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For Immediate Release

**ROBERT GRADY OF THE CARLYLE GROUP AND NVCA BOARD MEMBER
OFFERS TAX REFORM TESTIMONY ON BEHALF OF ENTREPRENEURS**

March 31, 2005, San Francisco, CA - Robert Grady, Managing Director of The Carlyle Group and incoming chairman elect of the National Venture Capital Association, testified today before the President's Advisory Panel on Tax Reform on behalf of the country's entrepreneurial community. Mr. Grady, whose firm has invested in dozens of emerging growth companies in the United States and around the world, provided an overview of the impact of venture investment on the US economy as well as recommendations for a tax policy that would favor entrepreneurs and young, job-creating companies.

"While corporate tax rates have been largely left out of the reform debate thus far, emerging growth companies, which are often valued on after tax net income, are a key contributor to economic growth and job creation," said Mr. Grady. "Higher rates translate into lower company valuations and ultimately to less company and job creation. A simple corporate tax code characterized by lower rates will attract companies, capital and people to the United States."

Mr. Grady pointed out that companies backed by venture capital since 1970 are responsible for 10.1 million jobs and \$1.8 trillion in revenues, almost 10% of US GDP on less than 2% of invested capital during the period, according to a 2003 study by the econometrics firm Global Insight. These companies traditionally have outperformed the rest of the economy in sales, job and wage growth.

Mr. Grady also pointed out that US startups play a vital and growing role in fostering innovation in the United States.

"According to National Science Foundation statistics, the share of US research and development performed by companies with less than 500 employees has grown from 5.9% in 1984 to 20.7% in 2003," he noted.

Tax policies friendly to the entrepreneurial sector include those that encourage capital formation, including making permanent the capital gains tax rate of 15 percent. Mr. Grady asserted that the US venture capital industry, which today manages 72% of the venture capital in the world, expanded greatly after the capital gains tax cut proposed by the late Rep. William Stieger of Wisconsin was signed into law in 1978. Mr. Grady asserted that the availability of risk capital has been one of the key drivers of US economic outperformance over the last twenty years. Mr. Grady also called for a greater simplicity in the tax code, as he pointed out that complex provisions distort capital flows, and that most entrepreneurial companies have modest finance departments.

The field hearing, which was held at the Fort Mason Center in San Francisco, was the sixth

meeting of the President's Advisory Panel on Federal Tax Reform and was chaired by former United States Senators Connie Mack and John Breaux. The day focused on how the tax system influences economic growth and international competitiveness. Joining Mr. Grady on the panel was Paul Otellini President and Chief Operating Officer of Intel Corporation, who is scheduled to become CEO of Intel upon the retirement of current CEO Craig Barrett later this year. For a copy of Mr. Grady's testimony, please contact Emily Mendell at emendell@nvca.org.

About the NVCA

The National Venture Capital Association (NVCA) represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster a greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.