however, 15% of exits occur outside the fund's investment horizon.

2011; Arcot et al., 2015), to the literature on founder characteristics and investor selection, which asks who gets funded and why (Bernstein et al., 2017; Ewens and Townsend, 2020; Cook et al., 2026). This paper makes three contributions. First, it documents that the age allocation of venture capital diverges from the age distribution of entrepreneurial success—a puzzle that has not previously been established beyond the evidence on entrepreneurial success rates in Azoulay et al. (2020). Second, it shows that the fund's horizon shapes not just the management of existing investments but the composition of entrepreneurial talent that gets financed in the first place. Third, it identifies the founder's outside option as the channel that makes age informative. In terms of the broader private capital market, this paper is also relevant to the recent rise of evergreen, continuation funds, and secondary markets which seek to relax the horizon constraint faced by traditional VCs.

The rest of the paper is organized as follows. Section 2 discusses related literature. Section 3 describes the institutional background on the VC fund clock, the founder's horizon, and the 2013 *Trados* ruling. Section 4 describes the data sources and research design. Section 5 lays out the empirical strategy. Section 6 presents the main results on the fund-cycle age tilt, the difference-in-differences using *Trados* court case, and the time to exit analysis. Section 7 tests the mechanism on the founder's outside option. Section 8 examines potential alternative explanations, Section 9 presents the counterfactual analysis using CVC behavior as a benchmark, and Section 10 concludes the paper with a summary of the findings.

2 Related Literature

Young founders have long been viewed as the engine of innovation, reflecting a widespread belief that creative performance peaks early in life. However, a large literature studies the relation between age and scientific output, and its conclusion runs the other way: the most successful inventors and scientists produce their landmark work in mid-life, and the age at which major contributions arrive has risen over time (Simonton, 1988; Jones et al., 2014). Using administrative data on the universe of U.S. founders, Azoulay et al. (2020) document that the mean founding age among the fastest-growing new ventures is 45 and that the probability of exit through M&A or IPO increases with founder age. The pattern is consistent with human capital that accumulates over a career (Jones, 2010), and founders with prior founding experience outperform first-time entrepreneurs (Gompers et al., 2010; Lafontaine and Shaw, 2016).

There is far less information on how VCs invest across different age groups. The notion that VCs favor the young has largely been driven by perception and anecdote rather than by investment data. Azoulay et al. (2020) only reports the average age of founders who receive

VC investment when they note the tension, and suggest a possible mismatch between where venture capital flows and where high-growth firms come from. This paper closes that gap using deal-level investment data to document that the age distribution of VC-backed founders diverges systematically from the age distribution of founders who are more likely to succeed. Two recent papers offer partial explanations for a related pattern of age-based selection. Zhang (2022) shows that founder age moves investor interest, with older founders of high-quality startups treated less favorably. In equity crowdfunding, Matthews et al. (2024) use AI-manipulated founder images to show that perceived age moves funding evaluations. Both papers locate the mechanism in investor belief or taste. This paper offers a different, and to my knowledge the first, rational explanation for the age gap in venture investment: the finite life of the fund makes fast exits privately valuable to the general partner, and youth predicts a founder's willingness to accept one, so a return-maximizing GP under high exit pressure will tilt toward young founders without holding any mistaken belief about ability.

This paper also contributes to the literature on venture capital investment horizons and to work on governance conflicts inside privately held firms. A classic line of research ties distortions in venture capital to the structure of the closed-end fund. Gompers (1996) shows that young VC firms take companies public early to build a track record before fundraising; Kandel et al. (2011) model how a finite fund life makes GPs myopic about continuing or terminating projects as the deadline approaches; and Chakraborty and Ewens (2018) show that GPs manage the timing of performance signals around fundraising events. Deadline pressure also shapes transaction form and pricing in buyouts: funds late in their life are more likely to sell to other funds, at worse prices (Arcot et al., 2015; Degeorge et al., 2016). Evidence from the other direction shows that LP patience changes GP investment behavior (Li et al., 2026). The two studies closest to this paper examine how a fund's own life cycle shapes its investment behavior. Barrot (2017) shows that VC funds with longer contractual horizons invest in younger, more innovation-intensive *companies*; and Haran Rosen et al. (2025) document that deals made earlier in a fund's life are more likely to exit through IPO and M&A. This paper differs in the direction of the choice: I exploit within-fund variation in remaining time and show that it changes the *type of founder* the fund selects.

The horizon friction puts the fund's clock in conflict with the founder's, which makes exit timing a governance problem. Conflicts among a firm's claimholders are a foundation of corporate finance: equity holders shift risk onto creditors (Jensen and Meckling, 1976) and forgo valuable investment when its payoff accrues to debt (Myers, 1977). In VC-backed firms the same logic operates inside the equity shareholders, because liquidation preferences make the VC's preferred stock a debt-like senior claim, and the resulting preferred–common conflict is sharpest at exit, when proceeds are divided according to those preferences and common

holders frequently must be compensated to approve a trade sale (Broughman and Fried, 2010). Venture contracts allocate control rights state-contingently (Kaplan and Strömberg, 2003), and VCs use board power to monitor portfolio companies (Lerner, 1995), professionalize them, and replace founders when needed (Hellmann and Puri, 2002; Ewens and Marx, 2018). Bian et al. (2022) show that sales by VC funds under liquidity pressure look like fire sales—lower prices, positive acquirer returns—which is precisely the conflict the 2013 *Trados* ruling addressed by holding VC-appointed directors to fiduciary duties owed to common shareholders. Where this literature studies how the conflict is fought ex post once investor and founder are already matched, I show that the conflict is also managed ex ante, at selection: once board-driven exits became legally costly, GPs facing deadlines substituted toward founders whose own preferences deliver timely exits, so that founder age functions as a governance instrument chosen at the time of investment.

Finally, the paper adds an age margin to the literature on founder characteristics and on how venture capitalists select portfolio companies. Venture capitalists report that the founding team is the single most important input to their investment decisions (Gompers et al., 2020), and experimental evidence confirms that early-stage investors respond sharply to information about founders while disregarding traction (Bernstein et al., 2017). A growing literature asks which founders investors favor and whether those patterns reflect bias: women raise less capital and are penalized more than male co-founders after failure when raising for the next venture (Ewens and Townsend, 2020; Hébert, 2026; Hébert et al., 2025); Black founders face large funding gaps that shrink when investors share their network (Cook et al., 2026); and venture capitalists tend to partner with, and invest in, people who resemble themselves, at a measurable cost to performance (Gompers et al., 2016). Founder age is largely absent from this list, and the mechanism I propose is deliberately not a taste: the age tilt strengthens with the investing fund's own deadline, and operates through founders' exit preferences. That an agent's outside option shapes economic behavior is well documented in the literature (Golubov and Zhong, 2024; Jeffers, 2024; Klasa et al., 2018); this paper shows that the same force operates on founders, through the ventures and employment they can pursue next, as well as through increasing compensation and job seniority.

3 Institutional Background

This section describes the institutional features on which the paper's identification rests: the contractual life cycle of a venture capital fund, the working-lifetime horizon over which a founder optimizes, and the 2013 *Trados* ruling, which reallocated control over exit timing from investors toward founders.

3.1 The VC fund cycle

A venture capital fund is a closed-end limited partnership with a finite life, typically ten years, extendable for a short period subject to LP consent.[3] Limited partners commit capital at the fund's formation, the general partner draws it down and invests it in portfolio companies over time, and the resulting proceeds must be distributed back to the LPs before the partnership winds up.

The ten-year life is internally divided. Typically, the limited partnership agreement (LPA) grants the GP an *investment period*—conventionally the first five years—during which committed capital may be drawn down for new portfolio companies. After it closes, the fund enters its harvesting period and the GP's major task turns from deploying to realizing. In practice the boundary between the two phases is not absolute. Investment periods can be extended, LPAs carve out specific exceptions, and capital recycled from early realizations can be redeployed, so the sample still contains a significant number of new investments made well after the fund's fifth year. My data, discussed below, confirm that this is the case.

The GP's compensation is tied to this clock (Metrick and Yasuda, 2010). Management fees accrue on committed or invested capital and are largely insensitive to outcomes, but carried interest—the performance-sensitive share that dominates the economics of a successful fund—is paid only on *realized* returns. An unrealized markup does not pay carry. The clock also governs the GP's career, because VCs typically raise their next fund before the current one is fully harvested, and LPs evaluating that next fund weight distributed capital more heavily than paper value. Realized exits are the most credible signal a GP can show a prospective LP, which is why the incentive to produce them intensifies as a fund matures.

The contractual alternatives to delivering an on-time capital return are costly. Extending the fund's life requires LP consent and typically suspends or reduces management fees; selling LP interests on the secondary market or moving the remaining portfolio into a continuation vehicle transfers the problem at a discount, and accounts for only a small fraction of transactions in the VC market. The deadline is therefore a binding constraint for all traditional closed-end funds, and exit pressure is present from the moment a deal is made rather than arising only near the fund's end: because the fund's own liquidation date is fixed at formation, even a first-year investment already carries a deadline by which it must be realized. What changes over the fund's life is not whether pressure exists but how tightly it binds, since a deal's remaining runway to liquidity shrinks mechanically as the fund ages (Kandel et al., 2011).

The consequence is that the value of a fast exit to the GP rises mechanically as the fund

[3] Barrot (2017) reports that the average extension is two years.

ages. A deal made in the fund's first or second year has nearly a decade to reach liquidity. A deal made in year 5 must exit within the remaining fund life, which means that the GP's preferred exit date for that company depends not only on company performance, but also on the fund's investment horizon, which is unrelated to company quality.

The GP cannot simply impose that date on a portfolio company. Investors may hold contractual drag-along rights that oblige the common to join a sale the preferred has approved, but such rights are rarely relied on in practice. A drag-along compels a signature; it does not compel the cooperation a sale actually requires. Acquirers are paying for the founder's participation in diligence, for the orderly transfer of customer and engineering relationships, and sometimes for a short-term post-closing employment commitment, so a transaction pushed through over the founder's objection is both worth less and more likely to fail in execution. The GP's practical problem at exit is therefore to obtain the founder's willingness rather than to override it, which gives an investor reason to align founder interests *ex ante* rather than to force an exit through legal rights alone and which is why the founder's own horizon, the subject of the next subsection, enters the investor's problem.

3.2 The founder's horizon

The founder's life cycle operates differently. A founder does not maximize the return of any single company; they optimize over a working lifetime that may span several ventures and employment positions, and the current company is one draw from that sequence. When a founder wants to exit therefore depends on what comes next. For a founder with strong outside options—an idea for the next venture, attractive employment, or a labor market that price their talent— an early sale is a step rather than an end. For a founder whose current firm is likely the best opportunity in their career, an early sale forces that opportunity to end sooner than it otherwise would. In that case, staying with the company may be more valuable to the founder than the investor's preferred timeline.

A founder deciding whether to accept such a sale is not simply weighing how much they earn as a founder against the sale proceeds; they are weighing what they do next against continuing to run this firm. That comparison is tilted further toward holding on because founders are systematically optimistic about their own venture's prospects (Cooper et al., 1988; Åstebro et al., 2014), and so believe that waiting will preserve or increase the company's value relative to selling today. Acquisition typically ends the founder's tenure. A trade sale is the sale of control rights to a single buyer, whereas an IPO sells cash-flow rights to dispersed shareholders (Zingales, 1995); acquirers retain founders on time-limited packages when they retain them at all, and founders frequently exit soon after the deal

closes (Boyacıoğlu et al., 2024). An IPO, by contrast, does not sever the founder from the firm, and is in fact the exit through which a successful founder reacquires control from the investor rather than relinquishing it (Black and Gilson, 1998; Bayar and Chemmanur, 2011). Older founders may derive greater utility from remaining in control of their current venture because the expected value of their future entrepreneurial or employment opportunities is lower. Consequently, the opportunity cost of delaying or foregoing an exit is lower, while the value of retaining control and continuing to lead the firm is relatively higher.

