nvca

2023 YEARBOOK

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Note from NVCA

March 2023

Dear Venture Capital Community:

I am writing to you shortly after our industry has faced its latest stress test. When the leaders of America's fledgling venture capital sector founded NVCA 50 years ago, they designed the organization to serve as the voice of the US venture capital and startup community. Since then, we have been the key advocate for the innovation economy, translating the needs of the public and private sectors to ensure that the US remains the best country in the world for innovators to turn their dreams into reality. The challenges of maintaining our entrepreneurial ecosystem are constantly changing, and NVCA has been there for all of it. Informing our community, educating policymakers, and helping our economy retain the vitality and dynamism that make it the envy of the world.

VC is famous for its ability to adapt, but few foresaw Russia's invasion of Ukraine and the ensuing geopolitical retrenchment that turned out to be one of the major disruptions of 2022. This unprecedented challenge to the global economic order was a body blow to a world recovering from the worst of the COVID-19 pandemic. It exacerbated a variety of issues including high inflation, rising interest rates, and an unstable labor market. This chaotic cocktail caused the market to stumble in the second half of the year. Deal counts dropped, and exits were hit particularly hard, with public listings falling to the lowest level in years. While the drop in deals and exit activity is worrying, the industry was not without bright spots. Fundraising activity was strong for the entire year, and the VC sector finished 2022 with record levels of committed capital. This dry powder is already proving vital for everything from buttressing promising entrepreneurs in need of support to investing in new companies active in the fields that make up the foundation of tomorrow's economy.

Venture capital wasn't the only part of the economy building for the future last year. In 2022, Congress approved hundreds of billions of dollars to support the development of innovative industries across the country. The recently passed CHIPS and Science Act and the Inflation Reduction Act will make historic investments into the research, commercialization, and scaling of advanced energy, computing, life sciences, and other technologies that are critical to improving our national security and economic competitiveness. If realized in full, these efforts would go beyond just commercializing early-stage technologies. They are targeted at fundamentally redesigning the supply chains and training the workforce required to bring them to strategic scale in America. At NVCA, we will continue to engage on the appropriation and implementation of these programs and ensure NVCA members are aware of opportunities resulting from these bills as soon as that information becomes available.

Despite making significant investments in innovation in 2022, the government also made choices that, if left unchecked, would have suffocated it. NVCA had to allocate significant time and resources to prevent a variety of counterproductive tax and regulatory threats from taking place in 2022. Key initiatives included curbing attempts to tax unrealized capital gains, preventing increased taxes on carried interest, and maintaining the qualified small business stock (QSBS) incentive. NVCA is currently working to stop the Securities and Exchange Commission (SEC) from imposing a stifling new regulatory regime on VC funds. If implemented, these mandates would have a depressive effect on the success of the companies that America needs to ensure its economic and national security. NVCA is committed to prioritizing the country's well-being and is ready to litigate if the SEC places politics over national prosperity.

The story of venture capital in 2021 was written in the financial pages, with more capital invested in more companies than ever before. In 2022, headlines drove the market. By the end of the year, many of the rules that were previously etched in stone had been wiped away. 2023 has barely begun, and time isn't slowing down. When tens of thousands of businesses in every state were worried about making payroll, NVCA led the effort to educate those in power of the ramifications and offered paths to prevent them. Thankfully, the worst-case scenario was averted, and the livelihoods of many thousands of people were protected.

Venture capital is about progress, and the path forward is as daunting as it has ever been. The road ahead is going to require our community to be smarter, tougher, and more resourceful as we seek to empower the entrepreneurs who will change the world. It's an incredible challenge, but we're up to it.

Bobby Franklin
President and CEO
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Executive Summary

VC Market activity in 2022 had two distinct phases. The first half of the year saw high levels of deal activity that approached the records set in 2021. However, by the second half of the year, activity dropped by a significant margin. The mixture of new strategic challenges abroad combined with the politics of pandemic recovery at home drove this decline. Fortunately, the public and private sectors faced 2022's challenges head-on. Investors and entrepreneurs stockpiled funds and cut costs, while policymakers outlined ambitious programs to safeguard the nation's economy. While the forces driving these market shifts have yet to recede or settle into a predictable rhythm, NVCA will be closely following the implementation of new federal programs focused on the innovation economy to assess their impact on investment trends.

Fund Activity

VC in 2022 started at almost the same level of activity as the end of 2021. Q1 2022's 5,033 deals had a slightly lower median valuation than 2021's, but overall activity was robust. Furthermore, indices tracking the supply of capital showed that the supply of available venture funding exceeded demand by a ratio of nearly 1.5 to 1. Q2 continued at the same pace as Q1, but the market shifted in Q3, when the market entered a defensive crouch. Investors who began the year sitting on roughly a quarter of a trillion dollars in dry powder fundraised aggressively to bolster their positions against an uncertain future. Deal counts decreased, deal values increased, and valuations dropped. The trends of Q3 continued into the final quarter of the year. By the end of Q4, investors sat on a combined $312 billion (nearly $1,000 for every American) of dry powder. First-time fundings were at multiyear lows, and inside rounds were up. In a reversal from the beginning of the year, by the end of Q4, demand for venture funding outstripped supply by over 2 to 1.

External Influences

Going into 2022, the country experienced significant inflation for the first time in decades. The Russia-Ukraine War restricted exports from both nations. This forced Europe—which spent the last 30 years building its economy around cheap, reliable supplies of gas from the Ural Mountains and Caspian Sea—to find alternative energy supplies, sending prices soaring. Meanwhile, tensions on the other side of the world also rose. For 30 years, the United States and China fueled global growth, leveraging each other's strengths in a textbook example of comparative advantage. However, the Chinese government's policy of trying to indigenize multicountry supply chains for high-value goods, such as semiconductors, spurred considerable opposition from the legacy producers it wanted to displace. Those producers, led by the United States, restricted Chinese access to the tools and materials necessary to produce leading-edge semiconductors and other high-technology products. While this has negated China's chances to become an effective competitor in those industries, it also closed off the Chinese market for a wide variety of products. Without access to these markets, America's most innovative companies need to figure out how cope with the loss of roughly 1.5 billion people from their total addressable markets.

Policy Responses

MONETARY POLICY: FEDERAL RESERVE ACTION

In the face of generationally high inflation, the Federal Reserve raised its benchmark interest rate by over 400 basis points between April 2022 and January 2023; it currently sits at 4.33%. While the inflation rate has decreased, the current inflation rate of 6.25% is well above the Fed's target of 2%. Expected to continue further into 2023, these rate hikes represent a strong shift from the easy money policies that have characterized the Federal Reserve's policy since the 2008 financial crisis.

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.

FISCAL POLICY: FEDERAL GOVERNMENT ACTION

As the worst of the COVID-19 pandemic has hopefully abated, the federal government authorized significant funds across a variety of programs to strengthen the nation's entrepreneurial ecosystem. The CHIPS and Science Act and the IRA invest hundreds of billions of dollars to support the next generation of American businesses across a variety of industries. The funds for most of these programs still need to be appropriated in the 116th Congress. The fact that these laws have yet to be implemented hasn't stopped other countries from racing to implement similar initiatives. For example, the EU announced the European Technology Champions Initiative, which allocates at least €10 billion for growth-stage investments in promising European tech companies across key focus areas. While smaller in scope, the European program is already active and in search of promising companies to back. In comparison, the US programs have yet to have funds appropriated or have most of their programs put into implementation.

Current State

American VC entered 2023 capitalized, consolidated, and cautious, with more money, fewer firms, and a demand for fresh capital that exceeded the supply. Tensions in the sector were heightened in mid-March, when federal action was required to limit the impacts brought about when two of the most active financial service providers for the startup ecosystem failed. For portfolio companies, 2023 is a time to refocus on fundamentals and profitability. For investors, terms on new rounds are expected to become increasingly favorable—a change from the operator-friendly terms that had normalized in recent years. However, the closed IPO window remains a major concern across the sector. While there is broad agreement that M&A opportunities abound, the continued inability of companies to go public drags significantly on the market. Raising new funds in 2023 isn't expected to be easy. Rising interest rates mean that asset allocators have a variety of attractive options to invest in, and fund managers need to prove that they can provide exceptional value in a competitive financial landscape. Barring major shifts in current macroeconomic and geopolitical conditions, the likelihood of returning to the status quo seems unlikely, and the full impacts of the institutional failures of mid-March 2023 remain to be seen. However, there are opportunities for optimism. The relative strength of the VC community's financial position means that it is well-positioned to invest in potential opportunities. Furthermore, if the laws passed by Congress are successfully funded and implemented, they will provided generational investments in critical industries across the country.

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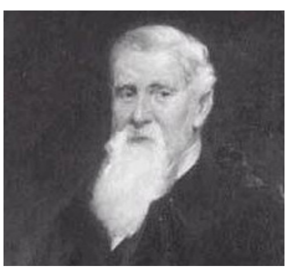
Venture Capital 101

Venture capital is a high-risk, high-reward asset class that supports entrepreneurs in their quest to turn ideas and basic research into high-growth companies. Venture capitalists help companies grow from individuals with ideas into organizations ready to change the world.

A Brief History of Venture Capital

Investments reminiscent of venture capital have existed since at least the 1850s, when merchant-banking interests in London and Paris syndicated with their junior partners in New York to help finance the development of the US railroad system.



Jay Cooke, widely regarded as one of the fathers of American Venture Capital.

Modern VC came into existence in 1974 when the Employee Retirement Income Security Act (ERISA) instituted the "Prudent Man Rule."[1] By utilizing this standard, asset managers were able to assess asset risks in the context of a portfolio rather than in isolation. This spurred the evolution of existing investment firms into dedicated venture firms. These venture firms invested in the region's nascent electronics and pharmaceutical industries, helping turn companies like Apple, Cisco, Compaq, and Genentech into household names.

Next, the 1990s became host to the first generation of major internet companies like Alphabet (Google), eBay, and Yahoo!. The ensuing dot-com bubble led to a frenzy of web-focused investment with capital commitments reaching an all-time high before bursting in 2000. The following recession resulted in a sharp contraction of the VC industry. Facebook (now Meta), Airbnb, Tesla, Dropbox, and Uber were all founded less than one decade after the dot-com bubble burst.

The Details

INVESTING

Venture capital is a unique asset class. With a few exceptions, companies funded by venture capital are new ideas that:

1. Cannot be financed with traditional bank financing

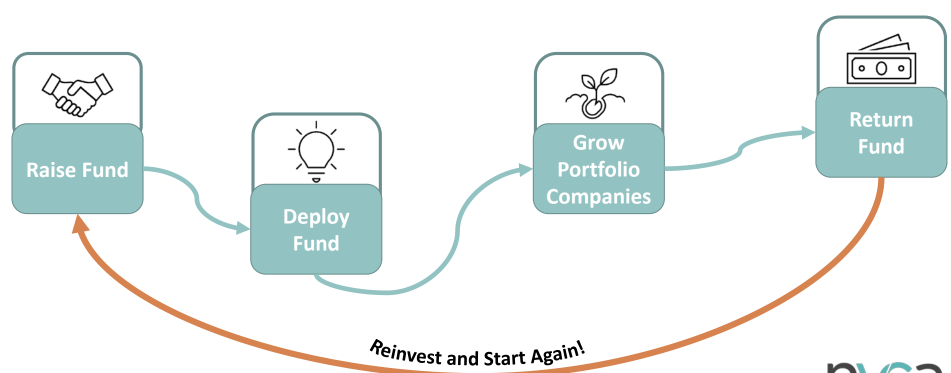
2. Threaten established products and services in their respective vertical

3. Require five to eight years (or longer) to reach maturity

Venture funds usually make equity investments in a company whose stock is essentially illiquid until it matures, and the VC fund exits its position. Generally, this takes at least five years, but eight or more years is increasingly common.

Venture funds find companies to invest in through a variety of methods. Sometimes they pursue deals, while other times deals come to them. Once an investor finds a promising company, they research the company to verify the legitimacy of its business model. This process, called due diligence, is often handled in-house, but depending on the size of the investment, external consultants or investigators

What's Next? (It's a Cycle)



Source: NVCA 2023 Yearbook; Data provided by PitchBook

1: "Employee Retirement Income Security Act (ERISA)," U.S. Department of Labor, September 2, 1974. https://www.dol.gov/general/topic/retirement/erisa#:~:text=The%20Employee%20Retirement%20Income%20Security,for%20individuals%20in%20these%20plans.

might be engaged. According to a 2016 study, *How Do Venture Capitalists Make Decisions?*, for every company that a venture firm eventually invests in, the firm considers roughly 100 potential opportunities.[2] The same study showed that the median venture firm closes about four deals per year. When evaluating investments, venture investors consider team, business model, product/market fit, and valuation, among other elements.

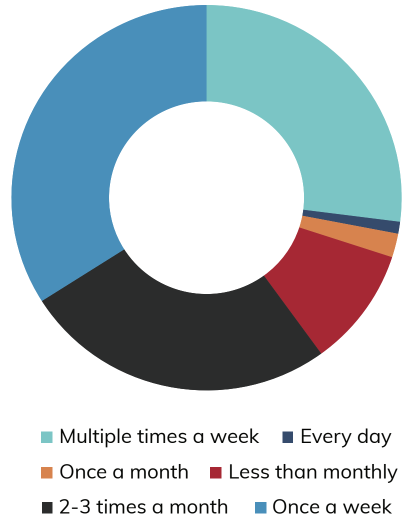
Upon completion of due diligence, a fund might make a solo investment or pool its resources and syndicate its investment with other VCs. Generally, the fund that performed the prospecting and due diligence on a given deal is identified as the syndicate lead, a title that generally lacks any official benefits, but it grants the lead investor industry prestige.

Venture differs from other forms of financing because investors do not expect to be paid back with interest. Rather, they acquire a portion of a company at a given valuation. For example, $10 million invested at a $100 million valuation means that the investor acquires 10% of the company.

As a company grows, it might require follow-on investments that provide additional runway, thereby allowing the company to maximize its potential before the investors exit their position. After several funding rounds with increasing valuations, investors' shares in the company can decrease in value relative to new ones. This process is called dilution. Nonequity funding instruments such as loans are nondilutive, but are repaid with interest.

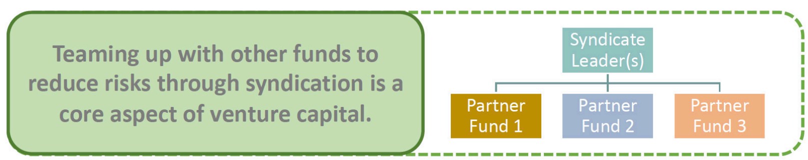
A VC investor's competitive advantage is twofold. First, the investor needs to pick good companies to fund. Then, they leverage their expertise to provide value to the entrepreneurs in their portfolio. Upon investing in a given company, investors provide company management with strategic and operational guidance. They also connect entrepreneurs with potential investors, customers, and employees. VC investors are vital partners to the companies they back, and daily interaction with the management team is common. Any investor who has had a "home-run" investment will tell you that successful companies have active relationships with their investors and are always trying to leverage every resource to gain advantage over their competition.

Average Frequency of Contact With Portfolio Companies



Source: NVCA 2023 Yearbook; Data provided by PitchBook

Common Strategies for Fund Deployment



Sector Strategy

Sectors	% of US Deal Count 2021
Software	39%
Pharma & Biotech	8%
Other	4%
Media	2%
IT Hardware	3%
HC Services & Systems	8%
HC Devices & Supplies	5%
Energy	2%
Consumer G&S	15%
Commercial G&S	14%
Transportation	1%

Source: NVCA 2023 Yearbook; Data provided by PitchBook

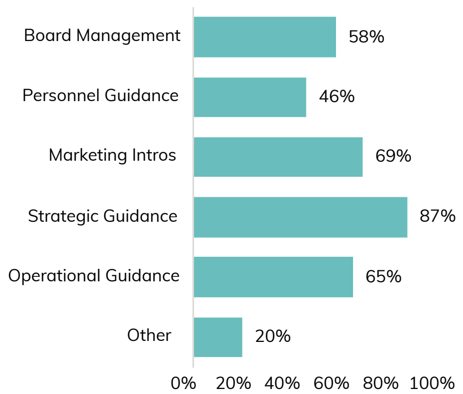
Stage Strategy

Stages	Aspects of Strategy	% of US Deals 2021
Early Stage (Angel-C)	More Deals, Fewer $ Per Deal	70%
Late Stage (D-Onward)	Fewer Deals, More $ Per Deal	30%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

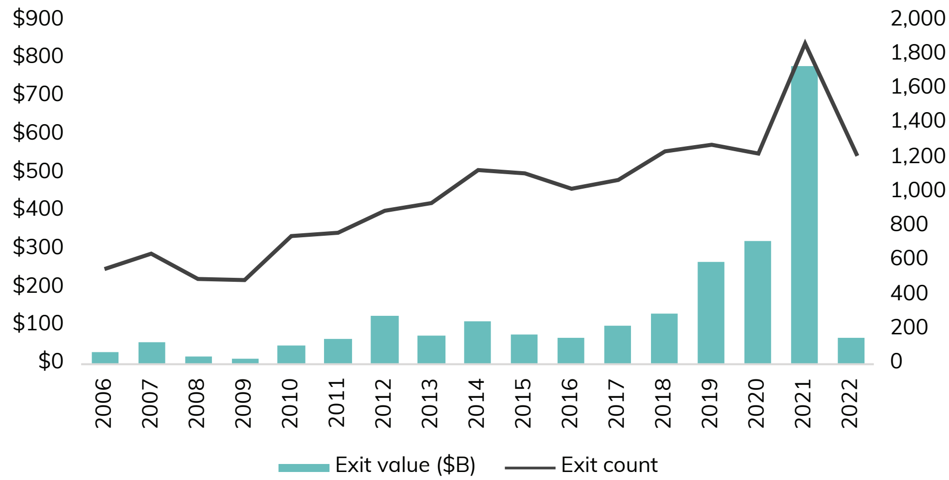
2: "How Do Venture Capitalists Make Decisions?" National Bureau of Economic Research, Paul Gompers, et al., September 2016. https://www.nber.org/system/files/working_papers/w22587/w22587.pdf

Advice VCs Give Portfolio Companies



Source: NVCA 2023 Yearbook; Data provided by PitchBook

US VC Exit Activity



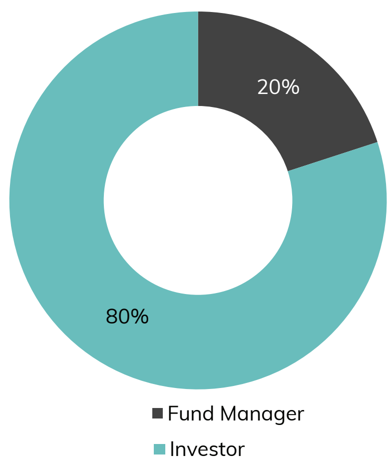
Source: NVCA 2023 Yearbook; Data provided by PitchBook

FUND STRUCTURE

While the organizational structures used to create a VC fund are relatively common, the way venture capital leverages those structures is unique. First, the partners at a firm devise a thesis and a target size for the fund. Then, the firm pitches asset allocators like pension funds, insurance companies, family offices, and nonprofit endowments with the plan for the fund. Once the target amount of committed capital ($40 million was the median fund size in 2022) is met, they establish a limited partnership with the asset allocators as LPs and the firm itself as the general partner. Capital is disbursed by LPs through capital calls, which are legal rights of drawdown on an asset allocator's capital, usually exercised on the identification of a new investment.

For a typical investment, the VC will reserve three to four times the initial investment to budget for follow-on financing. The investors in a venture fund profit only after the company they invest in 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 via M&A.[3]

Typical Distribution of Profits Returned From a VC Fund

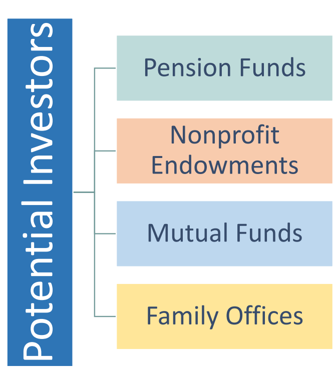


Source: NVCA 2023 Yearbook; Data provided by PitchBook

Primary Types of Exits

- Mergers and Acquisitions
- Public Listings
  - IPOs
  - Direct Listings
  - SPACs

Who Invests in Venture Capital Funds?



