

# NATIONAL VENTURE CAPITAL ASSOCIATION



**YEARBOOK 2010**

**PREPARED BY**



**THOMSON REUTERS**

**INCLUDING STATISTICS FROM THE**

PricewaterhouseCoopers/National Venture Capital Association  
MoneyTree™ Report based on data from Thomson Reuters

March 2010

Dear Reader:

As the nation and world works through the many economic and fiscal challenges of our time, the US venture capital industry and the entrepreneurial sector are being looked to for job creation, economic development, better healthcare, cleaner technology, and other answers to today's opportunities.

The statistics gathered and tracked by Thomson Reuters for ThomsonONE.com (formerly VentureXpert) and this Yearbook are essential to enabling analysis of venture capital by policy think tanks and economists and for use by government officials and other decision makers. For example, recent analysis of Thomson Reuters data by IHS Global Insight shows that while venture capital investment represents 0.2% of US GDP, the revenue of companies created by the industry represented 21% of GDP in 2008. For every venture capital dollar invested in 1970-2001, there was \$9.88 in US revenue during 2008 in those companies and for every \$24,564 of venture capital invested in 1970-2001, there was one ongoing job at the end of the year 2008.

On behalf of the National Venture Capital Association board of directors and staff, we are pleased to present you with the latest statistics that describe the activity of the venture capital industry in the United States. These statistics reflect yet another all-time high level of survey participation by venture capital practitioners. This support has allowed us to accurately report industry activity. Your comments are always welcome at [research@nvca.org](mailto:research@nvca.org).

NVCA believes that it is more important than ever to effectively tell the story of venture capital, differentiate it from other forms of alternative assets, and explain what's needed to continue creating great, leading-edge companies. We believe that a strong venture capital industry is essential to America's future and improving our quality of life.

Very truly yours,

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# 2010

## National Venture Capital Association

### Yearbook

**For the National Venture Capital Association**

**Prepared by Thomson Reuters**

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# National Venture Capital Association 2010 Yearbook

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# What is Venture Capital?

Venture capital has enabled the United States to support its entrepreneurial talent and appetite by turning ideas and basic science into products and services that are the envy of the world. Venture capital funds build companies from the simplest form – perhaps just the entrepreneur and an idea expressed as a business plan – to freestanding, mature organizations.

## Risk Capital for Business

Venture capital firms are professional, institutional managers of risk capital that enables and supports the most innovative and promising companies. This money funds new ideas that could not be financed with traditional bank financing, that threaten established products and services in a corporation, and that typically require five to eight years to be launched.

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

## More Than Money

The U.S. venture industry provides the capital to create some of the most innovative and successful companies. But venture capital is more than money. Venture capital partners become actively engaged with a company, typically taking a board seat. With a startup, daily interaction with the management team is common. This limits the number of startups in which any one fund can invest. Few entrepreneurs approaching venture capital firms for money are aware that they essentially are asking for 1/6 of a person!

Yet that active engagement is critical to the success of the fledgling company. Many one- and two-person

### Venture Capital Backed Companies Known for Innovative Business Models Employment at IPO and Now

Company	As of IPO	Current	# Change
The Home Depot	650	331,000	330,350
Starbucks Corporation	2,521	176,000	173,479
Staples	1,693	75,588	73,895
Whole Foods Market, Inc.	2,350	52,900	50,550
eBay	138	15,500	15,362

### Venture Capital Backed Companies Known for Innovative Technology and Products Employment at IPO and Now

Company	As of IPO	Current	# Change
Microsoft	1,153	91,000	89,847
Intel Corporation	460	86,300	85,840
Medtronic, Inc.	1,287	40,000	38,713
Apple Inc.	1,015	35,100	34,085
Google	3,021	16,805	13,784
JetBlue	4,011	11,632	7,621

Source: IHS Global Insight. Current data is FY 2007 Year End Data

companies have received funding but no one- or two-person company has ever gone public! Along the way, talent must be recruited and the company scaled up. Ask any venture capitalist who has had an ultra-successful investment and he or she will tell you that the company that broke through the gravity evolved from the original business plan concept with the careful input of an experienced hand.

## Deal Flows — Where The Buys Are

For every 100 business plans that come to a venture capital firm for funding, usually only 10 or so get a serious look, and only one ends up being funded. The venture capital firm looks at the management team, the concept, the marketplace, fit to the fund's objectives, the value-added potential for the firm, and the capital needed to build a successful business. A busy venture capital professional's most precious asset is time. These days, a business concept needs to address world markets, have superb scalability, be made successful in a reasonable timeframe, and be truly innovative. A concept that promises a 10 or 20 percent improvement on something that already exists is not likely to get a close look.

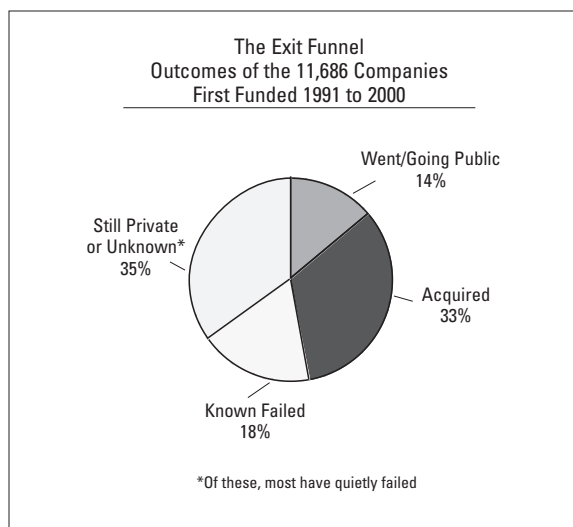
Many technologies currently under development by venture capital firms are truly disruptive technologies that do not lend themselves to being embraced by larger companies whose current products could be cannibalized by this. Also, with the increased emphasis on public company quarterly results, many larger organizations tend to reduce spending on research and development and product development when things get tight. Many talented teams have come to the venture capital process when their projects were turned down by their companies.

### Common Structure — Unique Results

While the legal and economic structures used to create a venture capital fund are similar to those used by other alternative investment asset classes, venture capital itself is unique. Typically, a venture capital firm will create a Limited Partnership with the investors as LPs and the firm itself as the General Partner. Each “fund,” or portfolio, is a separate partnership. A new fund is established when the venture capital firm obtains necessary commitments from its investors, say \$100 million. The money is taken from investors as the investments are made. Typically, an initial funding of a company will cause the venture fund to reserve three or four times that first investment for follow-on financing. Over the next three to eight or so years, the venture firm works with the founding entrepreneur to grow the company. The payoff comes after the company is acquired or goes public. Although the investor has high hopes for any company getting funded, only one in six ever goes public and one in three is acquired.

### Economic Alignment of all Stakeholders — An American Success Story

Venture capital is rare among asset classes in that success is truly shared. It is not driven by quick returns or transaction fees. Economic success occurs when the stock price increases above the purchase price. When a company is successful and has a strong public stock offering, or is acquired, the stock price of the company reflects its success. The entrepreneur benefits from appreciated stock and stock options. The rank and file employees throughout the organization historically also do well with their stock options. The venture capital fund and its investors split the capital gains per a pre-agreed formula. Many college endowments, pen-



sion funds, charities, individuals, and corporations have benefited far beyond the risk-adjusted returns of the public markets.

### Beyond the IPO

Many of the most exciting venture capital backed companies left the venture portfolios after they went public. Far from being a destination, the IPO process provides needed growth capital for a growing company. A 2009 analysis by IHS Global Insight shows that more than 90% of the jobs at today’s venture backed public companies were created after it went public. That is, these companies on average are 10% of their mature size at the time they go public.

### What’s Ahead

Much of venture capital’s success has come from the entrepreneurial spirit pervasive in the American culture, financial recognition of success, access to good science, and fair and open capital markets. It is dependent upon a good flow of science, motivated entrepreneurs, protection of intellectual property, and a skilled workforce.

The nascent deployment of venture capital in other countries is gated by a country’s or region’s cultural fit, tolerance for failure, services infrastructure that supports developing companies, intellectual property protection, efficient capital markets, and the willingness of big business to purchase from small companies.

