nvca

2022

YEARBOOK

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Credits & Contact

National Venture Capital Association (NVCA)

Washington, DC | San Francisco, CA

nvca.org | nvca@nvca.org | 202-864-5920

Venture Forward

Washington, DC | San Francisco, CA

ventureforward.org | hello@ventureforward.org

BOBBY FRANKLIN President & CEO
JEFF FARRAH General Counsel
JUSTIN FIELD Senior Vice President of Government Affairs
MARYAM HAQUE Executive Director, Venture Forward
SABRINA FANG Vice President of Communications & Marketing
STEPHANIE VOLK Vice President, Industry Engagement
RHIANON ANDERSON Senior Programs Director, Venture Forward
CHARLOTTE SAVERCOOL Senior Director of Government Affairs
MICHELE SOLOMON Senior Director of Administration
JASON VITA Director of Programming & Industry Relations
KISME WILLIAMS Director of Operations
ROBIN CEPPOS Communications Manager
JONAS MURPHY Manager of Government Affairs
JENNY ZEMEL Manager, Member Operations & Experiences
GILLIAN CARNEY Public Policy Coordinator
SAVANNA MALONEY Communications Coordinator

PitchBook Data, Inc.

pitchbook.com

RESEARCH

reports@pitchbook.com

EDITORIAL

editorial@pitchbook.com

SALES

sales@pitchbook.com

JOHN GABBERT Founder, CEO

NIZAR TARHUNI Senior Director, Institutional Research & Editorial

DATA AND DESIGN

ALEX WARFEL Quantitative Research Analyst
JULIA MIDKIFF Graphic Designer
MEGAN WOODARD Graphic Designer

NVCA Board of Directors 2021-2022

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March 2022

Dear Venture Capital Community:

This edition marks the 25th anniversary of the NVCA Yearbook, and it's incredible to see the growth, evolution, and resilience of the US venture capital ("VC") industry since our first publication. Given the VC bull run in recent years, describing 2021 as another record-breaking year may sound like a broken record. Nonetheless, the industry reached new heights for capital closed by VC funds, deployed into startups, and exited via an IPO or M&A in 2021. These topline numbers are no doubt impressive, but there is more to the story for this dynamic, fast-paced, and long-term asset class called venture capital. As NVCA has done for the past 25 years, we unpack these VC trends and insights in this annual publication.

Since the onset of the global pandemic in March 2020, our worlds—at home and in the workplace—have been turned upside down. Yet during these turbulent times, the venture industry has stepped up to the plate to meet our country's needs and strengthen our economy. Looking ahead, VC is also playing a critical role in addressing the country's long-term needs in sectors like climate-tech, life sciences, and cybersecurity.

The venture capital industry was founded in the US and has been an important economic engine for 50 years. The seven largest public companies at the end of 2021 trace their roots to VC funding; VC-backed companies account for 50% of US public markets, 77% of market capitalization, and 92% of R&D; and employment at VC-backed companies grew at a pace 8x that of employment at non-VC-backed companies from 1990 to 2020.

Other countries increasingly recognize the power of VC and have made big strides to encourage more domestic VC activity. In 2004, US VC-backed companies accounted for 82% of global VC dollars invested. Since then, that annual share has dropped steadily and leveled out to just below 50% in 2021. To ensure America's competitiveness and lead in the race for talent and innovation, NVCA remains focused on advocating for public policy that encourages a healthy and vibrant VC ecosystem.

With a new administration taking office in 2021, the NVCA team was hard at work advocating on behalf of venture investors and startups. Furthermore, we continued to support the VC ecosystem through education, programs, convening, and research through our two platforms: NVCA (membership-driven and public policy-focused) and Venture Forward (donor-driven, with a focus on diversity, equity, and inclusion and educating the next generation of VC investors).

We express our gratitude to our members and partners, without whom NVCA's impact to ensure the health of the VC industry would not be possible. We also send a special thank you to our official data provider, PitchBook, for their continued data and research support, specifically in producing this important annual publication. The Yearbook and its supporting data may be accessed three ways: 1) this PDF report; 2) the PDF data pack, which is available to the public; and 3) the XLS data pack, which is available only to NVCA members.

The industry's success in 2021 was years in the making, the foundation of which started about a decade ago. Several years of healthy startup activity and growth and fundraising for VC funds have produced outsized returns and impact. Those proceeds have been cycled back into the ecosystem to fund new startups that will hopefully lead to future success and positive impact 10 years from now. There are more VC-backed startups and VC funds in the country today than ever before. Whether VC activity in 2022 continues at the same pace remains to be seen, but the next generation of innovative and impactful companies are being built today. We're excited to see what's in store for 2022 and beyond!

Bobby Franklin
President and CEO
bfranklin@nvca.org

Executive Summary

US VC activity reached new heights in 2021. For the first time ever, fundraising for VC funds topped $100 billion, VC investment into companies surpassed $300 billion, VC-backed IPOs raised more than $500 billion, and disclosed VC-backed M&A transactions exceeded $100 billion. With 14,411 VC-backed companies raising capital in 2021, this averaged out to about 40 companies raising an aggregate of about $900 million each day. On the surface, these are extraordinary numbers. Looking ahead, it will be exciting to see the positive impact that these VC-backed companies will have on innovation, value creation, wealth creation, and job creation.

However, describing the VC industry today in general terms and referencing topline numbers does not capture the full picture of the dynamics and depth within the ecosystem. In many regards, VC is no longer a monolith, and pre-seed and seed investing, early-stage investing, and late-stage investing are increasingly characterized as distinct subindustries. The VC industry today looks very different than even 10 years ago, with more types and sources of capital available to entrepreneurs from the earliest to latest stages of their VC lifecycles.

VC investors span from large, generalist funds, to small, first-time funds with a sector or niche focus (and everything in between). Privately held VC-backed companies may consist of two founders and an idea, or have a $10 billion+ valuation and thousands of employees (and everything in between). The Yearbook unpacks these trends and nuances, since interesting dynamics are at play at all parts of the VC cycle.

On the heels of several years of strong VC fundraising, assets under management (AUM) for the US VC industry reached $995 billion at the end of 2021. These assets were managed by 2,889 firms and 5,338 funds in existence. While $995 billion is a striking number, more than 75% of those assets correspond to the values of current investments, whereas 22% (or $223 billion) is dry powder—that is, new funds available to deploy. Compared to 2020, VC AUM and dry powder grew 36% and 21%, respectively, in 2021.

Starting off 2022 with ample dry powder, investors are in a prime position to put capital to work in the next generation of promising startups.

Highlights of the US Venture Ecosystem in 2021:

CAPITAL COMMITMENTS TO VENTURE FUNDS *(More details starting on page 21)*

- VC investors closed $131 billion across 771 funds in 2021 to deploy into promising startups, surpassing $100 billion for the first time ever and marking the second consecutive year of more than $80 billion closed.
- Capital raised by first-time funds bounced back in 2021 after a dip in 2020 which coincided with the onset of the COVID-19 pandemic. 184 first-time funds closed on a total of $9.5 billion last year.
- 10 VC funds closed on $2 billion or more in 2021, compared to five funds of this size closing in 2020.
- VC funds based in 37 states and the District of Columbia held final closes on venture funds in 2021, with Arkansas, Indiana, Wisconsin, Missouri, and Texas seeing the biggest year-over-year gains in capital closed.
- The overall US median VC fund size in 2021 was $50 million, a 22% increase from 2020.
- Outside of California, Massachusetts, and New York, the median VC fund size reached $28.65 million in 2021, an increase of 102% compared to 2020. This is still relatively small compared to the three states where VC activity has been most concentrated—the median for California, Massachusetts, and New York, collectively, was $60.0 million.

CAPITAL DEPLOYED TO STARTUPS *(More details starting on page 26)*

- 14,411 venture-backed companies received $332 billion in funding in 2021; both metrics set a new annual record. 2021 marked the fifth consecutive year of more than 10,000 companies raising VC funding and the fourth consecutive year of more than $140 billion invested.
- VC mega-deals (investments of $100 million+ into venture-backed companies) more than doubled in 2021 compared to 2020, with 770 deals recorded, and accounted for 56% of total capital invested last year.
- Unicorns (venture-backed companies valued at $1 billion+), many of which raised mega-deals, attracted $140 billion, or 42% of total capital invested, but 4% of the total deals completed in 2021. Unicorn deal value nearly tripled from 2020.
- After seeing a decline in 2020, the number of angel/seed investments in 2021 bounced back and reached a new annual record, with 6,181 angel/seed deals closed. However, angel/seed investments as a share of overall VC deal count dipped to below 40% for the first time since 2011.
- The number of early-stage investments closed also reached a record in 2021 with 4,747 deals. This represented 30% of total VC deal count, a slightly larger share than in 2020.
- Late-stage VC investments neared 5,000 closed in 2021 and comprised 31% of total deal count.
- Median deal sizes increased across all stages in 2021: angel/seed reached $2 million (43% YoY increase), early-stage hit $10 million (52% YoY increase), and late-stage notched $16 million (60% YoY increase).
- The number of first-time financings (the first round of equity funding in a startup by an institutional venture investor) and capital raised in these deals increased in 2021 after leveling off for a few years. 4,156 companies raised first-time funding and attracted $23.6 billion, with both metrics hitting annual records. However, the share of deal count and deal value these fundings represent of overall VC continues to decline. First-time deals accounted for 26% of total deal count and just 7% of total deal value, both record lows.
- The software sector's dominance grew in 2021, accounting for 37% of both overall VC deal count and deal value. While the life science sector's absolute investment grew in 2021, its relative share of deal count and deal value declined to 14% and 16%, respectively, after seeing 10-year highs in 2020. Energy saw the largest YoY growth, with 259 energy investments for an aggregate $8.8 billion in 2021, representing 42% and 256% YoY increases, respectively.
- 2021 marked the fourth consecutive year where more than 2,000 venture investments involved corporate venture capital (CVC) participation. In 2021, 19% of all VC deals involved CVC.
- Growth equity* activity exploded in 2021. Investors deployed $223 billion across 2,618 growth equity investments in 2021, a 2x increase in capital and 61% increase in deal count compared to 2020.

- Venture funding reached startups in all 50 states, the District of Columbia, Puerto Rico, 251 metropolitan statistical areas (MSAs), and 414 congressional districts. 19 states have seen double-digit annual growth rates, calculated as compound annual growth rate (CAGR), in their number of VC investments over the past five years. 47 states have seen double-digit CAGRs for VC dollars invested over the past five years.
- Startups receiving venture funding in 2021 represented approximately 2,425,979 employees.**
- Globally, $683 billion was invested across 40,000+ deals in 2021. The U.S. represented 49% of global VC dollars and 40% of global deal count. In comparison, the U.S. accounted for 82% of global VC dollars and 74% of global deal count in 2004.

EXIT LANDSCAPE *(More details starting on page 36)*

- Venture-backed exit value hit another record year in 2021, at $774.1 billion.
- 296 venture-backed public listings represented $681 billion in exit value in 2021, eclipsing the $208 billion record set in 2020.
- The 296 venture-backed public listings included 181 VC-backed IPOs that represented $512 billion. These IPOs collectively had a post-money valuation of $614 billion, stemming from just $60.8 billion in VC funding invested prior to IPO. VC-backed IPOs accounted for nearly 20% of total US IPO count last year.
- M&A transactions continued their strong run in 2021 and marked the sixth consecutive year with $50 billion+ in disclosed exit value. In 2021, 1,357 M&A transactions (233 with disclosed values) represented a total of $102 billion in disclosed exit value, a 28% increase from the annual record set in 2020.
- 2021 saw 558 SPAC registrations for a cumulative total of just over $135 billion.

While VC activity reached new heights in 2021, NVCA was hard at work supporting the ecosystem through advocacy, education, convening, programs, research, and more. January 2021 welcomed a new administration to Washington, which brought with it new opportunities and challenges for entrepreneurs and VC investors. Key provisions in the Build Back Better Act, antitrust and acquisition regulations, financial regulatory proposals, the Endless Frontier Act and the US Innovation Competition Act, immigration, and other public policy issues have been a priority for the NVCA policy team to ensure the voice of the VC ecosystem is understood and heard (more details on NVCA's public policy priorities are on page 45).

In addition to advocacy, June 2021 marked the one-year anniversary of the launch of Venture Forward, NVCA's 501(c)(3) supporting organization focused on advancing a more diverse, equitable, and inclusive VC industry, and educating the next generation of VC leaders (see page 50). Programs and member events largely continued in a virtual format for NVCA and Venture Forward in 2021, including the Strategic Operations and Policy Summit, VC University, LP Office Hours, the Strategic Communications Group Summit, and a new "Spotlight On" series highlighting emerging VC ecosystems across the country. A few in-person Leadership Dinners were mixed in (when safe to do so) in Palo Alto, Los Angeles, and Boston.

Stay tuned for another year of robust VC and NVCA activity!

*Growth equity is not included as a subset of overall VC data in this publication, but is rather its own unique dataset. More details on the methodology defining growth equity data are on page 52.

**Based on PitchBook's custom estimation methodology for number of employees at venture-backed companies in the US. Data is as of December 31, 2021.

Note to readers: Figures for prior years throughout this edition of the Yearbook may be different from last year's edition due to new and updated information.

Venture Capital 101

This section offers an overview of what venture capital is, the impact this unique form of financing has had on our economy and society, and why it is important for America's economic future.

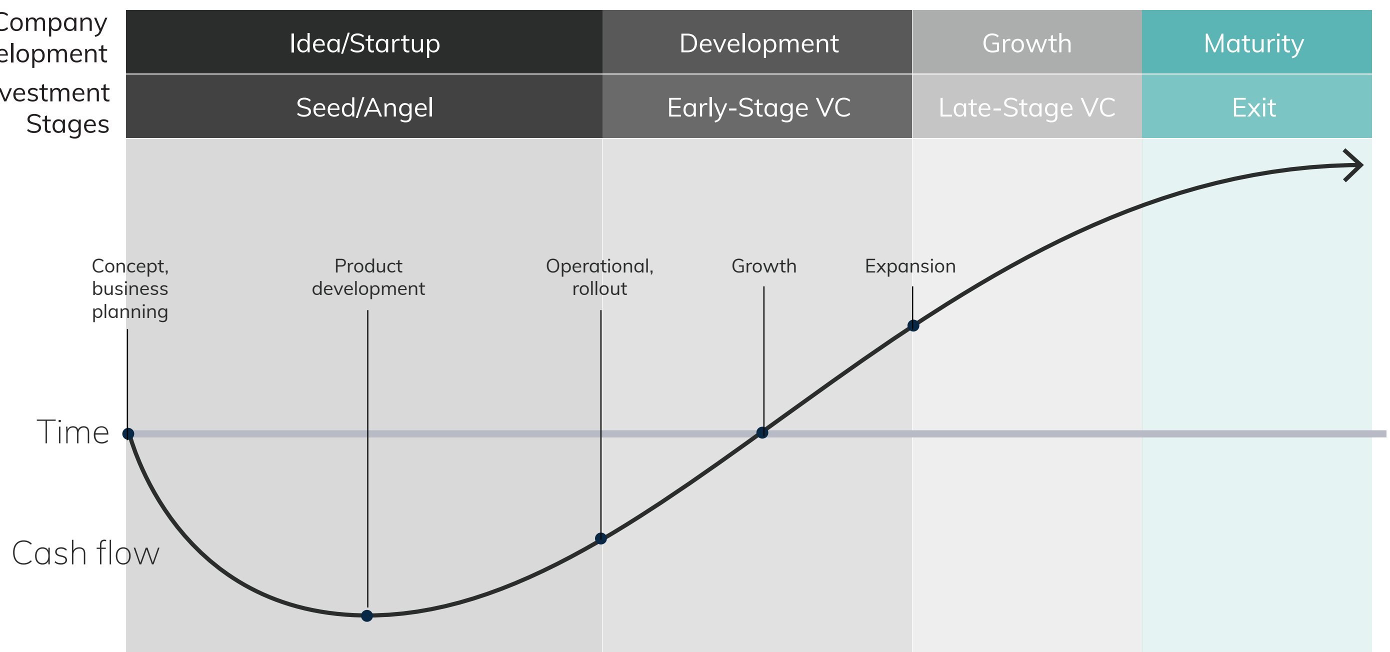
Venture capital has enabled the United States to support its entrepreneurial talent by turning ideas and basic research into products and services that have transformed the world. VC funds build companies from the simplest form—perhaps just the entrepreneur and an idea expressed as a business plan—to freestanding, mature organizations.

Risk Capital for High-Growth Businesses

VC firms are professional, institutional managers of risk capital that enable and support the most innovative and promising companies. VC supports new ideas that 1) could not be financed with traditional bank financing; 2) threaten established products and services in a corporation or industry; and 3) typically require five to eight years (or longer!) to reach maturity.

Venture capital is quite unique as an institutional investor asset class. VC funds make equity investments in a company that has essentially illiquid and worthless stock until a company matures five to eight years down the road. Follow-on investment provides additional funding as the company grows. These "rounds," typically occurring every year or two, are also based on equity in the company, with the shares allocated among the investors and management team based on an agreed "valuation." However, unless a company is acquired or goes public, there is little actual value. Venture capital is a long-term investment.

Venture Capital Plays a Vital Role in a Startup's Growth



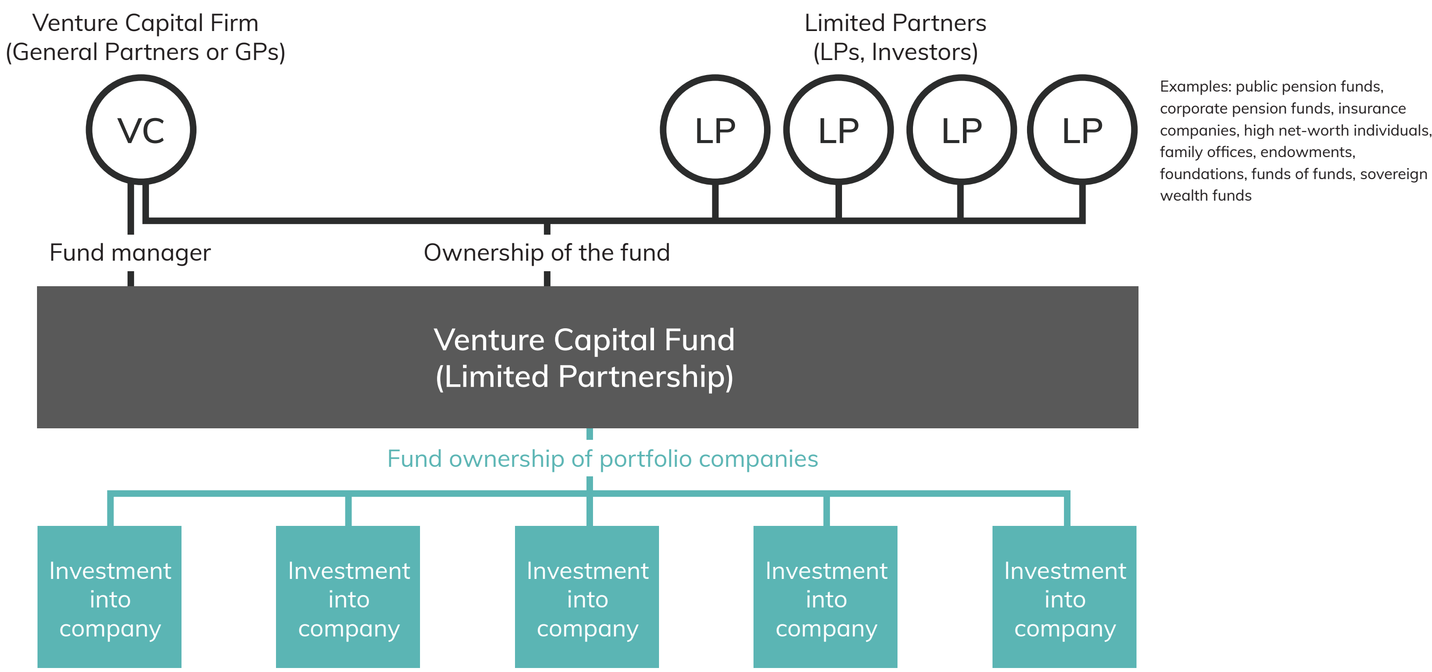
Sources of funding: VCs, angel investors, incubators, accelerators, strategic investors (corporate groups), growth equity investors, private equity firms, debt investors

Venture Investors Partner with Entrepreneurs

The US venture industry provides the capital to create some of the most innovative and successful companies. However, VC is more than money. A venture professional's most precious asset is time. According to a 2016 study, *How Do Venture Capitalists Make Decisions?*, for every company in which a venture firm eventually invests, the firm considers roughly 100 potential opportunities.[1] The same study, which included results from a survey of 889 VC professionals at 681 firms, showed that the median venture firm closes about four deals per year. Team, business model, product, market, valuation, fit, ability to add value, and industry are all important factors venture investors consider when evaluating investments into startups. VC investors are seeking entrepreneurs who are addressing global markets, have superb scalability, demonstrate success within a reasonable timeframe, and are truly innovative.

A venture capital investor's competitive advantage is the expertise and guidance they provide to the entrepreneurs in their portfolio. Once the investment into a company has been made, VC partners actively engage with a company, providing strategic and operational guidance, connecting entrepreneurs with investors and customers, taking a board seat at the company, and hiring employees. With a startup, daily interaction with the management team is common. This active engagement with a fledgling startup is critical to the company's success and often limits the number of startups into which any single fund can invest. Many one- and two-person companies have received funding, but no one- or two-person company has ever gone public! Along the way, the company must recruit talent and scale up. Any VC investor who has had a "home-run" investment will tell you that the companies capable of breaking through the gravity were able to evolve the original business plan due to careful input from an experienced hand.

The VC Fund Structure



1: Gompers, Paul A. and Gornall, Will and Kaplan, Steven N. and Strebulaev, Ilya A., How Do Venture Capitalists Make Decisions? (August 1, 2016). Stanford University Graduate School of Business Research Paper No. 16-33; European Corporate Governance Institute (ECGI) - Finance Working Paper No. 477/2016. Available at SSRN: https://ssrn.com/abstract=2801385

Common Structure—Unique Results

While the legal and economic structures used to create a VC fund are similar to those used by other alternative investment asset classes, VC itself is unique. Typically, a venture capital firm will create a limited partnership (LP), with the investors as LPs and the firm itself as the general partner (GP). Examples of LPs include public pension funds, corporate pension funds, insurance companies, family offices, endowments, and foundations. Each "fund," or portfolio, is a separate partnership.

A new fund is established when the VC firm obtains necessary commitments from its investors, say $50 million (the median size of a US venture fund closed in 2021). The money is taken from Limited Partners as the investments are made through what are referred to as "capital calls." Typically, an initial funding of a company will cause the venture fund to reserve three or four times that first investment for follow-on financing. Over the next three to eight years, partners from the venture firm work with the founding entrepreneur to grow the company. The potential payoff comes only after the company is acquired or goes public. Although venture investors have high hopes for any company getting funded, the 2016 study *How Do Venture Capitalists Make Decisions?* found that, on average, 15% of a venture firm's portfolio exits are through IPOs while about half are through M&A.

Economic Alignment of All Stakeholders—An American Success Story

Venture capital is rare among asset classes in that success is truly shared. It is not driven by quick returns, financial engineering, debt, or transaction fees. Economic success occurs when the stock price increases above the purchase price. When a company is successful and has a strong public stock offering, or is acquired, the stock price of the company reflects its success. The entrepreneur benefits from appreciated stock and stock options. The rank-and-file employees throughout the organization historically also do well with their stock options. The VC fund and its LP investors split the capital gains per a pre-agreed formula. Many college endowments, pension funds, charities, individuals, and corporations have benefited far beyond the risk-adjusted returns of the public markets.

At the same time, the risk capital that fuels startups can bring benefits to local economies in the form of company growth, competitiveness, and job creation. In fact, recent studies have found that high-growth startups account for as many as 50% of gross jobs created, and an average of 2.9 million net jobs created annually between 1980 and 2010.[2]

How Venture Capital Works

Fundraising

VCs raise capital for funds from LPs.

Investment

VCs typically invest in young, high-growth companies in need of capital to scale.

Company Growth

VCs provide active management and act as advisors & mentors, taking board seats, providing strategic advice, facilitating introductions.

Exit

After about five–10 years of creating a high-growth company, the VC exits its stake via an acquisition or IPO. IPOs have more advantages: greater capital raised, higher returns, local job creation.

Returns

In addition to companies benefitting, VCs and LPs make a profit on their investment. High-quality jobs are created, more capital is available for university research, retirees have more for retirement, foundations have more resources to fund their work.

Re-investment

The fund ends when all investments have been exited and proceeds have been distributed to LPs. LPs can then reinvest earnings in a new crop of funds.

2: Kauffman Foundation, The Economic Impact of High-Growth Startups (January 7, 2016). https://www.kauffman.org/-/media/kauffman_org/resources/2016/entrepreneurship-policy-digest/pd_highgrowth060716.pdf and Decker, Ryan, John Haltiwanger, Ron Jarmin, and Javier Miranda. 2014. "The Role of Entrepreneurship in US Job Creation and Economic Dynamism." Journal of Economic Perspectives, 28 (3): 3-24. https://www.aeaweb.org/articles?id=10.1257/jep.28.3.3

The contrast between job creation at VC-backed companies and non-VC-backed companies is stark. NVCA, Venture Forward, and the University of North Carolina Kenan Institute of Private Enterprise recently released new research which found that employment at VC-backed companies grew 960% from 1990 and 2020 at a pace eight times that of employment at non-VC-backed companies. The research also found that VC-backed jobs were resilient in economic downturns: even after the 2007-2008 financial crisis and during the Great Recession, annual job growth at VC-backed companies exceeded 4.0%. By comparison, total private sector employment shrank by 4.3% in 2009. And while California, Massachusetts, and New York have historically dominated VC activity, 62.5% of VC-backed jobs are outside those three states.[3]

The Impact of Venture-Backed Companies Beyond Financial Returns

While venture investing has generated billions of dollars for investors and their institutions and created millions of jobs over the years, the economic impact of venture-backed companies has been even more far-reaching. Many VC-backed companies have scaled, gone public, and become household names while simultaneously generating high-skilled jobs and trillions of dollars of benefit for the US economy.

A 2021 study, *The Economic Impact of Venture Capital: Evidence from Public Companies*, analyzed the impact venture-backed companies, as a subset of all US public companies founded after 1968 and went public between 1978 and 2020, have had on the economy. The study found that of the 1,677 US companies that went public in that period, 834 (or 50%) were venture-backed. These 834 companies represent 77% of the market capitalization, 92% of total research and development, and 81% of total patents.[4]

At the end of 2021, VC-backed companies accounted for the seven largest publicly traded companies by market capitalization in the US: Apple ($2.9 trillion), Microsoft ($2.5 trillion), Alphabet ($1.9 trillion), Amazon ($1.7 trillion), Tesla ($1.1 trillion), Meta ($922 billion), and NVIDIA ($735 billion).[5]

Furthermore, recent research released by Silicon Valley Bank found that 42% of FDA-approved US drugs between 2009 and 2018 originated with VC funding.[6]

What's Ahead

Much of venture's success has come from the vibrant entrepreneurial spirit in the US, financial recognition of success, access to good science, a pipeline of talent, and fair and open capital markets. It is dependent upon investment in scientific research, motivated entrepreneurs, protection of intellectual property, a skilled workforce, and public policies that encourage new company formation. The nascent deployment of VC in some countries is gated by a country's or region's cultural fit, tolerance for failure, services infrastructure that supports developing companies, intellectual property protection, efficient capital markets, and the willingness of big business to purchase from small companies.

Venture capital investing is now global. While the US historically has held a stronghold on global VC activity, the rest of the world has been catching up. In the 1990s, US-based startups attracted more than 90% of annual global VC dollars invested. Today, US-based startups account for less than half of global VC dollars invested. It's important to note that global investment has grown over that time—that is, the US decline in global market share is on relative terms, not by absolute dollars. However, with global competition increasing for innovation and talent, empowering high-growth startups and ensuring the US is the most attractive place to start a company are critical to the continued success of our country's entrepreneurial ecosystem.

Learn more: *If you're interested in an introductory certificate course on VC, check out VC University ONLINE. A brief overview of the history of VC is available here.*

3: NVCA, Venture Forward, University of North Carolina Kenan Institute of Private Enterprise & Research. "An Analysis of Employment Dynamics at Venture-Backed Companies Between 1990 and 2020" February 2022. https://nvca.org/employment-dynamics
4: Gornall, Will and Strebulaev, Ilya A., The Economic Impact of Venture Capital: Evidence from Public Companies (June 2021). Available at SSRN: https://ssrn.com/abstract=2681841 or http://dx.doi.org/10.2139/ssrn.2681841
5: Data as of December 31, 2021.
6: Silicon Valley Bank, "Trends in Healthcare Investments and Exits 2019" (Mid-year report 2019) https://www.svb.com/globalassets/library/managedassets/pdfs/healthcare-report-2019-midyear.pdf

Data provided by PitchBook

At-a-Glance: The US Venture Industry

One year into the global pandemic, the VC industry showed its strength and resilience. The evolving and maturing ecosystem capped off 2021 with more VC firms, funds, assets, and dry powder than ever before.

At the end of 2021, the US VC industry had 2,889 active venture firms. These firms collectively managed 5,338 venture funds and had approximately $995 billion in US VC assets under management (AUM). Of the $995 billion in AUM, $773 billion represents the value of existing investments, while $223 billion is dry powder (new capital to invest in startups). VC fundraising and investment activity have reached new heights in recent years, so it is no surprise AUM has also grown steadily. While AUM increased 36% from 2020 to 2021, dry powder increased by 21%, which indicates much of the AUM growth stems from existing investment values.

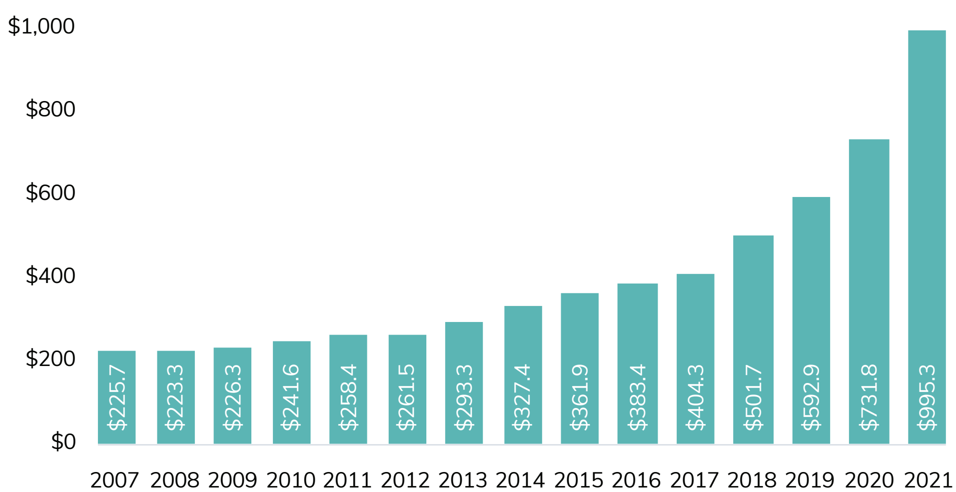
For the second consecutive year, three states—California, Massachusetts, and New York—accounted for 84% of total US VC AUM in 2021. California, Massachusetts, and New York saw sizable YoY AUM increases of 32%, 31%, and 50%, respectively. Although VC assets remain geographically concentrated in these three states, several other states had much higher YoY AUM increases from 2020 to 2021, notably Wyoming (223%), Indiana (154%), Montana (137%), Arkansas (110%), and Iowa (99%). In fact, VC AUM increased by 20%+ for 40 states between 2020 and 2021. At the end of 2021, 34 states had more than $300 million in AUM. By comparison, only 25

VC Summary Statistics

	2007	2013	2021
# of VC Firms in Existence	987	1,132	2,889
# of VC Funds in Existence	1,619	1,767	5,338
# of First-Time VC Funds Raised	46	91	184
# of VC Funds Raising Money	201	326	771
VC Raised ($B)	$33.8	$22.4	$131.2
VC AUM ($B)	$225.7	$293.3	$995.3
Average VC AUM per Firm ($M)	$217.4	$224.9	$353.6
Average VC Fund Size to Date ($M)	$128.1	$131.0	$129.7
Average VC Fund Size Raised this Year ($M)	$185.5	$88.7	$185.5
Median VC AUM per Firm ($M)	$66.9	$54.4	$56.2
Median VC Fund Size to Date ($M)	$55.0	$52.0	$45.0
Median VC Fund Size Raised ($M)	$100.0	$29.7	$50.0
Largest VC Fund Raised ($M)	$3,000.0	$1,200.0	$6,655.3

Source: NVCA 2022 Yearbook, Data provided by PitchBook
Note: The number of firms in existence is based on a rolling count of firms that raised a fund in the last eight vintage years. The number of VC funds in existence is based on a rolling count of funds that have closed in the last eight vintage years. AUM is calculated by adding together a firm's total remaining value and their total dry powder.