Source: NVCA 2023 Yearbook; Data provided by PitchBook

3: "How Do Venture Capitalists Make Decisions?" National Bureau of Economic Research, Paul Gompers, et al., September 2016. https://www.nber.org/system/files/working_papers/w22587/w22587.pdf

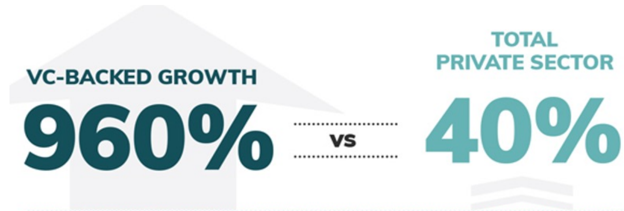
The Impact of Venture-Backed Companies Beyond Financial Returns

The benefits of venture capital are not limited to investors. A study by the Kauffman Foundation found that high-growth startups, like those backed by VCs, accounted for as many as 50% of gross jobs created annually between 1980 and 2010.[4, 5]

There is a stark contrast between the level of job creation at VC-backed companies versus non-VC-backed companies. NVCA, Venture Forward, and the Kenan Institute of Private Enterprise at University of North Carolina at Chapel Hill recently released a report that found that employment at VC-backed companies grew 960% from 1990 to 2020, at a pace eight times higher than employment growth at non-VC-backed companies.[6] The research also found that VC-backed jobs were resilient in economic downturns: After the 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% over the same period. And while California, Massachusetts, and New York have historically dominated VC activity, 62.5% of VC-backed jobs are outside those states.[7]

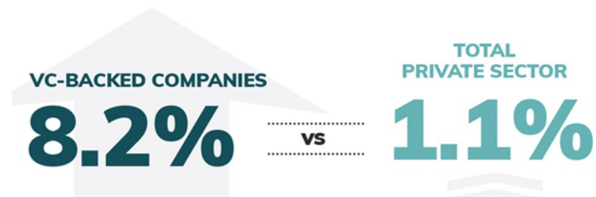
The Economic Impact of Venture Capital: Evidence from Public Companies analyzed the impact venture-backed companies had on the economy between 1978 and 2020.[8] The study found that of the 1,677 US companies that went public in that period, 834 (or 50%) were venture-backed. These 834 companies represent 77% of the total market capitalization on public markets, 92% of national research and development expenditure, and 81% of total patents granted by the US Patent and Trademark Office.[9]

Employment Growth from 1990 to 2020



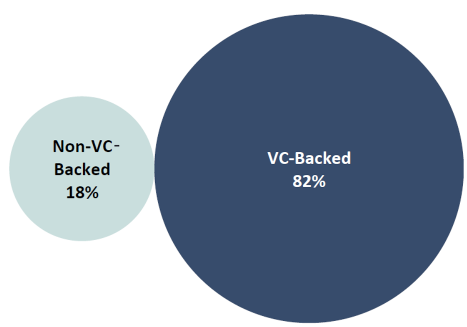
Source: NVCA 2023 Yearbook; Data provided by PitchBook

Annualized Growth Rate of Employment from 1990 to 2020



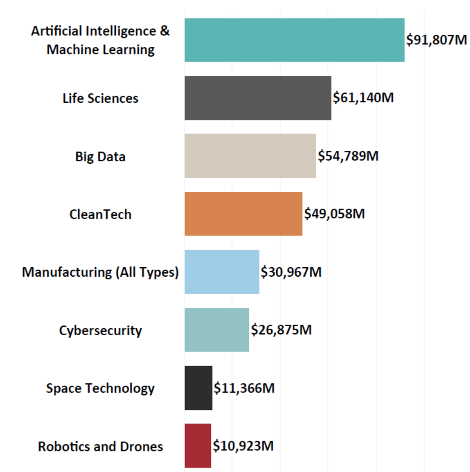
Source: NVCA 2023 Yearbook; Data provided by PitchBook

Private Sector R&D Spend 1975-2015



Source: NVCA 2023 Yearbook, Data provided by PitchBook

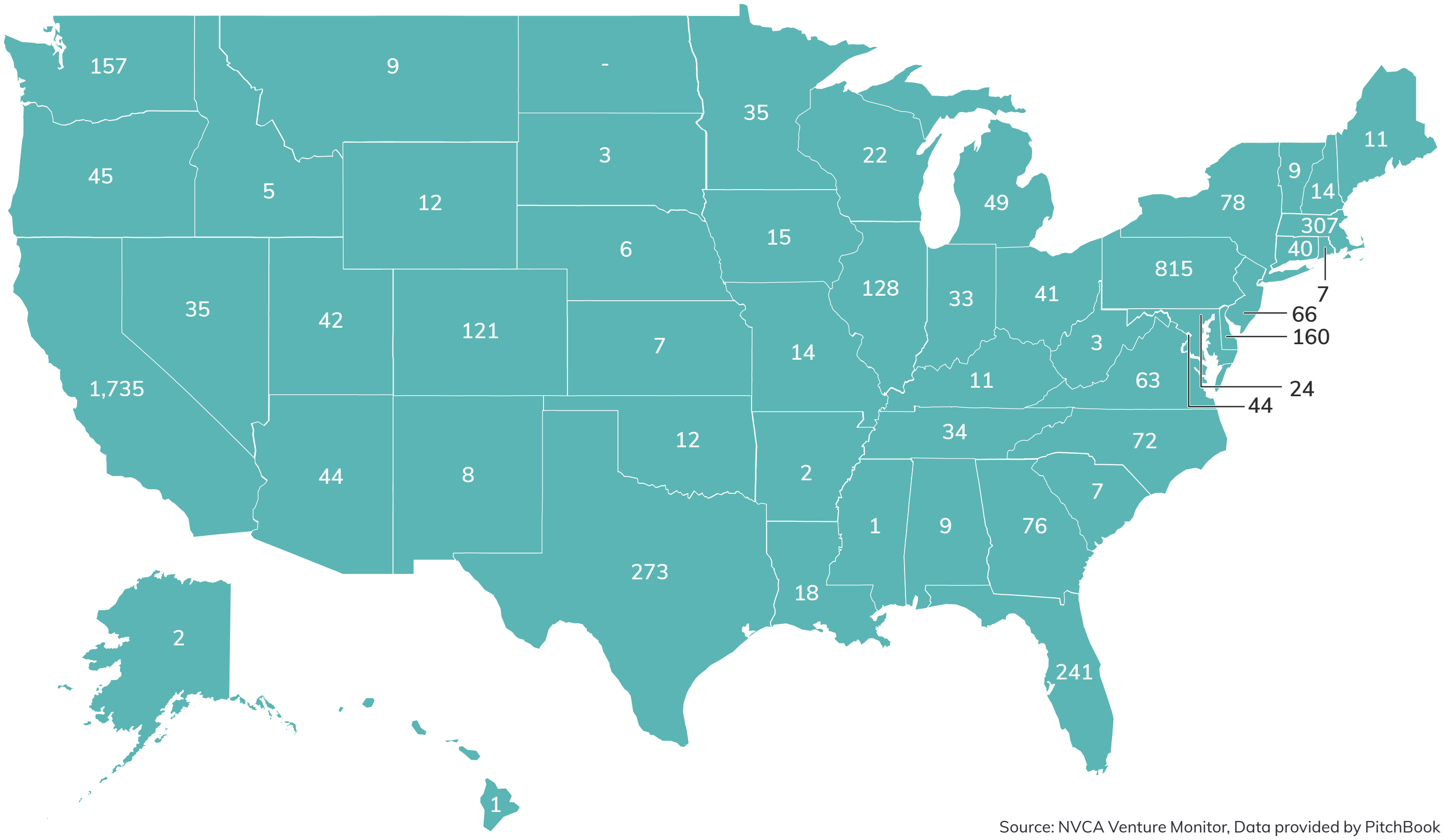
American VC Investment into Emerging Industries, 2020-2022



Source: NVCA 2023 Yearbook; Data provided by PitchBook

4: "The Economic Impact of High-Growth Startups," Kauffman Foundation, January 7, 2016. https://www.kauffman.org/-/media/kauffman_org/resources/2016/entrepreneurship-policy-digest/pd_highgrowth060716.pdf
5: "The Role of Entrepreneurship in US Job Creation and Economic Dynamism," Journal of Economic Perspectives, Ryan Decker, et al., 2014. https://www.aeaweb.org/articles?id=10.1257/jep.28.3.3
6/7: "An Analysis of Employment Dynamics at Venture-Backed Companies Between 1990 and 2020," University of North Carolina Kenan Institute of Private Enterprise & Research, NVCA, Venture Forward, Gregory W. Brown, et al., February 2022. https://nvca.org/wp-content/uploads/2022/02/Employment-Dynamics-at-Venture-Backed-Companies_FINAL.pdf
8/9: "The Economic Impact of Venture Capital: Evidence From Public Companies," Social Science Research Network, Will Gornall and Ilya A. Strebulaev, July 8, 2021. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2681841

Active Investor Count in 2022 Deals by Company HQ State



Source: NVCA Venture Monitor, Data provided by PitchBook

By the end of 2022, VC-backed companies accounted for the seven largest publicly traded companies by market capitalization in the US: Apple ($2.2 trillion), Microsoft ($1.9 trillion), Alphabet ($1.2 trillion), Amazon ($856.9 billion), Tesla ($389.0 billion), Meta ($315.6 billion), and NVIDIA ($612.2 billion).

Furthermore, recent research released by Silicon Valley Bank found that 42% of Food and Drug Administration (FDA)-approved US drugs between 2009 and 2018 originated with venture capital funding.[10]

Venture Capital Today

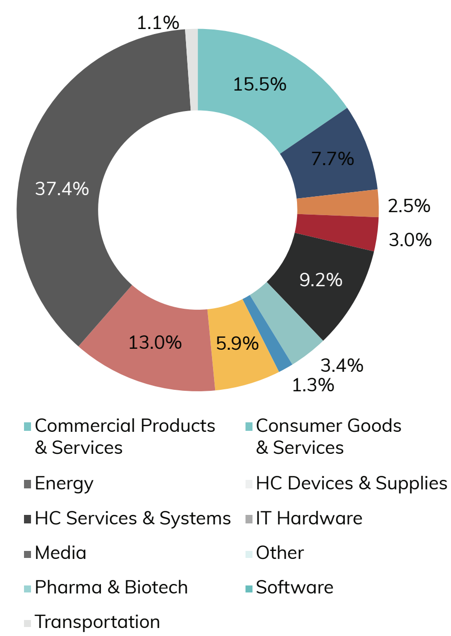
OVERVIEW

Modern venture capital is diversifying. An industry that was once the purview of a small number of people in a few of the nation's commercial centers is expanding to include a greater diversity of people, geographies, and disciplines. While most VC investment continues to be directed to the commercial hot spots of Boston, New York City, and the Bay Area, 2022 saw deals close in every state, Puerto Rico, and the District of Columbia. Notably, Illinois saw the largest VC deal of 2022, and North Carolina, Pennsylvania, and Texas all ranked in the top 10.

SECTORS

Historically, the dominant sector for VC investment is software. In 2022, it accounted for roughly 40% of all deals nationwide. However, the breadth of software as a category includes everything from gaming companies to financial technology (fintech) to cloud computing, among others. It might be more helpful to visualize software as a category defined by its inputs, which are the efforts of software engineers.

Share of US VC Deal Value by Sector in 2022



Source: NVCA 2023 Yearbook; Data provided by PitchBook

10: "Trends in Healthcare Investments and Exits 2019," Silicon Valley Bank, 2019. https://www.svb.com/globalassets/library/managedassets/pdfs/healthcare-report-2019-midyear.pdf

Software Company Examples

Consumer G&S Company Examples

Commercial P&S Company Examples

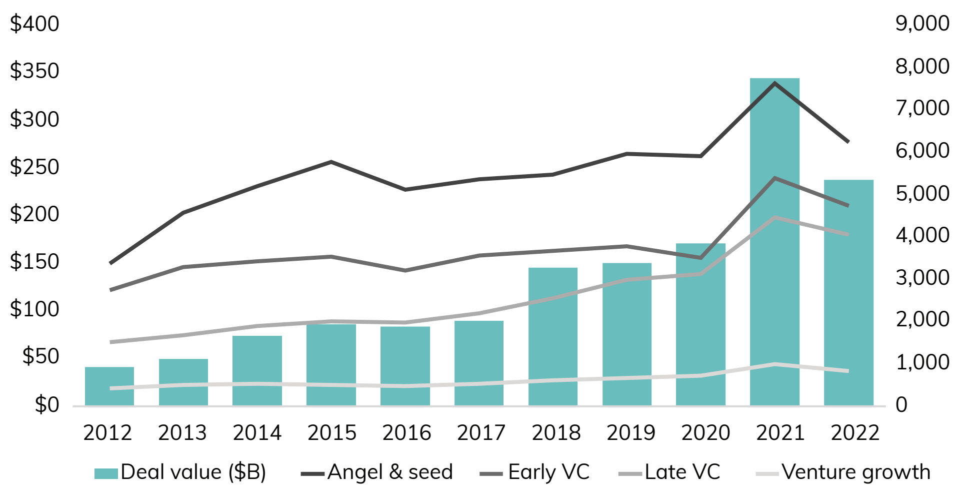
Healthcare-related investment was the second-largest category for VC investment in 2022. It made up about 20% of all deals. Healthcare-related investments include three major sub-categories: biotech & pharma, healthcare services & systems, and healthcare devices & supplies. While these three categories contain numerous specialties, they are united by their intended function, which is healthcare.

The third- and fourth-largest categories fall under the goods & services category: commercial products & services and consumer goods & services. They accounted for 15% and 14% of all deals in 2022, respectively. Their point of meaningful differentiation is the customer; one category is consumer-facing, while the other is focused on B2B transactions.

Combined, the software, healthcare, and goods & services categories accounted for 90% of deals in 2022. The next-largest category is “other,” at 5% of deals in 2022. No other category accounted for more than 3% of deals in 2022.

While there are almost as many ways to categorize companies as there are companies, this method is intended to provide an easy shorthand for categorizing them across a variety of sectors.

US VC Deal Activity by Stage



Source: NVCA 2023 Yearbook; Data provided by PitchBook

STAGES

Venture investment’s relationship with enterprise maturity is broken out by stages (early and late stage) and then into rounds. VC rounds range from angel or seed (the earliest), with later rounds identified by letters of the alphabet and the later rounds generally categorized as growth rounds.

In 2022, 39% of overall deals went to angel or seed rounds, 30% went to early-stage rounds, 26% went to late-stage rounds, and 5% of deals went to venture growth.

For more information on US VC in 2022, please consult the appendices to this report.

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

At-a-Glance: The US Venture Industry

Overview

2022 was a tumultuous year in venture capital. The first half of the year looked like 2021, with deal counts and values at or near all-time records. However, by the close of the third quarter, a potent mixture of rising geopolitical tension and macroeconomic instability diffused anxiety across VC and the entire US economy. The second half of the year saw a marked decrease in deal count, capital invested, and exits, especially IPOs. But the news was not all bad. Venture funds hit a fundraising record in 2022, with the industry sitting on a record $312 billion in dry powder.

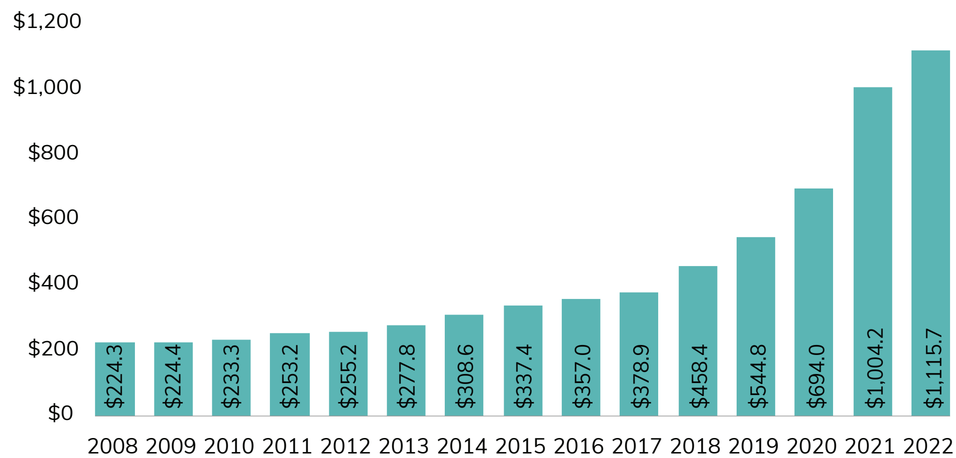
Going Into 2022

2021 was a record year for American venture capital. While the possible sources of the market's exuberance are too numerous to count, the results were easier to quantify. 2021 ended with $345 billion invested into 18,521 deals and $753 billion across 1,925 total exits. The first half of 2022 proceeded at the same pace, with steady but cautious venture activity in the first and second quarters as investors looked toward a tightening monetary environment.

Market Shifts

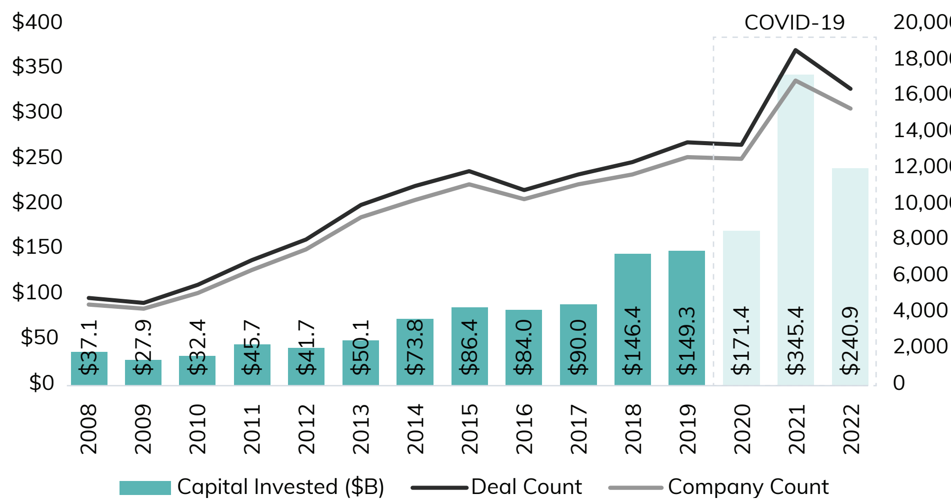
Under ideal market conditions, investors need a robust product/market fit, a strong business model, and a capable management team to make decisions. However, 2022 brought new challenges.

VC AUM ($B)



Source: NVCA 2023 Yearbook; Data provided by PitchBook

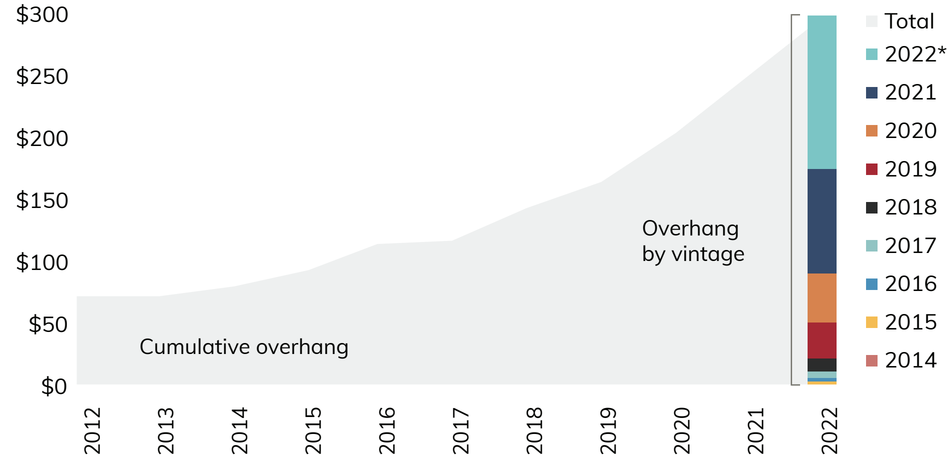
US VC Deal Activity



Source: NVCA 2023 Yearbook; Data provided by PitchBook

The world reopened after the first major pandemic in a century. The first European war of conquest in 75 years heightened anxiety across the globe. The highest inflation in a generation hit consumers and impacted purchasing power. And an increasingly aggressive China provided the United States with an economic and political challenge not seen since at least the turn of the century. Combined, these conditions upset decades of market orthodoxy and offer a bounty of perils and opportunities for enterprising investors.

Capital Overhang ($B) by Vintage



Source: NVCA 2023 Yearbook; Data provided by PitchBook

Coming Out Of 2022

While Q1 2022 mirrored the heights of 2021, Q4 2022 approximated the less lofty days of 2018. Quarterly deal count and overall value counts fell to levels roughly commensurate with the late 2010s. Exits plunged to the lowest levels in over a decade, and public listings slowed to almost nonexistent levels—just 14 occurred in Q4 and 76 over the entire year. While the drop in activity was worrisome, investors were quick to fortify themselves against a tighter market with aggressive fundraising. 2022 saw the most fundraising in modern VC history, with nearly $163 billion raised across 784 funds. When combined with overhanging funds from prior years, the industry has just under $315 billion in dry powder to invest, with 75% of that capital sitting in funds of at least $250 million.

Going Forward

Going into 2023, the US venture capital industry is capitalized, consolidated, and cautious. Some market watchers believe that the record levels of dry powder will surge forward and drive high levels of market activity. Early numbers from 2023 indicate that investors are in no rush to invest their capital. Instead, they are making small numbers of high-value investments. Furthermore, while the worst-case scenarios regarding the failures of Signature Bank and Silicon Valley Bank were prevented by government intervention, the full impact of the incidents is unclear. In the short term though, these incidents have pushed investors to question best practices that many previously took for granted.

2023 is on track to be a year focused on efficiency and fundamentals. If the last era of venture capital was exemplified by unicorns, with their sky-high, occasionally ephemeral, valuations, the avatar of the next era might be the mule: tough, efficient, and dependable.