When the founder's horizon and the fund's horizon disagree, the disagreement can be resolved in one of two ways: ex post, through governance, where the investor uses its control rights to force the exit; or ex ante, through selection, where the investor backs founders whose own preferences already deliver exits on the fund's schedule. The next subsection describes the governance route directly, and the ruling that made forced exits more costly.

4 Data and Variables

The empirical design works at three levels of observation, each matched to one link in the argument. In the remainder of this section I describe the construction of main variables and report key summary stats.

4.1 Data sources and samples

The primary source of VC deal and portfolio-company data is PitchBook, which offers broad coverage of U.S. venture financing and is a standard data source in empirical entrepreneurial finance (e.g., Garfinkel et al., 2024; Cook et al., 2026). It reports deals, investors, portfolio companies, and the individuals associated with them, including the education histories from which founder age can be recovered.

Deal-level sample. On the deal side, I keep completed deals that PitchBook classifies as Seed, Early Stage VC, or Later Stage VC, restrict portfolio companies to those headquartered in the United States, and focus on deals from 2000–2024. On the investor side, I keep U.S. funds that PitchBook classifies as venture capital, exclude micro-VCs with committed capital below $10 million, only retain funds affiliated with a single GP, and drop funds with a missing start date (vintage). Corporate venture capital (CVC) investors—identified by a corporate investor type, the presence of a parent corporation, or an evergreen fund name[4]—are excluded from the main sample but retained as a comparison group. Because they invest

[4]Evergreen vehicles are grouped with CVC because, like CVC, they have no finite horizon and therefore no deployment deadline. The results are similar if I drop them from the sample instead.

off the parent's balance sheet and face no fund deadline, they are the natural placebo for the fund-cycle test.

For each investor–company pair I keep only the first deal in which the GP backs that company, dropping the GP's later follow-on rounds and add-on investments, so that every observation is a fresh selection decision rather than a decision to double down on a firm the GP already holds. Because a financing round can involve several investors, a round enters once for each new GP that participates in it; the unit is therefore the GP–deal investment level.

Company-level exit sample. A company is recorded as exited at its first merger or acquisition (M&A), an acquisition of a stake above 50 percent, or at its first IPO, whichever comes first; a firm that is acquired and later goes public therefore enters as an M&A exit. Companies flagged as out of business or bankrupt are recorded as failures, and the rest are censored at the end of the sample period. *Time to exit* is the number of years between a company's first VC round and the exit event, and companies with a missing first-round date are dropped. For the exit-timing tests I further require that the founder has not left the company before the exit, so that the exit reflects a decision the founder was present to make.

Founder-level sample. The outside-option tests follow founders into the labor market after their company is sold, an outcome PitchBook does not track. I therefore obtain founder employment data from Revelio Labs, which assembles individual career histories from public professional profiles. Each profile records the employer, title, and start and end dates of every position, and Revelio appends the start and end salary, total compensation, and seniority level attached to each position.[5] I match PitchBook founders to their Revelio records using company and founder LinkedIn profile URLs, so that each matched founder carries a full dated employment timeline alongside their PitchBook founding record. For tests exploiting these data, I require the exit to occur by 2021, so that a three-year post-exit window is fully observable within the sample period.

4.2 Founder characteristics

Founders are identified from PitchBook's person–position records, keeping positions whose title identifies a founding role and attaching each founder to the company from the start of that role. A founder is linked to a given deal only if their tenure spans the deal date, so founders who had already left do not affect the measured composition of the team at the time of the investment.

[5]These position-level salary, compensation, and seniority figures are not self-reported: Revelio predicts them from position-specific information using its own model. See https://www.data-dictionary.reveliolabs.com/data.html#individual-level-data.

PitchBook does not report birth dates, so I impute each founder's birth year from their education records. I take the earliest degree the founder is observed to hold, prioritizing bachelor's degrees, and subtract from its graduation year the typical age of completion for that credential: twenty-two years for a bachelor's degree, twenty for an associate degree, twenty-four for a master's degree, and thirty for a doctoral degree.[6] A founder's *founding age* is the company's founding year minus this imputed birth year, the founder's age when the firm was created. and I retain founding ages between 20 and 70. Averaging founding age across the founding-team members active at the deal gives the main variable of interest

$$\text{Young Founder}_j \;=\; \mathbb{1}\{\text{average founding age}_j \leq 35\}.$$

By this definition, 56 percent of investments back a young founding team (Table 1).

The same person-level records yield the founding-team characteristics used as controls, each averaged over the team members active at the deal. *Female* is PitchBook's gender indicator, equal to one if the founder is female. *Serial* indicates that the founder had already founded at least one company before the focal firm. *Top School* indicates that the founder earned a degree from one of the leading research universities[7], following Dyck et al. (2026).*Edu Immigrant* indicates that the founder earned their bachelor's degree outside the United States and Canada. This last variable is an education-based proxy for foreign origin rather than a measure of citizenship: origin can be placed only where the undergraduate institution is observed, and an undergraduate degree earned outside the U.S and Canada is a strong but imperfect signal of foreign birth.

Because founding age is imputed from education records, it is missing for founders with missing degree and graduating year. Imposing this requirement leaves 34,405 GP–deals with a measured founding age and 5,673 exit events.

4.3 Fund investment horizon and exit pressure

The exit-pressure measure is the age of the investing fund at the deal date, constructed following Barrot (2017). PitchBook does not report the date of a fund's first closing, so I take the fund's vintage year as its start date, set to January of the year, filling a missing vintage with the fund's open date, the date it began accepting commitments. Where the fund's first observed investment falls in the twelve months preceding that date, I use the

[6]Executive-education, post-doctoral, certificate, and honorary entries are dropped before the earliest degree is selected, since they carry no standard age of completion.

[7]The list comprises Harvard, MIT, Stanford, Yale, Princeton, the University of Pennsylvania, Columbia, the University of Chicago, Cornell, New York University, the University of California, Berkeley, Oxford, and Cambridge.

actual first investment date instead. Fund age is then measured in integer years since the start date. Figure 2 plots the share of new investments made at each fund age: deal-making is concentrated in the fund's first four years and thins out thereafter. I therefore define

$$\text{High Pressure}_f \;=\; \mathbb{1}\{\text{fund age at deal} \geq 5\},$$

At year five, a newly backed company has half of the fund's remaining ten-year life to reach an exit before capital must be returned to LPs, so the incentive to select founders who exit quickly is sharpest in this window (Barrot, 2017; Kandel et al., 2011).[8] High-pressure deals account for 22 percent of the sample (Table 1).

CVC vehicles have no meaningful fund age, since they invest off a parent's balance sheet rather than out of a finite-life partnership. Where PitchBook does record a fund vintage for them, the same definition is applied in the placebo analysis (i.e. Year 5 and beyond as placebo "High Pressure").

4.4 Post-exit founder outcomes

The outside-option channel requires evidence on what happens to a founder after the sale, so the last set of variables follows founders into the labor market. The base sample is founders whose focal company exited through an M&A between 2000 and 2021, so that a three-year post-exit window is fully observable before the end of the data; where a company records more than one exit, I take the earliest. Each founder's dated employment timeline comes from the matched PitchBook–Revelio records.

I use this sample in two ways. First, to capture *redeployment*, I construct two indicators over the three-year post-exit window: whether the founder starts a new VC-backed venture—appearing in PitchBook as the founder of another venture-backed company within three years[9] of the exit—and whether the founder takes any new employment outside the focal company within the same window.

Second, to gauge the *value* of the founder's move, I measure how the founder re-enters the labor market relative to where their career began. I compare the founder's last salaried position *before* founding the focal company—their most recent non-focal job that started before the founding date and ended before the exit—with the first salaried position they take *after* the exit, the earliest non-focal job starting within three years. Both sides are

[8] The threshold is not what drives the result. I obtain the same pattern using fund age in levels, and using a three-way split that assigns fund ages three and four to a medium-pressure bin and five and beyond to high pressure.

[9] Founders who sell a company are often bound by non-compete covenants barring them from starting or joining a competing business, and such covenants typically run one to two years (Golubov and Zhong, 2024).

restricted to *employment*: I exclude any position the founder holds as a founder or owner, so that an earlier venture of their own cannot serve as the pre-founding baseline, nor a newly founded startup as the post-exit job. The measure therefore prices the founder's outside wage in the labor market rather than the returns to entrepreneurship. Across this pre/post pair I compute the change in annual salary (the post-exit start salary against the pre-founding end salary), the change in total compensation, and the change in job seniority as estimated by Revelio.[10] This sample retains roughly 2,600 founders for whom both a pre-founding and a post-exit position are observed.

4.5 Summary statistics

Table 1 reports summary statistics for the three samples described above. My first sample is at the GP–deal level and includes new investments made by GPs during the 2000 to 2024 period. Panel A covers the GP-deal sample used in the investment-level regressions: 56% of investments back a young founding team, and 22% are made by funds operating under high pressure. The underlying age distribution is wide rather than bunched at the cutoff: the average founding age is 35.4 years. The remaining founding-team characteristics are broadly consistent with what is known about the VC-backed population. Women make up 10.9% of the average founding team, 36.3% of founders hold a degree from one of the leading research universities listed, 22.5% had already founded a company before the focal firm, and 13.9% earned their bachelor's degree outside the United States and Canada. All four founder characteristics are used as controls throughout the analysis. Panel B reports the exit-timing variables; the average time from a company's first VC investment to its first M&A or IPO is approximately five years. Panel C shows the founder-level outside-option variables. A founder who has experienced a successful exit has an 8% unconditional probability of founding another VC-backed venture within three years, and 54.3% of founders take a new position of any kind within the same window.[11]

5 Empirical Strategy and Identification

The key results of this paper is to test whether funds facing greater exit pressure select younger founding teams. The ideal design for analysis would exploit an exogenous shock to a fund's deployment horizon. In practice, however, funds' remaining investment win-

[10] Seniority is a discrete 1–7 scale running from entry level (1) to senior executive (7).

[11] The 54.3% is a lower bound: Revelio observes only the positions founders disclose on their public professional profiles, so an undisclosed job is recorded as a non-event. Restricting the sample to founders with at least one other position on record—a more complete disclosure—leaves the conclusion unchanged.

dows and the resulting deployment pressure are not randomly assigned, which motivates the identification strategy below.

I estimate this relationship at the GP-deal investment level, the level at which the relevant portfolio-selection decision is made. The dependent variable measures the age composition of the founding team, and the main explanatory variable measures the investing fund's exit pressure at the time of the deal. The baseline coefficient therefore captures whether fund are more likely to invest in younger founders as its remaining horizon decreases. I begin with an OLS regression with fixed effects to capture the selection effect. To sharpen identification, I also use the *Trados* court case described in Section 6.2 as a natural experiment: the ruling raised the legal and governance costs of using VC control rights to force an exit that disadvantages common shareholders. I test whether, after *Trados*, funds under greater exit pressure became more likely to invest in younger founders. The difference-in-differences design compares high- and low-pressure funds before and after the ruling.

The timing of investments within a fund's life is not random, which raises two identification concerns that the fixed-effect structure is designed to address. First, late-cycle deals occur at later calendar dates and may draw from a different pool of companies. I therefore include year fixed effects throughout the analysis. Second, investors making late-cycle investments may differ systematically from investors making early-cycle ones; GP and fund fixed effects absorb time-invariant differences in investment preferences and style, so that identification comes from variation within the same investor's own life cycle.

A distinct alternative explanation is that poorly performing funds take riskier bets late in their lives because carried interest is out of the money, and that this behavior—rather than exit-timing alignment produces the observed tilt if younger founders happen to represent riskier investments. I control for the number of prior portfolio exits as a proxy for the fund's performance path, and Section 8.3 examines this "gamble for resurrection" alternative directly. Fundraising incentives may also affect late-cycle behavior, particularly for young VC firms seeking to establish a track record (Gompers, 1996). I therefore control for fund level variables such as whether the investor has raised a successor fund by the deal date (*Overlap Fund*) and for whether the vehicle is a first-time fund. Fund size accounts for differences in deployment and selection across large and small funds. At the deal level, the number of new investors in the round captures differences in syndication, risk sharing, and joint selection (Lerner, 1994; Brander et al., 2002). Team-level controls for the shares of female, immigrant, top-school, and serial founders ensure that the estimated age relationship does not reflect a correlated change in other observable founder characteristics.

