Superstar Founders*

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Abstract

Superstar founders—those who take a firm public through a true IPO in the United States—represent a substantial share of the extreme right tail of the US wealth distribution. We provide the first comprehensive analysis of their wealth accumulation, tracking every founder from IPO through their firm's public lifecycle. Using hand-collected data on founder and venture capital ownership from 1996 to 2021, we document three key findings. First, we quantify a key ownership-financing trade-off: while VC backing enables firms to reach a larger scale at IPO, it is associated with a substantial reduction in founder ownership, and in wealth implied by their public-firm stakes. Second, we construct a novel and comprehensive founder wealth measure. Our measure goes beyond retained ownership to also capture cumulative proceeds from post-IPO share sales, and gains from underpriced share acquisitions. We show that relying solely on retained ownership understates founder wealth by 50% for firms ten years post-IPO, with underpriced share acquisitions contributing 5% of founder wealth. Third, extreme wealth is concentrated among founders who retain lasting ownership stakes in firms that persistently outperform the market and grow to massive scale. The wealthiest founders belong to superstar firms, while more than half of the founders would have been better off selling all of their shares at the IPO. Our findings provide a microfoundation for the rise in top wealth shares: IPO is a key channel through which founders enter the top of the wealth distribution, and post-IPO ownership dynamics, combined with firm outcomes, create further dispersion in founders' positions within that distribution.

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1 Introduction

Superstar founders – defined as the founders of firms that have undergone a true IPO in the United States – represent a substantial and growing segment of the extreme right tail of the US wealth distribution. As shown in Figure 1, the median value of a superstar founder's stake at IPO surpasses the wealth threshold for the top 0.1% of U.S. households, while the average value is an order of magnitude larger than the top 0.01%. IPOs continue to be a primary engine of extreme wealth creation, producing dozens of new billionaires worldwide each year.[1] According to Forbes, 71% of the 400 wealthiest Americans in 2025 were entrepreneurs who founded or helped build a company.[2] Despite the role of founder wealth in modern wealth inequality, we have lacked a systematic understanding of how these fortunes are built. The public and press tend to focus on the most celebrated founders who reach the extreme right tail of the wealth distribution,[3] and yet no prior study has tracked every founder's wealth from IPO through the firm's life cycle. Our study is comprehensive along three dimensions. First, we study every founders of true U.S. IPOs from 1996 to 2021, not just the most successful. Second, we track the full life cycle of founder wealth, from pre-IPO financing through post-IPO dynamics to eventual exit or the present. Third, we construct a comprehensive measure of founder wealth that goes beyond retained ownership to also capture cumulative proceeds from post-IPO share sales, and gains from below-market share acquisitions. We focus on true IPOs (excluding spin-offs, reverse LBOs, and reverse mergers) to capture founder wealth created by building a new company from scratch, rather than wealth from reorganizing an existing firm.[4] We connect the macro phenomenon of rising wealth concentration to a specific micro-level mechanism: the dynamic wealth accumulation of superstar founders.

We analyze founder wealth accumulation in two stages, the IPO stage and the post-IPO stage, because the dynamics differ markedly between them. Before the IPO, founders face a trade-off between maintaining ownership and VC financing: they sell equity to VCs to finance firm growth to reach an IPO, but from founder wealth perspective, whether the gains from greater firm scale offset the loss of ownership is not obvious. We quantify the ownership-financing trade-off faced by founders and provide the first systematic estimate of the net effect of VC financing on founder wealth at IPO. Once endogeneity concerns are addressed, we show that founder wealth is decreasing in VC ownership. This raises an

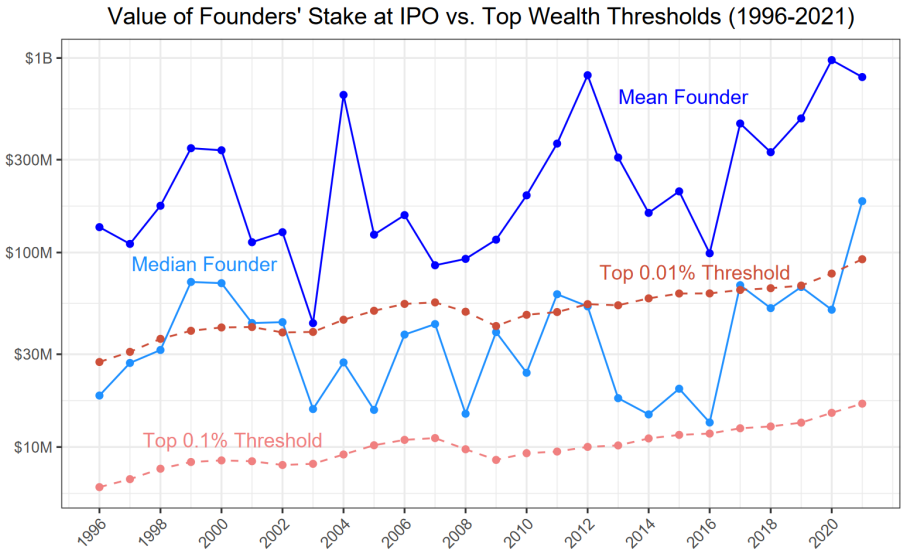
[1] Source: Forbes (2021)

[2] Source: The 2025 Forbes 400 List Of Wealthiest Americans: Facts And Figures.

[3] For example, Tamaseb (2021); Bloomberg (2025), Fortune (2024).

[4] Following standard criteria in the IPO literature (e.g., Ritter and Welch (2002)), our sample further excludes IPOs with an offer price below $5.00 per share, unit offers, ADRs, closed-end funds, partnerships, REITs, banks, S&Ls, and SPACs, as well as firms not listed on CRSP.

Figure 1: Founder Equity Values at IPO Relative to Top Wealth Thresholds. This plot shows founder equity values at IPO (ownership multiplied by firm market capitalization) for true IPOs with positive founder ownership, compared to wealth thresholds for the top 0.1% and 0.01% of households (from World Inequality Database). All values in constant 2021 U.S. dollars. Y-axis uses a logarithmic scale while showing actual dollar amounts (M for millions, B for billions).



important question about founders' decisions to raise VC funds.

After the IPO, both founders and VCs begin liquidating their holdings, and founder wealth then depends on firm performance, retained ownership, and below-market share acquisitions.[5] To capture this process comprehensively, we construct a novel wealth measure that incorporates both the proceeds from liquidated shares (reinvested in a market index portfolio) and the gains from acquiring shares below market prices.

No existing dataset tracks founder ownership spanning from before the IPO through the firm's public life. We construct such a dataset by hand-collecting stakes from SEC filings and recording every share disposition and acquisition. To examine the ownership and financing trade-offs at and before IPO, we also collect data on the ownership of VC blockholders (those owning more than 5% of shares) and VC-affiliated board representatives.[6] Our final sample consists of 2,279 founders and co-founders from 1,498 true IPO firms where founders maintained board or executive roles and held non-zero ownership at the time of offering. In our sample, the average pre-IPO ownership is 25% for founders, 31% for VC blockholders, and 18.8% for VC-affiliated board representatives.

[5]For a contemporary discussion of this wealth creation process, see Meet The World's Self-Made Billionaires.

[6]For a discussion of VC representatives' role in firm outcomes, see, for example, Lerner (1995).

We quantify the ownership-financing trade-off across firms at IPO: a one standard deviation increase in VC blockholder ownership is associated with a 0.42 standard deviation decrease in founder ownership, controlling for IPO year, firm age, and industry fixed effects. We then quantify the net impact of this trade-off on founder wealth, measured as the founder's equity stake multiplied by the firm's market capitalization at the IPO. In cross-sectional regressions, a one-percentage-point increase in founder ownership is associated with a 4% increase in founder wealth, while a one-percentage-point increase in VC blockholder ownership is associated with a 2% decrease, after controlling for the same fixed-effects. We address endogeneity concerns with two identification strategies. First, we employ an instrumental variable approach. We instrument for founder ownership using the age of the firm's youngest founder, arguing that younger founders face greater liquidity needs and thus retain smaller stakes. This instrument is strong (first-stage F-statistic of 20) and plausibly satisfies the exclusion restriction, as founder age is unlikely to affect firm valuation except through its impact on ownership structure.[7] Second, we implement propensity score matching based on IPO year cohorts, firm age buckets, and industries, matching on the closest firm by total assets.[8] Through this PSM approach, we confirm that higher VC ownership is associated with lower founder wealth on both the extensive margin (VC-backed vs. non-VC-backed firms) and the intensive margin (high vs. low VC blockholder ownership).

We group firms by IPO cohort to examine how the ownership-financing trade-off has evolved over time. Two findings emerge from comparing the ownership-financing trade-off at IPO across 5-year cohorts of firms that went public from 1996 to 2021. First, the cross-sectional relationships between ownership and founder wealth have remained stable for firms that successfully complete an IPO: the positive relationship between founder ownership and wealth, and the negative relationship between VC blockholder ownership and founder wealth, hold throughout our sample period. Second, despite this stable trade-off, ownership levels at the time of IPO have shifted substantially over time. Between 1996 and 2021, average founder ownership at IPO declined from 38% to 17%, while average VC blockholder

[7]See Azoulay et al. (2020) for a comprehensive review of the literature on founder age and firm success. While prior literature finds a relationship between founder age and success—with mixed results on the nature of this link—a key mechanism is that age serves as a proxy for certain qualities, such as experience. To the extent that age correlates with these qualities, Ewens et al. (2022) argue that they are ultimately reflected in the ownership split negotiated with VCs—the very channel our instrument captures. This approach is also motivated by Coles et al. (2012), who provide a theoretical motivation that variables related to the productivity of managerial input, but unrelated to the productivity of physical assets, are good candidates for instruments when linking ownership to firm outcomes. Our empirical strategy is also consistent with prior work in financial economics; for example, Cassell et al. (2012) instrument for the CEO's choice of inside debt using CEO age to identify its effect on firm outcomes.

[8]This matching strategy follows Pagano et al. (1998), who show that industry market-to-book and firm size determine the propensity to go public. Matching on industry and size thus compares firms with similar ex-ante IPO probabilities, isolating the differential impact of VC ownership.

ownership increased from 19% to 35%.[9] Despite this decline in founder ownership, average founder wealth at IPO rose substantially over the same period, from an average wealth of $76 million to $798 million. The downward trend in founder ownership alongside rising founder wealth does not directly reflect the ownership–financing trade-off, but it can be reconciled with our cross-sectional results through a dominant scale effect: firms now go public at a much larger scale, and the resulting increase in market capitalization at IPO more than offsets the decline in founder ownership. Taken together, these patterns suggest that the conditions for going public have changed meaningfully over time. Rather than reflecting a shifting ownership–financing trade-off at the IPO itself, the decline in founder ownership appears to stem from firms needing to scale up more before listing. Doing so requires more venture capital financing, and founders tend to cede more ownership prior to IPO. The rise in average founder wealth therefore reflects the much larger size of firms at listing, rather than greater founder ownership.

To track founder wealth over the post-IPO lifecycle, we construct a comprehensive wealth measure with three components: (1) the proceeds from shares liquidated since the IPO, reinvested to earn the value-weighted equity market return; (2) the value of retained shares in their own firm, which earns the firm's return; and (3) the value gained from acquiring shares at below-market prices. We find all three components are economically meaningful. The first component is substantial: for firms ten years post-IPO, wealth from previously liquidated shares contributes 50% to founder wealth on average.

Post-IPO ownership is highly path-dependent, with roughly two-thirds of the variation explained by the founder's stake as of IPO and the number of years since the offering. This pattern is consistent with founders managing their ownership toward a long-term target that is heavily influenced by their starting ownership at IPO. A simple model using just founders' initial IPO stake and years since the offering explains 66% of the variation in post-IPO ownership.[10] A decomposition of founders' wealth growth rates reveals that 38% of the variation is attributable to this expected ownership path.

Founders not only sell shares as their firms age, but also obtain new shares, often well below market price—especially through option exercises and equity grants. Such acquisitions are at 77% and 81% discounts on average, respectively. The median founder disposes 5% of their shares in a given year at market prices. At the same time, they acquire 2% new shares at prices that are 23% of market prices on average. Gross changes in ownership are over double net changes. As a result, shares obtained below market price are an important

[9]For similar evidence on increasing VC ownership, see Huang et al. (2023).

[10]For other important determinants of insider ownership, see Fahlenbrach and Stulz (2009) and Fabisik et al. (2021).

source of founder wealth generation, contributing around 5% to overall founder wealth and 12% of the variation in their wealth growth rates.

Would founders be better off holding or selling their shares in the firm in terms of their wealth? To answer this, we perform two counterfactual analyses: one where founders immediately sell all shares at the IPO ("IPO Value"), and another where they never liquidate any shares ("Never-Sell Value"). We find a pronounced divergence across the wealth distribution. For founders with lower wealth, the IPO Value most often exceeds their actual wealth, meaning they would have been better off liquidating their entire stake at the IPO. However, for founders in the right tail, the Never-Sell Value not only constitutes the majority of their wealth but often exceeds their actual wealth, indicating that the wealthiest founders could have been even richer had they never sold a single share. The median founder would have been wealthier by fully liquidating their entire IPO stake and investing in the equity market. The extreme wealth observed in the right tail, however, arises only for founders who hold lasting stakes in firms that consistently outperform the market. Thus, superstar founders are the result of superstar firms.[11] This finding provides a quantified, micro-level explanation for a significant component of wealth inequality.

Related Literature Our work relates to five sets of literature. First, we provide a microeconomic perspective on the rise of wealth concentration at the top, a phenomenon extensively documented at the aggregate level (e.g., Piketty and Saez (2003); Piketty (2014); Saez and Zucman (2016); Gomez 2025a; Gomez 2025b). Our findings provide empirical support for theoretical models of top wealth dynamics, where idiosyncratic firm risk is central to generating the fat tail of the wealth distribution (Luttmer (2007); Benhabib et al. (2011); Benhabib et al. (2015); Gabaix et al. (2016); Benhabib and Bisin 2018; Benhabib et al. 2019; Atkeson and Irie (2022); Gomez and Gouin-Bonenfant 2024). Superstar founders are an extreme case of concentrated idiosyncratic firm risk: the "stars among the superstars" are precisely those whose firms experience a long series of positive idiosyncratic shocks while they maintain a substantial ownership stake. In addition, Gomez (2023) and Zheng (2019) establish that rising wealth inequality is driven by new entrants displacing existing members of top wealth percentiles. IPO is a primary channel for such entry, and founders' subsequent ownership decisions shape the extreme dispersion of outcomes within this elite group. Relatedly, Chetty et al. (2024) study the determinants of entrepreneurship using population tax records; we focus on how founder wealth accumulates once entrepreneurship leads to an IPO.

Second, we add to the heterogeneous asset returns literature, which documents that the rich earn higher returns on their assets, amplifying concentration at the top (Bach et al.

[11] See Autor et al. (2020) for a seminal discussion of the rise of superstar firms.

(2020); Fagereng et al. (2020)). These returns come from sophisticated fixed-income portfolios (Smith et al. (2023)) and strategic asset trading (Fagereng et al. (2025)). We document an additional mechanism for extreme wealth accumulation: founders have concentrated equity stakes. This finding also complements the entrepreneurial finance literature that studies the impact of sweat equity (Bhandari and McGrattan (2021); McGrattan (2020)) and human capital (Smith et al. (2019)), as well as the literature on understanding equity compensation (e.g., Oyer (2004); Chang et al. (2015); Sun and Xiaolan (2019); Eisfeldt et al. (2023a)).

Third, we add to the insider ownership literature with new data on an understudied group: founders. An important body of work in corporate finance has examined the ownership patterns of various corporate insiders, primarily focusing on the incentives and outcomes for directors and executives (e.g., Holderness et al. (1999); Fahlenbrach and Stulz (2009); Coles et al. (2012); Fabisik et al. (2021)), the influence of large shareholders and blockholders (e.g., DeMarzo and Urošević (2006); Brockman et al. (2009)), the specific role of CEO ownership (Lilienfeld-Toal and Ruenzi (2014)), founding-family ownership (e.g., Anderson and Reeb (2003)), and the dynamics of how firms transition to dispersed ownership (Helwege et al. (2007)). While these well-studied groups are central to corporate governance and firm outcomes, the founder's equity stake—originating from the creation of the firms and fundamental to their wealth creation—has been absent from systematic analysis. Our paper addresses this gap by tracking individual founders continuously from before the IPO through their eventual exit to document how founder ownership evolves over time and how it varies with firm performance. Notably, Fahlenbrach and Stulz (2009) show that liquidity considerations are a dominant driver of insider sales, which supports our interpretation that post-IPO founder selling reflects liquidity management and portfolio rebalancing rather than informed trading.

Fourth, we contribute to the literature on VC investment by quantifying the ownership-financing trade-off and the net impact of VC financing on founder wealth. Our ownership-financing tradeoff analysis is close in spirit to Crouzet et al. (2022), who offer a theoretical discussion of the ownership-funding tradeoff in the context of intangible capital and property rights institutions. An influential strand of the VC literature has been dedicated to analyzing the determinants, characteristics, and performance of VC investments from investors' perspective—studying their returns (e.g., Moskowitz and Vissing-Jørgensen (2002); Cochrane (2005)); the factors that drive their success (e.g., Korteweg and Sorensen (2010); Korteweg and Nagel (2016)); and how they make investment decisions (e.g., Gompers et al. (2020); Kaplan and Strömberg (2001)). A separate but related body of work has examined the implications for founders. For instance, Cagetti and De Nardi (2006) and Hurst and Lusardi (2004) establish how financing constraints shape the decision to become an entrepreneur;

Hall and Woodward (2010) empirically examines one component of founder compensation by analyzing how VC backing affects founder salaries; Hellmann and Puri (2002) studies founder replacement; and Ewens et al. (2022) theoretically models how founder and VC quality determine the optimal equity split to maximize the probability of a successful exit. These studies provide foundational insights into different facets of the founder-VC relationship. We complement this work by quantifying the impact of this relationship on the level of wealth founders hold in their equity stakes at the IPO, which offers a more concrete understanding of the wealth implications of the ownership-financing trade-off for entrepreneurs.

Finally, our paper builds on the IPO literature, since our analysis begins with founder wealth at IPO. First, we speak to the literature on the probability and determinants of going public (e.g., Brau and Fawcett (2006); Pagano et al. (1998); Gao et al. (2013); Rajan (2012); Weitzner et al. (2025); Baker and Wurgler 2002). Our empirical strategy, which matches firms on characteristics like size and industry, allows us to isolate the effect of VC ownership on founder wealth, conditional on the firm's decision to go public. Second, we speak to the literature on post-IPO performance and corporate behavior. Building on a well-established finding of initial post-IPO stock underperformance (e.g., Ritter (1991); Loughran and Ritter (1995); Loughran and Ritter (2004)), we show that subsequent founder outcomes can diverge dramatically. We show that founders who retain large stakes in superstar firms achieve extraordinary wealth outcomes, with below-market share acquisitions providing an additional boost. Our study thus provides a founder-centric perspective on the long-term consequences of an IPO, complementing studies on how going public affects firm behavior (e.g., Bernstein (2015)).

The remainder of our paper proceeds as follows. Section 2 details the construction of our novel dataset, outlining the sample selection of true IPOs and the hand-collection process for founder and venture capital ownership. Section 3 establishes the cross-sectional trade-off between venture capital financing and founder ownership at the IPO and its net impact on founder wealth. Section 4 analyzes the ownership-financing tradeoff over time, documenting how the interplay between founder ownership, VC ownership, and founder wealth has changed across different IPO eras. Section 5 turns to the post-IPO stage, constructing a comprehensive measure of founder wealth and documenting the dynamic path of ownership over the firm's lifecycle, including the significant role of share acquisitions at below-market prices. Section 6 uses this wealth measure to perform counterfactual analyses and identify the determinants of extreme wealth in the right tail of the distribution. Section 7 concludes.

2 Data Construction and Description

This section describes our data sources and sample construction. We construct a novel dataset by manually collecting and web-scraping ownership data for founders, VC blockholders, and VC representatives from SEC filings, tracking their ownership continuously from the pre-IPO stage through their eventual exit from the firm.

2.1 Sample

Our sample construction begins with all U.S. IPOs from 1996 to 2021. Following the empirical IPO literature (Ritter and Welch, 2002), we include common stocks listed on the NYSE or Nasdaq and exclude financial firms (Fama-French 48 industries), unit offerings, and penny stocks (first-day closing price below $5). We further exclude firms that went public via spin-offs, reverse leveraged buyouts, or reverse mergers, as these do not represent entrepreneurial IPOs. Finally, we restrict the sample to firms with positive founder ownership at the IPO, ensuring we study firms where founders maintained meaningful stakes. Our final sample consists of 1,498 true IPO firms and 2,279 founders. Founders who liquidate or sell their stakes to VCs or acquirers prior to IPO are not in our sample, as their ownership trajectories are not observable through public filings.

Table 1 compares firm characteristics at the time of IPO across three samples: all true IPOs (Columns 1–2), firms where founders maintain ownership and hold an executive or director role (Columns 3–4), and firms with both founder and VC blockholder ownership (Columns 5–6). In our universe of true IPOs, 73% of firms have a founder present at the IPO, and 52% have the combined presence of both a founder and a VC blockholder. Founder-involved firms have lower average book assets than the full sample, yet command higher market capitalizations—a pattern that is even more pronounced when VCs are also present. This is consistent with VC financing enhancing firm scale at the IPO. Furthermore, firm age decreases across the samples, with the youngest firms being those with both founder and VC involvement (median age of 7 years), suggesting that venture capital enables earlier public listings. The industry composition also shifts, with VC-backed founder firms exhibiting the highest concentration in high-tech (52.5%) and health (30.2%) sectors, aligning with the focus of modern venture investing.

2.2 Ownership Data Collection

Our ownership data come from SEC filings mandated by Section 16(a) of the Securities Exchange Act of 1934, which requires directors, officers, and 5%+ beneficial owners to report

their holdings. This includes filings at the IPO and annual disclosures thereafter. These reports detail all vested stock and shares acquirable within 60 days via options or vesting awards. Following the prior literature Fabisik et al. (2021), we define insider ownership to include these vested and soon-to-vest shares.

We construct our ownership panel using SEC filings from two key sources. First, we manually collect pre- and post-IPO ownership data from IPO prospectuses (Form 424b or S-1) filed on the SEC's EDGAR website. Although the tabular format varies across firms, the required information is consistent. Figure 2 illustrates a typical ownership table from the Celebrate Express (2004) prospectus, detailing shareholdings of directors and officers before and after the offering. In this example, we identify Michael K. Jewell, Tim McGarvey, and Jean Reynolds as founders based on other filing sections, and Keith Crandell as a VC representative due to a footnote stating 98% of his shares were held for ARCH Venture Fund.

Second, we collect post-IPO insider ownership data from definitive proxy statements (DEF 14A) filed annually. For the period 2002–2021, we extracted ownership tables using web-scraping algorithms applied to HTML filings. For the earlier period (1996–2002), we manually collected data from TXT-format filings. To ensure data quality, we manually validated a random 5% of the scraped sample and cross-referenced a subsample with ExecuComp, which provides ownership data for top executives at S&P 1500 firms. Figure 3 shows a representative ownership table from Celebrate Express's 2006 proxy statement, detailing share quantities and ownership percentages for each director and executive officer. We then track each individual by name across all filings to create a continuous ownership record.

From this universe of insiders, we manually identify founders through filer designations and supplementary web searches. We then classify venture capital involvement in two ways. First, we identify VC blockholders by cross-referencing beneficial owner names with the PitchBook database. Second, we manually identify VC-affiliated board members, typically indicated in filing footnotes. When a VC representative's ownership is reported as zero—a common inconsistency, as they hold shares on behalf of their firm—we replace the value with the VC firm's reported ownership stake.

We supplement our ownership data with transaction information from the Thomson Reuters (now LSEG) insider transaction database, which compiles SEC Form 4 filings. Form 4 must be filed following any transaction that changes an insider's holdings, detailing the type of transaction, volume, and price of each trade. We match these transactions to our sample using individuals' names, retaining only those that occur during their observed tenure at the firm. Figure 4 presents an example filed by the Vice President of Celebrate Express on July 28, 2005. The form specifies transaction details, including the type (e.g., "S" for open market sale), number of shares, direction (disposal or acquisition), and price.

3 The Impact of VC Financing: Cross-Sectional Trade-Offs at IPO

Founders face an ownership-financing trade-off: selling equity to VCs provides the financing for their firm to reach an IPO, but reduces the ownership stake they retain. We measure a founder's wealth at the IPO as the market value of the shares they hold just before the offering:

$$W_{i,0} = \alpha^F_{i,-1} P_{i,0} N_{i,-1}, \tag{1}$$

where $\alpha^F_{i,-1}$ denotes founder's ownership share in firm i prior to the IPO, $P_{i,0}$ is firm i's first-day closing price, and $N_{i,-1}$ is the total number of shares outstanding before the offering. The product $\alpha^F_{i,-1} N_{i,-1}$ represents the number of shares held by the founder.[12]

We first document an ownership-financing trade-off faced by founders: higher founder ownership is associated with lower ownership by VCs. A one standard deviation increase in VC ownership at the IPO is associated with a 0.42 standard deviation decrease in founder ownership.

We then quantify the net impact of this trade-off on founder wealth. That is, when founders sell shares to VCs in exchange for a larger firm, how the net effect of lower ownership but larger firm size affects their wealth. We document two key cross-sectional relationships, conditional on the firm going public: (1) higher founder ownership is associated with greater founder wealth at the IPO; (2) higher VC ownership is associated with lower founder wealth.

We find that the negative effect of VC ownership on founder wealth operates on both the extensive margin (VC-backed vs. non-VC-backed firms) and the intensive margin (high vs. low VC ownership within VC-backed firms). Furthermore, this pattern holds within a given VC firm's portfolio and among founders who systemically maintain relatively high or low ownership.

3.1 The Ownership-Financing Trade-Off: VC Ownership and Founder Ownership

We estimate the relationship between VC ownership and founder ownership at both the pre-IPO and the post-IPO stage. Our regression framework controls for three well-established determinants of insider ownership structure: the IPO year, firm age, and industry.[13]

[12] This implicitly assumes that founders receive their shares at zero cost. In practice, founders acquire their shares at the time of founding, when the firm's value is near zero — the price is often set at \$0.0001 per share, which is the lowest legal issuance price when the firm is formed.