Capital Commitments: Venture Fundraising

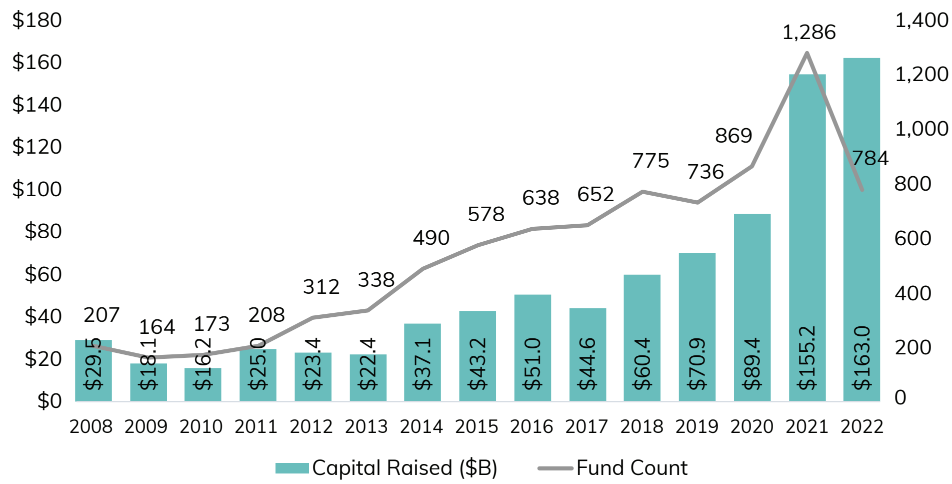
Overview

2022 was a record year for VC fundraising. America's venture capital funds raised just under $163 billion in 2022. When combined with overhanging funds from prior years, the US venture capital community is sitting on just under $315 billion of dry powder. However, investors do not seem to be in a rush to deploy those funds. As investment activity decreased in the second half of 2022, investors raised funds to prepare for opportunities rather than crises amid a changing market.

Consolidation

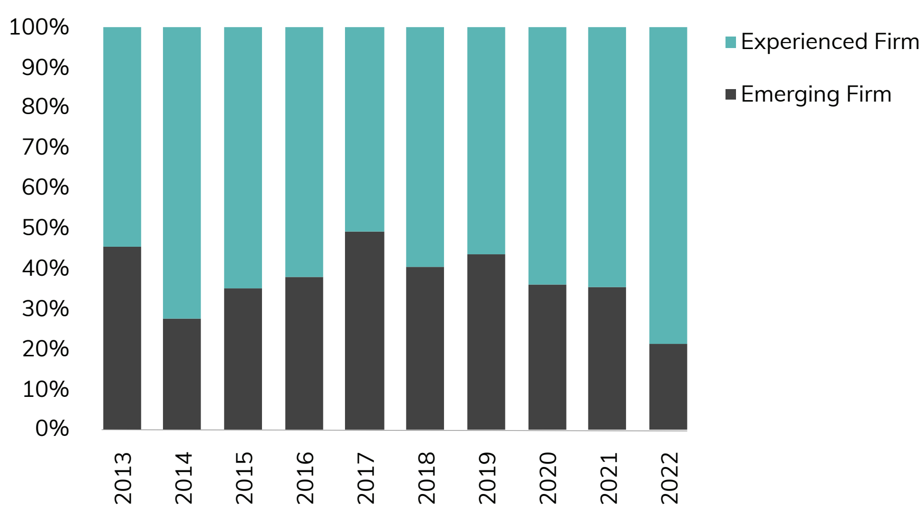
2022 saw $163 billion raised among 784 funds. In comparison, 2021 saw $155 billion raised among nearly twice as many funds. This concentrated more capital among fewer managers, resulting in the highest median fund size since 2010, when the industry had roughly one-third as many active firms and AUM was almost 80% lower. Of the funds closed in 2022, 56% of the total capital went to just 35 funds—all with at least $1 billion in committed capital. Whether this trend continues into 2023 remains to be seen.

US VC Fundraising Activity



Source: NVCA 2023 Yearbook; Data provided by PitchBook

Share of Capital Raised by Manager Experience



Source: NVCA 2023 Yearbook; Data provided by PitchBook

Competition

2022 saw the steepest interest rate hikes in a generation, which resulted in a more challenging VC fundraising environment. With higher interest rates, investors find themselves in a much more crowded scrum when pitching to limited partners. First-time VC fundraising numbers could be an early indicator of the competitive fundraising landscape, with only 144 first-time managers closing funds in 2022, the smallest number of funds closed since 2013.

Other Points of Interest

While the most salient questions about fundraising are how much capital has been raised and who raised it, there are a few other points of concern about fundraising in 2022 and how the trends may impact the year ahead.

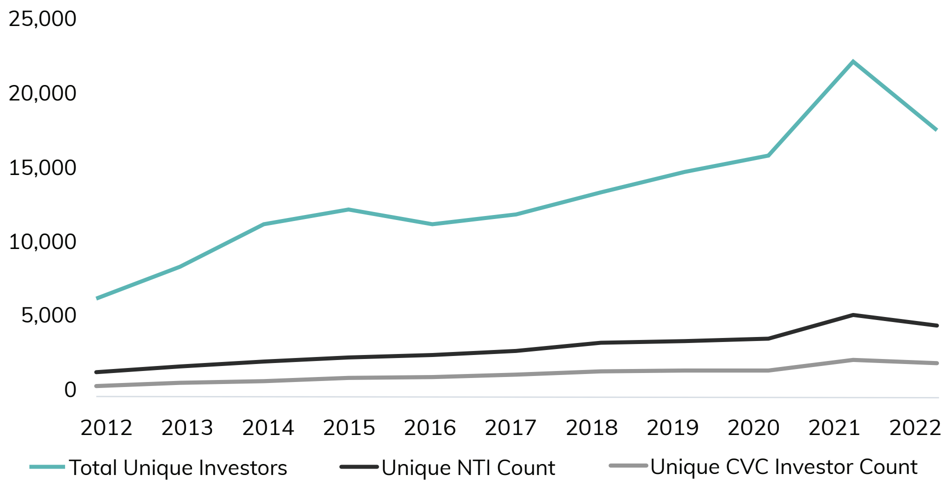
NONTRADITIONAL INVESTORS AND CORPORATE VC

NTIs and CVCs have increasingly valuable roles as part of the venture investing community. However, if pressure on balance sheets increases, investors with greater optionality might reduce their participation in the market.

EMERGING ECOSYSTEMS

Venture capital is famously concentrated amid a few hot spots, but the last few years have seen exciting growth in emerging ecosystems across the country. For the past five years, the South, mid-Atlantic, and Mountain West have all grown at rates above the national average.

NTI and CVC Investor Count



Source: NVCA 2023 Yearbook; Data provided by PitchBook

FEDERAL FUNDS

The Policy Highlights section of this report details the variety of funds authorized in the last year. In many cases, these funds are nondilutive and have allocations/ guidance prioritizing emerging managers. While many of these funds still need to be appropriated, prospective managers should pay close attention to how those programs develop.

Going Forward

The fundamental questions about VC fundraising remain how much money is being raised and who is raising it. If the trends of 2022 continue, there will be fewer new investors on the market controlling more capital. However, there has been a broad recognition across the public, private, and nonprofit sectors that new managers from a variety of backgrounds and geographies help maintain the vitality of the VC community, and significant efforts are afoot to increase the opportunities for new managers to enter the market.

10 Largest US VC Funds in 2022

Investor Name	Fund Name	Fund Size ($M)	Close Date	Fund State
Tiger Global Management	Tiger Global Private Investment Partners XV	$12,700.0	March 21, 2022	New York
Alpha Wave Global	Alpha Wave Ventures II	$10,000.0	January 25, 2022	New York
Andreessen Horowitz	Andreessen Horowitz LSV Fund III	$5,000.0	January 21, 2022	California
General Catalyst	General Catalyst Group XI	$4,600.0	March 11, 2022	Massachusetts
Andreessen Horowitz	a16z crypto IV	$4,500.0	May 25, 2022	California
Accel	Accel Leaders IV	$4,000.0	June 21, 2022	California
Bessemer Venture Partners	Bessemer Venture Partners XII	$3,850.0	September 9, 2022	New York
Founders Fund	Founders Fund Growth II	$3,431.1	March 4, 2022	California
Battery Ventures	Battery Ventures XIV	$3,080.6	July 14, 2022	Massachusetts
ARCH Venture Partners	ARCH Venture Fund XII	$2,975.0	June 29, 2022	Illinois

Source: NVCA 2023 Yearbook; Data provided by PitchBook

Top States by VC Raised in 2022

	# of Funds	VC Raised ($M)	2021-2022 YoY Change
California	306	$78,275.4	3.5%
New York	153	$45,349.8	42.1%
Massachusetts	62	$15,649.5	-0.5%
Illinois	25	$4,150.7	-33.1%
Florida	23	$2,613.4	139.7%
Texas	36	$2,419.5	-46.3%
Connecticut	10	$2,126.1	0.8%
Washington	11	$2,078.0	-8.9%
District of Columbia	8	$2,018.0	539.5%
Georgia	7	$1,180.5	-6.4%

Source: NVCA 2023 Yearbook; Data provided by PitchBook

VC Fundraising by State and Year ($M)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Alabama	$36.6	-	$21.9	-	$25.6	-	-	-	$5.0	-
Arizona	-	-	-	-	$20.0	-	-	$300.0	$53.7	$104.5
Arkansas	-	-	-	-	-	-	-	-	-	-
California	$9,385.4	$12,614.9	$13,539.9	$14,566.6	$14,441.9	$8,655.9	$7,384.0	$13,694.4	$11,441.9	$9,222.1
Colorado	$87.0	$25.0	$52.3	$400.8	$132.6	$63.0	$253.0	-	$266.9	$236.9
Connecticut	$1,890.0	$510.0	$370.0	$45.0	$770.0	$25.0	$329.3	$180.0	$600.0	$193.1
Delaware	-	-	$13.0	-	-	$100.0	$15.0	-	$4.9	-
District of Columbia	$400.1	-	-	$828.2	$380.0	-	-	$475.0	$68.4	$400.0
Florida	$4.1	$693.0	-	$448.5	$150.0	$145.6	$102.2	$223.1	$269.2	$47.9
Georgia	$55.0	$83.6	$218.3	$175.0	$118.7	$55.0	$280.0	-	$53.6	$143.7
Hawaii	$7.9	$6.5	-	-	$1.8	-	-	-	-	-
Idaho	-	-	-	$76.4	$64.0	$51.9	-	-	$1.4	-
Illinois	$13.0	$60.3	$418.1	$874.2	$764.6	$269.4	$578.6	$136.1	$203.3	$440.5
Indiana	$65.0	$6.0	-	-	$24.2	$175.0	$0.5	$175.5	$19.0	$1.0
Iowa	-	-	-	$0.9	$3.5	-	-	-	$3.0	$1.4
Kansas	-	-	-	-	-	-	-	$2.6	$0.0	-
Kentucky	-	$20.1	$36.4	-	$175.0	-	-	$3.7	$7.0	-
Louisiana	$220.7	$73.5	$70.0	$28.0	$60.0	$70.0	$56.0	-	$6.0	-
Maine	$160.0	-	-	$65.0	-	-	-	-	$10.1	-
Maryland	$1,311.1	$35.8	$2,865.3	$575.0	$100.0	$2,566.8	$12.1	$6.0	$2,622.5	$736.2
Massachusetts	$2,850.5	$3,315.3	$6,221.3	$5,546.2	$3,567.9	$3,098.4	$3,143.9	$3,427.0	$1,951.1	$5,012.1
Michigan	-	$178.7	$20.0	$13.0	-	$246.2	$46.7	$292.6	$45.2	$83.7
Minnesota	$49.8	$360.0	$398.0	$331.0	$486.4	$30.0	-	-	$150.8	$152.6
Missouri	$119.8	-	-	$330.2	$100.0	$93.9	$20.6	-	$23.0	$267.6
Montana	-	-	$1.8	-	-	-	-	-	-	-
Nebraska	-	-	-	-	-	-	$2.6	$37.3	-	-
Nevada	-	-	-	-	-	-	-	-	-	-
New Hampshire	-	-	$50.0	$12.0	-	-	-	-	-	$21.0
New Jersey	$212.9	$788.0	$1,063.0	$895.2	$41.6	$516.0	-	$500.0	$349.0	$3.5
New Mexico	-	$47.5	$5.2	$2.4	-	-	-	$10.0	-	-
New York	$892.3	$1,768.4	$3,332.7	$4,297.7	$2,589.8	$1,139.6	$2,657.9	$4,666.3	$3,440.0	$2,201.7
North Carolina	$33.3	$226.0	$340.0	$28.0	$83.0	$102.0	-	$15.0	$25.3	$215.0
North Dakota	-	-	-	-	-	-	-	-	-	-
Ohio	$254.8	$19.4	$101.5	$260.9	$275.6	$25.0	$92.9	$34.2	$184.1	$61.1
Oklahoma	-	-	-	$10.5	-	-	-	-	$10.0	-
Oregon	-	-	-	$0.9	$12.6	$3.0	$20.4	$4.6	$14.1	$105.8
Pennsylvania	$447.6	$134.9	$392.6	$194.0	$728.6	$391.4	$144.9	$103.9	$730.1	$254.8
Rhode Island	-	-	-	-	-	-	-	-	$1.1	-
South Carolina	-	$10.0	-	-	-	-	-	-	-	$18.8
South Dakota	-	$10.0	-	-	$32.5	-	-	$16.0	$0.7	-
Tennessee	$50.0	$12.3	$54.0	$54.7	$83.9	$14.0	$74.2	$47.4	$2.5	$128.4
Texas	$760.7	$176.2	$1,264.8	$103.3	$825.8	$22.1	$125.6	$519.1	$155.4	$1,315.4
Utah	$85.0	$12.1	$128.3	$326.0	$100.0	$127.2	$66.4	$33.0	$38.2	$270.7
Vermont	$1.5	-	-	-	$14.0	-	-	-	$80.0	-
Virginia	$153.4	$616.5	$478.0	$296.0	$224.1	$124.0	$597.3	$1.1	$133.9	$191.4
Washington	$700.5	$709.3	$431.0	$2,400.5	$2,995.8	$2.5	$5.9	-	$328.2	$574.2
Wisconsin	$10.7	-	$171.5	-	$57.0	-	$200.3	$47.9	$112.5	$6.6
Wyoming										

Source: NVCA 2023 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	2022
Alabama	-	$41.8	-	$1.4	$25.0	-	$91.9	-	$11.7
Arizona	$156.9	$4.8	$24.8	$29.4	$5.6	$108.6	-	$181.4	$140.7
Arkansas	$10.5	$0.3	$151.5	-	$0.1	-	$1.5	-	-
California	$20,996.3	$22,038.6	$32,214.0	$25,766.5	$31,623.7	$45,960.4	$45,217.8	$75,632.6	$78,275.4
Colorado	$523.9	$500.6	$109.9	$235.1	$1,241.8	$281.7	$537.3	$716.6	$1,077.7
Connecticut	$516.4	$132.8	$357.4	$655.9	$433.2	$863.2	$1,243.0	$2,109.3	$2,126.1
Delaware	$10.0	$2.4	$15.5	-	-	$71.7	-	-	$1.5
District of Columbia	$3.3	$88.5	$840.3	$491.4	$74.2	$657.9	$1,378.6	$315.6	$2,018.0
Florida	$381.3	$242.8	$86.4	$64.9	$316.4	$731.9	$1,342.6	$1,090.4	$2,613.4
Georgia	$67.0	$165.5	$79.0	$122.0	$71.3	$1,112.3	$198.3	$1,261.1	$1,180.5
Hawaii	$10.0	-	-	$3.0	-	-	-	$6.3	-
Idaho	$1.2	-	$1.3	$15.0	-	$50.0	-	-	$6.9
Illinois	$1,119.9	$387.3	$1,275.6	$1,835.7	$1,005.2	$1,183.2	$2,260.7	$6,207.2	$4,150.7
Indiana	$2.5	$15.4	-	$15.5	$137.6	$0.7	$6.0	$315.1	$59.9
Iowa	$1.8	-	$48.3	$0.4	$11.2	$100.4	$41.6	$279.7	-
Kansas	-	-	$0.2	$26.4	$42.7	$27.2	$67.5	$40.0	-
Kentucky	-	$7.5	-	-	$25.5	-	$37.0	$1.4	-
Louisiana	-	$11.9	-	-	$6.0	$6.0	-	-	$10.3
Maine	-	$123.0	-	$10.2	-	-	$2.4	-	$21.5
Maryland	$1,179.5	$3,451.1	$10.0	$123.7	$97.3	$232.3	$336.7	$1,160.0	$180.6
Massachusetts	$2,507.4	$4,942.2	$6,181.2	$7,343.4	$5,454.3	$7,109.4	$11,260.2	$15,728.2	$15,649.5
Michigan	$95.0	$306.6	$1,222.6	$226.1	$49.0	$374.1	$500.5	$140.2	$25.0
Minnesota	$15.6	$108.0	$3.1	$155.6	$153.2	$117.7	$383.5	$1,256.1	$69.0
Missouri	-	$130.0	$375.0	$164.2	$243.4	$91.3	$127.6	$687.8	$50.0
Montana	-	-	$21.1	$2.8	$38.0	$25.0	-	$330.0	-
Nebraska	-	$19.8	$2.0	$31.0	-	-	-	$35.3	-
Nevada	-	$42.6	-	$5.0	-	-	$5.0	$6.6	$150.0
New Hampshire	$0.9	$7.5	$8.3	$49.1	$172.0	$256.1	$186.6	$1,043.9	$91.4
New Jersey	$33.5	$8.5	$591.1	$10.0	$84.3	$425.7	$84.9	$307.1	$89.8
New Mexico	$8.7	-	$9.8	$2.7	-	$2.0	-	$7.0	-
New York	$7,307.3	$7,335.5	$4,092.3	$3,366.5	$11,971.5	$6,740.6	$16,147.2	$31,921.9	$45,349.8
North Carolina	$38.1	$35.0	$209.4	$160.8	$66.1	$132.5	$243.5	$1,003.2	$998.4
North Dakota	$3.5	-	-	$1.8	-	-	-	-	-
Ohio	$375.3	$36.6	$504.4	$29.7	$176.3	$399.1	$607.1	$440.5	$206.2
Oklahoma	$1.0	$13.2	-	-	-	-	$13.9	$20.0	-
Oregon	$35.6	$18.3	$28.6	$42.7	$66.0	$42.6	$46.8	$136.7	$13.0
Pennsylvania	$236.8	$377.2	$55.9	$132.0	$89.9	$440.7	$522.3	$105.5	$466.1
Rhode Island	-	$0.4	-	-	-	-	-	$100.0	-
South Carolina	$7.4	$8.0	$6.0	$9.0	$5.0	$5.0	$8.3	$5.0	$205.0
South Dakota	-	-	-	-	-	-	-	-	-
Tennessee	$22.5	$0.3	$303.5	$125.4	$196.4	$170.0	$347.6	$193.2	$964.2
Texas	$575.5	$227.7	$806.7	$1,937.5	$1,878.1	$1,309.3	$1,099.4	$4,502.0	$2,419.5
Utah	$154.4	$326.6	$222.4	$137.8	$224.0	$206.9	$631.5	$877.4	$590.5
Vermont	$12.0	-	-	$71.3	-	$11.7	-	-	$18.5
Virginia	$317.0	$803.6	$716.1	$309.2	$1,218.5	$515.5	$748.7	$2,718.7	$592.6
Washington	$340.8	$1,195.9	$451.4	$703.0	$3,066.7	$733.0	$3,246.6	$2,280.3	$2,078.0
Wisconsin	$33.2	$25.9	$11.4	$134.5	$178.4	$252.0	$27.4	$381.8	$66.1
Wyoming									

Source: NVCA 2023 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.

Data provided by PitchBook

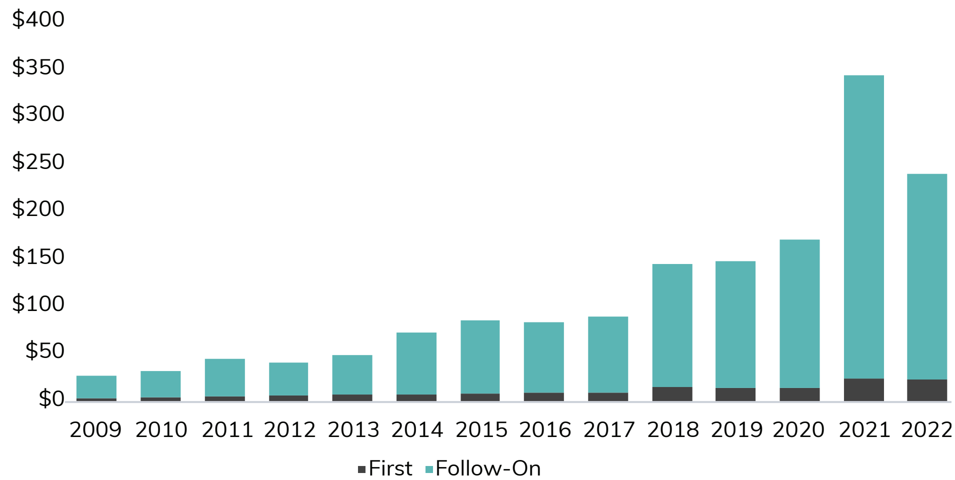
Capital Deployed: Investment into Companies

Overview

Venture capital investments in 2022 largely mirrored the country's macroeconomic environment. The first half of the year saw roughly $155 billion of deal activity across the United States, while deal activity in the second half of the year decreased to approximately $84 billion. While numerous events may have contributed to the drop in activity, the Fed's benchmark interest rate hikes are the most proximate cause for the decrease in VC activity. The benchmark rate increased by 155 basis points—from 0.33% to 1.68%—between Q2 and Q3. It continued to increase until it was more than 4.1% by the year's end.