Reverse causality is not a concern by construction, since founder age at company formation and the fund's contractual clock are determined before the investment decision.

However, omitted variables may still affect both exit pressure and founder selection. I address this concern using the *Trados* design and placebo analyses based on corporate VC and evergreen investors. Because these investors do not operate under the same finite fund-life constraint, the proposed mechanism predicts little or no relationship between investment horizon and founder age in these samples.

6 Results

6.1 VC fund cycle and selection of young founders

The paper's central hypothesis is that an investor tilts toward young founding teams as its deployment deadline approaches. As funds face higher exit pressure—measured by the number of years elapsed since the fund's start date—any new investment it makes must generate a realized return within a shorter remaining window, so the GP has a stronger incentive to select founders more likely to exit quickly, which I hypothesize to be young founders (Section 7 develops the supporting evidence directly). I estimate the following OLS regression at the investment level:

$$\mathbb{1}(\text{Young Founder})_c \;=\; \beta\,\mathbb{1}(\text{High Pressure})_{ft} \;+\; \gamma' X_{fct} \;+\; \mu_k + \delta_t + \nu_s + \eta_i \;+\; \varepsilon_{fct}, \quad (1)$$

where $\mathbb{1}(\text{Young Founder})_c$ equals one if the average founding age of company c's founding team is at most 35;[12] $\mathbb{1}(\text{High Pressure})_{ft}$ equals one if fund f is at least five years past its vintage at the deal date (see footnote 8 for alternative measures); and X_{fct} is a vector of fund-, deal-, and team-level controls. At the fund level, the controls include the log number of the fund's prior portfolio exits, which traces its performance path, an indicator that the investor has already raised a new fund by the deal date, an indicator for a first-time fund, and log fund size. At the deal level, the controls include the the log number of new investors in the round, which captures syndication and joint selection. At the team level, the controls include the the founding team's share of female, immigrant-educated, top-school, and serial founders. The fixed effects are μ_k for company c's primary industry group, δ_t for the deal year, ν_s for its headquarters state, and η_i for the investor. Standard errors are clustered by industry and deal year.

Table 2 presents the results of the main analysis. Column (1) reports the baseline estimate of the effect of high exit pressure on the age of the founders a fund selects. The coefficient on *High Pressure* is positive and statistically significant at the 1 percent level: investments

[12] I also replace the indicator with a set of five-year age buckets spanning ages 20 to 70, which recovers the same pattern without imposing a single cutoff.

made under high pressure are 2.2 percentage points more likely to back a young founding team than investments made by the same investor earlier in the fund cycle. Relative to the sample mean of 56 percentage points, this estimate implies that late-cycle pressure raises the probability of backing a young team by 4 percent of its baseline rate. Also note that this is a conservative estimate of the effect of exit pressure, because the comparison group is years one through four, where exit pressure still exists, and the fund's liquidation date is fixed at its formation, so a deal made in year one already carries a deadline: it must be realized before the partnership winds up. Exit pressure is therefore present throughout the fund's life, intensifying as the fund ages (Kandel et al., 2011). The early-cycle group is thus a lower-pressure, not a zero-pressure, comparison, which dampens the estimated effect.

Column (2) combines the industry and year fixed effects into an industry-by-year fixed effect to absorb any industry-specific time trends, the estimate is essentially unchanged, at approximately 2 percentage points. Column (3) imposes the most demanding comparison by replacing investor fixed effects with fund fixed effects, so that the coefficient is identified from deals the same fund makes early versus late in its own investment window. The tilt remains statistically significant, at 1.7 percentage points. Because the within-fund estimate rules out any time-invariant fund characteristic—such as investment strategy, sector focus, or vintage—as the source of the pattern, what remains is timing: as the fund's deployment window closes, the marginal deal is more likely to go to a young founding team.

The five-year cutoff is not doing the work. Figure 3 replaces the *High Pressure* indicator with one indicator per fund age, measured relative to fund age one: the tilt is small and mostly indistinguishable from zero through fund age four, and positive from year five onward, tracing out the profile the deadline implies rather than a break imposed by the cutoff.

To further test whether this result is driven by the fund's exit deadline rather than by a confounding correlate of fund maturity, I conduct a placebo analysis, reported in Table 3. The underlying logic is that if the tilt reflects deployment pressure specifically, it should be absent wherever the deadline is absent. All columns restrict the sample to corporate venture capital investors, who face no fund deadline because they invest off a parent's balance sheet rather than out of a finite-life partnership. If the baseline result instead reflected some general feature of investment vehicles changing over time, CVC deals should exhibit a similar late-cycle tilt. Instead, the estimated coefficients are negative and statistically indistinguishable from zero, which is difficult to reconcile with any account of the pattern other than the fund deadline itself.

6.2 Natural Experiment: 2013 Trados ruling

Two features of the venture capital structure set up the conflict discussed in Section 2: investors hold convertible preferred stock with a liquidation preference, so in a sale they are paid a contractual amount before common shareholders receive anything, and board seats are divided so that they hold or share board control well before they hold a majority of the equity.

What matters for this paper is that the preferred–common conflict over the exit *price* is also a conflict over its *timing*. Additional time is what allows an enterprise value below the preferred shareholder value to grow above it, so the option to wait is worth more to common than to preferred. For a GP near the end of a fund's life, a moderate trade sale today can be privately preferable to a better exit that would arrive after the fund must wind up. Selling now rather than later is therefore the same decision as selling at a price that favors preferred over common—and before 2013, a board controlled by preferred-designated directors could make it over the founders' objections.

In 2013, the *In re Trados Inc. Shareholder Litigation*[13] court ruling changed the price of that route. In its 2013 post-trial opinion, the Delaware Court of Chancery held that directors of a VC-backed firm, including directors appointed by preferred investors, owe their fiduciary duties to the corporation and its *common* stockholders, not to the preferred class that nominated them. The ruling applies broadly, since VC-backed companies are predominantly incorporated in Delaware.[14] The case is a landmark that has received more than 160 citations, and it changed exit control rights within private companies: a VC-controlled board that forces a preferred-favoring exit now bears the burden of proving entire fairness and faces personal-liability exposure for its designated directors.

If a GP can always force a timely exit through the board, it does not need to select founders who want one: selection is a substitute for governance. The 2013 *Trados* ruling raised the price of the governance route, exposing board-forced exits to entire-fairness review. The age tilt should therefore be stronger after the ruling, when it is more costly to force an

[13] Trados, a venture-backed translation-software company, was sold to SDL plc in 2005 for $60 million. The preferred stockholders' liquidation preference of roughly $58 million exceeded the sale price; after a $7.8 million management carve-out, the entire consideration went to the preferred holders and management, and the common stockholders received nothing. A common stockholder sued the directors, a majority of whom were either designated by the VC investors or participants in the management incentive plan.

[14] Among the 8,205 sample companies I match to SEC Form D filings, roughly 87 percent are incorporated in Delaware. Form D coverage is partial and skewed toward later cohorts, so this is a descriptive check on the reach of Delaware law rather than a firm-level measure of exposure.

exit. I test this by adding an interaction to equation (1):

$$\begin{aligned}\mathbb{1}(\text{Young Founder})_c \;=\beta_1\,\mathbb{1}(\text{High Pressure})_{ft} \;+\; \beta_2\left[\mathbb{1}(\text{High Pressure})_{ft}\times \text{Post}_t\right] \\ +\;\gamma' X_{fct} \;+\; \mu_k+\delta_t+\nu_s+\eta_i \;+\; \varepsilon_{fct},\end{aligned} \tag{2}$$

where $\text{Post}_t = \mathbb{1}\{t \geq 2013\}$. Table 4 reports the estimates. Column (1) presents the result without controls, and columns (2)-(4) present the same specifications as in the main test in Section 6.1. The coefficient on the interaction term of High Pressure and Post is positive and significant across all specifications, with point estimates of around 2 percentage points. This shows that after *Trados*, when it is more costly for VC to use a governance tools to force an exit, the the young-founder tilt strengthens among funds that have high exit pressure compared to before. The coefficient on high pressure alone is generally positive with controls, but marginally insignificant.

This time pattern is what the substitution logic predicts. Before 2013, a GP running out of time did not have to rely on founders' exit preferences: board control made the exit decision more investor friendly. Once *Trados* exposed VC-designated directors to entire-fairness review, alignment had to be procured at the time of investment instead, and the deployment deadline began to show up in *who* gets funded.

The identifying assumption is parallel trends: absent the ruling, the young-founder share of high- and low-pressure deals would have evolved similarly. Figure A1 examines this over a 2010–2016 window with 2012 as the reference year. The pre-ruling coefficients are small and statistically indistinguishable from zero; the coefficients turn positive from 2013 onward.

6.3 Exit timing

The results so far show that deadline-pressured GPs select young founders; for that selection to be rational, young-founder companies must in fact reach liquidity sooner. I use both an OLS regression and a Cox hazard model, both at the company level. The OLS model is:

$$\log(T_c) \;=\; \beta\,\mathbb{1}(\text{Young Founder})_c \;+\; \gamma' Z_c \;+\; \mu_k+\delta_t+\nu_s \;+\; \varepsilon_c, \tag{3}$$

where T_c is the log number of years from company c's *first* VC round to its first exit, k indexes firm industry, t is the year of first round, s headquarters state, and Z_c is a vector of founder characteristic controls including female, serial, top-school, and education-based immigrant indicators. Standard errors are clustered by industry. Here, I do not include fund- and deal-related controls or fixed effects because a company could have multiple investors and deals occurring at different points of time, but the time to exit would be the same for

all of them.[15]

Equation (3) conditions on having exited, which is a selected sample. If young-founder firms are more likely to exit at all, the OLS estimate mixes the speed margin with the incidence margin. I therefore also estimate a Cox proportional-hazards model on the full sample, in which firms that have not exited are censored at the end of the sample period and firms recorded as failed are censored at failure.[16]

$$\lambda_c(\tau) \;=\; \lambda_0(\tau \mid k, t, s)\, \exp\!\big\{\beta\, \mathbb{1}(\text{Young Founder})_c + \gamma' Z_c\big\}, \tag{4}$$

with baseline hazards stratified by industry, first-round year, and state. Cases with a non-positive recorded duration are dropped, and standard errors are clustered by industry. Because the dependent variable here is a duration rather than a dummy, a positive coefficient indicates a higher exit hazard, meaning the firm is more likely to exit sooner, whereas in the OLS regression a faster exit corresponds to a negative coefficient; a consistent result across the two specifications therefore appears as opposite-signed coefficients.

Table 5 reports results under both specifications. In columns (1)-(3), among firms acquired through M&A, young-founder companies exit about 6 percent sooner than otherwise similar companies, and their M&A exit hazard is about 8.5 percent higher. For IPOs, both the OLS and the Cox estimates are insignificant.[17] The contrast between the two exit routes is itself evidence on the mechanism. An acquisition is the exit in which the founder typically leaves the firm, so it is the margin on which a founder's willingness to exit binds. An IPO does not sever the founder from the firm, and returns control to them rather than transferring it away. A founder's willingness to move on therefore carries little weight in IPO timing. The speed advantage of younger founders pnly appears where founder exit preferences matter.

7 Mechanism test: founder outside option

This section studies why young founders are associated with faster M&A exits, and traces the answer to the founder's outside option rather than to youth as such.

[15] I also estimate the same regression at the investor–company level, so that a company enters once per backing investor; the results are unchanged.

[16] A failure is a firm with no successful exit that PitchBook reports as out of business or bankrupt. The failure date is the earlier of the reported failure-status date and the date the founder left the company.