[13] We discuss the time-series variation in founder ownership in Section 4 and provide a detailed analysis of age and industry effects in Appendix B.

To examine how founder ownership varies with VC financing, we estimate the following cross-sectional regression for firm i at the offering:

$$\alpha_{i,t}^{F} = \beta_1 \alpha_{i,t}^{VC} + \beta_2 \alpha_{i,t}^{VC\ Rep} + \beta_3 Year_i + \beta_4 Age_i + \eta_k + \epsilon_i, \tag{2}$$

where $\alpha_{i,t}^{F}$ is founder ownership, $\alpha_{i,t}^{VC}$ is the combined ownership of all VC blockholders (each holding at least 5%), $\alpha_{i,t}^{VC\ Rep}$ is ownership by VC-affiliated board members, $Year_i$ is the IPO year, Age_i is firm age, and η_k represents industry fixed effects. We present results using both continuous and dummy variable specifications for IPO year and firm age. Based on baseline results in Column (1) of Table 2, a one standard deviation (26.87 percentage point) increase in VC blockholder ownership is associated with a 0.42 standard deviation (11.28 percentage point) decrease in founder ownership. VC representative ownership is negatively significant in isolation (Column (2)) but loses significance alongside VC blockholder ownership in the full model (Column (4)). The trade-off is robust to additional controls, including time-varying factors.

The ownership-financing trade-off persists after the IPO (Columns 5–8, Table 2), robust across different specifications.[14] At and after the IPO, founder and VC ownership could reduce together in two ways: (1) new share issuance, which increases total shares outstanding and mechanically reduces all existing holders' ownership, and (2) secondary sales, in which founders and VCs sell their own shares to external investors. Since neither shifts shares between founders and VCs, the estimated coefficient on the trade-off faced by founders between retaining ownership and VC financing is slightly smaller (0.396 post-IPO vs. 0.417 pre-IPO).

3.2 The Net Effect of VC Ownership on Founder Wealth

When founders sell equity to VCs in exchange for firm scale to reach an IPO, what is the net impact on founder wealth — does the larger pie offset the smaller slice? Since our analysis is based on a sample of IPO firms, we face a selection problem: the decision to sell equity to VCs may be correlated not only with achieving a larger firm size at the IPO, but also with a higher probability of going public. We follow the approach of Pagano et al. (1998) to control for the probability of an IPO. This allows us to explore the relationship between VC financing and founder wealth within the context of firms among successful public firms.

[14] Results hold whether controlling for IPO year, firm age, and industry via fixed effects or including them as explicit regressors.

3.2.1 Baseline Results

To establish a baseline, Figure 5 presents the distribution of founder wealth at the IPO, segmented by the mean VC blockholder ownership. The distribution shifts to the right for firms with lower VC ownership, indicating higher founder wealth. To estimate the net impact of the ownership-financing trade-off on founder wealth at the IPO, we regress log founder wealth on ownership:

$$\log(W_{i,0}) = \beta\alpha_{i,-1} + X_i + \gamma_t + \eta_k + \xi_\tau + \epsilon_i \tag{3}$$

where $\log(W_{i,0})$ is the log of founder wealth at the IPO, and $\alpha_{i,-1}$ is pre-IPO ownership, estimated separately for three types: (1) founder ownership, (2) VC blockholder ownership, and (3) VC representative ownership. In firms with multiple founders or VC investors, ownership stakes are aggregated to the firm level. The control vector X_i includes firm-level variables (sales/assets, SG&A/sales, capex/PP&E, R&D/PP&E, log total assets), and the model includes IPO year (γ_t), industry (η_k), and firm age (ξ_τ) fixed effects. Dummy variables are included for missing R&D and SG&A data.

Higher pre-IPO founder ownership is associated with greater founder wealth at IPO. The OLS estimate in Column 1 of Table 3 indicates that a one-percentage-point increase in founder ownership is associated with a 0.04 increase in log founder wealth, which translates to an increase of approximately $2 million for a founder with median wealth ($47 million). To establish a causal interpretation, Column (2) addresses endogeneity concerns by instrumenting for founder ownership with the age of the youngest founder. The first-stage F-statistic of 20 confirms this is a strong instrument. The validity of this instrument is based on two criteria. First, it satisfies the relevance condition: younger founders are likely to have more immediate liquidity needs, which leads them to retain a smaller percentage of ownership at the IPO (see Fahlenbrach and Stulz (2009) for evidence that liquidity considerations are a primary driver of insider sales). Second, it satisfies the exclusion restriction: after controlling for observables, the age of the youngest founder should affect founder wealth only through its impact on ownership structure. A firm's valuation at IPO is determined by its fundamental economic prospects, not the founder's age, making this a plausibly exogenous source of variation for identifying the causal effect. The positive and significant coefficient on founder ownership in this IV estimation confirms that the positive relationship is robust to this causal identification strategy.[15]

[15]We repeat this analysis using private-stage financing round data from Pitchbook. Since we do not directly observe founder ownership in the private stage, we calculate the cumulative percentage of equity retained by all insiders not involved in PitchBook transactions. We find a positive relationship between this measure of insider ownership and insider wealth across all types of equity financing (see Appendix Table C1).

Higher VC blockholder ownership is associated with lower founder wealth at IPO (Table 3, Columns 3–4). The OLS estimate (Column 3) indicates a negative relationship: a one-percentage-point increase in VC blockholder ownership is associated with a 0.02 decrease in log founder wealth, or approximately $1 million for a founder with median wealth ($47 million). To identify a causal effect, Column (4) employs an instrumental variable approach, using the number of other portfolio companies held by a firm's VC blockholders as an instrument for VC blockholder ownership. The first-stage F-statistic of 11 indicates a strong instrument. It meets the relevance condition: VCs with more portfolio companies are typically larger and more diversified, characteristics that are positively correlated with the capacity to hold larger ownership stakes. The key identification assumption is that, conditional on the controls, this instrument affects founder wealth only through its correlation with VC ownership. While portfolio size may correlate with unobserved VC quality, any such quality effect on firm value must operate independently of the VC's equity stake for the exclusion restriction to be violated. The significant negative IV estimate suggests that the effect of VC blockholder ownership on founder wealth at IPO is causal and negative.

VC representative ownership shows a similar negative relationship with founder wealth, with a slightly similar magnitude (-0.015 per percentage point, compared to -0.018 for aggregate VC ownership). The OLS estimate (Column 5) confirms this pattern; Column (6) employs an instrumental variable approach, using the number of board seats held by representatives from the same VC firms in other portfolio companies as an instrument. The first-stage F-statistic of 10 indicates a strong instrument. The instrument meets the relevance condition: a VC firm whose representatives hold more external board seats likely has greater influence to secure board representation and larger associated ownership stakes in a given firm. The key identification assumption is that, conditional on the controls, this instrument affects founder wealth only through its correlation with VC representative ownership. While the prevalence of board seats may correlate with a VC's general strategy or capability for control, any such effect on firm value must operate independently of the specific equity stake held by its board representatives to violate the exclusion restriction. The significant negative IV estimate suggests a causal, negative effect of VC representative ownership on founder wealth.

3.2.2 Extensive Margin vs. Intensive Margin

Having established that higher VC ownership is associated with lower founder wealth at IPO, we next ask whether this effect operates on the extensive margin (VC-backed vs. not), the intensive margin (high vs. low VC ownership), or both. To address potential sample selection bias and identify causal effects, we employ a Propensity Score Matching (PSM) methodology.

Firms were matched within exact strata defined by 5-year IPO cohorts, age buckets (1-5, 5-20, 20+), and industry classification (as in (Eisfeldt et al., 2023b)). This stratification ensures comparability while maintaining viable sample sizes. Within each stratum, we performed nearest-neighbor matching based on log total assets, applying a caliper of 0.2 standard deviations to ensure match quality. This matching strategy follows the logic of Pagano et al. (1998), who show that industry level market-to-book and firm size are key determinants of the propensity to go public. While we do not explicitly model the IPO selection process, matching on exact industry and nearest-neighbor firm size (total assets) helps control for the underlying likelihood of achieving an IPO. This approach allows us to compare firms with similar ex-ante probabilities of going public, isolating the differential impact of VC ownership.

On the propensity-score-matched sample, we estimate treatment effects of VC ownership on founder outcomes:

$$Y_i = \beta Treat_i + X_i + \gamma_t + \eta_k + \xi_\tau + \epsilon_i \tag{4}$$

where the dependent variable Y_i is one of three outcomes: log founder wealth, log firm market capitalization at IPO, or pre-IPO founder ownership ($\alpha^F_{i,-1}$). The model includes IPO year (γ_t), industry (η_k), and age (ξ_τ) fixed effects. The control vector X_i includes sales-to-assets, SG&A-to-sales, capital expenditures-to-PP&E, R&D-to-PP&E, log total assets, and dummy variables for missing R&D and SG&A data. The variable $Treat_i$ is a treatment indicator defined differently for the extensive and intensive margin analyses described below.

The extensive margin analysis is performed on a sample of firms where founders have positive pre-IPO ownership. The treatment indicator equals one for firms with any VC blockholder ownership ($\alpha^{VC}_{i,-1} > 0$) and zero for firms with no VC blockholder ownership. The results are presented in Columns (1)–(3) of Table 4, with a balance test for the matched sample shown in Panel A of Table D1. VC backing substantially reduces founder wealth at IPO. As shown in Column (1), VC-backed firms are associated with founder wealth that is 0.681 log points lower, which translates to a reduction of approximately $23 million for a founder with median log wealth. This large magnitude arises because, after matching on IPO year, age, industry, and total assets, VC backing does not lead to a statistically significant difference in firm market capitalization at the IPO (Column 2). However, it is associated with a 24.6 percentage point reduction in founder ownership (Column 3). Founders who take their firms public without VC support retain a larger ownership stake, leading to significantly greater personal wealth at the time of the offering.

The intensive margin analysis is performed on a sample where both founders and VC blockholders have positive pre-IPO stakes. The treatment group comprises firms with above-mean VC blockholder ownership (the mean is 42%), while the control group consists of

firms with below-mean VC ownership. The results are presented in Columns (4)–(6) of Table 4, with a balance test for the matched sample provided in Panel B of Table D1. High VC blockholder ownership also reduces founder wealth, confirming the intensive-margin effect. As shown in Column (4), a high level of VC blockholder ownership is associated with founder wealth that is 0.670 log points lower. Even among VC-backed firms, a higher VC blockholder ownership share does not lead to a statistically significant increase in firm market capitalization at the IPO (Column (5)), yet it is associated with a 8.8 percentage point reduction in founder ownership (Column (6)).

3.2.3 VC and Founder Heterogeneity

Could the negative relationship between VC financing and founder wealth reflect unobserved VC or founder quality rather than the ownership-financing trade-off itself? Better VCs may take larger stakes and also select better firms, or higher-quality founders may be able to retain more ownership. We address each concern in turn.

One identification challenge is that unobserved VC characteristics—such as quality or bargaining power—might jointly influence both the size of the ownership stake a VC takes and the performance of its portfolio firms (e.g., Sørensen (2007)). To address this, we implement a matching strategy that compares companies within the same VC blockholder's portfolio. We begin by identifying treatment firms with above-mean VC blockholder ownership. For each treatment firm, we then select a control firm from the same VC blockholder's portfolio that has below-mean VC blockholder ownership, matching on firm size (log total assets) with a caliper of 0.2 standard deviations. This procedure is performed on a sample where both founders and VC blockholders have positive pre-IPO stakes. By comparing firms within the same VC blockholder's portfolio, this approach controls for VC-specific unobservables, allowing us to attribute differences in founder outcomes more cleanly to the variation in ownership stakes. The results are presented in Columns (1)–(3) of Table 5, with a balance test for the matched sample provided in Panel A of Table D2. As shown in Column (1), after comparing firms within the same VC's portfolio, a higher VC blockholder ownership stake maintains a significant negative association with founder wealth. This result is consistent with Ewens et al. (2022), who argue that, conditional on VC and founder quality, there is an optimal equity split that maximizes the probability of a successful exit. Our findings align with this view: after matching on the same VC, variation in VC ownership does not significantly affect firm size at the IPO (i.e., exit outcome, Column (2) of Table 5). This suggests that the observed ownership split is an equilibrium outcome—but within this equilibrium, founders who retain more equity are wealthier.

A second concern is that unobserved founder characteristics could drive both the founder's

retained ownership, the corresponding VC ownership, and the firm's outcome. Directly controlling for founder fixed effects is infeasible, as few founders take multiple firms public. To address this, we proxy for founder type by grouping them based on their ownership retention. Specifically, within groups defined by IPO year, firm age, and industry, we classify founders with above-mean ownership as high type and those with below-mean ownership as low type. The reasoning is that the grouping (year, age, industry) and matching (total assets) control for the baseline probability of achieving an IPO. Conditional on this, a founder's ability to retain high ownership likely signals higher inherent quality or bargaining power. By matching within these founder-type groups, we compare firms where founders have similar observed propensities for high ownership, thereby controlling for these unobserved founder traits. We begin by identifying treatment firms with above-mean VC blockholder ownership. For each, we select a control firm from the same founder-type group that has below-mean VC blockholder ownership, matching on firm size (log total assets) with a caliper of 0.2 standard deviations. The results are presented in Columns (4)–(6) of Table 5, with a balance test for the matched sample provided in Panel B of Table D2. As shown in Column (4), after conditioning on founder ownership level, a higher VC blockholder ownership stake maintains a significant negative association with founder wealth.

4 The Impact of VC Financing: Time-Series Dynamics

Has the ownership-financing trade-off changed for firms that IPO in different periods? We find that the IPO year is a significant determinant, accounting for 15% of the cross-sectional variation in founder ownership and 14% of the variation in VC blockholder ownership based on simple fixed-effects regressions.

We begin by documenting three key time-series patterns in ownership and founder wealth. First, average founder ownership at IPO has declined over time, while VC blockholder ownership has increased. Second, despite this decline in ownership, founder wealth at IPO has risen over the sample period. Third, the average size of firms at IPO has grown substantially and is highly correlated with founder wealth. Taken together, these facts indicate that the positive "scale effect" on wealth—facilitated by VC-backed growth—has dominated the negative "ownership effect" of retaining a smaller percentage of the firm, resulting in rising founder wealth despite declining ownership.

We next examine the evolution of the trade-offs among founder ownership, VC ownership, and founder wealth. We establish three findings. First, the ownership-financing trade-off between founder and VC ownership shows no clear time trend. Second, the positive relationship between founder ownership and founder wealth has remained stable throughout

the sample period. Third, the negative relationship between VC blockholder ownership and founder wealth has also been stable over time.

Collectively, these results suggest that despite significant shifts in ownership structures across different IPO eras, the underlying ownership-financing trade-off faced by founders has remained constant. The observed decline in founder ownership does not mean that giving up more ownership leads to greater wealth, conditional on going public. Rather, founders give up ownership to secure the VC backing necessary for their firms to grow large enough to reach an IPO, and the wealth gains primarily come from the resulting increase in firm scale.

4.1 The Time Trend of Ownership and Founder Wealth

Founder ownership at IPO has declined steadily while VC ownership has risen, as evident in Figure 6. The regression results in Table 2 provide supporting evidence. In a specification with founder ownership as the dependent variable and the IPO year as a continuous independent variable, the coefficient is a statistically significant -0.27 (Column 3). This indicates that a one standard deviation increase in the IPO year (9 years) is associated with a 0.35 standard deviation (9 percentage point) decrease in founders' ownership. To ensure this pattern is not an artifact of firms going public at later stages in their lifecycle in more recent years—a factor that could mechanically lower founder ownership—we control for the effect of firm age at IPO. To do so, we first estimate the regression of founder ownership on firm age, controlling for VC ownership (institutional and board representatives), IPO year, and industry fixed effects (as in Equation 2). The adjustment is then made by subtracting the estimated age coefficient multiplied by the firm's actual age from the raw ownership value. The resulting age-adjusted trend, presented in Figure 7, confirms that the decline in founder ownership over time is a robust feature of the data.

Founder ownership at IPO declined over the sample period: the mean dropped by 55% from 37.7% in 1996 to 17.0% in 2021, and the median dropped by 70% from 32.6% to 9.7% (Table 6). This decline was concentrated during the dot-com era of the late 1990s and early 2000s. In contrast, VC blockholder ownership increased over the sample period. As detailed in Columns (3)–(4), the mean VC institutional ownership rose from 19.2% in 1996 to 34.6% in 2021. The median increased more substantially, from 0 to 35.2%. The larger increase in the median is consistent with the rising share of VC-backed IPOs over time. VC blockholder ownership levels were highest from 2014 to 2019, with the median peaking at 58% in 2014, followed by a modest decline in the most recent years. A similar upward trend is observed for VC-affiliated board members (Columns (5)–(6)). The mean VC representative ownership

rose from 8.5% in 1996 to 18.2% in 2021, while the median increased from 0% to 8.5%.

Despite the continuous decline in founder ownership over IPO years and the cross-sectional negative correlation between VC ownership and founder wealth (Section 3.2), average founder wealth has shown an upward trend over time (Figure 8, blue line). This is due to the overriding impact of increasing firm scale. Market capitalization (red line) has grown at a significantly faster rate than founder wealth, with a linear time trend coefficient more than double that of founder wealth (0.042 vs. 0.017). The high correlation between these series demonstrates that firm size has been the primary driver of wealth creation. Consequently, the positive "scale effect" on wealth—facilitated by VC-backed growth—has dominated the negative "ownership effect" of retaining a smaller firm percentage, leading to rising founder wealth despite declining ownership. This finding is consistent with a structural shift in the economy, as noted by Ritter (2011), where the value of being part of a larger, scaled organization outweighs the profitability of remaining a small, independent entity.

4.2 Time-Series Patterns in Ownership and Wealth Trade-offs

To understand whether the ownership-financing trade-off has changed over time, we apply the methodology from Section 3.1 across IPO cohorts. We quantify the time-series ownership-financing trade-off between founder and VC ownership. For each three-year window, we run a regression with normalized founder ownership as the dependent variable and normalized VC blockholder ownership as the independent variable, both standardized to have mean 0 and standard deviation 1, while controlling for firm age and industry fixed effects. This normalization ensures that the coefficients are comparable over time. The regression coefficients are plotted as a blue line in Figure 9, with their magnitude shown on the left y-axis. These coefficients reflect how many standard deviations of ownership the founder gives up to obtain an additional standard deviation of VC ownership. The estimated ownership-financing trade-off ranges from -0.5 to -0.2 and shows no clear time trend. However, the trade-off moves counter-cyclically with the IPO market: it is steeper during booms and flatter during busts (grey bars show the number of IPOs). When founders are willing to give up more ownership for VC financing, more firms reach the IPO threshold.

We then analyze the relationship between founder ownership and founder wealth using the methodology from Section 3.2. For rolling three-year windows, we regress the normalized log of founder wealth on normalized founder ownership and VC blockholder ownership, standardizing variables to have a mean of 0 and a standard deviation of 1, and controlling for firm characteristics, age, and industry fixed effects. This normalization ensures that the coefficients are comparable over time. The coefficients for founder ownership (Figure 10,

red line) show a persistently positive relationship, indicating that higher founder ownership is associated with higher founder wealth throughout the period, with no clear time trend. The coefficients for VC blockholder ownership (green line) show a persistently negative relationship—indicating that higher VC ownership is associated with lower founder wealth throughout the period—and also exhibit no clear trend.

In sum, the ownership-financing trade-off has remained stable over time, conditional on firms going public. This implies that founders in every IPO cohort face the same trade-off: to maximize wealth, they should sell just enough equity to VCs to enable their firm to reach the IPO threshold and capture the resulting scale benefits. However, the de facto size threshold for an IPO has risen over time. Consequently, founders give up more ownership to secure the VC backing needed to reach this higher threshold. While founders in recent cohorts retain less ownership than in earlier ones, the wealth from a larger, VC-backed firm can more than compensate.

5 Founders' Wealth over the Post-IPO Life Cycle

The ownership-financing trade-off at the IPO has persistent effects on founders' wealth trajectories. We introduce a comprehensive measure of founder wealth creation over the entire firm lifecycle, starting from their wealth at the IPO. We find that nearly half of the variation in founders' post-IPO wealth growth rates can be attributed to their ownership stake at the IPO and the time since the firm went public, demonstrating that the consequences of this initial trade-off are long-lived.

Three forces shape a founder's total wealth from their firm: ownership decisions, firm performance, and gains from acquiring shares at a discount. Relying solely on the stock value of their retained ownership provides an incomplete picture, as it omits the value of liquidated stakes and shares acquired below market prices. To address this, our measure re-invests the proceeds from any liquidated own-firm shares into a value-weighted market index portfolio and generates a return of $r_{m,t+1}$. This transfers wealth over time in a way that captures the opportunity cost of divestment.[16] We also account for wealth created when founders acquire new shares in their firm at below-market prices, utilizing transaction-level data to capture these gains. With data on own-firm stakes, founder acquisitions, and own-firm and market

[16]While our framework can accommodate other benchmark returns, the market return is a natural benchmark to highlight the impact of individual over/under performance relative to the overall market. In the rare instances where founders acquire additional shares but cannot fully fund the purchase through proceeds from prior share sales, we allow them to borrow at the 3-month Treasury bill rate. See Hall and Woodward (2010) for a calibrated model of founder wealth (up to and including the IPO only) for VC-backed firms that includes wage income.

returns, we decompose the change in a founder's wealth each period into three channels: the market return on their total portfolio, the excess return on the share of wealth held in their own firm, and gains from acquiring new shares below market prices. Formally, for founder i at IPO age t:

$$\Delta W_{i,t} = W_{i,t-1}\Big(r_{m,t} + \theta_{i,t-1}(r_{i,t} - r_{m,t})\Big) + \delta_{i,t}, \tag{5}$$

where $\theta_{i,t}$ is the share of founder wealth held in own-firm equity, $r_{i,t}$ is the firm's stock return, and $r_{m,t}$ is the value-weighted market return. The term $\delta_{i,t} \equiv (P_{i,t} - P_{i,t}^{acq})N_{i,t}^{acq}$ captures the wealth gain from acquiring $N_{i,t}^{acq}$ new shares at a price $P_{i,t}^{acq}$ below the market price $P_{i,t}$. The first term in parentheses, $r_{m,t}$, is the baseline market return earned on all wealth. The second term, $\theta_{i,t-1}(r_{i,t} - r_{m,t})$, is the additional return (positive or negative) from the founder's concentrated position in their own firm.

A comprehensive wealth measure that accounts for post-IPO ownership changes is critical. Relying solely on retained shares to measure founder wealth underestimates it by 50% for ten-year-old IPO firms (Table 9), because it misses reinvested proceeds from liquidated stakes and gains from below-market share acquisitions. Furthermore, gains from strategically acquiring shares at a discount contribute significantly, constituting 5% of total wealth on average. Our analysis of this accumulation process reveals that post-IPO ownership is path-dependent, heavily influenced by the initial IPO stake, with trading patterns consistent with founders managing adjustment costs to maintain a target ownership level. A key quantitative finding is that this predictable ownership component—determined by a founder's age and stake at the IPO—explains 38% of the variation in their wealth growth rates.

5.1 The Dynamics of Retained Ownership

Founders' ownership patterns depend heavily on which year their firm went public. We investigate this trend by examining subsamples based on the timing of the firms' public offerings, dividing the full sample into four subsamples: 1996–2000, 2001–2005, 2006–2010, and 2011–2018. As shown in Figure 11, founders' ownership declines over the life cycle across all subsamples, with a more rapid decline initially followed by a slower decrease later on. Founders whose firms went public at earlier years exhibit higher ownership levels at the IPO, as well as in the subsequent years following the IPO. Specifically, for firms that went public between 1996 and 2000, founders' ownership decreases from 34.8% prior to the IPO to 22.8% one year post-IPO, and further declines to 20.12% by the age of 7. In contrast, founders whose firms went public in later years exhibit lower ownership levels at the IPO, as well as in the subsequent years following the IPO. Specifically, for firms that went public between 2011 and 2018 founders' ownership decreases from 14.5% prior to the IPO to 10.8% one year

post-IPO, and further declines to 6.29% by the age of 7.[17]

To characterize how founder ownership evolves after the IPO, we model current ownership as a function of lagged ownership, its interaction with IPO age, and liquidity conditions. This specification captures the idea that founders adjust their stakes gradually, with the speed of adjustment depending on how long the firm has been public. For firm i at IPO age t:

$$\alpha^F_{i,t} = \beta_0 \alpha^F_{i,t-1} + \beta_1 \alpha^F_{i,t-1} \times t + \beta_2 Liq^H_{i,t} + \beta_3 Liq^L_{i,t} + X_{i,t} + \gamma + \eta + \xi + \epsilon_{i,t}, \tag{6}$$

where $\alpha^F_{i,t}$ is the founder ownership level. The interaction $\alpha^F_{i,t-1} \times t$ captures how the persistence of ownership changes with firm age. We control for stock liquidity using high ($Liq^H_{i,t}$) and low ($Liq^L_{i,t}$) liquidity indicators following Fabisik et al. (2021), include firm-level controls $X_{i,t}$, and incorporate fixed effects for IPO year (γ), industry (η), and calendar year (ξ).

Founder ownership is highly persistent (Columns 1–2, Table 7): a one-unit increase in lagged founder ownership predicts a 0.79-unit increase in current ownership. The specification in Column (1) explains 93% of the variation in post-IPO founder ownership. The coefficients indicate a high degree of persistence: a one-unit increase in lagged ownership is associated with a 0.79-unit increase in current ownership. This persistence grows stronger over time, as the positive interaction with IPO age shows the effect increases by 1.6 percentage points each year. This pattern is consistent with founders managing their ownership toward a long-term target that is heavily influenced by their initial IPO stake. To illustrate this path dependence, we use the coefficients from Column (1) to predict post-IPO ownership based solely on the initial IPO ownership and IPO age. This simple prediction explains 66% of the actual variation in post-IPO ownership, underscoring that founder ownership path is heavily anchored to the initial stake at IPO.