While 2022 saw precipitous quarterly reductions in industry activity, the $238 billion of full-year deal value was the second highest for overall VC investment on record. Compared with previous years, more investors made larger deals across a wider range of sectors and geographies. The energy, commercial goods, healthcare services, biotech & pharma, and software sectors all saw the year end with levels at or near the highs of 2021.

US VC Deal Value ($B) by First-time vs. Follow-on



Source: NVCA 2023 Yearbook; Data provided by PitchBook

Stages

The relative decline of angel and seed deals stood out as one of the most interesting trends in 2022. Over the course of 2020 and 2021, angel and seed stages made up roughly 45% of

US VC Deal Count by Stage

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Angel & seed	3,385	4,582	5,220	5,802	5,148	5,414	5,538	6,012	5,964	7,736	6,536
Early VC	2,752	3,282	3,421	3,531	3,217	3,576	3,665	3,798	3,515	5,366	4,887
Late VC	1,525	1,680	1,899	2,025	1,979	2,210	2,592	3,022	3,139	4,507	4,181
Venture Growth	430	491	543	512	483	530	613	679	733	1,003	828

Source: NVCA 2023 Yearbook; Data provided by PitchBook

VC deals (in prior years, the percentage went even higher), with early- and late-stage VC making up the balance. However, by the end of 2022, angel- and seed-stage investments made up just 38.5% of investments, far below the annual average of 41.3%. In comparison, early-stage deals ended the year at 33.4% of deals, significantly above the stage's annual average of 31.8% and 4% higher than the average for 2020 and 2021. Late-stage VC realized a similar rate of relative growth, ending the year at 28.1% of all deals, compared with a 26.9% annual average in 2022 and 25.2% average in 2020 to 2021. While a variety of factors could be driving these figures, they lend credence to reports of increased prevalence of inside rounds amid a tense market.

Sectors

Software continues to dominate the VC sector, making up roughly 37% of all venture capital invested in 2022, which is consistent with the prior two years. As a share of total capital invested, activity remained relatively flat across all sectors, with commercial goods & services seeing the largest absolute growth (12% to 16% of all capital invested) and energy increasing the most in relative terms (1% to 2%).

Geographies

Venture capital remains concentrated around a few major hot spots, with roughly 60% of 2022's deals occurring in five states (California, Massachusetts, New York, Texas, and Florida). However, the story of the past few years has been one of increasing diffusion across the country. Since 2018, the West Coast and Northeast have seen relative decreases in investment levels, while regions such as the Intermountain West and Southeast have seen relative increases in investment levels. Some of the most interesting developments have been regional hot spots, including fintech and artificial intelligence (AI) in Austin, Texas; healthtech in Washington, DC; advanced energy/deep tech in Denver, Colorado; and biotech in the Research Triangle of North Carolina. Venture investments have increased in almost every state over the past five years. A recent proliferation of public/private sector collaborations aimed at increasing this trend could safeguard this growth in the face of a less stable market.

Nontraditional Investors and CVCs

Over the last few years, nontraditional investors have dramatically increased their participation in the venture capital ecosystem. As of 2022, NTIs or CVCs participated in nearly half of the deals in the United States, operating across a variety of stages and sectors. CVCs and NTIs backed some of the most interesting companies of 2022 in sectors including AI, aerospace, and climate tech, among others. Will nontraditional investors and CVCs continue to expand their participation in venture in a world of higher interest rates and more pressure on corporate balance sheets? This remains to be seen.

Going Forward

2022 began with the same exuberance seen throughout 2021. By the second half of the year, inflation and geopolitics slowed the pace of investment and placed the VC ecosystem on a more deliberative path going into 2023.

2022 US VC Deal Value ($B) by Sector

Commercial Products & Services	$37.2
Consumer Goods & Services	$18.6
Energy	$5.9
HC Devices & Supplies	$7.3
HC Services & Systems	$22.1
IT Hardware	$8.2
Media	$3.2
Other*	$14.1
Pharma & Biotech	$31.3
Software	$90.2
Transportation	$2.7

Source: NVCA 2023 Yearbook; Data provided by PitchBook

* Other industry groups:

- Commercial Products
- Commercial Transportation
- Other Business Products and Services
- Consumer Durables
- Consumer Nondurables
- Services (Nonfinancial)
- 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 (Nonwood)
- Containers and Packaging
- Forestry
- Metals, Minerals, and Mining
- Textiles
- Other Materials

A FEW KEY QUESTIONS GOING INTO 2023:

How is the industry going to deploy its record levels of dry powder?

Between the record levels of fundraising in 2022 and vast amounts of overhanging funding from prior years, American venture capital is sitting on over $300 billion of undeployed capital. The timing and volume of disbursement could have a significant impact on the industry over the coming months. Some market observers believe that this stockpile will keep the market going at current volumes, but early numbers in 2023 seem to indicate that investors are taking their time in 2023 and making fewer, larger investments.

Is 2023 going to be the year of the inside round?

The gradual drop in angel and seed rounds in 2022, followed by a commensurate increase in early-stage rounds, begs the question: Where is that money going? Most of 2022's fundraising went to existing managers insulating themselves against market shifts. The proliferation of non-angel- or seed-stage deals in the second half of 2022 indicates an increase of inside rounds intended to provide runway for portfolio companies. An uncertain market combined with reduced access to the public markets could mean that significant amounts of capital continue to go to existing portfolio companies until the market stabilizes.

What is the impact of the government funding authorized in 2022 going to be?

From 2021 to 2022, Congress approved legislation to invest hundreds of billions of dollars in projects like semiconductor manufacturing to infrastructure to fostering regional tech commercialization hubs across the country. Many of these programs are either targeted at or accessible to the venture industry and offer significant quantities of patient capital. The wrinkle is that most of the funds need to be authorized by the current Congress, and the shape of that language remains a primary concern for the VC community.

What impact will valuations have on first-time fundraising by founders?

In 2021, there were almost three dollars of VC funding available for each dollar of demand. By the end of 2022, there was less than one. This flip in supply versus demand lends credibility to reports of increasingly investor-friendly terms across the ecosystem. When combined with the downward pressure on valuations, it looks like term sheets in 2023 might be more investor-friendly than in recent years.

Overall, the story of capital deployment in 2022 is one of exuberance tempered by caution after some radical shifts to the status quo. The extent to which that trend will continue into 2023 remains to be seen.

US VC Deal Activity by State in 2022

	Company Count	# of Deals Closed	Capital Invested ($M)
California	4,956	5274	$104,020.7
New York	2,048	2174	$29,238.6
Massachusetts	928	998	$21,354.3
Illinois	398	424	$10,447.6
Texas	804	877	$10,261.0
Washington	507	552	$8,170.7
Florida	639	691	$7,238.6
Colorado	418	452	$5,837.4
Pennsylvania	352	392	$4,684.1
North Carolina	289	306	$4,406.9
Virginia	249	266	$3,103.9
Utah	188	199	$2,544.1
New Jersey	232	252	$2,342.5
Minnesota	165	179	$2,266.9
Georgia	273	295	$2,254.4
Ohio	186	197	$2,164.3
Delaware	414	446	$1,988.2
Connecticut	158	172	$1,859.5
Maryland	190	200	$1,581.8
District of Columbia	106	111	$1,421.9
Nevada	109	120	$1,313.0
Arizona	149	164	$1,274.4
Michigan	166	176	$1,206.2
Oregon	153	169	$986.9
Tennessee	141	148	$976.9
Indiana	169	176	$786.9

	Company Count	# of Deals Closed	Capital Invested ($M)
Missouri	89	93	$780.5
South Carolina	52	57	$672.0
Wyoming	42	46	$662.5
Vermont	38	43	$583.9
Wisconsin	91	97	$547.2
Nebraska	42	43	$491.6
Kansas	36	41	$361.2
Idaho	39	41	$324.9
Iowa	49	53	$288.7
Alabama	46	48	$265.6
Arkansas	33	33	$235.5
Oklahoma	28	30	$225.1
New Hampshire	44	47	$211.7
Montana	30	31	$198.5
Rhode Island	34	36	$179.4
Louisiana	41	42	$173.4
New Mexico	28	29	$143.2
Maine	31	31	$93.9
Kentucky	63	64	$86.1
North Dakota	7	8	$75.0
Alaska	12	12	$69.2
Mississippi	11	13	$67.8
Hawaii	18	21	$54.9
West Virginia	8	8	$9.8
South Dakota	2	3	$6.2

Source: NVCA 2023 Yearbook; Data provided by PitchBook

Top 10 US VC Deals in 2022

Company Name	Close Date	Deal Size ($M)	Deal Type	Industry Sector	State
VillageMD	April 1, 2022	$5,200.0	Late-stage VC	Healthcare	Illinois
Altos Labs	January 20, 2022	$3,000.0	Early-state VC	Healthcare	California
Epic Games	April 11, 2022	$2,000.0	Late-stage VC	IT	North Carolina
SpaceX	June 30, 2022	$1,725.0	Late-stage VC	B2B	California
Gopuff	May 18, 2022	$1,500.0	Late-stage VC	B2C	Pennsylvania
Anduril	December 2, 2022	$1,480.0	Late-stage VC	B2B	California
Securonix	April 28, 2022	$1,163.1	Late-stage VC	IT	Texas
TeraWatt Infrastructure	September 13, 2022	$1,000.0	Early-state VC	B2B	California
Flexport	March 28, 2022	$935.0	Late-stage VC	IT	California
TerraPower	November 3, 2022	$830.0	Late-stage VC	Energy	Washington

Source: NVCA 2023 Yearbook; Data provided by PitchBook

2022 VC Deals & Company Counts by State

	Company Count	% of Total	Capital Invested ($M)	% of Total
California	4,956	32.2%	$104,020.7	43.2%
New York	2,048	13.3%	$29,238.6	12.1%
Massachusetts	928	6.0%	$21,354.3	8.9%
Illinois	398	2.6%	$10,447.6	4.3%
Texas	804	5.2%	$10,261.0	4.3%
Washington	507	3.3%	$8,170.7	3.4%
Florida	639	4.2%	$7,238.6	3.0%
Colorado	418	2.7%	$5,837.4	2.4%
Pennsylvania	352	2.3%	$4,684.1	1.9%
North Carolina	289	1.9%	$4,406.9	1.8%
All Others	4,040	26.3%	$35,271.3	14.6%
Total	15,379		$240,931.3	

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Top 5 States by Percentage of 2022 Deals Done in State That Featured Investor(s) From Outside State

Company HQ State	% Invested From Outside State
Delaware	88.4%
Wyoming	87.5%
New Hampshire	71.4%
New Jersey	66.7%
Nevada	60.0%

Source: NVCA 2023 Yearbook, Data provided by PitchBook
*This ranking includes states with 20 or more investments.
Example of how to read this table: 88.4% of deals done with Delaware-based companies included investors from outside the state.

Top 5 States by Percentage of 2022 Deals Done in State That Featured Investor(s) From That State

Company HQ State	% Invested From Within State
California	88.5%
New York	77.9%
Massachusetts	70.8%
Texas	57.7%
Illinois	74.1%

Source: NVCA 2023 Yearbook, Data provided by PitchBook
*This ranking includes states with 20 or more investments.
Example of how to read this table: 88.5% of investments in California-based companies featured at least one California-based investor.

of States Invested Into by Investor HQ State

Investor HQ State	# of States Invested In	Investor HQ State	# of States Invested In
California	50	Arizona	25
New York	48	Delaware	25
Texas	48	Kentucky	25
Massachusetts	44	Louisiana	24
Illinois	44	Oregon	24
Florida	44	Iowa	21
Colorado	40	Nevada	21
Maryland	38	Nebraska	20
District of Columbia	37	South Carolina	20
Georgia	37	Alabama	16
Washington	36	Idaho	15
Utah	35	Wyoming	15
Missouri	34	Arkansas	14
New Jersey	33	Montana	14
Minnesota	33	New Mexico	13
Ohio	32	Oklahoma	13
Tennessee	31	Puerto Rico	12
Wisconsin	31	Rhode Island	10
Vermont	30	South Dakota	9
Pennsylvania	30	Hawaii	6
North Carolina	29	Maine	5
Virginia	29	West Virginia	4
Connecticut	29	Virgin Islands	4
Indiana	27	Alaska	4
New Hampshire	27	North Dakota	3
Michigan	27	Mississippi	3
Kansas	26		

Source: NVCA 2023 Yearbook, Data provided by PitchBook

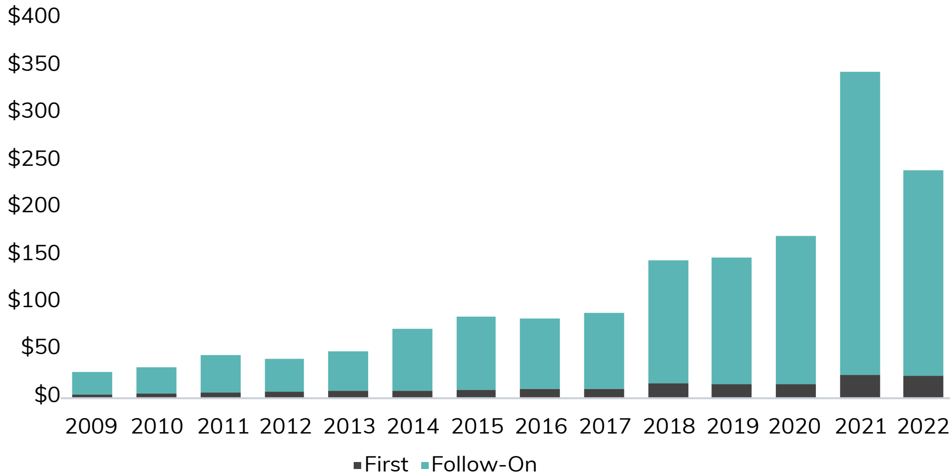
of States California Investors Invested Into by Year

Year	# of States Invested In
2007	40
2013	46
2022	50

Source: NVCA 2023 Yearbook, Data provided by PitchBook

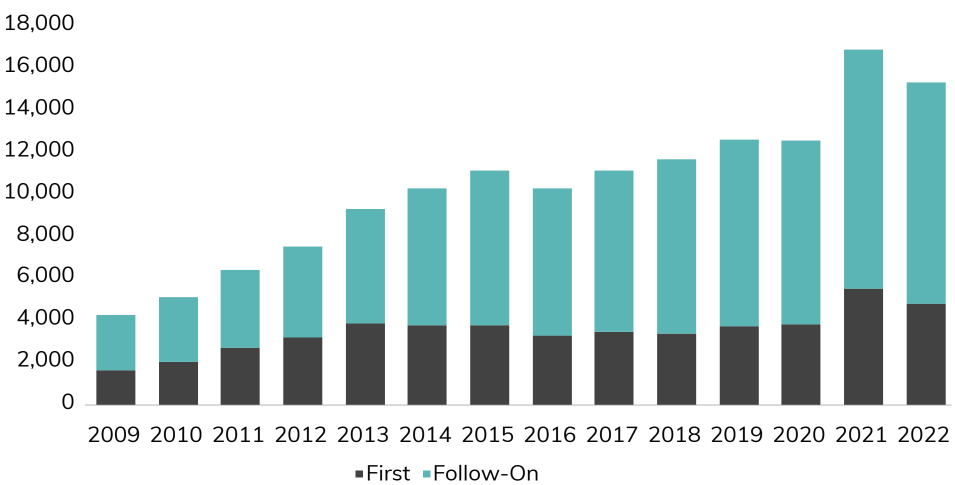
First-time Financings

US VC Deal Value ($B) by First-time vs. Follow-on



Source: NVCA 2023 Yearbook, Data provided by PitchBook

US VC Deal Count by First-time vs. Follow-on



Source: NVCA 2023 Yearbook, Data provided by PitchBook

US VC Deal Activity by Sector: First-Round VC in 2022

Sector	# of Deals Closed	Capital Raised ($M)
Commercial Products & Services	824	$2,583.4
Consumer Goods & Services	662	$1,792.9
Energy	52	$1,122.5
HC Devices & Supplies	93	$548.9
HC Services & Systems	334	$1,504.4
IT Hardware	82	$528.9
Media	185	$373.0
Other	283	$2,503.8
Pharma & Biotech	260	$3,855.9
Software	2,027	$8,653.2
Transportation	41	$232.8

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Life Sciences

US Life Sciences VC Deal Activity

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital Invested ($B)	$8.4	$9.4	$9.5	$11.4	$14.3	$16.5	$15.6	$20.6	$29.0	$27.1	$40.6	$54.7	$43.0
# of Deals Closed	1,057	1,178	1,206	1,368	1,460	1,593	1,544	1,771	1,889	2,008	2,146	2,605	2,082
Company Count	975	1,092	1,114	1,278	1,368	1,482	1,477	1,674	1,775	1,878	2,010	2,381	1,925

Source: NVCA 2023 Yearbook, Data provided by PitchBook

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Biotechnology	$2,076.8	$1,628.8	$1,761.4	$1,773.1	$2,827.2	$3,954.5	$3,493.4	$4,797.5	$5,602.9	$4,476.9	$7,460.1	$9,655.0	$10,830.4
Diagnostic Equipment	$723.3	$773.7	$615.9	$988.0	$888.5	$1,230.5	$915.2	$1,528.3	$1,526.0	$1,477.8	$2,565.4	$3,176.9	$2,052.3
Discovery Tools (Healthcare)	$47.5	$100.7	$23.7	$73.0	$107.7	$159.4	$138.9	$156.4	$487.3	$291.9	$588.4	$1,482.2	$951.2
Drug Delivery	$149.2	$495.6	$620.9	$487.6	$569.7	$468.0	$814.4	$1,166.1	$565.1	$435.8	$840.8	$1,081.3	$1,332.0
Drug Discovery	$1,569.3	$1,990.1	$2,249.7	$3,405.1	$4,098.0	$5,634.5	$4,948.2	$6,386.6	$12,084.9	$11,451.6	$18,415.1	$24,866.5	$16,567.1
Medical Supplies	$109.3	$67.2	$113.9	$175.1	$725.1	$38.6	$62.8	$64.7	$92.7	$134.5	$125.4	$266.0	$245.6
Monitoring Equipment	$172.1	$189.2	$375.4	$348.7	$607.1	$415.5	$565.5	$520.1	$899.8	$920.0	$812.0	$961.0	$1,158.8
Other Devices and Supplies	$495.9	$231.2	$628.7	$442.0	$460.1	$557.4	$525.6	$1,021.2	$858.0	$434.9	$968.3	$723.8	$534.1
Other Pharmaceuticals and Biotechnology	$73.2	$69.1	$38.7	$29.2	$103.7	$108.7	$69.9	$102.1	$533.4	$335.7	$473.8	$488.6	$218.1
Pharmaceuticals	$936.4	$871.3	$605.7	$624.4	$617.4	$647.7	$783.1	$594.2	$1,045.3	$1,471.0	$1,818.7	$1,254.1	$1,398.3
Surgical Devices	$886.1	$1,018.4	$872.3	$811.6	$1,156.3	$789.8	$700.6	$783.9	$911.3	$1,231.2	$1,065.4	$1,371.1	$1,101.8
Therapeutic Devices	$805.0	$1,292.3	$819.4	$1,074.8	$989.2	$1,397.8	$1,019.9	$1,462.4	$1,563.6	$1,425.3	$2,155.1	$2,509.0	$2,221.8

Source: NVCA 2023 Yearbook, Data provided by PitchBook

US Life Sciences VC Deal Count by Select Sectors

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Biotechnology	181	176	215	235	259	269	263	294	283	270	328	414	387
Diagnostic Equipment	118	134	131	141	137	146	151	161	167	170	189	218	159
Discovery Tools (Healthcare)	13	17	16	17	27	25	25	28	36	31	45	64	44
Drug Delivery	22	32	32	37	33	33	31	50	44	48	57	78	45
Drug Discovery	194	198	204	261	287	343	333	434	488	553	608	742	528
Medical Supplies	29	23	28	37	27	24	23	26	26	28	38	42	36
Monitoring Equipment	38	54	66	81	86	99	115	117	119	121	130	152	125
Other Devices and Supplies	66	76	89	91	96	93	80	91	103	109	95	97	94
Other Pharmaceuticals and Biotechnology	11	10	10	13	14	17	22	20	31	39	39	37	28
Pharmaceuticals	89	86	66	74	61	80	63	57	68	88	68	86	67
Surgical Devices	102	123	114	105	128	131	115	112	115	114	109	140	117
Therapeutic Devices	111	147	129	150	154	163	155	182	201	199	209	226	203