[17] The IPO sample is small for three reasons: I keep only the first exit event, so an IPO that follows an M&A is not observed; I require a non-missing first-VC-round date and exit date, and first-round coverage is poor in the earlier years; and PitchBook coverage is more comprehensive after 2010. To confirm that the null is not a small-sample artifact, Table A2 interacts young founder with an IPO indicator: young founders exit faster on average, and the interaction offsets the entire young-founder effect.

7.1 Immigrant founder

To distinguish youth from the outside option, I exploit variation in the option's strength *within* young founders, proxied by whether the founders obtained their bachelor's degree outside the U.S. or Canada, by adding an interaction with the education-based immigrant measure:

$$\log(T_c) \;=\; \beta_1 \,\text{Young}_c + \beta_2 \,\text{Immigrant}_c + \beta_3 \left[\text{Young}_c \times \text{Immigrant}_c\right] + \gamma' Z_c + \mu_k + \delta_t + \nu_s + \varepsilon_c \quad (5)$$

Founders whose bachelor's degree was earned outside the U.S. or Canada are more likely to be foreign-born. Young founders earned their foreign degrees more recently than older founders, and a recent arrival is plausibly still on a student or employer-sponsored visa, with legal status attached to the firm itself, and likely has thinner U.S. professional networks. The same indicator is therefore a live constraint for young founders and a historical fact for older ones. The mechanism predicts the speed advantage should be muted precisely where the outside option is weaker, while immigrant status should be irrelevant among older founders, whose exit timing is not driven by redeployment.

Table 6 reports the result with the immigrant interaction. Among non-immigrant founding teams, young-founder firms reach M&A exits about 8 percent faster, in line with the main exit-timing results above. The interaction of Young Founder with Immigrant is positive, of nearly the same magnitude, and fully offsets the direct effect, so young *immigrant* founders exit no faster than older founders. The Cox estimates mirror the pattern, and the main effect of Immigrant is close to zero among older founders, who are more likely to have longer-standing ties to the U.S. market and are less likely to have visa-related concerns.The speed advantage disappears exactly where the outside option is weaker, suggesting that faster exits among young founders are driven by their outside options rather than by youth itself.

7.2 Post exit redeployment

The second test measures founders' outside options directly. I focus on founders whose company was acquired between 2000 and 2021:

$$Y_p \;=\; \beta \,\mathbb{1}(\text{Young})_p \;+\; \gamma' W_p \;+\; \mu_k + \delta_m + \nu_s \;+\; \varepsilon_p, \quad (6)$$

where p indexes a founder, Y_p is (1) an indicator for founding another VC-backed company within three years of the exit or (2) an indicator for beginning any new employment position within three years, and W_p is a vector of founder characteristic controls. The unit of observation is at the founder level. I again complement the linear models with stratified Cox

models on time from exit to the next venture or job, which use the timing of redeployment rather than only its occurrence inside the window. Because the dependent variable captures the occurrence of an event, the OLS and Cox specifications should yield coefficients with the same sign. The three-year window requires the exit to occur by 2021 so that the window is fully observed, and the founder must be matched to a Revelio employment record, which requires a public professional profile. I use a three-year window because non-compete agreements typically bind for one to two years after a sale (Golubov and Zhong, 2024), and a shorter window would mechanically understate redeployment for founders whose contracts restrained it, and it also avoids survivorship bias. Results are robust using five years or no time limit.

Table 7 presents the results. In column (1), young founders are 1.3 percentage points more likely to found another VC-backed company within three years of the exit, significant at the 1% level. This represents a roughly 15% increase from the base rate, and the results are similar using industry×year fixed effects in column (2). In column (3), I used *company* and year fixed effectss. This within-company specification compares co-founders of the same firm walking away from the same exit; the younger co-founder is 3.5 percentage points more likely to start a new VC-backed company, an economically significant effect representing roughly a 50% increase compared to older co-founders. In columns (4)–(5), I use the Cox models to capture the timing of redeployment, rather than only whether redeployment occurs within the three-year window. I show that young founders are 33% faster to reach it, and the within-company comparison shows they are 47% faster. In sum, young founders are both more likely and faster to found another VC-backed company, which is consistent with an outside choice to move on.

In columns (6)–(10), I look at the broader employment history for founders. Young founders are about 5 percentage points more likely to begin any new employment within three years, which represents roughly a 9% increase, and their hazard of doing so is about 14% higher. The within-company comparison tells a similar story. Young founders are around 13% more likely to start another position, and the hazard is 21% higher.

Together, these results confirm the mechanism that young founders has higher outside option because they have somewhere else to go, and the exit is a step in a career that continues. Older founders, by contrast, can extract a regular salary and private benefits by holding on to their current company. Because their outside-option value is lower than young founders', given their lower likelihood of starting another VC-backed venture or finding new employment, this induces entrenchment and a preference for a "quiet life".

7.3 Post-exit pay and seniority

The redeployment result shows that young founders move on more often, but it is not an indicator of value. In this section, I assess the value of such redeployment. A young founder who returns to the labor force at a lower salary or under worse terms does not, in itself, represent an attractive outside option. The last test therefore prices the move, comparing the job a founder takes after the sale with the job they gave up to found the company (Section 4.4):

$$\Delta Y_p \;=\; \beta\, \mathbb{1}(\text{Young})_p \;+\; \gamma' W_p \;+\; \mu_k + \delta_t + \nu_s \;+\; \varepsilon_p, \tag{7}$$

where ΔY_p is the change in founder p's (1) log annual salary, (2) log total compensation, or (3) seniority score[18] between their last salaried position before founding the focal company and the first salaried position they take within three years after the exit. A positive change means the labor market re-hires the founder at a higher rung than their pre-entrepreneurship baseline. The controls W_p are the founder's characteristics. The sample is the roughly 2,600 founders for whom both have a pre-founding and a post-exit salaried position within 3 years post-exit are observed, which is a subset of the redeployment sample.

Table 8 reports the results. The economic magnitudes are substantial: relative to older founders, young founders re-enter at about 24 log points higher salary (roughly 27%) and 35 log points higher total compensation (roughly 42%), and their job seniority increases by around one level, compared with an unconditional mean change of 0.74—more than double for young founders. The estimates are stable across the two fixed-effect structures, so they are not an artifact of which industries were selling in which years.

The estimates are changes measured against each founder's own pre-entrepreneurship position, not comparisons of levels: young founders' salary and seniority are naturally lower than older founders'. Given that the founder gave up their previous employment to become a founder, that previous employment salary could be seen as the minimum outside-option value required for a founder to remain a founder. The larger the post-exit value relative to this benchmark, the more likely a founder is to accept an exit. What makes young founders willing to accept the exit is not that they outrank an older founder afterwards, but that selling is worth more to them relative to their own counterfactual.

[18] Salary, compensation, and seniority are Revelio estimates rather than self-reported values.

8 Alternative Explanations

8.1 Bargaining power

One alternative is that funds under high exit pressure prefer founders with weaker bargaining power, whom they can push toward an early sale over the founders' objections. On this account, young founders are selected because they are perceived as inexperienced negotiators, not because they themselves want to exit. However, bargaining power is not directly observable, and term-sheet information is not publicly disclosed. Instead, I use investor reputation and experience as a proxy for VC bargaining power. If bargaining power is the channel, the tilt should be weaker among investors with high bargaining power. Table 9 interacts High Pressure with two such measures: *Top VC*, an indicator for the top 300 high-reputation VCs following Lee et al. (2011), and the number of prior funds the GP has raised. Both interactions are statistically and economically indistinguishable from zero, and the coefficient on High Pressure itself is unaffected. The tilt is no weaker where investors hold greater bargaining power.

8.2 Quality sorting over the fund cycle

The second alternative is mechanical: funds invest in their best opportunities first, late-cycle deals draw on the residual pool of opportunities, and young-founder companies happen to be concentrated in that pool,as per the Azoulay et al. (2020) evidence on the distribution of entrepeneurial success. If so, the age tilt would reflect declining deal quality rather than a demand for fast exits, and ex-post deal quality should deteriorate steadily as the fund works down its ranking of opportunities. I focus on funds initiated in or before 2014 in order to observe overall performance over a ten-year horizon. Figure 4 tests this prediction directly: it plots the effect of each fund age on the probability that the deal ultimately reaches a successful exit, defined as M&A or IPO, relative to deals made in the fund's first year. Deals made in years five through nine—the entire pressure window in which the young-founder tilt operates—are only 3 to 5 percentage points less likely to exit successfully than first-year deals, marginally significant in only one of those years, The profile is flat across the window: measured quality does not deteriorate as the deadline approaches, and only the small number of deals made in a fund's tenth year show a sharp decline. Best-first sorting predicts a steady, significant decline that tracks the tilt, which the data do not show. The age tilt therefore cannot be fully explained by a quality-sorting story.

8.3 Gamble for resurrection

A fund investing in a later period may be a fund running behind: a GP whose fund is under-performing its return hurdle might swing for high-variance bets in the hope of a home run, and young founders might simply be the lottery tickets. The distinguishing prediction is about the right tail: young-founder deals should produce more extreme outcomes. Using deal level data[19], Table 10 finds the opposite of a lottery. Young-founder deals are not more likely to generate tail returns, defined by exit multiples of 2x or 5x the total capital invested in the company. What they do is deliver *timely* exit. The vast majority of exits occur within the 12-year fund life; however, 15% of deal exits fall outside that window. Young founders are about 2.5 percentage points more likely to reach a successful exit *within* twelve years of the investing fund's start—about 6% of the base rate, and statistically significant at the 5 percent level. This pattern is inconsistent with gamble-for-resurrection behavior. Rather, young-founder deals are more likely to exit on time, as predicted by the exit-timing alignment.

9 Discussion

The results so far show that exit pressure shapes which founders receive VC investments. A question that naturally arises is whether this channel is quantitatively important: how much of the investment mismatch documented in Figure 1 can be explained by the investment horizon constraint? This section asks a counterfactual question—how would venture capital be allocated across founder ages if the deadline were removed.

The challenge is that no traditional venture capital investor is entirely unconstrained by horizon constraints. Evergreen vehicles are the natural thought experiment, but they only have become common recently and are too few to support an allocation estimate on their own. I therefore use the next best alternative, corporate venture capital—investors with the same deal flow who invest off a parent's balance sheet and face no fund-life deadline. The placebo in Table 3 already established that these investors show no late-cycle tilt toward young founders, and here their allocation serves as a benchmark without horizon constraints.

On the investment sample that pools U.S. venture deals from 2000 to 2024 by closed-end VC funds and by CVCs, I estimate the following regression separately for each five-year

[19]Given that a company may be backed by several VCs at different stages of their fund life, the analysis is conducted at the deal level. To address the concern that all VCs invested in the same firm share the same exit date, I cluster standard errors at the company level.

founder-age bin a,

$$\mathbb{1}\{\overline{\text{age}}_j \in a\} = \beta_a \, \text{CVC}_i + \gamma_a' X_j + \eta_k + \eta_s + \eta_t + \varepsilon_{ij}, \tag{8}$$

where j indexes the company, i the investor, X_j is the founding team controls, and η_k, η_s, η_t are industry, state, and deal-year fixed effects. The coefficient βa is the gap between the share of CVC deals and the share of closed-end-fund deals that go to founding teams in age bin a; by construction the nine gaps sum to zero, so the exercise is a pure reallocation of a fixed quantity of venture deals across founder ages, not a change in how much venture capital is deployed.

Table A3 reports the nine estimated gaps, which rise monotonically with age over the range where deals are concentrated. Relative to closed-end funds, CVCs direct 15 percentage points fewer of their deals to teams whose average founding age is between 20–25 and 13 percentage points fewer between 25–30; at the other end of the age distribution, CVCs direct 23 percentage points more between 45–50 and 29 percentage points more between 50–55, each significant at conventional levels.