VC AUM ($B)



Source: NVCA 2022 Yearbook, Data provided by PitchBook

states fell into that range just five years ago, a positive sign for investors and entrepreneurs across the country and for the geographic dispersion of VC assets.

However, VC assets captured in a firm's headquarter state are often not a reliable indicator of that state's VC activity, since firms frequently invest in companies outside their state, as noted on the charts on page 30. With the onset of the global pandemic in 2020, there was concern that VC concentration in California, Massachusetts, and New York may increase due to less travel and fewer in-person meetings. This was the case for a few months, but the VC industry quickly pivoted. Virtual meetings have become common, and talent migration has dispersed more investors and entrepreneurs to more geographies.

The median venture firm size was $56 million in 2021. While VC AUM has grown and mega-funds have become more prevalent, 66% of firms managed less than $100 million at the end of 2021, and 132 firms managed $1 billion+.

In 2021, 17,342 active investors (all types and headquartered globally) made one or more investment into US companies, setting a new annual record after steadily increasing since 2010. Active US-based VC investors increased (3,401 in 2021) after appearing to level off in 2020 and represented a 2.3x increase since 2004. US VC investors making first-round investments also increased to 1,751 after holding steady around 1,400 for the three years prior.

The US share of global VC fundraising reached a 13-year high in 2021, accounting for 61% of total capital raised. US companies gained some ground on the share of global investment, representing 49% of VC dollars in 2021. However, this remains well below the 82% US share in 2004. Even though US VC-backed companies had a record year for exit value, the US lost ground in global market share—55% of global venture-backed exit value in 2021 stemmed from US companies (compared with 62% in 2020).

Fund and Firm Analysis

Year	Total Cumulative Fund Count	Total Cumulative Firm Count	Total Cumulative Capital ($B)	Existing Funds	Firms That Raised Funds in the Last Eight Vintage Years	AUM ($B)	Average Fund Size ($M)	Average Commitments + NAV ($M)	Median Fund Size ($M)	Median Commitments + NAV ($M)
2007	2,940	1,227	$347.4	1,619	987	$225.7	$185.5	$217.4	$100.0	$66.9
2008	3,139	1,295	$378.2	1,424	882	$223.3	$174.1	$218.6	$65.8	$61.6
2009	3,297	1,352	$394.6	1,359	861	$226.3	$127.3	$216.7	$43.3	$65.8
2010	3,472	1,423	$412.1	1,385	883	$241.6	$115.1	$230.7	$44.5	$71.5
2011	3,678	1,514	$436.0	1,480	939	$258.4	$145.7	$246.0	$38.7	$74.2
2012	3,983	1,652	$461.1	1,623	1,036	$261.5	$115.2	$229.4	$22.1	$56.3
2013	4,309	1,801	$483.6	1,767	1,132	$293.3	$88.7	$224.9	$29.7	$54.4
2014	4,792	2,041	$522.7	2,053	1,315	$327.4	$105.8	$221.8	$23.2	$46.1
2015	5,353	2,308	$565.4	2,413	1,521	$361.9	$97.3	$210.6	$20.0	$39.1
2016	5,989	2,581	$615.4	2,850	1,736	$383.4	$106.4	$197.5	$25.0	$33.8
2017	6,632	2,890	$659.8	3,335	2,007	$404.3	$93.6	$191.7	$25.1	$34.6
2018	7,390	3,226	$733.9	3,918	2,291	$501.7	$132.9	$218.6	$30.1	$38.0
2019	8,123	3,507	$804.3	4,445	2,515	$592.9	$173.2	$241.9	$35.0	$43.8
2020	8,876	3,792	$889.1	4,893	2,712	$731.8	$150.0	$278.3	$41.0	$46.7
2021	9,647	4,062	$1,020.3	5,338	2,889	$995.3	$185.5	$353.6	$50.0	$56.2

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Number of Active Investors

	# of Active Investors	# of Active First-Round Investors	# of Active Life Science Investors	# of Active VC Investors	# of Active VC First-Round Investors	# of Active VC Life Science Investors	# of Active US Investors	# of Active US First-Round Investors	# of Active US Life Science Investors	# of Active US VC Investors	# of Active US VC First-Round Investors	# of Active US VC Life Science Investors
2007	3,414	1,509	971	1,580	748	549	2,454	1,150	729	1,257	634	440
2008	3,703	1,530	974	1,677	740	559	2,612	1,156	749	1,316	610	449
2009	3,227	1,332	892	1,477	595	507	2,273	1,007	675	1,154	510	412
2010	3,836	1,764	841	1,643	713	483	2,644	1,279	650	1,286	595	402
2011	5,070	2,578	915	1,888	935	516	3,198	1,717	709	1,455	773	433
2012	6,344	3,151	1,011	2,162	1,064	544	3,760	2,006	771	1,670	863	456
2013	8,037	3,635	1,180	2,479	1,133	584	4,213	2,044	865	1,854	913	483
2014	10,893	4,317	1,584	2,959	1,307	703	4,936	2,207	1,030	2,163	1,046	553
2015	11,922	4,180	1,790	3,327	1,358	780	5,200	2,098	1,121	2,372	1,073	619
2016	10,735	3,530	1,492	3,550	1,421	759	4,999	1,902	1,017	2,501	1,120	595
2017	11,168	3,579	1,773	4,014	1,698	913	5,205	1,974	1,147	2,759	1,297	686
2018	12,324	4,006	2,085	4,556	1,942	1,091	5,497	2,155	1,274	2,925	1,404	766
2019	13,298	4,140	2,029	4,827	1,922	1,088	5,839	2,211	1,292	3,112	1,456	791
2020	14,103	4,565	2,455	5,000	2,044	1,316	5,815	2,252	1,487	3,159	1,495	925
2021	17,342	6,329	2,624	5,981	2,704	1,346	6,593	2,581	1,517	3,401	1,751	892

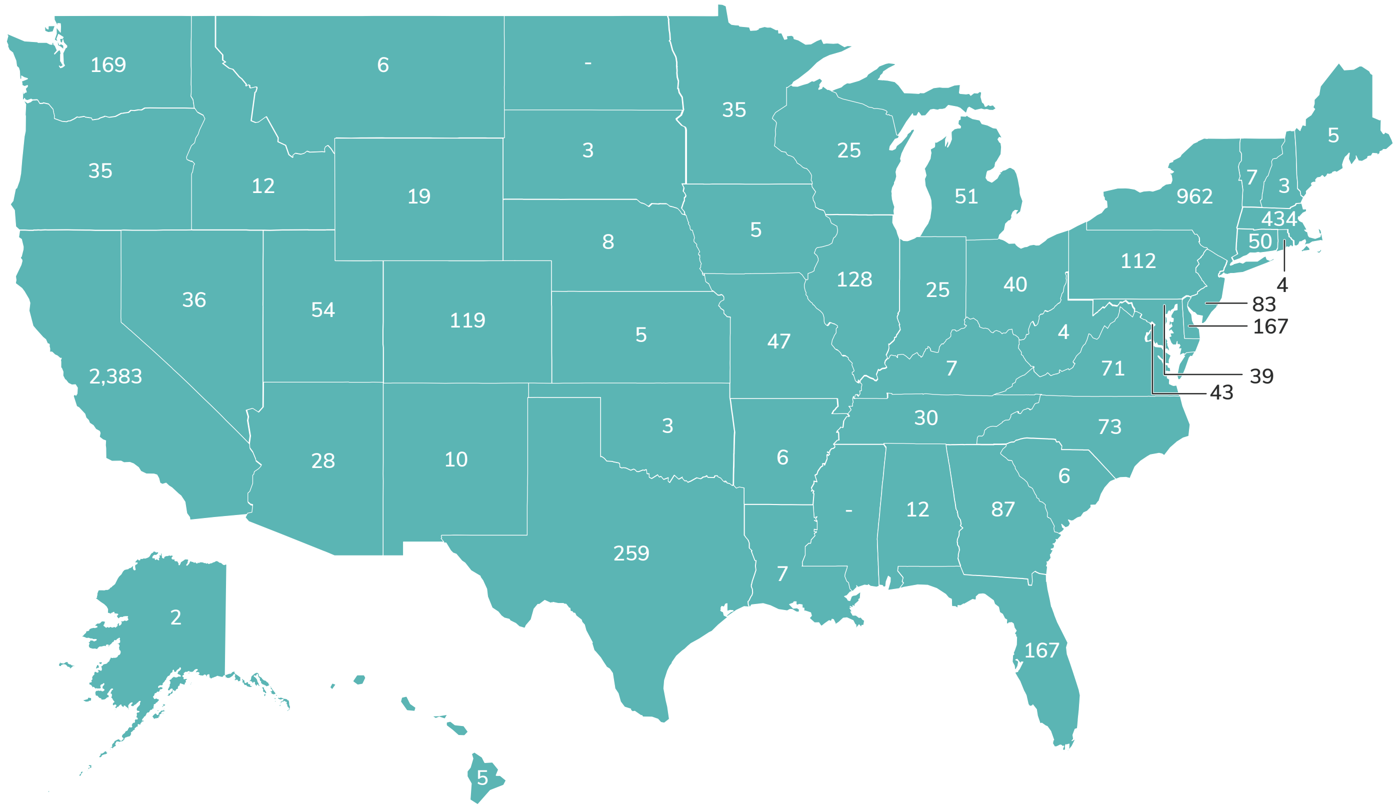
Source: NVCA 2022 Yearbook, Data provided by PitchBook
Note: VC investors include entities with primary investor type as: venture capital, corporate venture capital, or not-for-profit venture capital. VC investors are headquartered globally, but only counted if they invested in a US company.

US as a % of Global VC Deal Activity

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Global Deal Value ($B)	$37.7	$48.6	$68.1	$62.3	$74.4	$120.4	$177.3	$191.6	$200.7	$339.4	$309.8	$351.8	$682.6
US Deal Value ($B)	$27.8	$32.0	$45.4	$41.6	$49.6	$73.9	$85.8	$82.6	$88.5	$144.3	$144.8	$167.1	$332.8
Global Deal Count	7,211	9,400	11,926	14,236	17,613	21,862	27,323	27,544	29,021	31,870	32,110	31,891	40,072
US Deal Count	4,581	5,560	6,901	8,026	9,512	10,709	11,341	10,215	11,101	11,622	12,510	12,173	15,855
US as % of Global Value	73.7%	65.8%	66.7%	66.9%	66.6%	61.4%	48.4%	43.1%	44.1%	42.5%	46.7%	47.5%	48.8%
US as % of Global Count	63.5%	59.1%	57.9%	56.4%	54.0%	49.0%	41.5%	37.1%	38.3%	36.5%	39.0%	38.2%	39.6%

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Active Investor Count in 2021 Deals by Company HQ State



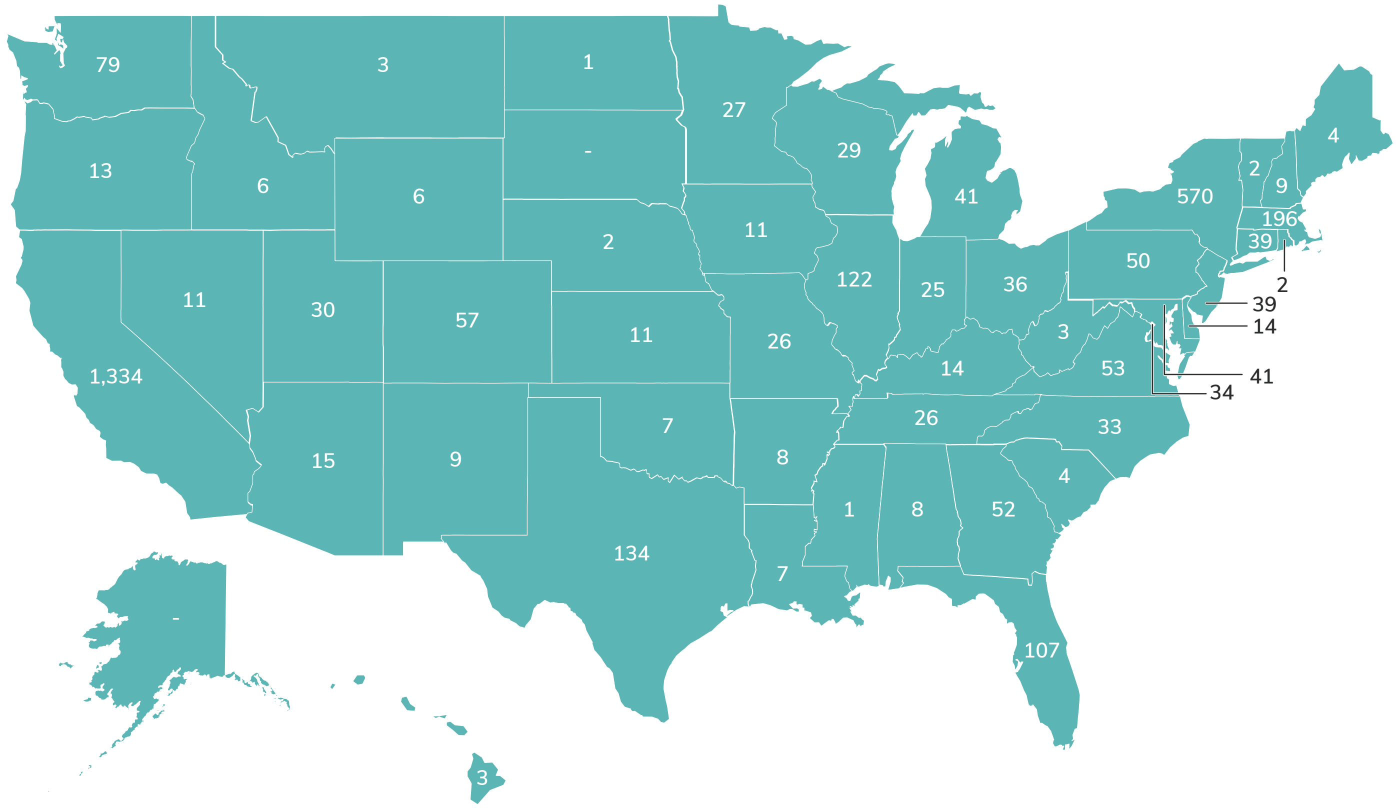
Source: NVCA 2022 Yearbook, Data provided by PitchBook

US as a % of Global VC Exit Activity

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Global Exit Value ($B)	$30.0	$75.1	$96.5	$138.6	$98.0	$206.1	$133.2	$120.4	$190.2	$307.9	$371.0	$527.0	$1,370.8
US Exit Value ($B)	$16.6	$48.4	$67.4	$128.3	$72.5	$112.2	$75.6	$73.8	$100.5	$124.0	$264.0	$324.7	$749.0
Global Exit Count	814	1,263	1,312	1,486	1,641	2,073	2,341	2,250	2,248	2,256	2,452	2,461	3,535
US Exit Count	485	740	760	885	933	1,108	1,064	970	1,013	1,146	1,189	1,126	1,656
US as % of Global Value	55.2%	64.5%	69.9%	92.6%	74.0%	54.4%	56.8%	61.3%	52.9%	40.3%	71.2%	61.6%	54.6%
US as % of Global Count	59.6%	58.6%	57.9%	59.6%	56.9%	53.4%	45.5%	43.1%	45.1%	50.8%	48.5%	45.8%	46.8%

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Active Investor Count in 2021 Deals by Investor HQ State



Source: NVCA 2022 Yearbook, Data provided by PitchBook

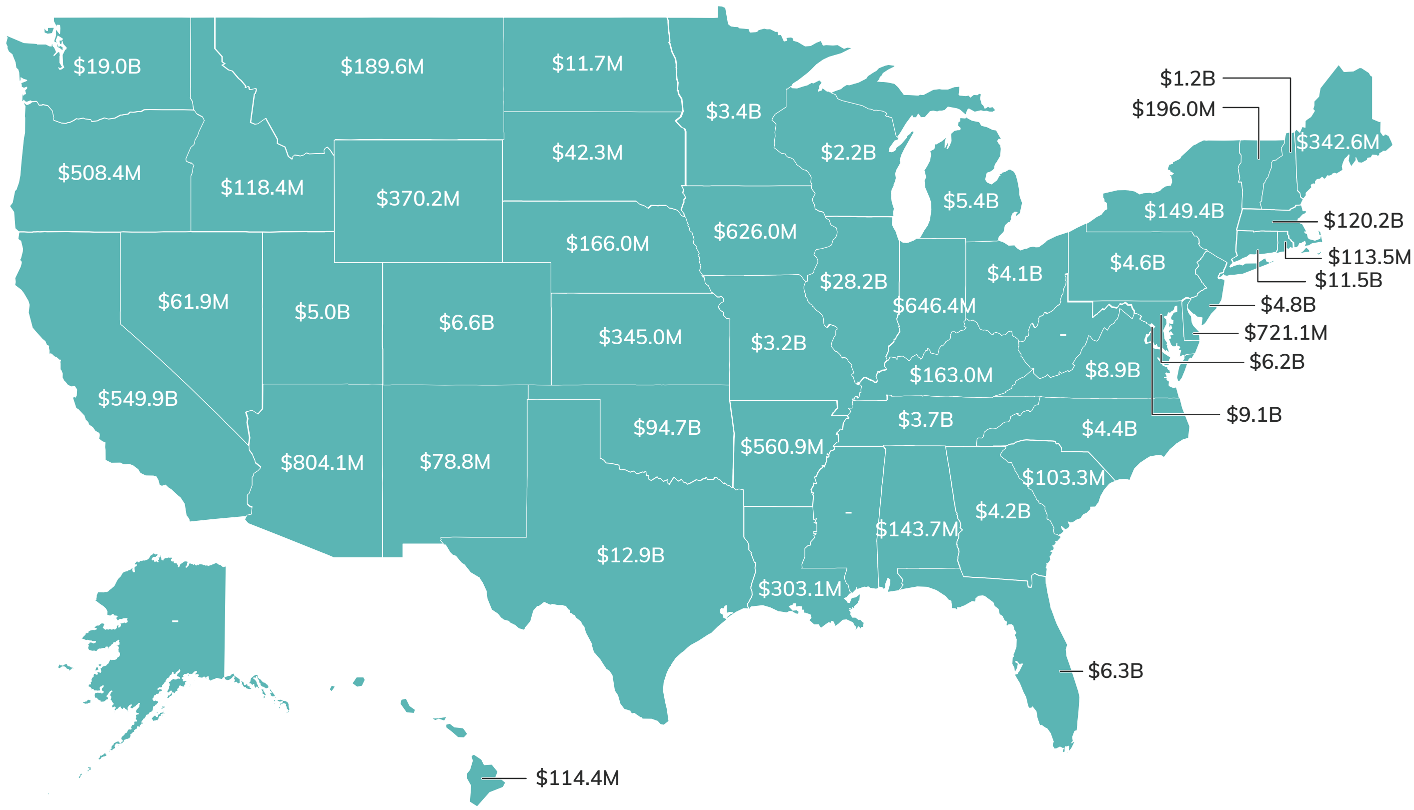
Note: This map breaks out active VC investors by their HQ state. Note that active VC investors headquartered outside of the US are not included in this map.

US as a % of Global VC Fundraising by Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Global Capital Raised ($B)	$29.7	$40.3	$52.2	$56.7	$46.7	$72.1	$102.7	$148.2	$146.8	$179.3	$245.9	$187.0	$213.4
US Capital Raised ($B)	$16.4	$17.5	$23.9	$25.1	$22.4	$39.2	$42.7	$49.9	$44.4	$74.2	$70.4	$84.8	$131.2
Global Fund Count	452	492	600	666	736	1,123	1,377	1,603	1,628	1,746	1,679	1,736	1,513
US Fund Count	158	175	206	305	326	483	561	636	643	758	733	753	771
US as % of Global Value	55.2%	43.5%	45.8%	44.3%	48.0%	54.3%	41.6%	33.7%	30.2%	41.4%	28.6%	45.3%	61.5%
US as % of Global Count	35.0%	35.6%	34.3%	45.8%	44.3%	43.0%	40.7%	39.7%	39.5%	43.4%	43.7%	43.4%	51.0%

Source: NVCA 2022 Yearbook, Data provided by PitchBook

AUM by State in 2021



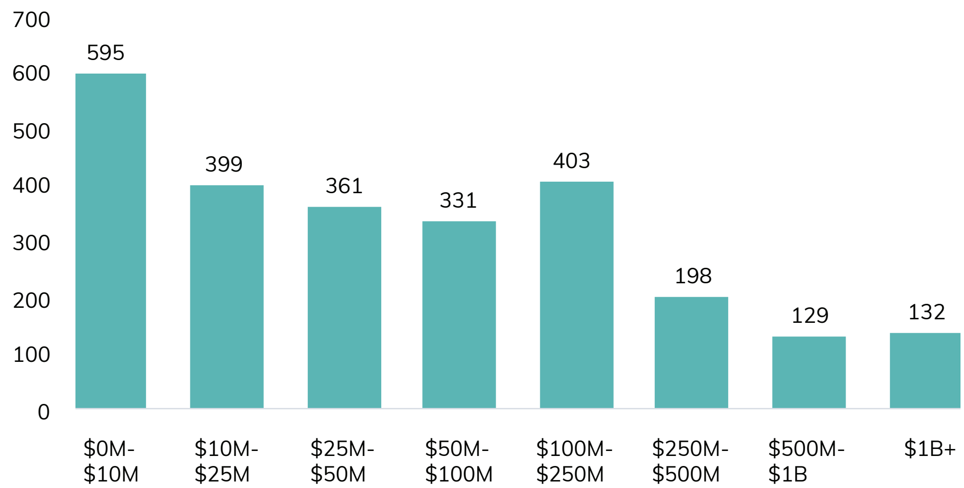
Source: NVCA 2022 Yearbook, Data provided by PitchBook

Top 5 States by AUM in 2021

	AUM ($B)
California	$549.9
New York	$149.4
Massachusetts	$120.2
Illinois	$28.2
Washington	$19.0
Total	$866.8

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Distribution of Firms by AUM in 2021



Source: NVCA 2022 Yearbook, Data provided by PitchBook

AUM by State and Year ($M)

	2006	2007	2008	2009	2010	2011	2012	2013
Alabama	$139.2	$135.3	$129.5	$127.6	$139.7	$131.3	$118.6	$136.5
Arizona	$86.1	$83.4	$84.2	$79.7	$68.9	$63.0	$54.2	$168.5
Arkansas	—	—	—	—	—	—	—	—
California	$94,317.6	$106,162.1	$108,292.7	$110,912.5	$119,219.7	$128,265.4	$132,096.1	$147,706.8
Colorado	$2,522.0	$3,244.2	$2,750.0	$2,552.7	$2,763.0	$2,657.9	$2,484.3	$2,890.3
Connecticut	$7,039.0	$7,521.3	$6,629.1	$6,294.4	$6,446.1	$6,013.2	$6,189.0	$6,253.9
Delaware	$52.2	$49.0	$39.4	$125.1	$120.4	$122.4	$118.2	$124.9
District of Columbia	$1,405.1	$2,312.2	$2,281.9	$2,109.7	$1,986.8	$2,499.9	$2,383.6	$2,571.9
Florida	$1,504.5	$1,926.2	$1,823.3	$1,842.5	$1,891.7	$2,248.9	$2,473.3	$2,698.5
Georgia	$1,644.8	$1,787.8	$1,486.3	$1,437.4	$1,682.5	$1,708.4	$1,561.2	$1,700.6
Hawaii	$36.3	$36.1	$33.0	$30.2	$29.7	$28.8	$24.5	$28.0
Idaho	$21.2	$96.4	$145.0	$189.2	$202.5	$205.2	$203.7	$221.7
Illinois	$3,557.5	$4,146.9	$4,158.3	$4,008.4	$4,686.0	$5,464.5	$5,540.2	$5,806.8
Indiana	$332.6	$323.5	$258.7	$243.0	$262.2	$241.8	$234.0	$265.9
Iowa	$29.3	$29.4	$25.6	$19.5	$19.5	$16.2	$20.5	$23.3
Kansas	$2.9	$1.9	$1.4	$0.7	$0.4	$2.6	$2.6	$2.8
Kentucky	$354.0	$351.2	$314.4	$278.4	$278.8	$308.0	$282.3	$287.4
Louisiana	$614.5	$634.8	$574.8	$626.0	$755.2	$742.7	$685.9	$778.7
Maine	$245.1	$305.3	$266.0	$259.3	$322.6	$341.2	$302.9	$362.5
Maryland	$2,394.0	$2,478.1	$2,052.3	$1,923.5	$1,763.8	$1,790.9	$1,798.0	$2,590.9
Massachusetts	$33,823.0	$39,320.4	$36,397.5	$37,263.6	$39,265.0	$41,971.1	$39,956.7	$45,336.3
Michigan	$453.4	$468.7	$392.4	$576.0	$563.0	$702.3	$712.9	$926.9
Minnesota	$1,551.1	$2,082.5	$2,063.1	$1,942.3	$1,869.6	$1,779.6	$1,864.7	$2,020.8
Missouri	$1,241.3	$1,605.9	$1,388.7	$1,336.1	$1,383.4	$1,467.4	$1,302.9	$1,640.2
Montana	$1.8	$1.7	$1.7	$1.5	$1.7	$1.7	$1.6	$1.5
Nebraska	$22.9	$22.0	$15.9	$15.6	$17.6	$52.4	$65.8	$71.6
Nevada	$45.7	$45.1	$32.3	$30.0	$27.1	$20.9	$15.3	$19.4
New Hampshire	$65.0	$75.6	$71.5	$67.1	$68.7	$70.1	$68.4	$69.8
New Jersey	$4,640.0	$5,537.4	$4,682.2	$4,899.2	$4,873.4	$5,089.1	$4,884.3	$5,322.9
New Mexico	$80.5	$80.1	$70.5	$69.3	$61.8	$75.4	$68.7	$70.6
New York	$17,664.3	$20,007.8	$19,980.6	$20,727.0	$23,524.3	$26,795.5	$29,499.2	$33,683.0
North Carolina	$1,387.4	$1,476.9	$1,365.5	$1,276.7	$1,260.8	$1,119.4	$1,157.3	$1,426.7
North Dakota	—	—	—	—	—	—	—	—
Ohio	$1,055.6	$1,172.8	$1,169.1	$1,135.9	$1,299.1	$1,309.5	$1,262.9	$1,734.2
Oklahoma	$46.1	$57.6	$43.3	$40.4	$31.1	$28.5	$33.3	$35.5
Oregon	$91.3	$89.3	$70.7	$70.3	$86.2	$83.6	$84.9	$155.8
Pennsylvania	$3,161.1	$3,654.6	$3,723.3	$3,794.3	$4,016.0	$3,930.1	$3,777.6	$4,159.4
Rhode Island	—	—	—	—	—	—	$1.1	$1.1
South Carolina	—	—	—	—	—	—	—	$9.1
South Dakota	$9.8	$9.7	$39.7	$38.7	$55.6	$55.3	$56.8	$61.0
Tennessee	$613.2	$658.8	$569.8	$546.3	$583.0	$599.4	$699.1	$861.9
Texas	$7,856.3	$7,725.4	$7,296.1	$6,959.2	$7,710.8	$8,473.7	$7,892.7	$8,246.2
Utah	$555.2	$914.1	$927.5	$1,029.7	$998.4	$1,210.2	$1,164.4	$1,446.5
Vermont	$13.7	$27.7	$24.0	$22.6	$24.0	$24.2	$24.7	$28.7
Virginia	$2,673.6	$2,863.3	$3,386.6	$3,243.4	$3,302.9	$3,085.3	$3,098.2	$3,530.6
Washington	$3,572.9	$5,920.8	$7,967.9	$7,899.5	$7,421.8	$7,057.1	$6,676.1	$7,081.2
Wisconsin	$247.2	$238.4	$264.3	$249.0	$457.6	$507.8	$596.8	$630.7
Wyoming	$14.5	$13.9	$10.1	$9.9	$9.5	$7.7	$5.4	$7.1