# Executive Summary

*During 2009, the industry continued the downsizing that became very visible in mid-2008. While the global economic issues that surfaced in 2008 accelerated the decline and definitely added stresses to the industry, this resizing is a function of the technology bubble bursting several years earlier. With many firms that raised money during the bubble unable to raise additional funds at this time, a further decline is likely. While fundraising and investment entered a new size band, IPO activity remained at a mere trickle and the acquisition exit marketplace declined both in quantity and quality.*

*A healthy venture capital ecosystem requires its metrics to be in balance. And while the quality of new business opportunities, known as deal flow, remains very high quality and the best opportunities are getting funded, stresses remain.*

*The lack of distributions to the institutional investors who provide the capital to the industry has left these professional money managers with little capital to recycle back to the industry. 2009 remained a difficult year for many firms to raise money.*

*Even several weeks into 2010, as this overview is being written, little has improved. Exits and fundraising remain challenging. But the industry is very much open for business. Reports from across the industry are that excellent teams are coming to venture firms with very strong business plans. That part of the venture capital ecosystem is working well.*

## Introduction

The National Venture Capital Association 2010 Yearbook provides a summary of all of venture capital activity in the United States. This ranges from investments into portfolio companies to capital managed by general partners to fundraising from limited partners to valuations of companies receiving venture capital investments to exits of the investments by either IPOs or mergers and acquisitions. The statistics for this publication were assembled primarily from

the MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters and analyzed through the ThomsonONE.com (formerly VentureXpert) database of Thomson Reuters, which has been endorsed by the NVCA as the official industry activity database. Subscribers to that system can perform considerable further analysis on the underlying data.

**Figure 1.0**  
**Venture Capital Under Management**  
**Summary Statistics**

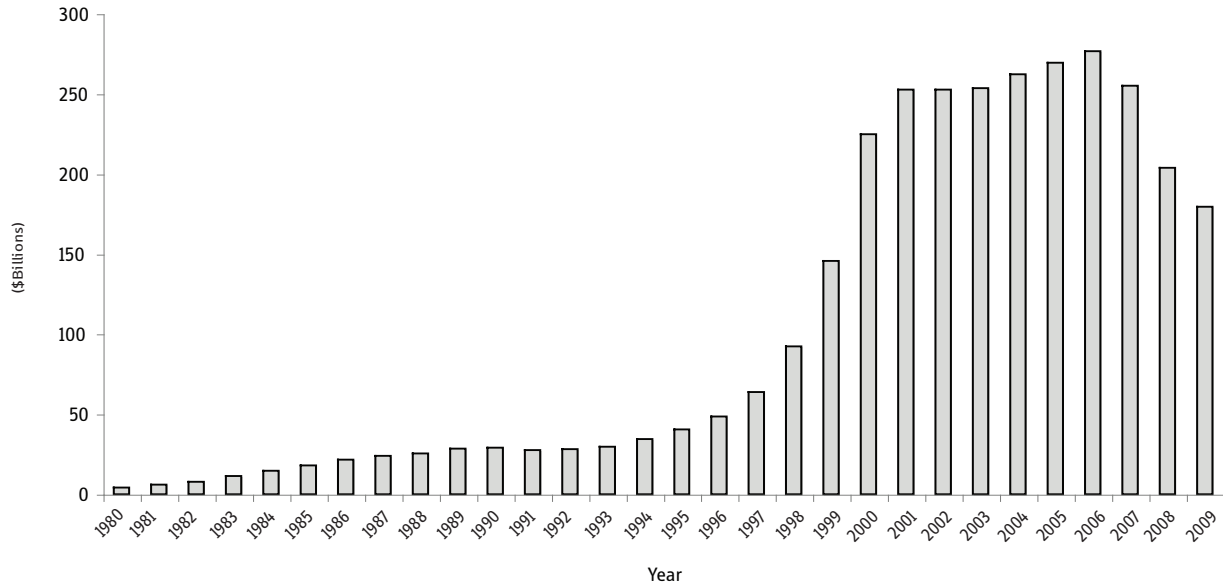
	1989	1999	2009
No. of VC Firms in Existence	389	753	794
No. of VC Funds in Existence	741	1,396	1,188
No. of Professionals	3,579	7,611	6,828
No. of First Time VC Funds Raised	17	90	21
No. of VC Funds Raising Money This Year	105	454	127
VC Capital Raised This Year (\$B)	4.9	55.7	15.4
VC Capital Under Management (\$B)	28.4	145.6	179.4
Avg VC Capital Under Mgt per Firm (\$M)	73.0	193.4	225.9
Avg VC Fund Size to Date (\$M)	36.3	72.7	105.9
Avg VC Fund Size Raised This Year (\$M)	46.7	122.6	121.1
Largest VC Fund Raised to Date (\$M)	1,175.0	5,000.0	5,000.0

## Industry Resources

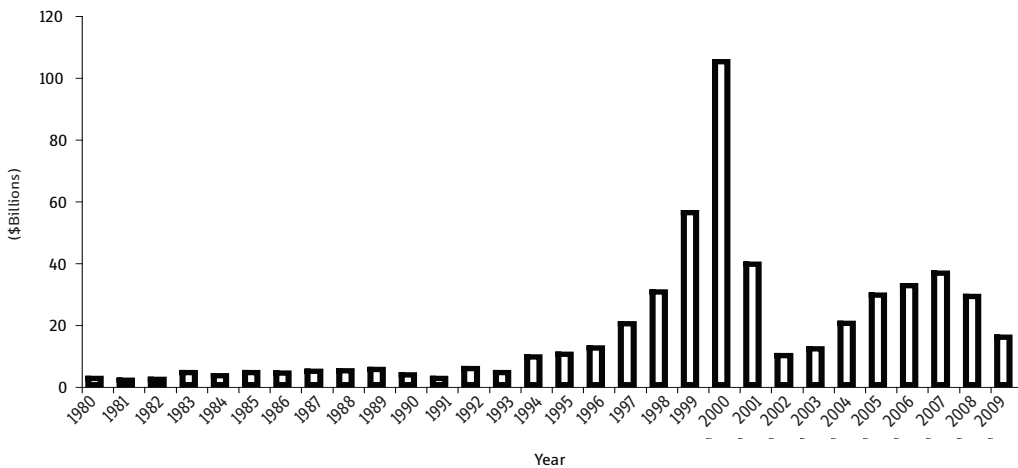
Venture capital under management in the United States by the end of 2009 decreased 11.9% from the 2008 level, and more than 35% from its reported peak in 2006. This decrease is not unexpected and is the result of anticipated fallout from the technology bubble burst around the millennium. The industry managed \$179.4 billion at yearend 2009 compared with \$203.7 billion a year earlier. As with contractions in other industry metrics, the capital under management decline is specifically the result of the large amount of capital raised during 2001 and earlier being replaced by smaller new funds in recent years. All indications are that some additional contractions are ahead.

As portfolios are wound down, these fund managers leave the industry. With 2009 fundraising 1/7 the

**Figure 2.0**  
**Capital Under Management**  
**U.S. Venture Funds (\$ Billions)**  
**1980 to 2009**



**Figure 3.0**  
**Capital Commitments to**  
**U.S. Venture Funds (\$ Billions)**  
**1980 to 2009**

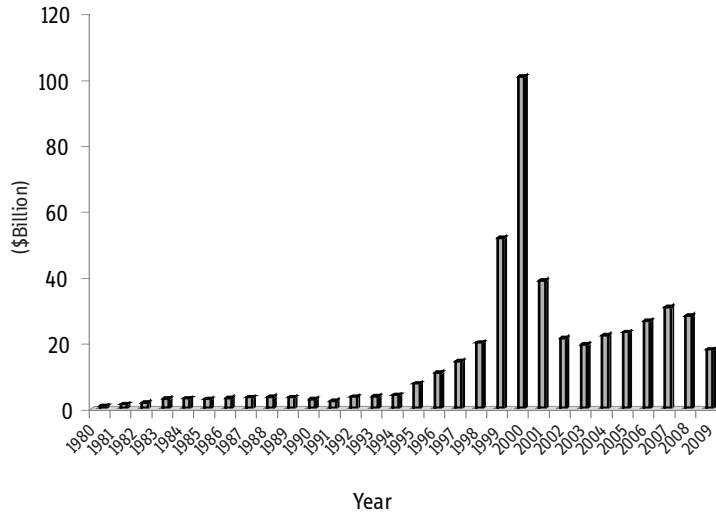


amount raised in 2000, the industry has returned to a more traditional size band. At the end of 2009, 794 firms managed 1,188 funds, down from peaks of 1,023 firms in 2005 and 1,883 managed funds in 2001. Headcount similarly declined from 8,892 at the end of 2007 to 6,828 at the end of 2009.

## Commitments

New commitments to venture capital funds in the United States again decreased in 2009 to \$15.4 billion from a post-bubble record level \$36.1 billion in 2007. This reflects a very difficult fundraising environment

**Figure 4.0**  
Investments  
to Portfolio Companies (\$ Billions)  
1980 to 2009



in part created by recent economic stress. However, most of the decrease reflects the contraction of the U.S. venture capital industry that began after the technology bubble burst in 2000. In 2009, 127 funds raised \$15.4 billion, down 46% from the \$28.5 billion raised in 2008. Fundraising in 2009 was down 57% from the peak \$36.1 billion in 2007. A look behind the charts shows that this total was dominated by a small group of firms, most of which are the same firms that led fundraising a decade or two ago. Money raised by the three largest firms in 2009 represented 31% of the total. The top seven firms raised 46% of the total.