Applying these ratios to the observed count of VC deals in each age bin and holding the total number of deals and the age distribution of the founder population fixed produces the dashed line in Figure 5. Without exit pressure, VC shifts toward older founders across the whole distribution: the probability that a founder in the late twenties is VC-backed falls from 1.77 to 1.51 percent, while the probability for a founder in the late forties rises from 0.60 to 0.74 percent.

I then aggregate the bin-by-bin movement into a single number. Within each age bin, that divergence is the distance between where capital goes and where success is—the gap between a founder's chance of being VC-backed and their chance of building a high-growth firm. The counterfactual closes part of that distance: it moves down in the bins where VC is over-represented relative to success and up in the bins where it is under-represented. Weighting bins by their share of the founder population and comparing the distance between the counterfactual and the total divergence, exit pressure explains 20.4% of the gap. The fund cycle therefore accounts for a significant part of the measured misallocation of venture capital across founder ages, but not all of it. Other explanations, such as age bias in investor beliefs and differences in bargaining power, may also remain, but they are beyond the scope of this paper.

One caveats for this excercise is that corporate investors might pursue strategic objectives that may correlate with founder age for reasons unrelated to the horizon constraint, and the controls only absorb the observable part of that difference. If corporates independently prefer

older founders, the exercise overstates the deadline's contribution; if their strategic mandates pull them toward young technical teams, it understates it.

10 Conclusion

This paper examines how the investment horizon constriants shape which founders get financed. VCs treat the founding team as a first-order important factor when making investment decisions, yet the founders they back are systematically younger than the founders who build the fastest-growing firms. I hypothesize that exit alignment between VCs and founders is the driver behind the mismatch: as the fund face higher exit pressure, the GP must choose not only a company that will succeed but also a founder who will agree to sell in time. Using investments by U.S. closed-end VC funds over the period from 2000 to 2024, I show that deals made under high deployment pressure are more likely to back a young founder than deals made earlier in the cycle.

Consistent with the idea that young founder exit faster, companies founded by young founders reach an M&A exit sooner. The driver of this faster exit is attributed to founders outside option, where I show that young founders are more likely to land in another position post-exit; there is also evidence of substantially larger increase in terms of founders' job seniority and compensation.

Overall, my findings add to the literature on how the finite fund horizon may distorts VC investments and connect it to the literature on founder characteristics and investor selection. While the closed-end structure benefits by reducing agency conflict between GPs and LPs, My results imply that this also leads to suboptimal investment decisions: VCs prioritize exit preferences over company performance. At the same time, the counterfactual analysis suggests that exit pressure explains 20% of the divergence between where venture dollars go and where the highest-growth founders are, suggesting that there are other reasons for the tendency to disproportionately invest in young founders – something that could be an interesting avenue for further research.

More broadly, my results contribute to the body of literature on how contract design shapes capital allocation. My findings help inform the current debate over the fastest-growing structures in private markets—continuation vehicles, evergreen funds, and a deeper secondary market—which are being adopted to address liquidity constraints. In particular, my analysis suggests that relaxing the fund's deadline—while preserving the disciplinning effects associated with it—could shift venture financing toward more promising founders and companies.

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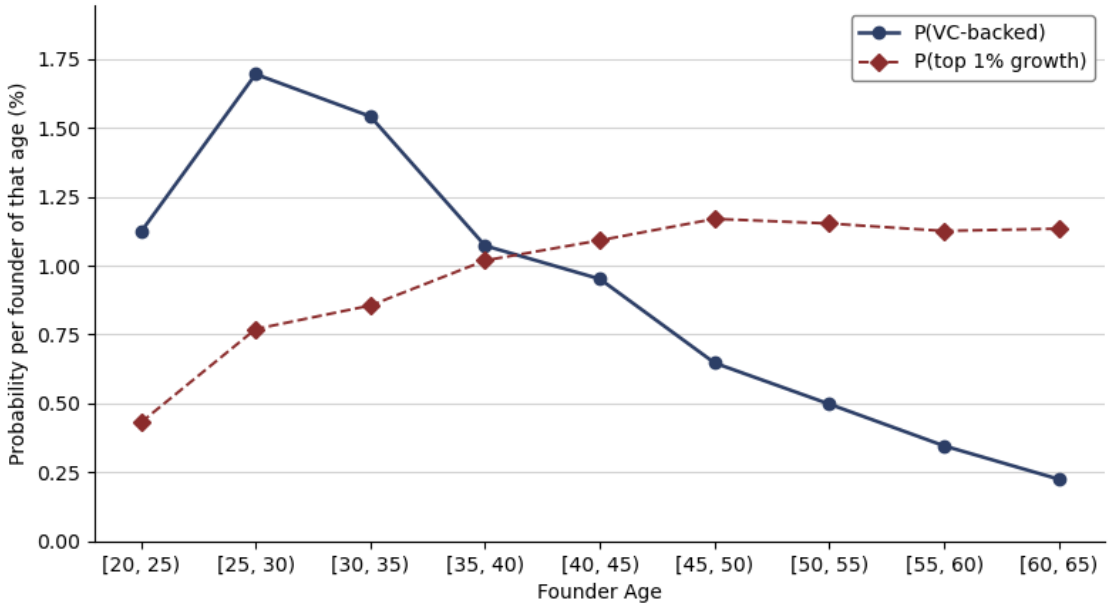
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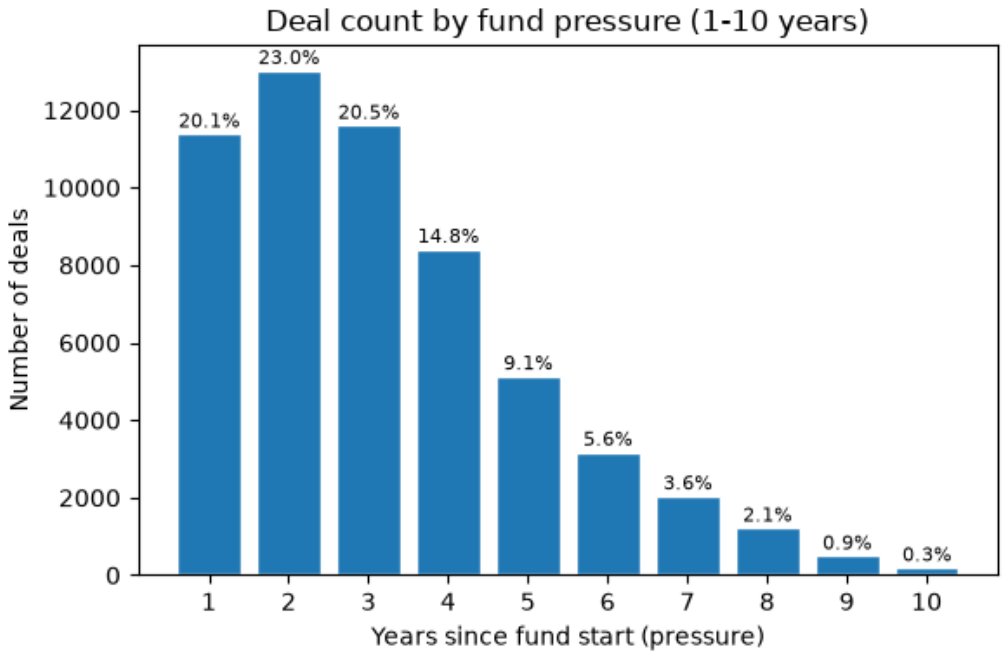
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Figure 1: Probability of High Growth Start-Ups and VC-Backed Start-Ups, by Age



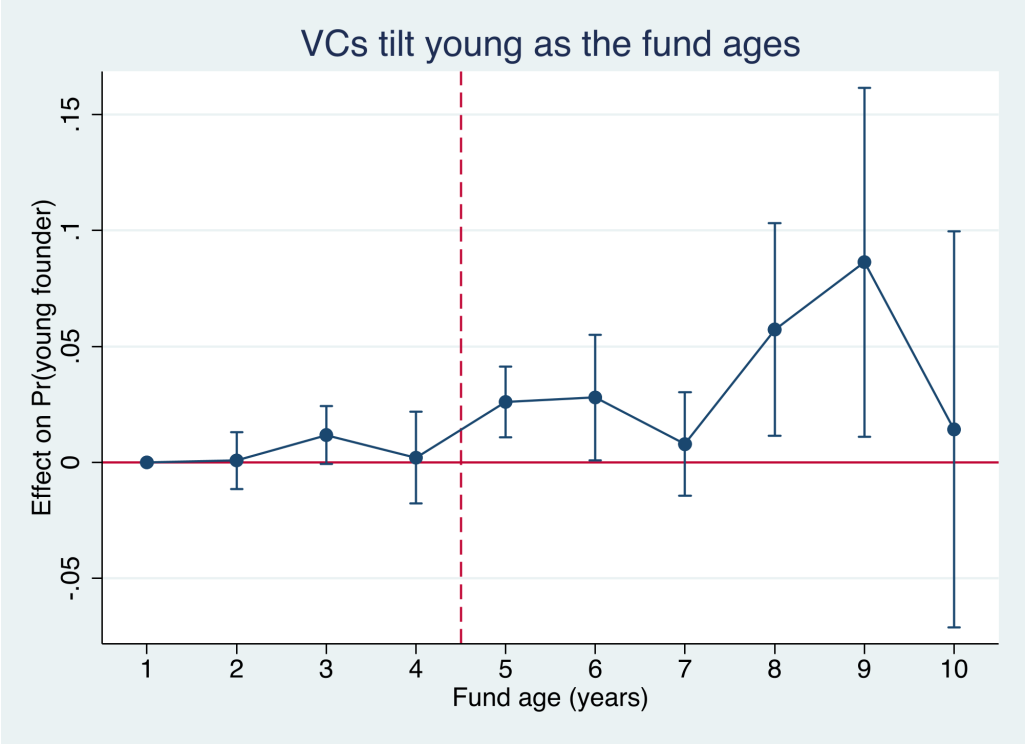
Notes: Each series is a probability per founder of a given age bucket, in percent. *P(VC-backed)* is the probability that a founder of that age bucket receives venture backing: the number of U.S. VC-backed companies divided by the total number of U.S. employment firms, obtained by applying the founder-age distribution from Azoulay et al. (2020) to the BLS count of U.S. firms. *P(top 1% growth)* is the probability that a founder of that age builds a firm reaching the top 1 percent of employment growth, reported by Azoulay et al. (2020).

Figure 2: New investments over the fund life cycle



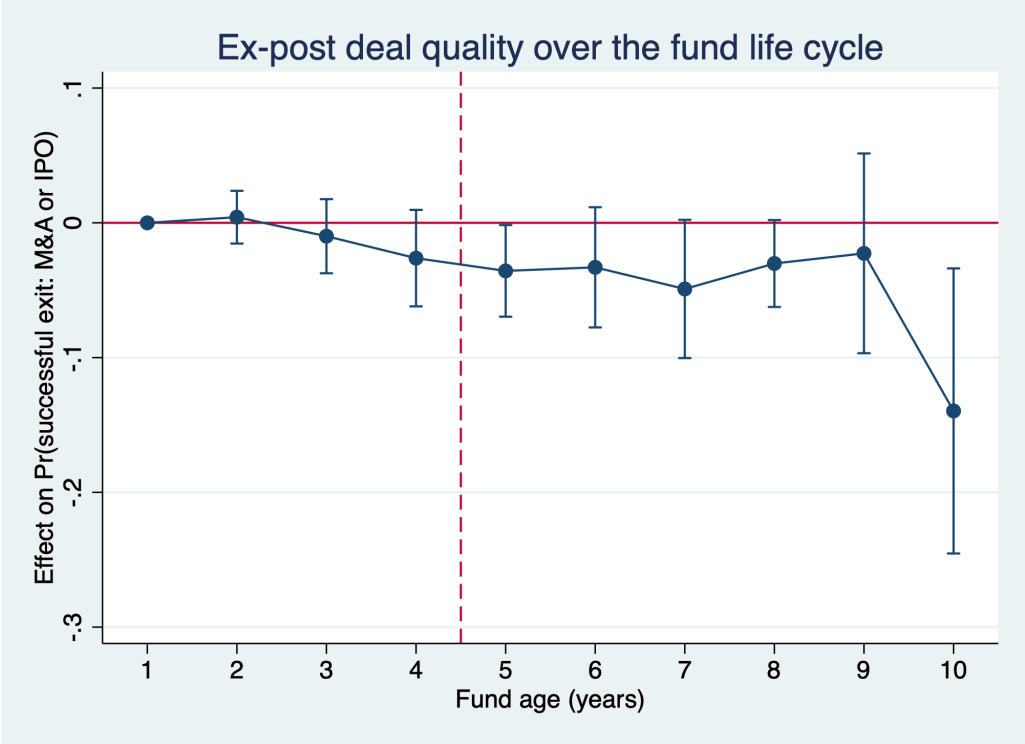
Notes: Bars count the total number of new investments made over the ten-year fund life for U.S. closed-end VC funds with at least $10 million in committed capital. The label above each bar shows the bin's share of all sample deals.