Source: NVCA 2022 Yearbook, Data provided by PitchBook

AUM by State and Year ($M) continued

	2014	2015	2016	2017	2018	2019	2020	2021
Alabama	$117.2	$137.9	$117.8	$98.4	$131.8	$117.6	$138.7	$143.7
Arizona	$260.3	$266.5	$290.6	$318.9	$430.9	$486.2	$608.1	$804.1
Arkansas	$9.7	$9.9	$180.8	$186.3	$205.4	$248.7	$266.6	$560.9
California	$168,996.8	$189,686.4	$204,983.8	$215,000.2	$275,034.2	$332,392.2	$416,576.3	$549,913.6
Colorado	$3,384.0	$3,989.0	$3,488.2	$3,532.4	$4,467.3	$4,683.0	$5,328.0	$6,615.8
Connecticut	$6,850.5	$5,548.9	$5,099.4	$4,995.4	$5,045.7	$5,835.5	$7,846.4	$11,520.1
Delaware	$126.4	$115.6	$137.4	$137.6	$143.1	$157.8	$677.1	$721.1
District of Columbia	$2,825.8	$2,928.4	$3,195.1	$3,318.0	$3,519.6	$6,750.3	$7,780.8	$9,105.1
Florida	$2,909.3	$3,118.5	$2,787.3	$2,610.3	$2,756.6	$3,658.8	$5,025.8	$6,341.5
Georgia	$1,685.6	$1,868.1	$1,586.3	$1,569.4	$1,810.7	$2,460.9	$2,737.1	$4,229.2
Hawaii	$31.1	$29.8	$27.4	$24.9	$90.0	$87.6	$92.5	$114.4
Idaho	$215.6	$195.2	$184.8	$222.1	$124.1	$105.6	$89.9	$118.4
Illinois	$7,102.7	$7,664.3	$8,046.4	$9,653.1	$12,551.9	$14,213.6	$18,986.4	$28,233.8
Indiana	$215.7	$202.7	$153.2	$126.9	$261.1	$255.4	$254.7	$646.4
Iowa	$23.6	$21.8	$69.9	$150.1	$175.4	$235.0	$313.9	$626.0
Kansas	$3.1	$3.7	$3.5	$3.8	$74.5	$102.1	$242.3	$345.0
Kentucky	$277.4	$281.8	$214.1	$196.5	$162.1	$156.2	$150.3	$163.0
Louisiana	$666.0	$634.0	$503.5	$402.7	$441.4	$349.6	$331.8	$303.1
Maine	$387.1	$375.1	$310.0	$271.7	$296.6	$290.7	$305.5	$342.6
Maryland	$3,617.5	$3,867.1	$3,546.2	$3,350.3	$4,043.9	$4,750.7	$4,600.3	$6,230.2
Massachusetts	$47,270.3	$50,965.9	$52,410.1	$51,798.6	$63,368.8	$71,142.1	$92,067.0	$120,234.4
Michigan	$1,003.0	$1,296.7	$2,455.7	$2,710.5	$3,040.4	$3,645.6	$4,361.0	$5,426.1
Minnesota	$2,099.5	$1,846.4	$1,498.7	$1,404.7	$1,425.7	$2,114.4	$2,271.4	$3,368.1
Missouri	$1,592.1	$1,688.6	$1,596.8	$1,938.1	$1,943.9	$2,224.5	$2,369.9	$3,214.1
Montana	$3.9	$3.7	$27.4	$28.0	$69.6	$75.8	$80.1	$189.6
Nebraska	$78.7	$85.8	$113.2	$114.2	$123.3	$135.4	$123.9	$166.0
Nevada	$20.4	$39.7	$35.3	$35.5	$38.6	$43.7	$54.8	$61.9
New Hampshire	$65.7	$67.2	$85.1	$175.0	$366.4	$514.4	$597.2	$1,169.7
New Jersey	$5,218.2	$5,143.3	$4,513.0	$3,818.9	$4,083.8	$3,786.9	$3,683.8	$4,795.4
New Mexico	$71.0	$78.9	$70.7	$63.6	$75.5	$74.2	$64.1	$78.8
New York	$41,218.8	$48,827.6	$49,095.1	$51,999.0	$68,783.7	$80,135.6	$99,681.3	$149,422.1
North Carolina	$1,446.2	$1,634.7	$1,854.4	$1,843.5	$2,069.2	$2,673.3	$2,898.7	$4,377.3
North Dakota	$3.2	$3.2	$3.3	$5.4	$6.4	$7.8	$9.3	$11.7
Ohio	$1,676.7	$1,711.6	$1,936.9	$1,840.5	$2,043.0	$2,815.4	$3,119.6	$4,072.4
Oklahoma	$35.1	$51.0	$37.7	$37.7	$37.2	$58.2	$55.5	$94.7
Oregon	$180.5	$183.9	$204.3	$248.5	$336.2	$369.8	$393.3	$508.4
Pennsylvania	$4,159.5	$4,594.5	$3,760.3	$3,386.1	$3,501.4	$3,677.2	$3,893.9	$4,626.3
Rhode Island	$1.2	$1.9	$1.8	$1.9	$2.0	$2.6	$2.2	$113.5
South Carolina	$17.7	$25.0	$31.6	$46.4	$51.7	$73.9	$82.3	$103.3
South Dakota	$67.4	$65.5	$55.6	$47.6	$51.5	$35.8	$31.1	$42.3
Tennessee	$895.0	$986.5	$1,494.4	$1,519.4	$1,840.9	$2,464.3	$2,707.4	$3,718.7
Texas	$7,525.0	$6,577.4	$6,072.2	$5,523.2	$7,164.9	$7,384.3	$8,139.4	$12,914.7
Utah	$1,726.1	$2,079.8	$2,328.5	$2,217.8	$2,785.3	$3,088.2	$3,838.1	$4,976.6
Vermont	$38.9	$37.0	$46.6	$100.5	$109.8	$141.3	$161.8	$196.0
Virginia	$3,657.9	$4,232.7	$3,616.0	$3,430.7	$4,947.1	$5,802.9	$6,197.2	$8,901.4
Washington	$6,593.0	$7,384.8	$6,610.6	$7,407.6	$10,225.8	$10,788.0	$14,695.8	$19,019.6
Wisconsin	$724.3	$708.5	$688.1	$742.8	$1,078.2	$1,317.0	$1,271.4	$2,156.2
Wyoming	$7.7	$3.5	$3.2	—	—	—	$114.7	$370.2

Source: NVCA 2022 Yearbook, Data provided by PitchBook

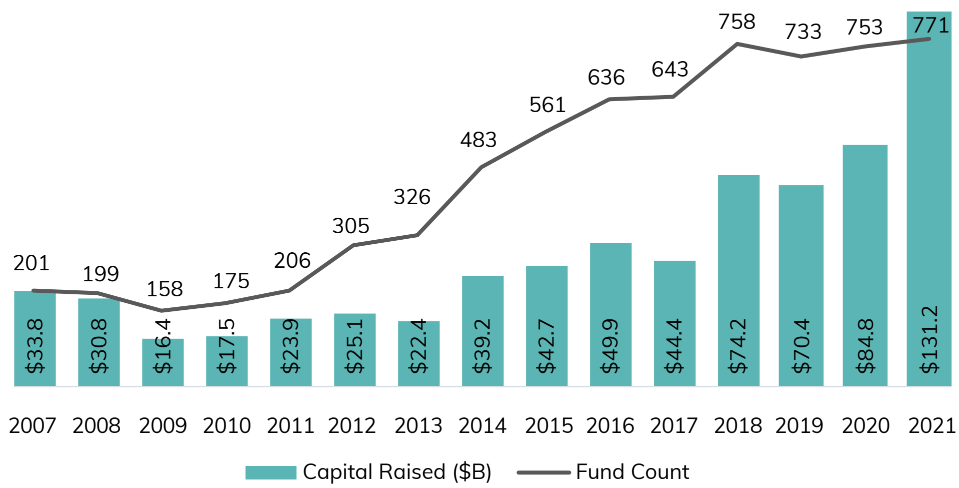
Capital Commitments: Venture Fundraising

In 2021, 771 US VC funds closed on $131 billion, representing a 2% and 55% YoY increase, respectively, compared with 2020. VC fundraising set a new annual record for total capital raised in 2021, surpassing $100 billion for the first time ever.

In 2021, 10 VC funds closed on $2 billion+, bringing the median and average VC fund size to $50 million and $185 million, respectively. These are the highest annual fund sizes the industry has seen since 2008. With years of rising deal sizes and valuations, and with companies staying private for longer, VC funds have had to adapt to raise larger funds to support portfolio company growth at the later stages. The prominence of nontraditional investor activity at later VC stages has also led to VC funds needing to raise larger pools of capital to remain competitive. For data on nontraditional investor activity, refer to the Q4 2021 edition of the Venture Monitor.

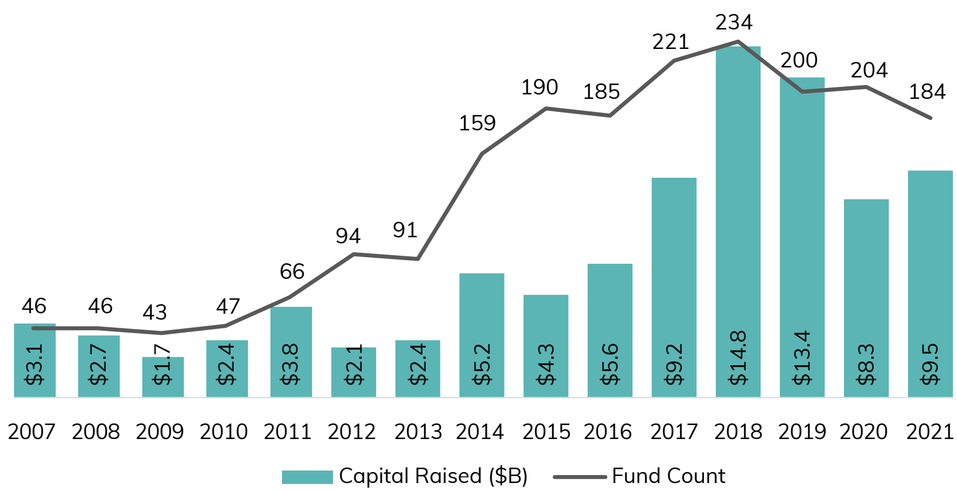
Several large, established funds had successful fund closes in 2021, but first-time funds also play an important role in the ecosystem as a new wave of investors, often raising smaller pools of capital to support companies at their earlier stages. First-time funds are typically created from individuals who have spun out of established firms, those who were previously angel investors, or those who were previously in operating roles at companies. 2018 set a record for the number of first-time funds closed and total capital raised, but both figures fell in 2019 and 2020. The low first-time fund activity in 2020 was perhaps not

US VC Fundraising Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC First-time Fundraising Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

surprising since many LPs relied more on known relationships and may not have been as willing to take a risk on a new fund with less of a track record due to the uncertainty of the pandemic. However, capital raised by first-time funds slightly recovered in 2021—184 funds closed on $9.5 billion.

VC funds based in 37 states and the District of Columbia held final closes on venture funds in 2021, with Arkansas, Indiana, Wisconsin, Missouri, and Texas seeing the biggest YoY gains in capital closed.

Funds based in California, New York, and Massachusetts accounted for 49%, 21%, and 9%, respectively, of total VC raised in the US in 2021. Collectively, these three states represented 79% of total US VC raised, two percentage points lower than in 2020. Nine of the 10 largest funds closed in 2021 were based in these three states, with the exception of one fund in the District of Columbia.

The overall US median VC fund size in 2021 was $50 million, a 22% drop from 2020. Outside of California, Massachusetts, and New York, the median VC fund size reached $28.65 million in 2021, an increase of 102% compared to 2020. This figure remains relatively small compared to the three states where VC activity has been the most concentrated—the median for California, Massachusetts, and New York, collectively, was $60.0 million.

Two important notes on the VC fundraising data: First, as mentioned in the prior section, a fund's location does not mean the capital will only be deployed in that geography. Local capital is important to support the local ecosystem, but capital travels (and appears to "travel" even more via virtual meetings since the start of the pandemic). Investors frequently invest in companies outside of their state.

Second, comparing fundraising to investment figures in this report is not apples-to-apples for the following reasons:

- Firms generally do not deploy all of their capital into startups in one year or in the year they close their fund.
- The VC fundraising statistics only capture US funds, whereas VC funds outside the US frequently invest in US startups. The VC investment statistics are inclusive of investors headquartered outside the US.
- There are increasingly more types of investors becoming active in the venture ecosystem. Most of these investors do not invest in companies via venture funds (for example, corporate venture groups, hedge funds, mutual funds, sovereign wealth funds, and family offices).

10 Largest US VC Funds in 2021

Investor Name	Fund Name	Fund Size ($M)	Close Date	Fund State
Tiger Global Management	Tiger Global Private Investment Partners XIV	$6,655.3	March 31, 2021	New York
TCV	TCV XI	$4,000.0	January 27, 2021	California
Flagship Pioneering	Flagship Pioneering Fund VII	$3,400.0	June 14, 2021	Massachusetts
Norwest Venture Partners	Norwest Venture Partners XVI	$3,000.0	December 14, 2021	California
Paradigm (Crypto Fund)	Paradigm One Fund	$2,486.0	December 16, 2021	California
Bessemer Venture Partners	Bessemer Venture Partners XI	$2,475.0	February 25, 2021	New York
Accel	Accel Leaders III	$2,350.1	April 8, 2021	California
Andreessen Horowitz	a16z crypto III	$2,200.0	June 24, 2021	California
TPG	The Rise Fund II	$2,170.1	May 10, 2021	District of Columbia
Bond Capital (San Francisco)	Bond Capital Fund II	$2,000.0	March 4, 2021	California

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Top States by VC Raised in 2021

	# of Funds	VC Raised ($M)
California	337	$64,459.6
New York	130	$27,752.4
Massachusetts	51	$11,230.7
Illinois	25	$5,625.9
Texas	42	$4,255.5
Washington	19	$2,646.2
District of Columbia	7	$2,440.7
Connecticut	7	$2,169.2
Virginia	17	$1,696.4
Georgia	18	$1,078.5

Source: NVCA 2022 Yearbook, Data provided by PitchBook

VC Fundraising by State and Year ($M)

	2006	2007	2008	2009	2010	2011	2012	2013
Alabama	$21.9	—	$25.6	—	—	—	$5.0	—
Arizona	—	—	$20.0	—	—	—	$3.7	$104.5
Arkansas	—	—	—	—	—	—	—	—
California	$13,105.0	$14,366.0	$16,150.4	$9,640.3	$8,471.9	$12,620.4	$14,359.6	$10,074.2
Colorado	$52.3	$667.8	$132.6	$6.1	$328.0	—	$315.0	$236.9
Connecticut	$370.0	$45.0	$770.0	$25.0	$329.3	$195.0	$600.0	$193.1
Delaware	$13.0	—	—	$100.0	$15.0	—	$4.9	—
District of Columbia	—	$828.2	$380.0	—	—	$475.0	$44.8	$200.0
Florida	—	$448.5	$150.0	$145.6	$102.2	$213.1	$269.2	$47.9
Georgia	$218.3	$175.0	$118.0	$55.0	$280.0	—	$50.0	$143.7
Hawaii	—	—	$1.8	—	—	—	—	—
Idaho	—	$76.4	$64.0	$51.9	—	—	$1.4	—
Illinois	$418.1	$874.2	$764.6	$283.4	$612.5	$755.7	$347.6	$209.4
Indiana	—	—	$24.2	$10.0	$0.5	$0.5	$19.0	$1.0
Iowa	—	—	$3.5	—	—	—	$3.0	$1.4
Kansas	—	—	—	—	—	$2.6	$0.0	—
Kentucky	$36.4	—	$175.0	—	—	$3.7	$7.0	—
Louisiana	$70.0	$28.0	$60.0	$70.0	$56.0	—	$6.0	—
Maine	—	$65.0	—	—	—	—	$10.1	—
Maryland	$2,976.1	$588.9	—	$84.3	—	$6.0	$20.0	$736.2
Massachusetts	$6,221.3	$5,957.8	$2,953.0	$3,122.7	$3,072.4	$3,519.1	$1,949.7	$5,286.9
Michigan	$20.0	$13.0	—	$246.2	$46.7	$186.6	$45.2	$83.7
Minnesota	$398.0	$331.0	$486.4	$30.0	—	—	$150.8	$152.6
Missouri	—	$330.2	$100.0	$93.9	$20.6	—	$23.0	$347.6
Montana	$1.8	—	—	—	—	—	—	—
Nebraska	—	—	—	—	$2.6	$37.3	—	—
Nevada	—	—	—	—	—	—	—	—
New Hampshire	$50.0	$12.0	—	—	—	—	—	$21.0
New Jersey	$1,063.0	$895.2	$32.7	$516.0	—	$500.0	$349.0	$13.0
New Mexico	$5.2	$2.4	—	—	—	$10.0	—	—
New York	$2,380.6	$4,432.2	$3,031.3	$1,144.6	$2,745.9	$4,592.9	$4,988.3	$2,013.1
North Carolina	$340.0	$40.3	$83.0	$102.0	—	—	$12.5	$215.0
North Dakota	—	—	—	—	—	—	—	—
Ohio	$101.5	$30.5	$275.6	$25.0	$92.9	$34.2	$65.1	$62.2
Oklahoma	—	$10.5	—	—	—	—	$10.0	—
Oregon	—	$0.9	$12.6	$3.0	$20.4	$4.6	$14.1	$25.8
Pennsylvania	$392.6	$192.5	$728.6	$363.1	$141.4	$100.5	$730.1	$251.7
Rhode Island	—	—	—	—	—	—	$1.1	—
South Carolina	—	—	—	—	—	—	—	$8.8
South Dakota	—	—	$32.5	—	—	$16.0	—	—
Tennessee	$54.0	$54.7	$69.3	$14.0	$74.2	$50.6	$2.5	$103.0
Texas	$1,264.8	$103.3	$888.8	$17.1	$195.4	$496.3	$83.2	$774.9
Utah	$129.2	$366.0	$100.0	$122.0	$66.4	$33.0	$38.2	$379.7
Vermont	—	—	$14.0	—	—	—	$1.9	—
Virginia	$478.0	$297.0	$223.1	$124.0	$597.3	$1.1	$133.9	$191.4
Washington	$431.0	$2,535.5	$2,886.9	$26.1	$20.9	—	$328.2	$552.2
Wisconsin	$171.5	—	$57.8	—	$200.3	$47.9	$112.5	$6.6
Wyoming	$16.7	$15.6	$11.5	$10.9	$9.9	$7.8	$6.3	—

Source: NVCA 2022 Yearbook, Data provided by PitchBook | *For this table we give precedent to the fund location, but if unavailable, we use the HQ location of the firm

VC Fundraising by State and Year ($M) continued

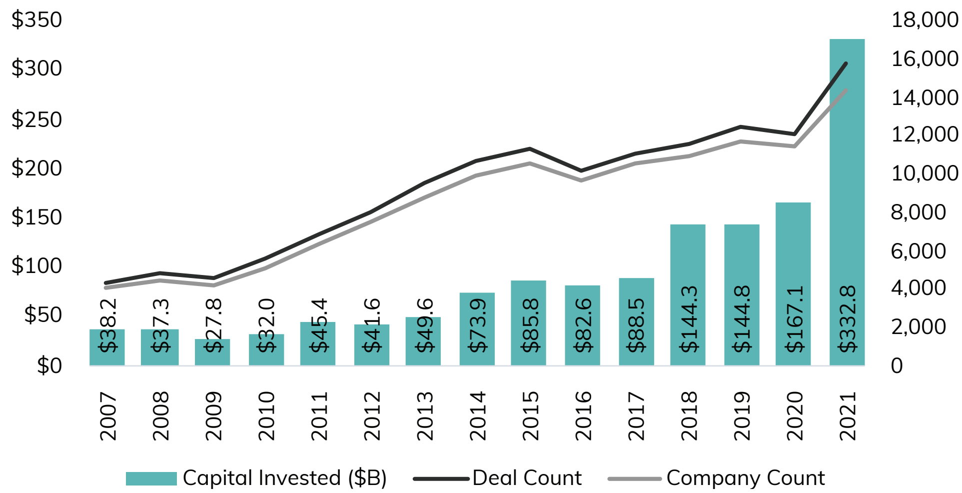
	2014	2015	2016	2017	2018	2019	2020	2021
Alabama	—	$41.8	—	—	$25.0	—	$16.4	—
Arizona	$101.2	$4.8	$24.8	$29.4	$5.6	$107.0	—	$173.1
Arkansas	$10.5	$0.3	$151.5	—	$0.1	—	$1.5	$200.0
California	$23,037.8	$22,145.0	$30,777.7	$26,920.5	$39,967.4	$46,364.7	$42,736.7	$64,459.6
Colorado	$261.9	$446.2	$577.0	$208.4	$1,201.2	$205.3	$325.3	$526.6
Connecticut	$516.4	$132.8	$352.9	$655.9	$434.9	$854.7	$1,180.7	$2,169.2
Delaware	$10.0	$2.4	$15.5	—	—	$11.7	$505.7	—
District of Columbia	$0.7	$67.0	$840.3	$441.4	$74.2	$791.9	$1,323.6	$2,440.7
Florida	$351.3	$307.5	$76.4	$60.4	$88.4	$855.8	$1,378.4	$602.9
Georgia	$67.0	$162.0	$79.0	$122.0	$71.1	$905.4	$215.0	$1,078.5
Hawaii	$10.0	—	—	$3.0	$60.0	—	—	—
Idaho	$1.2	—	$1.3	—	—	—	—	$3.9
Illinois	$1,175.3	$387.3	$1,639.3	$1,836.3	$1,025.8	$1,115.1	$2,604.2	$5,625.9
Indiana	$2.5	$15.4	—	$10.0	$132.7	$0.7	$6.0	$314.2
Iowa	$1.8	—	$48.3	$0.4	$11.2	$100.4	$41.6	$257.7
Kansas	—	—	$0.2	$26.4	$42.7	$27.2	$119.7	$83.8
Kentucky	—	$7.5	—	—	$25.5	—	$37.0	—
Louisiana	—	$9.3	—	—	$6.0	—	$56.0	$2.1
Maine	—	$123.0	—	$10.2	—	—	$2.4	—
Maryland	$1,179.5	$3,475.6	$10.0	$108.1	$97.3	$256.4	$439.0	$333.3
Massachusetts	$2,507.6	$4,879.5	$6,002.2	$7,276.1	$8,229.3	$7,340.5	$11,146.8	$11,230.7
Michigan	$95.0	$356.6	$1,222.6	$233.0	$49.0	$374.5	$491.0	$24.4
Minnesota	$15.6	$106.0	$3.1	$155.6	$153.2	$343.6	$383.5	$823.6
Missouri	—	$130.0	$400.0	$118.4	$243.4	$91.3	$66.9	$710.0
Montana	—	—	$21.1	$2.8	$38.0	—	—	$80.0
Nebraska	—	$19.8	—	$31.0	—	—	—	—
Nevada	—	$27.9	—	$5.0	—	—	$5.0	$6.6
New Hampshire	$0.9	$7.5	$6.9	$46.2	$169.8	$131.8	$101.3	$457.9
New Jersey	$28.5	$8.5	$430.9	$10.0	$435.1	$425.7	$49.9	$299.3
New Mexico	$8.7	—	$3.7	$2.7	—	$2.0	—	$7.0
New York	$7,492.0	$7,220.4	$4,054.8	$3,231.9	$14,865.6	$5,824.5	$14,708.9	$27,752.4
North Carolina	$143.4	$175.9	$215.4	$160.8	$64.1	$335.8	$249.4	$889.2
North Dakota	$3.5	—	—	$1.8	—	—	—	—
Ohio	$382.9	$30.7	$501.7	$27.1	$157.8	$394.1	$595.1	$443.4
Oklahoma	$1.0	$13.2	—	—	—	$15.1	—	$20.0
Oregon	$35.6	$19.7	$28.6	$42.7	$71.0	$42.6	$8.7	$23.4
Pennsylvania	$236.8	$374.0	$65.9	$135.9	$129.9	$435.8	$519.2	$13.0
Rhode Island	—	$0.4	—	—	—	—	—	$100.0
South Carolina	$9.4	$6.0	$6.0	$9.0	$5.0	$5.0	$8.3	$5.0
South Dakota	—	—	—	—	—	—	—	—
Tennessee	$22.5	$0.3	$340.5	$125.4	$184.2	$170.0	$347.6	$193.2
Texas	$580.8	$207.7	$302.5	$1,074.4	$1,252.8	$1,312.4	$667.5	$4,255.5
Utah	$229.2	$338.2	$222.4	$137.8	$324.0	$170.0	$619.5	$568.0
Vermont	$12.0	—	—	$71.3	—	$11.7	—	—
Virginia	$212.5	$643.7	$741.2	$176.1	$1,218.5	$377.0	$624.3	$1,696.4
Washington	$374.4	$790.1	$746.9	$699.3	$3,056.2	$774.6	$2,918.4	$2,646.2
Wisconsin	$33.2	$25.9	$11.4	$145.0	$263.7	$150.0	$30.7	$421.8
Wyoming	$16.7	$15.6	$11.5	$10.9	$9.9	$7.8	$6.3	—

Source: NVCA 2022 Yearbook, Data provided by PitchBook | *For this table we give precedent to the fund location, but if unavailable, we use the HQ location of the firm

Capital Deployed: Investment into Companies

Any concerns of US VC investment slowing down due to the pandemic were squashed in 2021. 14,411 venture-backed companies received $332 billion in funding, both metrics setting an annual record. 2021 marked the fifth consecutive year of more than 10,000 companies raising VC funding and the fourth consecutive year of more than $140 billion invested annually.

US VC Deal Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

The VC investment landscape has transformed over the past 20 years. One striking statistic to put this into perspective: VC-backed companies raised a total of $347 billion from 2004 to 2013 (compared with $332 billion in 2021 alone). Investors and entrepreneurs often speak about how seed investment from today looks more like a Series A investment from the past as deal sizes and post-money valuations increase. Using this analogy, the scale of VC funding along a company's lifecycle has expanded and shifted, and comparing a seed investment today to 15 years ago is somewhat like comparing apples to oranges. Deal sizes and valuations have grown at every investment stage. Companies are staying private longer, which means more and larger pools of capital needed to support them at their later and growth stages.

VC mega-deals more than doubled in 2021 compared to 2020, with 770 deals recorded, and accounted for 56% of total capital invested. Many of these mega deals are for unicorns, since these companies tend to skew larger and are often later in their growth cycle. Unicorns attracted $140 billion, or 42% of total

US VC Deal Count by Stage

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Angel & seed	922	1,223	1,747	2,575	3,474	4,595	5,219	5,719	4,918	5,228	5,190	5,549	5,323	6,181
Early VC	2,154	1,739	2,044	2,382	2,517	2,772	3,078	3,165	2,945	3,264	3,418	3,527	3,263	4,747
Late VC	1,785	1,619	1,769	1,944	2,035	2,145	2,412	2,457	2,352	2,609	3,014	3,434	3,587	4,927

Source: NVCA 2022 Yearbook, Data provided by PitchBook

capital invested, but 4% of the total deals completed in 2021. Unicorn deal value nearly tripled from 2020's record high.

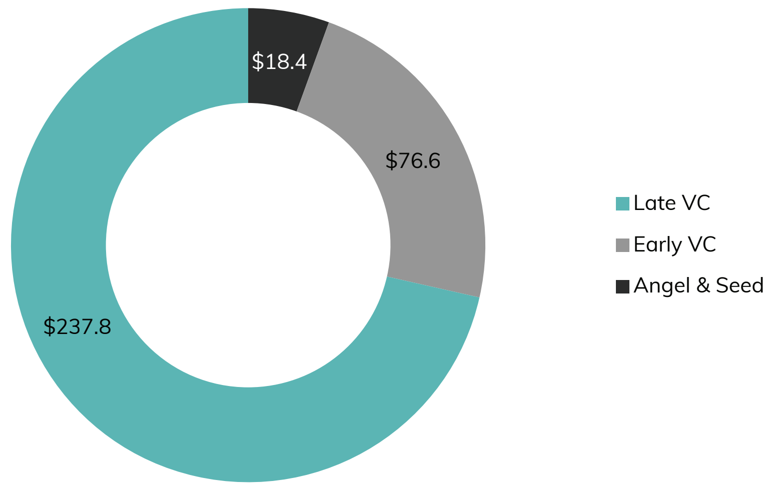
Much is riding on these large, late-stage companies—they represent the onramp for exits; their performance will determine returns that LPs cycle back into the ecosystem through VC funds; and in many cases, their products and services have either already transformed our lives or have the promise to do so.

Sectors

The software sector's dominance grew in 2021, accounting for 37% of both overall VC deal count and deal value. Nearly 5,800 software investments raised $123 billion last year, representing 1.4x and 2.3x increases, respectively, from 2020.

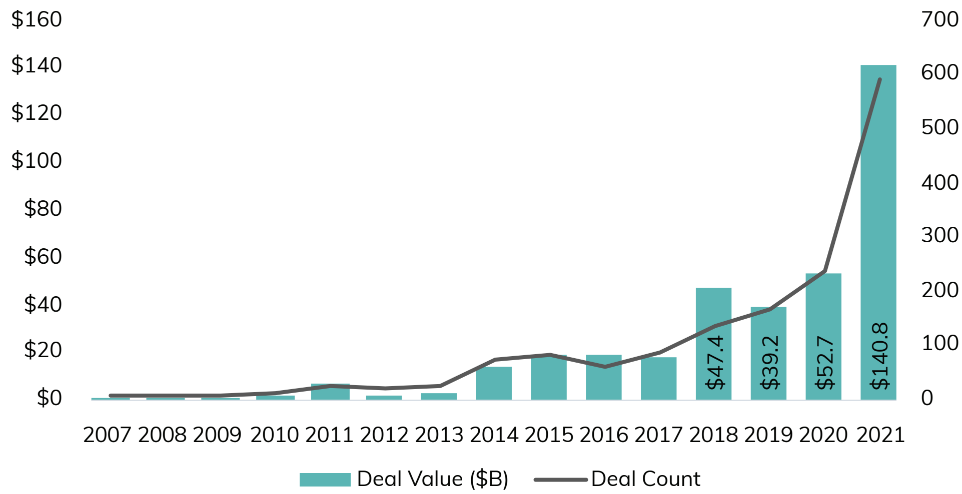
The life science sector has understandably come into the spotlight during the pandemic, but VC has been an important source of funding for lifesaving healthcare products and services for decades. Moderna (NASDAQ: MRNA) is an example of one notable healthcare company that traces its roots to VC funding. While the life science sector's absolute investment grew in 2021, its relative share of deal count and deal value declined to 14% and 16%, respectively, after seeing 10-year highs in 2020.

US VC Deal Value ($B) by Stage in 2021



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC Unicorn Deal Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

The sector to see the largest YoY growth, however, was energy. 259 energy investments raised $8.8 billion in 2021, representing 42% and 256% YoY increases, respectively. Related to energy, cleantech is a vertical that spans multiple industries and includes companies primarily focused on developing new technologies to reduce the environmental impact of human activities or to significantly reduce the amount of natural resources consumed through such activities. 689 cleantech investments raised more than $23 billion in 2021, both metrics representing record highs. Given the Biden administration's focus on clean energy, it is perhaps no surprise that this sector had a resurgence last year. It will likely continue to be a focus for VC investors and entrepreneurs addressing the world's long-term energy challenges.

Investment Stages & First-time Fundings

As mentioned in earlier sections, investment stages have shifted in recent years, and in many case, seed, early-, and late-stage investing are now distinct subindustries within VC. A successful VC ecosystem requires healthy activity at each investment stage since each plays an integral role in a company's growth.

After seeing a decline in 2020, the number of angel/seed investments in 2021 bounced back and reached a new annual record, with 6,181 angel/seed deals raising $18.4 billion. However, angel/seed investments as a share of overall VC deal count dipped below 40%

for the first time since 2011. This may be a return to healthier levels from the peak in 2015 when angel/seed investments accounted for 50% of total deal count. Other sources of capital may also play a role in this relative decline of angel/seed deals. Accelerators, incubators, pre-seed, and other types of financing beyond traditional angel/seed investing have become more prevalent in recent years. For founders getting their startups off the ground, there are more options and sources of capital today, but healthy angel/seed VC activity is important for the VC investing and growth funnel.

The number of early-stage investments closed also reached a new record in 2021 with 4,747 deals raising $77 billion. This represented 30% of total VC deal count, a slightly larger share than in 2020, and 23% of capital invested. Late-stage VC investments neared 5,000 closed and $238 billion raised in 2021, comprising 31% and 71% of total deal count and capital invested, respectively.

Deal sizes appeared to level off in 2020 but accelerated again 2021. Median deal sizes increased across all investment stages in 2021: angel/seed reached $2 million (43% YoY increase), early-stage hit $10 million (60% YoY increase), and late-stage notched $16 million (50% YoY increase). This growth in deal sizes is in line with growing valuations across investment stages.

The number of first-time financings (that is, the first round of equity funding in a startup by an institutional venture investor) and capital raised in these deals increased in 2021 after leveling off for a few years. 4,156 companies raised first-time funding and attracted $23.6 billion, with both metrics hitting annual records. However, the share of deal count and deal value these fundings represent of overall VC continues to decline. First-time deals accounted for 26% of total deal count and just 7% of total deal value, both record lows. In 2021, the software, media, and healthcare services and systems sectors saw the largest YoY increases in first-time financings, while healthcare devices and supplies and IT hardware were the only sectors to see YoY decreases.

Geographical Analysis

Venture funding reached startups in all 50 states, the District of Columbia, Puerto Rico, 251 MSAs, and 414 congressional districts. 19 states have seen double-digit annual growth rates, calculated as compound annual growth rate (CAGR), in their number of VC investments over the past five years. 47 states have seen double-digit CAGRs for VC dollars invested over the past five years.

California, Massachusetts, and New York continued their dominance for VC activity; collectively, these three states accounted for 54% of total deal count and 73% of total capital invested in 2021, with both metrics on par with 2020 figures.