We estimate the same ownership persistence specification (Equation 6) for VC representatives (Columns 3–4, Table 7). The ownership of VC representatives is also highly persistent and largely determined by their initial stake at the IPO. A key distinction emerges in the post-IPO period: whereas an ownership-financing trade-off characterized the pre-IPO phase (with founders ceding ownership to VCs for financing), both groups become net sellers after the IPO, with VCs divesting at a faster rate than founders. We also find that founders' ownership is significantly less sensitive to liquidity than that of VC representatives (coefficients are approximately half the magnitude). This supports our theory that founders adhere to a less reactive ownership path.

[17] We present other key summary statistics for founders' ownership and the changes in their ownership in the years following the IPO across different IPO ages in Table E1.

5.2 Wealth from Shares Obtained at Below-Market Prices

Founders not only sell shares as their firms age, but also obtain new ones. There is a large asymmetry in the prices at which these transactions occur. Founders dispose of shares near market price: the average disposal price ratio is 0.97 and the median is 1 (Table 8, Panel A). Most disposals occur through open market trades (average price ratio: 0.99, median: 1), with the remainder through exercising and selling options or selling shares back to issuers under repurchase agreements.

For newly obtained shares, founders pay prices substantially below market. In non-open-market trades, they pay on average 23% of the market prices. [18] These below-market acquisitions contribute around 5% to total founder wealth.

The quantities of share turnover are also economically meaningful. The median founder sells 5% and acquires 2% of shares annually, yielding net disposals of 3% and gross turnover of 7% (Table 8, Panels B–C). Appendix Tables F1 and F2 report analogous statistics for VC representatives and all insiders.

5.3 Decomposing Post-IPO Wealth Growth Rates

This section analyzes the variation in founders' post-IPO wealth growth rates, decomposing it into components driven by firm performance, retained ownership stakes, and benefits from acquiring discounted shares. In particular, we quantify the extent to which a founder's ownership stake at the IPO determines their subsequent wealth growth rates.

Dividing both sides of Equation (5) for founder wealth change by $W_{i,t-1}$, the founder's wealth growth rate is:

$$r^W_{i,t} = \frac{\Delta W_{i,t}}{W_{i,t-1}} = \underbrace{r_{m,t}}_{\text{market return}} + \underbrace{\theta_{i,t-1}(r_{i,t} - r_{m,t})}_{\text{excess return from own-firm stake}} + \underbrace{r^{\delta}_{i,t}}_{\text{discount acquisition return}}, \tag{7}$$

where $r^{\delta}_{i,t} \equiv \delta_{i,t}/W_{i,t-1}$ is the return from acquiring shares below market prices.

In Equation (7), the portfolio weight θ is not directly observable, but it can be replaced using the identity $\theta_{i,t}W_{i,t} \equiv \alpha^F_{i,t}P_{i,t}N_{i,t}$ (both sides equal the market value of the founder's retained shares). Substituting and rearranging:

$$\frac{W_{i,t-1}}{P_{i,t-1}N_{i,t-1}}(r^W_{i,t} - r_{m,t}) = \alpha_{i,t-1}(r_{i,t} - r_{m,t}) + \frac{W_{i,t-1}}{P_{i,t-1}N_{i,t-1}}r^{\delta}_{i,t}. \tag{8}$$

[18] The 23% is a weighted average across non-open-market acquisition types: option exercises (53% of transactions, average price ratio 0.23), equity grants (19%, average price ratio 0.19), and other acquisitions (7%, average price ratio 0.33).

The scaling factor $W_{i,t-1}/(P_{i,t-1}N_{i,t-1})$ makes wealth growth rates comparable to firm returns. The left-hand side is the founder's scaled excess wealth growth. On the right, the first term is founder ownership times the firm's excess return — this single product accounts for 81% of the variance in scaled excess wealth growth. The second term, scaled discount acquisition returns, accounts for 12%. Notably, these two terms are positively correlated, with their covariance contributing to 7% of the variance in scaled excess wealth growth rates. This positive correlation is primarily driven by the fact that founders with higher ownership also experience greater wealth gains from receiving discounted shares.

The first term in Equation (8), $\alpha_{i,t-1}(r_{i,t} - r_{m,t})$, combines two sources of variation: the founder's ownership level and the firm's excess return. To isolate the role of ownership that was effectively determined at the IPO, we decompose actual ownership into a predicted component $\widehat{\alpha}$ (from Section 5.1, based on the founder's IPO stake and years since the IPO) and a residual ϵ:

$$\alpha_{i,t-1}(r_{i,t} - r_{m,t}) = \widehat{\alpha}_{i,t-1}(r_{i,t} - r_{m,t}) + \epsilon_{i,t-1}(r_{i,t} - r_{m,t}). \tag{9}$$

Here, $\widehat{\alpha}_{i,t}$ represents the expected ownership based on the founders' ownership at the time of the IPO and years since the IPO. The first term on the right-hand side captures the joint dynamics of firm performance and predictable ownership. The second term captures the joint dynamics of firm performance and the residual variation in founders' ownership. Using this equation, we find that the predictable component $\widehat{\alpha}_{i,t-1}(r_{i,t} - r_{m,t})$ accounts for 70% of the total variance in actual ownership times relative firm performance.

Finally, taking logs of the predictable component from Equation (9) allows us to additively separate the ownership effect from the firm performance effect. We begin by rewriting $\widehat{\alpha}_{i,t-1}(r_{i,t} - r_{m,t}) \approx \widehat{\alpha}_{i,t-1}\frac{1+r_{i,t}}{1+r_{m,t}}$, and then take the logarithm to obtain:

$$\log\left(\widehat{\alpha}_{i,t-1}\frac{1 + r_{i,t}}{1 + r_{m,t}}\right) = \log(\widehat{\alpha}_{i,t-1}) + \Big(\log(1 + r_{i,t}) - \log(1 + r_{m,t})\Big). \tag{10}$$

The first term on the right hand side represents the dynamics of the expected founders' ownership, while the second term represents firm performance. Using this equation, we find that the ownership path accounts for 67% of the total variation, while firm excess returns account for 33%.

In conclusion, our stepwise decomposition (Equations 7–10) reveals that the primary driver of variation in founders' excess wealth growth rates is the path of their expected ownership, which is largely determined at the IPO. 38% of the variation in founders' excess wealth growth rates can be attributed to the variation in the expected ownership, which is

based on the founders' ownership at the time of the IPO and years since the IPO. 12% can be attributed to wealth gains from acquiring shares at a discounted price.

6 Path to the Right Tail

In this section, we analyze the determinants of the level of superstar founder wealth, and examine how the founders who reach the far right tail of the wealth distribution achieve their enormous fortunes. The ultimate wealth outcomes for superstar founders vary widely, with vast differences observed between average and median results. While founders' total wealth has shown significant growth over time, increasing nearly 60 times from an average of $39 million in 1996 to $2.32 billion in 2018, achieving truly enormous fortunes requires exceptional circumstances. We find that the median founder would have been wealthier if they had liquidated their entire own-firm stake at the IPO and invested the proceeds in the overall market. However, the existence of a fat right tail of own-firm performance alters this outcome for the few most successful founders. The wealthiest founders result from fairly long-lived own-firm stakes in high-performing firms.

We perform two counterfactual decompositions to isolate the sources of wealth creation and destruction: what if the founder had immediately diversified at IPO ("IPO Value"), and what if the founder had never sold any shares ("Never-Sell Value"). Each decomposition breaks a founder's terminal wealth into two components, providing different counterfactual perspectives.

Our first decomposition asks: how wealthy would the founder be if they had immediately diversified their entire IPO stake into the market index portfolio? The two terms in Equation (11) are the "IPO Value", and the residual value that is created (or destroyed) because the founder holds on to some own-firm shares, which we denote "Growth Value". The growth value will be positive if the firm outperformed the market, and negative otherwise. It reflects the combined dynamics of founders' ownership choices and the firm's returns in excess of market returns. We include the value of acquiring shares at below-market prices in the IPO Value and compounded at market returns.

$$W_T = \underbrace{W_0 \prod_{t=1}^{T}(1+r_{m,t}) + \sum_{t=1}^{T} \delta_t \prod_{s=t+1}^{T}(1+r_{m,s})}_{\text{"IPO Value"}} + \underbrace{\sum_{t=1}^{T} W_{t-1}^{F}(r_t - r_{m,t}) \prod_{s=t+1}^{T}(1+r_{m,s})}_{\text{"Growth Value"}}, \quad (11)$$

where $W^F \equiv \theta W$ is the founder's wealth in own-firm equity.

The second decomposition takes the opposite perspective: how wealthy would the founder

be if they had never sold any shares in their firm after the IPO? The first term, "Never-Sell Value," captures this hypothetical. The second term, "Liquidation Value," is the value created or destroyed because the founder did sell own-firm shares — it will be negative if the firm outperformed the market. Again this second term reflects the combined dynamics of founders' ownership choices and the market returns in excess of the firm's returns. We include the value of acquiring shares at below-market prices in the Never-Sell Value term.

$$W_T = \underbrace{W_0 \prod_{t=1}^{T}(1+r_t) + \sum_{t=1}^{T} \delta_t \prod_{s=t+1}^{T}(1+r_s)}_{\text{"Never-Sell Value"}} + \underbrace{\sum_{t=1}^{T}\left(W_{t-1}^{M}(r_{m,t}-r_t) - \delta_t\right)\prod_{s=t+1}^{T}(1+r_s)}_{\text{"Liquidation Value"}}, \quad (12)$$

where $W^M \equiv (1-\theta)W + \delta$ is the founder's wealth in the market index portfolio.

These two decompositions establish two economically meaningful counterfactual benchmarks for post-IPO ownership path. The substantial divergence between the value of selling everything at the IPO (IPO Value) and only selling at the terminal date (Never-Sell Value) for most founders underscores the critical economic importance of the interplay between ownership decisions and firm performance.

We use two examples to illustrate this contrast. Figure 12 shows the wealth decomposition for Jeff Bezos (Amazon). As the top plot shows, his total wealth far exceeds the IPO Value. This is driven by the dynamics in the bottom plot: Amazon substantially and consistently outperformed the market while Bezos maintained a significant ownership stake, resulting in a massive positive Growth Value. In fact, Bezos would have benefited from never liquidating any shares. Conversely, Figure 13 shows the decomposition for James McCann (1-800-Flowers). Here, the IPO Value is relatively large compared to his total wealth. As the bottom plot shows, his firm underperformed the market while he maintained a steady ownership stake. Consequently, the Growth Value is negative, meaning he would have been wealthier by fully liquidating his IPO stake and investing in the market.

Figure 14 compares the full distribution of IPO Value, Never-Sell Value, and total actual wealth. First, the median IPO Value exceeds both the median Never-Sell Value and the median total wealth: the median founder would have been wealthier by liquidating their entire stake at the IPO and investing in the market. Second, Never-Sell Value is more dispersed than IPO Value, reflecting the higher volatility of concentrated exposure to a single firm. Third, the right tail of Never-Sell Value is thicker than that of IPO Value—superstar founders are those whose firms have grown significantly over many years during which they retained a substantial ownership stake. In other words, superstar founders result from superstar firms that receive a long series of positive return shocks. This divergence is

quantified in Table 10. Toward the end of the sample, the median founder's Never-Sell Value is 30% lower than their IPO Value, while the mean Never-Sell Value is 30% higher.

Next, we compare founders' actual wealth against two counterfactual benchmarks using the IPO Value and the Never-Sell Value. The relevance of each benchmark depends on where a founder sits in the wealth distribution. For founders with lower wealth, the IPO Value often exceeds their actual wealth, meaning they would have been better off liquidating their entire stake at the IPO. However, the importance of the IPO Value diminishes sharply for founders in the right tail. The top plot of Figure 15 shows the ratio of IPO Value to actual wealth across the wealth distribution. This ratio declines from above 1 to less than 0.1, confirming that the initial stake becomes a negligible component of extreme wealth. Conversely, the Never-Sell Value is critical for reaching the right tail. As shown in the bottom plot of Figure 15, the ratio of Never-Sell Value to actual wealth increases from below 1 to over 1.2 for the wealthiest founders. This indicates that a small group of founders could have achieved even greater wealth—reaching as high as $191 billion in our sample—by simply holding their IPO stakes, highlighting that extreme fortunes are built on prolonged, concentrated ownership in high-performing firms.

7 Conclusion

We provide the first comprehensive analysis of how superstar founders accumulate wealth, from the IPO through the firm's public lifecycle. By constructing a novel dataset and a comprehensive measure of founder wealth that starts with the IPO value of their stake and incorporates all subsequent changes, including share transactions and firm performance, we uncover the microfoundations of a significant driver of top-end wealth inequality.

Founder wealth is shaped by a dynamic two-stage process. First, at the IPO, founders face an ownership-financing trade-off: they exchange ownership for the scale enabled by venture capital. While VC financing reduces founder ownership cross-sectionally, average founder wealth at IPO has nonetheless grown over time because firm scale at IPO has grown at more than double the rate at which ownership has declined, as the VCs help build larger firms. Second, in the post-IPO stage, wealth is shaped by three key factors: the evolution of their ownership stake, subsequent firm performance, and strategic acquisitions of shares at below-market prices. Their ownership trajectory is highly path-dependent, with two-thirds of its variation explained simply by their initial IPO stake and years since the IPO—founders who start with larger stakes maintain higher ownership throughout. Although founders are net sellers of shares over time, they also acquire substantial new equity at an average of 23% of market price—a previously undocumented wealth source that contributes around 5% to

overall founder wealth and 12% of the variation in wealth growth rates.

These dynamics generate large dispersion in founder wealth, with direct consequences for the right tail of the wealth distribution. The median founder—whose wealth at IPO already places them within the top 0.1% of U.S. households—would have been better off selling their entire stake at the IPO. The extreme right tail, by contrast, is populated by founders who maintain significant, long-lived stakes in firms that generate persistent outperformance.

Our findings provide a quantified, founder-level account of the rise in top wealth shares. The IPO is an entry channel into the right tail of the wealth distribution: the mean founder's stake at IPO is well above the top 0.01% threshold for U.S. households. But the IPO is not the endpoint. Which of these new entrants go on to accumulate extreme fortunes depends on the post-IPO ownership path—how long founders hold concentrated stakes, how their firms perform, and how much equity they acquire at below-market prices. Extreme wealth creation is thus not a single event but a continuous process that unfolds over the public lifecycle of high-growth firms, with implications for both the measurement and the modeling of top-end inequality.

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Figures

Figure 2: This figure shows an example of the IPO prospectus for Celebrate Express IPO in 2004. The first column lists the names of beneficial owners, while Columns 2 and 3 detail the shares and ownership percentages held by these beneficial owners prior to the IPO. Column 4 indicates the number of shares being offered at the time of the IPO. Columns 5 and 6 represent the number of shares and ownership percentages held post-IPO. We gather insider information from the section titled “Named Executive Officers and Directors". Original link: Celebrate Express’ IPO prospectus.

	Shares Beneficially Owned Prior to this Offering		Number of Shares to be Sold in this Offering	Shares Beneficially Owned After this Offering	
Beneficial Owner	Number of Shares	Percent of Outstanding		Number of Shares	Percent of Outstanding
Five Percent Shareholders					
ARCH Venture Fund IV, L.P.(1)	1,031,196	20.9%	—	1,031,196	14.8%
Advanced Technology Ventures V, L.P.(2)	649,768	13.2%	259,907	389,861	5.6%
Sigma Partners IV, L.P.(3)	618,125	12.5%	309,062	309,063	4.4%
Jan A. Jewell(4)	1,721,855	34.9%	—	1,721,855	24.6%
Named Executive Officers and Directors					
Michael K. Jewell(5)	1,721,855	34.9%	—	1,721,855	24.6%
Lori Liddle(6)	69,537	1.4%	—	69,537	1.0%
Darin White(7)	24,091	*	—	24,091	*
Dina Alhadeff	—	—	—	—	—
Travis Roberts(8)	37,172	*	—	37,172	*
Keith Crandell(9)	1,044,993	21.2%	—	1,044,993	15.0%
Donald R. Hughes	—	—	—	—	—
Tim McGarvey	—	—	—		—
Jean Reynolds	—	—	—		—
Jack Sansolo, Ph.D(10)	24,835	*	—	24,835	*
Ronald A. Weinstein(11)	212,873	4.3%	88,742	124,131	1.8%
All executive officers and directors as a group (12 persons)(12)	3,135,356	61.2%	88,742	3,046,614	42.4%

Figure 3: This figure shows an example of the proxy statement for Celebrate Express in 2006. The first column lists the names of beneficial owners, while Columns 2 and 3 detail the shares and ownership percentages held by these beneficial owners. We gather insider information from the section titled “Named Executive Officers and Directors". Original link: Celebrate Express’ Proxy Statement.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class
Five Percent Shareholders		
ARCH Venture Fund IV, L.P.(3) 8725 Higgins Road, Suite 290 Chicago, IL 60631	1,031,196	13.2%
Cortina Asset Management, LLC(4) 330 East Kilbourn Avenue, Suite 850 Milwaukee, WI 53202	864,267	11.1
Massachusetts Financial Services Company(5) 500 Boylston Street Boston, MA 02116	478,980	6.1
Michael K. Jewell and Jan A. Jewell(6) 1020 88th Avenue NE Bellevue, WA 98004	1,181,121	15.1
Spencer Capital Management, LLC(7) 1995 Broadway, Suite 801 New York, NY 10023	1,200,697	15.4
Springhouse Capital, LP(8) 520 Madison Avenue, 35th Floor New York, NY 10022	542,921	7.0
T2 Partners Management, LP(9) 145 East 57th Street, 10th Floor New York, NY 10022	709,349	9.1
Named Executive Officers and Directors		
Kevin A. Green	*	
Darin White	*	
Keith Crandell(10)	1,057,140	13.5
Estelle DeMuesy	*	
Donald R. Hughes	*	
Jean Reynolds	*	
Stephen Roseman(11)	294,699	3.8
Kenneth Shubin Stein, M.D.(12)	1,200,697	15.4
Ronald A. Weinstein(13)	131,790	1.7
All executive officers and directors as a group (10 persons)(14)	2,747,513	34.8

Figure 4: This figure shows an example of the Form 4 statement for the vice president of Celebrate Express following a transaction on July 28, 2005. Table 1 presents the non-derivative securities traded, while Table 2 displays the derivative securities traded. This form specifies the nature of the transactions (indicated as “S" for open market sales in this instance), the number of shares traded, whether the transaction represents a disposal (D) or acquisition (A), and the price at which the shares were traded. Original link: Celebrate Express Form 4.

1. Name and Address of Reporting Person*	2. Issuer Name **and** Ticker or Trading Symbol	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
Roberts Travis	CELEBRATE EXPRESS, INC. [BDAY]	Director: 10% Owner: X Officer (give title below): Other (specify below): Vice President, Operations
(Last) (First) (Middle): 11220 120TH AVENUE NE	3. Date of Earliest Transaction (Month/Day/Year): 07/28/2005	
(Street): KIRKLAND WA 98033	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line): X Form filed by One Reporting Person; Form filed by More than One Reporting Person
(City) (State) (Zip)		

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/28/2005		S		13,400	D	$13.6843	4,993	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				

Figure 5: This figure presents histograms of founder wealth at IPO, grouped by VC ownership level. The sample comprises firms that completed IPOs between 1996 and 2021, restricted to those with positive founder ownership. The sample is divided at the mean of aggregate VC institutional holdings exceeding 5% ownership thresholds. The wealth distribution is displayed on a logarithmic scale, while the x-axis shows actual dollar values.

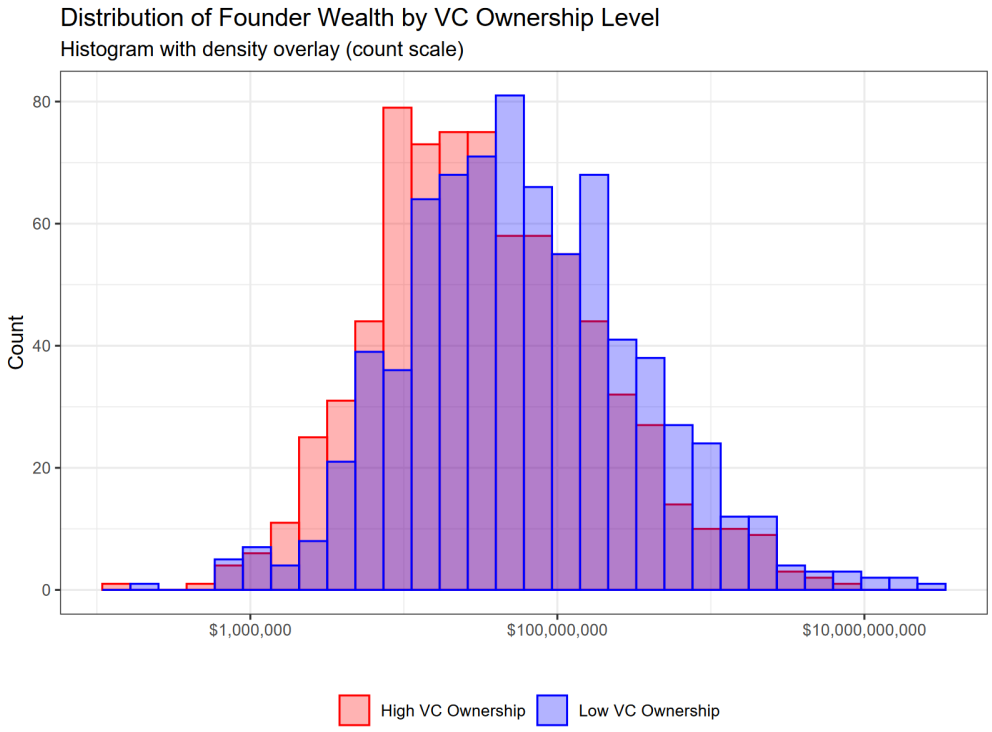


Figure 6: This figure presents 3-year rolling averages (right-aligned) of ownership structures at IPO. The sample comprises firms that completed IPOs between 1996 and 2021, restricted to those with positive founder ownership at the time of offering. Founder ownership is calculated as the firm-level equity retention, while VC ownership aggregates all institutional VC holdings exceeding 5% ownership thresholds. The plotted points represent mean values, with error bars denoting 95% confidence intervals calculated across the rolling window periods.

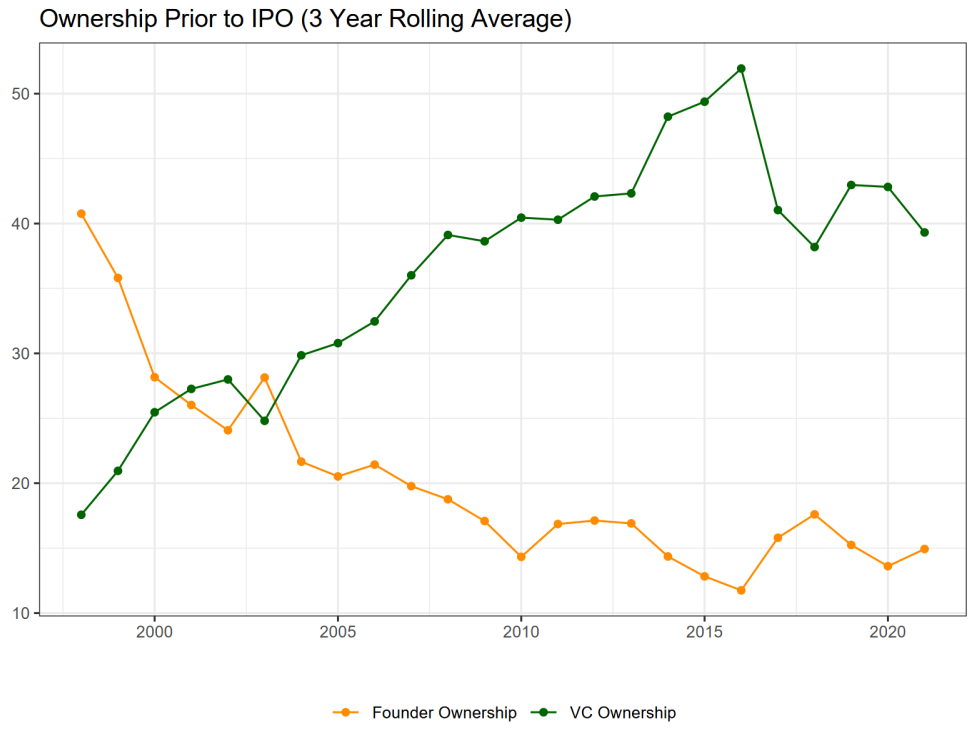


Figure 7: This figure compares three measures of average founder ownership across IPO years. (1) Raw Founder Ownership (blue solid line) shows the actual, unadjusted pre-IPO ownership percentage. (2) Age-Adjusted (Overall) (orange dashed line) shows ownership adjusted for a general age effect. This is calculated by estimating a regression of founder ownership on firm age, controlling for VC ownership (institutional and board representatives), IPO year, and industry fixed effects. The adjustment is made by subtracting the estimated age coefficient multiplied by the firm's actual age from the raw ownership value. (3) Age-Adjusted (by Cohort) (green dotted line) shows ownership adjusted for age effects that are specific to a firm's maturity stage. Separate regressions are run within three cohorts—young (age ≤ 5), medium ($5<$age≤ 10), and mature (age>10) firms—to estimate distinct age coefficients. The adjustment then subtracts the relevant cohort-specific age coefficient multiplied by the firm's actual age. All measures are derived from a sample of true IPOs where founders held positive ownership stakes.