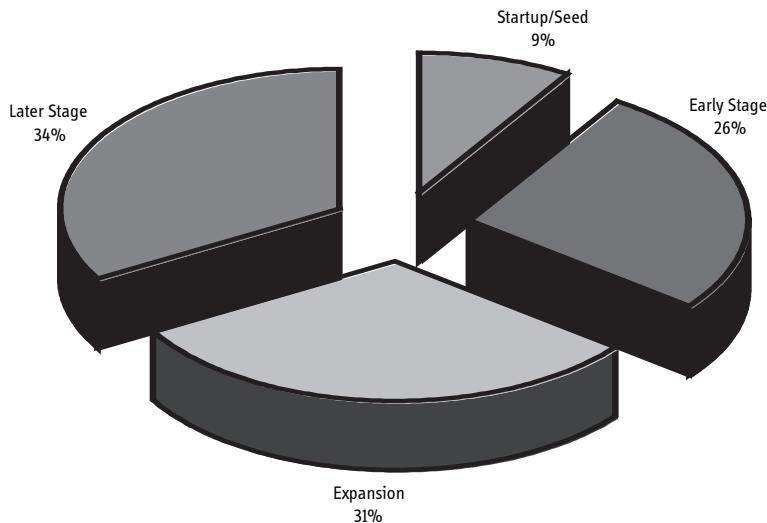
## Investment

In 2009, total venture investment decreased 37% in dollars and 30% in number of deals

**Figure 5.0**  
2009 Investments  
By Industry Class

Industry Group	All Investments			Initial Investments		
	No. of Companies	No. of Deals	Investment Amt (\$Bil)	No. of Companies	No. of Deals	Investment Amt (\$Bil)
Information Technology	1,372	1,605	8.3	411	411	1.4
Medical/Health/Life Science	618	750	6.1	155	155	0.9
Non-High Technology	382	447	3.3	162	162	1.0
<b>Total</b>	<b>2,372</b>	<b>2,802</b>	<b>17.7</b>	<b>728</b>	<b>728</b>	<b>3.3</b>

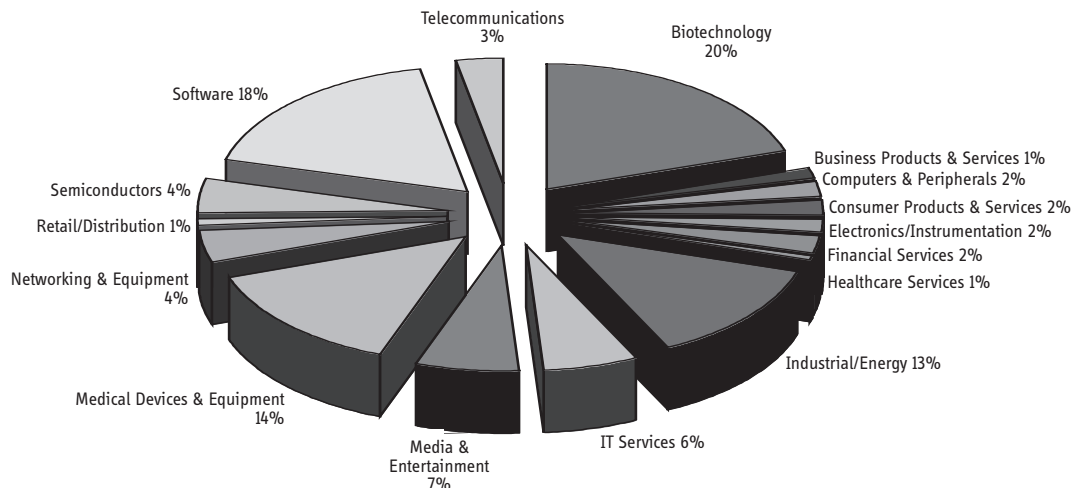
**Figure 6.0**  
2009 Investments  
By Company Stage



from 2008. Total venture investment decreased from \$27.9 billion to \$17.7 billion. A sub-\$20-billion industry is welcomed by many long-time practitioners as a return to a manageable size. After years of taking on 1,000++ companies each year, the industry in 2009 funded 728 first-time companies. While numerically fewer, each one represents a fresh commitment by venture capital funds to the future.

The contention for venture capitalist attention (and dollars) between existing later stage portfolio companies and newly-arriving business plans continues. There are still a record number of companies in portfolios in the later stage of development that in most other environments would have already gone public or otherwise been acquired.

**Figure 7.0**  
**Venture Capital Investments in 2009**  
**By Industry Sector**



## Portfolio Company Post-Money Valuations

Round valuations in 2009, where reported, did increase overall at the average and at the median from the reference period 2005-2008. However, it varies by sector. Biotechnology valuations are lower but Industrial/Energy, the MoneyTree sector containing much of the clean technology investment, significantly increased. Software, the sector receiving the second highest amount of money, also showed meaningfully higher valuations.

**Figure 8.0**  
**2009 Investments**  
**By State**

State	Number of Companies	Pct of Total	Investment (\$ Millions)	Pct of Total
California	958	40%	8,853.8	50%
Massachusetts	250	11%	2,032.6	11%
New York	150	6%	855.5	5%
Texas	94	4%	644.6	4%
Washington	89	4%	574.2	3%
New Jersey	62	3%	556.6	3%
Colorado	56	2%	468.2	3%
Pennsylvania	111	5%	407.0	2%
Georgia	38	2%	302.0	2%
Florida	27	1%	295.1	2%
All Others	537	23%	2,701.1	15%
<b>Total</b>	<b>2,372</b>		<b>17,690.7</b>	

## Exits

As bad as 2008 was for venture-backed companies exiting through initial public offerings or acquisitions, the year 2009 was not much better. In 2009, there were just 12 venture-backed IPOs raising \$1.6 billion and 270 acquisitions with disclosed deals totaling \$14.1 billion. The IPO levels remained near zero against a backdrop of an ever increasing number of portfolio companies maturing into the later stages and thus awaiting an exit. The 12 venture-backed companies that went public in 2009 were double the six IPOs in 2008. These two years are the second-worst and worst years, respectively, going back at least to 1980. Similarly, the \$1.6 billion raised through IPOs in 2009 is the second worst year (only to 2008) since 1990. While the valuation of the 2009 IPOs reached almost \$15 billion, the overall pace remained a mere trickle. At year end 2009, there were only 23 companies in registration.

The number of venture-backed companies acquired during 2009 (270) declined from 2008 (349), which itself declined from 2007 (379). While there were a few strong acquisitions raising the average purchase price to \$152.9 million, the overall quality of deals deteriorated, with 38% of the known acquisitions occurring at a price less than the total venture investment in that company.

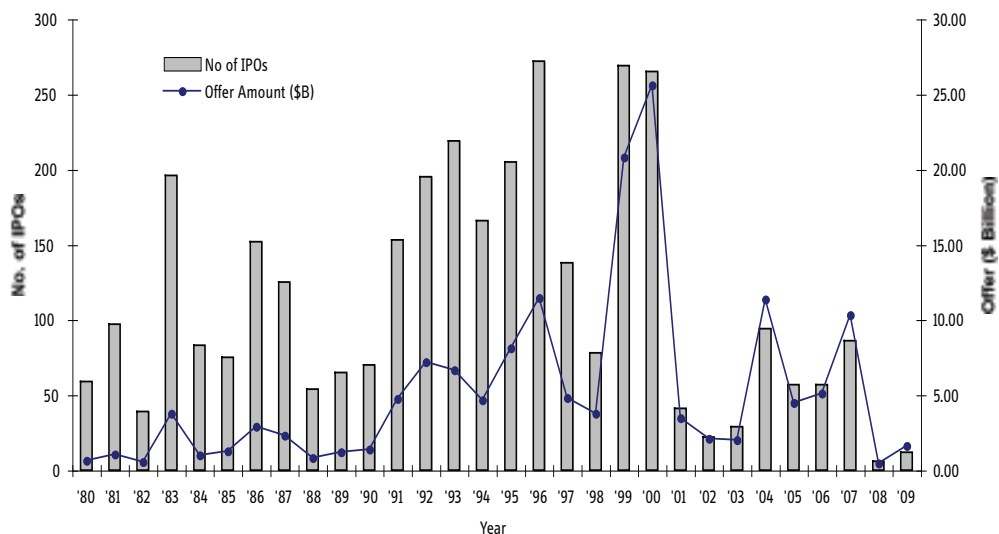
# 2010 NVCA Yearbook

In 2009, IPO and acquisition activity were both far below what is necessary to sustain the industry long term.