Several metro areas outside of the San Francisco Bay Area, New York City, and Boston had higher YoY increases in VC deal count from 2020 to 2021 than those three metro regions, notably Miami, Durham (NC), Houston, and Minneapolis. After two years of limited travel and in-person events, capital and talent appear to be more free-flowing, and growing activity in emerging VC ecosystems across the country will be an important trend to watch in 2022.

Globally, startups raised $683 billion across 40,000+ deals in 2021, a 94% and 26% YoY increase, respectively. The US represented 49% of global VC dollars in 2021 and 40% of global VC deal count. As a comparison, the US share was 82% and 74%, respectively, in 2004.

2021 US VC Deals by Sector ($B)

Commercial Services	$39.3	IT Hardware	$9.0
Consumer Goods & Recreation	$32.0	Media	$4.8
Energy	$8.7	Other*	$27.1
HC Devices & Supplies	$8.8	Pharma & Biotech	$36.6
HC Services & Systems	$29.8	Software	$123.7

Source: NVCA 2022 Yearbook, Data provided by PitchBook

* Other industry groups:

- Commercial Products
- Commercial Transportation
- Other Business Products and Services
- Consumer Durables
- Consumer Non-Durables
- Services (Non-Financial)
- Transportation
- Other Consumer Products and Services
- Utilities
- Other Energy
- Capital Markets/Institutions
- Commercial Banks
- Insurance
- Other Financial Services
- Other Healthcare
- IT Services
- Other Information Technology
- Agriculture
- Chemicals and Gases
- Construction (Non-Wood)
- Containers and Packaging
- Forestry
- Metals, Minerals, and Mining
- Textiles
- Other Materials

US VC Deal Activity by State in 2021

	Company Count	# of Deals Closed	Capital Invested ($M)
California	4,841	5,342	$157,533.6
New York	1,935	2,140	$49,634.7
Massachusetts	1,007	1,096	$35,499.0
Washington	489	549	$8,604.3
Texas	738	794	$9,039.6
North Carolina	301	329	$3,505.2
Michigan	155	162	$1,386.7
Colorado	408	459	$6,761.7
Illinois	367	412	$7,316.7
Pennsylvania	339	384	$6,721.7
Georgia	242	261	$4,222.4
Florida	457	500	$5,957.5
Minnesota	158	173	$1,327.2
Utah	193	209	$4,154.8
Ohio	168	179	$2,351.4
Connecticut	154	176	$1,709.0
Maryland	161	176	$2,237.4
New Jersey	205	226	$5,589.0
Virginia	238	257	$2,570.8
Delaware	255	275	$1,866.1
District of Columbia	96	115	$1,729.5
Arizona	147	167	$1,953.5
Oregon	141	160	$1,580.3
Missouri	96	103	$1,225.4
Tennessee	115	124	$1,025.8
Indiana	128	143	$490.5

	Company Count	# of Deals Closed	Capital Invested ($M)
Nevada	101	111	$1,722.4
Wisconsin	84	86	$541.5
Kentucky	46	50	$200.0
Alabama	54	57	$245.9
Iowa	39	42	$205.3
New Hampshire	34	38	$102.4
Arkansas	28	33	$131.1
South Carolina	49	52	$252.3
New Mexico	39	41	$169.3
Montana	32	34	$510.0
Nebraska	39	43	$317.7
Kansas	28	32	$283.9
Louisiana	27	27	$86.8
Idaho	37	40	$370.3
Rhode Island	25	27	$89.8
Maine	29	32	$115.3
Oklahoma	17	17	$109.4
Vermont	31	35	$657.9
Hawaii	10	12	$63.1
South Dakota	9	10	$168.7
Puerto Rico	15	15	$97.7
Alaska	9	11	$32.5
Wyoming	27	28	$119.5
North Dakota	4	4	$47.7
West Virginia	9	10	$29.1
Mississippi	2	2	$11.3

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Top 10 US VC Deals in 2021

Company Name	Close Date	Deal Size ($M)	Deal Type	Industry Sector	State
Robinhood Markets	January 29, 2021	$3,400.0	Late VC	Financial Services	California
Rivian	January 19, 2021	$2,650.0	Late VC	B2C	California
Rivian	July 23, 2021	$2,500.0	Late VC	B2C	California
Waymo	June 16, 2021	$2,500.0	Late VC	B2C	California
Generate	July 19, 2021	$2,000.0	Late VC	Financial Services	California
Commonwealth Fusion Systems	December 1, 2021	$1,800.0	Late VC	Energy	Massachusetts
Databricks	August 31, 2021	$1,600.0	Late VC	IT	California
Articulate (Educational Software)	July 1, 2021	$1,500.0	Late VC	IT	New York
Gopuff	December 16, 2021	$1,500.0	Late VC	B2C	Pennsylvania
Sierra Space	November 19, 2021	$1,412.2	Late VC	B2B	Colorado

Source: NVCA 2022 Yearbook, Data provided by PitchBook

2021 VC Deals & Company Counts by State

	Company Count	% of Total	Capital Invested ($M)	% of Total
California	4,841	33.6%	$157,533.6	47.3%
New York	1,935	13.4%	$49,634.7	14.9%
Massachusetts	1,007	7.0%	$35,499.0	10.7%
Washington	489	3.4%	$8,604.3	2.6%
Texas	738	5.1%	$9,039.6	2.7%
North Carolina	301	2.1%	$3,505.2	1.1%
Michigan	155	1.1%	$1,386.7	0.4%
Colorado	408	2.8%	$6,761.7	2.0%
Illinois	367	2.5%	$7,316.7	2.2%
Pennsylvania	339	2.4%	$6,721.7	2.0%
All Others	3,831	26.6%	$46,807.8	14.1%
Total	14,411		$332,811.0	

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Top 5 States by Percentage of 2021 Deals Done in State Which Featured Investor(s) from Outside State

Company HQ State	% Invested From Outside State
Delaware	100.0%
Nevada	88.4%
New Jersey	85.2%
District of Columbia	82.3%
Oregon	76.5%

Source: NVCA 2022 Yearbook, Data provided by PitchBook
* This ranking is inclusive of states with 20 or more investments.
Example of how to read this table: 88.4% of deals done by NV-based investors were investments into NV-based companies.

Top 5 States by Percentage of 2021 Deals Done in State which Featured Investor(s) from that State

Company HQ State	% Invested From Within State
California	81.5%
Iowa	78.6%
Indiana	74.7%
Kentucky	71.4%
Nebraska	67.7%

Source: NVCA 2022 Yearbook, Data provided by PitchBook
* This ranking is inclusive of states with 20 or more investments.
Example of how to read this table: 78.6% of investments in Iowa-based companies featured at least one Iowa-based investor.

of States Invested Into by Investor HQ State

Investor HQ State	# of States Invested In
California	49
New York	44
Massachusetts	37
Florida	36
Colorado	33
Illinois	38
Washington	33
Texas	40
Maryland	38
Tennessee	27
Georgia	31
District of Columbia	34
Connecticut	26
Missouri	31
Pennsylvania	30
New Hampshire	25
Utah	25
Virginia	30
North Carolina	26
New Jersey	28
Minnesota	24
Ohio	23
Michigan	18
Kentucky	21
Wisconsin	24
Delaware	15
Kansas	18
Louisiana	20
Arizona	19
Nebraska	10
Indiana	19
Iowa	15
Oregon	18

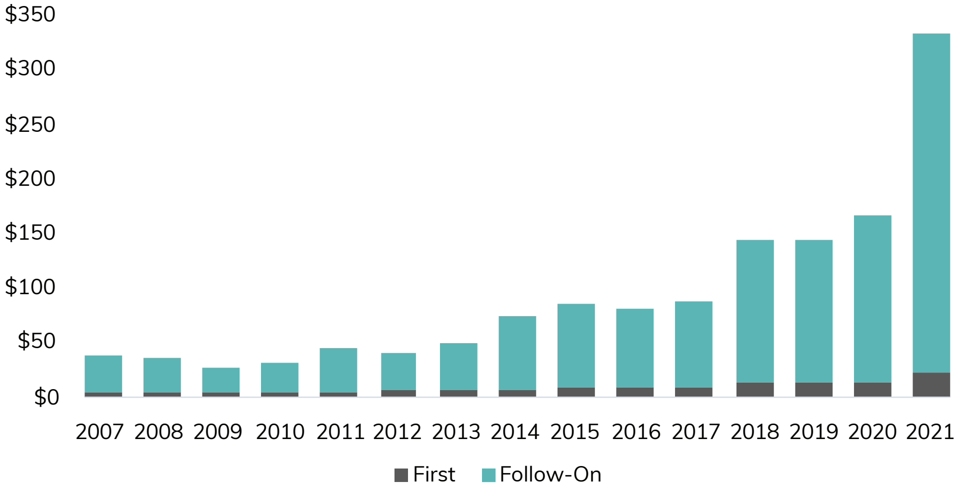
of States California Investors Invested Into by Year

Year	# of States Invested In
2007	38
2013	44
2020	49

Source: NVCA 2022 Yearbook, Data provided by PitchBook

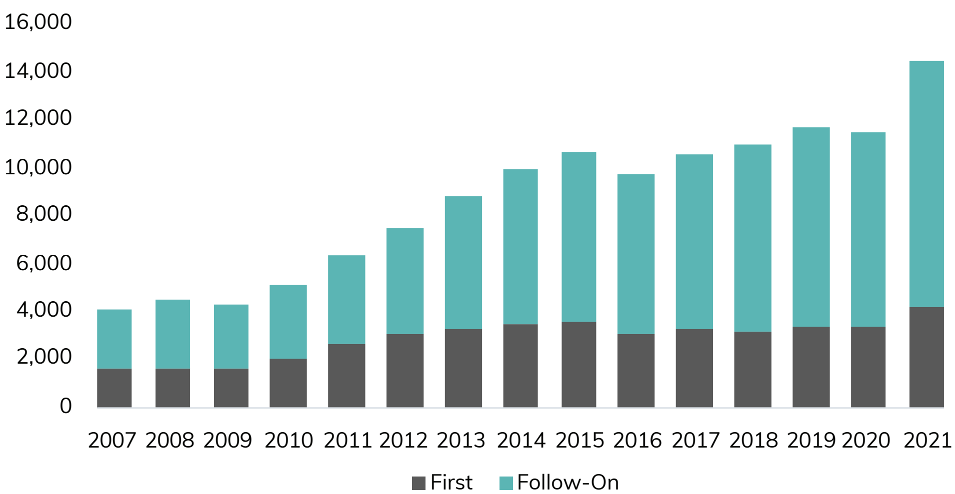
First-time Financings

US First VC & Follow-on VC Deal Value ($B)



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US First VC & Follow-on VC Deal Count



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC Deal Activity by Sector: First-Round VC in 2021

Sector	# of Deals Closed	Capital Raised ($M)
Commercial Services	724	$3,768.6
Consumer Goods & Recreation	682	$2,099.1
Energy	51	$449.0
HC Devices & Supplies	118	$591.1
HC Services & Systems	355	$1,345.6
IT Hardware	67	$541.0
Media	202	$464.8
Other	217	$2,457.9
Pharma & Biotech	296	$5,132.7
Software	1,721	$6,609.7

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Life Sciences

US Life Sciences VC Deal Activity

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Invested ($B)	$8.6	$8.3	$9.4	$9.5	$11.4	$14.5	$16.4	$15.7	$20.1	$28.3	$26.2	$38.6	$51.8
# of Deals Closed	944	1,052	1,165	1,208	1,308	1,425	1,536	1,497	1,670	1,807	1,908	1,999	2,279
Company Count	865	970	1,079	1,114	1,217	1,333	1,432	1,434	1,577	1,708	1,788	1,877	2,095

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US Life Sciences VC Invested ($M) by Select Sectors

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Biotechnology	$1,933.4	$2,099.6	$1,826.5	$1,800.1	$2,008.5	$3,019.1	$3,921.8	$3,660.1	$4,762.7	$5,914.9	$4,781.3	$6,430.5	$8,336.0
Diagnostic Equipment	$400.3	$667.0	$646.6	$590.0	$764.6	$791.4	$965.8	$802.0	$1,218.4	$1,270.3	$1,315.8	$2,008.6	$2,541.7
Discovery Tools (Healthcare)	$124.4	$45.0	$96.1	$17.3	$63.5	$111.1	$172.5	$137.8	$128.4	$496.6	$270.1	$704.2	$2,052.2
Drug Delivery	$150.5	$160.0	$484.5	$608.8	$426.6	$535.5	$431.3	$813.5	$1,066.7	$698.7	$399.1	$942.8	$1,110.7
Drug Discovery	$1,672.4	$1,422.1	$1,554.1	$2,156.8	$2,924.7	$4,064.8	$5,504.9	$4,808.3	$6,004.9	$11,199.3	$10,243.7	$17,341.8	$23,281.2
Medical Supplies	$50.5	$101.7	$61.7	$108.6	$171.4	$696.5	$25.6	$52.7	$57.0	$73.3	$102.0	$105.3	$147.9
Monitoring Equipment	$183.1	$125.9	$230.9	$335.5	$357.4	$631.5	$432.8	$548.7	$577.7	$954.2	$959.4	$715.6	$951.7
Other Devices and Supplies	$128.2	$111.0	$128.6	$275.7	$158.7	$249.5	$228.7	$220.6	$310.7	$362.0	$367.8	$599.6	$1,007.3
Other Pharmaceuticals and Biotechnology	$60.0	$77.2	$72.5	$3.2	$23.2	$80.1	$75.3	$47.5	$79.9	$435.9	$194.4	$315.0	$668.5
Pharmaceuticals	$1,268.3	$952.0	$946.3	$654.7	$768.9	$635.0	$687.3	$734.1	$502.7	$1,093.2	$1,563.3	$1,574.0	$1,128.3
Surgical Devices	$961.4	$1,082.0	$1,083.4	$915.2	$1,093.5	$1,354.0	$1,137.6	$938.0	$1,337.3	$1,293.4	$1,265.3	$1,155.1	$1,600.8
Therapeutic Devices	$1,309.7	$1,114.3	$1,576.0	$1,282.3	$1,540.4	$1,292.8	$1,779.8	$1,368.7	$1,871.9	$1,807.6	$1,491.6	$2,969.3	$2,504.0

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US Life Sciences VC Deal Count by Select Sectors

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Biotechnology	156	186	182	223	232	267	268	263	291	270	267	299	358
Diagnostic Equipment	87	116	111	118	122	113	133	127	129	148	142	161	174
Discovery Tools (Healthcare)	13	11	16	11	13	25	24	25	29	37	28	48	56
Drug Delivery	21	25	34	35	31	33	33	31	43	45	42	59	64
Drug Discovery	164	182	171	193	233	257	308	307	400	432	501	559	652
Medical Supplies	16	25	20	25	32	25	15	16	19	21	21	23	25
Monitoring Equipment	38	43	62	63	84	89	98	115	125	132	121	121	129
Other Devices and Supplies	47	41	60	65	57	74	70	64	67	66	82	73	74
Other Pharmaceuticals and Biotechnology	8	11	14	9	9	11	15	16	18	26	34	29	28
Pharmaceuticals	78	85	84	66	71	65	73	60	51	73	96	65	81
Surgical Devices	113	113	133	120	116	139	136	117	131	124	127	111	156
Therapeutic Devices	139	133	177	177	192	182	193	192	191	236	218	237	228

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC Deal and Company Count in Life Sciences

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Life Sciences Deal Count	944	1,052	1,165	1,208	1,308	1,425	1,536	1,497	1,670	1,807	1,908	1,999	2,279
Life Sciences as % of Total US VC (#)	20.6%	18.9%	16.9%	15.1%	13.8%	13.3%	13.5%	14.7%	15.0%	15.5%	15.3%	16.4%	14.4%
Company count	865	970	1,079	1,114	1,217	1,333	1,432	1,434	1,577	1,708	1,788	1,877	2,095

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC Deal Value and Company Count in Life Sciences

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Life Sciences Capital Invested ($B)	$8.6	$8.3	$9.4	$9.5	$11.4	$14.5	$16.4	$15.7	$20.1	$28.3	$26.2	$38.6	$51.8
Life Sciences as % of Total US VC ($)	30.8%	26.1%	20.6%	22.7%	23.0%	19.6%	19.1%	19.0%	22.7%	19.6%	18.1%	23.1%	15.6%
Company Count	865	970	1,079	1,114	1,217	1,333	1,432	1,434	1,577	1,708	1,788	1,877	2,095

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Corporate Venture Capital

Corporate venture capital (CVC) has played an increasingly important role in the startup ecosystem. In addition to providing capital, CVC investors provide unique value through sales and business development channels, customer and talent acquisition, and strategic sector guidance. CVC investor motivations also go beyond financial returns, viewing startups as important avenues for R&D investment.

2021 marked the fourth consecutive year where more than 2,000 venture investments involved CVC participation. CVC investors participated in 2,982 venture deals last year, representing 19% of total VC deal count (for those VC deals with investors disclosed). These 2,982 investments represented an aggregate deal size (including non-CVC investors) of $142 billion, almost twice as much as the aggregate deal size from 2020.

US Corporate VC Investment by Year

	# of All VC Deals	# of VC Deals with CVC Involvement	% of VC Deals with CVC Involvement (#)	Average Deal Value (All VC, $M)	Average Deal Value (CVC, $M)	Median Deal Value (All VC, $M)	Median Deal Value (CVC, $M)	Average Post Valuation (All VC, $M)	Average Post Valuation (CVC, $M)	Median Post Valuation (All VC, $M)	Median Post Valuation (CVC, $M)	Total VC Capital Raised ($M)	Total CVC Capital Raised ($B)	% of VC Deals with CVC Involvement ($)
2007	4,400	700	15.9%	$9.4	$16.4	$4.2	$10.0	$55.1	$117.9	$22.3	$41.3	$38.2	$11.1	29.1%
2008	4,861	733	15.1%	$8.2	$14.4	$3.6	$8.3	$54.6	$74.3	$20.3	$35.6	$37.3	$10.0	26.8%
2009	4,581	532	11.6%	$6.6	$14.1	$2.5	$8.0	$53.0	$82.2	$17.1	$34.1	$27.8	$6.9	24.9%
2010	5,560	617	11.1%	$6.3	$15.1	$2.0	$8.0	$57.7	$93.6	$16.7	$33.9	$32.0	$8.6	26.9%
2011	6,901	803	11.6%	$7.4	$18.0	$1.7	$6.5	$112.8	$164.9	$16.5	$37.2	$45.4	$13.2	29.2%
2012	8,026	904	11.3%	$5.8	$13.8	$1.5	$6.4	$55.6	$87.0	$15.6	$34.0	$41.6	$11.5	27.7%
2013	9,512	1,181	12.4%	$5.9	$14.5	$1.5	$5.8	$59.3	$125.2	$15.2	$36.4	$49.6	$15.6	31.6%
2014	10,709	1,435	13.4%	$7.9	$20.3	$1.6	$6.8	$103.2	$192.8	$16.5	$38.1	$73.9	$26.9	36.4%
2015	11,341	1,622	14.3%	$8.6	$24.8	$1.7	$8.0	$115.5	$311.8	$17.6	$43.0	$85.8	$36.9	43.0%
2016	10,215	1,617	15.8%	$9.1	$26.1	$2.0	$8.2	$112.7	$295.8	$18.3	$39.0	$82.6	$38.3	46.3%
2017	11,101	1,805	16.3%	$9.0	$20.6	$2.1	$8.0	$92.5	$161.8	$18.7	$36.0	$88.5	$33.9	38.3%
2018	11,622	2,081	17.9%	$14.1	$36.7	$2.7	$9.5	$166.3	$334.9	$22.0	$43.6	$144.3	$70.1	48.6%
2019	12,510	2,247	18.0%	$13.4	$28.3	$2.8	$11.0	$149.9	$196.2	$22.1	$54.9	$144.8	$57.1	39.4%
2020	12,173	2,248	18.5%	$16.0	$36.7	$3.0	$11.3	$200.6	$302.4	$25.0	$55.0	$167.1	$75.0	44.9%
2021	15,855	2,982	18.8%	$24.8	$52.3	$4.5	$17.0	$359.5	$595.3	$44.6	$100.0	$332.8	$142.2	42.7%

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Growth Equity

Growth equity* sits at the later end of the VC spectrum, filling a gap for mature companies that do not have a need for early-stage VC nor would a buyout by a private equity firm make sense for their growth. Growth equity can also meet capital needs for larger late-stage companies staying private longer than historically was the case. Many growth equity deals are also included in the VC statistics in this publication; however, others are classified as growth/expansion and are not included.

NVCA defines most growth equity investments as having the following key characteristics:

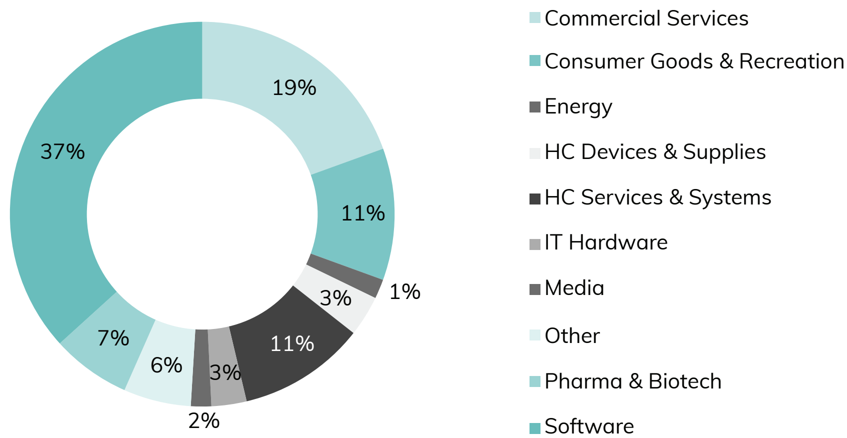
- Company has a proven business model (established product and/or technology and existing customers).
- Company's revenues are growing rapidly.
- Company is often cash flow positive, profitable, or approaching profitability.
- Company is often founder-owned and/or managed.
- Investor is agnostic about control and purchases minority ownership positions more often than not.
- Industry investment mix is similar to that of earlier-stage VC investors.
- Capital is used for company needs or shareholder liquidity.
- Additional financing rounds are not usually expected until exit.
- Investments are often unlevered or use light leverage at purchase.
- Investment returns are primarily a function of growth, not leverage, with a lower expected loss ratio than VC portfolios.

Additional details on the criteria used to identify growth equity investments from the PitchBook Platform are available on page 52.

Growth equity investment mirrored VC investment and exploded in 2021.

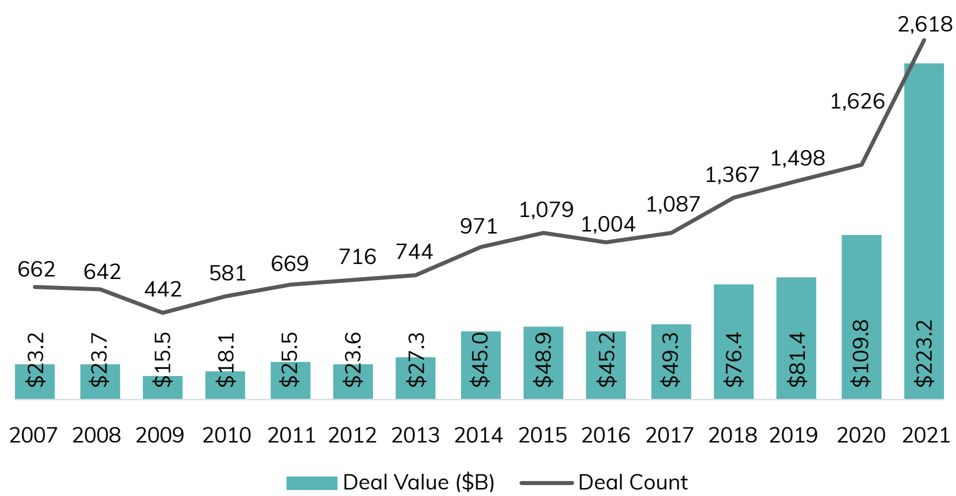
Investors deployed $223 billion across 2,618 growth equity investments last year, representing a 103% and 61% YoY increase, respectively. Both growth equity deal value and count eclipsed the previous annual record set in 2020.

US Growth Equity Investments (#) in 2021 by Sector



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US Growth Equity Deal Activity



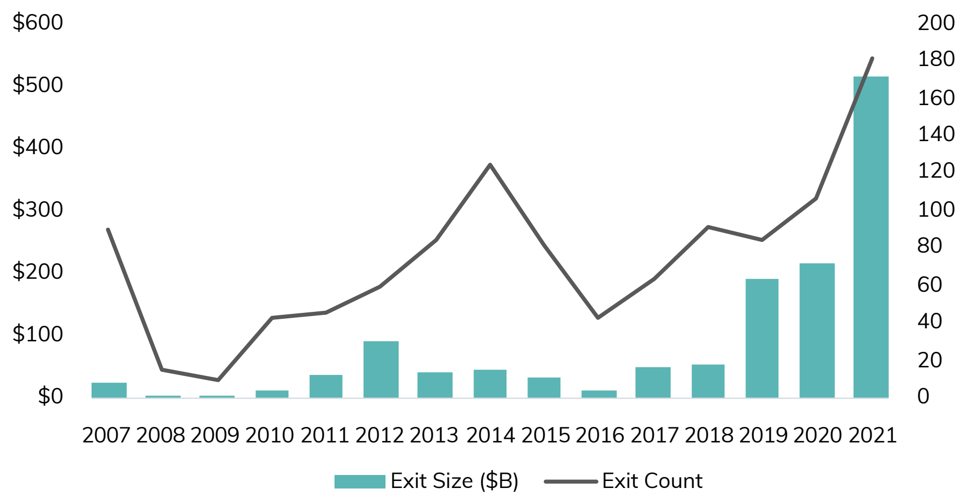
Source: NVCA 2022 Yearbook, Data provided by PitchBook

* Growth equity is not included as a subset of overall VC data in this publication; it is instead its own unique dataset. More details on the methodology are on page 52.

Exit Landscape: Venture-backed IPOs & M&As

The exit environment drives the true measure of success for venture-backed companies. Once successful portfolio companies mature, venture funds generally exit their positions in those companies by taking them public through an initial public offering (IPO) or by selling them to presumably larger entities (via an acquisition, merger, or trade sale), to a financial buyer (for example, a private equity buyer), or through a sale to a special purpose acquisition company (SPAC). SPACs, also known as “blank check companies,” have no

US VC-backed IPO Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US IPOs by Year

	# of All IPOs	# of VC-Backed IPOs
2009	183	9
2010	277	43
2011	270	46
2012	305	59
2013	381	84
2014	412	124
2015	302	81
2016	200	42
2017	256	63
2018	259	91
2019	253	84
2020	477	106
2021	965	181

Source: NVCA 2022 Yearbook, Data provided by PitchBook

Top 10 US VC-backed IPOs in 2021

Company Name	Exit size ($M)	Industry Sector	State
Rivian	$55,791.6	B2C	California
Coinbase	$48,096.8	IT	California
Roblox	$45,314.0	IT	California
Robinhood Markets	$30,021.1	Financial Services	California
UiPath	$27,746.5	IT	New York
Toast	$19,103.7	IT	Massachusetts
Marqeta	$13,089.4	IT	California
HashiCorp	$13,087.0	IT	California
Tuya Smart	$10,839.6	IT	California
Samsara	$10,703.5	IT	California

Source: NVCA 2022 Yearbook, Data provided by PitchBook

commercial operations and are formed strictly to raise capital through an IPO for the purpose of acquiring an existing company. Although SPACs have been around for at least a decade, they gained newfound popularity in 2020 and 2021 as an alternate way for VC-backed companies to access public markets.

An exit allows the venture firm to distribute the proceeds to LP investors, raise a new fund for future investment, and invest in the next generation of companies. This section collectively refers to any type of sale to a corporate entity or to a financial buyer as a merger and acquisition (M&A). Public listings refer to traditional IPOs, direct listings, and reverse mergers via SPACs. SPAC registrations are analyzed separately.

VC-backed exits were a big (if not the biggest) part of the industry's story in 2021, with about $774.1 billion in exit value generated through 1,875 VC-

Ratio of IPO Pre-Valuation to Total VC Invested

	Post Value ($B)	Capital Raised ($B)	IPO Pre Value ($B)	Total VC Raised to Date ($B)	Ratio
2009	$4.4	$3.4	$3.4	$0.7	4.7
2010	$15.9	$12.7	$12.7	$5.1	2.5
2011	$43.3	$37.8	$37.8	$6.5	5.8
2012	$112.8	$91.5	$91.5	$7.7	11.9
2013	$50.7	$42.1	$42.1	$10.3	4.1
2014	$53.6	$44.4	$44.4	$11.5	3.9
2015	$38.4	$30.8	$30.8	$8.8	3.5
2016	$16.2	$13.3	$13.3	$5.0	2.7
2017	$59.8	$50.4	$50.4	$9.6	5.3
2018	$64.9	$54.2	$54.2	$15.2	3.6
2019	$214.1	$190.1	$190.1	$35.5	5.4
2020	$250.3	$216.7	$216.7	$33.6	6.5
2021	$614.2	$512.4	$512.4	$60.8	8.4

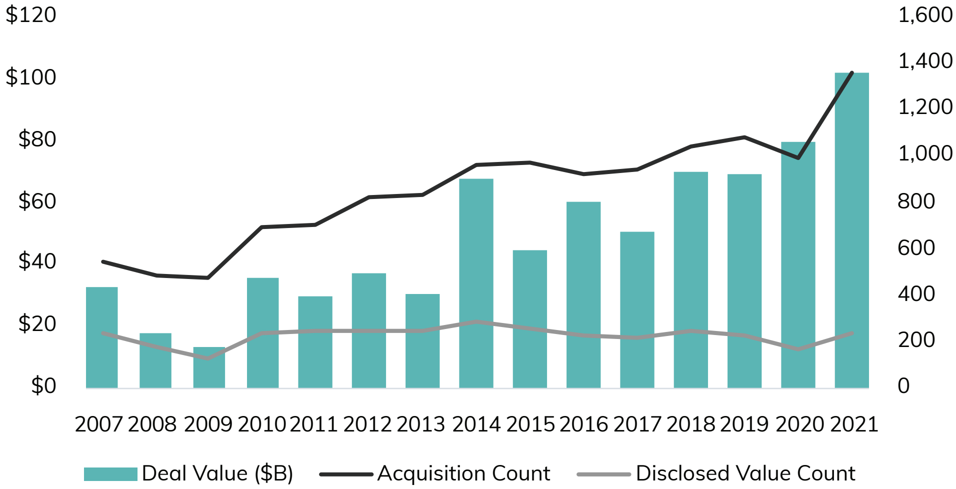
Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC-backed IPO Value and Age Characteristics

	# of IPOs	Deal Value ($M)	Median Deal Value ($M)	Average Deal Value ($M)	Post Value ($M)	Median Post Value ($M)	Average Post Value ($M)	Median Years from First VC to Exit	Average Years from First VC to Exit
2009	9	$3,425.7	$243.4	$428.2	$4,392.1	$327.5	$549.0	6.0	7.1
2010	43	$12,746.3	$203.2	$303.5	$15,890.2	$278.7	$378.3	6.4	7.0
2011	46	$37,793.3	$331.2	$944.8	$43,333.3	$423.6	$1,083.3	5.8	6.7
2012	59	$91,537.5	$291.7	$1,830.8	$112,792.3	$353.2	$2,050.8	7.1	7.7
2013	84	$42,114.7	$240.1	$561.5	$50,695.8	$328.5	$641.7	6.7	7.3
2014	124	$44,356.7	$187.1	$369.6	$53,601.6	$249.9	$454.3	7.2	7.4
2015	81	$30,770.9	$219.3	$410.3	$38,435.6	$294.0	$499.2	6.7	6.2
2016	42	$13,327.8	$180.6	$325.1	$16,232.7	$244.3	$386.5	7.8	7.2
2017	63	$50,429.2	$294.0	$854.7	$59,770.1	$369.0	$1,013.1	7.2	6.9
2018	91	$54,196.0	$328.2	$630.2	$64,862.1	$407.9	$745.5	4.6	6.5
2019	84	$190,096.2	$363.9	$2,318.2	$214,105.8	$458.6	$2,611.0	6.8	6.8
2020	106	$216,681.8	$508.2	$2,145.4	$250,257.4	$703.7	$2,477.8	5.3	6.2
2021	181	$512,401.2	$630.2	$3,143.6	$614,248.1	$800.6	$3,656.2	6.0	6.7

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC-backed M&A Activity



Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC-backed M&A Value and Age Characteristics

	# of Acquisitions	# with Disclosed Values	Deal Value ($M)	Median Deal Value ($M)	Average Deal Value ($M)	Median Years from First VC to Exit	Average Years from First VC to Exit
2009	472	128	$13,143.3	$22.0	$91.9	4.4	4.8
2010	692	232	$35,676.9	$42.5	$137.7	4.3	5.0
2011	707	246	$29,614.5	$42.0	$108.5	4.2	4.9
2012	822	244	$36,786.6	$40.0	$138.3	4.5	5.1
2013	835	242	$30,423.2	$35.0	$109.8	3.7	5.0
2014	961	290	$67,849.3	$50.0	$205.6	4.5	5.4
2015	970	259	$44,789.6	$45.0	$152.9	4.3	5.4
2016	917	225	$60,520.7	$66.0	$222.5	4.5	5.6
2017	937	213	$50,120.2	$52.5	$192.0	5.1	6.0
2018	1,043	247	$69,819.6	$71.5	$230.4	5.2	6.1
2019	1,082	223	$69,306.8	$75.0	$222.9	5.1	6.0
2020	987	164	$79,699.4	$75.0	$306.5	5.4	6.3
2021	1,357	233	$102,144.1	$80.0	$278.3	5.5	6.1

Source: NVCA 2022 Yearbook, Data provided by PitchBook

backed exits. VC-backed public listings accounted for the lion's share of exit value, with 296 completed in 2021 and representing $681.5 billion in exit value.