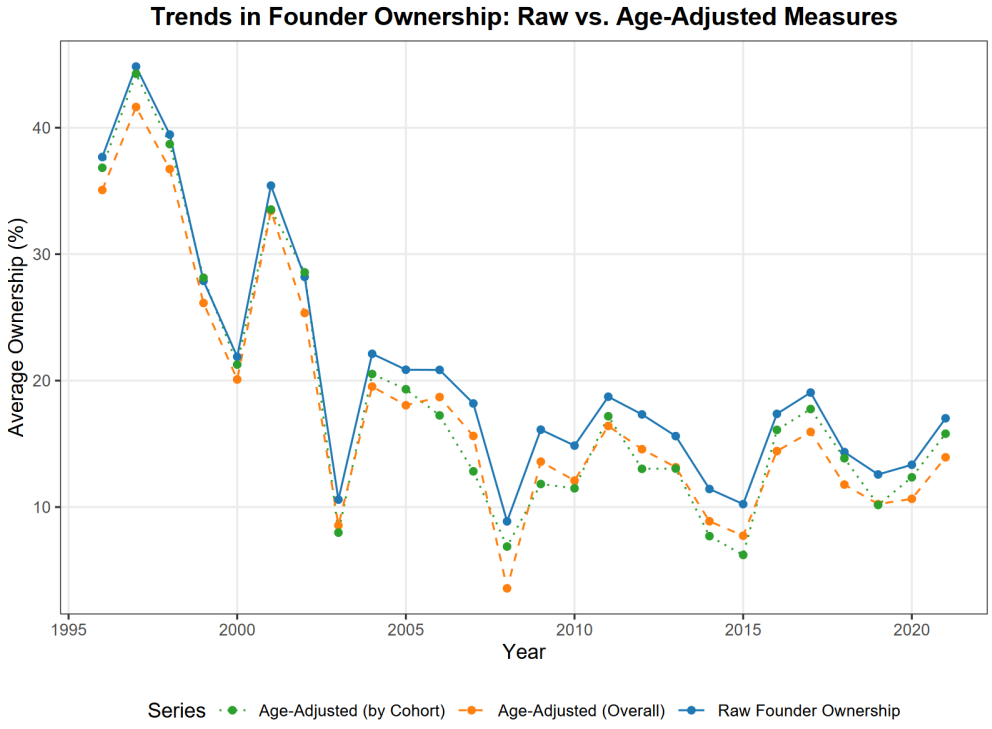


Figure 8: This figure displays 3-year rolling averages (right-aligned) of founder wealth and firm market capitalization at IPO for the period 1996–2021. The sample includes firms with positive founder ownership at IPO. Founder wealth is calculated as the product of founders' pre-IPO equity (aggregated to firm level for multiple founders) and the first-day closing price. Points indicate means, dashed lines show linear time trends. Founder wealth exhibits a coefficient of 0.017 (t-stat = 1.488), while the market capitalization trend shows a coefficient of 0.042 (t-stat = 4.404).

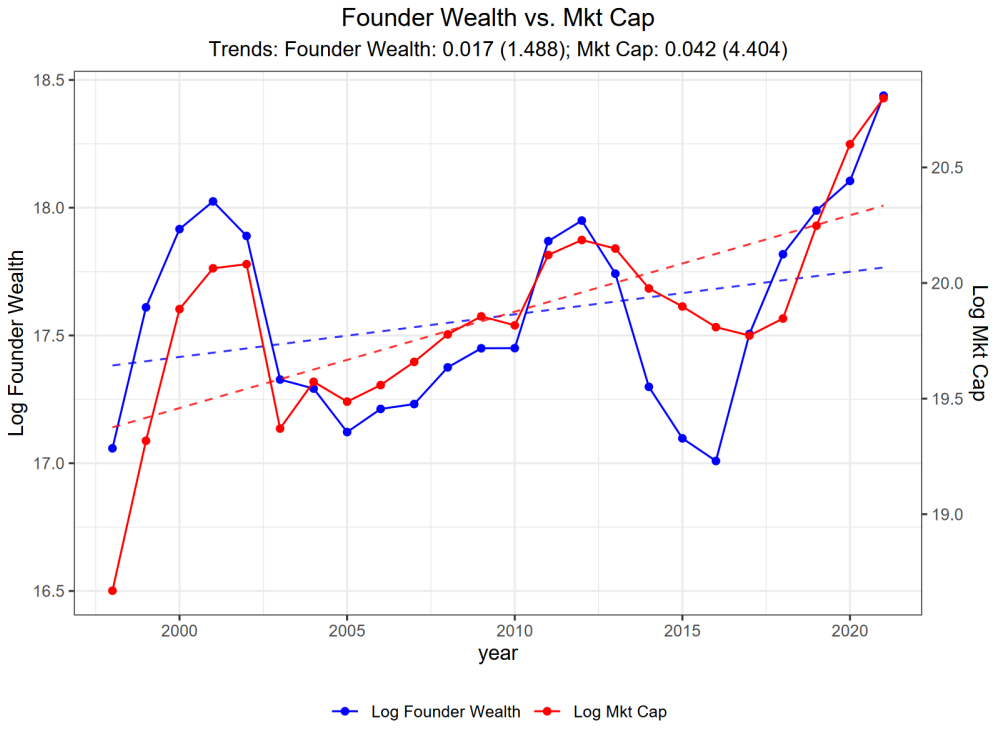


Figure 9: This figure displays the time series of three-year rolling window coefficients (right-aligned) estimating the ownership-financing trade-off between founder ownership and VC blockholder ownership. The sample comprises true IPO firms from 1996 to 2021 with positive founder ownership. We estimate the following regression separately within each three-year window:

$$\widetilde{\alpha}^{F}_{i,-1} = \beta_1 \widetilde{\alpha}^{VC}_{i,-1} + \text{Age}_i + \eta_k + \epsilon_i$$

where $\widetilde{\alpha}^{F}_{i,-1}$ denotes normalized firm-level founder ownership and $\widetilde{\alpha}^{VC}_{i,-1}$ denotes normalized firm-level VC blockholder ownership, each standardized to have mean zero and standard deviation of one within the respective three-year window. Control variables include firm age (Age_i) and industry fixed effects (η_k). The line plot shows the estimated coefficients β_1, while the bar chart indicates the number of IPOs in each three-year window.

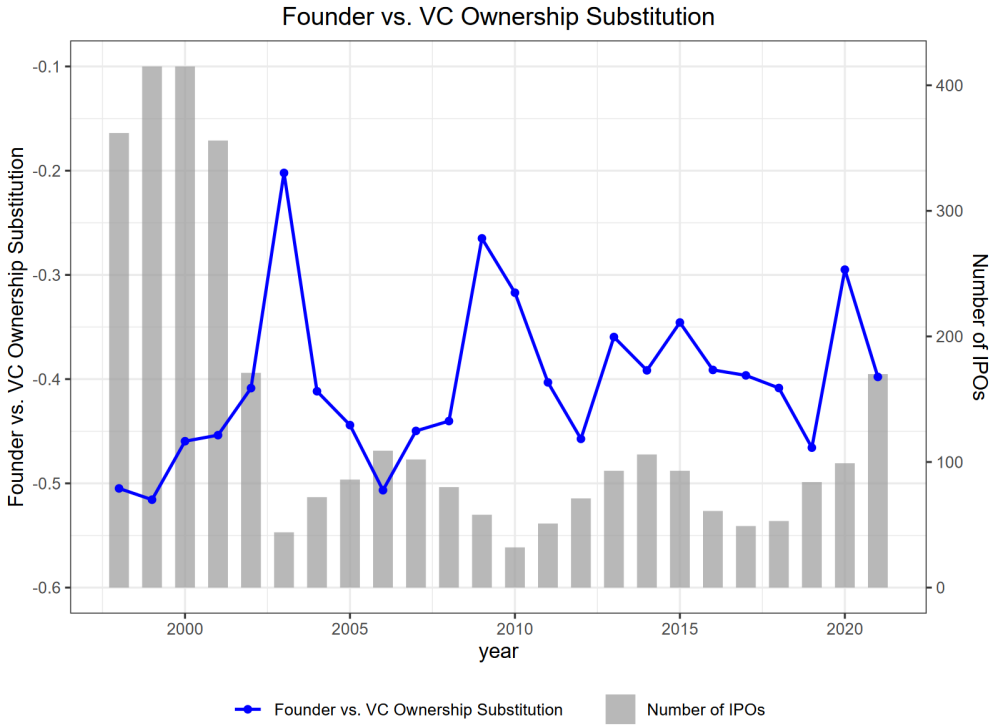


Figure 10: This figure displays the time series of three-year rolling window coefficients (right-aligned) estimating the trade off between ownership and founder wealth. The sample comprises true IPO firms from 1996 to 2021 with positive founder ownership. We estimate the following regression separately within each three-year window:

$$\widetilde{log(W)}_{i,0} = \beta_1 \widetilde{\alpha}_{i,-1} + \text{Age}_i + X_i + \eta_k + \epsilon_i$$

where $\widetilde{log(W)}_{i,0}$ denotes normalized log founder wealth at IPO and $\widetilde{\alpha}_{i,-1}$ denotes normalized founder or VC blockholder ownership, each standardized to have mean zero and standard deviation of one within the respective three-year window. Control variables include firm age (Age_i), firm characteristics (X_i) and industry fixed effects (η_k). The line plot shows the estimated coefficients β_1, while the bar chart indicates the number of IPOs in each three-year window.

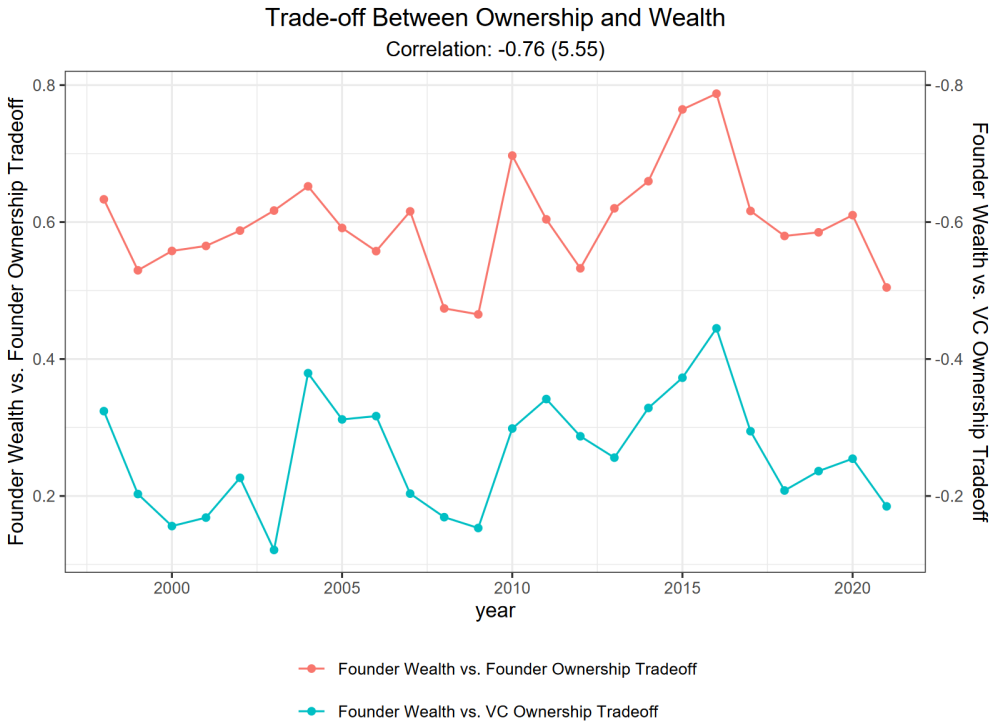


Figure 11: This figure presents the firm-level average ownership of founders by IPO age for firms that went public during specific time periods: 1996-2000, 2001-2005, 2006-2010, and 2011-2018. The data includes all true IPOs with non-zero founder ownership. In cases with multiple founders, their ownership stakes are aggregated at the firm level. Each subsample is truncated at the age when the most recent IPO firms in the sample are still active as of 2018, marking the end of our sample period. The error bars represent a confidence interval at the 5% level.

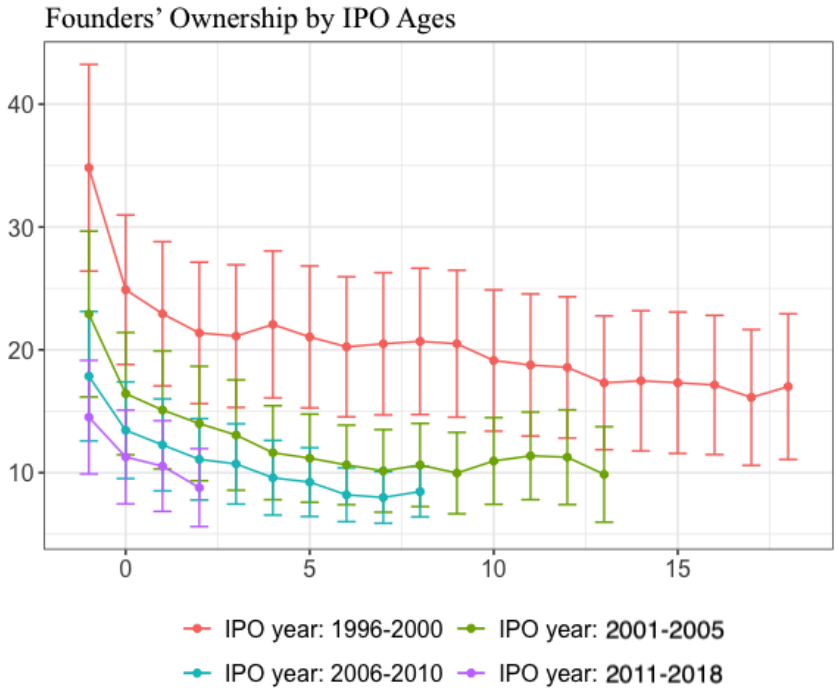
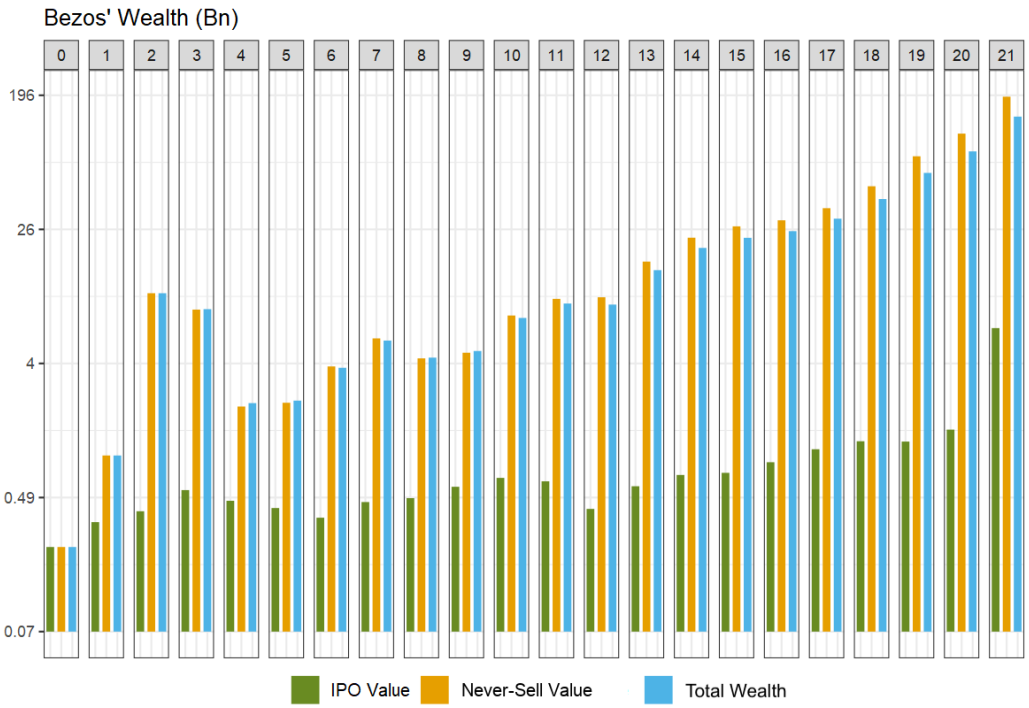


Figure 12: This top figure presents Jeff Bezos' wealth gain from holding Amazon shares over the company's IPO ages. The green bars represent the IPO Values (the value of founders' ownership just prior to the IPO accumulated at market returns), calculated according to Equation 11. The orange bars represent the Never-Sell Value, which is the founders' ownership just prior to the IPO accumulated at the own-firm return, calculated according to Equation 12. The blue bars represent the total wealth that Bezos has realized throughout Amazon's life cycle since its IPO, calculated according to the methodology described in Section 6. The bottom figure presents Bezos' ownership (orange, left y-axis), and Amazon's excess cumulative returns $\prod_{t=1}^{T}(1+r_t) - \prod_{t=1}^{T}(1+r_{m,t})$ (blue, right y-axis).



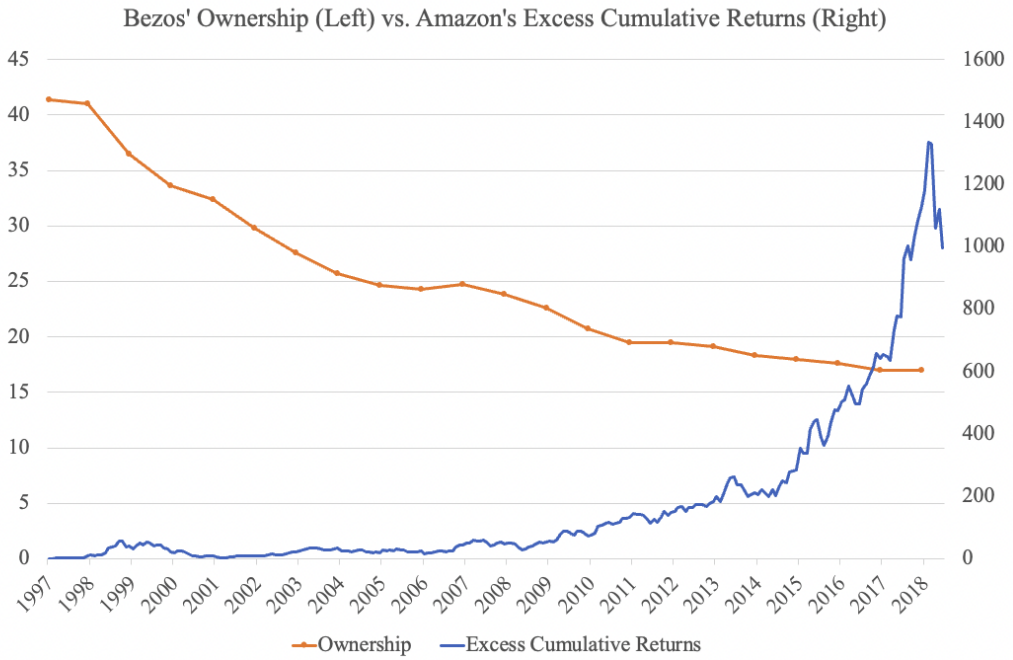


Figure 13: This figure presents James F. McCann's wealth gain from holding 1-800-Flowers shares over the company's IPO ages. The green bars represent the IPO Values (the value of founders' ownership just prior to the IPO accumulated at market returns), calculated according to Equation 11. The orange bars represent the Never-Sell Value, which is the founders' ownership just prior to the IPO accumulated at the own-firm return, calculated according to Equation 12. The blue bars represent the total wealth that James F. McCann has realized throughout 1-800-Flowers' life cycle since its IPO, calculated according to the methodology described in Section 6. The bottom figure presents James F. McCann's ownership (orange, left y-axis), and 1-800-Flowers' excess cumulative returns $\prod_{t=1}^{T}(1+r_t) - \prod_{t=1}^{T}(1+r_{m,t})$ (blue, right y-axis).

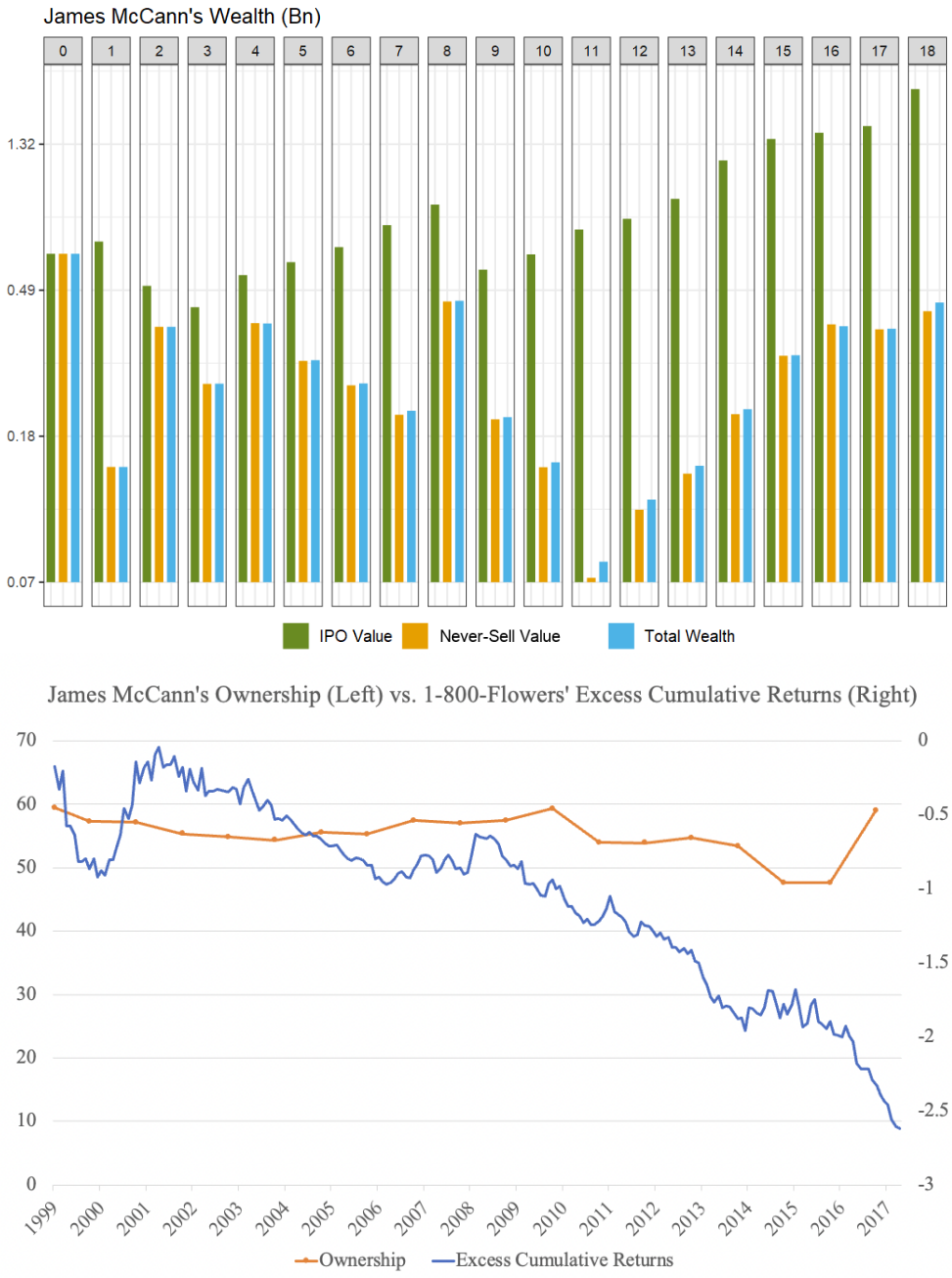


Figure 14: This figure displays the density of total wealth for founders of true IPOs from 1996 to 2018 under various selling rules throughout the firms' life cycle since their IPO. The IPO Value indicates the value of founders' ownership just prior to the IPO accumulated at market returns, calculated according to Equation 11. The Never-Sell Value represents the founders' ownership just prior to the IPO accumulated at the own-firm return, calculated according to Equation 12. Total wealth reflects the wealth that founders have realized, calculated according to the methodology described in Section 6. The plot displays the density of log wealth, with the x-axis adjusted to represent actual wealth levels.