**Figure 9.0**  
**Valuations Per Company Industry**  
**2009 Financings (\$ Millions)**

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	49.0	249.0	60.9	29.1	18.9	4.0
Business Products and Services	N/A	N/A	N/A	N/A	N/A	N/A
Computers and Peripherals	18.2	23.0	21.7	20.5	17.1	8.9
Consumer Products and Services	48.0	165.7	54.2	12.5	6.3	1.3
Electronics/Instrumentation	N/A	N/A	N/A	N/A	N/A	N/A
Financial Services	N/A	N/A	N/A	N/A	N/A	N/A
Healthcare Services	N/A	N/A	N/A	N/A	N/A	N/A
Industrial/Energy	189.9	550.0	307.2	109.7	18.7	8.3
IT Services	103.9	403.0	88.0	16.5	8.2	3.6
Media and Entertainment	274.4	1,000.0	406.0	77.0	21.5	9.2
Medical Devices and Equipment	40.7	229.2	43.4	30.0	20.0	3.0
Networking and Equipment	182.2	719.4	73.0	59.3	54.0	5.1
Other	N/A	N/A	N/A	N/A	N/A	N/A
Retailing/Distribution	N/A	N/A	N/A	N/A	N/A	N/A
Semiconductors	23.3	46.0	31.0	21.3	13.0	5.0
Software	80.5	436.0	56.8	26.1	17.8	11.3
Telecommunications	30.7	66.0	44.5	24.9	11.1	7.0
<b>Total</b>	<b>94.6</b>	<b>1,000.0</b>	<b>80.5</b>	<b>26.1</b>	<b>12.0</b>	<b>1.3</b>

**Figure 10.0**  
**Venture-Backed IPOs**



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# Industry Resources

Venture capital under management in the United States by the end of 2009 decreased 11.9% from 2008 levels, and more than 35% from its reported peak in 2006. This decrease is not unexpected and is the result of anticipated fallout from the technology bubble burst around the millennium. The industry managed \$179.4 billion at the end of 2009 compared with \$203.7 billion a year earlier. In addition to contractions in other industry metrics, the capital under management decline is specifically the result of the large amount of capital raised 2001 and earlier being replaced by smaller new funds in recent years. While the economic crisis which began in mid-2008 made it tough for venture firms to raise money and the exit markets to stage a comeback, these declines are part of a longer, larger activity level contraction beginning in 2001. The overall drop in capital under management is reflected in the anticipated decrease in active firms, funds, and headcount. All indications are that some additional contractions are ahead.

Many of the firm, fund, and headcount declines are the result of firms which raised money at the time of the bubble being unable to follow those funds with new funds in recent years. As portfolios are wound down, these fund managers leave the industry. With 2009 fundraising 1/7 the amount raised in 2000, the industry has returned to a more traditional size band. At the end of 2009, 794 firms managed 1,188 funds, down from peaks of 1,023 firms in 2005 and 1,883 managed funds in 2001. Headcount similarly declined from 8,892 at the end 2007 to 6,828 at the end of 2009.

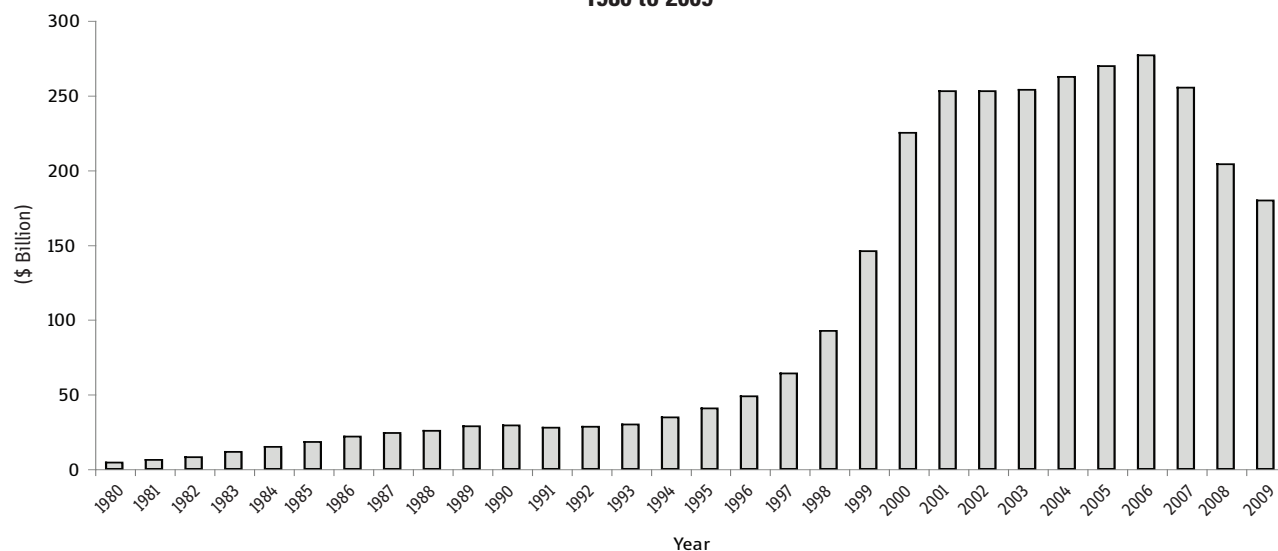
## METHODOLOGY

The number of firms in existence will vary on a rolling eight-year basis as firms raise new funds or do not raise funds for more than eight years. Under this methodology, we estimate that there are currently 794 firms with limited partnerships “in existence”. To clarify, this is actually stating that there are 794 firms

that have raised a venture capital partnership in the last eight years. In reality, there may well be fewer firms actually making new investments.

For this publication, we are primarily counting the number of firms with limited partnerships and are excluding other types of investment vehicles. From

**Figure 1.01**  
**Capital Under Management**  
**U.S. Venture Funds (\$ Billions)**  
**1980 to 2009**



**Figure 1.02**  
**Total Capital Under Management**  
**By Firm Type 1980 to 2009 (\$ Millions)**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Private Independent	2,061	2,942	4,357	6,869	9,236	11,221	14,594	16,713	18,308	21,903	22,369	21,624	22,516	24,677	28,782	33,810	39,994	51,809	75,835	120,062	185,732	210,393	210,933	213,100	222,535	230,233	238,865	223,831	185,453	163,169
Financial Institutions	1,219	1,991	2,219	3,084	3,526	4,105	4,278	4,378	4,107	3,665	3,631	3,136	2,960	3,027	3,644	4,520	5,766	8,465	12,172	17,175	24,018	25,900	25,177	24,356	23,927	22,989	21,655	18,333	11,320	10,585
Corporations	516	751	736	1,011	1,172	1,767	1,767	2,160	2,267	2,100	2,333	2,243	2,369	1,668	1,721	1,613	2,400	2,530	3,233	6,798	12,929	13,989	14,125	13,807	13,482	14,324	14,297	11,279	5,911	4,838
Other	304	416	487	437	666	807	861	850	819	732	667	598	355	228	353	457	540	897	1,160	1,565	2,121	2,317	2,266	2,236	2,257	1,954	1,882	1,457	1,016	808
<b>Total</b>	<b>4,100</b>	<b>6,100</b>	<b>7,800</b>	<b>11,400</b>	<b>14,600</b>	<b>17,900</b>	<b>21,500</b>	<b>24,100</b>	<b>25,500</b>	<b>28,400</b>	<b>29,000</b>	<b>27,600</b>	<b>28,200</b>	<b>29,600</b>	<b>34,500</b>	<b>40,400</b>	<b>48,700</b>	<b>63,700</b>	<b>92,400</b>	<b>145,600</b>	<b>224,800</b>	<b>252,600</b>	<b>252,500</b>	<b>253,500</b>	<b>252,200</b>	<b>269,500</b>	<b>276,700</b>	<b>254,900</b>	<b>203,700</b>	<b>173,400</b>

that description, it may appear that the statistics for total industry resources may be underestimated. However, this must be balanced with the fact capital under management by captive and evergreen funds is difficult to compare equitably to typical limited partnerships with fixed lives. For this analysis only, the firms counted for capital under management include firms with fixed life partnerships and venture capital funds raised. If a firm raised both buyout and venture capital funds, only the venture funds would be counted in the calculation of venture capital under management.

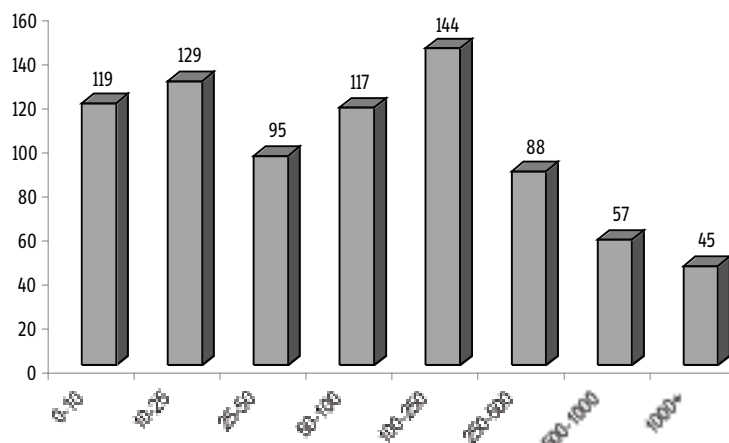
Venture capital under management can be a complex statistic to estimate. Indeed, capital under management reported by firms can differ from firm to firm as

there's not one singular definition. For example, some firms include only cumulative committed capital, others may include committed capital plus capital gains, and still other firms define it as committed capital after subtracting liquidations. To complicate matters, it is difficult to compare these totals to European private equity firms which include capital gains as part of their capital under management measurements.