Figure 3: The young-founder tilt over the fund life cycle



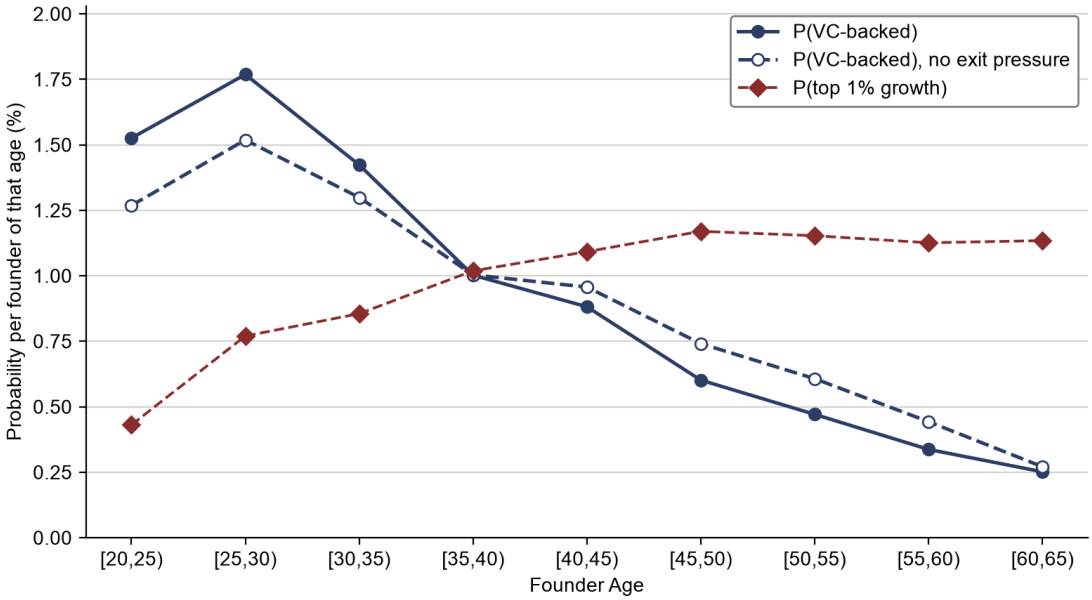
Notes: The figure plots the coefficients from an investment-level OLS model based on Equation 1. The dependent variable is $\mathbb{1}$(Young Founder), an indicator equal to one if the average founding age of the portfolio company's founding team is at most 35. The main explanatory variables are a full set of fund-age indicators, with fund age one omitted as the reference category. Each point therefore represents the change in the probability of backing a young founding team at that fund age relative to a deal made in the fund's first year. The sample is U.S. closed-end VC funds with at least $10 million in committed capital, excluding corporate VC, restricted to new investments made at fund ages one through ten. The regression controls for the log number of the fund's prior portfolio exits, an indicator that the investor has already raised a new fund by the deal date, an indicator for a first-time fund, log fund size, the log number of new investors in the round, and the founding team's share of female, immigrant-educated, top-school, and serial founders; and it includes industry, deal-year, headquarters-state, and investor fixed effects. Bars are 90 percent confidence intervals based on standard errors two-way clustered by industry and deal year. The dashed vertical line marks the *High Pressure* cutoff (fund age ≥ 5).

Figure 4: Ex-post deal quality over the fund life cycle



Notes: The figure plots the coefficients from an investment-level OLS model. The dependent variable is $\mathbb{1}$(Successful Exit), an indicator equal to one if the portfolio company is eventually acquired or goes public, and zero otherwise. The main explanatory variables are a full set of fund-age indicators, with fund age one omitted as the reference category. Each point therefore represents the change in the probability that a deal made at that fund age ends in a successful exit relative to a deal made in the fund's first year. The sample is U.S. closed-end VC funds with at least $10 million in committed capital, excluding corporate VC, restricted to new investments made at fund ages one through ten and to funds with vintages through 2014, so that every deal has had time to resolve. The regression controls for the log number of the fund's prior portfolio exits, an indicator that the investor has already raised a new fund by the deal date, an indicator for a first-time fund, log fund size, the log number of new investors in the round, and the founding team's share of female, immigrant-educated, top-school, and serial founders; and it includes industry, deal-year, headquarters-state, and investor fixed effects. Bars are 90 percent confidence intervals based on standard errors two-way clustered by industry and deal year. The dashed vertical line marks the *High Pressure* cutoff (fund age ≥ 5).

Figure 5: How much of the age gap does exit pressure explain?



Notes: The solid navy and dashed red series repeat Figure 1: the probability that a founder of a given age bucket is VC-backed, and the probability that a founder of that age builds a firm in the top 1 percent of employment growth (Azoulay et al., 2020), each in percent per founder of that age. The hollow-marker dashed series is the counterfactual allocation of venture capital in the absence of a fund deadline. It rescales the observed count of VC deals in each five-year founder-age bin by $(w_a + \delta_a)/w_a$, where w_a is the bin's share of closed-end-fund deals and δ_a is the corporate-VC allocation gap estimated by (8) on the 94,719 estimation rows drawn from 105,538 investor–deal rows covering U.S. venture deals from 2000 to 2024 by closed-end VC funds (fund size $\geq$ \$10M) and by CVCs, with team controls and industry, state, and deal-year fixed effects and standard errors two-way clustered by industry and deal year. The rescaled counts are renormalized to hold the total number of VC deals fixed, so the counterfactual reallocates venture capital across founder ages without changing its quantity, and are divided by the same age-specific founder population as the observed series. The estimated δ_a are reported in Table A3; the exercise is described in Section 9.

Table 1: Summary statistics

	N	Mean	p25	Median	p75	SD
Panel A: Investment level — fund–company investments						
Founding Age	30,791	35.355	29.000	34.000	40.500	8.713
Young Founder	30,791	0.563	0.000	1.000	1.000	0.496
High Pressure	30,791	0.222	0.000	0.000	0.000	0.416
N Prev. Exit	30,791	0.932	0.000	0.693	1.609	1.010
Overlap Fund	30,791	0.382	0.000	0.000	1.000	0.486
Fund Size	30,791	4.569	3.466	4.591	5.617	1.343
First Fund	30,791	0.284	0.000	0.000	1.000	0.451
N New Investors	30,791	1.598	1.099	1.609	2.197	0.849
Female	30,791	0.109	0.000	0.000	0.000	0.249
Edu Immigrant	30,791	0.139	0.000	0.000	0.000	0.321
Top School	30,791	0.363	0.000	0.000	1.000	0.439
Serial	30,791	0.225	0.000	0.000	0.500	0.333
Panel B: Exit timing — companies with a successful exit						
Time to Exit (years)	4,758	5.575	2.827	4.756	7.526	3.683
Log Time to Exit	4,758	1.729	1.342	1.750	2.143	0.569
M&A Exit	4,758	0.931	1.000	1.000	1.000	0.253
IPO Exit	4,758	0.069	0.000	0.000	0.000	0.253
Young Founder	4,758	0.546	0.000	1.000	1.000	0.498
Panel C: Founder redeployment — founders of exited companies						
New VC Venture $\leq$ 3y	5,337	0.084	0.000	0.000	0.000	0.277
Any Redeployment $\leq$ 3y	5,337	0.542	0.000	1.000	1.000	0.498
Young Founder	5,337	0.600	0.000	1.000	1.000	0.490

This table reports summary statistics for the three main estimation samples used in the paper; each panel is computed over the estimation sample of the corresponding regression table. *Panel A* is the investment-level sample which includes 30,791 fund–company investments by U.S. closed-end VC funds (fund size $\geq$ \$10M) in U.S. companies between year 2000 to 2024, excluding corporate VC. *Founding Age* is the founding team's average age at founding and *Young Founder* equals one if that average is at most 35; *High Pressure* equals one if the investing fund is at least five years old at the deal date. *Panel B* is the company-level exit-timing sample, including U.S VC-backed firms that successfully exited during 2000 - 2024 with non-missing 1st VC round date. *Panel C* is the founder-level redeployment sample—founders of companies with a successful M&A exit. The sample period is between 2000—2021, to keep full three years observation window. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2: Fund-cycle pressure and the selection of young founders

	𝟙(Young Founder)		
High Pressure	0.022***	0.019***	0.017*
	(5.10)	(3.81)	(1.85)
N Prev. Exit	-0.013**	-0.013**	-0.015**
	(-2.54)	(-2.39)	(-2.25)
Overlap Fund	-0.002	0.000	-0.008
	(-0.28)	(0.05)	(-0.70)
Fund Size	0.001	0.002	0.000
	(0.62)	(1.00)	(0.00)
First Fund	0.017	0.015	0.000
	(1.32)	(1.28)	(0.00)
N New Investors	0.064***	0.063***	0.063***
	(12.18)	(11.52)	(12.89)
Female	-0.010	-0.007	-0.009
	(-0.36)	(-0.26)	(-0.33)
Edu Immigrant	-0.085***	-0.086***	-0.082***
	(-6.18)	(-6.27)	(-6.01)
Top School	-0.002	-0.005	-0.004
	(-0.30)	(-0.88)	(-0.61)
Serial	-0.262***	-0.261***	-0.262***
	(-16.02)	(-16.38)	(-15.29)
State FE	✓	✓	✓
Industry FE	✓		✓
Year FE	✓		✓
Industry × Year FE		✓	
Investor FE	✓	✓	
Fund FE			✓
Adjusted R-Squared	0.1482	0.1633	0.1474
Observations	30,791	30,705	30,791

This table presents the estimates of the effect of fund-cycle pressure on the selection of young founders. The sample is made up of fund–company VC investments during the period 2000 to 2024, excluding corporate VC. The dependent variable in all columns is *Young Founder*, which equals one if the founding team's average founding age is at most 35. *High Pressure* is an indicator that the investing fund is at least five years old at the deal date. All columns are estimated by linear probability model and include state fixed effects; columns further include industry, year, and investor fixed effects (column 1), industry×year and investor fixed effects (column 2), or industry, year, and fund fixed effects (column 3). Standard errors are double-clustered by industry and deal year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 3: Placebo test: corporate VC deals

	$\mathbb{1}$(Young Founder): CVC deals		
High Pressure	-0.025	-0.027	-0.037
	(-1.26)	(-1.36)	(-1.70)
Controls	✓	✓	✓
State FE	✓	✓	✓
Industry FE	✓		✓
Year FE	✓		✓
Industry × Year FE		✓	
Investor FE	✓	✓	
Fund FE			✓
Adjusted R-Squared	0.1355	0.1406	0.1364
Observations	2,954	2,817	2,954

This table presents placebo estimates of the effect of fund-cycle pressure on the selection of young founders, as in Table 2, on the subsample of corporate venture capital deals. The dependent variable in all columns is *Young Founder* and the regressor of interest is *High Pressure*, both defined as in Table 2. All columns restrict the sample to corporate VC investors (CVC), which invest off the parent's balance sheet and face no fund deadline. All columns are estimated by linear probability model and include the full control set and state fixed effects; remaining fixed effects are indicated in the table. Standard errors are double-clustered by industry and deal year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 4: Shock to VC exit control: the 2013 *Trados* ruling