Most notably, VC-backed IPOs stole the headlines as 181 VC-backed IPOs represented $550 billion in exit value last year, eclipsing the previous record set in 2020.

These 181 IPOs had a total post-money valuation of $614.2 billion, stemming from just $60.8 billion invested prior to IPO. The median size of IPOs in 2021 reached $630.2 million and the median IPO post-money valuation reached $800.6 million, both metrics breaking the record set just a year before. Companies that went public in 2021 had a median time from first venture round until exit of 5.98 years, slightly lower than the prior 10-year average of 6.5 years.

Electric vehicle automaker Rivian, cryptocurrency platform Coinbase, and gaming platform Roblox took the top three spots for largest IPOs of 2021. All three companies are based in California, home to eight of the 10 largest VC-backed IPOs last year. New York City-based UiPath and Boston-based Toast accounted for the other two largest IPOs.

Venture-backed companies accounted for 18.7% of all US IPOs in 2021. And VC-backed IPOs accounted for 12% of all VC-backed exits last year. Even with a big year for venture-backed IPOs, M&As continued to account for the majority of exits, comprising an average of 92% of annual venture-backed exits from 2004 to 2021.

VC-backed M&A activity continued its strong run in 2021 and marked the sixth consecutive year with $50 billion+ in disclosed exit value. In 2021, 1,357 M&As (233 with disclosed values) represented a total of $102 billion in disclosed exit value, a 28% increase from the annual record set in 2020. The median and average deal values reached $80 million and $278 million, respectively, in 2021. The median M&A size increased 7% YoY compared with 2020, while average M&A size decreased 9%. The age of companies that were acquired or merged continued to increase, with a median age from first venture funding to exit of 5.5 years.

M&A activity for software companies accelerated in 2021 after cooling in 2020. Last year, the software sector accounted for 42% of disclosed M&As by value. Okta's $5.7 billion acquisition of cybersecurity company Auth0 was the largest software M&A of the year.

Pharma & biotech was the second-highest sector for M&A deal value in 2021, comprising 22% of total deal value. Two biotech companies ranked in the top 10 largest M&As, including Illumina's $9.8 billion acquisition of GRAIL, which was the largest of the year. Five companies in the top 10 were headquartered outside California, Massachusetts, or New York.

Top 10 US VC-backed M&A in 2021

Company Name	Deal Size ($M)	Industry Sector	State
GRAIL	$9,751.0	Healthcare	California
Auth0	$5,671.0	IT	Washington
Ginger	$3,000.0	Healthcare	California
Divvy	$2,300.0	IT	Utah
Thrive Earlier Detection	$2,190.0	Healthcare	Massachusetts
MDLive	$2,028.0	Healthcare	Florida
A Cloud Guru	$2,000.0	IT	Texas
Turbonomic	$1,834.0	IT	Massachusetts
Stack Overflow	$1,800.0	IT	New York
Truebill	$1,600.0	IT	Maryland

Source: NVCA 2022 Yearbook, Data provided by PitchBook

SPAC activity exploded in 2020, and the strong pace continued into the beginning of 2021. However, financial performance and regulatory scrutiny slowed down SPAC activity as the year progressed. Nonetheless, 2021 eclipsed the previous year's record. SPAC registrations and capital raised more than doubled YoY, with 558 SPAC registrations for a cumulative total of just over $135 billion in 2021.

US VC-backed IPO Post-Valuation by Range (Company Count)

	>$10B	$1B-$10B	$500M-$1B	$100M-$500M	<$100M
2011	1	7	9	19	10
2012	1	7	11	33	7
2013	1	8	12	48	15
2014	-	11	18	72	23
2015	-	8	14	38	21
2016	-	3	9	21	9
2017	1	13	10	26	13
2018	-	18	15	46	12
2019	4	22	12	40	6
2020	6	26	41	24	9
2021	14	59	39	40	29

Source: NVCA 2022 Yearbook, Data provided by PitchBook

US VC-backed M&A by Range (Company Count)

	>$1B	$500M-$1B	$100M-$500M	<$100M
2011	3	5	64	635
2012	6	8	68	740
2013	4	8	71	752
2014	11	14	94	842
2015	8	12	84	866
2016	8	16	86	807
2017	10	15	72	840
2018	10	12	95	926
2019	9	18	90	965
2020	20	12	68	887
2021	20	26	100	1,211

Source: NVCA 2022 Yearbook, Data provided by PitchBook

NVCA's 2021 Year in Review

2021 was an impactful year for NVCA. Our three platforms collectively served the venture ecosystem through advocacy, research, education, programming, and advancing the VC industry.

Three Complementary Structures Supporting the Venture Ecosystem

VENTURE FORWARD
Public Charity
501(c)(3)

- Mission-driven
- Programs, research, and events that directly serve the good of the community and its members
- Funded by donations from individuals or private entities
- Donations are tax-deductible

nvca
Trade Association
501(c)(6)

- Membership-driven
- Lobbying and advocacy efforts to protect the VC industry from external regulatory forces
- Funded by annual member firm dues
- Membership dues are not tax deductible

VenturePac
Political Action Committee
527

- Membership/Politics-driven
- Supports the election of candidates who champion for the VC industry
- Funded by individual contributions
- Donations are not tax deductible

This timeline features highlights from the past year to provide the VC community with an overview of our priorities, impact, and accomplishments.

Palo Alto Leadership Dinner, Nov 2021.

VC University LIVE Closing Keynote, Jun 16, 2021

March

2021 VC Awards Ceremony: NVCA virtually recognized individuals, firms, and organizations across the VC ecosystem. View a recording of the program and list of award winners.

Report on Immigrant Entrepreneurs, Startup Visa: NVCA released a new report examining how foreign-born entrepreneurs play a key role in the creation of US VC-backed startups and how a Startup Visa and other policy reforms would increase overall economic competitiveness in the US.

American Innovation and Jobs Act: NVCA was pleased to see reintroduction of the bipartisan American Innovation and Jobs Act which would support innovative startups by increasing the ability of young companies to access R&D tax credits.

VC Human Capital Survey: NVCA, Venture Forward, and Deloitte released the third edition of the VC Human Capital Survey, which captures critical data on the workforce at VC firms, develops a baseline understanding of demographics, tracks progress within the VC industry, and uncovers the current state of diversity, equity, and inclusion (DEI) across the industry.

April

Reformed CMS Coverage Pathway for Devices: Following the March 2021 delay in implementation, NVCA filed comments with the Centers for Medicare and Medicaid (CMS) in support of the Medicare Coverage of Innovative Technology (MCIT) proposal. The MCIT pathway would provide four years of national Medicare coverage for FDA-designated breakthrough devices (details).

Endless Frontier Act: Following several months of discussions with the bill's sponsors about prioritization of new company formation, NVCA was thrilled to see the reintroduction of the bipartisan Endless Frontier Act by Senators Chuck Schumer (D-NY) and Todd Young (R-IN). View our letter of support and coalition letter from more than 70 organizations.

Biden Administration Unveils Capital Gains Tax Increase: The American Families Plan is a $1.8 trillion proposal in "human infrastructure" that is paired with the American Jobs Plan to form the core of President Biden's Build Back Better agenda. There were several tax increases on capital gains and other income included in the House reconciliation package.

May

Beneficial Ownership: NVCA submitted comments to Treasury's FinCEN in response to the Advance Notice of Proposed Rulemaking regarding new beneficial ownership reporting requirements. NVCA heavily engaged with policymakers throughout the multiyear legislative process to ensure the language provided exemptions for VCs (both RIAs and ERAs) and pooled investment vehicles operated or advised by both RIAs and ERAs.

Implementation of IER: NVCA was excited that the Biden administration launched the International Entrepreneur Rule (IER), which operates like a Startup Visa. When it was targeted for removal by the Trump administration, we lobbied and submitted formal comments in support of IER. Because of our efforts, foreign-born entrepreneurs and their investors can take advantage of IER when building high-growth companies in the US.

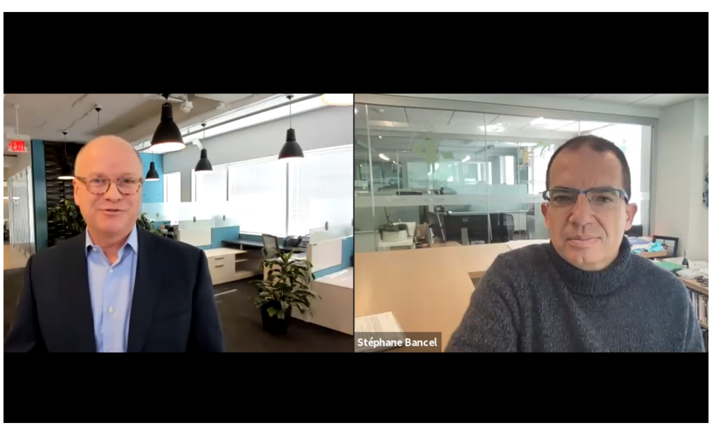
June

Antitrust: NVCA focused its efforts on the Platform Competition and Opportunity Act, which would effectively ban acquisitions by large tech companies. We engaged deeply in the committee process and raised concerns about the bill. We also issued a formal opposition letter about the impact of the bill on venture-backed startups that see an acquisition as their best opportunity.

IGNITE American Innovation Act: A coalition NVCA formed was pleased to see the bipartisan introduction of the IGNITE American Innovation Act by Reps. Dean Phillips (D-MN) and Jackie Walorski (R-IN). The bill allows companies with less than 1,500 employees to monetize up to $25 million in net operating loss (NOL) carryforwards and R&D credits so long as the proceeds are used to finance payroll, research and development, or facility construction.

New Board Chair: NVCA appointed Michael Brown of Battery Ventures as the 2021-2022 Chair of the NVCA Board of Directors and welcomed 10 new directors to serve a four-year term.

VC University LIVE at UNC: NVCA, Venture Forward, UC Berkeley, and the University of North Carolina at Chapel Hill (UNC) partnered to host a virtual VC educational program for industry newcomers and to shine a spotlight on the VC ecosystem in North Carolina.



2021 NVCA Awards Gala Opening Remarks.

Roundtable with SBA Administrator.

July

Immigration/Startup Visa: NVCA was excited to see Congresswoman Zoe Lofgren (D-CA) introduce a new startup visa proposal. Lofgren's bill, the Let Immigrants Kickstart Employment (LIKE) Act, included significant input from NVCA and we led efforts to gain support among industry associations. Former NVCA board chair Barry Eggers of Lightspeed wrote an Op-Ed in the San Jose Mercury News about the importance of Lofgren's bill.

Venture Forward's First Impact Report: Venture Forward celebrated its first anniversary in June and released its first Impact Report in July, highlighting the positive impact the organization has had on the venture community since publicly launching in 2020.

August

Coalition Letter on Startup Visa: NVCA organized a coalition letter signed by 19 entrepreneurship and innovation organizations in support of Representative Lofgren's Let Immigrants Kickstart Employment (LIKE) Act of 2021.

Cohort 7 VC University ONLINE Mentorship Program: The three-month program kicked off with 42 mentees from the scholarship cohort participating (aspiring and early-career VCs from underrepresented backgrounds). Each mentee was paired with one experienced VC and one peer VC.

September

Build Back Better Act: A key component of President Biden's domestic policy agenda with an initial $3.5 trillion topline, the Build Back Better Act contained several harmful tax increases targeting carried interest capital gains and QSBS. After months of advocacy, NVCA was pleased that carried interest tax increases were removed from the package, but we engaged on concerning provisions curtailing QSBS. BBB did include other promising proposals like a direct pay mechanism for the clean energy tax credits and creating a new energy storage credit; $7.5 billion for National Science Foundation research grants, technology commercialization support, and scholarships; and a new micro-SBIC program.

Recommendations for FASB: With the help of our CFO Task Force members, NVCA submitted a comment letter to make recommendations for the FASB's long-term agenda priorities. We asked FASB to focus on projects that would reduce the complexity of financial reporting for early-stage portfolio companies and recommended defining common non-GAAP KPIs, as well as clarifying guidance on appropriate accounting treatment for digital assets.

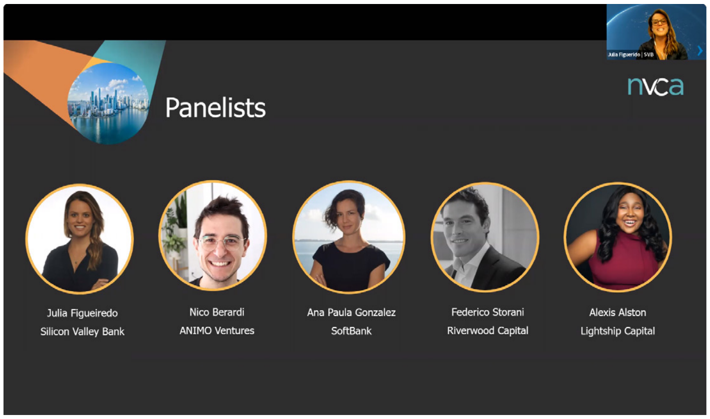
VC University ONLINE: Cohort 8 of the online certificate VC education program, jointly produced by NVCA, Venture Forward, and UC Berkeley, launched with 233 participants.

October

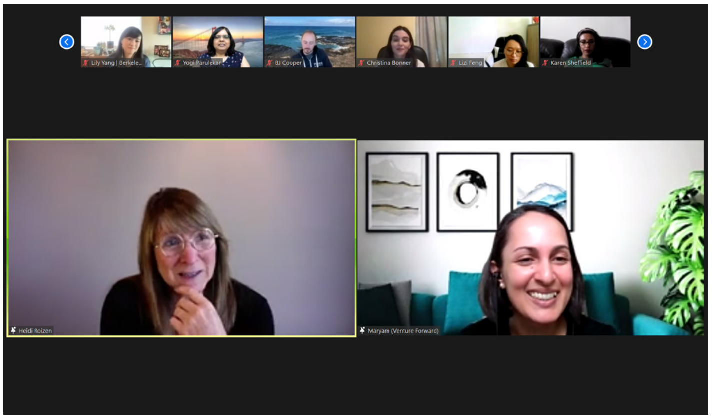
Coalition Letter on Acquisitions: NVCA organized a coalition letter with 20 innovation and entrepreneurship organizations that detailed the importance of acquisitions to the American economy and warned against harmful policy changes.

NVCA Rejects Repeal for Important Proposed Rule for Medical Device Investors: NVCA submitted comments to CMS in response to the agency's proposal to repeal MCIT, which would have provided four-year coverage for FDA-designated breakthrough products.

NVCA SOPS 2021: NVCA (virtually) held its annual Strategic Operations and Policy Summit focused on the critical role CFOs and senior operations professionals play at VC firms. Participants heard from experts on topics covering tax and regulatory updates, leadership development, and industry-related policy content.



Spotlight on Miami, Sep 2021.



VC University ONLINE Networking Session

November

Industry Opposition to Senate Antitrust Bill: NVCA sent a letter to Senators Klobuchar and Cotton expressing our concerns with the Platform Competition and Opportunity Act. A similar version of the bill passed the House Judiciary Committee in June and was opposed by NVCA.

LP Office Hours (LPOH): Venture Forward hosted its 6th LPOH and 2nd virtual program with a focus on foundations and endowments, and connected 25 underrepresented and emerging VC fund managers with LPs and experienced GPs to learn fundraising best practices.

December

NVCA Cures 2.0 Priorities: NVCA sent a letter to Cures 2.0 authors Representatives Diana DeGette (D-CO) and Fred Upton (R-MI), applauding the bipartisan legislative efforts to advance medical innovation and highlighting the industry's priorities in the package.

QSBS Boots on the Ground: NVCA engaged on the QSBS provision in the Build Back Better Act. We met with key lawmakers to raise concerns about its inclusion and joined a coalition letter with 31 innovation and entrepreneurship organizations against it.

Meet the Press Lunch: Hosted in partnership with Sparkpr, the networking lunch in San Francisco provided NVCA members in marketing, communications, and IR roles with the opportunity to engage with reporters covering the VC industry.

January 2022

SSBCI Resources Webpage: NVCA launched a landing page with resources on the State Small Business Credit Initiative (SSBCI), which was reinstated with $10 billion in funding as part of the American Rescue Plan.

SEC Proposals: The SEC announced a plan to require more private companies and investors to disclose information about their finances and operations. NVCA CEO Bobby Franklin was quoted in the Wall Street Journal warning about the potential harmful impact of the proposals.

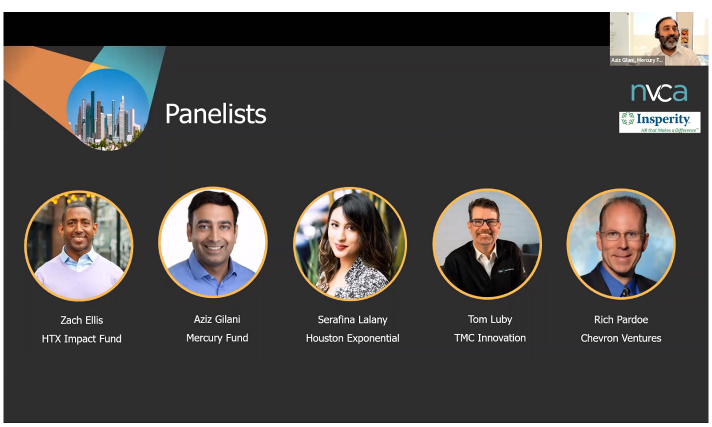
February 2022

SBA Roundtable & Webinar: NVCA and Venture Forward hosted a two-part roundtable and webinar with Small Business Administration (SBA) Administrator Isabel Guzman and the SBA team, who provided an overview of the Biden Administration's policy agenda and emerging manager support programs at SBA.

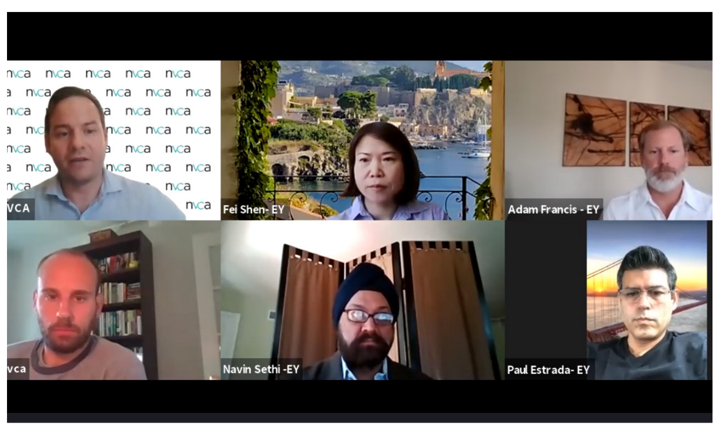
Startup Visa Passes House: Startup Visa passed the House as part of the America COMPETES Act. The Startup Visa language mirrored Rep. Lofgren's LIKE Act.

Beneficial Ownership: NVCA submitted comments to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) in response to proposed regulations for beneficial ownership reporting requirements (text and fact sheet).

New Research Quantifies Impact of VC-Backed Companies in Fueling American Jobs: A new report from the NVCA, Venture Forward, and the University of North Carolina Kenan Institute of Private Enterprise found that employment at VC-backed companies grew 960% from 1990 and 2020 at a pace eight times that of employment at non-VC-backed companies.



Spotlight on Houston, December 2021.



Tax and Remote Work Considerations for VC, May 2021.

NVCA Public Policy Priorities

NVCA Public Policy Priorities

NVCA is engaged with policymakers and regulators to ensure the voice of VCs and startups is heard in Washington. Lawmakers on Capitol Hill face a busy calendar with a limited window to address multiple priorities before the midterm elections in the fall. Below are key policy initiatives for NVCA in 2022 and an overview of the current state-of-play.

Build Back Better Act

Last year, NVCA spent significant time and resources on the Build Back Better Act (BBB). As the year closed, the legislation fortunately did not increase taxes on carried interest capital gains or the topline capital gains rate, but it did include misguided changes to Qualified Small Business Stock (QSBS). We raised concerns to key lawmakers regarding the proposed QSBS changes, which are detailed in a coalition letter NVCA joined with 31 innovation and entrepreneurship organizations. BBB did include other promising proposals like a direct pay mechanism for the clean energy tax credits and creating a new energy storage credit; $7.5 billion for National Science Foundation research grants, technology commercialization support, and scholarships; a new micro-SBIC program; and $30 billion for workforce development, including for technology skills.

The path forward on BBB is unclear in 2022 as negotiations appear to be on pause between the main actors. Still, we must remain vigilant and continue to share the consequences of harmful changes to QSBS.

Antitrust and Acquisition Restrictions

Antitrust scrutiny of large tech companies will continue this year and is likely to include restrictions or bans on acquisitions by these companies. NVCA will continue to meet with lawmakers to voice our opposition to the Platform Competition and Opportunity Act (op-eds here and here) as Congress considers how to crack down on tech platforms. The legislation is effectively a ban on acquisitions by large tech platforms and negatively impacts venture-backed companies that see an acquisition as the best opportunity for founders, employees, and investors. At the same time, we will be active on proposed M&A policy changes at the Federal Trade Commission and Justice Department.

Financial Regulatory Proposals

NVCA anticipates heightened financial regulatory proposals in 2022. In January, SEC Chair Gary Gensler announced his agency is working on a plan to require more private companies and investors to disclose information about their finances and operations. Gensler stated he wants to ensure that private companies and investment firms are disclosing enough information to stakeholders. NVCA CEO Bobby Franklin was quoted in the Wall Street Journal warning about potential unintended consequences of the proposal. In February, the SEC proposed rules to more greatly regulate private funds, including many venture funds, and we anticipate providing comments in each of these proceedings. Finally, the House-passed America COMPETES Act included language that would require private companies and funds to provide additional information about how capital will be deployed.

Endless Frontier Act/ US Innovation and Competition Act

NVCA has been deeply engaged in the bipartisan Endless Frontier Act that would renew the United States' commitment to federal basic research and offers tools to support the transition of technology from lab to product. The legislation was included in the larger

US Innovation and Competition Act (USICA) that passed the Senate in June. In February, the House moved forward with its own package. NVCA will continue to advocate for passage of the USICA package that will increase our nation's global competitiveness at a time when other countries are ramping up their technology ecosystems. As the bill moves forward, we remain focused on prioritizing new company formation and entrepreneurship in the proposed programs to encourage participation of the venture capital industry.

Immigration

NVCA has long been the leading organization in support of a startup visa—a dedicated visa category for foreign-born founders who want to launch startups in the US. Last summer, Rep. Zoe Lofgren introduced a new startup visa bill called the Let Immigrants Kickstart Employment (LIKE) Act. NVCA endorsed Rep. Lofgren's bill and will continue to work closely with Rep. Lofgren to build support for her bill, advance it in the House, and make progress on a Senate companion. The House-passed America COMPETES Act included Rep. Lofgren's startup visa bill. NVCA sent a letter to House leadership explaining why the LIKE Act is instrumental to the US remaining the global leader in technological and scientific innovation.

Beneficial Ownership Regulations

NVCA has played an active role in sharing the venture industry's concerns about new beneficial ownership reporting requirements on small businesses. In April 2021, we submitted comments to the Treasury Department's FinCEN to reiterate that the agency should ensure uniform exemptions from reporting obligations for all VC funds, an exemption obtained due to our engagement in the legislative process, as well as minimize the regulatory impact on small portfolio companies. FinCEN has since released draft regulations and we formally responded through comments in early 2022. As the regulations are finalized by the agency, we will also be providing updates and education to NVCA members and your portfolio companies that may be impacted.

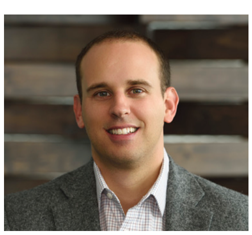
Bipartisan Infrastructure Law

The $1 trillion bipartisan infrastructure package signed into law in November includes dozens of programs to incorporate technology into a range of infrastructure-related systems, accelerate research and technology demonstration projects, and reshore advanced technology manufacturing. These include programs for cybersecurity, energy storage, transportation and mobility, climate innovation, and smart city technology. Key decisions around program design and eligibility rules will be made over the coming year. NVCA will be engaged with several federal agencies, including the Department of Energy and Department of Transportation, on the implementation of these programs to ensure that venture-backed companies are able to partner with the federal government.

Medical Device Coverage

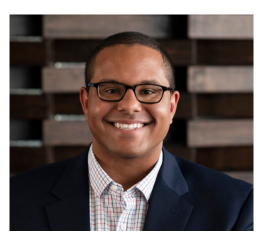
NVCA continues to advocate for a new coverage pathway at CMS for innovative medical technologies. Last year, CMS repealed the Medicare Coverage of Innovative Technology (MCIT), a four-year pathway for breakthrough devices which was strongly supported by NVCA. Following the repeal, a bipartisan group of lawmakers weighed in with the agency in support of an MCIT-like pathway and urged swift action to provide innovative medical technologies a path to CMS coverage. In addition, the bipartisan Cures 2.0 legislative package also includes a proposal to codify the MCIT pathway.

Jeff Farrah
General Counsel
jfarrah@nvca.org



Justin Field
Senior Vice President of Government Affairs
jfield@nvca.org

Charlotte Savercool
Senior Director of Government Affairs
csavercool@nvca.org



Jonas Murphy
Manager of Government Affairs
jmurphy@nvca.org

Gillian Carney
Public Policy Coordinator
gcarney@nvca.org

NVCA Member Community

Diverse, Engaged, Committed

Join NVCA's dynamic member network with representation from 35+ states and seed investors to mega-funds. Emerging managers and well-established VC firms contribute to a vibrant and productive community.

NVCA empowers the next generation of American companies that will fuel the economy of tomorrow. As the voice of the US venture capital and startup community, NVCA advocates for public policies that support the American entrepreneurial ecosystem. NVCA also fosters the success of the venture industry through valuable education, differentiated networking opportunities, and best in class data and resources.

See a full list of NVCA members here.

NVCA supports its member community through:

Policy & Advocacy

Education & Advancement

Community & Convening

Research & Data

Who are NVCA members?

- **VC partnerships**
- **Corporate venture groups**
- **Growth equity firms**
- **Family offices**
- **Fund of funds**
- **State-funded organizations/non-profits**

Key Programs and Initiatives

- **CFO Task Force** – VC CFOs and senior operators engage in virtual and in-person meetings to discuss shared challenges and best practices in accounting, back office operations, and financial reporting. CPE credit available.
- **Strategic Communications Group** – 100+ communications, marketing, and IR executives collaborate on digital strategy, media engagement, and firm brand building.
- **Corporate Venture Network** – Community for learning and dialogue on issues of interest to corporate venture investors. Participants benefit from peer mentorship, skill-building workshops, and diverse perspectives on corporate innovation.
- **Growth Equity Roundtable** – Platform for growth-stage investors to exchange ideas, including a dedicated forum for firm operators to share knowledge and discuss common regulatory concerns.

Must-Attend Events

- **Leadership Gala** – Annual gathering of leading VCs, honoring investors who have made significant contributions to the industry.
- **CFO/Operations Conference** – Program for CFOs and COOs at VC firms to examine accounting best practices, the role of operators in venture, and relevant public policy issues.
- **Board Service Excellence Forum** – New event for rising GPs to further their skills and effectiveness on startup company boards.

See all NVCA events here.

What's hot in 2022

- **Climate & Sustainability Working Group** – Members discuss climate challenges and opportunities with a focus on the regulatory and legislative issues critical to the new energy economy.
- **VC Leadership Dinners** – Intimate gatherings of GPs in cities from coast to coast.
- **Spotlight On Series** – Online series highlighting VC ecosystems in geographies across the US.

How to become a member

Visit nvca.org to apply online.

Questions? Contact membership@nvca.org.

Stephanie Volk
Vice President,
Industry Engagement
svolk@nvca.org

Jason Vita
Director,
Programming &
Industry Relations
jvita@nvca.org

Jenny Zemel
Manager, Member
Operations &
Experiences
jzemel@nvca.org

NVCA Industry Partner Program

Advisors, Leaders, and Experts

NVCA and its members rely on a strong network of service providers for guidance and expertise. Through NVCA's Industry Partner Programs, leading companies and organizations engage with an exclusive and diverse set of venture investors. Industry Partner benefits include:

Enhanced brand awareness

Strategic business development

Platform for thought-leadership

Who are Industry Partners?

- Accounting firms
- Banking and financial institutions
- Consulting and advisory services
- Law firms
- Research and data providers
- Companies supporting startups

What can Industry Partners do?

- Sponsor events and newsletters
- Host speaking engagements
- Provide thought-leadership content
- And more!

How to become an Industry Partner

Do your services add value to the VC ecosystem? Learn more about the program here.

NVCA contact: Jason Vita, Director, Programming & Industry Relations jvita@nvca.org

Venture Forward Highlights

Venture Forward is a 501(c)(3) nonprofit organization, focused on shaping a stronger, healthier future for the US VC ecosystem. Venture Forward was launched in 2020 as a supporting organization to NVCA.

Women, people of color, and other marginalized communities are underrepresented in the venture ecosystem. Venture Forward's mission is to change that. We support emerging investors through educational programs and networking opportunities, and enable current investors to create powerful, positive changes within their firms that are good for society and business.

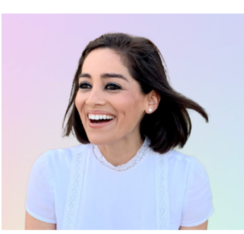
Venture Forward is funded solely through tax-deductible donations from individuals, VC firms, and corporate sponsors, including Silicon Valley Bank, Deloitte, and Gunderson Dettmer.