For purposes of the analysis in this publication, we have tried to clarify the industry definition of capital under management as the cumulative total of committed capital less liquidated funds or those funds that have completed their life cycle. Typically, venture capital firms have a stated 10-year fixed life span, except for life science funds which are often established as 12-year funds. Figure 1.08 shows the reality of fund life. Thomson Reuters calculates capital under management as the cumulative amount committed to funds on a rolling eight-year basis. Current capital under management is calculated by taking the capital under management calculation from the previous year, add in the current year's funds' commitments, and subtracting the capital raised eight years prior.

For this analysis, Thomson Reuters classifies venture capital firms using four distinct types: private independent firms, financial institutions, corporations, and other entities. 'Private independent' firms are made up of independent private and public firms including both institutionally and non-institutionally funded firms and family groups. 'Financial institutions' refers to firms that are affiliates and/or subsidiaries of investment banks and non-investment bank finan-

**Figure 1.03**  
**Distribution of Firms**  
**By Capital Managed 2009**



*Capital Under Management (\$ Millions)*  
 This chart shows capital committed to US venture firms in active funds. While much of the capital is managed by larger firms, of the 794 firms in existence at the end of 2009, roughly 58% of them (460) managed \$100 million or less. By comparison, just 45 firms managed active funds totaling more than \$1 billion.

**Figure 1.04**  
Fund and Firm Analysis

Fund Vintage Year	Total Cumulative Funds	Total Cumulative Firms	Total Cumulative Capital (\$B)	Existing Funds	Firms That Raised Funds in the Last 8 Vintage Years	Capital Managed (\$B)	Avg Fund Size (\$M)	Avg Firm Size (\$M)
1980	186	117	5.8	128	91	4.1	32	45.1
1981	251	155	7.9	188	127	6.1	32.4	48
1982	322	193	9.8	248	162	7.8	31.5	48.1
1983	435	237	13.4	355	208	11.4	32.1	54.8
1984	550	288	16.8	458	259	14.6	31.9	56.4
1985	638	320	20.2	539	296	17.9	33.2	60.5
1986	717	354	24.1	601	331	21.5	35.8	65
1987	817	388	27.7	677	359	24.1	35.6	67.1
1988	898	409	31.3	712	374	25.5	35.8	68.2
1989	992	438	36.3	741	389	28.4	38.3	73
1990	1051	455	38.8	729	390	29	39.8	74.4
1991	1090	463	41	655	370	27.6	42.1	74.6
1992	1166	484	44.9	616	361	28.2	45.8	78.1
1993	1260	516	49.8	622	374	29.6	47.6	79.1
1994	1365	547	58.5	648	387	34.5	53.2	89.1
1995	1523	613	68.1	706	429	40.4	57.2	94.2
1996	1670	673	80	772	469	48.7	63.1	103.8
1997	1895	773	100	903	548	63.7	70.5	116.2
1998	2139	859	131.2	1088	626	92.4	84.9	147.6
1999	2486	994	186.6	1396	753	145.6	104.3	193.4
2000	2904	1137	269.7	1738	882	224.8	129.3	254.9
2001	3143	1220	302.3	1883	943	252.6	134.1	267.9
2002	3217	1236	311.1	1852	938	252.5	136.3	269.2
2003	3320	1288	321.6	1797	965	253.5	141.1	262.7
2004	3490	1354	342.2	1820	1001	262.2	144.1	261.9
2005	3673	1425	369.5	1778	1023	269.5	151.6	263.4
2006	3854	1497	407.9	1715	1022	276.7	161.3	270.7
2007	4070	1587	441.5	1584	1016	254.9	160.9	250.9
2008	4266	1648	473.4	1362	885	203.7	149.6	230.2
2009	4331	1670	481.8	1188	794	179.4	151	225.9

The correct interpretation of this chart is that since the beginning of the industry to the end of 2009, 1,670 firms had been founded and 4,331 funds had been raised. Those funds totaled \$481.8 billion. At the end of 2009, 794 firms as calculated using our eight-year methodology managed 1,188 individual funds, each fund typically a separate limited partnership. Capital under management by those funds at the end of 2009 is \$179.4 billion. The average firm size is \$225.9 million.

cial entities including commercial banks and insurance companies. The ‘Corporations’ classification includes venture capital subsidiaries and affiliates of industrial corporations. The capital under management data referred to in this section consist primarily of venture capital firms investing through limited partnerships with fixed commitment levels and fixed

lives and does not include infinite lived “evergreen funds” or true captive corporate industrial investment groups without fixed commitment levels. The term ‘evergreen funds’ refers to funds that have a continuous infusion of capital from a parent organization as opposed to the fixed life and commitment level of a closed-end venture capital fund.

**Figure 1.05**  
Principals Information

Fund Vintage Year	No. Principals Per Firm	Estimated Industry Principals	Avg Mgt Per Principal (\$M)
2007	8.7	8,892	28.7
2008	8.5	7,497	27.2
2009	8.6	6,828	26.3

The correct interpretation of this chart is that at year end 2009, there were 6,828 principals (people who go to board meetings) in the industry. A principal on average manages \$26.3 million and the average firm is made up of 8.6 principals.

**Figure 1.06**  
Top 5 States  
By Capital Under Management 2009

State	(\$ Millions)
CA	79,831.1
MA	29,681.4
NY	16,610.1
MD	9,829.8
CT	8,290.1
<b>Total*</b>	<b>144,242.5</b>

\*Total includes above 5 states only



# Capital Commitments

*New commitments to venture capital funds in the United States again decreased in 2009 to \$15.4 billion from their post-bubble record level \$36.1 billion in 2007. This reflects a very difficult fundraising environment in part created by recent economic stress. However, most of the decrease reflects the contraction of the U.S. venture capital industry that began after the technology bubble burst in 2000.*

*In 2009, 127 funds raised \$15.4 billion, down 46% from the \$28.5 billion raised in 2008. Fundraising in 2009 was down 57% from the peak \$36.1 billion in 2007. A look behind the charts shows that this total was dominated by a small group of firms, most of which are the same firms that led fundraising a decade or two ago. Money raised by the three largest firms in 2009 represented 31% of the total. The top seven firms raised 46% of the total. For most firms, the fundraising environment in 2009 was difficult, with only the most promising, and in many cases, established, firms able to raise capital. Over the past few years, it has been very difficult for any firm not perceived as having top quartile potential to raise money. The 2009 environment took that to a new level. There are several reasons for fundraising difficulty: (1) the denominator effect where institutional investors found themselves over allocated to the asset class as their overall portfolio valuations fell, (2) few distributions back to investors from exits in recent years thus impairing the traditional “recycling” of capital from mature fund exits to newly-emerging funds, and (3) with strong returns difficult in the current environment, top performing firms have a better chance of outperforming other asset classes on a risk-adjusted basis.*

*Looking at annual commitment totals, venture firms had raised considerable funds in 2007 and the first part of 2008. As the economy worsened toward the end of 2008, many institutional investors (e.g., pension plans, endowments, money managers) saw the public portion of their portfolios fall and found themselves over-allocated to alternative asset classes, including venture capital. This slowdown dominated the last half of 2008 and accelerated further in 2009.*

*The top two fundraising states remained California and Massachusetts. Rounding out the top five states are Maryland, New York, and New Jersey. Overall, funds domiciled in the top five states accounted for 91% of the capital raised compared with the top five 2008 states raising 82% of the total.*

*Please note that the state of fund domicile matters less than has been true historically. Much of the money is managed by large, national funds that tend to be domiciled in any of several states with a broad geographic investing footprint. For example, the U.S. venture firm raising the most money in 2009 is domiciled in the mid-Atlantic but does most of its investing elsewhere.*

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## Methodology

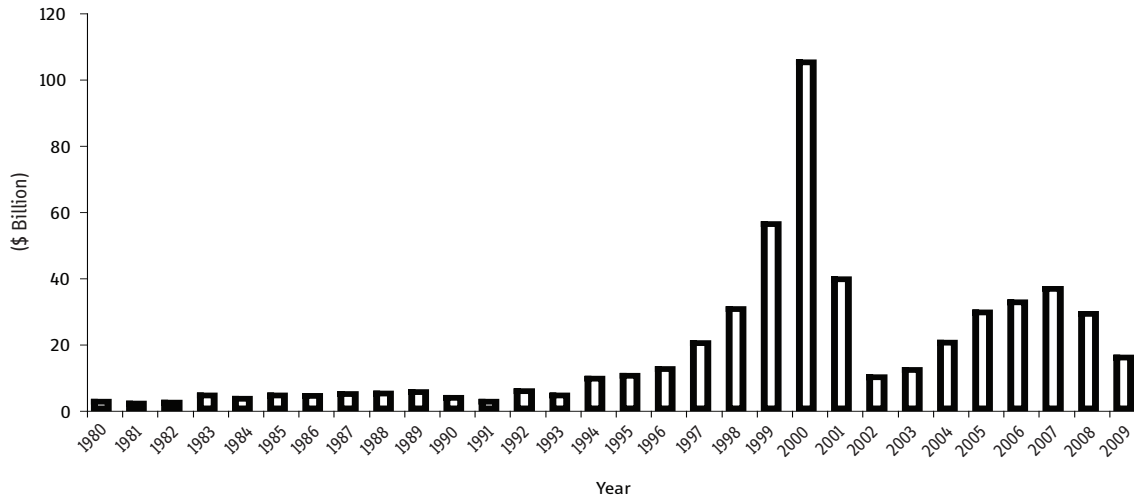
As defined by Thomson Reuters, capital commitments, also known as fundraising, are firm capital commitments to private equity limited partnerships by outside investors. For purposes of these statistics, the terms “capital commitments,” “fundraising,” and “fund closes” are used interchangeably. There are three sources of data for capital commitments: (1) SEC filings that are regularly monitored by our research staff, (2) surveys of the industry routinely conducted by Thomson Reuters, and (3) industry press and press releases from venture firms.