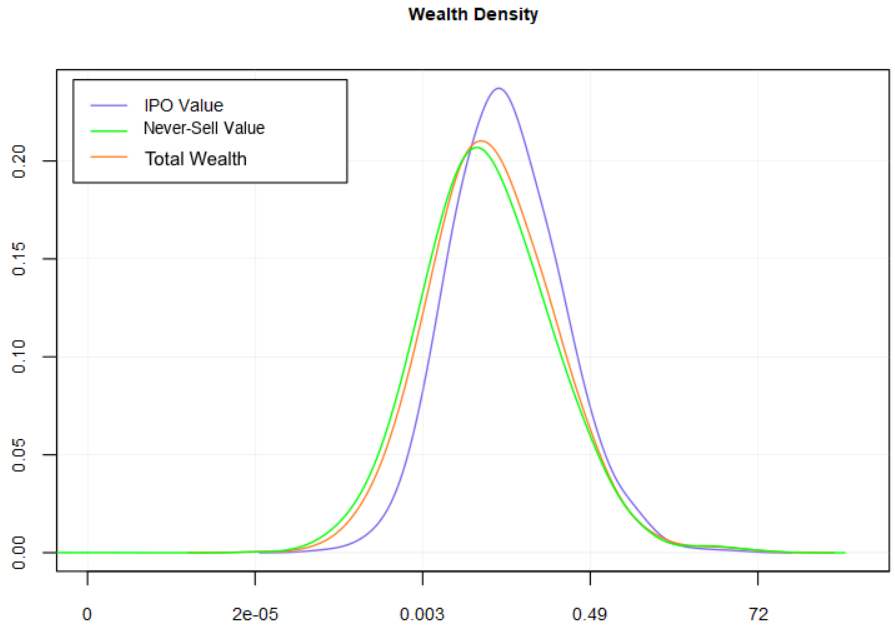
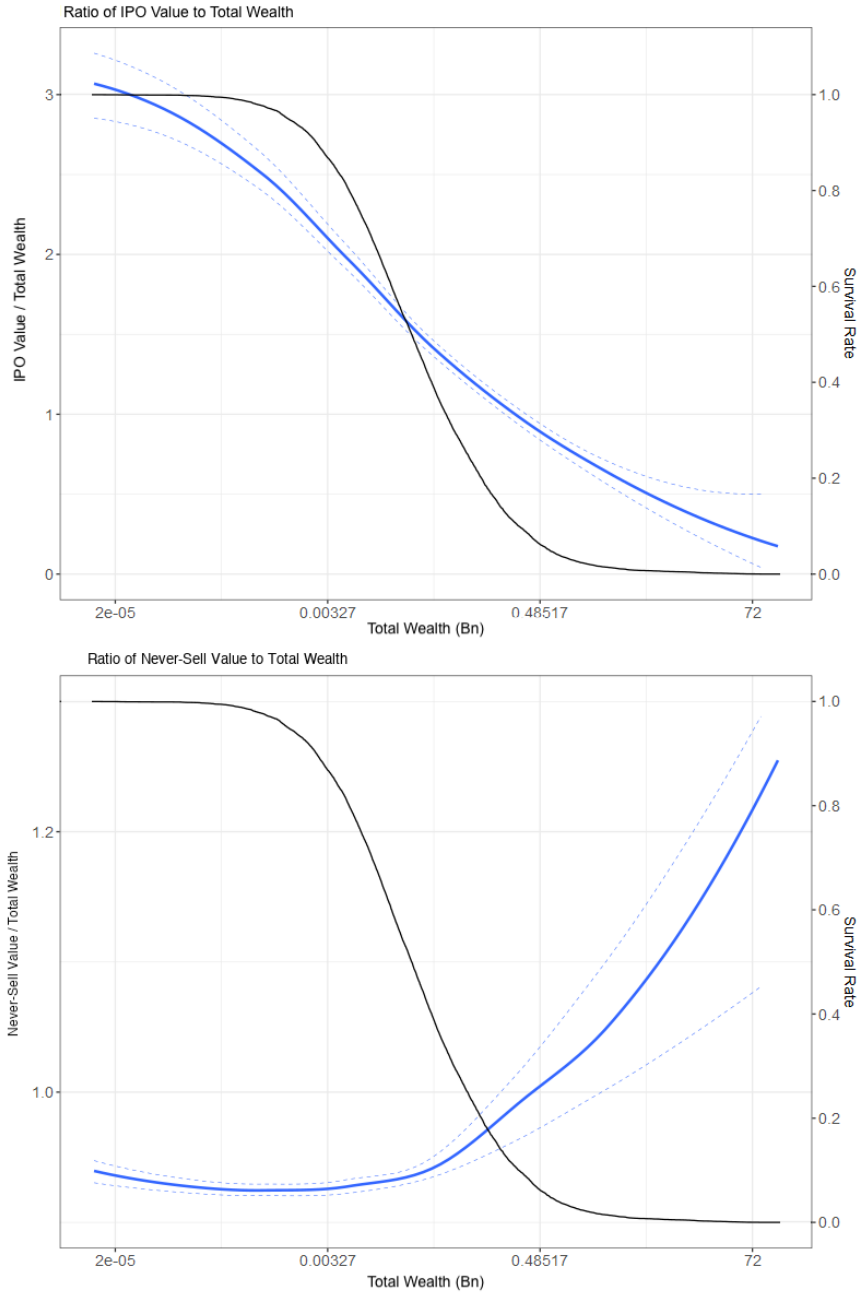


Figure 15: This figure illustrates the ratio of IPO Value (top) and Never-Sell Value (bottom) to total wealth for founders of true IPOs from 1996 to 2018 throughout the firms' life cycle since their IPO. The IPO Value indicates the value of founders' ownership just prior to the IPO accumulated at market returns, calculated according to Equation 11. The Never-Sell Value represents the founders' ownership just prior to the IPO accumulated at the own-firm return, calculated according to Equation 12. Total wealth reflects the wealth that founders have realized, based on the methodology described in Section 6. The blue line indicates the average ratio of IPO Value and Never-Sell Value to total wealth for founders whose wealth exceeds the value indicated on the x-axis (Bn), while the black line represents the survival rate (i.e., the percentage of founders whose wealth exceeds the value shown on the x-axis). The dashed line denotes the 5% confidence interval.



Tables

Table 1: This table presents summary statistics for three samples of IPO firms. Column (1)-(2) include all true IPOs from 1996-2021 (excluding spin-offs, reverse LBOs, and reverse mergers). The sample further excludes IPOs with an offer price below $5.00 per share, unit offers, ADRs, closed-end funds, partnerships, REITs, banks, S&Ls, and SPACs, as well as firms not listed on CRSP. Column (3)-(4) restrict to firms where founders maintain positive ownership at IPO ($\alpha^F > 0$). Column (5)-(6) further restrict to firms with both founder and venture capital ownership ($\alpha^F > 0$ & $\alpha^{VC} > 0$). We report mean and median for book assets, market capitalization at IPO, capital expenditures-to-PP&E ratio, sales-to-assets ratio, SG&A-to-sales ratio (winsorized at 0.01), firm age at IPO, and the youngest of the founder age at IPO. All financial variables are measured at the first fiscal year-end after the IPO and are expressed in constant 2000 U.S. dollars. Market capitalization and assets are in millions. The last two rows report the percentage of firms in high-tech and health industries, defined as in Eisfeldt et al. (2023b).

	True IPOs (N=2,049)		$\alpha^F > 0$ (N=1,498)		$\alpha^F > 0$ & $\alpha^{VC} > 0$ (N=1,069)	
	Mean (1)	Median (2)	Mean (3)	Median (4)	Mean (5)	Median (6)
Book assets (Mn)	183.57	34.79	134.29	31.68	134.31	32.96
Mkt Cap (Mn)	849.26	321.32	870.61	306.72	1011.00	376.67
CAPX/PPE	0.50	0.48	0.52	0.51	0.54	0.54
Sales/Assets	0.97	0.69	0.99	0.68	0.80	0.56
XSGA/Sales	1.38	0.42	1.30	0.46	1.56	0.60
Firm Age At IPO	12.15	8.00	9.42	7.00	7.92	7.00
Founder Age at IPO			46.02	45.00	45.56	45.00
High-tech	47.00%		49.27%		52.48%	
Health	26.31%		25.37%		30.22%	

Table 2: This table reports regressions on the relationship between venture capital and founder ownership. Columns (1)-(4) use pre-IPO founder ownership ($\alpha^F_{i,-1}$) as the dependent variable, defined as the proportion of shares held by founders before the offering. Columns (5)-(8) use post-IPO founder ownership ($\alpha^F_{i,0}$), defined as the proportion of shares held by founders after the offering. The main regressors are: $\alpha^{VC}_{i,t}$, the combined stake of all VCs holding at least 5% of shares; and $\alpha^{VCRep}_{i,t}$, the combined stake of VC-affiliated board members. For Columns (1)–(4), $t = -1$ (pre-IPO); for Columns (5)–(8), $t = 0$ (post-IPO). All variables are normalized to have mean 0 and standard deviation of 1. All specifications include industry fixed effects (Eisfeldt et al., 2023b). Standard errors are in parentheses. Note: *p<0.1; **p<0.05; ***p<0.01.

	Founder Ownership pre-IPO $\alpha^F_{i,-1}$				*Founder Ownership post-IPO* $\alpha^F_{i,0}$			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\alpha^{VC}_{i,-1}$	-0.421^{***}			-0.417^{***}	-0.400^{***}			-0.396^{***}
	(0.023)			(0.033)	(0.025)			(0.035)
$\alpha^{VCRep}_{i,-1}$		-0.301^{***}		-0.036		-0.285^{***}		-0.037
		(0.024)		(0.032)		(0.025)		(0.034)
Year			-0.348^{***}	-0.154^{***}			-0.211^{***}	-0.081^{***}
			(0.024)	(0.024)			(0.026)	(0.025)
Age			0.211^{***}	0.089^{***}			0.153^{***}	0.080^{***}
			(0.024)	(0.022)			(0.025)	(0.023)
Observations	1,498	1,498	1,498	1,498	1,498	1,498	1,498	1,498
Adjusted R^2	0.386	0.323	0.153	0.350	0.324	0.268	0.148	0.292
IPO year, Age FE	Yes	Yes	No	No	Yes	Yes	No	No
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 3: This table reports regression analyses of founders' wealth at the initial public offering. The dependent variable is founders' wealth, measured as the number of shares held immediately before the IPO multiplied by the firm's first-day closing price. Columns (1)–(2) present results for founders' pre-IPO ownership ($\alpha^{F}_{i,-1}$), measured as the proportion of total outstanding shares held by founders prior to the offering. Column (2) instruments founders' ownership with the age of the youngest founder. Columns (3)–(4) present results for VC pre-IPO ownership ($\alpha^{VC}_{i,-1}$), measured as the combined stake of all venture capital investors holding at least 5% of outstanding shares. Column (4) instruments VC ownership with the number of other portfolio companies within our sample held by the firm's VC investors. Columns (5)–(6) present results for VC representatives' pre-IPO ownership ($\alpha^{VCRep}_{i,-1}$), measured as the combined ownership stake of VC-affiliated board members. Column (6) instruments this variable with the number of board seats held by representatives from the same VC firms across other portfolio companies in our sample. Control variables include: sales-to-assets ratio, SG&A-to-sales ratio, capital expenditures-to-PP&E ratio, R&D-to-PP&E ratio, and log of total assets. We include dummy variables for missing R&D ("No RD") and missing SG&A ("No XSGA"). The regression sample is restricted to firms with positive founder ownership and non-missing control variables at the IPO date. The specification includes year fixed effects, firm age at IPO, and 4-digit SIC industry fixed effects. Note: *p<0.1; **p<0.05; ***p<0.01.

	Dependent Variable: Log Founders' Wealth at IPO $log(S^{F}_{i,-1}P_i)$					
	Founder Ownership		VC Ownership		VC Rep Ownership	
	OLS	IV	OLS	IV	OLS	IV
	(1)	(2)	(3)	(4)	(5)	(6)
$\alpha^{F}_{i,-1}$	0.039***	0.117***				
	(0.002)	(0.026)				
$\alpha^{VC}_{i,-1}$			−0.018***	−0.014***		
			(0.002)	(0.004)		
$\alpha^{VCRep}_{i,-1}$					−0.015***	−0.019***
					(0.002)	(0.006)
Sales/Assets	0.104***	−0.209	0.219***	0.224***	0.236***	0.234***
	(0.036)	(0.130)	(0.044)	(0.044)	(0.045)	(0.045)
XSGA/Sales	0.002	0.0005	0.003	0.003	0.002	0.002
	(0.001)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
CAPX/PPE	0.491***	0.220	0.699***	0.683***	0.723***	0.751***
	(0.127)	(0.260)	(0.155)	(0.156)	(0.160)	(0.164)
RD/PPE	−0.001	−0.0002	−0.001	−0.001	−0.001	−0.0005
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Log (AT)	0.604***	0.790***	0.520***	0.516***	0.511***	0.513***
	(0.033)	(0.088)	(0.040)	(0.040)	(0.041)	(0.041)
No RD Dummy	−0.467***	−0.890**	−0.393***	−0.356**	−0.303**	−0.325**
	(0.111)	(0.261)	(0.136)	(0.141)	(0.138)	(0.141)
No XSGA Dummy	−0.001	0.204	−0.130	−0.130	−0.110	−0.105
	(0.131)	(0.267)	(0.160)	(0.160)	(0.164)	(0.164)
Observations	1,289	1,222	1,289	1,289	1,289	1,289
Adjusted R^2	0.625	-	0.442	-	0.414	-
First Stage F	-	20.54	-	10.94	-	10.12
IPO year, Age, Ind FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4: This table presents regression results from propensity score matched samples examining the relationship between venture capital ownership and founder outcomes at IPO. The dependent variables are: founders' wealth, measured as shares held pre-IPO multiplied by first-day closing price (columns 1, 4); firm market capitalization at IPO (columns 2, 5); and founders' pre-IPO ownership ($\alpha^{F}_{i,-1}$), measured as their proportion of outstanding shares (columns 3, 6). The treatment variable is VC pre-IPO ownership ($\alpha^{VC}_{i,-1}$), defined as the combined stake of all venture capital investors holding at least 5% of outstanding shares. Columns 1-3 (extensive margin) compare firms with any VC ownership (treatment) against firms with no VC ownership (control), conditional on founders having positive pre-IPO ownership. Columns 4-6 (intensive margin) compare firms with above-mean VC ownership (treatment) against firms with below-mean VC ownership (control), conditional on both founders and VCs having positive pre-IPO ownership. Firms were matched within exact strata defined by 5-year IPO cohorts (1996–2001, 2002–2006, etc.), age buckets (1–5, 5–20, 20+ years), and industry classification Eisfeldt et al. (2023b). Within each stratum, nearest-neighbor matching was performed based on log total assets, with a caliper of 0.2 standard deviations to ensure match quality. Control variables include: sales-to-assets ratio, SG&A-to-sales ratio, capital expenditures-to-PP&E ratio, R&D-to-PP&E ratio, and log of total assets. We include dummy variables for missing R&D ("No RD") and missing SG&A ("No XSGA"). All specifications include fixed effects for IPO year, firm age, and industry. Note: *p<0.1; **p<0.05; ***p<0.01.

	Extensive Margin			Intensive Margin		
	Log(Wealth)	Log(MktCap)	Ownership	Log(Wealth)	Log(MktCap)	Ownership
	(1)	(2)	(3)	(4)	(5)	(6)
Treat	−0.681***	0.052	−24.586***	−0.670***	−0.024	−8.759***
	(0.165)	(0.110)	(2.770)	(0.136)	(0.087)	(1.423)
Sales/Assets	0.220***	0.114***	2.378**	0.251***	0.030	3.682***
	(0.063)	(0.042)	(1.056)	(0.095)	(0.061)	(0.994)
XSGA/Sales	−0.018	−0.014	−0.207	−0.015**	0.001	−0.122
	(0.020)	(0.013)	(0.338)	(0.007)	(0.005)	(0.077)
CAPX/PPE	1.221***	0.373*	18.195***	0.695***	0.259	3.317
	(0.296)	(0.198)	(4.962)	(0.244)	(0.157)	(2.563)
RD/PPE	−0.026**	−0.004	−0.538***	−0.019	−0.001	−0.152
	(0.012)	(0.008)	(0.201)	(0.015)	(0.010)	(0.157)
Log(AT)	0.473***	0.473***	−1.795	0.391***	0.356***	−0.497
	(0.082)	(0.055)	(1.369)	(0.088)	(0.057)	(0.924)
No RD Dummy	−0.580**	−0.257	−4.005	−0.207	−0.218	1.655
	(0.241)	(0.161)	(4.039)	(0.258)	(0.166)	(2.707)
No XSGA Dummy	−0.152	0.192	−9.141*	−0.415	−0.198	−5.255*
	(0.323)	(0.215)	(5.407)	(0.268)	(0.173)	(2.819)
Observations	460	460	460	470	470	470
Adjusted R^2	0.342	0.479	0.440	0.460	0.514	0.240
IPO year, Age, Ind FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 5: This table presents regression results from propensity score matched samples examining the relationship between venture capital ownership and founder outcomes at IPO. The treatment variable is VC pre-IPO ownership ($\alpha^{VC}_{i,-1}$), defined as the combined stake of all venture capital investors holding at least 5% of outstanding shares. We compare firms with above-mean VC ownership (treatment) against firms with below-mean VC ownership (control), conditional on both founders and VCs having positive pre-IPO ownership. The dependent variables are: founders' wealth, measured as shares held pre-IPO multiplied by first-day closing price (columns 1, 4); firm market capitalization at IPO (columns 2, 5); and founders' pre-IPO ownership ($\alpha^{F}_{i,-1}$), measured as their proportion of outstanding shares (columns 3, 6). For columns 1–3 (VC Quality), we perform exact matching on VC investor quality. Since VC quality is fixed for each investor, we match firms within the same VC investor's portfolio. For each VC investor, we implement nearest-neighbor matching based on log total assets with a caliper of 0.2 standard deviations among firms backed by that same investor. For columns 4–6 (Founder Quality), we perform exact matching on founder quality groups. We first define founder quality groups based on mean ownership within each category, where categories are defined by 5-year IPO cohorts (1996–2001, 2002–2006, etc.), age buckets (1–5, 5–20, 20+ years), and industry classification Eisfeldt et al. (2023b). Within each founder quality group (high and low), we then match treatment and control firms using nearest-neighbor matching based on log total assets with a caliper of 0.2 standard deviations. Control variables include: sales-to-assets ratio, SG&A-to-sales ratio, capital expenditures-to-PP&E ratio, R&D-to-PP&E ratio, and log of total assets. We include dummy variables for missing R&D ("No RD") and missing SG&A ("No XSGA"). All specifications include fixed effects for IPO year, firm age, and industry. Note: *p<0.1; **p<0.05; ***p<0.01.

	VC Quality			Founder Quality		
	Log(Wealth)	Log(MktCap)	Ownership	Log(Wealth)	Log(MktCap)	Ownership
	(1)	(2)	(3)	(4)	(5)	(6)
Treat	-0.741^{***}	-0.104	-7.828^{***}	-0.287^{**}	-0.005	-3.494^{***}
	(0.125)	(0.078)	(1.185)	(0.122)	(0.079)	(1.239)
Sales/Assets	0.238^{***}	0.026	3.819^{***}	0.373^{***}	0.039	2.278^{**}
	(0.091)	(0.057)	(0.865)	(0.105)	(0.068)	(1.061)
XSGA/Sales	-0.024^{***}	-0.002	-0.177^{**}	0.002	0.000	0.015
	(0.008)	(0.005)	(0.073)	(0.002)	(0.001)	(0.017)
CAPX/PPE	0.493^{**}	0.076	5.120^{**}	0.667^{***}	0.169	4.443^{**}
	(0.212)	(0.133)	(2.015)	(0.221)	(0.144)	(2.244)
RD/PPE	-0.021^{*}	0.005	-0.162	-0.001	0.000	-0.006
	(0.012)	(0.007)	(0.111)	(0.001)	(0.000)	(0.008)
Log(AT)	0.490^{***}	0.358^{***}	0.370	0.438^{***}	0.406^{***}	-1.495^{**}
	(0.079)	(0.050)	(0.754)	(0.066)	(0.043)	(0.666)
No RD Dummy	-0.539^{*}	-0.449^{**}	1.720	-0.130	-0.121	2.031
	(0.285)	(0.179)	(2.714)	(0.227)	(0.147)	(2.299)
No XSGA Dummy	-0.136	0.083	-0.902	-0.196	0.041	-2.676
	(0.256)	(0.161)	(2.436)	(0.231)	(0.150)	(2.342)
Observations	560	560	560	636	636	636
Adjusted R^2	0.546	0.578	0.352	0.454	0.514	0.282
IPO year, Age, Ind FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 6: This table reports the mean and median of founder and venture capital ownership stakes immediately prior to the IPO, presented by IPO year. The sample includes all true IPOs where founders held a positive ownership stake. The statistics are shown for three key ownership variables: founder ownership ($\alpha^{F}_{i,-1}$), defined as the proportion of total outstanding shares held by founders; VC ownership ($\alpha^{VC}_{i,-1}$), defined as the combined stake of all venture capital investors holding at least 5% of shares; and VC representative ownership ($\alpha^{VCRep}_{i,-1}$), defined as the combined stake of VC-affiliated board members.

		Founder (%)		VC (%)		VC Rep (%)	
IPO Year	N	Mean (1)	Median (2)	Mean (3)	Median (4)	Mean (5)	Median (6)
1996	160	37.681	32.584	19.161	0.000	8.534	0.000
1997	149	44.835	38.367	16.284	0.000	8.411	0.000
1998	88	39.455	26.737	16.856	8.686	9.663	0.000
1999	210	27.884	19.213	25.982	22.419	15.406	10.052
2000	149	21.888	13.662	29.824	27.039	17.900	13.688
2001	24	35.421	27.290	22.604	18.514	13.527	9.862
2002	13	28.201	19.097	16.963	11.093	2.819	0.000
2003	10	10.589	8.238	40.275	38.577	25.749	23.917
2004	56	22.119	11.501	30.984	32.295	18.523	16.999
2005	30	20.860	8.010	27.261	23.093	18.374	6.608
2006	36	20.847	13.399	39.092	41.686	25.304	30.971
2007	45	18.194	10.360	39.391	44.842	21.237	10.672
2008	5	8.870	7.147	36.879	25.909	14.338	12.967
2009	9	16.122	16.300	35.816	39.871	19.769	12.499
2010	21	14.861	11.140	43.290	39.429	29.603	26.029
2011	26	18.726	11.108	39.423	44.282	25.326	21.603
2012	29	17.327	9.992	43.593	51.805	28.451	24.377
2013	46	15.612	7.937	43.160	47.557	28.042	28.662
2014	49	11.429	6.320	55.733	58.442	36.388	36.526
2015	23	10.233	6.220	48.304	54.513	27.305	17.216
2016	9	17.370	8.442	40.542	47.960	18.858	25.344
2017	35	19.056	10.200	36.385	38.813	23.186	21.357
2018	31	14.352	8.800	40.775	52.087	28.300	25.615
2019	60	12.579	7.589	48.659	49.669	25.498	23.902
2020	65	13.345	7.353	39.061	42.826	22.332	19.144
2021	120	17.020	9.652	34.559	35.182	18.230	8.585
Total	1,498	25.362	14.501	30.584	28.470	17.709	9.367

Table 7: This table presents the regression results for an OLS estimation of Equations 6 analyzing insiders' ownership levels post-IPO. The dependent variable is the ownership level $\alpha_{i,j,t}$ where $j \in (F, VC)$. Columns (1) to (2) display results for founders, and Columns (3) to (4) for VC representatives. For the results regarding founders, we restrict the sample to firm-years with non-zero founder ownership. For the results regarding VC representatives, we restrict the sample to firm-years with both non-zero founder ownership and non-zero VC representative ownership. The independent variables include the lagged value of the dependent variable from the previous period, along with an interaction term involving IPO ages. Liquidity measures and firm-level control variables are based on the methodology outlined by Fabisik et al. (2021). Liq^H denotes a variable indicating firms with high liquidity. In particular, this measure captures the fraction of years that a company spent in the high liquidity bracket, where high liquidity means top quartile of the annual liquidity distribution. Similarly, Liq^L denotes a variable indicating firms with low liquidity. In particular, this measure captures the fraction of years that a company spent in the low liquidity bracket, where low liquidity means bottom quartile of the annual liquidity distribution. We incorporate fixed effects for the IPO year, calendar year, and industry. All standard errors are clustered at the firm level.

	Dependent variable: Ownership Level $\alpha_{i,j,t}$			
	Founders		VCs	
	(1)	(2)	(3)	(4)
$\alpha_{i,F,t-1}$	0.7946***	0.7993***		
	(0.0100)	(0.0091)		
$\alpha_{i,F,t-1}$×IPO Ages	0.0162***	0.0148***		
	(0.0013)	(0.0011)		
$\alpha_{i,VC,t-1}$			0.7442***	0.7407***
			(0.0121)	(0.0119)
$\alpha_{i,VC,t-1}$×IPO Ages			0.0016	−0.0009
			(0.0062)	(0.0060)
Low Liquidity		0.0121***		0.0203***
		(0.0043)		(0.0075)
High Liquidity		−0.0093***		−0.0200***
		(0.0025)		(0.0040)
IPO Year & Year & IND FE	Y	Y	Y	Y
Other Firm Controls	N	Y	N	Y
Observations	6,370	6,326	2,588	2,566
Adjusted R^2	0.9257	0.9235	0.8287	0.8371
Note:				*p<0.1; **p<0.05; ***p<0.01

Table 8: This table presents summary statistics for founder trading activities across three different measures. Panel A shows the ratio of transaction price to the end-of-day market price (winsorized at the 1% level). Panel B shows the ratio of shares traded to lagged shares (winsorized at the 1% level) at the transaction level. Panel C shows the annual ratio of shares traded to lagged shares (winsorized at the 1% level), aggregating transactions that occur within the same year for each type of trading transaction for each individual. Columns (1) - (4) show summary statistics for disposals, and columns (5) - (8) show summary statistics for acquisitions. Open market trade prices differ from the end-of-day market price because trades are executed through multiple transactions. The reported transaction price is a weighted average of these trading prices. In the disposal categories, "Option (exercise and sell)" refers to transactions where insiders exercise their options and immediately sell the resulting shares. "Sale back to the issuer" refers to transactions such as the forfeiture of unearned performance-based restricted stock or repurchase agreements. "Others" represents transactions such as bona fide gifts. In the acquisition categories, "Others" refers to transactions such as pro-rata distributions, conversions of convertible bonds, and conversions from non-publicly traded classes to publicly traded classes.

	Disposals					Acquisitions			
	N	Mean	Median	SD		N	Mean	Median	SD
	(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)
Panel A: Transaction Price to Market Price Ratio									
Open Market Trade	22,650	0.9852	0.9992	0.1045	Open Market Trade	2,090	0.9745	1.0000	0.1364
Option (Exercise and Sell)	1,703	0.9655	1.0000	0.1830	Option (Exercise)	5,374	0.2292	0.1609	0.2444
Sale back to the Issuer	175	0.5988	0.9628	0.4761	Grants	1,954	0.1868	0.0000	0.3840
Others	355	0.4352	0.0000	0.4823	Others	734	0.3260	0.0000	0.4351
Total	24,883	0.9733	0.9998	0.1496	Total	10,152	0.3814	0.1998	0.4119
Panel B: Transaction-Level Shares Traded Ratio									
Open Market Trade	24,445	0.0166	0.0034	0.0555	Open Market Trade	2,490	0.0489	0.0035	0.2819
Option (Exercise and Sell)	1,712	0.0104	0.0031	0.0249	Option (Exercise)	5,798	0.0514	0.0091	0.1928
Sale back to the Issuer	188	0.0428	0.0138	0.0893	Grants	2,035	0.0598	0.0133	0.1717
Others	770	0.0899	0.0095	0.2064	Others	882	0.1154	0.0055	0.3425
Total	27,115	0.0185	0.0034	0.0651	Total	11,205	0.0574	0.0077	0.2275
Panel C: Annual Shares Traded Ratio									
Open Market Trade	3,400	0.1161	0.0660	0.1540	Open Market Trade	1,066	0.0703	0.0089	0.2069
Option (Exercise and Sell)	723	0.0249	0.0073	0.0502	Option (Exercise)	1,437	0.1212	0.0526	0.1952
Sale back to the Issuer	110	0.0557	0.0215	0.0918	Grants	551	0.0669	0.0189	0.1488
Others	117	0.1077	0.0503	0.1575	Others	197	0.0931	0.0046	0.2355
Total	4,350	0.0992	0.0499	0.1449	Total	3,251	0.0936	0.0227	0.1965

Table 9: This table presents summary statistics for founders' total wealth (Columns 1 to 5), founders' wealth in the firms (Columns 6 to 9), and the ratio of founders' wealth in the firm to their total wealth (Columns 10 to 11) across IPO ages, specifically for true IPOs that occurred between 1996 and 2018. Total wealth is calculated using founders' ownership data, firm value, and the wealth gained by founders through acquiring shares at a discounted price, based on the methodology described in Section 6. Column (5) presents the percentage contribution of the wealth gained by founders through acquiring shares at a discounted price (δ) to their total wealth. Notably, due in part to the well-documented post-IPO underperformance (e.g., Ritter (1991)), the distribution of total wealth shifts leftward in the three years following the IPO, and begins to fan out thereafter.