Source: NVCA 2023 Yearbook, Data provided by PitchBook

US VC Deal and Company Count in Life Sciences

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Life Sciences Deal Count	1,057	1,178	1,206	1,368	1,460	1,593	1,544	1,771	1,889	2,008	2,146	2,605	2,082
Life Sciences as % of Total US VC (#)	18.9%	16.9%	14.9%	13.6%	13.2%	13.4%	14.3%	15.1%	15.2%	14.9%	16.1%	14.0%	12.6%
Company Count	975	1,092	1,114	1,278	1,368	1,482	1,477	1,674	1,775	1,878	2,010	2,381	1,925

Source: NVCA 2023 Yearbook, Data provided by PitchBook

US VC Deal Value in Life Sciences

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Life Sciences Capital Invested ($B)	$8.4	$9.4	$9.5	$11.4	$14.3	$16.5	$15.6	$20.6	$29.0	$27.1	$40.6	$54.7	$43.0
Life Sciences as % of Total US VC ($)	26.0%	20.6%	22.7%	22.7%	19.3%	19.1%	18.5%	22.9%	19.8%	18.1%	23.7%	15.8%	17.8%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Data provided by PitchBook

Corporate Venture Capital

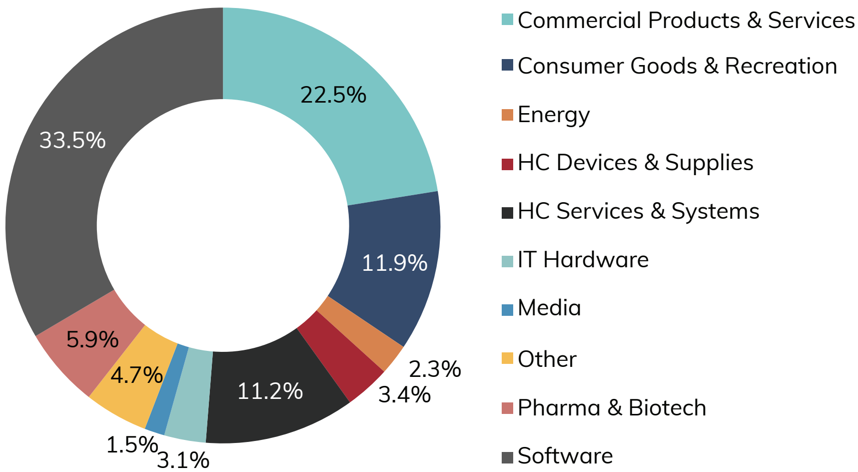
US Corporate VC Investment by Year

	# 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-Money Valuation (All VC, $M)	Average Post-Money Valuation (CVC, $M)	Median Post-Money Valuation (All VC, $M)	Median Post-Money Valuation (CVC, $M)	Total VC Capital Raised ($M)	Total CVC Capital Raised ($B)	% of VC Deals with CVC Involvement ($)
2004	2,683	527	19.6%	$8.7	$13.1	$5.2	$9.2	$34.5	$47.3	$20.7	$31.2	$21,894.7	$6,641.1	30.3%
2005	3,063	548	17.9%	$8.3	$10.8	$5.0	$7.0	$38.9	$54.4	$20.5	$29.5	$23,927.4	$5,591.6	23.4%
2006	3,431	612	17.8%	$9.5	$16.6	$5.0	$9.7	$45.6	$65.8	$22.0	$39.1	$30,027.1	$9,615.7	32.0%
2007	4,502	712	15.8%	$8.9	$16.4	$4.2	$10.0	$54.7	$115.7	$22.2	$39.7	$36,411.0	$11,112.5	30.5%
2008	4,872	754	15.5%	$8.2	$13.9	$3.6	$8.2	$53.8	$69.2	$20.3	$33.7	$37,128.2	$9,973.3	26.9%
2009	4,604	550	11.9%	$6.6	$13.9	$2.5	$8.0	$52.4	$78.5	$16.7	$34.2	$27,863.5	$7,063.0	25.3%
2010	5,586	634	11.3%	$6.4	$14.9	$2.0	$8.0	$57.6	$89.1	$16.5	$33.0	$32,445.5	$8,742.5	26.9%
2011	6,950	846	12.2%	$7.4	$18.0	$1.7	$6.5	$111.6	$170.6	$16.4	$37.0	$45,667.2	$13,946.1	30.5%
2012	8,092	951	11.8%	$5.8	$13.8	$1.5	$6.2	$54.2	$85.5	$15.4	$32.2	$41,715.9	$12,047.0	28.9%
2013	10,036	1,256	12.5%	$5.8	$14.0	$1.5	$5.6	$57.5	$117.7	$15.0	$34.0	$50,103.5	$15,982.6	31.9%
2014	11,084	1,547	14.0%	$7.7	$19.7	$1.5	$6.6	$101.4	$186.6	$16.2	$37.2	$73,765.2	$27,752.0	37.6%
2015	11,870	1,756	14.8%	$8.4	$24.0	$1.6	$7.1	$115.7	$299.0	$17.0	$40.5	$86,427.6	$38,244.5	44.3%
2016	10,829	1,737	16.0%	$8.8	$25.1	$2.0	$8.0	$111.4	$281.2	$17.8	$35.6	$84,021.1	$39,207.4	46.7%
2017	11,730	1,976	16.8%	$8.8	$20.1	$2.0	$8.0	$90.1	$155.9	$18.0	$35.5	$90,030.9	$35,750.5	39.7%
2018	12,410	2,267	18.3%	$13.5	$34.6	$2.5	$9.0	$155.1	$308.0	$20.1	$41.1	$146,411.1	$71,701.5	49.0%
2019	13,513	2,444	18.1%	$12.8	$27.7	$2.6	$10.0	$139.4	$192.2	$20.5	$48.4	$149,295.4	$61,036.2	40.9%
2020	13,359	2,540	19.0%	$15.0	$35.6	$3.0	$10.0	$178.7	$292.9	$22.0	$50.0	$171,396.3	$82,442.1	48.1%
2021	18,620	3,794	20.4%	$22.5	$46.8	$4.0	$13.4	$303.5	$543.2	$35.6	$79.3	$345,448.0	$161,235.0	46.7%
2022	16,464	3,281	19.9%	$18.6	$37.8	$4.2	$12.0	$247.1	$355.4	$40.0	$80.5	$240,931.3	$108,421.0	45.0%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

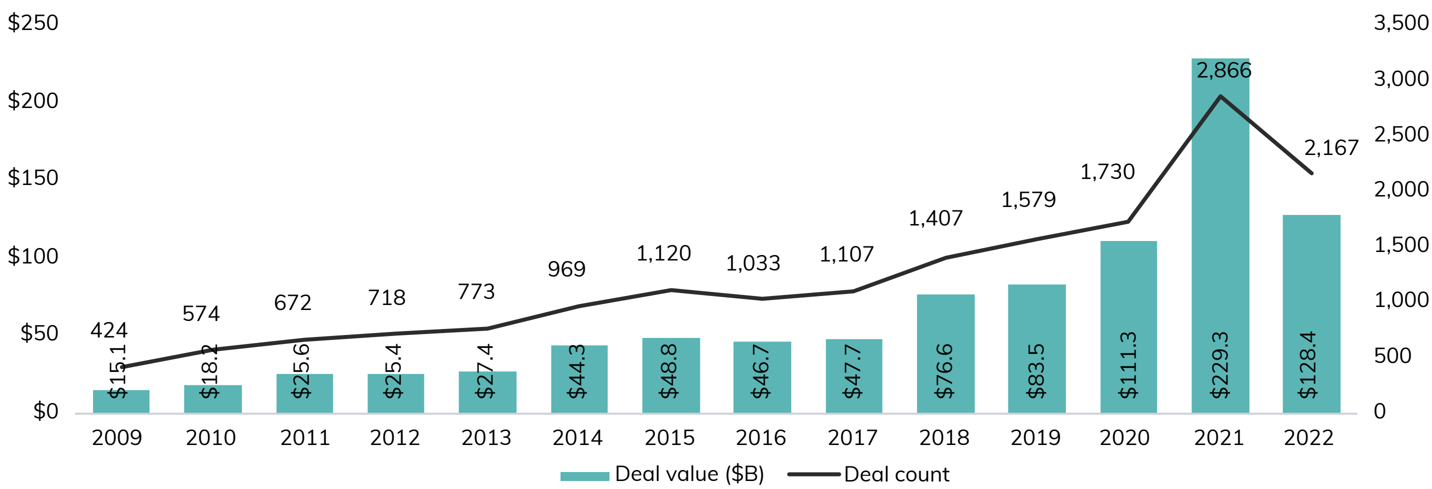
Growth Equity

Share of US Growth Equity Investments in 2022 by Sector



Source: NVCA 2023 Yearbook, Data provided by PitchBook

US Growth Equity Deal Activity



Source: NVCA 2023 Yearbook, Data provided by PitchBook

Note: 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

Overview

Exits come in a variety of forms including public listings, acquisitions, and SPACs as a result of positions that are liquidated, and funds either returned to GPs and LPs or reinvested in future funds. After a blockbuster 2021, overall disclosed exit values in 2022 were down by over 90%, and the number of disclosed exit transactions dropped by 36%. Across most of the other types of transactions, the US share remained flat from 2021 to 2022. However, from 2021 to 2022, the US' share of disclosed global exit value dropped by 57%, the lowest share in at least 20 years. While there are likely significant numbers of undisclosed

US IPOs by Year

	# of All IPOs	# of VC-Backed IPOs
2009	267	10
2010	373	45
2011	343	46
2012	433	60
2013	452	87
2014	462	126
2015	341	86
2016	229	43
2017	286	69
2018	280	94
2019	277	90
2020	505	109
2021	1,001	191
2022	194	36

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Top 10 US VC-backed IPOs in 2022

Company Name	Exit size ($M)	Industry Sector	State
Prime Medicine	$1,452.4	Healthcare	Massachusetts
Credo	$1,215.6	IT	California
Amylyx	$882.9	Healthcare	Massachusetts
Third Harmonic Bio	$472.5	Healthcare	Massachusetts
CinCor Pharma	$390.7	Healthcare	Massachusetts
Arcellx	$379.4	Healthcare	Maryland
HilleVax	$338.3	Healthcare	Massachusetts
Vigil Neuro	$297.7	Healthcare	Massachusetts
AN2 Therapeutics	$212.1	Healthcare	California
Acrivon Therapeutics	$166.4	Healthcare	Massachusetts

Source: NVCA 2023 Yearbook, Data provided by PitchBook

transactions that would lessen that relative decline, the magnitude of the drop should be examined.

Public Listings

In 2022, there were 36 IPOs of venture-backed companies, which is less than half as many IPOs as any year since 2017, when there were 69 IPOs of venture-backed companies. Steep declines in healthcare, biotech, and software drove this drop. The three-year average for biotech & pharma IPOs was 66—almost twice the total number of IPOs in 2022. Consumer goods & services companies that exited via IPO were on average one full year older than companies in the same sector that listed in the prior three years.

2022's exit environment was characterized by a small number of public listings of small-cap companies and less liquidity reintroduced to the market than in previous years. The exact cause of the reduction in activity is not clear, but market conditions need to change before the IPO window can reopen.

Ratio of IPO Pre-Valuation to Total VC Invested

	Post-Money Value ($B)	Capital Raised ($B)	IPO Pre-Money Value ($B)	Total VC Raised to Date ($B)	Ratio
2010	$16.0	$12.8	$12.8	$3.2	3.9
2011	$43.3	$37.8	$37.8	$5.5	6.8
2012	$112.8	$91.6	$91.6	$21.2	4.3
2013	$53.0	$44.1	$44.1	$8.8	5.0
2014	$53.7	$44.4	$44.4	$9.3	4.8
2015	$38.9	$31.1	$31.1	$7.7	4.0
2016	$16.1	$13.3	$13.3	$2.9	4.6
2017	$60.2	$50.7	$50.7	$9.4	5.4
2018	$76.4	$64.4	$64.4	$11.9	5.4
2019	$222.4	$178.4	$178.4	$44.0	4.1
2020	$251.4	$215.6	$215.6	$35.8	6.0
2021	$619.2	$512.6	$512.6	$106.7	4.8
2022	$8.4	$6.6	$6.6	$1.8	3.6

Source: NVCA 2023 Yearbook, Data provided by PitchBook

M&A

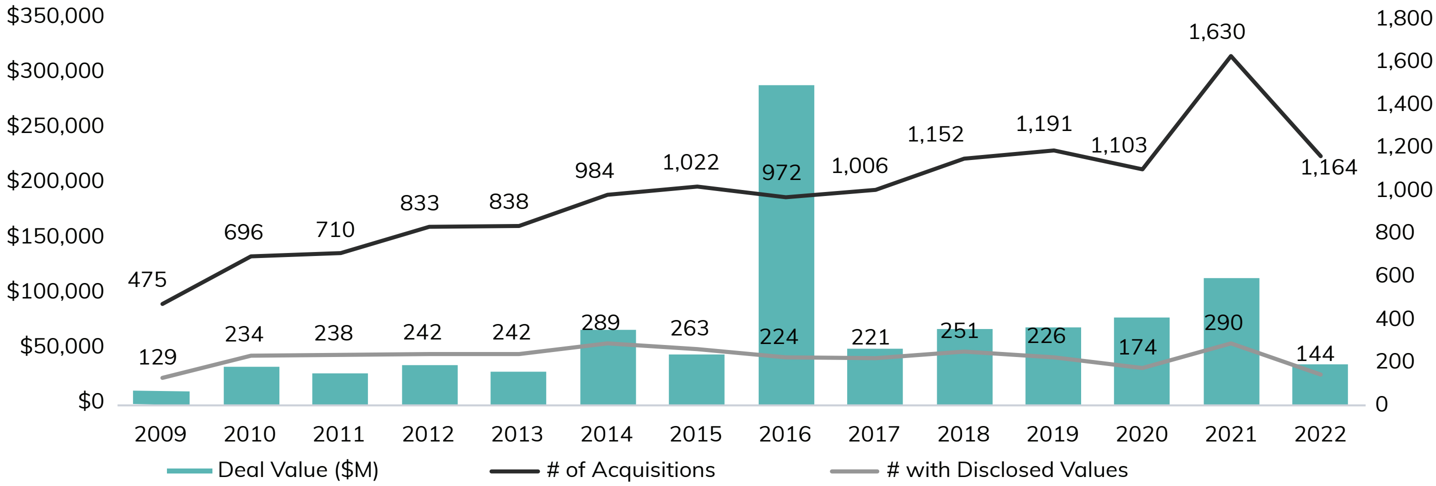
Due to a lack of requirements for public disclosure, M&A activity should be viewed as directional. While most M&A transactions are publicly disclosed, some remain private. Aggregate deal values should be viewed with even more skepticism because, while common, deal values for many transactions are frequently undisclosed.

US VC-backed IPO Value and Age Characteristics

	# of IPOs	Deal Value ($M)	Median Deal Value ($M)	Average Deal Value ($M)	Post-Money Value ($M)	Median Post-Money Value ($M)	Average Post-Money Value ($M)	Median Years from First VC to Exit	Average Years from First VC to Exit
2010	45	$12,787.9	$199.3	$297.4	$16,035.6	$277.2	$372.9	6.3	6.8
2011	46	$37,793.3	$331.2	$944.8	$43,333.3	$423.6	$1,083.3	5.8	6.7
2012	60	$91,613.3	$291.7	$1,832.3	$112,792.3	$353.2	$2,050.8	7.1	7.7
2013	87	$44,148.7	$240.1	$573.4	$52,970.8	$328.5	$654.0	6.7	7.3
2014	126	$44,415.5	$187.1	$370.1	$53,708.5	$249.4	$451.3	7.1	7.2
2015	86	$31,134.7	$219.3	$404.3	$38,872.4	$294.0	$492.1	6.5	6.1
2016	43	$13,270.2	$178.3	$316.0	$16,132.0	$239.3	$375.2	7.5	7.0
2017	69	$50,734.5	$264.7	$831.7	$60,163.5	$349.3	$986.3	6.3	6.5
2018	94	$64,444.8	$330.8	$724.1	$76,358.8	$411.0	$848.4	4.6	6.4
2019	90	$178,397.8	$353.9	$2,050.5	$222,359.4	$456.4	$2,526.8	6.6	6.7
2020	109	$215,567.3	$508.2	$2,134.3	$251,404.8	$703.7	$2,440.8	5.2	6.2
2021	191	$512,560.0	$566.6	$2,945.7	$619,212.8	$707.8	$3,459.3	5.4	6.3
2022	36	$6,599.0	$54.4	$235.7	$8,447.0	$78.9	$301.7	3.1	5.1

Source: NVCA 2023 Yearbook, Data provided by PitchBook

US VC-backed M&A Activity



Source: NVCA 2023 Yearbook, Data provided by PitchBook

In 2022, overall year-on-year deal counts declined by nearly 30% in overall US VC-backed M&A activity. When compared with an average of the past three years, activity was only down 13%. Of disclosed transactions, the largest decrease in activity was an annual drop of 40% in commercial products & services M&A. Energy M&A transactions doubled year-on-year, but this was only a jump from six to 12 recorded transactions, with no disclosed values in 2021, so the overall impact of the sector on overall national deal values was likely minimal.

SPACs

SPACs were a major factor in the public markets in 2020 and 2021, with 229 and 558 transactions totaling $70.6 billion and $135.5 billion, respectively. In 2022, there were 71 transactions with a combined value of $10.4 billion. Additionally, the De-SPAC Index dropped nearly 70% over the course of 2022. Early 2023 has been kinder to the asset class, with the index rising 23% since the beginning of the year.

Going Forward

The drop in US VC-backed exits over 2022 was worrisome for anyone wanting to see a healthy VC sector. Historically, VC exits have been a major provider of liquidity to the markets. As recently as 2021, the 191 VC-backed IPOs provided a combined $512 billion to the markets. The drop in activity between 2021 and 2022 is likely caused by the same mix of geopolitical and macroeconomic factors influencing the rest of the market. Therefore, it is reasonable to assume that a change in these factors is necessary before public listings will return to historical norms.

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	475	129	$13,160.9	$22.0	$91.4	4.4	4.8
2010	696	234	$35,439.1	$40.0	$135.8	4.3	5.0
2011	710	238	$29,681.2	$40.3	$107.9	4.2	4.8
2012	833	242	$36,818.5	$40.0	$136.4	4.6	5.1
2013	838	242	$30,739.9	$35.0	$109.0	3.8	5.0
2014	984	289	$68,733.1	$50.0	$205.8	4.3	5.3
2015	1,022	263	$46,265.0	$45.0	$153.2	4.2	5.3
2016	972	224	$290,165.3	$65.0	$1,036.3	4.4	5.5
2017	1,006	221	$51,427.3	$50.0	$189.8	4.9	5.9
2018	1,152	251	$69,751.6	$70.0	$220.0	5.1	6.0
2019	1,191	226	$71,333.4	$69.5	$216.2	5.1	5.9
2020	1,103	174	$80,165.0	$70.8	$277.4	5.3	6.2
2021	1,630	290	$115,800.6	$67.8	$233.5	5.4	6.1
2022	1,164	144	$37,548.2	$59.0	$169.1	5.5	6.3

Source: NVCA 2023 Yearbook, Data provided by PitchBook

A FEW QUESTIONS GOING INTO 2023:

Is the drop in the American share of global VC exit value the start of a trend?

Before 2022, the United States never made up less than 41% of the global VC-backed exit value. While it is normal to have down years, such a down year merits further scrutiny, and the VC-backed exits in other countries ought to be examined.

What kinds of companies were most likely to list in 2022?

The average company that listed in 2022 was significantly older than average when compared with prior years. Public listings were also down across all sectors except energy, which had a slight year-on-year increase.

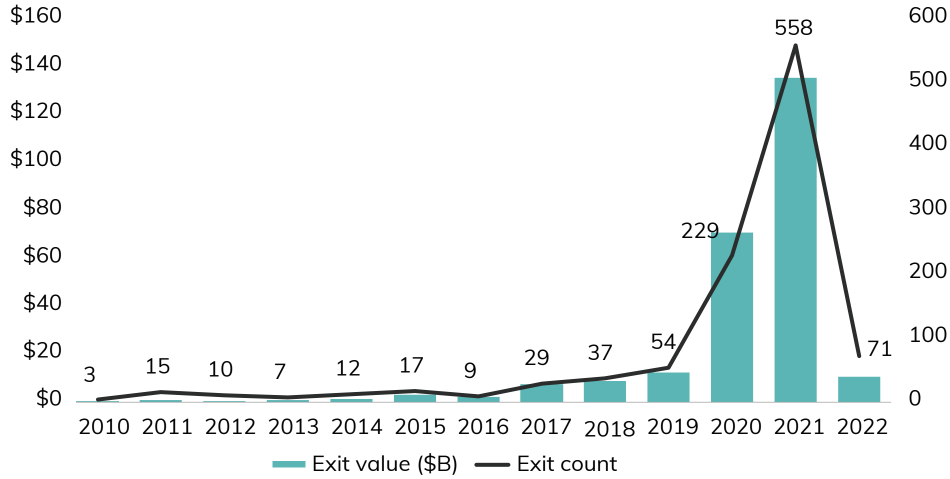
What needs to happen for exit activity to return to historical norms?