Capital commitments are stated on either a calendar year basis when committed or a vintage year basis once the fund starts investing depending on the analysis required. The data in this chapter is by calendar

year and incrementally measures how much capital a fund raised during the calendar year. For example, a venture capital firm announces a \$200 million fund in late 2007, raises \$75 million in 2008, and subsequently raises the remaining \$125 million in 2009. In this chapter, nothing would be reflected in 2007, \$75 million would be counted in 2008, and \$125 million would be counted in 2009. Assuming it started investing and made its first capital call in 2009, the entire fund would then be considered to be a 2009 vintage year fund. An important note: the fund commitments presented in this publication do not include those corporate captive venture capital funds that are funded by a corporate parent as well as evergreen funds since they do not typically raise capital from outside investors.

# National Venture Capital Association

**Figure 2.01**  
**Capital Commitments**  
**To U.S. Venture Funds (\$ Billions)**  
**1980 to 2009**



**Figure 2.02**  
**Capital Commitments**  
**To Private Equity Funds 1980-2009**

Year	Venture		Buyouts and		Private Equity	
	Capital \$Mil	No. Funds	Mezzanine Capital	No. Funds	Capital	No. Funds
1980	2,025.6	52	183.5	4	2,209.1	56
1981	1,486.5	75	126.8	4	1,613.3	79
1982	1,705.4	87	611.3	13	2,316.7	100
1983	3,966.8	144	1,351.3	15	5,318.1	159
1984	2,964.3	116	3,482.5	22	6,446.8	138
1985	3,981.0	120	3,024.5	22	7,005.5	142
1986	3,788.4	103	5,001.9	31	8,790.3	134
1987	4,339.7	114	17,426.0	44	21,765.7	158
1988	4,435.3	104	11,326.4	50	15,761.7	154
1989	4,902.6	105	12,034.6	78	16,937.2	183
1990	3,229.0	87	7,861.1	62	11,090.1	149
1991	2,002.8	42	5,886.6	27	7,889.4	69
1992	5,277.8	81	10,962.3	57	16,240.1	138
1993	3,967.1	90	16,145.1	81	20,112.2	171
1994	8,958.3	141	20,417.7	99	29,376.0	240
1995	9,859.6	172	26,918.3	103	36,777.9	275
1996	11,849.3	168	29,672.3	100	41,521.6	268
1997	19,774.5	247	41,057.5	130	60,832.0	377
1998	30,037.9	295	62,268.7	161	92,306.6	456
1999	55,662.0	454	53,681.5	156	109,343.5	610
2000	104,520.6	663	76,598.3	160	181,118.9	823
2001	38,917.4	326	51,053.1	123	89,970.5	449
2002	9,400.4	208	27,065.7	92	36,466.1	300
2003	11,612.0	164	31,319.7	105	42,931.7	269
2004	19,843.6	218	52,123.2	141	71,966.8	359
2005	28,962.7	242	108,299.9	182	137,262.6	424
2006	31,965.9	242	149,450.3	183	181,416.2	425
2007	36,131.4	250	205,547.5	212	241,678.9	462
2008	28,544.2	224	185,392.0	190	213,936.2	414
2009	15,374.6	127	43,086.1	109	58,460.7	236