In June 2021, Venture Forward celebrated its one-year anniversary of positive impact on the VC community and appointed two new members to its board of directors: Elliott Robinson (Bessemer Venture Partners) and Nicole Walker (Arboretum Ventures). Venture Forward released its first impact report in July, highlighting accomplishments, impact, and testimonials. On the following page is an overview of our key programs and initiatives.

Ways to engage with Venture Forward:

- Participate in one of our educational programs
- Submit your firm's DEI data via the VC Human Capital Survey
- Volunteer as an Experienced VC or Peer VC Mentor in the VC University Mentorship Program
- Volunteer to host office hours as an LP or experienced GP for LP Office Hours
- Make a tax-deductible donation to support our important work

Learn more and stay up to date on Venture Forward's programs by signing up for our communications, or following us on Twitter and LinkedIn.



"As an emerging fund manager with limited social capital, events like Venture Forward's LP Office Hours really make the difference. I appreciate being able to connect with top-tier GPs & LPs, start relationships with them and get insights to help me on my journey to become a successful fund manager."

– Lolita Taub (General Partner, Ganas Ventures), Venture Forward Program Participant

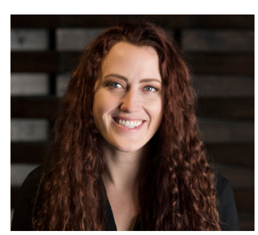
"The opportunity to raise a VC fund or become a VC investor has largely not been accessible to women, people of color, and other minorities. Venture Forward's programs like VC University and LP Office Hours are transforming the future of the industry and how more newcomers from diverse backgrounds can learn and network to build a career in funding innovation."

– Charles Hudson (Managing Partner & Founder, Precursor Ventures), Venture Forward Board Member

Venture Forward in Action

Programs & Initiatives	2021 Highlights	What's Ahead in 2022
VC University ONLINE Five-month online certificate course on the fundamentals of VC, held three times per year in partnership with UC Berkeley. Offers 20+ hours of recorded materials plus live office hours and monthly webinars with VC experts. Full & partial scholarships offered to aspiring investors from historically underrepresented groups.	• 680+ participants across three sold-out cohorts • 331 certificates of completion awarded (for two completed cohorts) • Significantly expanded scholarship program thanks to support of six new VC firm sponsors. • 128 full scholarships and 84 partial scholarships awarded (from 486 applicants) • New Life Science (LS) Scholarship track launched to support aspiring LS VCs • Matched 118 scholarship recipients with two mentors each (an experienced VC mentor and a peer VC mentor) in the highly-rated Mentorship Program • New course modules and content added	• Educate 600+ individuals across the February, June, and September cohorts • Award 100+ full scholarships to qualified applicants • Run three Mentorship Programs for the scholarship recipients of each cohort
VC University LIVE Live (normally in-person) three-day certificate course held in partnership with UC Berkeley. Convenes emerging VC ecosystems with Silicon Valley. Shines spotlight on local venture community. Full scholarships offered to aspiring investors from historically underrepresented groups.	• Educated 70+ individuals via virtual program co-hosted by UNC Chapel Hill • Provided 25 full scholarships • 50 course certificates awarded • Highlighted North Carolina VC ecosystem	• Program to resume when safe to hold large in-person events. Stay tuned!
VC Human Capital Survey Jointly produced with NVCA and Deloitte, the biennial survey tracks and measures industry progress on diversity, equity & inclusion (DEI), and is the most comprehensive benchmarking study of its kind.	• Released report and dashboard for 3rd edition of the survey, featuring data collected from 378 participating VC firms • Hosted a virtual DEI workshop with industry leaders to discuss progress and challenges	• 4th edition of the survey will be fielded in 2H 2022
LP Office Hours (LPOH) Half-day workshops (normally in-person) that connect emerging managers (EMs) from historically underrepresented groups with LPs, experienced GPs, industry advisors, and each other. In this free, highly-curated program, EMs get to learn about fundraising best practices and GP-LP relationship management.	• June virtual program focused on fund of funds, connecting 25 EMs with 18 LPs, and five experienced GPs • November virtual program focused on foundations and endowments, connecting 25 EMs with 10 LPs, and 5 experienced GPs • ~200 1:1 meetings and small roundtable discussions facilitated across two programs	• Two LPOH programs planned (one virtual and one in-person, depending on public health constraints)
Additional programs & initiatives	• Provided brand building and media training workshops to 30 early and mid-career VC investors from underrepresented backgrounds via the Comms 101 and Comms 201 programs	• More to come – stay tuned!

Maryam Haque
Executive Director
maryam@
ventureforward.org



Rhianon Anderson
Senior Programs Director
rhianon@
ventureforward.org

Data Methodology

Fundraising

We define venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled, if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

Deals

We include equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms, and corporate investors. Investments received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US.

Stage Definitions

Angel/seed: We define financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage: Rounds are generally classified as Series A or B (which we typically aggregate together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including the age of the company, prior financing history, company status, participating investors, and more.

Late-stage: Rounds are generally classified as Series C or D or later (which we typically aggregate together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be $15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry. Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method was actually employed.

Exits

We include the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). In addition, special purpose acquisition companies (SPAC) registration is broken out, but only completed SPACs wherein the reverse merger is completed between the public SPAC and a privately held company are included in total exit value and volume calculations. This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown.

Glossary

The following definitions are graciously provided by the Center for Private Equity and Venture Capital at the Tuck School of Business at Dartmouth. Used by permission. NVCA and PitchBook are grateful to the Center for its support.

"A" round ("Series A") – formerly the first "institutional" capital raised by a Company, the "A" round is now typically the second institutional round of financing for a young company where venture capitalists are sufficiently interested in a company to invest a larger amount of capital after the "Seed" round to fund the company to the next stage of its development. Subsequent rounds of financing are called "B," "C," "D," etc.

Accredited investor – a person or legal entity, such as a company or trust fund, that meets certain net worth and income qualifications and is considered to be sufficiently sophisticated to make investment decisions in private offerings. Regulation D of the Securities Act of 1933 exempts accredited investors from protection of the Securities Act. The Securities and Exchange Commission has proposed revisions to the accredited investor qualifying rules, which may or may not result in changes for venture investors. The current criteria for a natural person are: $1 million net worth (excluding the value of a primary residence) or annual income exceeding $200,000 individually or $300,000 with a spouse. Directors, general partners and executive officers of the issuer are considered to be accredited investors. See Rule 501 of Regulation D of the SEC for current details.

Alpha – a term derived from statistics and finance theory that is used to describe the return produced by a fund manager in excess of the return of a benchmark index. Manager returns and benchmark returns are measured net of the risk-free rate. In addition, manager returns are adjusted for the risk of the manager's portfolio relative to the risk of the benchmark index. Alpha is a proxy for manager skill.

Alternative asset class – a class of investments that includes venture capital, leverage buyouts, hedge funds, real estate, and oil and gas, but excludes publicly traded securities. Pension plans, college endowments and other relatively large institutional investors typically allocate a certain percentage of their investments to alternative assets with an objective to diversify their portfolios.

American Investment Council (AIC) – an advocacy, communications and research organization for the private equity industry in the United States. Previously known as Private Equity Growth Capital Council (PEGCC).

Angel – a wealthy individual who invests in companies in relatively early stages of development.

Angel Groups – groups of individual angels who invest together, individually or through a pooled vehicle, enabling them to share deal flow with each other.

Anti-dilution – a contract clause that protects an investor from a substantial reduction in percentage ownership in a company due to the issuance by the company of additional shares to other entities. The mechanism for making an adjustment that maintains the same percentage ownership is called a Full Ratchet. The most commonly used adjustment provides partial protection and is called Weighted Average.

ASC Topic 820 – FASB Accounting Standards Codification (ASC) Topic 820 (formerly known as FAS 157) is the accounting standard that dictates how to measure and disclose fair value for financial reporting purposes. FASB ASC Topic 946 (Investment Companies) dictates that all investments should be reported at fair value.

"B" round ("Series B") – a financing event whereby venture capital investors who are sufficiently interested in a company provide a next round of funding after the "A" round of financing. Subsequent rounds are called "C," "D," and so on.

Basis point ("bp") – one one-hundredth (1/100) of a percentage unit. For example, 50 basis points equals one half of one percent. Banks quote variable loan rates in terms of an index plus a margin and the margin is often described in basis points, such as LIBOR plus 400 basis points (or, as the experts say, "bips").

Beta – a measure of volatility of a public stock relative to an index or a composite of all stocks in a market or geographical region. A beta of more than one indicates the stock has higher volatility than the index (or composite) and a beta of one indicates volatility equivalent to the index (or composite). For example, the price of a stock with a beta of 1.5 will change by 1.5% if the index value changes by 1%. Typically, the S&P 500 index is used in calculating the beta of a stock.

Beta product – a product that is being tested by potential customers prior to being formally launched into the marketplace.

Blockchain – a distributed ledger that uses advanced cryptography to create a "chain" of "blocks" of information that are unalterable and verifiable. Useful for recording any number of transactions or sets of data in a verifiable way that is extremely difficult to modify.

Blank Check Company – See SPAC.

Board of directors – a group of individuals, typically composed of managers, investors and experts who have a fiduciary responsibility for the well-being and proper guidance of a corporation. The board is typically elected by the shareholders.

Book – see Private placement memorandum.

Bootstrapping – the actions of a startup to minimize expenses and build cash flow, thereby reducing or eliminating the need for outside investors.

Bp – see Basis point.

Bridge financing – temporary funding that will eventually be replaced by permanent capital from equity investors or debt lenders. In venture capital, a bridge is usually a short-term note (6 to 12 months) that converts to preferred stock. Typically, the bridge lender has the right to convert the note to preferred stock at a price that is a 20% to 25% discount from the price of the preferred stock in the next financing round. See Mezzanine and Wipeout bridge.

Broad-based weighted average anti-dilution – A weighted average anti-dilution method adjusts downward the price per share of the preferred stock of investor A due to the issuance of new preferred shares to new investor B at a price lower than the price investor A originally received. Investor A's preferred stock is repriced to a weighted average of investor A's price and investor B's price. A broad-based anti-dilution method uses all common stock outstanding on a fully diluted basis (including all convertible securities, warrants and options) in the denominator of the formula for determining the new weighted average price. See Narrow-based weighted average anti-dilution.

Burn rate – the rate at which a startup uses available cash to cover expenses in excess of revenue. Usually expressed on a monthly or weekly basis.

Business Development Company (BDC) – a publicly traded company that invests in private companies and is required by law to provide meaningful support and assistance to its portfolio companies.

Business plan – a document that describes a new concept for a business opportunity. A business plan typically includes the following sections: executive summary, market need, solution, technology, competition, marketing, management, operations, exit strategy, and financials (including cash flow projections). For most venture capital funds, fewer than 10 of every 100 business plans eventually receive funding.

Buyout – a sector of the private equity industry. Also, the purchase of a controlling interest of a company by an outside investor using substantial debt (in a leveraged buyout) or a management team (in a management buyout).

Buy-sell agreement – a contract that sets forth the conditions under which a shareholder must first offer his or her shares for sale to the other shareholders before being allowed to sell to entities outside the company.

C Corporation – an ownership structure that allows any number of individuals or companies to own shares. A C corporation is a stand-alone legal entity so it offers some protection to its owners, managers and investors from liability resulting from its actions.

Capital Asset Pricing Model (CAPM) – a method of estimating the cost of equity capital of a company. The cost of equity capital is equal to the return of a risk-free investment plus a premium that reflects the risk of the company's equity.

Capital call – when a private equity fund manager (usually a "general partner" in a partnership) requests that an investor in the fund (a "limited partner") provide previously committed capital. Usually a limited partner will agree to a maximum investment amount and the general partner will make a series of capital calls over time to the limited partner as opportunities arise to finance startups and buyouts.

Capital gap – the difficulty faced by some entrepreneurs in trying to raise between $2 million and $5 million. Friends, family and angel investors are typically good sources for financing rounds of less than $2 million, while many venture capital funds have become so large that investments in this size range are difficult.

Capitalization table (or Cap Table) – a table showing the owners of a company's shares and their ownership percentages as well as the debt holders. It also lists the forms of ownership, such as common stock, preferred stock, warrants, options, senior debt, and subordinated debt.

Capital gains – a tax classification of investment earnings resulting from the purchase and sale of assets. Typically, a company's investors and founders have earnings classified as long-term capital gains (held for a year or longer), which are often taxed at a lower rate than ordinary income.

Capital stock – a description of stock that applies when there is only one class of shares. This class is known as "common stock."

Capital Under Management – A frequently used metric for sizing total funds managed by a venture capital or private equity firm. In practice, there are several ways of calculating this. In the US, this is the total committed capital for all funds managed by a firm on which it collects management fees. This calculation ignores whether portions of the committed capital have not yet been called and whether portions of the fund have been liquidated and distributed. It typically does not include aging funds in their "out years" on which fees are not being collected. For purposes of this book in calculating capital managed, because direct data is not available, the last eight vintage years of capital commitments is considered a proxy for the industry's total capital under management.

Capped participating preferred stock – preferred stock whose participating feature is limited so that an investor cannot receive more than a specified amount. See Participating preferred stock.

Carried interest capital gains – the share in the capital gains of a venture capital fund that is allocated to the General Partner. Typically, a fund must return the capital given to it by limited partners plus any preferential rate of return before the general partner can share in the profits of the fund. The general partner will typically receive a 20% carried interest, although some successful firms receive 25%-30%. Also known as "carry" or "promote."

Clawback – a clause in the agreement between the general partner and the limited partners of a private equity fund. The clawback gives limited partners the right to reclaim a portion of disbursements to a general partner for profitable investments based on significant losses from later investments in a portfolio.

Closing – the conclusion of a financing round whereby all necessary legal documents are signed and capital has been transferred.

Co-investment – the direct investment by a limited partner alongside a general partner in a portfolio company.

Collateral – hard assets of the borrower, such as real estate or equipment, for which a lender has a legal interest until a loan obligation is fully paid off.

Commitment – an obligation, typically the maximum amount that a limited partner agrees to invest in a fund. See Capital call.

Common stock – a type of security representing ownership rights in a company. Usually, company founders, management and employees own common stock while outside investors own preferred stock. In the event of a liquidation of the company, the claims of secured and unsecured creditors, bondholders and preferred stockholders take precedence over common stockholders. See Preferred stock.

Comparable – a private or public company with similar characteristics to a private or public company that is being valued. For example, a telecommunications equipment manufacturer whose market value is 2 times revenues can be used to estimate the value of a similar and relatively new company with a new product in the same industry. See Liquidity discount.

Control – the authority of an individual or entity that owns more than 50% of equity in a company or owns the largest block of shares compared to other shareholders. Control can also be granted through special voting rights and protective provisions in a company's organizing documents.

Consolidation – see Rollup.

Conversion – the right of an investor or lender to force a company to replace the investor's preferred shares or the lender's debt with common shares at a preset conversion ratio. A conversion feature was first used in railroad bonds in the 1800's.

Convertible debt – a loan that allows the lender to exchange the debt for common shares in a company at a preset conversion ratio. Also known as a "convertible note."

Convertible preferred stock – a type of stock that gives an owner the right to convert preferred shares to common shares of stock. Usually, preferred stock has certain rights that common stock doesn't have, such as decision-making management control, a promised return on investment (dividend), or senior priority in receiving proceeds from a sale or liquidation of the company. Typically, convertible preferred stock automatically converts to common stock if the company makes an initial public offering (IPO). Convertible preferred is the most common tool for private equity funds to invest in companies.

Co-sale right – a contractual right of an investor to sell some of the investor's stock along with the founder's or majority shareholder's stock if either the founder or majority shareholder elects to sell stock to a third-party. Also known as Tag-along right.

Cost of capital – see weighted average cost of capital (WACC).

Cost of revenue – the expenses generated by the core operations delivering the product or services of a company.

Covenant – a legal promise to do or not do a certain thing. For example, in a financing arrangement, company management may agree to a negative covenant, whereby it promises not to incur additional debt. The penalties for violation of a covenant may vary from repairing the mistake to losing control of the company.

Coverage ratio – describes a company's ability to pay debt from cash flow or profits. Typical measures are EBITDA/Interest, (EBITDA minus Capital Expenditures)/Interest, and EBIT/Interest.

Cram down round – a financing event upon which new investors with substantial capital are able to demand and receive contractual terms that effectively cause the issuance of sufficient new shares by the startup company to significantly reduce ("dilute") the ownership percentage of previous investors.

Cryptocurrency – a natively-digital currency using encryption techniques to regulate the creation of units of currency and verify transfer of funds. Usually created and managed independently of a central bank.

Cumulative dividends – the owner of preferred stock with cumulative dividends has the right to receive accrued (previously unpaid) dividends in full before dividends are paid to any other classes of stock.

Current ratio – the ratio of current assets to current liabilities.

Data room – a specific location where potential buyers / investors can review confidential information about a target company. This information may include detailed financial statements, client contracts, intellectual property, property leases, and compensation agreements.

Deal flow – a measure of the number of potential investments that a fund reviews in any given period.

Defined benefit plan – a company retirement plan in which the benefits are typically based on an employee's salary and number of years worked. Fixed benefits are paid after the employee retires. The employer bears the investment risk and is committed to providing the benefits to the employee. Defined benefit plan managers can invest in private equity funds.

Defined contribution plan – a company retirement plan in which the employee elects to contribute some portion of his or her salary into a retirement plan, such as a 401(k) or 403(b). The employer may also contribute to the employee's plan. With this type of plan, the employee bears the investment risk. The benefits depend solely on the amount of money made from investing the employee's contributions.

Demand rights – a type of registration right. Demand rights give an investor the right to force a startup to register its shares with the SEC and prepare for a public sale of stock (IPO).

Dilution – the reduction in the ownership percentage of current investors, founders and employees caused by the issuance of new shares (for example to investors in follow on rounds, employees by increasing the stock option pool, debt providers in the form or warrants, etc.).

Dilution protection – see Anti-dilution and Full ratchet.

Direct Listing – also known as a DPO (Direct Public Offering), a Direct Listing is a listing on an exchange, such as the NYSE or NASDAQ, where a company offers its securities directly to the public and self-underwrites its securities without the use of intermediaries such as investment banks, broker-dealers, and underwriters as would be the case in an IPO. Cutting out the intermediaries from a public offering materially lowers the cost of a public offering. Spotify completed the first-ever Direct Listing on the NYSE on April 3, 2018.

Direct secondary transaction – a transaction in which the buyer purchases shares of an operating company from an existing seller. While the transaction is a secondary sale of shares, the transacted interest is a primary issue purchase directly into an operating company. Sellers are often venture capitalists selling their ownership stake in a portfolio company. Buyers are often funds that specialize in such investments.

Discount rate – the interest rate used to determine the present value of a series of future cash flows.

Discounted cash flow (DCF) – a valuation methodology whereby the present value of all future cash flows expected from a company or investment is calculated.

Distressed debt – the bonds of a company that is either in or approaching bankruptcy. Some private equity funds specialize in purchasing such debt at deep discounts with the expectation of exerting influence in the restructuring of the company and then selling the debt once the company has meaningfully recovered.

Distribution – the transfer of cash or securities to a limited partner resulting from the sale, liquidation or IPO of one or more portfolio companies in which a general partner chose to invest.

Dividends – payments made by a company to the owners of certain securities.

Down round – a round of financing whereby the valuation of the company is lower than the value determined by investors in an earlier round.

DPO (Direct Public Offering) – see Direct Listing

Drag-along rights – the contractual right of an investor in a company to force all other investors to agree to a specific action, such as the sale of the company.

Drawdown schedule – an estimate of the gradual transfer of committed investment funds from the limited partners of a private equity fund to the general partners.

Due diligence – the investigatory process performed by investors to assess the viability of a potential investment and the accuracy of the information provided by the target company.

Dutch auction – a method of conducting an IPO whereby newly issued shares of stock are committed to the highest bidder, then, if any shares remain, to the next highest bidder, and so on until all the shares are committed. Note that the price per share paid by all buyers is the price commitment of the buyer of the last share.

Early stage – the state of a company after the seed (formation) stage but before middle stage (generating revenues). Typically, a company in early stage will have a core management team and a proven concept or product, but no positive cash flow.

Earnings before interest and taxes (EBIT) – a measurement of the operating profit of a company. One possible valuation methodology is based on a comparison of private and public companies' value as a multiple of EBIT.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) – a measurement of the cash flow of a company. One possible valuation methodology is based on a comparison of private and public companies' value as a multiple of EBITDA.

Earn out – an arrangement in which sellers of a business receive additional future payments, usually based on financial performance metrics such as revenue or net income.

Elevator pitch – a concise presentation, lasting only a few minutes (an elevator ride), by an entrepreneur to a potential investor about an investment opportunity.

Employee Stock Ownership Program (ESOP) – a plan established by a company to reserve shares for employees.

Entrepreneur – an individual who starts their own business.

Entrepreneurship – the application of innovative leadership to limited resources in order to create exceptional value.

Enterprise Value (EV) – the sum of the market values of the common stock and long-term debt of a company, minus excess cash.

Equity – the ownership structure of a company represented by common shares, preferred shares, or unit interests. Equity = Assets - Liabilities.

ESOP – see Employee Stock Ownership Program.

Evergreen fund – a fund that reinvests its profits in order to ensure the availability of capital for future investments.

Exit strategy – the plan for generating profits for owners and investors of a company. Typically, the options are to merge, be acquired, or make an initial public offering (IPO). An alternative is to recapitalize (releverage the company and then pay dividends to shareholders).

Expansion stage – the stage of a company characterized by a complete management team and a substantial increase in revenues.

Fair value – a financial reporting principle for valuing assets and liabilities, for example, portfolio companies in venture capital fund portfolios. In 2007, more defined rules took effect. See ASC Topic 820.

Fairness opinion – a letter issued by an investment bank that charges a fee to assess the fairness of a negotiated price for a merger or acquisition.

FAS 157 – see ASC Topic 820 entry.

First refusal – the right of a privately owned company to purchase any shares that employees would like to sell before they are offered to outside buyers.

Founders stock – nominally priced common stock issued to founders, officers, employees, directors, and consultants.

Free cash flow to equity (FCFE) – the cash flow available after operating expenses, interest payments on debt, taxes, net principal repayments, preferred stock dividends, reinvestment needs, and changes in working capital. In a discounted cash flow model to determine the value of the equity of a firm using FCFE, the discount rate used is the cost of equity.

Free cash flow to the firm (FCFF) – the operating cash flow available after operating expenses, taxes, reinvestment needs, and changes in working capital, but before any interest payments on debt are made. In a discounted cash flow model to determine the enterprise value of a firm using FCFF, the discount rate used is the weighted average cost of capital (WACC).

Friends and family financing – capital provided by the friends and family of founders of an early-stage company. Friends and family financings may also include individual angel investors known to or introduced to the founders. Friends and family financing rounds are typically structured as notes convertible into a Seed or Series A round of financing. Founders should be careful not to create an ownership structure that may hinder the participation of professional investors once the company begins to achieve success.

Full ratchet – an anti-dilution protection mechanism to protect earlier investors from dilution when a new round is raised at a lower price. In the case of a full ratchet for a Series A followed by a Series B at a lower price per share, additional shares would be issued to the Series A preferred investors so that their resulting cost per share is equal to the price per share paid by the Series B preferred investors. Often as a result of the implementation of a ratchet, company management and employees who own a fixed number of common shares suffer significant dilution. See Narrow-based weighted average anti-dilution and Broad-based weighted average anti-dilution.

Fully diluted basis – a methodology for calculating any per share ratios whereby the denominator is the total number of shares, both preferred and common, issued by the company on the assumption that all warrants and options are exercised.

Fund-of-funds – a fund created to invest in other funds (e.g. VC Funds, PE funds, etc.). Typically, individual investors and relatively small institutional investors participate in a fund-of-funds to minimize their portfolio management efforts and leverage the size and scale of the fund-of-funds.

Gatekeepers – intermediaries which endowments, pension funds, and other institutional investors use as advisors regarding private equity investments.

General partner (GP) – a class of partner in a partnership. The general partner retains liability for the actions of the partnership. Historically, venture capital and buyout funds have been structured as limited partnerships, with the venture firm as the GP and limited partners (LPs) being the institutional and high net worth investors that provide most of the capital in the partnership. The GP earns a management fee and a percentage of gains (see Carried interest).

GP – see General partner.

GP for hire – in a spin-out or a synthetic secondary, a GP for hire refers to the professional investor who may be hired by a purchasing firm to manage the new fund created from the orphaned assets purchased. In past cases, the GP has often expanded its role to fundraise for and run new funds alongside the initial fund.

Going-private transaction – when a public company chooses to pay off all public investors, delist from all stock exchanges, and become owned by management, employees, and select private investors.

Golden handcuffs – financial incentives that discourage founders and/or important employees from leaving a company before a predetermined date or important milestone.

Growth stage – the stage of a company when it has received one or more rounds of financing and is generating revenue from its product or service. Also known as "middle stage."

Hart-Scott-Rodino (HSR) Act – a law requiring entities that acquire certain amounts of stock or assets of a company to inform the Federal Trade Commission and the Department of Justice and to observe a waiting period before completing the transaction to allow the agencies to assess whether there will be any anti-competitive implications as a result of the transaction.

Hedge fund – an investment fund that has the ability to use leverage, take short positions in securities, or use a variety of derivative instruments in order to achieve a return that is relatively less correlated to the performance of typical indices (such as the S&P 500) than traditional long-only funds. Hedge fund managers are typically compensated based on assets under management as well as fund performance.

High yield debt – debt issued via public offering or public placement (Rule 144A) that is rated below investment grade by S&P or Moody's. This means that the debt is rated below the top four rating categories (i.e. S&P BB+, Moody's Ba2 or below). The lower rating is indicative of higher risk of default, and therefore the debt carries a higher coupon or yield than investment grade debt. Also referred to as Junk bonds or Sub-investment grade debt.

Hockey stick – the general shape and form of a chart showing revenue, customers, cash, or some other financial or operational measure that increases dramatically at some point in the future. Entrepreneurs often develop business plans with hockey stick charts to impress potential investors.

Holding period – amount of time an investment remains in a portfolio.

Hot issue – stock in an initial public offering that is in high demand.

Hot money – capital from investors that have no tolerance for lack of results by the investment manager and move quickly to withdraw at the first sign of trouble.

Hurdle rate – a minimum rate of return required before an investor will make an investment.

Incorporation – the process by which a business receives a state charter, allowing it to become a corporation. Many corporations choose Delaware because its laws are business-friendly and up to date.

Incubator – a company or facility designed to host startup companies. Incubators help startups grow while controlling costs by offering networks of contacts and shared back office resources.

Indenture – the terms and conditions between a bond issuer and bond buyers.

Initial coin offering (ICO) – an offering of units of a new cryptocurrency or crypto-token, usually in exchange for existing cryptocurrencies such as Bitcoin or Ether, as a presale against a future blockchain project, i.e., the new coins or tokens sold will be the "currency" for transactions in a new or future blockchain project.

Initial public offering (IPO) – the first offering of stock by a company to the public. New public offerings must be registered with the Securities and Exchange Commission. An IPO is one of the methods that a startup that has achieved significant success can use to raise additional capital for further growth. See Qualified IPO.

In-kind distribution – a distribution to limited partners of a private equity fund that is in the form of publicly traded shares rather than cash.

Inside round – a round of financing in which the investors are the same investors as the previous round. An inside round raises liability issues since the valuation of the company has no third-party verification in the form of an outside investor. In addition, the terms of the inside round may be considered self-dealing if they are onerous to any set of shareholders or if the investors give themselves additional preferential rights.

Institutional investor – professional entities that invest capital on behalf of companies or individuals. Examples are pension plans, insurance companies, and university endowments.

Intellectual property (IP) – knowledge, techniques, writings, and images that are intangible but often protected by law via patents, copyrights, and trademarks.

Interest coverage ratio – earnings before interest and taxes (EBIT) divided by interest expense. This is a key ratio used by lenders to assess the ability of a company to produce sufficient cash to service its debt obligation.

Internal rate of return (IRR) – the interest rate at which a certain amount of capital today would have to be invested in order to grow to a specific value at a specific time in the future.

Investment thesis/Investment philosophy – the fundamental ideas which determine the types of investments that an investment fund will choose in order to achieve its financial goals.

IPEV – stands for International Private Equity Valuation guidelines group. This group is made up of representatives of the international and US venture capital industry and has published guidelines for applying US GAAP and international IFRS valuation rules. See www.privateequityvaluation.com. Widely regarded in the US as the global successor to the US-focused PEIGG group.

IPO – see Initial public offering.

IRR – see Internal rate of return.

J curve – a concept that during the first few years of a private equity fund, cash flow or returns are negative due to investments, losses, and expenses, but as investments produce results the cash flow or returns trend upward. A graph of cash flow or returns versus time would then resemble the letter "J."

Later stage – the state of a company that has proven its concept, achieved significant revenues compared to its competition, and is approaching cash flow break even or positive net income. Typically, a later stage company is about 6 to 12 months away from a liquidity event such as an IPO or buyout. The rate of return for venture capitalists that invest in later stage, less risky ventures is lower than in earlier stage ventures.

LBO – see Leveraged buyout.

Lead investor – the outside investor that makes the largest investment in a financing round and manages the documentation and closing of that round. The lead investor sets the price per share of the financing round, thereby determining the valuation of the company.

Letter of intent – a document confirming the intent of an investor to participate in a round of financing for a company. By signing this document, the subject company agrees to begin the legal and due diligence process prior to the closing of the transaction. Also known as a "Term Sheet."

Leverage – the use of debt to acquire assets, build operations, and increase revenues. By using debt, a company is attempting to achieve results faster than if it only used its cash available from pre-leverage operations. The risk is that the increase in assets and revenues does not generate sufficient net income and cash flow to pay the interest costs of the debt.

Leveraged buyout (LBO) – the purchase of a company or a business unit of a company by an outside investor using mostly borrowed capital.

Leveraged recapitalization – the reorganization of a company's capital structure resulting in more debt added to the balance sheet. Private equity funds can recapitalize a portfolio company and then direct the company to issue a one-time dividend to equity investors. This is often done when the company is performing well financially and the debt markets are expanding.

Leverage ratios – measurements of a company's debt as a multiple of cash flow. Typical leverage ratios include Total Debt/EBITDA, Total Debt/(EBITDA minus Capital Expenditures), and Senior Debt/EBITDA.

L.I.B.O.R. – see The London Interbank Offered Rate.

License – a contract in which a patent owner grants to a company the right to make, use, or sell an invention under certain circumstances and for compensation.

Limited liability company (LLC) – an ownership structure designed to limit the founders' losses to the amount of their investment. An LLC itself does not pay taxes, rather its owners pay taxes on their proportion of the LLC profits at their individual tax rates.

Limited partnership – a legal entity composed of a general partner and various limited partners. The general partner manages the investments and is liable for the actions of the partnership while the limited partners are generally protected from legal actions and any losses beyond their original investment. The general partner collects a management fee and earns a percentage of capital gains (see Carried interest), while the limited partners receive income, capital gains, and tax benefits.

Limited partner (LP) – an investor in a limited partnership. The general partner is liable for the actions of the partnership while the limited partners are generally protected from legal actions and any losses beyond their original investment. The limited partner receives income, capital gains, and tax benefits.

Liquidation – the sale of a company. This may occur in the context of an acquisition by a larger company or in the context of selling off all assets prior to cessation of operations (Chapter 7 bankruptcy). In a liquidation, the claims of secured and unsecured creditors, bondholders, and preferred stockholders take precedence over common stockholders.