	𝟙(Young Founder)			
High Pressure × Post	0.023***	0.020***	0.015**	0.012*
	(4.28)	(3.18)	(2.63)	(2.04)
High Pressure	-0.006	0.006	0.008	0.008
	(-1.32)	(1.47)	(1.40)	(1.29)
Controls		✓	✓	✓
State FE	✓	✓	✓	✓
Industry FE	✓	✓		✓
Year FE	✓	✓		✓
Industry × Year FE			✓	
Investor FE	✓	✓	✓	
Fund FE				✓
Adjusted R-Squared	0.1088	0.1482	0.1633	0.1474
Observations	30,791	30,791	30,705	30,791

This table presents difference-in-differences estimates of the effect of fund-cycle pressure on the selection of young founders around the 2013 *Trados* ruling. The sample is made up of fund–company VC investments during the period 2000 to 2024, excluding corporate VC. *Post* is an indicator for deal years 2013 and later. Column 1 excludes controls; columns 2–4 include the full control set. All columns include state fixed effects; remaining fixed effects are indicated in the table. Standard errors are double-clustered by industry and deal year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 5: Founder age and time to exit

	Time to Exit					
	M&A			IPO		
	OLS		Cox	OLS		Cox
Young Founder	-0.065***	-0.066***	0.081***	0.031	0.026	-0.096
	(-5.44)	(-6.25)	(3.02)	(0.62)	(0.52)	(-0.74)
Female	0.088***	0.096***	-0.288***	-0.192**	-0.185**	-0.285
	(14.06)	(10.81)	(-6.23)	(-2.53)	(-2.44)	(-0.89)
Serial	-0.033	-0.026	0.141***	-0.110	-0.077	0.264
	(-1.27)	(-1.18)	(3.41)	(-1.73)	(-1.14)	(1.22)
Top School	-0.024	-0.026	0.137***	0.011	0.023	0.232***
	(-1.51)	(-1.58)	(5.21)	(0.37)	(0.68)	(3.03)
Edu Immigrant	0.074**	0.080***	-0.126***	0.043	0.062	0.254***
	(2.43)	(2.91)	(-3.69)	(1.09)	(1.56)	(4.54)
State FE	✓	✓	✓	✓	✓	✓
Industry FE	✓		✓	✓		✓
Year FE	✓		✓	✓		✓
Industry × Year FE		✓			✓	
Observations	4,430	4,430	19,368	328	328	19,368

This table presents the estimates of the effect of founder age on time to exit, measured in years from the company's first VC round. The OLS columns use log time to exit as the dependent variable and are estimated on exited firms only, separately for M&A and IPO exits; the Cox columns report proportional-hazards estimates on the full at-risk sample including right-censored firms, stratified by the fixed effects indicated, where a positive coefficient implies a higher exit hazard—a faster exit. OLS standard errors are double-clustered by industry and deal year and Cox standard errors are clustered by industry (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 6: Immigrant founders

	Time to Exit					
	M&A			IPO		
	OLS		Cox	OLS		Cox
Young Founder	-0.079***	-0.078***	0.114***	0.020	0.012	-0.112
	(-5.80)	(-5.81)	(2.79)	(0.44)	(0.24)	(-1.15)
Edu Immigrant	0.030	0.040*	-0.024	0.021	0.035	0.219*
	(0.97)	(1.78)	(-0.40)	(0.44)	(0.86)	(1.79)
Young Founder × Edu Immigrant	0.089***	0.079***	-0.196**	0.062	0.077	0.089
	(3.32)	(3.04)	(-2.35)	(1.20)	(1.09)	(0.35)
Female	0.088***	0.096***	-0.287***	-0.193**	-0.186**	-0.286
	(7.92)	(8.89)	(-6.10)	(-2.32)	(-2.33)	(-0.88)
Serial	-0.033	-0.026	0.141***	-0.113*	-0.079	0.261
	(-1.25)	(-1.15)	(3.43)	(-1.76)	(-1.12)	(1.17)
Top School	-0.024	-0.025	0.138***	0.011	0.022	0.233***
	(-1.49)	(-1.57)	(5.22)	(0.36)	(0.67)	(3.02)
State FE	✓	✓	✓	✓	✓	✓
Industry FE	✓		✓	✓		✓
Year FE	✓		✓	✓		✓
Industry × Year FE		✓			✓	
Observations	4,430	4,430	19,368	328	328	19,368

This table presents the estimates of the effect of founder age on time to exit, adding the interaction of Young Founder with *Edu Immigrant*, the share of the founding team whose bachelor's degree was earned outside the U.S. and Canada. OLS standard errors are double-clustered by industry and deal year and Cox standard errors are clustered by industry (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 7: Founder redeployment within three years of exit

	$\mathbb{1}$(New VC-backed Venture $\leq$ 3y)					$\mathbb{1}$(Any Employment $\leq$ 3y)				
	OLS			Cox		OLS			Cox	
Young Founder	0.013***	0.014***	0.035**	0.286***	0.384***	0.046**	0.048**	0.069**	0.127***	0.192**
	(3.01)	(3.15)	(2.22)	(5.29)	(3.11)	(2.48)	(2.40)	(2.43)	(6.22)	(2.41)
Female	-0.021	-0.021*	-0.028	-0.499***	-0.543**	0.005	0.006	0.033	0.004	-0.026
	(-1.66)	(-1.78)	(-1.21)	(-4.63)	(-2.19)	(0.13)	(0.16)	(0.69)	(0.05)	(-0.20)
Top School	0.013	0.012*	0.022	0.153*	0.275**	0.039**	0.037**	0.079***	0.120***	0.200***
	(1.57)	(1.77)	(1.64)	(1.80)	(2.40)	(2.83)	(2.48)	(3.05)	(4.27)	(2.77)
Edu Immigrant	0.010	0.008	0.013	0.157***	0.049	0.013	0.011	0.027	0.082***	0.134
	(1.07)	(0.88)	(0.68)	(3.98)	(0.33)	(0.83)	(0.83)	(0.78)	(2.66)	(1.40)
Serial	0.046***	0.041***	0.067***	0.312***	0.390***	0.042*	0.039*	0.054*	0.069	0.172**
	(3.26)	(3.01)	(3.84)	(4.29)	(2.69)	(1.90)	(1.75)	(1.67)	(1.09)	(2.00)
State FE	✓	✓		✓		✓	✓		✓	
Industry FE	✓			✓		✓			✓	
Company FE			✓		✓			✓		✓
M&A-Year FE	✓		✓	✓	✓	✓		✓	✓	✓
Industry × Year FE		✓					✓			
Observations	5,337	5,337	3,429	5,412	5,413	5,337	5,337	3,429	5,267	5,268

This table presents the estimates of the effect of founder age on post-exit redeployment. The sample is made up of founders whose company exited through an M&A between 2000 and 2021, so that the three-year post-exit window is fully observed. The dependent variables are an indicator that the founder starts a new VC-backed venture within three years of the exit (columns 1–6) and an indicator that any new employment spell begins within three years (columns 7–12). The OLS columns are linear probability models and the Cox columns model the time from exit to the event. Column (3),(5),(8),and (10) uses company fixed effects. Standard errors are double-clustered by industry and M&A year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 8: Founder pay and seniority after an M&A exit

	Δ Log Salary		Δ Log Comp.		Δ Seniority	
Young Founder	0.237***	0.236***	0.348***	0.346***	0.985***	0.967***
	(6.66)	(6.93)	(8.58)	(8.42)	(13.58)	(12.23)
Controls	✓	✓	✓	✓	✓	✓
State FE	✓	✓	✓	✓	✓	✓
Industry FE	✓		✓		✓	
Year FE	✓		✓		✓	
Industry × Year FE		✓		✓		✓
Observations	2,575	2,575	2,574	2,574	2,575	2,575

This table presents the estimates of the effect of founder age on the change in the founder's compensation and seniority from just before to just after an M&A exit. The sample is made up of founders whose company exited through an M&A. The dependent variables are Δ *Log Salary* (columns 1–2), the change in log annual salary; Δ *Log Comp.* (columns 3–4), the change in log total compensation; and Δ *Seniority* (columns 5–6), the change in a seniority score. The pre- and post-exit positions are both salaried employment spells at non-focal companies; positions the founder holds as a founder or owner are excluded from both legs. Within each outcome, the first column uses industry, exit-year, and state fixed effects and the second uses industry×exit-year and state fixed effects, as indicated. All columns include the founder controls *Serial*, *Female*, *Top School*, *Immigrant*, and the post-exit gap in years. Standard errors are double-clustered by industry and exit year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 9: VC bargaining power

	𝟙(Young Founder)					
	Top VC			N. Fund Raised		
Pressure High	0.022***	0.020***	0.017*	0.032***	0.028**	0.031*
	(4.62)	(3.56)	(1.89)	(2.91)	(2.51)	(2.06)
Pressure High × Top VC	-0.003	-0.003	-0.001			
	(-0.36)	(-0.48)	(-0.08)			
N. Fund Raised				-0.002**	-0.002**	0.000
				(-2.72)	(-2.77)	(0.00)
Pressure High × N. Fund Raised				-0.003	-0.003	-0.003
				(-1.23)	(-1.11)	(-1.66)
Controls	✓	✓	✓	✓	✓	✓
State FE	✓	✓	✓	✓	✓	✓
Industry FE	✓		✓	✓		✓
Year FE	✓		✓	✓		✓
Industry × Year FE		✓			✓	
Investor FE	✓	✓		✓	✓	
Fund FE			✓			✓
Adjusted R-Squared	0.1482	0.1633	0.1474	0.1485	0.1635	0.1475
Observations	30,791	30,705	30,791	30,791	30,705	30,791

This table presents the estimates of the effect of fund-cycle pressure on the selection of young founders, interacting High Pressure with measures of VC bargaining power. The dependent variable in all columns is *Young Founder*, equals one if that average is at most 35. *Top VC* is an indicator for high-reputation VC firms ranked in top 300 following Lee et al. (2011) (columns 1–3), and *High N. Fund Raised* is an indicator for investors whose fund sequence number at the deal date is at or above the sample median (columns 4–6). All columns are estimated by linear probability model and include state fixed effects and the full control set: the log number of the fund's prior portfolio exits, an indicator that the investor has already raised a new fund by the deal date, an indicator for a first-time fund, log fund size, the log number of new investors in the round, and the founding team's shares of female, immigrant-educated, top-school, and serial founders. Remaining fixed effects are indicated in the table. Standard errors are double-clustered by industry and deal year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

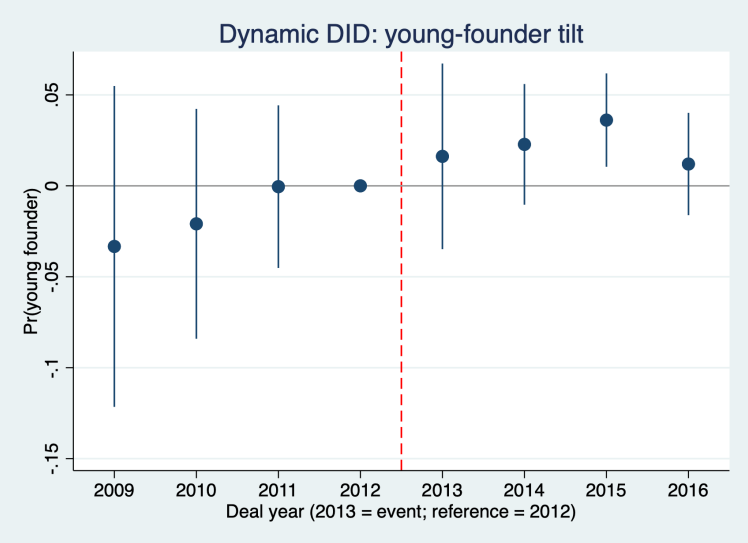
Table 10: Gamble for resurrection

	M&A or IPO		Exit multiple ≥2x		Exit multiple ≥5x		Exit ≤12y	
Young Founder	0.007	0.007	-0.002	-0.002	0.004	0.003	0.023*	0.027**
	(1.17)	(1.28)	(-0.42)	(-0.52)	(1.07)	(1.08)	(1.80)	(2.07)
Controls	✓	✓	✓	✓	✓	✓	✓	✓
State FE	✓	✓	✓	✓	✓	✓	✓	✓
Industry FE	✓		✓		✓		✓	
Year FE	✓		✓		✓		✓	
Industry × Year FE		✓		✓		✓		✓
Adjusted R-Squared	0.4700	0.4861	0.1474	0.1858	0.0822	0.1143	0.1618	0.1743
Observations	31,372	31,372	27,778	27,778	27,778	27,778	13,024	13,024