# 2010 NVCA Yearbook

**Figure 2.03**  
**Venture Capital Fund Commitments**  
**1980 to 2009 (\$ Millions)**

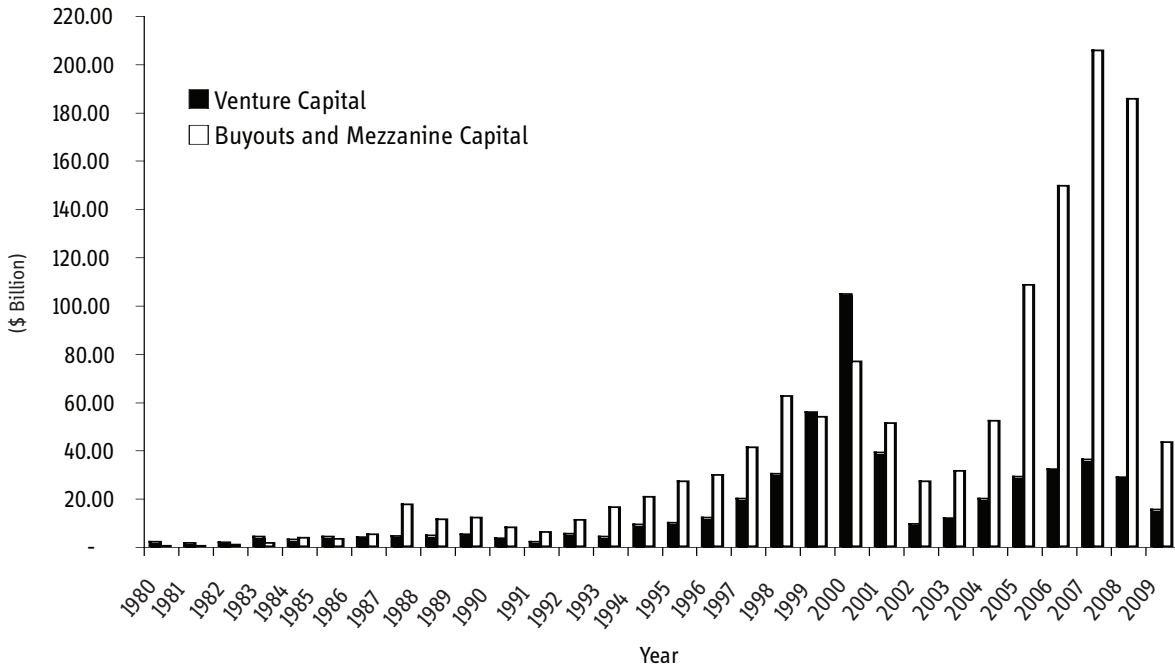
State	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
CA	380	363	731	859	948	998	770	1,165	934	1,501	618	546	1,407	1,169	1,911	3,325	3,627	5,331	7,728	22,070	41,603	13,584	2,808	4,656	9,203	13,967	10,981	15,647	15,771	5,631		
MA	223	115	438	548	357	598	557	1,005	788	335	675	242	1,051	170	1,150	2,017	1,913	2,664	5,156	7,657	16,557	9,743	2,574	1,597	1,692	6,144	4,602	5,712	3,158	3,274		
MD	0	45	0	0	219	4	182	24	2	74	213	50	0	417	272	67	775	172	1,338	1,753	4,226	663	481	1,100	278	833	2,968	1,377	447	2,766		
NY	228	402	193	1,043	424	302	1,460	654	363	2,242	490	509	470	695	1,895	2,154	1,848	3,966	8,381	9,655	16,635	2,469	1,025	1,245	2,183	2,271	2,613	5,223	2,076	1,868		
NJ	41	23	13	96	216	254	61	120	0	125	244	75	110	200	431	363	456	118	1,002	570	1,041	652	392	561	197	344	1,962	235	48	500		
IL	1,000	65	48	211	74	57	47	325	158	26	57	94	247	278	183	230	295	575	466	1,354	994	1,073	478	702	432	81	465	558	236	364		
DC	0	0	0	0	0	39	0	0	5	0	0	0	0	0	1,310	280	820	2,338	407	220	1,423	1,122	315	0	392	566	1,413	240	1,293	239		
PA	0	9	0	57	69	54	73	55	12	118	45	167	30	110	182	114	174	609	177	1,286	2,290	334	86	488	451	352	485	746	1,025	164		
CT	70	309	44	333	130	316	156	236	288	66	310	150	300	272	388	260	425	1,324	1,083	3,038	2,328	3,904	60	165	2,327	1,216	3,186	625	886	122		
AL	0	0	0	0	0	150	0	0	0	0	0	0	0	0	0	0	0	5	30	0	80	16	11	7	19	60	19	0	68	96		
MI	0	0	0	0	0	5	0	7	33	0	0	0	0	3	13	0	26	11	5	321	273	8	11	51	33	101	13	49	106	83		
TN	0	0	0	0	30	20	24	73	0	34	0	0	40	0	116	84	151	109	266	267	262	82	22	101	16	84	62	100	129	69		
UT	0	0	0	0	6	0	11	1	0	0	0	0	0	0	11	0	0	33	50	40	126	224	29	34	40	24	170	213	522	46		
FL	60	3	87	39	171	10	0	36	11	29	0	35	0	133	105	106	0	78	250	326	987	26	9	56	1	313	11	109	25	32		
MN	2	0	3	168	0	266	110	51	418	20	162	16	946	66	164	19	36	527	585	131	2,473	17	276	26	50	295	398	275	325	22		
VA	0	0	34	0	2	0	4	10	13	15	2	0	0	0	0	7	20	65	256	924	2,344	119	38	238	72	428	555	603	83	20		
TX	12	57	0	240	118	87	61	231	41	162	143	58	382	137	283	194	326	388	1,437	1,820	4,182	2,139	186	76	794	653	363	284	1,172	19		
IA	0	20	0	25	0	11	0	60	0	0	0	0	56	0	0	5	0	12	0	5	21	26	0	0	10	0	43	0	0	15		
GA	0	0	0	52	0	0	0	15	65	0	14	0	0	56	0	74	34	41	181	30	861	19	0	0	55	104	103	518	19	12		
NM	0	0	2	31	17	36	28	0	2	0	155	40	0	0	6	2	0	0	0	0	0	0	0	18	20	34	5	7	0	8		
NC	0	0	0	0	0	7	7	32	23	38	1	0	0	0	64	10	164	349	174	226	614	120	72	291	16	106	400	185	103	5		
WA	9	37	17	113	0	25	126	37	60	0	0	5	48	40	37	179	204	180	409	640	1,223	938	83	1	995	281	590	1,882	492	5		
OR	0	0	0	20	0	0	0	30	0	0	0	0	0	0	32	32	0	0	10	0	65	0	14	0	2	0	0	2	5	5		
CO	0	0	40	29	112	32	71	32	70	80	0	0	0	114	0	19	216	253	433	1,942	2,414	513	140	94	84	69	133	786	211	4		
OH	0	16	30	0	34	3	0	87	75	0	30	0	67	4	86	10	0	366	58	659	662	330	102	5	276	558	152	209	194	4		
WI	0	0	0	58	0	0	0	0	0	0	0	0	0	0	40	0	0	16	0	17	82	14	0	0	11	0	78	101	10	3		
LA	0	0	0	0	0	0	0	0	0	0	0	0	11	14	169	18	24	88	51	375	70	112	52	8	75	4	13	0	0	0		
OK	0	0	0	0	0	0	32	0	0	10	0	0	0	0	0	0	24	0	45	0	110	0	0	0	0	0	12	38	0	0	0	
MO	0	0	0	0	15	644	0	33	0	0	53	0	0	64	0	11	6	45	25	80	65	286	0	0	80	29	40	220	45	0		
SD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	0	22	14	131	1	0	0	5	0	0	0	15	0		
IN	0	0	12	10	2	0	10	0	27	16	5	0	49	0	20	0	116	0	13	20	103	40	10	36	17	6	24	1	28	0		
HI	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	3	0	0	0	10	0	0	3	0	8	0	0	0	6	0	0	
KS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	10	20	0	0	0	0	0	0	0	0	0	0	0	0	0	
RI	0	0	5	0	0	17	0	0	25	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0	0	64	14	0	0	0	
MS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0	30	0	0	0	0	0	1	0	0	0	0	
NH	0	7	4	34	0	49	0	0	40	0	0	15	0	0	0	20	0	50	0	0	0	0	11	9	0	0	5	7	0	0		
ME	1	0	0	0	0	0	0	22	948	0	0	0	2	0	59	0	22	0	0	127	0	77	16	3	0	0	46	20	0	0		
AZ	0	0	0	0	19	0	0	0	37	0	0	0	0	10	0	0	0	0	0	29	0	21	42	41	0	19	0	0	20	0	0	
ID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15	27	0	0	0	0	0	75	0	0	0	
WV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	4	13	2	0	0	0	0	0	0	0	
KY	0	17	0	0	0	0	0	0	0	0	0	0	0	14	7	15	0	42	0	0	0	135	8	2	0	5	65	98	12	0	0	
SC	0	1	0	2	0	0	0	0	13	5	0	0	0	0	14	0	0	0	0	0	70	0	15	0	0	6	0	0	0	0	0	
PR	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	31	0	0	0	0	0	1	0	0	0	
NV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50	25	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	0
ND	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	0	0
NE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	111	36	0	0	0	41	0	0	0	0	0	0	0	0	0	0	0
DE	0	0	8	0	0	0	0	0	0	0	0	0	0	0	25	31	65	0	0	28	0	0	22	0	10	0	0	0	0	0	0	0
UN	0	0	0	0	0	0	0	0	0	0	0	0	63	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	26	0	0	0	0	0	0	0	0	0	0	0
AR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	69	0	0	0	0	0	0	0	0	0	0	0
VT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	25	0	0	0	0	0	11	3	0	0	
Total	2,026	1,487	1,705	3,967	2,964	3,981	3,788	4,340	4,435	4,903	3,229	2,003	5,278	3,967	8,958	9,860	11,849	19,775	30,038	55,662	104,521	38,917	9,400	11,612	19,844	28,963	31,966	36,131	28,544	15,375		

# National Venture Capital Association

**Figure 2.04  
Top 5 States  
By Venture Capital Committed 2009**

State	No. of Funds	Committed (\$Mil)
California	45	5,630.70
Massachusetts	17	3,274.40
Maryland	4	2,765.70
New York	15	1,868.30
New Jersey	1	500.00
Sub-Total	82	14,039.10
Remaining States	45	1,335.50
Total	127	15,374.60

**Figure 2.05  
Private Equity  
Annual Commitment (\$ Billions)  
1980 to 2009**



# Investments

*In 2009, total venture investment decreased 37% in dollars and 30% in number of deals from 2008. Total venture investment decreased from \$27.9 billion to \$17.7 billion. While the timing of this most recent drop in industry size followed global economic concerns in mid-2008, the downward resizing of the industry is a result of the technology bubble bursting in 2000. Many of the venture firms which raised funds at the peak have since deployed their available capital and are unable to raise new funds. A sub-\$20-billion industry is welcomed by many long time practitioners as a return to a manageable size.*

*After years of taking on 1,000++ companies each year, the industry in 2009 funded 728 first time companies. While numerically fewer, each one represents a fresh commitment by venture capital funds to the future.*

*The contention for venture capitalist attention (and dollars) between existing later stage portfolio companies and newly-arriving business plans continues. There are still a record number of companies in portfolios in the later stage of development which in most other environments would have already gone public or otherwise been acquired. While the actual number of later stage deals declined in 2009, the proportion is still historically high. Not all of these later stage companies received further funding in 2009. Many of those companies which did not get 2009 funding have had to cut back growth plans awaiting better times. With IPOs occurring at a mere trickle and M&A markets slow, there is no place for these companies to go.*

*The life sciences share of the venture capital investment scene continued to grow. In 2009, 20% of total dollars went to biotechnology companies, 14% went to medical devices and equipment and 1% went to healthcare services. Clean technology is the industry's most visible emerging sector with \$2.2 billion invested in 2009 — just over 12% of the total dollars and more than four times the amount of four years earlier.*

*California companies received just over 50% of the total investment dollars although individual centers of sector strength and strong deal flow drove investment to 46 states and DC.*

*Investment by corporate venture capital groups declined to 7% of total US investment in 2009. Approximately 13% of all rounds involve at least one corporate venture group down from 19% a year earlier.*

*Several factors were in play which put upward pressure on the amount of venture capital invested: (1) there are a record number of later stage companies which need continued funding in light of poor exit opportunities; (2) the emerging sectors such as biotechnology, medical devices, and clean technology tend to be more capital intensive than typical information technology companies; (3) venture firms report an increasing number of high-quality opportunities and teams in the marketplace; and (4) increased government R&D funding will undoubtedly make certain sectors more investible in the future. On the other hand, those factors suppressing investment levels in the near term are (1) the need for capital efficiency at the portfolio companies — lengthening the runway and reducing the burn rate; (2) possible difficulty in additional fundraising from institutional investors over the next several quarters because of stretched allocations to this asset class; and (3) a lack of exits means lack of distributions which means a lack of capital which can be recycled for future investment.*