Liquidation preference – the contractual right of an investor to priority in receiving the proceeds from the liquidation of a company. For example, a venture capital investor with a "2x liquidation preference" has the right to receive two times its original investment upon liquidation before other more junior forms of equity share in the liquidation proceeds.

Liquidity discount – a decrease in the value of a private company compared to the value of a similar but publicly traded company. Since an investor in a private company cannot readily sell his or her investment, the shares in the private company must be valued less than a comparable public company.

Liquidity event – a transaction whereby owners of a significant portion of the shares of a private company sell their shares in exchange for cash, in the case of an IPO or cash-based M&A transaction, or shares of an acquiring company.

Lock-up agreement – investors, management, and employees often agree not to sell their shares for a specific time period after an IPO, usually 6 to 12 months. By avoiding large sales of its stock, the company has time to build interest among potential buyers of its shares.

London Interbank Offered Rate (L.I.B.O.R.) – the average rate charged by large banks in London for loans to each other. LIBOR is a relatively volatile rate and is typically quoted in maturities of one month, three months, six months, and one year.

Management buyout (MBO) – a leveraged buyout controlled by the members of the management team of a company or a division. Often an MBO is conducted in partnership with a buyout fund.

Management fee – a fee charged to the limited partners in a fund by the general partner. Management fees in a private equity fund usually range from 0.75% to 3% of capital under management, depending on the type and size of fund. For venture capital funds, 2% is typical.

Management rights – the rights often required by a venture capitalist as part of the agreement to invest in a company. The venture capitalist has the right to consult with management on key operational issues, attend board meetings, and review information about the company's financial situation.

Market capitalization – the value of a publicly traded company as determined by multiplying the number of shares outstanding by the current price per share.

MBO – see Management buyout.

Mezzanine – a layer of financing that has intermediate priority (seniority) in the capital structure of a company. For example, mezzanine debt has lower priority than senior debt but usually has a higher interest rate and often includes warrants. In venture capital, a mezzanine round is generally the round of financing that is designed to help a company have enough resources to reach an IPO. See Bridge financing.

Multiples – a valuation methodology that compares public and private companies in terms of a ratio of value to an operations figure such as revenue or net income. For example, if several publicly traded computer hardware companies are valued at approximately 2 times revenues, then it is reasonable to assume that a startup computer hardware company that is growing fast has the potential to achieve a valuation of 2 times its revenues. Before the startup company issues its IPO, it will likely be valued at less than 2 times revenue because of the lack of liquidity of its shares. See Liquidity discount.

Narrow-based weighted average anti-dilution – a type of anti-dilution mechanism. A weighted average anti-dilution method adjusts downward the price per share of the preferred stock of investor A (by issuing new additional shares) due to the issuance of new preferred shares to new investor B at a price lower than the price investor A originally received. Investor A is issued enough preferred stock to replicate a weighed average of investor A's price and investor B's price. A narrow-based anti-dilution uses only common stock outstanding in the denominator of the formula for determining the new weighted average price.

National Venture Capital Association (NVCA) – the trade organization that empowers the next generation of American companies that will fuel the economy of tomorrow. As the voice of the US venture capital and startup community, NVCA advocates for public policy that supports the American entrepreneurial ecosystem. Serving the venture community as the preeminent trade association, NVCA arms the venture community for success, serving as the leading resource for venture capital data, practical education, peer-led initiatives, and networking.

NDA – see Non-disclosure agreement.

Non-cumulative dividends – dividends that are payable to owners of preferred stock at a specific point in time only if there is sufficient cash flow available after all company expenses have been paid. If cash flow is insufficient, the owners of the preferred stock will not receive the dividends owed for that time period and will have to wait until the board of directors declares another set of dividends.

Non-disclosure agreement (NDA) – an agreement issued by entrepreneurs to protect the privacy of their ideas when disclosing those ideas to third parties.

Non-interference – an agreement often signed by employees and management whereby they agree not to interfere with the company's relationships with employees, clients, suppliers, and sub-contractors within a certain time period after termination of employment.

No-shop clause – a section of an agreement to purchase or invest in a company whereby the seller agrees not to market the company to other potential buyers or investors for a specific time period.

Non-solicitation – an agreement often signed by employees and management whereby they agree not to solicit other employees of the company regarding job opportunities.

NVCA – see National Venture Capital Association.

Offering memorandum – a legal document that provides details of an investment to potential investors. See Private placement memorandum.

Operating cash flow – the cash flow produced from the operation of a business, not from investing activities (such as selling assets) or financing activities (such as issuing debt). Calculated as net operating income (NOI) plus depreciation.

Option pool – a group of options set aside for long term, phased compensation to management and employees.

Outstanding shares – the total amount of common shares of a company, not including treasury stock, convertible preferred stock, warrants, and options.

Pay to play – a clause in a financing agreement whereby any investor that does not participate in a future round agrees to suffer significant dilution compared to other investors. The most onerous version of "pay to play" is automatic conversion to common shares, which in essence ends any preferential rights of an investor.

Pari passu – a legal term referring to the equal treatment of two or more parties in an agreement. For example, a venture capitalist may agree to have registration rights that are pari passu with the other investors in a financing round.

Participating dividends – the right of holders of certain preferred stock to receive dividends and participate in additional distributions of cash, stock, or other assets.

Participating preferred stock – a unit of ownership composed of preferred stock and common stock. The preferred stock entitles the owner to receive a predetermined sum of cash (usually the original investment plus accrued dividends) if the company is sold or has an IPO. The common stock represents additional continued ownership in the company.

PEIGG – acronym for Private Equity Industry Guidelines Group, an ad hoc group of individuals and firms involved in the private equity industry for the purpose of establishing valuation and reporting guidelines. With the implementation of FAS 157 in 2007, the group's mission was essentially complete. Several of its members then joined IPEV, which is viewed by US VCs as the international successor to PEIGG.

Piggyback rights – rights of an investor to have his or her shares included in a registration of a startup's shares in preparation for an IPO.

PIK dividend – a dividend paid to the holder of a stock, usually preferred stock, in the form of additional stock rather than cash. PIK refers to payment in kind.

PIPEs – see Private investment in public equity.

Placement agent – a company that specializes in finding institutional investors that are willing and able to invest in a private equity fund. Sometimes a private equity fund will hire a placement agent so the fund partners can focus on making and managing investments in companies rather than on raising capital.

Portfolio company – a company that has received an investment from a private equity fund.

Post-money valuation – the valuation of a company including the capital provided by the current round of financing. For example, a venture capitalist may invest $5 million in a company valued at $2 million "pre-money" (before the investment was made). As a result, the startup will have a post-money valuation of $7 million.

PPM – see Private placement memorandum.

Preemptive rights – the rights of shareholders to maintain their percentage ownership of a company by buying shares sold by the company in future financing rounds.

Preference – seniority, usually with respect to dividends and proceeds from a sale or dissolution of a company.

Preferred return – a minimum return per annum that must be generated for limited partners of a private equity fund before the general partner can begin receiving a percentage of profits from investments.

Preferred stock – a type of stock that has certain rights that common stock does not have. These special rights may include dividends, participation, liquidity preference, anti-dilution protection, and veto provisions, among others. Private equity investors usually purchase preferred stock when they make investments in companies.

Pre-money valuation – the valuation of a company prior to the current round of financing. For example, a venture capitalist may invest $5 million in a company valued at $2 million pre-money. As a result, the startup will have a "pre-money" valuation of $2 million.

Pre-Seed round ("Series Pre-Seed") – a financing event whereby angels, angel groups, professionally managed Seed funds, and early stage venture capital funds become involved in a young start-up company that was previously financed by founders, their friends and family, and individual angel investors in a friends and family financing. Pre-Seed rounds are uncommon but have begun to emerge as Seed rounds have grown larger in size and investor expectations for company progress before a Seed round has increased. Pre-Seed rounds can be priced rounds or can be structured as notes convertible into a "Series Seed" financing round. The size of Pre-Seed rounds can often be similar to the size of Seed rounds only a few years ago.

Pre-Seed stage – the state of a company when it has just been incorporated and its founders are developing their product or service.

Primary shares – shares sold by a corporation (not by individual shareholders).

Private Equity Growth Capital Council (PEGCC) – See American Investment Council (AIC).

Private equity – equity investments in non-public companies, usually defined as being made up of venture capital, growth equity, and buyout funds. Real estate, oil and gas, and other such partnerships are sometimes included in the definition.

Private investment in public equity (PIPEs) – investments by a private equity fund in a publicly traded company, usually at a discount and in the form of preferred stock.

Private placement – the sale of a security directly to a limited number of institutional and qualified individual investors. If structured correctly, a private placement avoids registration with the Securities and Exchange Commission.

Private placement memorandum (PPM) – a document explaining the details of an investment to potential investors. For example, a private equity fund will issue a PPM when it is raising capital from institutional investors. Also, a startup may issue a PPM when it needs growth capital. Also known as "Offering Memorandum."

Private securities – securities that are not registered with the Securities and Exchange Commission and do not trade on any exchanges. The price per share is negotiated between the buyer and the seller (the "issuer").

Qualified IPO – a public offering of securities valued at or above a total amount specified in a financing agreement. This amount is usually specified to be sufficiently large to guarantee that the IPO shares will trade in a major exchange (NASDAQ or New York Stock Exchange). Usually upon a qualified IPO, preferred stock is forced to convert to common stock.

Quartile – one fourth of the data points in a data set. Often, private equity investors are measured by the results of their investments during a particular period of time. Institutional investors often prefer to invest in private equity funds that demonstrate consistent results over time, placing in the upper quartile of the investment results for all funds.

Realization ratio – the ratio of cumulative distributions to paid-in capital. The realization ratio is used as a measure of the distributions from investment results of a private equity partnership compared to the capital under management.

Recapitalization – the reorganization of a company's capital structure.

Red herring – a preliminary prospectus filed with the Securities and Exchange Commission and containing the details of an IPO offering. The name refers to the disclosure warning printed in red letters on the cover of each preliminary prospectus advising potential investors of the risks involved.

Redemption rights – the right of an investor to force the startup company to buy back the shares issued as a result of the investment. In effect, the investor has the right to take back his/her investment and may even negotiate a right to receive an additional sum in excess of the original investment.

Registration – the process whereby shares of a company are registered with the Securities and Exchange Commission under the Securities Act of 1933 in preparation for a sale of the shares to the public.

Regulation D – often referred to as simply "Reg D," an SEC regulation that governs private placements. Private placements are investment offerings for institutional and accredited individual investors, but not the general public.

Restricted shares – shares that cannot be traded in the public markets.

Return on investment (ROI) – the proceeds from an investment, during a specific time period, calculated as a percentage of the original investment. Also, net profit after taxes divided by average total assets.

Rights offering – an offering of stock to current shareholders that entitles them to purchase the new issue.

Rights of co-sale with founders – a clause in venture capital investment agreements that allows the VC fund to sell shares at the same time that the founders of a startup choose to sell.

Risk-free rate – a term used in finance theory to describe the return from investing in a riskless security. In practice, this is often taken to be the return on US Treasury Bills.

Road show – presentations made in several cities to potential investors and other interested parties. For example, a company will often make a road show to generate interest among institutional investors prior to its IPO.

ROI – see Return on investment.

Rolling fund – a new type of investment vehicle, structured as a series of limited partnerships, which allows fund managers to share deal flow with fund investors on a quarterly subscription basis while netting carried interest over a multi-year period. With this fund structure, funds are open to new investors every quarter vs. only being open when a new fund is closed.

Rollup – the purchase of relatively smaller companies in a sector by a rapidly growing company in the same sector. The strategy is to create economies of scale. For example, the movie theater industry underwent significant consolidation via rollups in the 1960's and 1970's.

Round – a financing event usually involving several private equity investors.

Royalties – payments made to patent or copyright owners in exchange for the use of their intellectual property.

Rule 144 – a rule of the Securities and Exchange Commission that specifies the conditions under which the holder of shares acquired in a private transaction may sell those shares in the public markets.

S corporation – an ownership structure that limits its number of owners to 100. An S corporation does not pay taxes. Rather, its owners pay taxes on their proportion of the corporation's profits at their individual tax rates.

SBIC – see Small Business Investment Company.

SPV (Special Purpose Vehicle) – an entity created by an investor, or by private equity or venture capital fund management company, to invest in one company, or a small group of companies. In the case of an individual investor, an SPV enables that investor to raise capital to invest in one company or one small group of companies without forming a fund management company and raising a traditional fund. In the case of private equity and venture capital fund management companies, an SPV is often used to put more capital into a portfolio company or a small group of companies than would be prudent for the fund itself given diversification requirements and portfolio concentration limits. SPVs raised by private equity and venture capital funds will typically have lower management fees and carried interest than the main funds.

SPAC (Special Purpose Acquisition Company) – a company with no commercial operations formed strictly to raise capital through an IPO for the purpose of acquiring an existing company. Also known as "blank check companies," SPACs have been used for decades, but until recently were generally used for acquisitions of small companies. In recent years, however, SPACs, have become extremely popular, attracting high profile executives, private equity firms, and underwriters. In 2020, SPACs raised more than $84B, a six-fold increase from a record-setting year just one year earlier in 2019, and accounted for over one-half of all IPO volume for the year.

Scalability – a characteristic of a new business concept that entails the growth of sales and revenues with a much slower growth of organizational complexity and expenses. Venture capitalists look for scalability in the startups they select to finance.

Scale-down – a schedule for phased decreases in management fees for general partners in a limited partnership as the fund reduces its investment activities toward the end of its term.

Scale-up – the process of a company growing quickly while maintaining operational and financial controls in place. Also, a schedule for phased increases in management fees for general partners in a limited partnership as the fund increases its investment activities over time.

Secondary market – a market for the sale of limited partnership interests in private equity funds. Sometimes limited partners choose to sell their interest in a partnership, typically to raise cash or because they cannot meet their obligation to invest more capital according to the takedown schedule. Certain investment companies specialize in buying these partnership interests at a discount.

Secondary shares – shares sold by a shareholder (not by the corporation).

Securities and Exchange Commission (SEC) – the regulatory body that enforces federal securities laws such as the Securities Act of 1933 and the Securities Exchange Act of 1934.

Seed capital – investment provided by professional seed funds, angels and angel groups, and friends and family of the founders of a startup in the seed stage of its development.

Seed round ("Series Seed") – a financing event whereby angels, angel groups, professionally managed Seed funds, and early stage venture capital funds become involved in a young start-up company that was previously financed by founders, their friends and family, and individual angel investors in a friends and family financing. Seed rounds can be priced rounds or can be structured as notes convertible into a "Series A" financing round. The Seed round is now typically the first "institutional" financing of a company, although Pre-Seed rounds have begun to emerge drawing earlier institutional capital (See Pre-Seed round.) The size of Seed rounds in recent years has grown to resemble what formerly would have been a small "Series A" round.

Seed stage – formerly, the state of a company when it has just been incorporated and its founders are developing their product or service. More typically today, the stage of a company following material product development and often commercial launch, but before raising larger amounts of capital for investments in growth.

Senior debt – a loan that has a higher priority in case of a liquidation of the asset or company.

Seniority – higher priority.

Series A preferred stock – preferred stock issued by a fast growth company in exchange for capital from investors in the "A" round of financing. This preferred stock is usually convertible to common shares upon an IPO.

Shareholder agreement – a contract that sets out the basis on which the company will be operated and the shareholders' rights and obligations. It provides rights and privileges to preferred and major shareholders and protections to minority shareholders.

Sharpe Ratio – a method of calculating the risk-adjusted return of an investment. The Sharpe Ratio is calculated by subtracting the risk-free rate from the return on a specific investment for a time period (usually one year) and then dividing the resulting figure by the standard deviation of the historical (annual) returns for that investment. The higher the Sharpe Ratio, the better.

Small Business Investment Company (SBIC) – a company licensed by the Small Business Administration to receive government capital in the form of debt or equity for use in private equity investing.

Stock option – a right to purchase or sell a share of stock at a specific price within a specific period of time. Stock purchase options are commonly used as long term incentive compensation for employees and management of fast growth companies.

Strategic investor – a relatively large corporation that agrees to invest in a young or a smaller company in order to have access to its proprietary technology, product, or service.

Subordinated debt – a loan that has a lower priority than a senior loan in case of a liquidation of the asset or company. Also known as "junior debt."

Sweat equity – ownership of shares in a company resulting primarily from work rather than investment of capital.

Syndicate – a group of investors that agree to participate in a round of funding for a company. Alternatively, a syndicate can refer to a group of investment banks that agree to participate in the sale of stock to the public as part of an IPO.

Synthetic secondary – a popular method of completing a direct secondary transaction in which the buyer becomes a limited partner (LP) in a special purpose vehicle (SPV) or similar entity that has been set up out of the underlying investments in order to create a limited partnership interest. The term arose because of the synthetic nature of the direct purchase through the LP secondary transaction.

Tag-along right – the right of a minority investor to receive the same benefits as a majority investor. Usually applies to a sale of securities by investors. Also known as Co-sale right.

Takedown – a schedule of the transfer of capital in phases in order to complete a commitment of funds. Typically, a takedown is used by a general partner of a private equity fund to plan the transfer of capital from the limited partners.

Tender offer – an offer to public shareholders of a company to purchase their shares.

Term loan – a bank loan for a specific period of time, usually up to ten years in leveraged buyout structures.

Term sheet – a document confirming the intent of an investor to participate in a round of financing for a company. By signing this document, the subject company agrees to begin the legal and due diligence process prior to the closing of the transaction. Also known as "Letter of Intent."

Tranche – a portion of a set of securities. Each tranche may have different rights or risk characteristics. When venture capital firms finance a company, a round may be disbursed in two or three tranches, each of which is paid when the company attains one or more milestones.

Turnaround – a process performed at a struggling company resulting in a substantial increase in a company's revenues, profits, and reputation.

Under water option – an option is said to be under water if the current fair market value of a stock is less than the option exercise price.

Underwriter – an investment bank that chooses to be responsible for the process of selling new securities to the public. An underwriter usually chooses to work with a syndicate of investment banks in order to maximize the distribution of the securities.

Venture capital – a segment of the private equity industry which focuses on investing in new companies with high growth potential and accompanying high risk.

Venture capital method – a pricing valuation method whereby an estimate of the future value of a company is discounted by a certain interest rate and adjusted for future anticipated dilution in order to determine the current value. Usually, discount rates for the venture capital method are considerably higher than public stock return rates, representing the fact that venture capitalists must achieve significant returns on investment in order to compensate for the risks they take in funding unproven companies.

Venture Monitor – officially known as the PitchBook-National Venture Capital Association (NVCA) Venture Monitor. Jointly produced by PitchBook and NVCA, it serves as the authoritative quarterly report on venture capital activity in the entrepreneurial ecosystem. The Venture Monitor provides a complete look at venture capital activity, reporting on fundraising, investments, exits, and other relevant industry analysis in one comprehensive report each quarter.

Vesting – a schedule by which employees gain ownership over time of a previously agreed upon amount of retirement funding or stock options.

Vintage – the year that a private equity fund begins making investments. Venture funds are generally benchmarked to funds of the same vintage year.

Voting rights – the rights of holders of preferred and common stock in a company to vote on certain acts affecting the company. These matters may include payment of dividends, issuance of a new class of stock, mergers, or liquidation.

Warrant – a security which gives the holder the right to purchase shares in a company at a pre-determined price. A warrant is a long-term option, usually valid for several years or indefinitely. Typically, warrants are issued concurrently with preferred stocks or bonds in order to increase the appeal of the stocks or bonds to potential investors.

Washout round – a financing round whereby previous investors, the founders, and management suffer significant dilution. Usually as a result of a washout round, the new investor gains majority ownership and control of the company.

Weighted average cost of capital (WACC) – the average of the cost of equity and the after-tax cost of debt. This average is determined using weight factors based on the ratio of equity to debt plus equity and the ratio of debt to debt plus equity.

Weighted average anti-dilution – an anti-dilution protection mechanism whereby the conversion rate of preferred stock is adjusted in order to reduce an investor's loss due to an increase in the number of shares in a company. Without anti-dilution protection, an investor would suffer from a reduction of his or her percentage ownership. Usually as a result of the implementation of a weighted average anti-dilution, company management and employees who own a fixed number of common shares suffer significant dilution, but not as badly as in the case of a full ratchet.

Write-down – a decrease in the reported value of an asset or a company.

Write-off – a decrease in the reported value of an asset or a company to zero.

Write-up – an increase in the reported value of an asset or a company.

Zombie – a company that has received capital from investors but has only generated sufficient revenues and cash flow to maintain its operations without significant growth. Sometimes referred to as "walking dead." Typically, a venture capitalist has to make a difficult decision as to whether to liquidate a zombie or continue to invest funds in the hopes that the zombie will become a winner.

Geographic Definitions

US regions

West Coast – Alaska, California, Hawaii, Oregon, Washington

Mountain – Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Midwest – Iowa, Kansas, Missouri, Nebraska, North Dakota, South Dakota

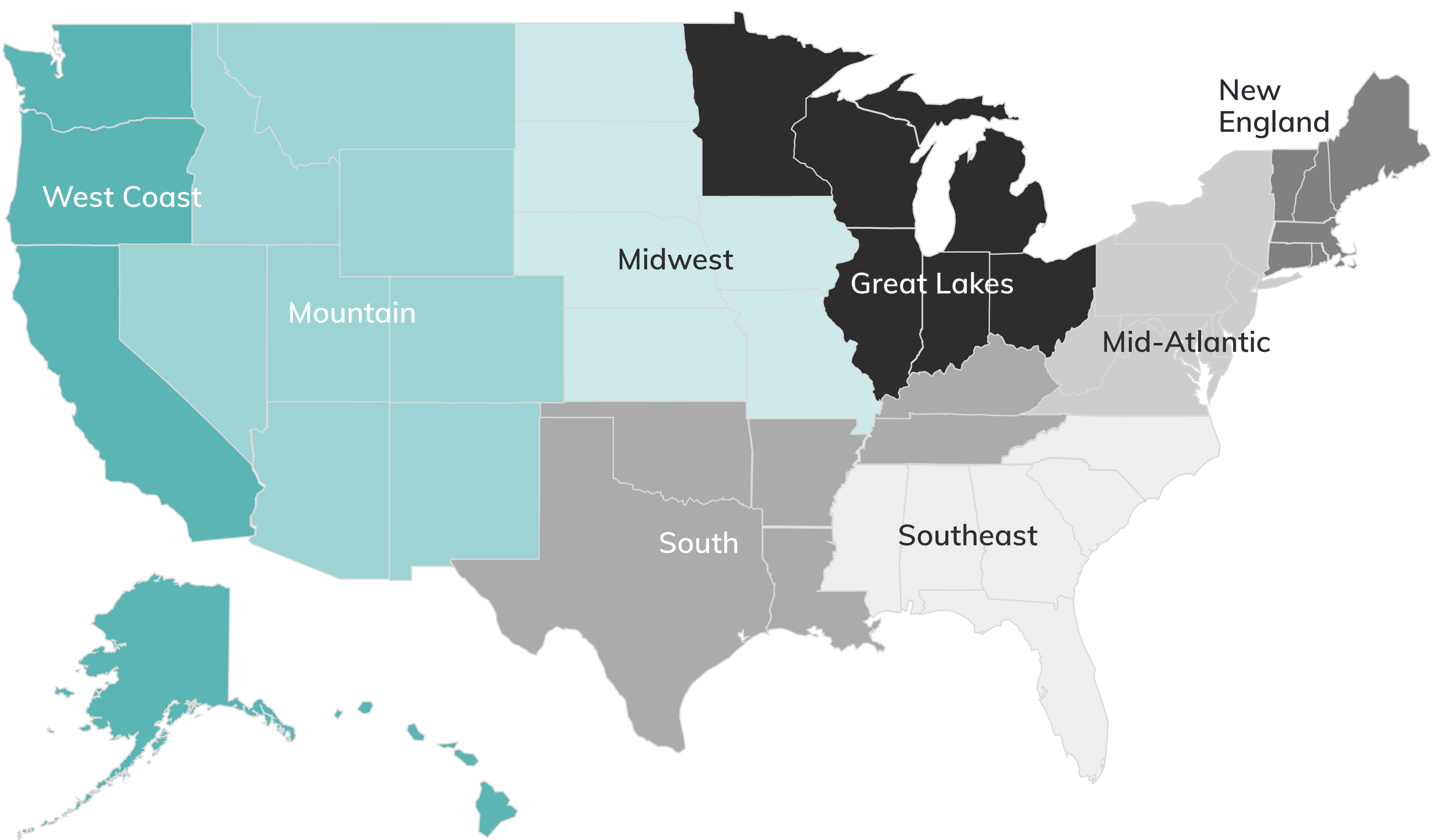
Great Lakes – Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

New England – Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Mid-Atlantic – Delaware, DC, Maryland, New Jersey, New York, Pennsylvania, Virginia, West Virginia

South – Arkansas, Kentucky, Louisiana, Oklahoma, Tennessee, Texas

Southeast – Alabama, Florida, Georgia, Mississippi, North Carolina, Puerto Rico, South Carolina



Industry Code Definitions

Example companies in these definitions do not necessarily mean that those companies are included in the venture dataset included in the Yearbook, but are merely provided for context.

Description	VC Special Industry
Commercial Services	Commercial Services
Apparel and Accessories	Consumer Goods & Recreation
Restaurants, Hotels and Leisure	Consumer Goods & Recreation
Retail	Consumer Goods & Recreation
Energy Equipment	Energy
Exploration, Production and Refining	Energy
Energy Services	Energy
Healthcare Devices and Supplies	HC Devices & Supplies
Healthcare Services	HC Services & Systems
Healthcare Technology Systems	HC Services & Systems
Communications and Networking	IT Hardware
Computer Hardware	IT Hardware
Semiconductors	IT Hardware
Media	Media
Commercial Products	Other
Other Healthcare	Other
IT Services	Other
Other Information Technology	Other
Agriculture	Other
Chemicals and Gases	Other

Description	VC Special Industry
Construction (Non-Wood)	Other
Containers and Packaging	Other
Forestry	Other
Metals, Minerals and Mining	Other
Textiles	Other
Other Materials	Other
Utilities	Other
Other Energy	Other
Capital Markets/Institutions	Other
Commercial Banks	Other
Insurance	Other
Other Financial Services	Other
Services (Non-Financial)	Other
Transportation	Other
Other Consumer Products and Services	Other
Consumer Durables	Other
Consumer Non-Durables	Other
Commercial Transportation	Other
Other Business Products and Services	Other
Pharmaceuticals and Biotechnology	Pharma & Biotech
Software	Software

Note: Life sciences is composed of pharma & biotech and healthcare devices & supplies combined together.

1 Business Products & Services

1.1 Commercial Products

1.1.1 Aerospace and Defense - Manufacturers of equipment, parts or products related to civil or military aerospace and defense. Includes aircraft parts, firearms, and other munitions.

Ex: Boeing, Lockheed Martin, Northrop Grumman

1.1.2 Building Products - Manufacturers and distributors of home improvement and construction products and equipment. Includes drills, saws, windows, doors, and other prefabricated building materials, among others.

Ex: USG, Elk Corporation, Fastenal Company

1.1.3 Distributors/Wholesale - Companies engaged in the sale of bulk goods for resale by a retailer. The goods are sold to industrial, commercial, institutional, or other entities.

Ex: Ferguson Enterprises, W.W. Grainger, Hughes Supply

1.1.4 Electrical Equipment - Manufacturers of electrical equipment and components. Includes a broad range of electrical devices, electrical components, power-generating equipment, and other large electrical systems, among others.

Ex: AO Smith, Exide Technologies, Zoltek Companies

1.1.5 Industrial Supplies and Parts - Manufacturers of intermediate goods. Includes industrial parts and supplies made through injection molding, extrusion, thermoforming, die casting, and metal stamping, among others.

Ex: Advanced Plastics, Precision Urethane and Machine, Lyons Tool and Die

1.1.6 Machinery - Manufacturers of heavy-duty industrial machinery. Includes heavy equipment, hardware, and machine tools, among others.

Ex: Caterpillar, Komatsu, Deere and Company

1.1.7 Other Commercial Products

1.2 Commercial Services

1.2.1 Accounting, Audit and Tax Services - Providers of accounting, audit, and tax services to managers, investors, and tax authorities.

Ex: PricewaterhouseCoopers, Ernst and Young, KPMG, Deloitte

1.2.2 BPO/Outsource Services - Providers of business process outsourcing (BPO) services. BPO is the transmission of processes and operational activities to a third party for the purpose of cost reduction, productivity growth, and innovative capabilities.

Ex: Accenture, Sitel, ARAMARK

1.2.3 Construction and Engineering - Companies engaged in large scale or non-residential construction. Includes building construction, heavy/highway construction, industrial construction, architecture, and civil engineering, among others.

Ex: Turner Construction, Skanska, Tishman Construction

1.2.4 Consulting Services - Providers of specialized consulting services to improve a company's performance. Includes environmental consulting, human resource consulting, management consulting, strategic consulting, and political consulting, among others.

Ex: McKinsey and Company, Boston Consulting Group, Watson Wyatt

1.2.5 Education and Training Services - Providers of specialized education and training services. Includes on-the-job and off-the-job training, among others.

Ex: Apollo Group, Accredited Technical Training, WorldWideLearn

1.2.6 Environmental Services - Providers of environmental services. Includes environmental management, waste management, and pollution control services, among others.

Ex: Environmental Quality Management, Waste Management, Allied Waste Industries

1.2.7 Human Capital Services - Providers of human resource and employment services. Includes recruitment, training, and career development, among others.

Ex: Monster Worldwide, Vault.com, Robert Half Finance and Accounting

1.2.8 Legal Services - Providers of corporate legal services. Includes contract law, tax law, securities law, intellectual property rights, and zoning law, among others.

Ex: DLA Piper, Goodwin Procter, White and Case

1.2.9 Logistics - Providers of supply chain management and logistical support. Includes inventory management, purchasing, organizing transportation, and warehousing, among others.

Ex: Penske Logistics, United Parcel Service, Expeditors International

1.2.10 Media and Information Services - Providers of media and information services to businesses. Includes companies engaged in trade shows, marketing, branding, conducting surveys, market analysis, and audience data interpretations, among others. This includes online marketplaces.

Ex: Arbitron, DST Systems, Interactive Data Corporation

1.2.11 Office Services - Providers of administrative, office management, and personnel services.

Ex: Express Personnel Services, IKON Office Solutions, Snelling Personnel Services

1.2.12 Printing Services - Providers of commercial printing services. Includes printing, copying, binding, and document preparation, among others.

Ex: Kinko's, AlphaGraphics, Sir Speedy

1.2.13 Security Services - Provider of residential and commercial security services. Includes security system installation, monitoring, and staffing services, among others.

Ex: Brinks, AlliedBarton Security Services, Protection One

1.2.14 Other Commercial Services

1.3 Transportation

1.3.1 Air - Providers of products or services related to commercial air transportation. Includes couriers, airfreight, and airplane maintenance, among others.

Ex: Delta Cargo, Pilot Freight Services, Lufthansa Cargo

1.3.2 Marine - Providers of products or services related to commercial water transportation. Includes cargo shipping, manufacturers of ships, and ship components, among others.

Ex: Overseas Shipholding Group, DryShips, Seacor Holdings

1.3.3 Rail - Providers of products or services related to commercial rail transportation. Includes freight trains, manufacturers of trains, and train parts, among others.

Ex: Union Pacific, Canadian National Railway, Norfolk Southern

1.3.4 Road - Providers of products or services related to commercial land transportation. Includes freight trucks, manufacturers of commercial trucks, and truck parts, among others.

Ex: J.B. Hunt Transport Services, Landstar System, Con-way

1.3.5 Infrastructure - Providers of products and services for commercial transportation infrastructure. Includes products and services related to airports, train stations, bus terminals, and highway construction, among others.