		Total Wealth (W, Bn)					Wealth in the Firm (W^F, Bn)				W^F/W	
Ages	N	Mean	Median	S.D.	99%	δ/W	Mean	Median	S.D.	99%	Mean	Median
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
0	1865	0.101	0.020	0.548	1.394	-	0.101	0.020	0.548	1.394	1.000	1.000
1	1733	0.103	0.016	0.569	1.248	6.15%	0.093	0.014	0.531	1.211	0.905	0.988
2	1444	0.151	0.014	1.255	1.297	4.78%	0.126	0.010	1.052	1.090	0.805	0.900
3	1107	0.183	0.016	1.692	1.753	4.42%	0.139	0.010	1.385	1.396	0.740	0.818
4	823	0.251	0.023	2.430	2.437	4.40%	0.192	0.014	2.066	1.570	0.700	0.767
5	648	0.298	0.025	3.287	2.938	4.22%	0.225	0.013	2.798	1.882	0.687	0.724
6	511	0.429	0.032	4.330	3.605	8.13%	0.325	0.016	3.620	3.448	0.900	0.642
7	402	0.327	0.039	1.755	5.023	3.25%	0.218	0.019	1.367	4.512	0.588	0.614
8	333	0.410	0.042	2.064	9.151	3.70%	0.253	0.017	1.406	6.624	0.554	0.542
9	282	0.506	0.043	2.745	8.204	3.28%	0.280	0.018	1.758	3.800	0.586	0.505
10	228	0.714	0.052	3.963	22.134	2.82%	0.392	0.022	2.523	6.318	0.502	0.487
11	195	0.961	0.056	5.585	29.801	2.00%	0.424	0.023	2.590	8.815	0.467	0.443
12	165	0.973	0.054	5.127	32.476	2.49%	0.345	0.022	1.749	10.203	0.451	0.450
13	142	1.352	0.061	6.820	43.287	2.67%	0.493	0.026	2.420	15.685	0.441	0.397
14	128	1.709	0.091	8.209	51.634	2.24%	0.620	0.032	2.961	19.011	0.425	0.349

Table 10: This table presents summary statistics for founders' IPO Value (the value of founders' ownership just prior to the IPO, accumulated at market returns), calculated according to Equation 11 (Columns 1 to 5), and founders' Never-Sell Value (founders' ownership just prior to the IPO, accumulated at the firm's own return), calculated according to Equation 12 (Columns 6 to 10). The data is organized by calendar year and pertains specifically to true IPOs that occurred between 1996 and 2018. Columns (5) and (10) show the percentage contribution of the accumulated wealth gained by founders through acquiring shares at a discounted price to their IPO Value and Never-Sell Value respectively. Columns (11) and (12) show the mean and median of the ratio of Never-Sell Value to IPO Value.

		IPO Value					Never-Sell Value					$\frac{\text{Never-Sell Value}}{\text{IPO Value}}$	
Year	N	Mean	Median	S.D.	99%	$\%W^{\delta}$	Mean	Median	S.D.	99%	$\%W^{\delta}$	Mean	Median
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1996	252	0.039	0.010	0.133	0.297	0%	0.039	0.010	0.133	0.297	0%	1.000	1.000
1997	495	0.042	0.011	0.124	0.428	2.20%	0.036	0.009	0.085	0.427	2.66%	0.911	1.000
1998	576	0.061	0.017	0.182	0.602	4.39%	0.051	0.013	0.136	0.602	5.28%	0.870	0.941
1999	793	0.091	0.031	0.215	1.330	4.79%	0.095	0.021	0.432	1.507	5.73%	0.878	1.000
2000	902	0.115	0.037	0.261	1.509	5.05%	0.143	0.023	0.670	1.491	6.78%	1.096	0.928
2001	753	0.107	0.033	0.238	1.340	7.19%	0.059	0.011	0.242	0.581	10.45%	0.721	0.343
2002	603	0.093	0.032	0.195	1.095	8.30%	0.054	0.010	0.187	0.501	12.87%	0.691	0.410
2003	483	0.085	0.027	0.180	1.010	10.41%	0.050	0.011	0.184	0.568	15.41%	0.705	0.455
2004	466	0.142	0.031	0.590	1.764	10.69%	0.119	0.020	0.623	1.812	14.85%	0.985	0.716
2005	424	0.160	0.033	0.657	1.918	13.19%	0.147	0.022	0.751	1.618	16.92%	0.911	0.795
2006	403	0.192	0.037	0.822	2.302	14.61%	0.236	0.026	1.375	3.188	17.41%	1.048	0.885
2007	406	0.214	0.042	0.936	2.755	14.14%	0.276	0.030	1.707	2.371	16.60%	1.033	0.919
2008	352	0.216	0.040	0.954	2.757	16.86%	0.283	0.020	1.726	6.401	19.46%	0.967	0.646
2009	307	0.156	0.034	0.668	1.792	18.04%	0.213	0.022	1.275	1.956	20.18%	1.090	0.735
2010	312	0.211	0.045	0.939	2.449	18.81%	0.345	0.024	2.103	6.024	21.00%	1.118	0.909
2011	304	0.274	0.055	1.273	2.977	19.50%	0.453	0.034	2.425	14.533	21.52%	1.173	0.936
2012	305	0.345	0.059	1.686	5.513	19.29%	0.536	0.032	2.899	18.499	21.63%	1.045	0.890
2013	333	0.411	0.071	2.019	5.753	17.99%	0.611	0.038	3.407	18.601	20.41%	1.030	0.932
2014	356	0.478	0.068	2.398	6.326	16.85%	0.796	0.039	4.623	31.371	19.34%	1.060	0.947
2015	345	0.534	0.072	2.732	6.744	19.69%	0.942	0.040	5.298	32.531	22.36%	1.191	0.819
2016	308	0.555	0.076	2.897	8.724	23.17%	1.186	0.032	7.407	46.651	26.98%	1.133	0.665
2017	260	0.729	0.107	3.750	12.624	26.88%	1.682	0.051	10.443	59.992	31.49%	1.257	0.633
2018	206	1.003	0.123	4.819	17.105	31.01%	2.738	0.065	16.574	67.881	35.70%	1.272	0.733

Appendices

A Sample

This section presents time-series summary statistics for our sample over the 1996–2018 period.

The dynamics and composition of our sample are illustrated in Figure A1 and Figure A2. The top panel of Figure $A1$ shows the number of firms in our sample over time, highlighting both their entry into and exit from the sample. Because our sample begins with IPOs in 1996, the initial sample consists of a smaller number of firms. A surge in IPO activity occurred prior to the 2000 dot-com period, leading to a significant increase in the number of firms. Thereafter, the sample size stabilizes as firms continue to enter and exit over time. The bottom plot of Figure $A1$ presents the number of founders and VCs in our sample over time. The counts of founders and VCs are not directly comparable to the firm counts, as not all IPOs have a founder or VC serving as insiders at the time of their IPO. For firms that have a founder or VC as an insider at the time of their IPO, it is possible for multiple founders or VC representatives to be associated with a single firm. Specifically, there are 1,937 founders, and 1,617 VC representatives in our sample. Figure A2 presents similar summary statistics across IPO ages. The number of firms decreases over time, with the number of founders and venture capitalists declining more rapidly. This is because founders and VCs may leave the sample before the firms are delisted, either when they are no longer insiders or have fully liquidated their shares.

Table A1 presents firm characteristics at the time of the IPO for true IPOs with founders involved across different IPO years. In general, firms are becoming larger in terms of market capitalization and total assets. The median founding age has increased slightly in the second half of the sample period.[19] Most of these firms operate in the high-tech and health industries.

[19]Regarding founding age at IPO, we find no significant time trend, either for true IPOs or for all IPOs, whether considering mean age or IPO market cap-weighted age. A regression analysis with founding age as the dependent variable and year as the independent variable yields a non-significant coefficient and an adjusted R-squared close to zero.

Figure A1: This figure presents the composition and dynamics of our sample over time. The upper panel illustrates the number of firms in the dataset. Blue bars denote the number of new firm entries, while orange bars represent the count of incumbent firms. The dashed grey bars indicate the number of firm exits. The lower panel shows the number of key stakeholders: founders and venture capital (VC) representatives. The number of key stakeholders is not directly comparable to the firm counts in the upper panel because multiple founders or VC representatives may be associated with a single firm, and that founder departures may occur prior to firm delisting.

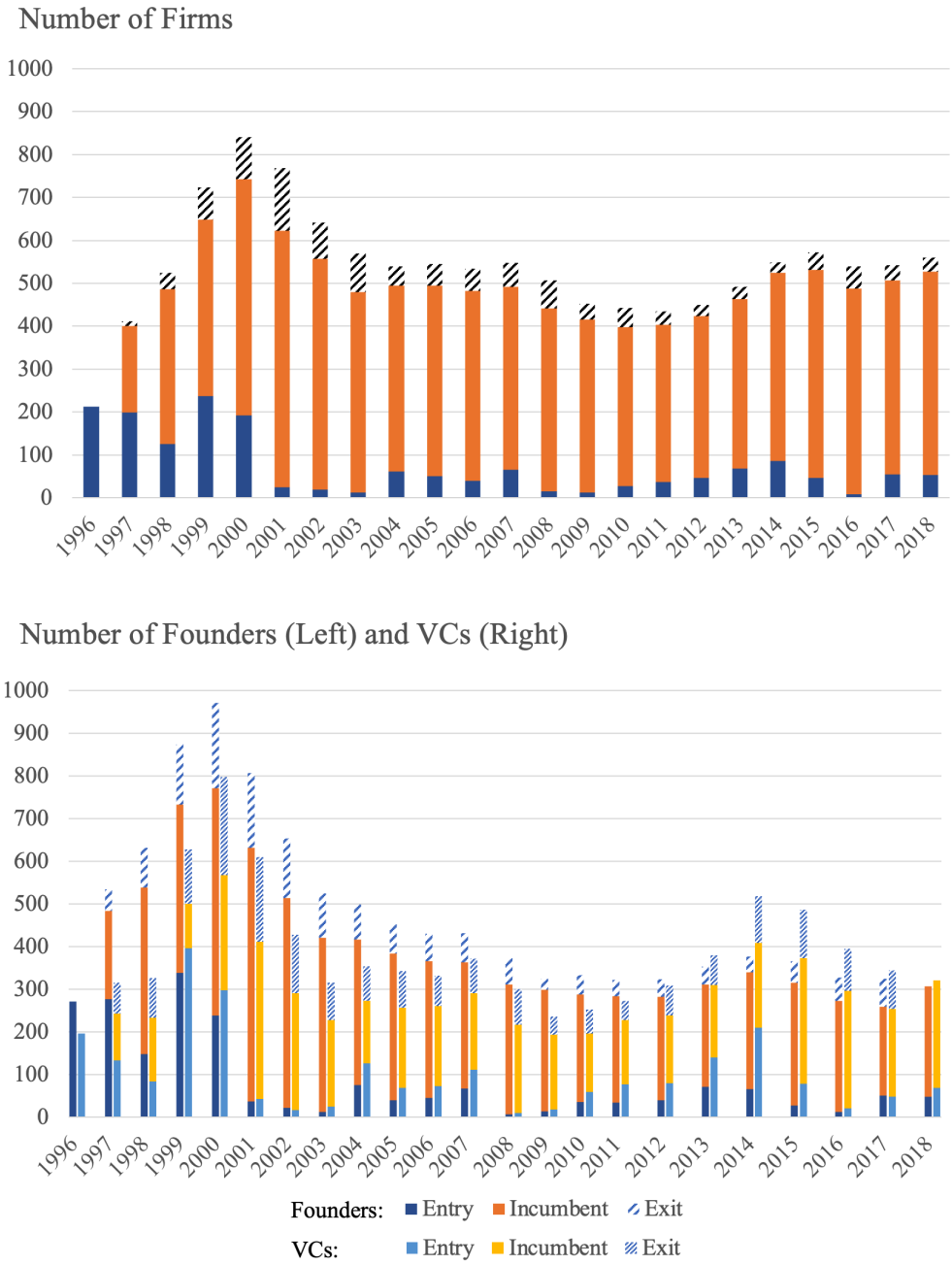


Figure A2: This figure presents the composition and dynamics of our sample over IPO ages. The upper panel illustrates the number of firms in the dataset. Blue bars denote the number of new firm entries, while orange bars represent the count of incumbent firms. The dashed grey bars indicate the number of firm exits. The lower panel shows the number of key stakeholders: founders and venture capital (VC) representatives. The number of key stakeholders is not directly comparable to the firm counts in the upper panel because multiple founders or VC representatives may be associated with a single firm, and that founder departures may occur prior to firm delisting.

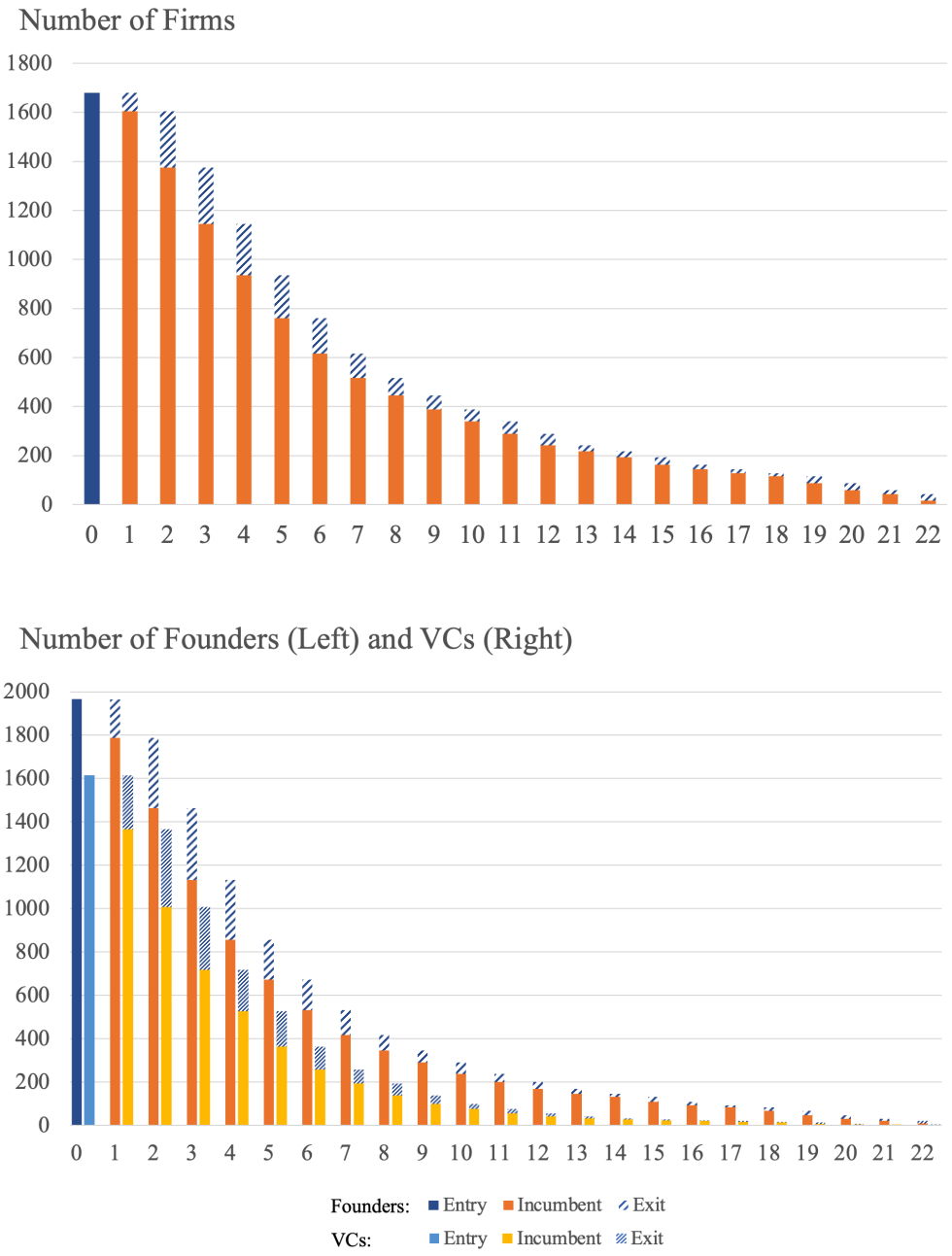


Table A1: This table presents summary statistics for true IPOs with founders present at the time of the IPO across various IPO years. Columns (1) and (2) show the firm age at the time of the IPO, while columns (3) to (10) display firm characteristics at that time. Columns (11) and (12) present the percentage of industry compositions for our firms, based on the industry definitions provided by Eisfeldt et al. (2023b). All dollar amounts have been adjusted for inflation or deflation using the Consumer Price Index (CPI) from the year 2000. Tobin's q is calculated as the ratio of the market value of assets to the book value of assets, where the market value of assets is derived from the sum of the book value of assets and the market value of common stock, less both the book value of common stock and deferred taxes.

		Age		Mkt Cap (Mn)		Assets (Mn)		No. of Emp		Tobin's Q		Industry Comp (%)	
Ages	N	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	High-tech	Health
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1996	166	9.90	7.00	250.52	128.84	92.03	54.21	1.64	0.18	3.60	2.94	39.76	15.66
1997	153	12.10	9.00	206.30	111.01	97.42	54.44	1.16	0.35	3.43	2.75	43.79	13.07
1998	87	10.32	7.00	246.17	168.60	104.13	65.68	0.78	0.31	3.77	2.32	44.83	6.90
1999	213	6.75	4.00	971.41	450.80	214.14	88.50	0.54	0.28	12.42	6.96	67.61	2.82
2000	148	6.76	5.00	1206.75	572.10	200.71	116.64	0.41	0.25	3.93	2.29	67.57	16.22
2001	21	6.76	6.00	289.74	264.33	164.28	93.73	0.63	0.22	2.97	2.40	52.38	23.81
2002	13	10.77	7.00	519.88	257.30	263.13	96.09	1.33	0.66	2.91	2.18	38.46	15.38
2003	10	7.70	7.00	300.87	307.76	179.61	110.68	0.69	0.30	2.92	2.76	30.00	40.00
2004	53	9.81	6.00	451.46	264.21	239.31	80.98	1.27	0.19	4.13	3.59	41.51	32.08
2005	30	10.57	8.00	724.33	256.80	243.57	87.02	0.72	0.20	3.21	2.82	43.33	36.67
2006	36	8.11	7.00	385.22	238.19	151.09	97.42	0.34	0.16	4.35	3.48	50.00	30.56
2007	45	9.80	8.00	470.23	286.38	158.17	115.76	0.45	0.26	3.78	2.88	57.78	28.89
2008	5	20.00	11.00	462.86	247.83	136.77	83.66	1.02	0.53	2.60	2.12	20.00	40.00
2009	9	9.56	9.00	595.06	458.23	219.99	111.71	1.03	0.51	3.07	2.71	66.67	11.11
2010	20	10.60	9.50	411.12	228.69	162.38	115.63	0.88	0.35	4.12	3.39	60.00	25.00
2011	26	8.73	7.50	962.78	427.73	219.81	105.94	1.00	0.35	4.23	3.29	69.23	19.23
2012	29	10.38	8.00	1166.26	492.85	267.97	125.78	0.66	0.48	4.94	4.50	68.97	10.34
2013	49	9.55	9.00	824.25	337.57	274.40	100.70	0.78	0.17	4.62	3.48	46.94	42.86
2014	48	9.71	9.00	440.66	270.12	754.26	84.73	0.50	0.09	4.18	3.46	37.50	54.17
2015	20	8.90	8.50	503.22	425.85	243.59	114.36	0.47	0.18	3.72	3.53	35.00	65.00
2016	9	11.11	9.00	269.89	176.53	109.51	63.00	0.21	0.06	3.14	3.48	22.22	44.44
2017	33	11.97	10.00	611.55	186.98	197.78	75.35	0.46	0.08	4.38	4.15	48.48	42.42
2018	33	9.88	10.00	557.50	334.43	224.48	249.99	1.81	0.96	4.32	3.84	36.36	54.55

B The Impact of Firm Age on Founder Outcomes at IPO

Firm Age and Founder Ownership: As shown in Figure B1, founder ownership at IPO follows a U-shaped pattern across firm ages, while venture capital institutional ownership follows an inverted U-shaped pattern. The summary statistics by age cohort in Table B1 illustrate this dynamic: founder ownership decreases from an average of 26.7% for one-year-old firms to 20% for five-year-old firms, before rising to 32% for firms that are twelve years old at IPO. Conversely, VC institutional ownership increases from 23.9% to 34% over the same initial period, then declines to 29% by age twelve.

Founder Ownership and Founder Wealth (Unconditional Average): The relationship between founder ownership and wealth is analyzed by calculating the average for each firm age cohort at IPO. As shown in Figure B2, these cohort-level averages are positively correlated, indicating that founder ownership and wealth move together across firm ages. This relationship, combined with the U-shaped trajectory of founder ownership—which increases steadily after age 5—explains the general upward trend in founder wealth over the firm ages.

Founder Ownership and Founder Wealth (Conditional on Industry): The unconditional positive correlation between founder wealth and firm age, however, does not hold when controlling for industry. A regression of log founder wealth on firm age at IPO, including industry fixed effects, shows that the significant positive relationship disappears. This indicates that the observed age effect is confounded by systematic differences in industry composition across the firm age distribution. To understand this mechanism, Figure B3 plots the industry composition over firm ages at IPO. It reveals a clear trend: the proportion of firms in the Health sector decreases with age, while the proportion of High-tech firms increases. As shown in Table B2, the Health industry has the lower average founder ownership and smaller market capitalization at IPO compared to the High-tech sector. Therefore, the unconditional age trend in founder wealth is primarily driven by a compositional shift from younger, lower-wealth Health firms to older, higher-wealth High-tech firms.

Figure B1: This figure plots the average pre-IPO ownership percentages for founders and venture capital institutions (defined as the combined stake of all VCs holding at least 5% of shares) across firm age cohorts. The sample includes all true IPOs from 1996 to 2021 where founders held a positive ownership stake and the firm was aged 20 years or younger at IPO.

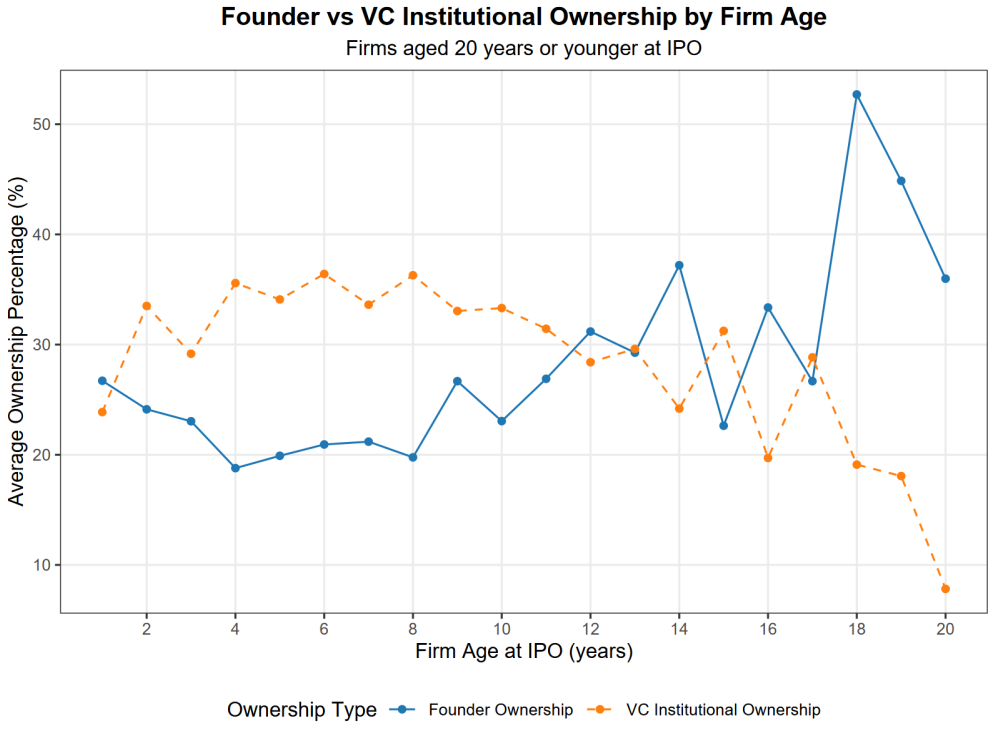


Figure B2: This figure shows founder wealth and ownership patterns using 3-year rolling windows (right aligned) across founding ages at IPO. The sample comprises IPO firms with positive founder ownership. Founder wealth equals pre-IPO equity aggregated to firm level and valued at first-day closing price; founder ownership represents firm-level equity retention. Dashed lines indicate linear trends. Founder wealth trend: 0.033 (t = 4.1); founder ownership trend: 1.182 (t = 7.558).