While the potential causes of 2022's dismal exit activity are legion, exits are impacted by the same factors as the rest of the market. Improvements in investor confidence and price stability would probably set the stage for an improved exit environment.

What impact are actions by the federal government going to have on exits in 2023?

The federal government has a major role to play in 2023. While regulatory interventions in the banking sector were critical in averting a financial panic in mid-March, some proposed regulations on the VC sector are forecast to have a comparably negative impact on the market. The full impact of the appropriation of funds in laws such as the IRA and the CHIPS and Science Act are of significant industry interest, but their full impact is unlikely to flow through to exits in any significant measure by the end of 2023.

US SPACs activity



Source: NVCA 2023 Yearbook, Data provided by PitchBook

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

	>$10B	$1B-$10B	$500M-$1B	$100M-$500M	<$100M
2012	1	7	11	33	8
2013	1	9	12	49	16
2014	-	11	18	73	24
2015	-	8	14	39	25
2016	-	3	8	22	10
2017	1	13	11	27	17
2018	-	19	15	48	12
2019	4	23	13	39	11
2020	6	26	42	25	10
2021	14	56	40	48	33
2022	-	3	4	5	24

Source: NVCA 2023 Yearbook, Data provided by PitchBook

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

	>$1B	$500M-$1B	$100M-$500M	<$100M
2012	6	8	68	751
2013	4	8	71	755
2014	9	15	97	863
2015	8	13	85	916
2016	8	16	87	861
2017	10	15	73	908
2018	10	16	100	1,026
2019	9	19	95	1,068
2020	20	12	75	996
2021	26	29	123	1,452
2022	4	13	57	1,090

Source: NVCA 2023 Yearbook, Data provided by PitchBook

NVCA's 2022 Year in Review

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.

San Francisco Happy Hour

Board Capitol Hill Event

March

Venture Capitol Podcast: NVCA launched the Venture Capitol podcast (that's Capitol with an "O," as in Capitol Hill) hosted by NVCA President and CEO Bobby Franklin. Venture Forward's Maryam Haque joined Bobby for the inaugural episode to discuss making venture capital accessible to all.

State Small Business Credit Initiative (SSBCI) Webinar: Venture Forward, NVCA, and the US Treasury Department hosted a webinar to share more information about SSBCI equity capital programs, their guidelines and FAQs, and best practices for VCs considering SSBCI funds.

Startup Visa: NVCA expressed support for a Startup Visa via a statement for the record sent to Senators Alex Padilla (D-CA) and John Cornyn (R-TX) in advance of a March Senate Judiciary Committee immigration hearing.

DEAL Act Reintroduced: NVCA was thrilled to see the reintroduction of the Developing and Empowering our Aspiring Leaders (DEAL) Act by Senator Mike Rounds (R-SD), a longtime legislative priority that helps improve returns and capital formation in the initial stages of the startup ecosystem.

April

JOBS Act: NVCA celebrated the 10th anniversary of the Jumpstart Our Business Startups (JOBS) Act signed into law by President Obama on April 5, 2012, and expressed support for provisions in the new JOBS Act 4.0 package.

Tax Incentives Spur Innovation: NVCA supported the introduction of several tax policy proposals to make long-term investment in innovation more attractive.

VC Leaders in Climate and Sustainability: In honor of Earth Day, NVCA recognized five leading VCs in climate and sustainability investing within the NVCA member community.

SEC Private Funds Comments: NVCA submitted comments on the SEC's proposed rules for private fund advisors and raised concerns with several of its provisions that would hurt the VC ecosystem.

May

LP Office Hours Chicago: Venture Forward facilitated 84 meetings between 21 participating underrepresented and emerging managers (EMs), seven LPs, and five experienced GPs for the seventh LP Office Hours (LPOH) program. The Chicago program, sponsored by Cooley, marked the first time that the LPOH program took place in-person since November 2019.

Fireside Chat with NSF: Daniel Goetzel of the Technology Innovation and Partnerships (TIP) Directorate at the National Science Foundation (NSF) joined NVCA to outline the goals of the new directorate and highlight partnership opportunities in the regional innovation engines program.

June

2022 NVCA Leadership Gala: NVCA presented individuals, firms, and organizations across the venture capital community with its annual industry awards (see highlight reel and press release).

New Board Chair: NVCA appointed Emily Melton, Managing Partner at Threshold Ventures, as the 2022-2023 Chair of the NVCA Board of Directors.

Model Legal Documents: NVCA updated the free Model Legal Documents with a new Enhanced Investors' Rights Agreement and a new Enhanced Model Term Sheet version 3.0 in partnership with Aumni (documents here).

Venture Forward on Capitol Hill: On June 30, Venture Forward Executive Director Maryam Haque testified at the House Financial Services Committee's Task Force on Financial Technology's hearing to stress the importance of diversity, equity & inclusion (DEI) in VC (full testimony).

VC Leaders in Climate and Sustainability

2022 NVCA Leadership Gala

July

SSBCI Webinar: NVCA and Venture Forward co-hosted a webinar for EMs to learn more about SSBCI and how to apply. NVCA and Venture Forward continue to maintain the SSBCI resource page to share the latest information on approved states, their programs, and the application process.

LGBTQ+ Investor Mixer in San Francisco: Venture Forward, StartOut, and SVB hosted 40 attendees for a reception in San Francisco with emerging and experienced VC investors.

CHIPS and Science Act: The NVCA-supported competitiveness legislation formerly known as USICA and currently known as the CHIPS and Science Act, passed both chambers of Congress. It was signed into law on July 27 by President Biden.

SEC Meetings: NVCA board members met with SEC Commissioner Hester Peirce to discuss key issues in the agency's private funds proposal, such as the SEC's proposed indemnification and post-tax clawback prohibitions, side letter rules, and the lack of grandfathering for existing fund terms. One week later, NVCA also met with SEC staff about its proposed changes to 10b5-1 securities trading plans (see comment letter).

August

ESG in VC: Moving Beyond Talk to Action: Venture Forward, NVCA, Nasdaq Entrepreneurial Center, and PitchBook hosted 120+ attendees for an educational event for VC investors interested in learning about the current state of environmental, social & governance (ESG) and best practices for implementing ESG policies.

VC Human Capital Survey: NVCA, Venture Forward, and Deloitte launched the 2022 VC Human Capital Survey, with outreach to 2,500 active US-based VC firms.

Inflation Reduction Act: NVCA celebrated historic wins for climate technology startups with the passage of the *Inflation Reduction Act*.

September

Denver Boots on the Ground: The NVCA team traveled to Colorado for a Leadership dinner hosted in partnership with Cooley, bringing together VCs in the Rocky Mountain ecosystem and to collaborate with the NVCA GC Advisory Board on updates to the NVCA Model Legal Documents.

Board Service Excellence Event: New in 2022, NVCA's September 15 Board Service Excellence Forum, hosted in partnership with Latham & Watkins and SVB, provided 80+ VC investors with actionable insights and expertise to enhance their impact and effectiveness as board members. The Austin-based event featured panels with perspectives from across the VC ecosystem. Couldn't make it to Texas? Don't miss NVCA's key takeaways from the program.

Washington Boots on the Ground: The NVCA Board of Directors traveled to Washington, DC, for NVCA's September board meeting. While visiting the nation's capital, the board engaged with policymakers on Capitol Hill and at the Securities and Exchange Commission.

Blockchain Boots on the Ground: NVCA's Blockchain Working Group discussed the promise of blockchain technology and regulatory issues with policymakers in Washington, DC.

Climate Event: Back on the West Coast, the NVCA Climate & Sustainability Working Group convened in San Francisco to discuss technology policy legislation and trends in carbon markets. The event, hosted in partnership with Morgan Lewis, was followed by a happy hour with other climate VC investors.

October

Venture Forward Board Appointments: Venture Forward appointed three new members to its board of directors: Barry Eggers, Founding Partner of Lightspeed; Samara Hernandez, Founding Partner of Chingona Ventures; and Courtney McCrea, Cofounder and Managing Partner of Recast Capital.

Spotlight on Nashville: On October 26, NVCA convened top VCs and innovators for the Nashville iteration of NVCA's "Spotlight On" series, a bimonthly virtual series highlighting VC and innovation ecosystems in cities and regions across the country. In addition to Nashville, NVCA featured St. Louis, Washington, DC, Chicago, and Boulder/Denver, Colorado, in 2022.

November

Strategic Operations and Policy Summit: NVCA welcomed 110+ senior operations professionals to the sixth annual Strategic Operations & Policy Summit (SOPS) in Washington, DC. We heard from leading VC thought leaders on industry-related policy content, back-office systems, and tax, regulatory, cryptocurrency, and fundraising best practices.

LP Office Hours: In partnership with Cooley, Venture Forward hosted the eighth LP Office Hours program to connect 25 emerging managers from diverse backgrounds with LPs, GPs, and industry advisors for guidance on fundraising and fostering relationships from 12 family offices.

NVCA in New York: NVCA hosted a New York leadership dinner and convened NVCA's Growth Equity Group (following a September dinner in Palo Alto, California) to review the latest trends in politics and policy and their impact on growth companies.

Climate VC Roundtable: Following the formal kickoff of the IRA's implementation process, NVCA headed west for a roundtable discussion in Santa Monica, California, with Deputy Secretary of the Treasury Wally Adeyemo and climate tech investors (see comments from NVCA's Climate & Sustainability Working Group on the implementation of the direct pay and transferability mechanisms).

December

Funding for CHIPS and Science Act: NVCA sent a letter to House and Senate appropriators requesting that they prioritize robust and predictable funding for the technology commercialization programs passed as part of the CHIPS and Science Act.

Venture Forward Holiday Party: Venture Forward brought together donors, program volunteers, and program participants for the first time since its launch in 2020. The party was hosted at Andreessen Horowitz's office in San Francisco and sponsored by J.P. Morgan and Deloitte. View the full event gallery.

January 2023

Members-Only Healthcare Innovation Event: NVCA, Sidley, and SVB hosted VC investors and operators for drinks and conversation at the Venture Forward Office in San Francisco.

Women in Healthcare VC Mixer: Venture Forward hosted a networking reception with Deloitte, Forge Biologics, and SVB to assemble VC investors and VC-backed startup founders in healthcare.

Miami Leadership Dinner: The NVCA team traveled southward to gather 20+ members and prolific VCs in the Florida ecosystem for a leadership dinner in Miami.

50 Years of Empowering Entrepreneurs: NVCA officially kicked off a year of celebration to commemorate its 50th anniversary. Founded on January 29, 1973, NVCA helps impact policy and legislation to encourage new company formation, protect long-term investment, promote entrepreneurship, and ensure that the US economy remains competitive in the global race for innovation (full press release).

February 2023

Virtual Annual Meeting: The NVCA Annual Meeting returned in a new virtual format to maximize members' time from the comfort of their homes or offices. NVCA updated its membership on the state of venture capital, the policy outlook for 2023, and ways to advance the industry.

Capital Readiness Program and Opportunities for VCs: NVCA, Venture Forward, and the Minority Business Development Agency held an informational webinar for 125+ attendees to learn more about the MBDA Capital Readiness Program's criteria, application process, timeline, and more.

Black History Month: In honor of Black History month, Venture Forward showcased five up-and-coming Black emerging managers to amplify their incredible work. Combined, they manage $120 million+ in VC assets.

Q4 2022 PitchBook-NVCA Venture Monitor Webinar: NVCA and PitchBook, in partnership with Insperity, J.P. Morgan, and Dentons, presented an informative webinar featuring industry experts highlighting insights from the Q4 2022 PitchBook-NVCA Venture Monitor.

NVCA Leadership Dinner in New York

NVCA Public Policy Priorities

The 2022 midterm elections capped a historically productive Congress for bipartisan dealmaking, with several generational technology-related legislative packages crossing the finish line. Macro factors such as unabating populism and increasing conflict between major democratic and authoritarian powers continue to drive a fundamental transition in US technology policy. These factors were key drivers in the dealmaking during the previous Congress as well as ongoing efforts to decouple the Chinese and US economies.

While we fought through a number of populist policy proposals in 2022, we were able to avoid many potential threats and are excited that many of the new programs will seek to leverage the capabilities of America's startup ecosystem to address societal challenges.

Below is a look back at one of the busiest years in NVCA history and a review of the current state of the issues.

Inflation Reduction Act

NVCA successfully worked over the previous Congress to ensure the that the following harmful proposals were not included in the IRA:

- Taxing capital gains as ordinary income
- Taxes on unrealized capital gains
- Increased taxes on carried interest
- A retroactive QSBS restriction

The Inflation Reduction Act did include several pro-startup policies, such as:

- An increase in the maximum amount that startups can monetize research & development (R&D) credits, from $250,000 to $500,000 per year
- Direct pay for certain energy credits, meaning they can be monetized in full by startups in the year they are generated
- Transferability for all energy credits, allowing startups to transfer advanced energy credits to corporations and individuals with so-called "tax appetite," or an ability to use the credits to offset their tax obligations
- Making energy storage eligible for the investment tax credit

There are a range of climate tax credits extended, expanded, and created by IRA, including credits to support:

- Clean energy generation and storage
- Carbon capture
- Alternative transportation fuels
- Domestic manufacturing
- Transportation/clean vehicles

NVCA is heavily engaged in the implementation of the IRA. The Treasury and IRS are writing regulations for the climate tax credit programs, which are the cornerstone of the Biden administration's climate agenda. We submitted comments in response to the request for information (RFI) from the Treasury and IRS on implementation of the direct pay and transferability mechanisms that allow startups to monetize their credits. We also submitted comments in response to the RFI on implementation of the prevailing wage, apprenticeship, domestic content, and energy communities provisions that will increase the value of credits by five times for compliant projects.

CHIPS and Science Act

In another major win, the NVCA-supported CHIPS and Science Act passed Congress on a bipartisan basis in 2022. With a $250 billion top-line number, the CHIPS and Science package represents the single largest investment into research, technology commercialization, workforce development, and domestic production in decades.

Notably, there is a newly established NSF directorate focused on technology commercialization, the Technology, Innovation, and Partnerships (TIP) Directorate, headed by Dr. Erwin Gianchandani. This directorate is working on building out a number of new technology programs created by the CHIPS and Science Act, starting with the Regional Innovation Engines program.

We're also engaging with several technology commercialization programs that are run by the Department of Commerce, including the CHIPS for America fund, Regional Innovation Hubs, and RECOMPETES.

As only the CHIPS element of the package is fully paid for, the Science portion must obtain approval of funding of funding from House and Senate appropriators.

NVCA sent a letter to appropriators requesting that they prioritize robust and predictable funding for the technology commercialization programs passed as part of the CHIPS and Science Act.

Our implementation strategy involves closely engaging with the various agencies and rolling out a series of events, collateral, and a more in-depth analysis of the bill's provisions to educate the NVCA membership on partnership opportunities.

SEC Regulatory Update

NVCA has continued engagement with SEC Chair Gary Gensler's disruptive regulatory agenda, including defending the industry from five key proposals in 2023:

- **Private funds proposal:** The SEC is proposing to: 1) ban a range of common VC fund agreement terms for all private funds, including Exempt Reporting Advisors, such as indemnification for negligence, post-tax clawbacks, and charging certain fees to a fund; 2) limit certain information in side letters and require notice of side-letter rights for prospective and existing LPs; and 3) mandate quarterly reports for LPs, with detailed information regarding fees, expenses, and performance (applicable to registered investment advisors only). Notably, the proposal lacks a grandfather clause for existing fund agreements. Read NVCA's comment letter.
- **Form PF:** The Form PF proposal impacts registered investment advisors (RIAs) by shortening the reporting period and lowering the threshold that determines which funds must report as "large private equity advisers." Read NVCA's formal response to the SEC.
- **Schedules 13D and 13G:** This proposal would shorten filing deadlines for beneficial ownership reports filed on Schedules 13D and 13G. Read NVCA's response here.
- **10b5-1 plans:** The SEC has issued a final rule to require a 90-day cooling period, prohibit overlapping plans, and mandate quarterly disclosures. Read NVCA's comment letter.

NVCA is continuing outreach to SEC officials, legislators, and the Biden administration to discuss the harmful impact the Gensler proposals will have on the venture ecosystem.

Regulation D Disclosure Effort

NVCA successfully fought off a proposal during the CHIPS and Science debate that would have forced private companies to publicly report financing rounds at both their outset and completion. Though we succeeded in bringing down the amendment from Representative Brad Sherman (D-CA), we understand that the SEC is interested in doing something similar through a regulatory proposal, which we will have to engage on.

SSBCI: 39 States and Counting

The Treasury has approved 39 state applications for the State Small Business Credit Initiative (SSBCI) so far. The SSBCI provides states with $10 billion in funding to run small business debt and equity investment programs. Please take a look at NVCA and Venture Forward's SSBCI resource center for more information on approved state plans, including a list of equity programs and points of contact.

Looking Forward

As we begin 2023 with narrow Republican control of the House of Representatives, the divided government will confine the 118th Congress' legislative ambitions, but there will be plenty of action at the agencies as they work to implement dozens of new technology programs with an unprecedented amount of new funding. Although the debt ceiling debate will consume a great deal of congressional time at first, we expect Congress to focus on several areas of interest, including the capital markets and regulatory space, R&D tax issues, continued efforts on China decoupling, and antitrust. We will also focus on the SEC, where Chair Gary Gensler is working through a number of proposals that could be quite disruptive for the startup ecosystem.

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NVCA Member Community

Diverse, Engaged, Committed

Join NVCA's dynamic member network, with representation from 42+ states and seed investors to growth-stage funds. Emerging managers and well-established VC firms contribute to a vibrant and productive community from coast to coast.

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.

Who are NVCA members?

- VC partnerships
- Corporate venture groups
- Growth equity firms
- Family offices
- Fund of funds
- State-Funded Organizations/Nonprofits
- Accelerators
- Incubators

NVCA Supports Its Member Community Through:

Key Programs and Initiatives

- **CFO Task Force:** VC chief financial officers 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. The Task Force also distributes a quarterly valuation survey among members, which confidentially highlights best practices in valuation among the VC community. Continuing professional education (CPE) credit is available. This is NVCA's largest working group, with 200+ active participants.

- **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. This Roundtable includes a dedicated forum for firm operators to share knowledge and discuss common regulatory concerns.

Must-Attend Events

- **50th Anniversary Leadership and Awards Gala:** Annual gathering in San Francisco of leading VCs, honoring investors who have made significant contributions to the industry.

- **Strategic Operations and Policy Summit:** Washington, DC-based program for CFOs, chief operating officers (COOs), GPs, and other professionals at VC firms to examine accounting best practices, the role of operators in venture, and relevant public policy issues.

See all NVCA events here.

How To Become a Member

Visit nvca.org to apply online.

Questions? Contact membership@nvca.org.

What's Hot in 2023

- **Member Working Groups:** Members discuss challenges and opportunities with a focus on regulatory, legislative, and operational issues. Working groups are refreshed annually and include Climate and Sustainability, Education and Workforce Development, Blockchain, Healthcare Innovation, and National Security.

- **VC Leadership Dinners:** Intimate gatherings of GPs in cities from coast to coast.

- **Spotlight On Series:** Web series highlighting VC ecosystems in geographies across the US.

- **Vertically Focused Happy Hours:** Investors and finance professionals from VC firms with similar investment preferences convene in diverse ecosystems.

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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 a 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.

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Venture Forward Highlights

Venture Forward is a 501(c)(3) nonprofit founded by NVCA to build a stronger, more diverse, equitable, and inclusive future for VC. The organization provides resources and opportunities to help aspiring investors enter the industry, current investors advance, and VC firms implement meaningful DEI practices.

Historically, VC opportunity, access, and success have been concentrated among a few demographics. Women, people of color, other marginalized communities, and people outside of a handful of metropolitan areas have been underrepresented in VC. Venture Forward's mission is to change that.

In 2022, Venture Forward's Executive Director testified at a Congressional Hearing on the state of DEI in VC. Three new directors were appointed to the Venture Forward board: Barry Eggers (Lightspeed), Samara Hernandez (Chingona Ventures), and Courtney McCrea (Recast Capital.) The team also hired its third employee to serve as Marketing & Communications Director. To round out the year, Venture Forward hosted its first-ever holiday party.

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

Ways To Engage With Venture Forward:

- Volunteer as a mentor or speaker for VC University.
- Volunteer to host LP Office Hours.
- Submit your firm's DEI data via the VC Human Capital Survey.
- Make a tax-deductible donation to support this important work.
- Follow us on Twitter and LinkedIn.
- Sign up for our newsletter.