This table presents the estimates of the effect of founder age on exit outcomes at the investment level, excluding corporate VC. The dependent variables are *M&A or IPO*, an indicator for a successful exit; *Exit multiple ≥2x* and *≥5x*, indicators that the exit size exceeds two and five times the capital the company raised before exit (defined for exits with disclosed values and zero for non-exited firms); and *Exit ≤12y*, an indicator for a successful exit within twelve years of the investing fund's start, estimated on investments whose twelve-year window is fully observed. All columns are estimated by linear probability model and include the full control set and state fixed effects. Standard errors are clustered by company (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

A Appendix

Figure A1: Dynamic difference-in-differences: 2013 *Trados* ruling



Notes: The figure plots the year-by-year version of equation (2): the coefficients on *High Pressure* interacted with deal-year indicators, with 2012—the year immediately before the ruling—as the omitted reference. The dependent variable is an indicator that the company's founding team is young, one observation per deal. The sample excludes corporate VC and is trimmed to deal years 2010–2016. All coefficients are from a single linear probability model that includes the full control set and industry, deal year, investor, and state fixed effects. Standard errors are double-clustered by industry and deal year; vertical bars are 90 percent confidence intervals. The dashed line marks the 2013 ruling.

Table A1: Founder age and post-round patenting

	𝟙(Has Patent)		Patent Count	
Young Founder	-0.046***	-0.046***	-0.332***	-0.311***
	(-4.13)	(-4.27)	(-2.86)	(-3.21)
Controls	✓	✓	✓	✓
State FE	✓	✓	✓	✓
Industry FE	✓		✓	
Year FE	✓		✓	
Industry × Year FE		✓		✓
Outcome mean	0.142	0.142	0.640	0.640
Observations	15,368	15,368	15,368	15,368

This table presents the estimates of the effect of founder age on post-round innovation, one observation per company at its first VC round. The outcomes are measured over the five-year window starting in the first-round year: *Has Patent* is an indicator that the company produces at least one patent (estimated by linear probability model), and *Patent Count* is the number of patents, from the company's matched patent records; the sample keeps only companies whose five-year window is fully observed. Within each outcome, the first column uses industry, year, and state fixed effects and the second uses industry×year and state fixed effects, as indicated. All columns include the founding-team controls *Female*, *Immigrant*, *Top School*, and *Serial*. *Outcome mean* is the mean of the dependent variable in the estimation sample. Standard errors are clustered by state (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table A2: Time to exit: pooling M&A and IPO exits

	Time to Exit		
	OLS		Cox
Young Founder	-0.074***	-0.074***	0.098***
	(-6.22)	(-7.14)	(3.53)
IPO	0.020	0.022	-0.081
	(0.27)	(0.29)	(-0.57)
Young Founder × IPO	0.230***	0.227***	-0.269***
	(4.16)	(4.50)	(-3.01)
Female	0.071***	0.075***	-0.167*
	(3.45)	(3.06)	(-1.84)
Serial	-0.050	-0.040	-0.003
	(-1.70)	(-1.63)	(-0.06)
Top School	-0.020	-0.020	0.035
	(-1.27)	(-1.20)	(0.58)
Edu Immigrant	0.070**	0.078***	-0.123***
	(2.39)	(2.91)	(-6.24)
State FE	✓	✓	✓
Industry FE	✓		✓
Year FE	✓		✓
Industry × Year FE		✓	
Observations	4,862	4,862	5,006

This table re-estimates Table 5 on the pooled sample of exited firms rather than separately by exit type. *IPO* is an indicator equal to one for an IPO exit and zero for an M&A, and the specification adds its interaction with *Young Founder*. The interaction is the object of interest: it is the difference between the IPO and M&A young-founder speed effects. All columns include the founding-team controls *Female*, *Serial*, *Top School*, and *Immigrant*. OLS standard errors are double-clustered by industry and deal year and Cox standard errors are clustered by industry (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table A3: Corporate VC allocation gaps by founder age bin

Founder age bin	Share of VC deals (w_a)	Corporate VC gap (δ_a)	Implied ratio
$[20, 25)$	0.068	-0.0101***	0.85
		(-3.55)	
$[25, 30)$	0.201	-0.0266***	0.87
		(-12.04)	
$[30, 35)$	0.228	-0.0167**	0.93
		(-2.46)	
$[35, 40)$	0.200	0.0005	1.00
		(0.10)	
$[40, 45)$	0.142	0.0130***	1.09
		(3.84)	
$[45, 50)$	0.082	0.0191***	1.23
		(4.95)	
$[50, 55)$	0.047	0.0137***	1.29
		(5.99)	
$[55, 60)$	0.022	0.0068***	1.32
		(4.90)	
$[60, 65)$	0.010	0.0005	1.05
		(0.65)	
Sum across bins	1.000	0.000	

This table reports the bin-by-bin regressions behind the counterfactual allocation of venture capital based on CVC investments. One observation is an investor–deal pair. The sample pools U.S. venture deals (Seed, Early Stage VC, and Later Stage VC) completed between 2000 and 2024 in U.S.-headquartered companies with at least one founder of known age, made either by U.S. closed-end VC funds with fund size $\geq$ \$10M or by corporate VC investors. Each row is a separate estimation of equation (8), in which the dependent variable is an indicator that the founding team's average founding age falls in the stated five-year bin. *Share of VC deals* (w_a) is the bin's share of closed-end-fund deals. *Corporate VC gap* (δ_a) is the coefficient on *CVC*, an indicator for a corporate VC investor: the difference between the share of corporate and closed-end capital allocated to that age bin. Because the bin indicators sum to one across bins, the δ_a sum to zero by construction, so the counterfactual is a pure reallocation of deals across founder ages. *Implied ratio* is $(w_a + \delta_a)/w_a$, the factor by which the counterfactual rescales the observed number of VC deals in that bin. All rows include the founding-team controls *Female*, *Immigrant*, *Top School*, and *Serial*, and industry, deal year, and state fixed effects. Standard errors are double-clustered by industry and deal year (t-statistics in parentheses). Symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

B Variable Definitions

Variable	Definition
Main dependent variables	
Young Founder	Indicator equal to one if the average founding age of the company's founding team is 35 years or less, and zero otherwise. Founders are identified from PitchBook's person–position records by a founding title and enter a deal only if their tenure spans the deal date. PitchBook does not report birth dates, so a founder's birth year is imputed from their education record: I take the earliest degree the founder is observed to hold, prioritizing bachelor's degrees, and subtract the typical age of completion for that credential (22 years for a bachelor's, 20 for an associate, 24 for a master's, 30 for a doctoral degree). *Founding age* is the company's founding year minus the imputed birth year, retained if between 20 and 70.
Founding Age	The founding-team average founding age. In Table A3 this variable is binned into five-year intervals and the dependent variable is an indicator that the team average falls in the stated bin.
Time to Exit	Number of years between the company's first VC round and its first exit event. A company is recorded as exited at its first merger or acquisition (M&A), its first acquisition of a stake above 50 percent, or its first IPO, whichever comes first; companies flagged as out of business or bankrupt are recorded as failures, and the remainder are censored at the end of the sample period. *Log Time to Exit* is its natural logarithm. In the Cox specifications this variable is the duration and the exit event is the failure indicator.
M&A Exit, *IPO Exit*	Indicators for the type of the company's first exit, equal to one for an M&A (including an acquisition of a stake above 50 percent) and for an IPO, respectively.
New VC Venture $\leq$ *3y*	Founder-level indicator equal to one if the founder appears in PitchBook as the founder of another venture-backed company that raises venture capital within three years of the focal company's M&A exit, zero if the three-year window is fully observed and no such event occurs, and missing if the window extends past the end of the data.
Any Redeployment $\leq$ *3y*	Founder-level indicator equal to one if the founder takes any new role outside the focal company within three years of the focal M&A exit. Employment timelines come from PitchBook founder records matched to Revelio Labs career profiles.
Δ *Log Salary*	Log annual salary in the first salaried position the founder takes after the exit, minus log annual salary in the last position they held before founding the focal company. The pre-founding entre is the founder's most recent non-focal position that started before the founding date and ended before the exit; the post-exit entre is the earliest non-focal position starting within three years after the exit. Positions held as a founder or owner are excluded.

Variable	Definition
Δ *Log Comp.*	Same construction as Δ *Log Salary*, using Revelio's total compensation in place of annual salary.
Δ *Seniority*	Difference in Revelio's estimated seniority level between the pre- and post- exit employment positions as as Δ *Log Salary*. Seniority is a discrete 1–7 scale running from entry level (1) to senior executive (7).
M&A or IPO	Investor–deal-level indicator equal to one if the portfolio company achieves a successful exit—an M&A or an IPO—by the end of the sample period, and zero otherwise.
Exit multiple $\geq$ *2x or 5x*	Investor–deal-level indicators equal to one if the portfolio company exits successfully with an exit multiple of at least two (five), zero if it does not exit successfully with a above threshold multiple, and missing if it exits but the multiple is unobserved. The *exit multiple* is the exit size divided by the capital the company had raised to date at the exit.
Exit $\leq$ *12y*	Investor–deal-level indicator equal to one if the portfolio company exits successfully within twelve years of the investing fund's start year, and zero otherwise.
Key explanatory variables	
Fund Age	Age of the investing fund, in integer years, at the deal date, constructed following Barrot (2017). Fund's start date is January of its vintage year, or its open date—the date it began accepting commitments—where the vintage is missing. Where the fund's first observed investment falls in the twelve months preceding that date, the first investment date is used instead.
High Pressure	Indicator equal to one if the investing fund's age at the deal date is five years or more, and zero otherwise.
Post	Indicator equal to one for deals made in 2013 or later—the year of the Delaware Court of Chancery's *Trados* ruling—and zero for earlier deals.
CVC	Indicator equal to one for a corporate venture capital investor, based on PitchBook's primary investor type identifying the investor as a corporation or company, on the presence of a parent corporation, or on an evergreen fund name. Evergreen vehicles are grouped with CVC.
Top VC	Indicator equal to one if the investor is among the 300 most reputable venture capital firms in the venture capital reputation index of Lee et al. (2011) (2010 snapshot), matched to PitchBook investors on investor name and investor legal name.
N. Fund Raised	Sequence number of the investing fund within its GP's series of funds.
Control variables	
N Prev. Exit	Number of the investing fund's portfolio companies that had exited through an M&A or an IPO before the focal deal date.

Variable	Definition
Overlap Fund	Indicator equal to one if the GP managing the focal fund started another fund between the focal fund's start date and the deal date, so that the GP is deploying or raising alongside the focal fund.
Fund Size	Fund's committed capital, in millions of dollars.
First Fund	Indicator equal to one if PitchBook flags the fund as the GP's first fund, and zero otherwise.
N New Investors	Number of investors participating in the focal round that are new to the company.
Female	Indicator equal to one if PitchBook identifies the founder as female.
Edu Immigrant	Indicator equal to one if founder earned their bachelor's degree outside the United States and Canada.
Top School	Indicator equal to one if founder earned a degree from one of thirteen leading research universities, following Dyck et al. (2026).
Serial	Indicator equal to one if founder had already founded at least one company before the focal firm.