Ex: Hubbard Construction, Granite Construction, Mosites Construction

1.3.6 Other Transportation

1.4 Other Business Products and Services

1.4.1 Buildings and Property - Owners of buildings and property. Includes office buildings, factories, farmland, and oil fields, among others.

Ex: The Empire State Building, 175 Fifth Avenue

1.4.2 Conglomerates - Companies engaged in multiple and unrelated industrial sectors.

Ex: Berkshire Hathaway, Altria Group, GE

1.4.3 Government - Providers of products and services to government agencies. Includes consulting, information technology services, and military equipment and support, among others.

Ex: Booz Allen Hamilton, Maximus, Skanska

1.4.4 Other Business Products and Services

2 Consumer Products & Services

2.1 Apparel and Accessories

2.1.1 Accessories - Manufacturers or designers of fashion accessories. Includes jewelry, gloves, handbags, hats, belts, scarves, and sunglasses, among others.

Ex: Ray-Ban, Coach, Citizen Watch Company

2.1.2 Clothing - Manufacturers or designers of clothing.

Ex: Ralph Lauren Polo, Hanes, Columbia Sportswear

2.1.3 Footwear - Manufacturers or designers of footwear. Includes athletic shoes, boots, and sandals, among others.

Ex: Crocs, Sketchers, Timberland

2.1.4 Luxury Goods - Manufacturers or designers of luxury goods. Includes high end clothing, accessories, and footwear, among others.

Ex: Gucci Group, Patek Philippe, Tag Heuer International

2.1.5 Other Apparel

2.2 Consumer Durables

2.2.1 Business Equipment and Supplies - Manufacturers of office supplies and equipment. Includes general office supplies, filing products, and paper shredders, among others.

Ex: Pitney Bowes, Steelcase, 3M

2.2.2 Electronics - Manufacturers of consumer electronics. Includes digital cameras, televisions, and handheld devices, among others.

Ex: Samsung, Sony, Panasonic

2.2.3 Home Furnishings - Manufacturers of home furniture and other decorative accessories. Includes couches, lamps, and draperies, among others.

Ex: Ethan Allen Interior, Furniture Brands International, La-Z-Boy

2.2.4 Household Appliances - Manufacturers of household appliances. Includes microwaves, vacuum cleaners, washers, and dryers, among others.

Ex: Whirlpool, Kenmore, LG

2.2.5 Recreational Goods - Manufacturers of recreational goods. Includes sporting goods and leisure goods, among others.

Ex: Burton, Titleist, Coleman

2.2.6 Other Consumer Durables

2.3 Consumer Non-Durables

2.3.1 Beverages - Producers and distributors of alcoholic and non-alcoholic beverages.

Ex: Coca-Cola, Pepsi, Anheuser-Busch

2.3.2 Food Products - Producers, processors, and distributors of food products. Includes companies engaged in food preparation, and manufacturers of packaged food, among others.

Ex: Kraft Foods, Heinz, Lancaster Colony

2.3.3 Household Products - Manufacturers of household products. Includes cleaning supplies, disposable products, and paper towels, among others.

Ex: Clorox, Dixie, Kleenex

2.3.4 Personal Products - Manufacturers of personal products. Includes cosmetics, perfumes, and hygiene products, among others.

Ex: Old Spice, Gillette, Dove

2.3.5 Other Consumer Non-Durables

2.4 Media

2.4.1 Broadcasting, Radio and Television - Providers of entertainment through radio, television, or the internet. Includes local, national, and international radio and television channels.

Ex: NBC, Telemundo, YouTube

2.4.2 Information Services - Providers of information and content services. Includes political surveys, financial data, and statistics, among others.

Ex: Bloomberg, Interactive Data Corporation, Gallup

2.4.3 Movies, Music and Entertainment - Companies engaged in the production, distribution, and sale of entertainment products and services. Includes movie theaters, production companies, and music labels, among others.

Ex: Lowes Cineplex, Virgin Records, Paramount Pictures

2.4.4 Publishing - Providers of print and internet publishing services. Includes newspapers, magazines, and books, among others.

Ex: Daily Journal, The New York Times Company, The McGraw-Hill Companies

2.4.5 Social Content - Owners and operators of social content websites. Includes social networks, discussion boards, and dating websites, among others.

Ex: Facebook, LinkedIn, Match.com

2.4.6 Other Media

2.5 Restaurants, Hotels and Leisure

2.5.1 Casinos and Gaming - Owners and operators of casinos and other gaming operations.

Ex: MGM Mirage, Boyd Gaming, Monarch Casino

2.5.2 Cruise Lines - Owners and operators of cruise lines. Includes cruise ships, and ocean liners, among others.

Ex: Carnival Cruise Lines, Royal Caribbean Cruise Lines, Crystal Cruises

2.5.3 Hotels and Resorts - Owners and operators of hotels and resorts. Includes vacationing facilities and commercial establishments, among others.

Ex: Four Seasons, Hyatt, Fairmont

2.5.4 Leisure Facilities - Owners and operators of leisure facilities. Includes fitness centers and day spas, among others.

Ex: LA Fitness, 24 Hour Fitness, Aveda Lifestyle Salon and Spa

2.5.5 Restaurants and Bars - Owners and operators of restaurants and bars.

Ex: Applebee's, Chili's, Ruth's Chris Steak House

2.5.6 Other Restaurants, Hotels and Leisure

2.6 Retail

2.6.1 Catalog Retail - Provider of retail services through mail order and TV home shopping.

Ex: QVC, HSN, Jewelry Television

2.6.2 Department Stores - Owners and operators of large stores with a wide variety of products in distinct departments. Includes apparel, furniture, electronics, hardware, and sporting goods, among others.

Ex: Nordstrom, Macy's, Neiman Marcus

2.6.3 Distributors/Wholesale - Companies engaged in the sale of bulk goods to individual consumers.

Ex: Costco, Sam's Club, BJ's Wholesale Club

2.6.4 General Merchandise Stores - Owners and operators of stores offering a wide variety of general merchandise. General merchandise includes personal products, food, film, and prescriptions, among others.

Ex: CVS, RiteAid, Walgreen's

2.6.5 Internet Retail - Providers of retail services primarily through the internet.

Ex: Amazon.com, Overstock.com, Netflix

2.6.6 Specialty Retail - Owners and operators of retail stores specializing in the sale of goods in a particular industry or sector.

Ex: Barnes and Noble, Petsmart, Office Depot

2.6.7 Other Retail

2.7 Services (Non-Financial)

2.7.1 Accounting, Audit and Tax Services - Providers of accounting, audit, and tax services to individuals.

Ex: HandR Block, Jackson Hewitt, Liberty Tax Service

2.7.2 Educational and Training Services - Providers of educational and professional training services. Includes vocational education and exam preparation, among others.

Ex: University of Phoenix, ITT Technical Institute, Princeton Review

2.7.3 Legal Services - Providers of legal services to individuals. Includes criminal law, property law, human rights law, and insurance law, among others.

Ex: DLA Piper, Goodwin Procter, White and Case

2.7.4 Real Estate Services - Providers of real estate services to individuals. Includes real estate brokers and property valuation, among others.

Ex: Century 21, RE/MAX, Coldwell Banker

2.7.5 Other Services (Non-Financial)

2.8 Transportation

2.8.1 Air - Providers of air transportation to consumers. Includes major airlines and charter airlines, among others.

Ex: Northwest Airlines, United Airlines, Alaska Airlines

2.8.2 Automotive - Providers of products and services related to automotives. Includes automotive manufacturers and automotive services, among others.

Ex: Ford, GM, Enterprise Rent-a-Car

2.8.3 Marine - Providers of products and services related to water transportation. Includes leisure boat manufacturers and yacht dealers, among others.

Ex: Viking Yacht Company, Marine Products Corporation, Fountain Powerboat Industries

2.8.4 Rail - Providers of products and services related to rail transportation. Includes passenger trains and express trains, among others.

Ex: Amtrak, Grand Luxe Rail Journeys, Union Pacific Railroad

2.8.5 Other Transportation

2.9 Other Consumer Products and Services

2.9.1 Other Consumer Products and Services

3 Energy

3.1 Equipment

3.1.1 Alternative Energy Equipment - Manufacturers or providers of alternative energy equipment. Includes compressed natural gas, solar, hydroelectric, and wind, among others.

Ex: The Wind Turbine Company, Vestas, Solar Electric Power Company

3.1.2 Coal and Consumable Fuels Equipment - Manufacturers or providers of coal and consumable fuels equipment.

Ex: Joy Mining Machinery, Getman, Peters Equipment Company

3.1.3 Oil and Gas Equipment - Manufacturers or providers of oil and gas equipment. Includes rigs and drilling equipment, among others.

Ex: Weatherford International, Baker Hughes, Cameron International

3.1.4 Other Equipment

3.2 Exploration, Production and Refining

3.2.1 Energy Exploration - Companies engaged in energy exploration. Includes the identification, testing and development of sites for well drilling and wind farms.

Ex: Apache Corporation, Anadarko Petroleum, Hunt Oil

3.2.2 Energy Production - Companies engaged in energy production. Includes wind farming, drilling and removal of crude oil and natural gas.

Ex: Transocean, Diamond Offshore Drilling, Noble Corporation

3.2.3 Energy Refining - Companies engaged in energy refining. Includes the refining of crude oil into gasoline, diesel, kerosene, and fuel oil.

Ex: Sasol, Valero Energy, Imperial Oil

3.3 Services

3.3.1 Energy Marketing - Companies engaged in energy marketing. Includes gas marketing, pipeline analysis, and asset management, among others.

Ex: Marathon Oil, Hess Corporation, Murphy Oil

3.3.2 Energy Storage - Companies engaged in energy storage. Includes commercial and industrial batteries, fuel cells, and capacitors, among others.

Ex: ZBB Energy, Young Gas Storage, Falcon Gas Storage

3.3.3 Energy Traders and Brokers - Companies engaged in energy trading and brokerage services.

Ex: Dynergy, Reliant Energy, El Paso Corporation

3.3.4 Energy Transportation - Companies engaged in energy transportation. Includes tankers, and gathering and transmission pipelines, among others.

Ex: Energy Transfer Equity, Kinder Morgan Energy Partners, Enbridge

3.3.5 Infrastructure - Companies engaged in energy infrastructure. Includes pipelines, transmission lines, generation plants, and refineries, among others.

Ex: Energy Infrastructure Acquisition, Brookfield Infrastructure Partners, Tortoise Energy Infrastructure

3.3.6 Other Energy Services

3.4 Utilities

3.4.1 Electric Utilities - Companies engaged in the generation, transmission, and distribution of energy for sale in the regulated market.

Ex: Southern Company, FPL Group, Dominion Resources

3.4.2 Gas Utilities - Companies engaged in the production, distribution and marketing of natural gas and related services.

Ex: National Grid, Sempra Energy, Equitable Resources

3.4.3 Multi-Utilities - Companies engaged in the generation, transmission, distribution, and sale of water, electricity and natural gas to residential, commercial, industrial, and wholesale customers.

Ex: Exelon Corporation, Public Service Enterprise Group, PGandE

3.4.4 Water Utilities - Companies engaged in providing water or wastewater services.

Ex: Aqua America, California Water Service Group, American States Water Company

3.4.5 Other Utilities

3.5 Other Energy

3.5.1 Other Energy

4 Financial Services

4.1 Capital Markets/Institutions

4.1.1 Asset Management - Financial institutions providing management of various securities to meet specified investment goals for the investors. Investors may be institutions or high net worth individuals.

Ex: Smith Barney, Edward Jones, Ameriprise Financial

4.1.2 Brokerage - Financial Institutions acting as an intermediary between a buyer and seller of securities, usually charging a commission. Includes clearing houses and stock brokerage firms, among others.

Ex: Citigroup, Options Clearing Corporation, LCH. Clearnet

4.1.3 Investment Banks - Financial institutions functioning across all areas of capital markets. Includes raising money by issuing and selling securities, and advisory within mergers and acquisitions, among other financial services.

Ex: Citigroup, Goldman Sachs, Lehman Brothers

4.1.4 Private Equity - Financial institutions engaged in long-term loans with multinational corporations and governments. Includes merchant banks, and private equity firms, among others.

Ex: Blackstone Group, Carlyle Group, Kohlberg Kravis Roberts

4.1.5 Other Capital Markets/Institutions

4.2 Commercial Banks

4.2.1 International Banks - Non-investment commercial banks located in more than one country.

Ex: Deutsche Bank, UBS, Bank of America

4.2.2 National Banks - Non-investment commercial banks located in one country.

Ex: Bank of New York, Citizens Bank, Capital One Bank

4.2.3 Regional Banks - Non-investment commercial banks located in a particular region.

Ex: Sterling Savings Bank, Evergreen Bank, HomeStreet Bank

4.2.4 Thrifts and Mortgage Finance - Financial institutions specializing in originating and/or servicing mortgage loans.

Ex: Accredited Home Lenders, Countrywide, Quicken Loans

4.2.5 Other Commercial Banks

4.3 Insurance

4.3.1 Automotive Insurance - Providers of insurance for cars, trucks, and other vehicles.

Ex: State Farm, All-State, GEICO

4.3.2 Commercial/Professional Insurance - Providers of commercial or professional insurance. Includes medical malpractice and legal malpractice, among others.

Ex: CNA Insurance, Zurich, FM Global

4.3.3 Insurance Brokers - Companies sourcing contracts of insurance on behalf of their customers.

Ex: Marsh and McLennan, Willis Group, Brown and Brown

4.3.4 Life and Health Insurance - Providers of life and health insurance.

Ex: ING, Prudential, MetLife

4.3.5 Multi-line Insurance - Providers of diversified insurance services with multiple interests in life, health, and property insurance.

Ex: AXA, Prudential, Sun Life

4.3.6 Property and Casualty Insurance - Providers of property and casualty risks insurance.

Ex: Allianz, American International Group, Hartford Financial

4.3.7 Re-Insurance - Providers of insurance to insurance companies.

Ex: Berkshire Hathaway, Munich Reinsurance, Hannover Reinsurance

4.3.8 Other insurance

4.4 Other Financial Services

4.4.1 Consumer Finance - Companies engaged in any kind of lending to consumers. Includes sub prime lending, among others.

Ex: HSBC Finance, CIT, CitiFinancial

4.4.2 Holding Companies - Companies that do not produce goods or provide services, but instead own shares of other companies.

Ex: Berkshire Hathaway, UAL Corporation, AMR Corporation

4.4.3 Real Estate Investment Trusts (REITs) - REIT is a tax designation for a corporation investing in real estate. REITs receive special tax reductions and offer high yield investments in real estate.

Ex: AMB Property, Duke Realty, EastGroup Properties

4.4.4 Specialized Finance - Companies engaged in providing specialized finance to both public and private enterprises.

Ex: Latitude Capital Group, Budget Finance Company, Capital Source

4.4.5 Other Financial Services

5 Healthcare

5.1 Devices and Supplies

5.1.1 Diagnostic Equipment - Manufacturers of imaging and non-imaging devices used to assess and diagnose medical conditions. Includes X-ray and MRI machines, otoscopes and stethoscopes, and ultrasound equipment, among others.

Ex: Welch Allyn, Siemens, AFC Industries, SOMA Technology

5.1.2 Medical Supplies - Manufacturers of medical supplies that would be considered non-durable. Includes syringes, diabetes supplies, bandages, and protective wear, among others.

Ex: Frank Healthcare, Johnson and Johnson, Adenna, Cardinal Health, Covidien

5.1.3 Monitoring Equipment - Manufacturers of devices used to collect and monitor vital signs. Includes heart-rate monitors, oxygen saturation monitors, and fetal monitors, among others.

Ex: Phillips Medical Systems, GE Medical Systems, Welch Allyn, SOMA Technology, Datascope

5.1.4 Surgical Devices - Manufacturers of devices and equipment used in a surgical setting. Includes laparoscopy instruments, retractor systems, and positioning devices, among others.

Ex: Lyons, Mediflex, Boston Scientific

5.1.5 Therapeutic Devices - Manufacturers of devices for rehabilitation or therapy. Includes muscle stimulators, light therapy, and pacemakers, among others.

Ex: Medtronic, Boston Scientific, Empi

5.1.6 Other Devices and Supplies

5.2 Services

5.2.1 Clinics/Outpatient Services - Facilities and services for short-term, outpatient care and procedures. Includes rehabilitation, diagnostic testing, and outpatient surgery and exams.

Ex: AmSurg, Physiotherapy Associates, HealthSouth

5.2.2 Distributors - Distributors of healthcare equipment and supplies. Includes all distributors of healthcare products.

Ex: American Medical Supplies and Equipment, AmerisourceBergen, BMP Sunstone, Owens and Minor

5.2.3 Elder and Disabled Care - Facilities and services for the care of senior citizens. Includes assisted living, long term care, hospice care, nursing homes, and home care, among others.

Ex: RehabCare Group, Sunrise Senior Living, AccentCare

5.2.4 Hospitals/Inpatient Services - Facilities and services for long-term care, and inpatient care and procedures. Includes invasive surgical procedures, and emergency services.

Ex: Tenet Healthcare, HCA, Universal Health Services

5.2.5 Laboratory Services - Providers of medical laboratory services. Includes blood and tissue testing.

Ex: Quest Diagnostics, LabCorp, LabOne

5.2.6 Managed Care - Owners and operators of managed health plans. Includes Preferred Provider Organizations (PPOs) and Health Maintenance Organizations (HMOs).

Ex: Aetna, Kaiser Permanente, UnitedHealth Group

5.2.7 Practice Management - Providers of consulting and management services to medical practices. Excludes practice management software, such as billing or medical records software.

Ex: Advantage Medical Claims, Medical Management Associates, Healthcare Facilitators

5.2.8 Other Healthcare Services

5.3 Healthcare Technology Systems

5.3.1 Decision/Risk Analysis - Developers and producers of software or systems used to expedite the medical decision and risk management process. These programs try to assist doctors and nurses in their decision making process.

Ex: HLTH Corporation, Apache Medical Systems, Wellsource

5.3.2 Enterprise Systems - Developers and producers of software and systems that cover multiple areas of the healthcare organization.

Ex: NextGen, Cerner, McKesson Corporation

5.3.3 Medical Records Systems - Developers and producers of software or systems to organize medical records.

Ex: NextGen, McKesson, MediNotes

5.3.4 Outcome Management - Developers and producers of software or systems used to analyze the effectiveness of treatments prescribed by doctors.

Ex: Tri-Analytics, Outcome Concept Systems, Protocol Driven Healthcare

5.3.5 Other Healthcare Technology Systems

5.4 Pharmaceuticals and Biotechnology

5.4.1 Biotechnology - Companies engaged in research, development, and production of biotechnology. Includes embryology, genetics, cell biology, molecular biology, and biochemistry, among others.

Ex: Elan, Genentech, Amgen

5.4.2 Discovery Tools - Researchers and developers of tools used in drug discovery and drug delivery research. Includes compound libraries, enzymes, kinases, and specialized proteins, among others.

Ex: PerkinElmer, Qiagen, Charles River Laboratories

5.4.3 Drug Delivery - Researchers and developers of medication delivery methods. Includes targeted delivery methods, and timed release formulations, among others.

Ex: Elan, Hospira, Nektar Therapeutics

5.4.4 Drug Discovery - Researchers and developers of new drugs. Includes identification, screening, and efficacy testing of drug candidates, among others.

Ex: Bristol-Meyers Squibb, PerkinElmer, Elan

5.4.5 Pharmaceuticals - Manufacturers and distributors of established drugs/pharmaceuticals. This category includes any large drug company that primarily manufactures medicines; however they may also be engaged in drug research and development.

Ex: Bristol-Meyers Squibb, GlaxoSmithKline, Novartis, Eli Lilly and Company

5.4.6 Other Pharmaceuticals and Biotechnology

5.5 Other Healthcare

5.5.1 Other Healthcare

6 Information Technology

6.1 Communications and Networking

6.1.1 Cable Service Providers - Developers and marketers of television, internet and voice services for cable networks. Includes broadband internet, VoIP, and cable television, among others.

Ex: Comcast, Cox Communications, Adelphia

6.1.2 Connectivity Products - Manufacturers of electronic components used to create networks or link devices. Includes bulk cable, connectors, and adapters, among others.

Ex: Belkin, AMP Inc., Griffin Technology, Molex

6.1.3 Fiberoptic Equipment - Manufacturers of fiber optic and photonics equipment. Includes bulk cable, connectors, lasers, and light emitting diodes (LEDs), among others.

Ex: Oplink Communications, Optical Communication Products, Belden

6.1.4 Internet Service Providers - Providers of dial-up and DSL access to the internet.

Ex: America Online, NetZero, EarthLink, Juno, PeoplePC

6.1.5 Telecommunications Service Providers - Providers of commercial and residential voice and data services. Includes phone service, paging, and voicemail, among others.

Ex: BellSouth, AT&T, Qwest, Vodafone, Airtel

6.1.6 Wireless Communications Equipment - Manufacturers, designers and marketers of wireless communications equipment. Includes wireless handsets, and wireless modems and routers, among others.

Ex: LG, Motorola, Cisco

6.1.7 Wireless Service Providers - Providers of wireless telephone networks. Includes cellular telephone service, and personal communication service (PCS), among others.

Ex: Verizon Wireless, Qualcomm, Nextel Partners

6.1.8 Other Communications and Networking

6.2 Hardware

6.2.1 Computers, Parts and Peripherals - Manufacturers, designers, and distributors of computers and peripherals. Includes monitors, cases, mice, keyboards, and printers, among others.

Ex: Dell, Apple, Hewlett-Packard, Sony, IBM

6.2.2 Electronic Components - Manufacturers, designers, and distributors of electronic parts and components for use in more advanced products. Includes processors, video cards, sound cards, fans, and motherboards, among others.

Ex: Intel, Advanced Micro Devices (AMD), Texas Instruments, NVIDIA

6.2.3 Electronic Equipment and Instruments - Manufacturers, designers, and distributors of electronic equipment and instruments. Includes multimeters, and oscilloscopes, among others. This category is for electronic testing and measurement devices.

Ex: Agilent Technologies, National Instruments, Tektronix, Chase Scientific

6.2.4 Office Electronics - Manufacturers, designers, and distributors of office equipment. Includes copiers and faxes, among others.

Ex: Xerox, Ricoh, Lanier

6.2.5 Storage - Manufacturers, designers, and distributors of electronic storage devices. Includes hard drives, optical drives, and flash memory, among others.

Ex: Seagate Technology, EMC, Western Digital

6.2.6 Other Hardware

6.3 Semiconductors

6.3.1 Application Specific - Manufacturers and designers of application specific semiconductors and integrated circuits.

Ex: First Solar, NVIDIA, Linear Technology

6.3.2 General Purpose - Manufacturers and designers of generic or general purpose semiconductors and integrated circuits.

Ex: Intel, Texas Instruments, STMicroelectronics

6.3.3 Production - Owners and operators of semiconductor foundries. “Foundries” are companies that manufacture semiconductors, but are not involved in their design.

Ex: Taiwan Semiconductor Manufacturing, United Microelectronics, Chartered Semiconductor Manufacturing, SMIC

6.3.4 Other Semiconductors

6.4 Services

6.4.1 Consulting and Outsourcing - Providers of outside consulting, outsourcing, or offshoring services. Includes subcontractors, and business process outsourcers, among others.

Ex: Gartner, Infosys Technologies, Sapient Corporation

6.4.2 Systems and Information - Management Providers of systems and information management services. Includes companies providing IT hosting and data centers, among others.

Ex: Rackspace, Network World, Mosso

6.4.3 Other IT Services

6.5 Software

6.5.1 Application Software - Developers and producers of software for specific tasks or applications. Includes general application software not classified elsewhere.

Ex: Microsoft, Oracle, Adobe

6.5.2 Automation/Workflow Software - Developers and producers of software for automation and workflow management. Includes automation of IT processes, data transferring, FTPs, and scheduling, among others.

Ex: Tethys Solutions, Parallels, Synopsys

6.5.3 Business/Productivity Software - Developers and producers of software for the enterprise where the focus is on process management and automation.

Ex: Salesforce, IBM, Microsoft

6.5.4 Communication Software - Developers and producers of software for communicating electronically through voice, video or text. Includes text and video chat, web conferencing, and web-based presentations, among others.

Ex: America Online, Microsoft, WebEx

6.5.5 Database Software - Developers and producers of software to manage and utilize information in databases. Includes MySQL, Microsoft SQL Server, and Oracle, among others.

Ex: Microsoft, Oracle, IBM, Sun Microsystems

6.5.6 Educational Software - Developers and producers of educational software.

Ex: Renaissance Learning, Scientific Learning Corporation, The Learning Company

6.5.7 Entertainment Software - Developers of consumer-oriented gaming software and applications.

Ex: Zynga, Rovio

6.5.8 Financial Software - Developers and producers of software for managing accounting and financial processes. Also includes various software developed specifically for the financial industry.

Ex: Intuit, CapControls, Merlin Securities, Tally, Finacle

6.5.9 Internet Software - Developers and producers of software for accessing and manipulating internet content. Includes internet browsers, and file transfer protocol (FTP) programs, among others.

Ex: Apple, Microsoft, Mozilla Foundation, Norwegian Opera Software

6.5.10 Multimedia and Design Software - Developers and producers of software for creating and manipulating multimedia content. Includes Computer Aided Design (CAD) software, and video and image editing software, among others.

Ex: Adobe Systems, Quark, Autodesk

6.5.11 Network Management Software - Developers and providers of software and systems for managing and organizing networks and information. Includes network monitoring software, and network security software, among others.

Ex: Altiris, Tivoli, NetIQ

6.5.12 Operating Systems Software - Developers and producers of computer operating systems.

Ex: Apple, Microsoft, Red Hat Software, Novell

6.5.13 Social/Platform Software - Developers and producers of software that facilitates the production, distribution or following of social content. The category also includes online markets.

Ex: Facebook, LinkedIn

6.5.14 Software Development Applications - Developers and producers of software for planning, coding, and debugging of new software. Includes compilers, build tools, debuggers, disassemblers, and documentation generators, among others.

Ex: Eiffel Software, Borland Software, BigFix

6.5.15 Vertical Market Software - Developers and producers of vertical market software. Includes point of sale software, among others. A vertical market is a group of companies that do business in the same industry.

Ex: SAP, Hypercom, Ingenico

6.5.16 Other Software

6.6 Other Information Technology

6.6.1 Other Information Technology

7 Materials & Resources

7.1 Agriculture

7.1.1 Animal Husbandry - Companies that breed, raise, and market livestock.

Ex: Seaboard Corp., Smithfield Foods, Alico

7.1.2 Aquaculture - Companies that cultivate and market aquatic organisms. Includes fish, shrimp, kelp/seaweed and cultured pearls, among others.

Ex: Stolt Sea Farm, D.B. Kenney Fisheries, America's Catch

7.1.3 Cultivation

7.1.4 Horticulture - Companies that cultivate and market grains, fruits, flowers, and vegetables.

Ex: Cargill, Archer Daniels Midland, The Andersons, Inc.

7.1.5 Other Agriculture

7.2 Chemicals and Gases

7.2.1 Agricultural Chemicals - Producers of chemicals used primarily in an agricultural setting. Includes diammonium phosphate (DAP), anhydrous ammonia (NH_3), and potassium chloride (KCl), among others.

Ex: Monsanto, Mosaic, CF Industries Holdings

7.2.2 Commodity Chemicals - Producers of chemicals that are sold in bulk due to their low cost. Includes methane, hydrochloric acid, chlorine, and sodium chloride, among others.

Ex: Mitsubishi Chemical, Terra Nitrogen, ExxonMobil

7.2.3 Industrial Chemicals - Producers of chemicals used primarily in industrial applications. Includes plastics, biocides, coolants, and polyglycols, among others.

Ex: Celanese, FMC Corp., Archer Daniels Midland

7.2.4 Multi-line Chemicals - Producers of diversified chemicals.

Ex: Dow Chemical, Air Products and Chemicals, FMC Corp., DuPont

7.2.5 Specialty Chemicals - Producers of proprietary or advanced chemical compounds. Includes food additives, and polymers, among others.

Ex: Sigma-Aldrich, Lubrizol, Cytec Industries

7.2.6 Other Chemicals and Gases

7.3 Construction (Non-Wood)

7.3.1 Raw Materials (Non-Wood) - Harvesters or producers of non-wood construction materials. Includes stone, gravel, sand, cement, and bricks, among others. Finished construction products are classified under Building Products.

Ex: Texas Industries, Eagle Materials, Hanson Aggregates North America

7.4 Containers and Packaging

7.4.1 Metal - Producers of metal containers and packaging materials.

Ex: Ball Corporation, Greif Inc., Silgan Holdings

7.4.2 Paper - Producers of paper containers and packaging materials.

Ex: Packaging Corporation of America, International Paper, Georgia-Pacific

7.4.3 Plastic - Producers of plastic containers and packaging materials.

Ex: Ball Corporation, Sonoco, Silgan Holdings

7.4.4 Wood - Producers of wood containers and packaging materials.

Ex: Greif Inc., Berry Industrial Group, Universal Forest Products

7.4.5 Other Containers and Packaging

7.5 Forestry

7.5.1 Forestry Development/Harvesting - Companies engaged in developing and harvesting forested areas.

Ex: Weyerhaeuser, Deltic Timber, MAXXAM

7.5.2 Forestry Processing - Companies engaged in converting raw forest products into marketable materials. Includes lumber, woodchips, engineered wood products, and paper products, among others.

Ex: Weyerhaeuser, Louisiana-Pacific, Stimson Lumber, Pope and Talbot, Georgia-Pacific, Boise Cascade, Temple-Inland Forest Products

7.5.3 Paper/Soft Products

7.5.4 Wood/Hard Products

7.5.5 Other Forestry

7.6 Metals, Minerals and Mining

7.6.1 Aluminum - Miners, producers and marketers of aluminum. Includes aluminum ore, and rolled aluminum, among others.

Ex: Alcoa, Kaiser Aluminum, Alcan

7.6.2 Coal - Miners, producers and marketers of coal. Includes lignite coal, bituminous coal, anthracite coal, and coke, among others.

Ex: Peabody Energy, CONSOL Energy, Drummond Company

7.6.3 Gold - Miners, producers and marketers of gold.

Ex: Newmont Mining, AngloGold Ashanti, Gold Fields Limited

7.6.4 Iron and Steel - Miners, producers and marketers of iron and steel.

Ex: Nucor, Olympic Steel, ArcelorMittal

7.6.5 Multi-line - Miners, producers and marketers of diversified metals and minerals.

Ex: BHP Billiton, Rio Tinto, Teck Cominco

7.6.6 Precious Metals and Minerals - Miners, producers and marketers of precious metals and minerals. Includes platinum, silver, and palladium, among others.

Ex: Coeur d'Alene Mines, Stillwater Mining, Metalor

7.6.7 Other Metals, Minerals and Mining

7.7 Textiles

7.7.1 Animal - Manufacturers of animal-based textiles. Includes wool, cashmere and silk, among others.

Ex: Buckskin Fur and Leather, J. Hewit and Sons

7.7.2 Plant- Manufacturers of plant-based textiles. Includes hemp and cotton, among others.

Ex: Parkdale Mills, Boston Felt Company, Aetna Felt Corporation

7.7.3 Mineral - Manufacturers of mineral-based textiles. Includes asbestos, glass fiber, and metal fiber, among others.

Ex: Roxul, Potter and Soar, Central Glass

7.7.4 Synthetic - Manufacturers of synthetic textiles. Includes polyester, aramid, nylon and spandex, among others.

Ex: Huitong Chemical, Unifi, DuPont-Akra Polyester

7.7.5 Other Textiles

7.8 Other Materials

7.8.1 Other Materials