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Venture Forward in Action

Programs & Initiatives	Recent Highlights	What's Ahead in 2023
VC University Created in partnership with NVCA and UC Berkeley in 2019, this industry-leading certificate course offers a structured introduction to the fundamentals of VC and is offered three times per year. The course consists of self-paced lectures by industry experts and university faculty, live office hours, webinars, networking opportunities, and more.	• Educated 2,350+ individuals across twelve sold-out cohorts. • Earned a net promoter score of 97%. • Host monthly "Lunch & Learn" webinars with industry leaders. • Host weekly office hours to support students through the curriculum. • Manage a Slack community for program participants and alumni. • Expanded course to offer additional life science-specific content and added a life science track to the scholarship program.	• Educate 900+ individuals across three cohorts. • Continue hosting weekly office hours and monthly webinars. • Expand the support and resources offered to program alumni. • Expand the curriculum with new and updated content.
VC University Scholarship Program VC University offers a robust scholarship program available by application to emerging VC investors from underrepresented and underestimated backgrounds. Selected recipients receive full course tuition, supplemental office hours, access to a curated mentorship program, and more.	• Awarded 380+ full scholarships (across 12 cohorts) to aspiring VCs from underrepresented backgrounds. • Awarded 272 partial scholarships. • Expanded the number of full scholarships available to each cohort from 10 to 40. • Expanded the program to include a dedicated Life Science Scholarship (LSS) track for aspiring life science VCs. • Expanded the program to include supplemental office hours and a mentorship component.	• Award 120+ full scholarships across three cohorts. • Continue to host scholarship office hours for recipients. • Continue to expand resources for scholarship alumni.
VC University Mentorship Program In September 2020, the VC University scholarship program was expanded to include a curated, three-month mentorship component. Participating scholarship recipients are paired with two VCs: an experienced VC mentor (Partner or equivalent with 5+ years' investing experience) and a peer mentor (1-5 years' experience).	• Matched 260+ VC University scholarship recipients (across seven cohorts) with two VC mentors each. • Recruited 430+ VCs to volunteer as mentors, with approximately 40% returning to volunteer across multiple programs. • Earned net promoter scores above 95% from all participants.	• Run the mentorship program three times, supporting the scholarship recipients of each VC University cohort. • Match 120+ scholarship recipients with two VC mentors according to shared professional goals and experiences. • Serve ~120 participants per program (~40 mentees and 80 mentors.) • Expand the support and resources offered to participants.
VC Human Capital Survey Powered by Venture Forward, NVCA, and Deloitte, this biennial survey captures critical data about the workforce at VC firms and offers guidance for VC firms seeking to advance DEI.	• Published three editions of the survey and interactive dashboard since 2016. • Fielded fourth edition of the survey in 2H 2022.	• Publish fourth edition of the survey, which includes data from 315 VC firms.
LP Office Hours (LPOH) These free, half-day workshops connect emerging managers (EMs) from historically underrepresented backgrounds with limited partners (LPs), general partners (GPs) with significant fundraising experience, and industry advisors. The "office hours" consist of highly curated small-group roundtables and 1:1 conversation between the EMs and the hosts.	• Facilitated five in-person LP Office Hours events in Palo Alto, Boston, Washington D.C., Los Angeles, and Chicago. • Facilitated three virtual programs focused on different LP types (fund of funds, foundations and endowments, and family offices). • Served 200+ EMs from underrepresented backgrounds.	• Hold two LP Office Hours events in-person and virtually. • Convene 50 underrepresented EMs to participate.
Additional Programs and Initiatives In addition to Venture Forward's flagship initiatives, the organization produces various events and educational programming to support the VC community.	• ESG in VC: Moving Beyond Talk to Action • LGBTQ+ Investor Mixer • SSBCI Resources	• Provide further education and resources to emerging GPs from underrepresented backgrounds to help them successfully raise and manage VC funds. • Connect our community of strong talent and VC firms via job placement opportunities. • Support VC firms in prioritizing and accelerating DEI strategies within their organizations.

Appendix

Fund and Firm Analysis

	Total Cumulative Funds	Total Cumulative Firms	Totoal Cumulative Capital ($B)	Existing Funds	Firms that Raised Funds in the Last 8 Vintage Years	AUM ($B)	Average Fund Size ($M)	Average Commitments + NAV ($M)	Median Fund Size ($M)	Median Commitments + NAV ($M)
2004	2,344	1,022	$256.4	1,648	909	$161.3	$134.2	$157.9	$50.0	$52.9
2005	2,525	1,100	$278.9	1,659	969	$177.0	$138.1	$162.0	$50.0	$47.3
2006	2,724	1,162	$311.0	1,684	998	$197.3	$182.3	$166.3	$77.6	$45.4
2007	2,923	1,227	$344.2	1,616	987	$219.2	$184.4	$150.1	$100.0	$24.0
2008	3,130	1,295	$373.6	1,433	882	$224.3	$160.9	$138.6	$61.9	$17.0
2009	3,294	1,352	$391.7	1,370	861	$224.4	$137.3	$134.5	$44.7	$12.5
2010	3,467	1,423	$408.0	1,393	883	$233.3	$109.5	$135.0	$44.5	$11.9
2011	3,675	1,514	$432.9	1,489	939	$253.2	$150.3	$142.7	$40.0	$10.3
2012	3,987	1,652	$456.3	1,643	1,036	$255.2	$106.9	$130.8	$21.0	$7.8
2013	4,325	1,801	$478.7	1,800	1,132	$277.8	$85.9	$125.1	$26.0	$6.1
2014	4,815	2,041	$515.8	2,091	1,315	$308.6	$101.1	$124.2	$22.1	$6.2
2015	5,393	2,308	$559.0	2,470	1,521	$337.4	$95.0	$125.3	$20.0	$7.5
2016	6,031	2,581	$610.1	2,901	1,736	$357.0	$106.1	$133.7	$22.0	$10.4
2017	6,683	2,890	$654.7	3,389	2,007	$378.9	$91.7	$137.9	$25.0	$13.7
2018	7,458	3,226	$715.1	3,991	2,291	$458.4	$105.9	$155.8	$30.0	$17.7
2019	8,194	3,507	$786.0	4,519	2,515	$544.8	$120.9	$172.5	$34.2	$20.4
2020	9,063	3,792	$875.3	5,076	2,712	$694.0	$134.4	$206.4	$34.3	$22.8
2021	10,349	4,062	$1,030.5	6,024	2,889	$1,004.2	$149.4	$263.7	$30.0	$29.2
2022	11,133	4,064	$1,193.5	6,318	2,718	$1,115.7	$225.7	$291.6	$40.6	$33.3

Source: NVCA 2023 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
2004	2,260	878	805	1,176	538	456	1,764	740	622	979	466	372
2005	2,444	1,045	823	1,211	560	473	1,899	842	622	1,041	490	381
2006	2,672	1,245	841	1,272	654	506	2,064	988	672	1,074	559	420
2007	3,201	1,481	1,018	1,441	722	573	2,458	1,165	801	1,234	629	474
2008	3,440	1,504	1,013	1,505	698	566	2,611	1,164	807	1,273	584	468
2009	3,016	1,302	895	1,334	572	508	2,251	1,010	712	1,121	502	435
2010	3,599	1,694	898	1,468	672	509	2,615	1,247	719	1,248	578	439
2011	4,821	2,494	1,025	1,694	890	549	3,196	1,710	816	1,422	761	478
2012	5,938	2,985	1,097	1,901	968	590	3,702	1,941	870	1,620	828	506
2013	7,866	3,768	1,321	2,161	1,121	620	4,339	2,191	1,002	1,848	972	519
2014	10,526	4,328	1,762	2,558	1,218	748	5,037	2,270	1,200	2,154	1,043	626
2015	11,354	4,221	2,010	2,882	1,312	835	5,342	2,184	1,288	2,371	1,101	695
2016	10,348	3,572	1,640	3,082	1,341	807	5,178	1,946	1,156	2,525	1,108	673
2017	10,977	3,667	2,012	3,594	1,657	1,010	5,563	2,094	1,391	2,888	1,353	820
2018	12,071	3,954	2,423	3,962	1,842	1,220	5,922	2,272	1,551	3,092	1,453	944
2019	13,306	4,406	2,538	4,302	1,971	1,266	6,396	2,433	1,663	3,374	1,586	1,005
2020	14,060	4,794	3,010	4,432	2,048	1,537	6,490	2,559	1,883	3,470	1,666	1,183
2021	19,117	7,403	3,626	5,490	2,868	1,803	8,156	3,365	2,246	4,128	2,172	1,348
2022	15,313	6,196	2,494	5,031	2,654	1,331	7,199	3,038	1,651	3,756	2,002	1,016

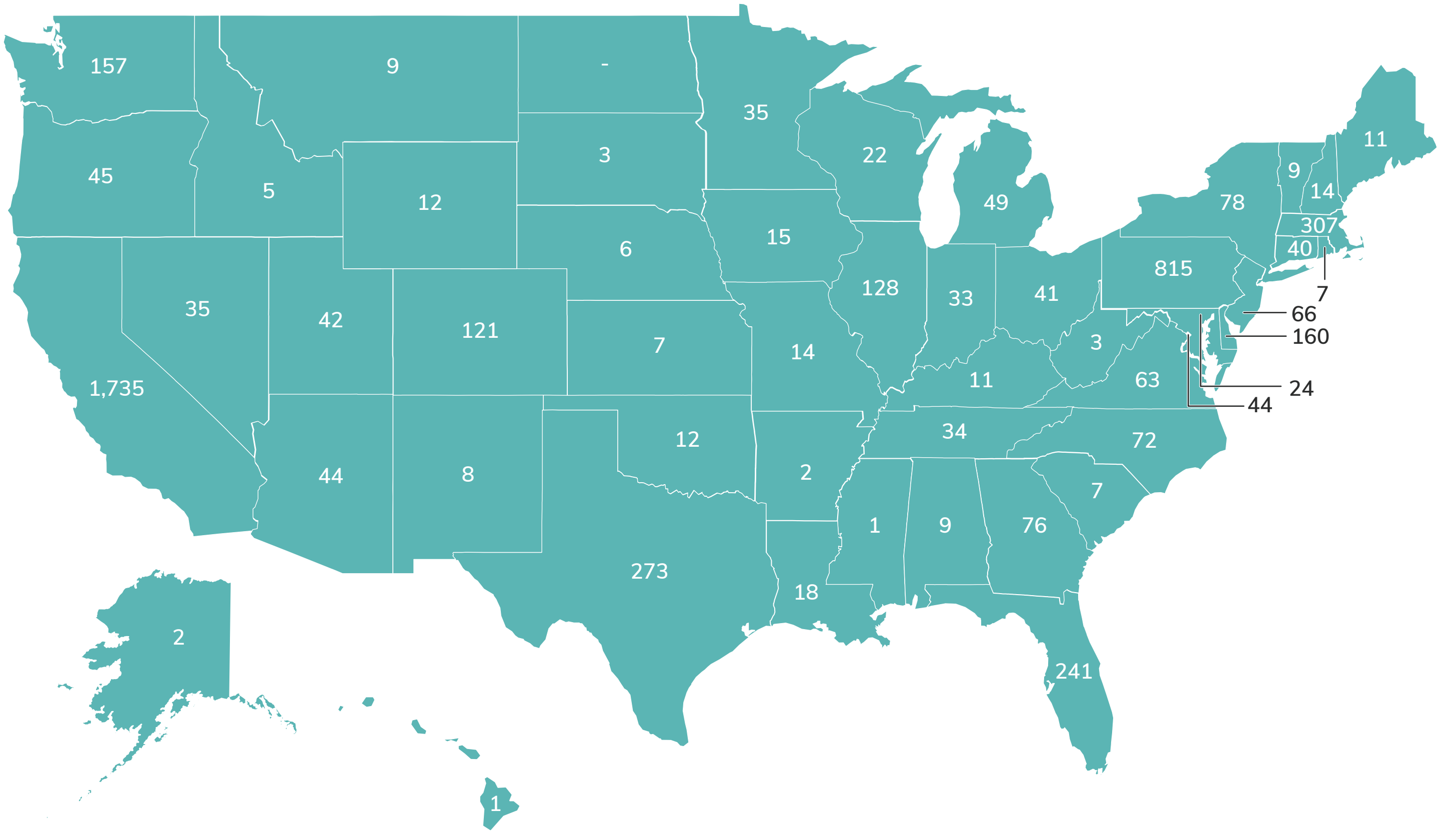
Source: NVCA 2023 Yearbook, Data provided by PitchBook
Note: VC investors include entities with primary investor type as: venture capital, corporate venture capital, or not-for-profit venture capital.
VC investors are headquartered globally, but only counted if they invested in a US company.

US as a % of Global VC Deal Activity

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Global Deal Value ($B)	$38.4	$49.3	$67.4	$62.7	$76.0	$121.8	$180.1	$195.0	$208.4	$349.9	$326.7	$367.8	$739.1	$508.1
US Deal Value ($B)	$27.9	$32.4	$45.7	$41.7	$50.1	$73.8	$86.4	$84.0	$90.0	$146.4	$149.3	$171.4	$345.4	$240.9
Global Deal Count (#)	7,394	9,654	12,222	14,601	18,771	23,674	29,474	30,053	32,188	35,952	37,253	38,208	51,601	44,491
US Deal Count (#)	4,604	5,586	6,950	8,092	10,036	11,084	11,870	10,829	11,730	12,410	13,513	13,359	18,620	16,464
US as % of Global ($)	73%	66%	68%	67%	66%	61%	48%	43%	43%	42%	46%	47%	47%	47%
US as % of Global (#)	62%	58%	57%	55%	53%	47%	40%	36%	36%	35%	36%	35%	36%	37%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Active Investor Count in 2022 Deals by Company HQ State



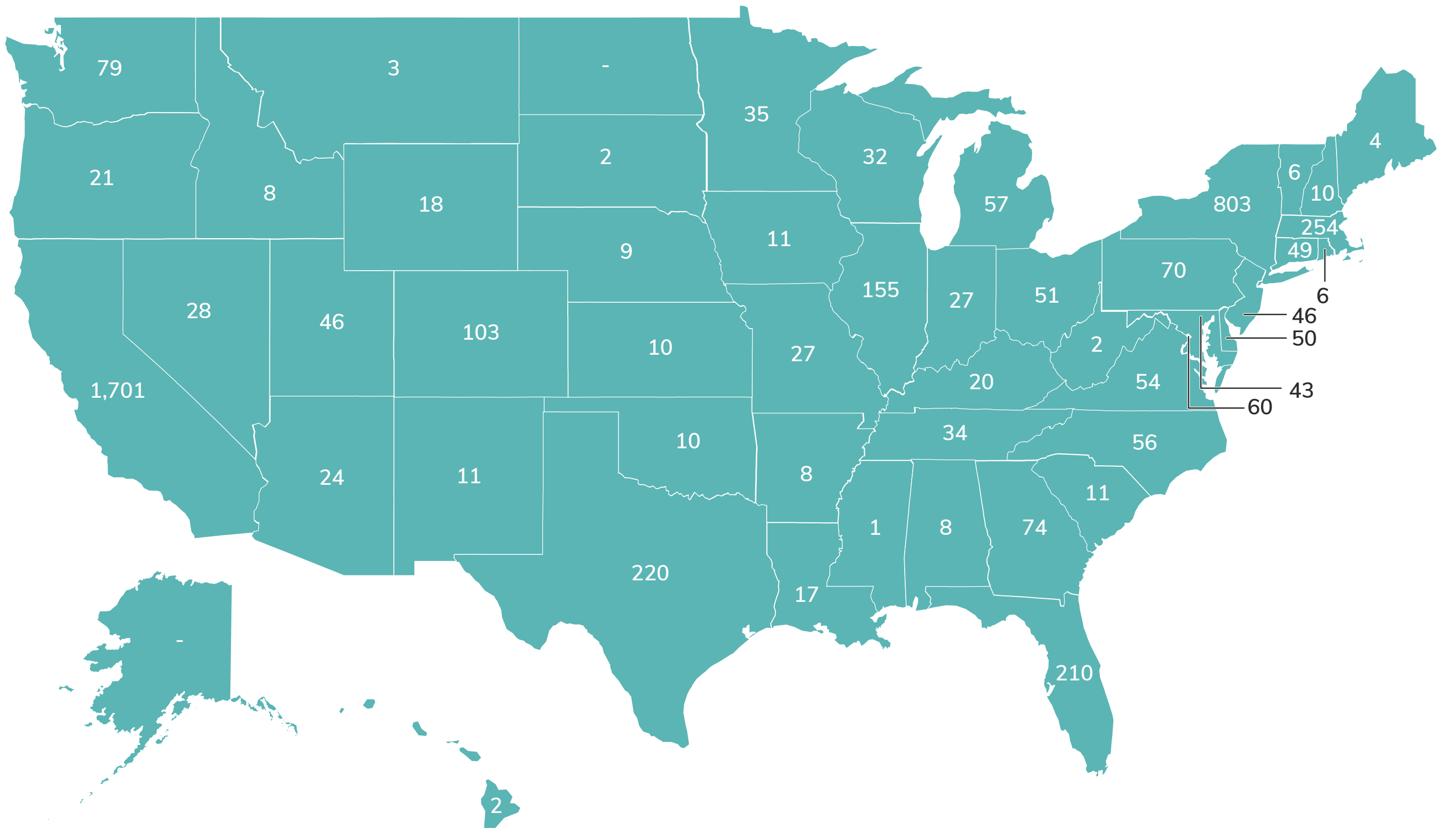
Source: NVCA 2023 Yearbook, Data provided by PitchBook

US as a % of Global VC Exit Activity

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Global Exit Value ($B)	$74.9	$96.5	$139.2	$101.4	$206.7	$136.4	$382.0	$191.1	$328.5	$358.4	$530.1	$1,436.9	$305.7
US Exit Value ($B)	$48.2	$67.5	$128.4	$74.9	$113.1	$77.4	$303.4	$102.2	$134.2	$249.7	$330.7	$764.1	$70.1
Global Exit Count	1,279	1,312	1,499	1,658	2,112	2,450	2,398	2,362	2,462	2,662	2,724	4,186	3,071
US Exit Count	746	763	897	939	1,132	1,121	1,026	1,088	1,259	1,305	1,249	1,934	1,240
US as % of Global Value	64%	70%	92%	74%	55%	57%	79%	53%	41%	70%	62%	53%	23%
US as % of Global Count	58%	58%	60%	57%	54%	46%	43%	46%	51%	49%	46%	46%	40%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Active Investor Count in 2022 Deals by Investor HQ State



Source: NVCA 2023 Yearbook, Data provided by PitchBook

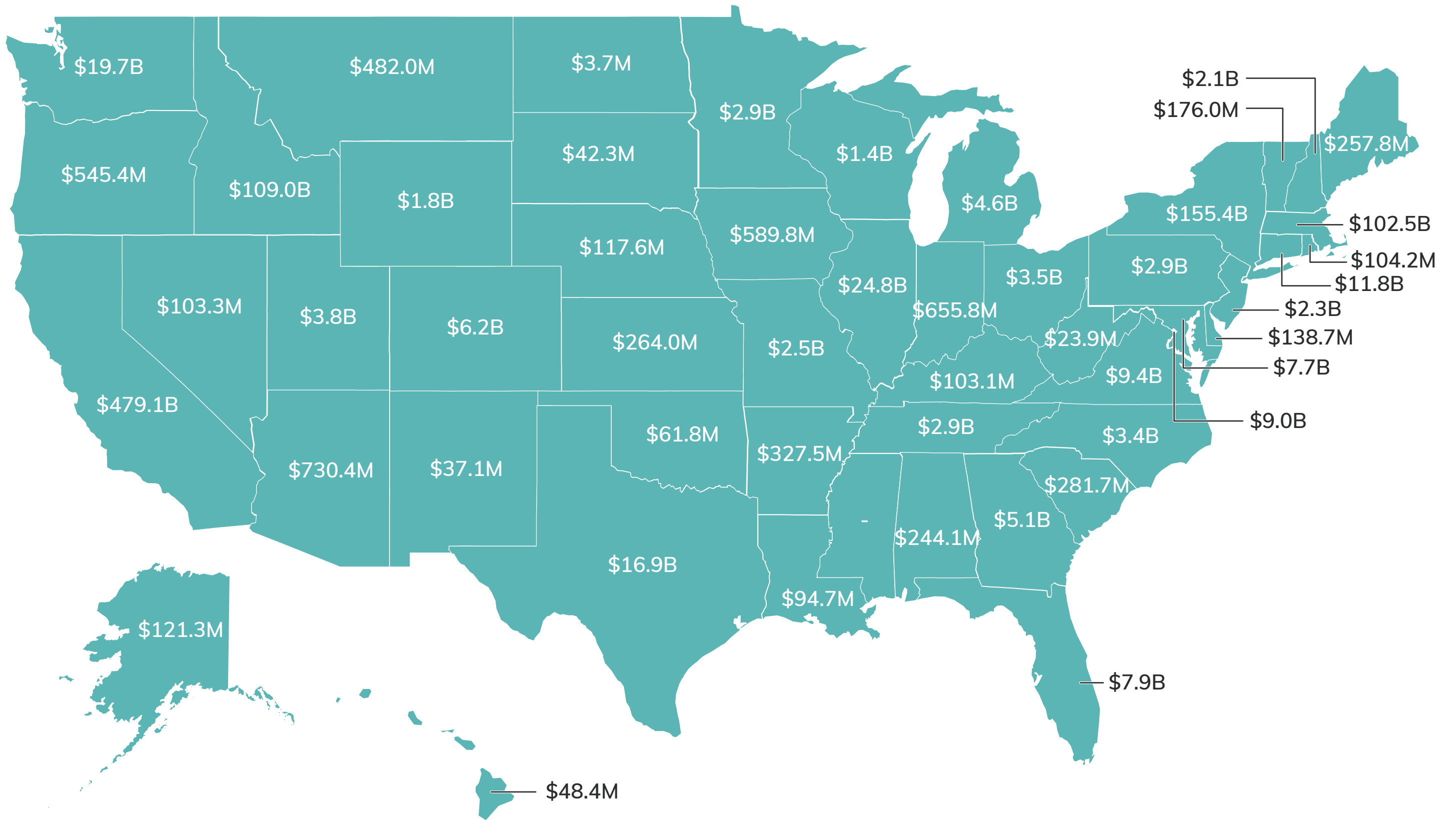
Note: This map breaks out active VC investors by their HQ state. Note that active VC investors headquartered outside of the US are not included in this map.