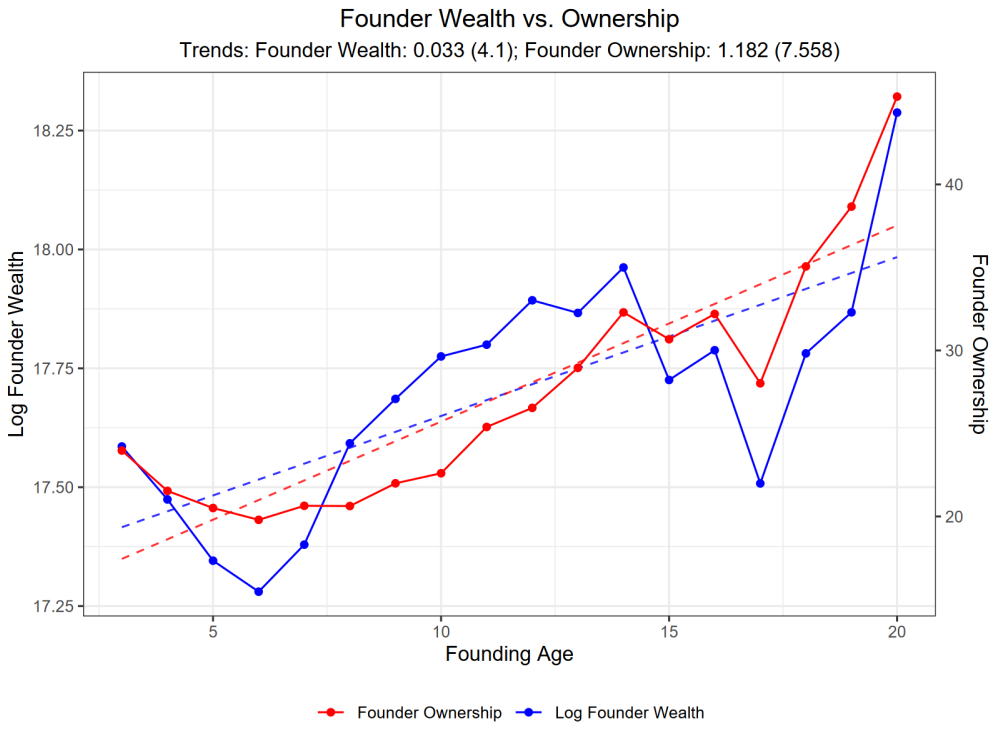


Figure B3: This figure shows the distribution of industries across firm age cohorts for true IPOs with positive founder ownership from 1996-2021. The y-axis represents the proportion of firms within each age cohort that belong to a given industry group following industry classification defined by Eisfeldt et al. (2023b). Industries are aggregated into three categories: High-tech (blue solid line), Health (orange dashed line), and a combined group of Manufacturing, Consumer, and Other industries (green dotted line).

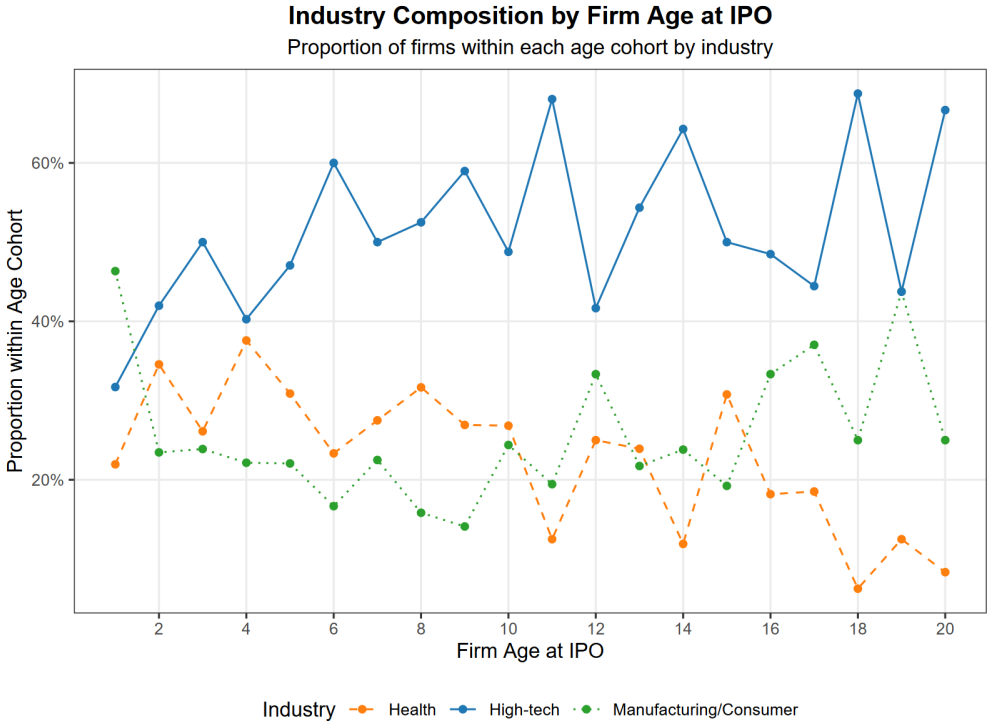


Table B1: This table reports the mean and median of founder and venture capital ownership stakes immediately prior to the IPO, presented by firms' ages at IPO. The sample includes all true IPOs where founders held a positive ownership stake. The statistics are shown for three key ownership variables: founder ownership ($\alpha^{F}_{i,-1}$), defined as the proportion of total outstanding shares held by founders; VC ownership ($\alpha^{VC}_{i,-1}$), defined as the combined stake of all venture capital investors holding at least 5% of shares; and VC representative ownership ($\alpha^{VCRep}_{i,-1}$), defined as the combined stake of VC-affiliated board members.

		Founder (%)		VC (%)		VC Rep (%)	
Age	N	Mean (1)	Median (2)	Mean (3)	Median (4)	Mean (5)	Median (6)
1	41	26.714	18.500	23.872	18.917	13.306	0.000
2	80	23.804	18.380	33.827	33.887	20.873	13.193
3	133	23.087	14.336	29.059	26.319	17.168	9.605
4	146	18.891	12.455	35.797	35.134	21.030	15.325
5	136	19.904	10.953	34.097	34.229	20.707	16.994
6	119	21.093	13.470	36.327	38.537	23.322	24.023
7	120	21.189	13.243	33.620	35.566	18.662	12.757
8	118	19.969	10.300	36.056	39.454	19.989	13.315
9	78	26.678	16.075	33.049	37.891	18.226	14.162
10	82	23.053	11.314	33.313	33.681	17.861	13.378
11	72	26.893	16.021	31.434	31.422	18.263	11.564
12	59	31.512	19.968	28.880	22.257	14.345	0.005
13	46	29.265	16.495	29.608	22.661	19.215	7.945
14	42	37.200	23.423	24.186	16.041	11.955	0.000
15	26	22.632	12.330	31.244	17.617	18.648	0.000
16	32	33.638	21.604	20.325	4.657	12.362	0.000
17	27	26.677	14.325	28.842	15.941	12.647	0.000
18	16	52.700	58.229	19.104	7.455	11.173	0.000
19	16	44.861	34.233	18.065	0.000	15.523	0.000
20	12	35.981	29.218	7.824	0.000	7.687	0.000
21+	97	41.179	38.231	12.418	0.000	6.134	0.000
Total	1,498	25.362	14.501	30.584	28.470	17.709	9.367

Table B2: This table reports the mean and median of founder and venture capital ownership stakes immediately prior to the IPO, presented by industry. The sample includes all true IPOs where founders held a positive ownership stake. The statistics are shown for three key ownership variables: founder ownership ($\alpha^{F}_{i,-1}$), defined as the proportion of total outstanding shares held by founders; VC ownership ($\alpha^{VC}_{i,-1}$), defined as the combined stake of all venture capital investors holding at least 5% of shares; and VC representative ownership ($\alpha^{VCRep}_{i,-1}$), defined as the combined stake of VC-affiliated board members.

		Founder (%)		VC (%)		VC Rep (%)	
Industry	N	Mean (1)	Median (2)	Mean (3)	Median (4)	Mean (5)	Median (6)
High-tech	738	25.292	16.450	31.009	30.885	19.294	14.206
Health	380	12.940	6.922	42.814	47.944	23.908	20.676
Manufacturing	83	40.159	36.768	14.637	0.000	8.420	0.000
Consumer	134	37.315	29.917	17.806	6.175	7.096	0.000
Others	163	37.276	26.783	18.768	3.971	9.539	0.000
Total	1,498	25.362	14.501	30.584	28.470	17.709	9.367

C Private Financing Deals

Table C1: This table reports regression analyses of insider wealth across private financing deals. We use Pitchbook data on private firm financing rounds. For each deal, we calculate firm size as deal size divided by the percentage acquired. Insider ownership represents the cumulative percentage retained by insiders after prior rounds (1 minus cumulative dilution). It therefore reflects the ownership for parties not involved in PitchBook transactions. Insider wealth at each round equals insider ownership multiplied by firm size. The sample comprises U.S. headquartered deals from PitchBook spanning 1996 to 2022. Estimated coefficients shown are from regressions of log insider wealth on insider ownership, with fixed effects controls. Note: *p<0.1; **p<0.05; ***p<0.01.

	Dependent Variable: Log Insiders' Wealth					
	N	Insider Ownership				
	(1)	(2)	(3)	(4)	(5)	(6)
Seed Round	18,552	0.0104***	0.0127***	0.0115***	0.0116***	0.0135***
		(0.000 4)	(0.000 4)	(0.000 4)	(0.000 4)	(0.000 4)
Early Stage VC	28,536	0.0099***	0.0112***	0.0102***	0.0121***	0.0131***
		(0.000 3)	(0.000 3)	(0.000 3)	(0.000 3)	(0.000 3)
Later Stage VC	17,768	0.0203***	0.0206***	0.0210***	0.0211***	0.0224***
		(0.000 5)	(0.000 4)	(0.000 4)	(0.000 5)	(0.000 4)
Accelerator/Incubator	6,110	0.0114***	0.0129***	0.0117***	0.0114***	0.0124***
		(0.001 9)	(0.001 8)	(0.001 9)	(0.001 9)	(0.001 9)
Year FE		No	Yes	No	No	Yes
Industry FE		No	No	Yes	No	Yes
Age FE		No	No	No	Yes	Yes

D Propensity Score Matching

Table D1: This table presents balance tests for covariates before and after propensity score matching. The extensive margin compares VC-backed firms against non-VC-backed firms, while the intensive margin compares high-VC-ownership firms against low-VC-ownership firms. T-statistics test the null hypothesis of equal means between treated and control groups. Sample sizes show the reduction from original to matched samples. Matching was performed within strata defined by IPO year cohorts, age buckets, and industry classification using nearest-neighbor matching with a caliper of 0.2 standard deviations.

	Means				T-statistics	
	Before Matching		After Matching			
Variable	Treated	Control	Treated	Control	Before	After
Panel A: Extensive Margin						
N	910	382	230	230		
Log(AT)	17.615	17.366	17.263	17.113	2.42	1.257
Sales/AT	0.934	1.557	1.168	1.599	−8.39	−3.161
XSGA/Sales	2.804	0.859	1.348	1.108	2.12	0.691
CAPX/PPE	0.544	0.462	0.522	0.525	4.80	−0.128
RD/PPE	6.031	1.985	2.656	2.087	2.00	0.860
No RD Dummy	0.165	0.458	0.222	0.404	−10.35	−4.298
No XSGA Dummy	0.174	0.115	0.104	0.104	2.83	0.000
Panel B: Intensive Margin						
N	448	460	235	235		
Log(AT)	17.717	17.506	17.531	17.483	2.121	0.405
Sales/AT	0.829	1.040	0.828	0.884	−2.909	−0.658
XSGA/Sales	3.595	2.042	2.015	2.141	0.852	−0.150
CAPX/PPE	0.538	0.551	0.576	0.575	−0.619	0.046
RD/PPE	9.396	2.775	3.265	3.482	1.661	−0.439
No RD Dummy	0.127	0.200	0.132	0.145	−2.978	−0.400
No XSGA Dummy	0.201	0.148	0.179	0.179	2.108	0.000

Table D2: This table presents balance tests for covariates before and after propensity score matching. Both panels compare high-VC-ownership firms against low-VC-ownership firms. The treatment variable is VC pre-IPO ownership ($\alpha_{i,-1}^{VC}$), defined as the combined stake of all venture capital investors holding at least 5% of outstanding shares. We compare firms with above-mean VC ownership (treatment) against firms with below-mean VC ownership (control), conditional on both founders and VCs having positive pre-IPO ownership. T-statistics test the null hypothesis of equal means between treated and control groups. Panel A performs matching exact on VC quality, where VC quality is defined by fixing the same VC investor and matching firms within each investor's portfolio. The observations in Panel A represent firm-VC pairs, as firms can be associated with multiple VC investors. Panel B performs matching exact on founder quality, where founder quality groups are defined based on above-mean ownership within categories defined by 5-year IPO cohorts (1996–2001, 2002–2006, etc.), age buckets (1–5, 5–20, 20+ years), and industry classification Eisfeldt et al. (2023b). Both matching procedures use nearest-neighbor matching with a caliper of 0.2 standard deviations based on log total assets.

	Means				T-statistics	
	Before Matching		After Matching			
Variable	Treated	Control	Treated	Control	Before	After
Panel A: VC Quality						
N	1,766	990	280	280		
Log(AT)	17.663	17.591	17.574	17.537	1.24	0.381
Sales/AT	0.776	0.943	0.769	0.895	−3.92	−1.675
XSGA/Sales	3.123	2.557	1.546	2.314	0.66	−1.214
CAPX/PPE	0.532	0.560	0.590	0.602	−2.28	−0.462
RD/PPE	11.073	3.143	4.466	3.555	3.51	1.830
No RD Dummy	0.098	0.167	0.064	0.104	−4.98	−1.678
No XSGA Dummy	0.233	0.174	0.193	0.200	3.79	−0.212
Panel B: Founder Quality						
N	448	460	318	318		
Log(AT)	17.717	17.506	17.843	17.668	2.121	1.630
Sales/AT	0.829	1.040	0.854	0.873	−2.909	−0.305
XSGA/Sales	3.595	2.042	3.924	2.319	0.852	0.633
CAPX/PPE	0.538	0.551	0.536	0.551	−0.619	−0.634
RD/PPE	9.396	2.775	10.811	3.037	1.661	1.390
No RD Dummy	0.127	0.200	0.138	0.201	−2.978	−2.116
No XSGA Dummy	0.201	0.148	0.195	0.164	2.108	1.033

E Ownership Post IPO

E.1 Summary Statistics by IPO ages

The top plot of Figure E1 illustrates the average ownership of founders, VCs, and other directors throughout the firm life cycle across different IPO ages.

Founders: On average, founders' ownership decreases at the time of the IPO and then experiences a slight decline, remaining relatively stable in the following years. Specifically, founders' ownership drops from 27.9% prior to the IPO to 18.9% at one year post-IPO, and further decreases to 17.3% by the age of 15. Since we are working with an unbalanced panel, this pattern is influenced by the entry and exit of firms. At earlier IPO ages, founders' ownership is averaged across all IPOs. However, for later IPO ages, founders' ownership is averaged only among the firms that remain in the sample, which primarily consists of firms that went public in earlier years.

VCs: In contrast to the steady trend observed in founders' ownership, the average VC ownership declines significantly as IPO ages increase. Specifically, VCs' ownership drops from 18.7% prior to the IPO to 10.3% at one year post-IPO, and further decreases to 0.07% by the age of 15. Similarly, at earlier IPO ages, VCs' ownership is averaged across all IPOs. For later IPO ages, VCs' ownership is averaged only among the firms that remain in the sample, which primarily consists of firms that went public in earlier years had lower VC ownership at the time of their IPO.

Total Insiders: The ownership of other directors also declines as IPO ages increase. As a result, total insiders' ownership declines with increasing IPO ages. Specifically, total insiders' ownership drops from 62.5% prior to the IPO to 41.49% at one year post-IPO, and further decreases to 21.92% by the age of 15. We present other key summary statistics for insiders' ownership in the years following the IPO across different IPO ages in Table E2.

E.2 Ownership Variation over Calendar Years

The bottom plot of Figure E1 illustrates the average ownership of founders, VCs, and other directors throughout the firm life cycle across different calendar years.

Founders: On average, founders' ownership decreases at a nearly constant rate over

time. Specifically, founders' ownership declines from 25.25% in 1997 to 10.01% in 2018. Since we are working with an unbalanced panel, this pattern is influenced by the entry and exit of firms. In earlier years, founders' ownership is averaged only among firms that went public in those years. However, for later IPO ages, founders' ownership is averaged across all IPOs that IPO'd in previous years and remain in the sample. Since founders of firms that went public later have lower ownership at the time of the IPO, each subsequent year brings in new founders with a lower average ownership.

VCs: VCs' ownership remains steady over the years. This is because, although VCs begin to reduce their ownership at the time of the IPO, new VCs are added to the sample each year, which helps to sustain a more stable average ownership level. We present other key summary statistics for insiders' ownership in the years following the IPO across different years in Table E3.

Figure E1: This figure presents the firm-level average of insiders' ownership throughout the firm life cycle, with the top plot illustrating ownership by IPO ages and the bottom plot by calendar years. Dark blue areas represent founders' ownership, orange areas represent venture capitalists' (VCs) ownership, and grey areas represent the ownership of other insiders. The figure includes firm-years where founders' ownership is non-zero. In cases with multiple founders or VCs, their ownership stakes are aggregated at the firm level. Additionally, we assign a VC ownership value of zero for firm-years that have non-zero founder ownership but no VC representatives on their board.

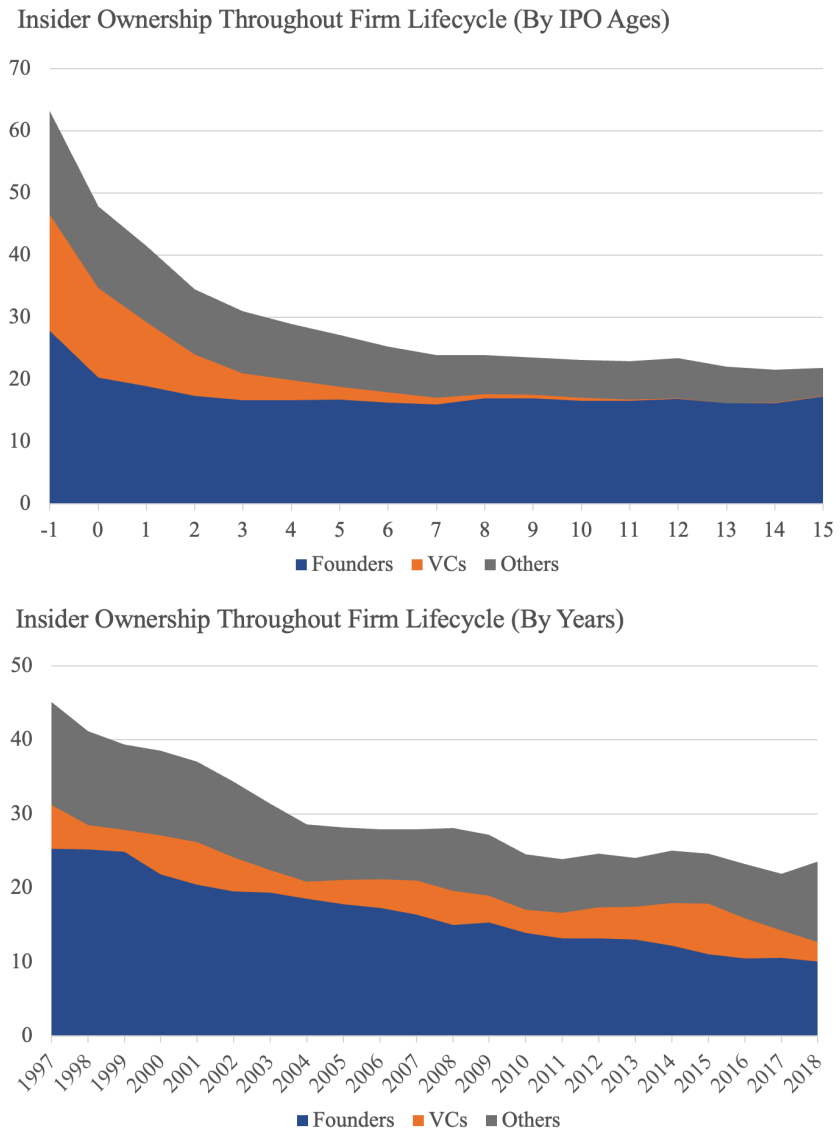


Table E1: This table presents summary statistics of founders' ownership in the years following the IPO, categorized by IPO ages, specifically for true IPOs that occurred between 1996 and 2018 and involved a founder at the time of the IPO. The number of observations decreases over time for two primary reasons: 1) firms or founders exit the sample as time progresses, and 2) due to the limitations of the sample period (1996-2018), firms that went public later do not encompass all IPO ages. Panel A displays the summary statistics for the entire sample, while Panel B provides summary statistics for firms that went public during specific time periods: 1996-2000, 2001-2005, 2006-2010, and 2011-2018. In cases where multiple founders are involved, their ownership stakes are aggregated at the firm level for each IPO age. Columns (1) to (4) present the summary statistics of ownership prior to the IPO, while Columns (5) to (7) show the summary statistics of ownership changes at the IPO (i.e., the difference between ownership prior to and after the IPO). Column (4) reflects the percentage of founders in relation to total insider ownership.

		Ownership Level				Ownership Change		
Age	N	Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Founders' Ownership (Full Sample)								
1	1165	18.91	11.22	19.41	43.43	1.76	0.67	6.23
2	978	17.37	9.90	18.70	47.23	2.37	0.74	5.59
3	777	16.67	8.70	18.76	50.52	1.69	0.51	4.37
4	609	16.69	8.40	18.92	52.86	1.46	0.40	6.05
5	480	16.76	8.55	18.84	55.98	1.30	0.30	4.06
6	379	16.26	8.06	18.32	57.88	1.40	0.30	5.29
7	299	15.99	8.31	18.25	59.08	1.12	0.26	3.99
8	244	16.94	8.40	19.12	61.44	0.76	0.16	5.56
9	209	17.02	8.40	19.29	62.55	0.88	0.27	3.25
10	175	16.61	8.30	18.80	61.47	1.24	0.26	7.25
11	146	16.61	8.15	19.09	61.47	0.67	0.18	3.10
12	125	16.92	8.00	19.64	60.82	0.48	0.20	1.69
13	109	16.15	7.50	18.87	61.69	0.93	0.10	4.84
14	99	16.23	7.40	19.60	62.21	0.13	0.20	4.50
15	80	17.31	7.88	20.49	64.09	0.31	0.15	2.22
16	69	17.23	8.20	20.08	64.87	0.78	0.16	1.83
17	64	16.18	7.28	19.68	62.50	0.68	0.10	3.25
18	53	17.16	6.63	21.32	61.48	-0.46	0.03	3.13
19	35	18.83	7.54	23.68	62.30	-0.06	0.15	1.26
20	24	14.89	6.03	18.22	66.42	0.25	0.09	1.29
21	15	18.36	6.69	21.90	68.08	0.30	0.22	1.44
22	7	25.26	9.10	28.21	69.16	0.26	0.20	0.36

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B1: Founders' Ownership (Firms IPOd 1996-2000)								
1	727	22.80	15.15	20.77	49.65	2.24	1.00	6.68
2	605	21.13	13.51	20.26	53.17	2.83	1.00	6.49
3	461	20.97	12.80	20.69	56.64	1.90	0.60	4.83
4	357	21.72	13.02	21.09	59.37	1.54	0.50	6.79
5	293	21.02	12.37	20.80	60.46	1.61	0.40	4.77
6	236	19.92	10.60	20.39	60.74	1.63	0.49	5.79
7	191	20.12	9.93	20.70	62.30	1.25	0.30	4.58
8	166	20.39	10.74	21.37	63.00	0.95	0.20	6.33
9	146	20.22	10.42	21.40	64.39	0.88	0.30	3.55
10	126	19.10	9.03	20.62	62.13	1.45	0.20	8.51
11	108	18.81	8.65	20.79	62.15	0.60	0.13	3.43
12	101	18.41	8.90	20.67	61.94	0.43	0.20	1.80
13	91	17.28	8.10	19.54	62.60	1.07	0.10	5.23
14	86	17.47	7.85	20.49	62.82	0.11	0.14	4.83
15	77	17.44	7.59	20.78	63.47	0.33	0.15	2.26
16	66	17.43	8.15	20.43	64.15	0.76	0.17	1.84
17	62	16.45	7.28	19.92	62.03	0.70	0.10	3.30
18	53	17.16	6.63	21.32	61.48	-0.46	0.03	3.13
19	35	18.83	7.54	23.68	62.30	-0.06	0.15	1.26
20	24	14.89	6.03	18.22	66.42	0.25	0.09	1.29
21	15	18.36	6.69	21.90	68.08	0.30	0.22	1.44
22	7	25.26	9.10	28.21	69.16	0.26	0.20	0.36

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B2: Founders' Ownership (Firms IPOd 2001-2005)								
1	122	15.74	7.85	17.87	39.36	0.68	0.30	7.32
2	118	14.36	7.00	17.01	44.62	1.57	0.80	2.81
3	101	13.31	6.68	16.33	49.81	2.20	0.60	4.06
4	84	11.78	5.80	13.69	48.05	1.95	0.40	7.61
5	72	11.67	5.70	13.38	50.21	1.11	0.22	3.42
6	64	10.39	5.90	10.57	52.95	1.48	0.30	5.91
7	47	9.86	5.07	10.94	54.64	1.34	0.24	3.54
8	41	10.62	5.40	11.60	57.34	0.18	0.09	4.35
9	35	10.11	5.80	11.77	54.95	1.04	0.20	3.01
10	29	11.16	7.55	12.55	58.10	0.44	0.20	0.67
11	25	11.63	8.71	12.68	59.47	0.88	0.26	2.10
12	21	11.54	6.40	13.76	56.32	0.54	0.20	1.08
13	18	10.40	5.29	14.08	57.06	0.21	0.21	1.68
14	13	8.05	5.29	8.90	58.19	0.28	0.24	0.28
15	3	13.94	12.93	12.18	80.03	-0.21	-0.03	0.82
16	3	12.73	12.80	10.30	80.64	1.21	0.13	2.07
17	2	7.65	7.65	7.57	77.07	-0.05	-0.05	0.21
Panel B3: Founders' Ownership (Firms IPOd 2006-2010)								
1	111	12.26	7.80	13.50	32.89	1.51	0.50	3.11
2	100	10.99	6.80	11.83	37.10	1.50	0.30	4.06
3	84	10.60	6.03	11.67	40.55	1.47	0.30	4.41
4	71	9.52	5.01	11.02	44.10	1.44	0.55	2.55
5	62	8.83	4.67	9.85	48.64	0.97	0.42	1.81
6	56	8.18	5.16	7.94	50.98	0.86	0.16	2.61
7	50	8.15	4.98	7.68	52.14	0.51	0.10	1.74
8	37	8.44	6.91	7.12	58.97	0.52	0.34	1.80
9	28	8.95	7.30	6.88	62.44	0.64	0.21	1.45
10	20	8.85	5.81	7.67	62.23	1.12	0.55	1.64
11	13	7.87	5.04	7.17	59.67	0.84	0.60	1.44
12	3	4.32	4.50	2.63	54.67	1.65	1.70	1.23

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B4: Founders' Ownership (Firms IPOd 2011-2018)								
1	202	10.79	5.72	13.27	29.88	0.82	0.26	4.80
2	153	9.23	4.70	11.92	33.01	1.80	0.64	3.73
3	129	8.10	4.05	10.99	36.51	0.69	0.35	2.23
4	97	7.65	3.80	11.49	39.49	0.79	0.10	2.27
5	53	9.36	4.56	14.63	47.64	0.26	0.10	1.43
6	23	14.78	6.30	20.80	59.09	0.18	0.18	1.23
7	11	6.29	4.50	6.14	53.87	0.69	0.27	1.20

Table E2: This table presents summary statistics of insiders' ownership in the years following the IPO, categorized by IPO ages, specifically for true IPOs that occurred between 1996 and 2018 and involved a founder at the time of the IPO. Panel A displays the summary statistics for VC representatives, while Panel B provides summary statistics for total insiders. For VC representatives, when multiple individuals are involved, their ownership stakes are aggregated at the firm level for each IPO age. Additionally, we assign a VC ownership value of zero for firms with founders at the IPO but no VC representatives on their board in Panel B1, while Panel B2 presents summary statistics exclusively for instances of non-zero VC ownership. Columns (1) to (4) present the summary statistics of ownership prior to the IPO, while Columns (5) to (7) show the summary statistics of ownership changes at the IPO (i.e., the difference between ownership prior to and after the IPO). Column (4) reflects the percentage of founders in relation to total insider ownership.