US as a % of Global VC Fundraising by Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Global Capital Raised ($B)	$39.8	$55.5	$59.0	$53.0	$84.2	$145.5	$187.4	$199.0	$305.3	$244.7	$230.2	$286.6	$256.1
US Capital Raised ($B)	$16.2	$25.0	$23.4	$22.4	$37.1	$43.2	$51.0	$44.6	$60.4	$70.9	$89.4	$155.2	$163.0
Global Fund Count	492	600	666	736	1,123	1,377	1,603	1,628	1,746	1,679	1,736	1,513	1,513
US Fund Count	173	208	312	338	490	578	638	652	775	736	869	1,286	784
US as % of Global Value	41%	45%	40%	42%	44%	30%	27%	22%	20%	29%	39%	54%	64%
US as % of Global Count	35%	35%	47%	46%	44%	42%	40%	40%	44%	44%	50%	85%	52%

Source: NVCA 2023 Yearbook, Data provided by PitchBook

AUM by State in 2022



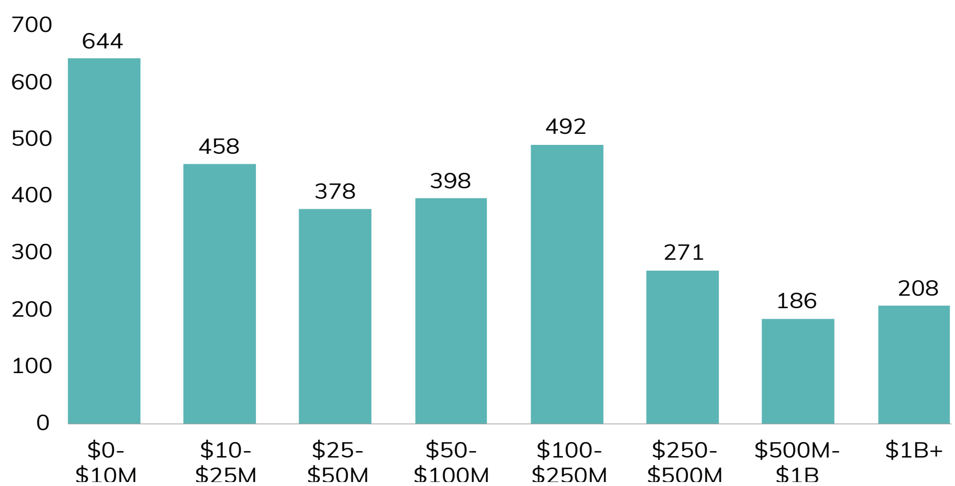
Source: NVCA 2023 Yearbook, Data provided by PitchBook

Top 5 States by AUM in 2022

	AUM ($B)
California	$479,136.3
New York	$155,420.1
Massachusetts	$102,487.3
Illinois	$24,821.6
Washington	$19,723.5
Total	$1,115.73

Source: NVCA 2023 Yearbook, Data provided by PitchBook

Distribution of Firms by AUM in 2022



Source: NVCA 2023 Yearbook, Data provided by PitchBook

AUM by State and Year ($M)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Alabama	$126.9	$121.9	$138.4	$131.6	$91.3	$87.8	$83.6	$45.0	$51.4	$50.3
Arizona	$95.1	$82.5	$79.7	$39.9	$54.7	$47.1	$19.3	$319.8	$369.4	$475.6
Arkansas	-	-	-	-	-	-	-	-	-	-
California	$64,785.2	$71,300.9	$76,374.0	$68,787.2	$67,618.6	$71,161.8	$77,502.9	$87,160.4	$86,928.5	$90,910.8
Colorado	$2,445.8	$2,264.1	$2,001.7	$1,186.5	$905.4	$947.1	$1,248.9	$1,200.0	$1,225.1	$1,676.3
Connecticut	$6,393.7	$6,636.6	$6,050.3	$5,662.4	$3,723.9	$3,534.4	$3,803.6	$2,716.9	$2,320.8	$2,337.3
Delaware	$37.7	$35.8	$47.4	$28.6	$12.3	$111.3	$123.9	$127.0	$138.4	$127.5
District of Columbia	$1,450.6	$1,358.2	$1,238.6	$1,931.5	$1,504.6	$1,417.9	$1,444.8	$1,750.6	$1,910.8	$2,216.0
Florida	$911.3	$1,459.2	$1,353.5	$1,435.6	$1,409.7	$1,402.5	$1,458.5	$1,712.1	$1,363.1	$1,463.9
Georgia	$1,281.1	$1,239.7	$1,153.2	$984.1	$632.1	$658.5	$928.4	$900.6	$894.5	$1,020.9
Hawaii	$31.3	$36.7	$32.8	$32.1	$32.9	$27.9	$14.8	$16.0	$7.4	$1.8
Idaho	$24.0	$22.7	$22.1	$96.9	$131.2	$182.4	$194.5	$202.6	$202.4	$213.6
Illinois	$2,658.1	$2,369.2	$2,618.7	$2,769.4	$3,169.3	$2,778.3	$2,968.9	$3,176.7	$3,214.7	$3,507.0
Indiana	$303.4	$298.1	$275.5	$212.0	$126.9	$288.4	$289.0	$394.8	$399.5	$398.2
Iowa	$35.2	$33.7	$32.0	$32.0	$34.2	$5.5	$5.3	$4.4	$7.4	$8.9
Kansas	-	-	-	-	-	-	-	$2.6	$2.6	$2.7
Kentucky	$130.5	$144.5	$337.4	$344.3	$339.3	$216.4	$213.6	$243.4	$212.0	$42.0
Louisiana	$407.1	$442.3	$488.0	$503.8	$512.4	$538.1	$573.5	$571.1	$307.3	$236.3
Maine	$251.8	$242.5	$239.0	$299.2	$217.6	$197.9	$211.5	$255.7	$75.8	$85.6
Maryland	$3,387.3	$3,218.0	$5,787.5	$5,694.1	$7,841.2	$7,332.7	$6,433.6	$7,222.8	$8,851.9	$7,075.5
Massachusetts	$26,674.1	$30,220.9	$31,338.7	$30,309.6	$24,302.7	$24,027.9	$26,620.0	$29,570.0	$27,952.4	$28,510.0
Michigan	$418.2	$584.6	$541.7	$502.0	$332.8	$548.3	$469.7	$782.8	$697.6	$761.1
Minnesota	$530.7	$786.1	$1,155.7	$1,217.0	$1,668.8	$1,578.5	$1,508.5	$1,451.5	$1,436.2	$1,131.9
Missouri	$1,277.5	$1,190.6	$1,078.1	$1,390.7	$692.1	$612.1	$658.7	$651.3	$574.3	$851.3
Montana	-	-	$1.7	$1.7	$1.7	$1.6	$1.6	$1.6	$1.7	$1.5
Nebraska	$27.7	$26.4	$25.4	-	-	-	$2.6	$39.8	$39.4	$39.7
Nevada	$52.7	$50.1	$37.1	-	-	-	-	-	-	-
New Hampshire	$14.5	$14.4	$64.0	$74.7	$71.3	$58.1	$56.7	$58.7	$60.6	$76.4
New Jersey	$2,824.6	$3,390.3	$4,275.7	$4,564.8	$3,986.5	$3,983.0	$3,664.9	$3,758.8	$3,403.6	$2,795.1
New Mexico	$28.7	$47.3	$51.8	$54.0	$53.2	$49.3	$49.1	$59.2	$45.8	$12.3
New York	$11,285.0	$12,471.4	$14,612.0	$14,489.2	$15,144.2	$15,077.7	$16,686.9	$20,634.0	$21,339.9	$22,739.9
North Carolina	$834.9	$974.4	$1,264.6	$1,186.0	$1,059.1	$880.8	$712.0	$683.3	$539.2	$472.4
North Dakota	-	-	-	-	-	-	-	-	-	-
Ohio	$973.6	$917.9	$842.4	$927.9	$992.0	$904.3	$1,015.0	$984.6	$1,019.2	$1,028.1
Oklahoma	$47.7	$32.7	$4.0	$10.4	$10.2	$10.2	$10.5	$11.8	$20.5	$20.9
Oregon	$89.1	$85.5	$83.1	$29.2	$29.3	$29.0	$45.0	$41.1	$55.8	$162.2
Pennsylvania	$2,770.3	$2,734.7	$2,643.7	$2,333.2	$2,825.2	$2,709.0	$2,624.6	$2,671.9	$2,707.9	$2,889.6
Rhode Island	-	-	-	-	-	-	-	-	$1.1	$1.1
South Carolina	-	$10.0	$9.9	$9.8	$9.8	$9.1	$8.8	$8.7	$8.6	$18.5
South Dakota	-	$9.9	$9.8	$9.8	$41.5	$40.2	$39.8	$56.2	$49.1	$49.8
Tennessee	$570.5	$458.8	$362.0	$382.3	$336.4	$309.0	$362.4	$395.4	$331.8	$412.9
Texas	$6,578.5	$7,250.0	$6,598.6	$5,458.6	$5,879.4	$4,987.9	$4,208.1	$4,964.8	$3,331.7	$4,357.2
Utah	$469.0	$443.0	$558.8	$866.3	$975.8	$892.4	$766.9	$994.0	$991.0	$1,045.7
Vermont	$15.4	$14.6	$14.2	$14.0	$15.1	$14.9	$15.2	$14.1	$95.1	$96.4
Virginia	$1,723.0	$2,304.8	$2,416.0	$1,732.1	$1,942.7	$2,001.7	$2,456.0	$2,231.1	$1,823.0	$1,657.0
Washington	$2,917.3	$3,323.5	$3,555.0	$5,126.9	$7,125.9	$6,591.6	$6,247.2	$6,059.5	$4,854.5	$4,834.2
Wisconsin	$64.8	$62.3	$229.9	$200.4	$233.1	$220.2	$415.2	$471.9	$575.2	$584.1
Wyoming	$17.6	$16.7	$16.1	-	-	-	-	-	-	-

Source: NVCA 2023 Yearbook, Data provided by PitchBook

AUM by State and Year ($M), continued

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Alabama	$32.6	$74.7	$48.0	$51.5	$80.5	$85.7	$173.4	$214.5	$244.1
Arizona	$654.7	$709.9	$755.6	$794.5	$929.6	$725.8	$706.3	$699.0	$730.4
Arkansas	$10.4	$10.9	$162.7	$164.2	$176.4	$200.3	$230.0	$268.5	$327.5
California	$103,582.7	$112,215.4	$130,508.1	$151,197.7	$193,864.8	$241,320.2	$309,686.1	$425,461.6	$479,136.3
Colorado	$1,877.9	$2,119.3	$2,067.9	$2,423.9	$3,404.3	$3,783.8	$4,063.3	$5,299.2	$6,249.5
Connecticut	$2,197.0	$2,154.6	$2,448.3	$3,030.5	$3,375.2	$3,565.5	$5,990.8	$9,100.6	$11,751.6
Delaware	$145.9	$160.1	$170.5	$51.7	$38.4	$107.8	$112.4	$145.7	$138.7
District of Columbia	$2,386.2	$1,888.6	$2,129.7	$2,650.5	$2,924.6	$3,745.6	$5,417.1	$5,890.0	$7,663.0
Florida	$1,535.5	$1,749.0	$1,684.3	$1,626.1	$1,788.3	$2,145.2	$3,668.8	$5,372.8	$7,897.3
Georgia	$969.5	$956.8	$900.2	$953.6	$794.8	$1,985.5	$2,191.9	$3,735.1	$5,147.3
Hawaii	$11.7	$12.1	$10.4	$31.3	$34.5	$39.8	$47.5	$48.1	$48.4
Idaho	$128.2	$128.1	$46.4	$19.2	$21.0	$72.0	$82.7	$103.5	$109.0
Illinois	$3,478.6	$4,215.2	$5,075.4	$5,755.0	$8,905.7	$10,772.7	$15,730.3	$21,683.5	$24,821.6
Indiana	$421.3	$454.2	$443.6	$270.3	$418.6	$206.9	$197.5	$574.3	$655.8
Iowa	$9.9	$6.9	$55.8	$58.2	$75.3	$184.8	$239.2	$577.1	$589.8
Kansas	$3.0	$3.6	$3.4	$30.1	$73.0	$97.9	$175.6	$252.5	$264.0
Kentucky	$11.5	$20.5	$21.1	$20.9	$42.9	$35.7	$76.7	$98.9	$103.1
Louisiana	$219.7	$167.2	$84.3	$22.1	$27.4	$34.9	$81.1	$87.1	$94.7
Maine	$10.1	$132.8	$135.6	$149.9	$156.7	$184.0	$198.6	$218.1	$257.8
Maryland	$8,215.9	$11,806.0	$9,345.9	$10,349.2	$10,462.5	$8,104.4	$9,394.4	$10,744.8	$9,028.2
Massachusetts	$25,857.7	$30,016.2	$34,079.5	$35,032.5	$39,687.5	$49,502.5	$67,720.2	$99,483.3	$102,487.3
Michigan	$872.5	$1,267.6	$2,342.1	$2,480.3	$2,702.8	$2,974.1	$3,830.6	$4,917.0	$4,584.1
Minnesota	$1,021.8	$701.9	$504.8	$636.3	$802.1	$1,161.9	$1,324.8	$2,743.4	$2,907.9
Missouri	$830.7	$628.2	$920.9	$1,230.8	$1,455.0	$1,793.6	$1,882.5	$2,377.7	$2,482.8
Montana	-	-	$21.0	$24.3	$65.1	$94.2	$105.4	$475.4	$482.0
Nebraska	$42.2	$69.0	$69.0	$98.0	$101.4	$62.4	$68.1	$108.9	$117.6
Nevada	-	$42.6	$41.9	$49.0	$53.5	$59.2	$68.4	$98.7	$103.3
New Hampshire	$35.6	$32.4	$45.5	$94.4	$269.5	$538.6	$722.5	$1,911.6	$2,072.5
New Jersey	$2,015.8	$2,112.9	$2,247.3	$1,470.5	$1,644.4	$1,495.0	$1,529.2	$2,023.0	$2,270.6
New Mexico	$21.8	$21.2	$31.2	$34.4	$38.1	$31.2	$35.6	$34.1	$37.1
New York	$28,874.2	$33,146.5	$35,397.2	$38,001.2	$47,613.7	$54,331.5	$74,078.0	$121,330.2	$155,420.1
North Carolina	$457.1	$366.5	$605.2	$771.2	$877.3	$1,065.6	$1,194.3	$3,045.2	$3,425.3
North Dakota	$3.5	$3.5	$3.6	$5.6	$6.4	$7.4	$8.4	$11.4	$3.7
Ohio	$1,398.3	$1,059.3	$1,466.3	$1,426.1	$1,590.7	$2,414.5	$2,661.5	$3,321.5	$3,486.0
Oklahoma	$22.9	$26.0	$28.1	$29.4	$30.6	$33.4	$35.3	$62.1	$61.8
Oregon	$212.3	$228.1	$256.1	$320.4	$366.6	$411.9	$352.2	$509.8	$545.4
Pennsylvania	$2,497.9	$2,086.4	$1,902.9	$1,666.7	$1,600.9	$2,161.7	$2,416.5	$2,765.0	$2,914.4
Rhode Island	$1.2	$1.7	$1.9	$2.0	$2.0	$2.1	$0.5	$100.7	$104.2
South Carolina	$26.2	$37.1	$45.4	$55.7	$65.0	$76.6	$70.7	$77.7	$281.7
South Dakota	$52.4	$56.1	$21.4	$19.3	$1.0	$1.0	-	-	-
Tennessee	$464.7	$360.5	$634.5	$719.3	$909.8	$1,100.6	$1,471.0	$1,850.0	$2,939.2
Texas	$4,588.1	$4,012.0	$4,070.9	$5,219.6	$7,318.6	$8,122.4	$8,976.5	$14,979.5	$16,884.6
Utah	$1,097.4	$1,184.2	$1,310.8	$1,251.5	$1,592.6	$2,081.2	$2,964.3	$3,557.7	$3,791.1
Vermont	$110.6	$124.6	$123.9	$194.9	$195.1	$222.3	$126.6	$163.7	$176.0
Virginia	$1,945.0	$2,464.6	$2,980.4	$3,021.8	$4,001.0	$4,725.1	$5,670.9	$8,995.4	$9,354.4
Washington	$4,412.1	$3,824.8	$3,599.5	$4,511.8	$8,153.3	$9,444.8	$13,013.3	$17,782.8	$19,723.5
Wisconsin	$586.1	$644.5	$570.7	$485.3	$695.5	$826.5	$889.7	$1,423.9	$1,442.1
Wyoming	-	$20.9	$21.2	$22.8	$25.2	$68.0	$172.4	$1,732.6	$1,766.8

Source: NVCA 2023 Yearbook, Data provided by PitchBook

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.

Venture growth: Rounds are generally classified as Series E or later (which we typically aggregate together as venture growth) 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, number of VC rounds, company status, and participating investors.

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.

Data provided by PitchBook

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

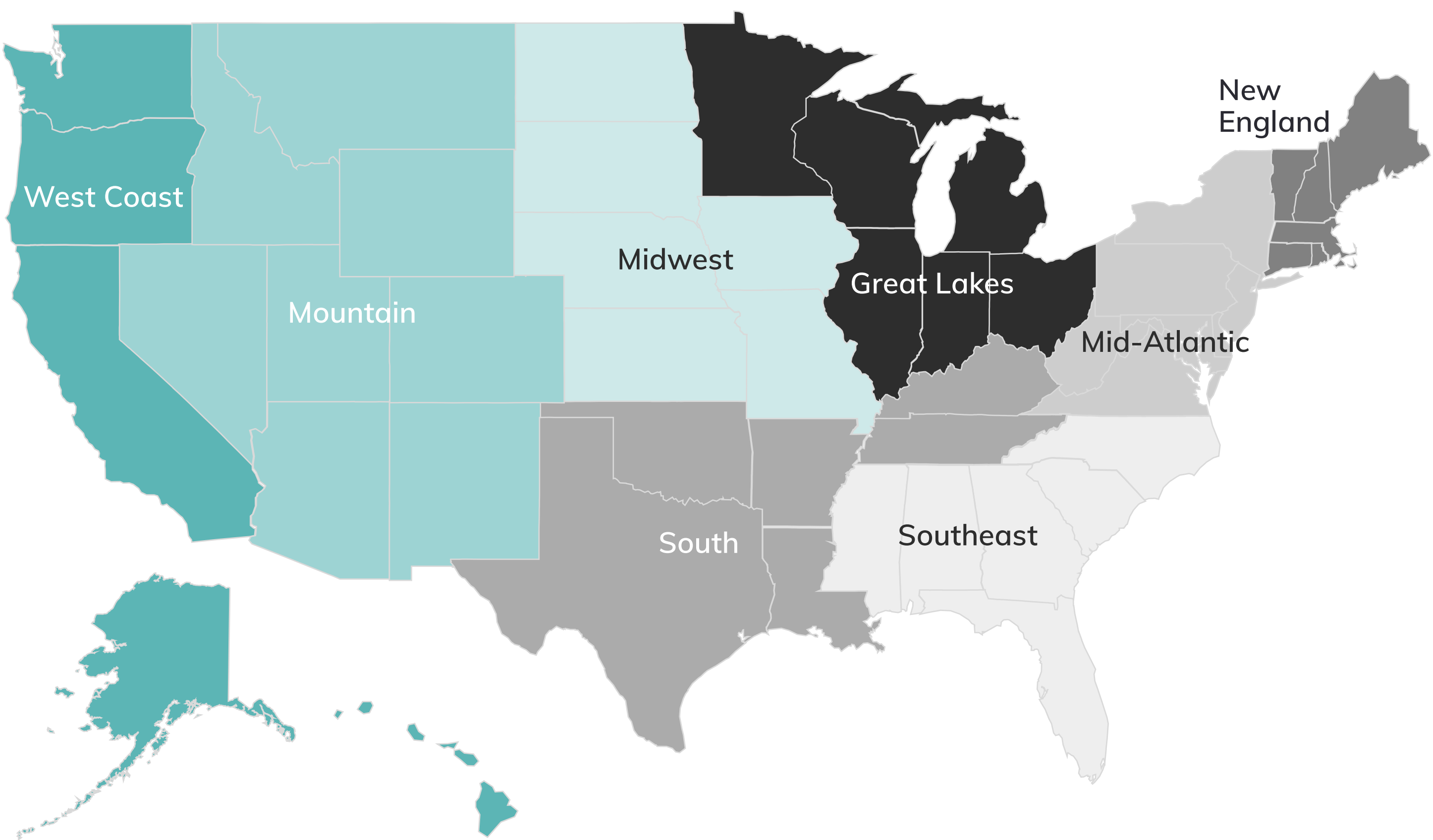
Great Lakes – Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

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
Construction (Nonwood)	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.

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

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