		Ownership Level				Ownership Change		
Age	N	Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A1: VCs' Ownership by IPO Ages (Assign 0s When No VC is Present)								
1	1165	10.30	1.05	14.29	24.77	4.24	0.05	8.83
2	978	6.68	0.09	11.85	19.78	3.96	0.00	7.98
3	777	4.33	0.00	9.76	14.24	1.99	0.00	5.17
4	609	3.22	0.00	8.98	10.74	1.10	0.00	3.29
5	480	2.04	0.00	7.09	7.41	0.72	0.00	3.28
6	379	1.66	0.00	6.87	5.70	0.39	0.00	2.19
7	299	1.08	0.00	5.41	4.02	0.35	0.00	2.23
8	244	0.70	0.00	3.78	2.73	0.21	0.00	1.88
9	209	0.52	0.00	2.95	2.28	0.24	0.00	2.43
10	175	0.46	0.00	2.89	2.05	0.15	0.00	1.51
11	146	0.17	0.00	1.04	1.15	0.21	0.00	2.33
12	125	0.07	0.00	0.26	0.66	0.11	0.00	1.09
13	109	0.07	0.00	0.27	0.57	0.00	0.00	0.04
14	99	0.07	0.00	0.27	0.65	0.00	0.00	0.03
15	80	0.07	0.00	0.29	0.61	0.00	0.00	0.02
16	69	0.08	0.00	0.29	0.69	0.00	0.00	0.03
17	64	0.08	0.00	0.27	0.72	0.01	0.00	0.05
18	53	0.07	0.00	0.22	0.58	0.00	0.00	0.03
19	35	0.04	0.00	0.16	0.54	0.01	0.00	0.02
20	24	0.03	0.00	0.15	0.32	0.00	0.00	0.01
21	15	0.04	0.00	0.15	0.50	0.01	0.00	0.04

Age (IPO)	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A2: VCs' Ownership by IPO Ages (Non-zero VC Ownership)								
1	644	18.63	15.08	14.64	44.80	6.75	3.28	10.14
2	513	12.73	8.45	13.82	37.72	6.57	4.64	9.38
3	352	9.55	4.80	12.67	31.43	3.73	0.94	6.63
4	244	8.05	2.08	12.77	26.81	2.19	0.25	4.38
5	164	5.97	0.76	11.14	21.69	1.07	0.05	3.53
6	102	6.17	0.66	12.20	21.19	0.97	0.02	3.67
7	70	4.60	0.53	10.49	17.18	1.17	0.00	4.33
8	50	3.42	0.52	7.83	13.33	0.96	0.00	4.09
9	41	2.67	0.43	6.28	11.64	1.20	-0.01	5.43
10	32	2.51	0.43	6.45	11.23	-0.01	-0.02	0.16
11	25	1.01	0.40	2.37	6.69	0.01	0.01	0.11
12	17	0.49	0.33	0.54	4.88	0.03	0.01	0.09
13	14	0.52	0.28	0.60	4.42	0.01	0.00	0.08
14	12	0.54	0.28	0.59	5.38	0.02	0.00	0.08
15	8	0.72	0.65	0.63	6.08	-0.01	0.00	0.06
16	7	0.79	0.73	0.56	6.76	0.01	-0.02	0.11
17	7	0.73	0.70	0.46	6.57	0.06	0.02	0.16
18	6	0.58	0.66	0.41	5.12	0.02	0.04	0.09
19	2	0.65	0.65	0.16	9.48	0.07	0.07	0.01
20	1	0.74	0.74	NA	7.60	0.03	0.03	NA
21	1	0.58	0.58	NA	7.55	0.16	0.16	NA

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B: Total Insiders' Ownership by IPO Ages								
1	1165	41.49	40.80	19.33		6.77	3.50	11.81
2	978	34.49	31.30	20.00		7.81	5.20	11.21
3	777	30.98	26.50	20.92		3.80	2.42	9.33
4	609	28.89	24.20	20.95		3.28	1.27	8.34
5	480	27.20	21.55	20.80		2.06	0.70	7.58
6	379	25.28	20.00	19.74		2.84	0.95	7.59
7	299	23.94	17.43	19.59		1.79	0.78	5.29
8	244	23.96	17.98	19.89		1.62	0.61	8.52
9	209	23.58	16.60	19.94		1.28	0.41	4.24
10	175	23.12	15.42	19.83		1.32	0.41	8.60
11	146	22.91	14.94	19.77		1.01	0.46	4.02
12	125	23.44	15.80	20.36		0.58	0.40	2.85
13	109	22.03	15.50	19.61		1.72	0.40	7.49
14	99	21.61	12.70	20.61		0.15	0.30	4.84
15	80	21.92	12.63	21.32		0.72	0.30	2.67
16	69	22.20	13.50	21.06		0.62	0.05	2.44
17	64	21.71	14.70	21.00		0.07	0.00	3.57
18	53	22.97	15.00	21.85		-0.39	0.20	3.06
19	35	24.00	15.30	23.97		0.49	0.25	4.01
20	24	19.04	15.46	19.32		1.33	0.30	4.33
21	15	21.94	9.58	23.03		1.06	0.60	1.97
22	7	27.39	13.60	27.42		0.29	0.40	0.43

Table E3: This table presents summary statistics of insiders' ownership in the years following the IPO, categorized by calendar years, specifically for true IPOs that occurred between 1996 and 2018 and involved a founder at the time of the IPO. We provide data for founders (Panel A), VC representatives (Panel B), and total insiders (Panel C). In cases where multiple founders or VCs are involved, their ownership stakes are aggregated at the firm level. Additionally, for VC representatives, we assign an ownership value of zero for firms with founders at the IPO but no VC representatives on their board in Panel B1, while Panel B2 presents summary statistics only for instances of non-zero VC ownership. Columns (1) to (4) display the summary statistics of ownership prior to the IPO, while Columns (6) to (8) show the summary statistics of ownership changes at the IPO (i.e., the difference between ownership prior to and after the IPO). For founders and VCs, Column (5) reflects the percentage of ownership held by insiders in relation to total insider ownership.

		Ownership Level				Ownership Change		
Age	N	Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Founders' Ownership by Years								
1997	159	25.25	21.71	21.61	53.53	1.16	0.42	6.41
1998	293	25.20	19.30	21.70	57.94	3.62	0.99	8.74
1999	320	24.88	17.25	21.94	57.72	2.46	1.00	6.22
2000	453	21.86	14.10	20.77	53.37	2.60	1.20	6.18
2001	492	20.45	12.52	20.06	51.43	1.89	0.70	6.13
2002	410	19.49	11.00	19.36	52.79	1.77	0.60	5.22
2003	340	19.32	9.89	19.75	55.61	0.97	0.22	3.84
2004	289	18.57	10.50	19.38	57.65	2.15	0.60	5.51
2005	294	17.77	9.59	19.78	56.16	1.18	0.38	6.31
2006	276	17.26	8.31	19.61	55.79	1.15	0.42	4.91
2007	270	16.38	8.13	19.12	54.46	1.40	0.37	3.87
2008	273	14.97	7.40	17.35	51.35	1.54	0.30	6.71
2009	233	15.32	7.00	17.43	53.56	0.35	0.03	3.17
2010	223	13.93	6.80	15.94	53.68	1.41	0.30	4.13
2011	213	13.14	6.84	15.82	53.21	0.95	0.40	4.69
2012	214	13.16	7.20	16.01	51.98	0.77	0.20	2.62
2013	217	12.98	7.06	15.83	52.70	0.93	0.20	3.49
2014	236	12.19	6.31	15.52	49.34	1.01	0.30	2.40
2015	260	11.04	5.05	14.68	46.71	1.00	0.30	3.04
2016	250	10.47	4.87	14.07	47.01	0.52	0.10	2.51
2017	222	10.57	4.64	15.17	48.18	0.26	0.20	4.35
2018	204	10.04	4.54	14.28	45.43	0.49	0.20	1.32

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B1: VCs' Ownership by Years (Assign 0s When No VC is Present)								
1997	159	5.96	0.00	11.90	13.13	1.47	0.00	5.61
1998	293	3.30	0.00	8.22	8.65	2.52	0.00	6.49
1999	320	2.96	0.00	7.88	8.31	1.47	0.00	4.34
2000	453	5.26	0.00	10.32	13.51	3.04	0.00	7.68
2001	492	5.77	0.00	11.40	14.97	3.09	0.00	7.13
2002	410	4.60	0.00	10.22	13.06	1.82	0.00	5.57
2003	340	3.06	0.00	8.37	9.60	1.12	0.00	3.80
2004	289	2.23	0.00	7.83	6.80	0.93	0.00	3.13
2005	294	3.27	0.00	8.75	10.53	1.69	0.00	5.27
2006	276	3.90	0.00	10.48	11.47	1.34	0.00	4.43
2007	270	4.60	0.00	11.27	13.05	1.47	0.00	4.54
2008	273	4.66	0.00	11.32	13.43	2.09	0.00	5.66
2009	233	3.62	0.00	9.37	10.71	0.95	0.00	4.86
2010	223	3.13	0.00	9.23	8.73	1.08	0.00	3.37
2011	213	3.53	0.00	10.30	9.50	1.34	0.00	4.30
2012	214	4.20	0.00	10.48	11.10	1.22	0.00	4.97
2013	217	4.49	0.00	11.50	11.54	1.69	0.00	8.74
2014	236	5.77	0.00	12.23	16.06	2.58	0.00	6.89
2015	260	6.80	0.00	12.95	20.12	2.77	0.00	6.19
2016	250	5.41	0.00	11.10	17.56	2.38	0.00	6.69
2017	222	3.68	0.00	8.03	13.90	2.37	0.00	6.34
2018	204	2.69	0.00	7.01	10.68	1.95	0.00	6.58

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel B2: VCs' Ownership by Years (Non-zero VC Ownership)								
1997	55	17.22	12.06	14.72	37.95	3.55	0.68	7.70
1998	84	11.50	8.57	11.91	30.16	7.49	4.13	9.21
1999	87	10.88	8.35	11.97	30.56	4.76	0.84	6.83
2000	191	12.47	9.79	12.76	32.05	6.42	3.54	10.20
2001	224	12.66	8.39	14.08	32.87	5.67	3.19	9.16
2002	175	10.77	6.06	13.36	30.59	3.38	0.72	7.46
2003	127	8.19	2.02	12.08	25.70	2.21	0.06	5.37
2004	92	7.00	0.90	12.66	21.36	2.42	0.05	4.86
2005	102	9.43	2.86	12.79	30.35	4.26	0.42	7.22
2006	91	11.83	4.75	15.51	34.78	3.31	0.17	6.49
2007	95	13.06	7.54	15.85	37.08	3.96	1.45	6.69
2008	104	12.22	4.97	15.66	35.25	4.82	0.84	7.62
2009	76	11.09	5.68	13.70	32.82	2.51	0.09	8.06
2010	70	9.96	3.33	14.32	27.80	2.86	0.42	5.12
2011	72	10.45	2.92	15.61	28.10	3.60	0.68	6.68
2012	77	11.68	5.75	14.82	30.84	3.36	0.21	7.86
2013	77	12.64	6.25	16.46	32.52	4.19	0.45	14.06
2014	101	13.49	8.42	15.70	37.52	5.65	1.63	9.42
2015	122	14.49	9.46	15.70	42.87	5.10	1.69	7.27
2016	115	11.77	6.39	13.91	38.17	4.50	1.68	8.75
2017	95	8.59	4.08	10.44	32.49	4.40	0.68	7.35
2018	80	6.85	2.66	9.86	27.23	2.67	0.37	5.23

Age	N	Ownership Level				Ownership Change		
		Mean	Median	Sd	% Total	Mean	Median	Sd
(IPO)		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel C: Total Insiders' Ownership by Years								
1997	159	45.13	45.30	18.98		3.63	1.90	9.82
1998	293	41.16	41.00	19.79		7.24	3.50	10.70
1999	320	39.40	37.75	20.36		4.84	2.15	10.15
2000	453	38.50	36.80	20.57		6.64	3.30	12.07
2001	492	37.09	35.95	21.03		5.52	2.80	11.94
2002	410	34.32	32.35	20.59		3.95	2.40	9.99
2003	340	31.39	26.81	20.13		2.89	0.91	8.20
2004	289	28.54	24.20	19.77		4.02	1.44	8.33
2005	294	28.14	22.95	19.90		4.10	1.40	9.34
2006	276	27.89	22.15	20.39		3.11	1.30	7.71
2007	270	27.87	23.00	20.64		3.46	1.45	8.11
2008	273	28.07	22.36	20.35		3.17	1.00	9.20
2009	233	27.17	22.04	19.88		2.01	0.20	7.45
2010	223	24.55	19.58	18.56		2.84	0.70	7.06
2011	213	23.92	17.64	19.21		3.08	1.25	7.53
2012	214	24.59	18.17	20.02		2.74	0.70	6.96
2013	217	24.06	17.70	19.81		3.65	1.10	11.21
2014	236	25.04	18.34	20.78		4.20	1.50	8.12
2015	260	24.61	18.85	20.20		4.06	1.20	8.23
2016	250	23.24	17.42	20.23		2.65	0.50	8.03
2017	222	21.93	14.71	21.18		2.49	0.75	7.82
2018	204	23.56	15.82	22.45		2.57	0.80	7.38

F Disposal and Acquisitions post IPO

Table F1: This table presents summary statistics for VC representatives' trading activities across three different measures. Panel A shows the ratio of transaction price to the end-of-day market price (winsorized at the 1% level). Panel B shows the ratio of shares traded to lagged shares (winsorized at the 1% level) at the transaction level. Panel C shows the annual ratio of shares traded to lagged shares (winsorized at the 1% level), aggregating transactions that occur within the same year for each type of trading transaction for each individual. Columns (1)–(4) show statistics for disposals, and columns (5)–(8) show statistics for acquisitions. In disposal categories, "Option (exercise and sell)" refers to transactions where insiders exercise options and immediately sell the shares; "Sale back to the issuer" includes forfeitures of unearned performance-based restricted stock or repurchase agreements; "Others" includes bona fide gifts. In acquisition categories, "Others" includes pro-rata distributions, conversions of convertible bonds, and conversions from non-publicly traded to publicly traded classes.

	Disposals					Acquisitions			
	N	Mean	Median	SD		N	Mean	Median	SD
	(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)
Panel A: VC Representatives - Transaction Price Ratios									
Open Market Trade	3,430	0.9829	0.9990	0.1150	Open Market Trade	1,122	0.9460	0.9974	0.1774
Option (Exercise and Sell)	53	0.7896	0.9958	0.4022	Option (Exercise)	1,458	0.2288	0.1444	0.2592
Sale back to the Issuer	171	0.9825	1.0000	0.1328	Grants	2,000	0.2579	0.0000	0.4356
Others	123	0.1707	0.0000	0.3778	Others	2,006	0.0828	0.0000	0.2715
Total	3,777	0.9537	0.9991	0.2020	Total	6,586	0.3153	0.0000	0.4326
Panel B: VC Representatives - Transaction-Level Share Ratios									
Open Market Trade	3,317	0.0780	0.0116	0.1748	Open Market Trade	1,294	0.1463	0.0070	0.5337
Option (Exercise and Sell)	168	0.0764	0.0074	0.2238	Option (Exercise)	1,519	0.1682	0.0368	0.4262
Sale back to the Issuer	58	0.0960	0.0033	0.1996	Grants	2,043	0.0665	0.0049	0.2416
Others	211	0.1223	0.0185	0.2545	Others	1,909	0.0911	0.0043	0.4521
Total	3,754	0.0807	0.0116	0.1832	Total	6,765	0.1116	0.0073	0.4149
Panel C: VC Representatives - Annual-Aggregated Share Ratios									
Open Market Trade	967	0.1979	0.0796	0.2745	Open Market Trade	651	0.1477	0.0125	0.3312
Option (Exercise and Sell)	78	0.1035	0.0215	0.2129	Option (Exercise)	556	0.2192	0.0957	0.3143
Sale back to the Issuer	20	0.1737	0.0202	0.2481	Grants	504	0.0825	0.0127	0.2079
Others	23	0.1610	0.0198	0.2695	Others	119	0.0660	0.0078	0.2222
Total	1,088	0.1899	0.0667	0.2708	Total	1,830	0.1461	0.0208	0.2953

Table F2: This table presents summary statistics for all insiders' trading activities across three different measures. Panel A shows the ratio of transaction price to the end-of-day market price (winsorized at the 1% level). Panel B shows the ratio of shares traded to lagged shares (winsorized at the 1% level) at the transaction level. Panel C shows the annual ratio of shares traded to lagged shares (winsorized at the 1% level), aggregating transactions that occur within the same year for each type of trading transaction for each individual. Columns (1)–(4) show statistics for disposals, and columns (5)–(8) show statistics for acquisitions. In disposal categories, "Option (exercise and sell)" refers to transactions where insiders exercise options and immediately sell the shares; "Sale back to the issuer" includes forfeitures of unearned performance-based restricted stock or repurchase agreements; "Others" includes bona fide gifts. In acquisition categories, "Others" includes pro-rata distributions, conversions of convertible bonds, and conversions from non-publicly traded to publicly traded classes.

	Disposals					Acquisitions			
	N	Mean	Median	SD		N	Mean	Median	SD
	(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)
Panel A: All Insiders - Transaction Price Ratios									
Open Market Trade	116,857	0.9883	0.9989	0.0924	Open Market Trade	17,997	0.9521	0.9990	0.1617
Option (Exercise and Sell)	26,831	0.9654	1.0000	0.1821	Option (Exercise)	63,620	0.2361	0.1556	0.2528
Sale back to the Issuer	1,971	0.6307	0.9884	0.4775	Grants	43,269	0.2137	0.0000	0.4014
Others	1,510	0.4141	0.0000	0.4842	Others	8,722	0.4185	0.3363	0.4284
Total	147,169	0.9734	1.0000	0.1525	Total	133,608	0.3353	0.1235	0.3970
Panel B: All Insiders - Transaction-Level Share Ratios									
Open Market Trade	115,293	0.0815	0.0182	0.1899	Open Market Trade	16,190	0.1774	0.0190	0.5067
Option (Exercise and Sell)	24,426	0.0518	0.0138	0.1447	Option (Exercise)	63,657	0.1719	0.0430	0.4273
Sale back to the Issuer	1,914	0.1179	0.0313	0.2223	Grants	38,246	0.2289	0.0608	0.5164
Others	2,660	0.1208	0.0222	0.2408	Others	8,227	0.1224	0.0062	0.4294
Total	144,293	0.0777	0.0175	0.1851	Total	126,320	0.1866	0.0400	0.4675
Panel C: All Insiders - Annual-Aggregated Share Ratios									
Open Market Trade	26,252	0.2786	0.1551	0.3087	Open Market Trade	8,922	0.2178	0.0490	0.3776
Option (Exercise and Sell)	9,778	0.1073	0.0441	0.1887	Option (Exercise)	16,959	0.3478	0.1922	0.3963
Sale back to the Issuer	896	0.1419	0.0565	0.2202	Grants	9,839	0.2439	0.0912	0.3649
Others	506	0.1494	0.0640	0.2154	Others	2,510	0.1100	0.0109	0.2910
Total	37,432	0.2288	0.1086	0.2894	Total	38,230	0.2751	0.1109	0.3846

G Wealth

We define $W^F \equiv \theta W \equiv \alpha PN$ as the founders' *wealth in the firm*, and $W^M \equiv (1-\theta)W + \delta$ as their *wealth in the market*. Table $G1$ presents summary statistics by calendar year for founders' total wealth (W), the ratio of wealth gained from acquiring shares at a discounted price to total wealth (δ/W), wealth in own firm (W^F), and the ratio of wealth in own firm to total wealth (W^F/W). Founders' total wealth has shown significant growth over time. Overall, founders' wealth has gradually increased over time, rising from an average of \$39 million in 1996 to \$2.32 billion in 2018—an increase of nearly 60 times. In terms of the composition of founders' total wealth, the proportion of wealth gained from acquiring shares at a discounted price constitutes, on average, 5% of founders' total wealth. In addition, by the end of the sample period, the ratio of wealth in the firm to total wealth stands at 55%, suggesting that the wealth outside their firms, where founders can borrow or lend at market returns, contributes to 45% of their overall wealth. Therefore, focusing solely on founders' wealth in the firm significantly underestimates their total net wealth accumulated throughout the life cycle of their firms. Two notable time periods in our sample are the 1999-2000 dot-com era and the 2008-2009 financial crisis. During 1999 and 2000, the average founder tripled their wealth. However, in 2001, following the burst of the dot-com bubble, the average founder's wealth plummeted to half of its previous amount. Similarly, in 2009, founders' wealth fell to one-third of its earlier level.

Table G1: This table presents summary statistics for founders' total wealth (Columns 1 to 5), founders' wealth in the firms (Columns 6 to 9), and the ratio of founders' wealth in the firm to their total wealth (Columns 10 to 11) across calendar years, specially for true IPOs that occurred from 1996 to 2018. Total wealth is calculated using founders' ownership data, firm value, and the wealth gained by founders through acquiring shares at a discounted price, based on the methodology described in Section 6. Column (5) presents the percentage contribution of the wealth gained by founders through acquiring shares at a discounted price (δ) to their total wealth.

		Total Wealth (W, Bn)					Wealth in the Firm (W^F, Bn)				W^F/W	
Year	N	Mean	Median	S.D.	99%	δ/W	Mean	Median	S.D.	99%	Mean	Median
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1996	252	0.039	0.010	0.133	0.297	-	0.039	0.010	0.133	0.297	1.000	1.000
1997	495	0.036	0.010	0.082	0.427	4.81%	0.035	0.009	0.083	0.427	0.954	1.000
1998	576	0.051	0.013	0.132	0.613	4.37%	0.046	0.011	0.128	0.586	0.898	0.993
1999	793	0.095	0.022	0.425	1.507	4.54%	0.088	0.019	0.416	1.407	0.889	1.000
2000	902	0.138	0.023	0.609	1.490	4.01%	0.122	0.019	0.540	1.386	0.872	0.987
2001	753	0.064	0.012	0.231	0.626	4.83%	0.048	0.009	0.169	0.538	0.806	0.914
2002	603	0.062	0.011	0.211	0.538	3.92%	0.043	0.008	0.140	0.446	0.752	0.839
2003	483	0.061	0.014	0.211	0.610	3.16%	0.040	0.008	0.158	0.406	0.716	0.798
2004	466	0.129	0.022	0.640	3.005	2.69%	0.101	0.013	0.603	1.223	0.743	0.831
2005	424	0.159	0.024	0.760	2.879	4.41%	0.118	0.013	0.667	1.207	0.725	0.807
2006	403	0.238	0.029	1.316	4.117	11.26%	0.182	0.018	1.121	1.686	1.067	0.826
2007	406	0.278	0.033	1.619	3.960	4.03%	0.199	0.020	1.279	1.545	0.721	0.816
2008	352	0.284	0.027	1.636	6.144	3.74%	0.194	0.014	1.284	4.664	0.706	0.724
2009	307	0.211	0.025	1.144	3.807	3.54%	0.144	0.013	0.926	1.572	0.631	0.697
2010	312	0.327	0.030	1.858	7.801	3.70%	0.225	0.015	1.509	4.678	0.630	0.654
2011	304	0.425	0.038	2.207	16.032	3.73%	0.293	0.021	1.718	12.272	0.641	0.686
2012	305	0.508	0.038	2.642	19.307	3.80%	0.342	0.020	2.036	14.634	0.634	0.676
2013	333	0.579	0.043	3.017	20.492	3.92%	0.374	0.023	2.188	12.410	0.659	0.735
2014	356	0.733	0.043	4.033	29.219	4.52%	0.469	0.025	2.861	15.493	0.660	0.738
2015	345	0.936	0.047	5.351	35.887	5.71%	0.545	0.025	3.386	17.284	0.624	0.672
2016	308	1.032	0.045	6.223	39.352	6.08%	0.616	0.021	4.551	14.048	0.596	0.604
2017	260	1.487	0.064	8.781	51.190	5.66%	0.900	0.026	6.541	18.046	0.556	0.577
2018	206	2.320	0.074	13.351	60.313	5.99%	1.475	0.037	10.638	20.281	0.553	0.587
Total	9,944	0.318	0.024	3.051	3.668	4.58%	0.211	0.015	2.298	2.073	0.772	0.877