## Methodology

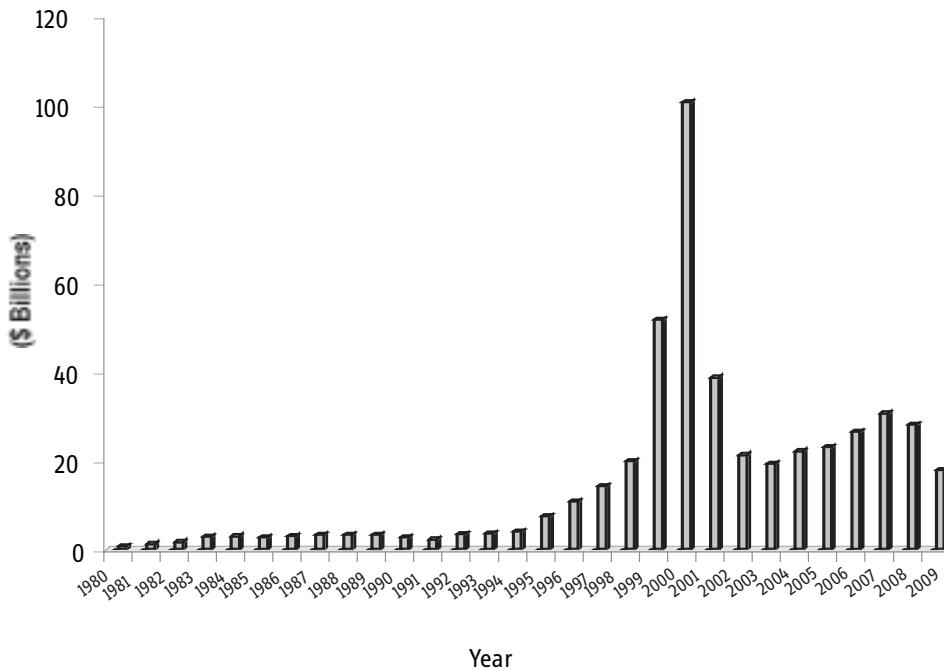
As calculated by Thomson Reuters, venture capital investment data are derived from several sources. Primarily, survey information is obtained from the quarterly survey which drives the MoneyTree Report™ from PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters. This is the official industry

database of venture capital investment. Secondly, Thomson Reuters obtains data from SEC filings that are regularly monitored by our research staff. Finally, publicly available sources such as press releases and trade publications are used.

For detailed information on which transactions qualify as MoneyTree deals and are therefore counted in this chapter, please refer to Appendix B.

# National Venture Capital Association

**Figure 3.1**  
**Venture Capital Investments (\$ Billions)**  
**1980 to 2009**



**Figure 3.2**  
**Venture Capital Investments in 2009**  
**By Industry Group**

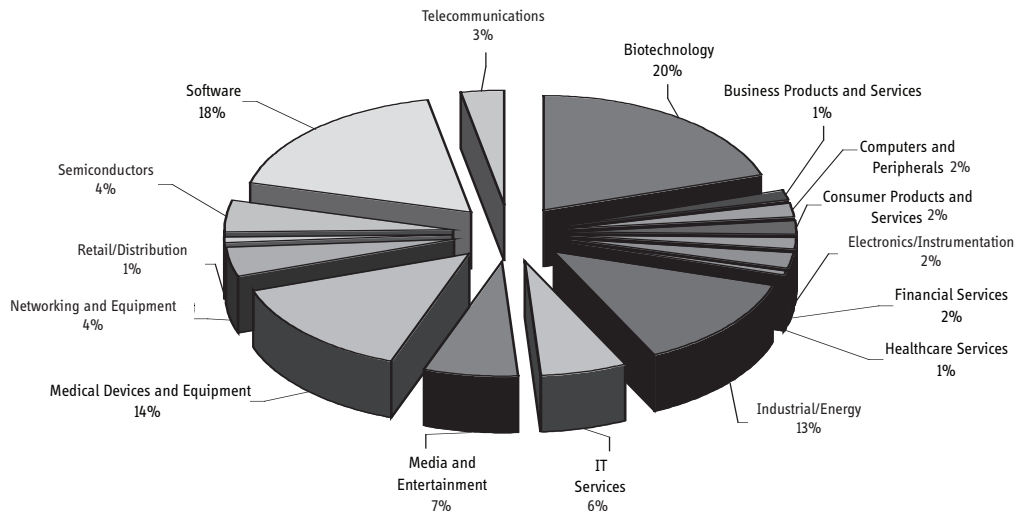
Industry Group	All Investments			Initial Investments		
	No. of Companies	No. of Deals	Investment Amt (\$Bil)	No. of Companies	No. of Deals	Investment Amt (\$Bil)
Information Technology	1,372	1,605	8.3	411	411	1.4
Medical/Health/Life Science	618	750	6.1	155	155	0.9
Non-High Technology	382	447	3.3	162	162	1.0
<b>Total</b>	<b>2,372</b>	<b>2,802</b>	<b>17.7</b>	<b>728</b>	<b>728</b>	<b>3.3</b>

**Figure 3.3**  
**Venture Capital Investments**  
**Top 5 States in 2009**

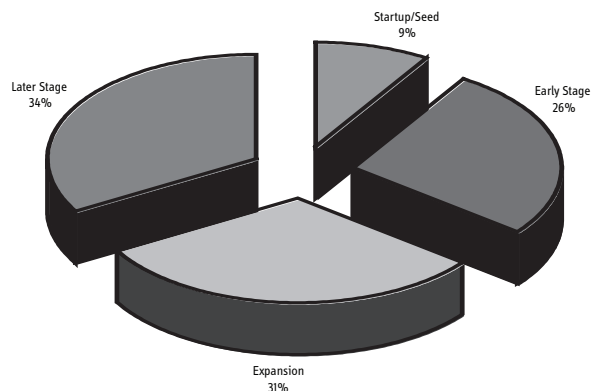
State	No. of Cos	No. of Deals	Amt Invested (\$Bil)
California	958	1,138	8.9
Massachusetts	250	303	2.0
New York	150	174	0.9
Texas	94	111	0.6
Washington	89	109	0.6
<b>Total*</b>	<b>1,541</b>	<b>1,835</b>	<b>13.0</b>

\*Total includes top 5 states only

**Figure 3.4**  
**Venture Capital Investments in 2009**  
**By Industry Sector**

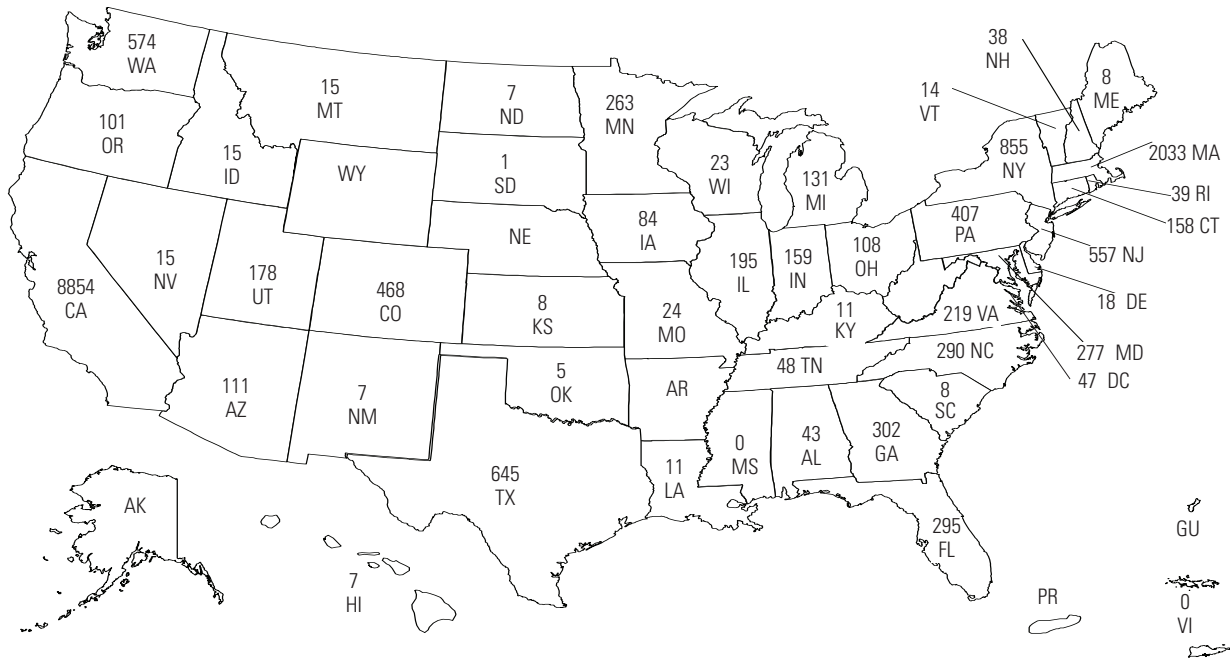


**Figure 3.5**  
**Venture Capital Investments in 2009**  
**By Stage**

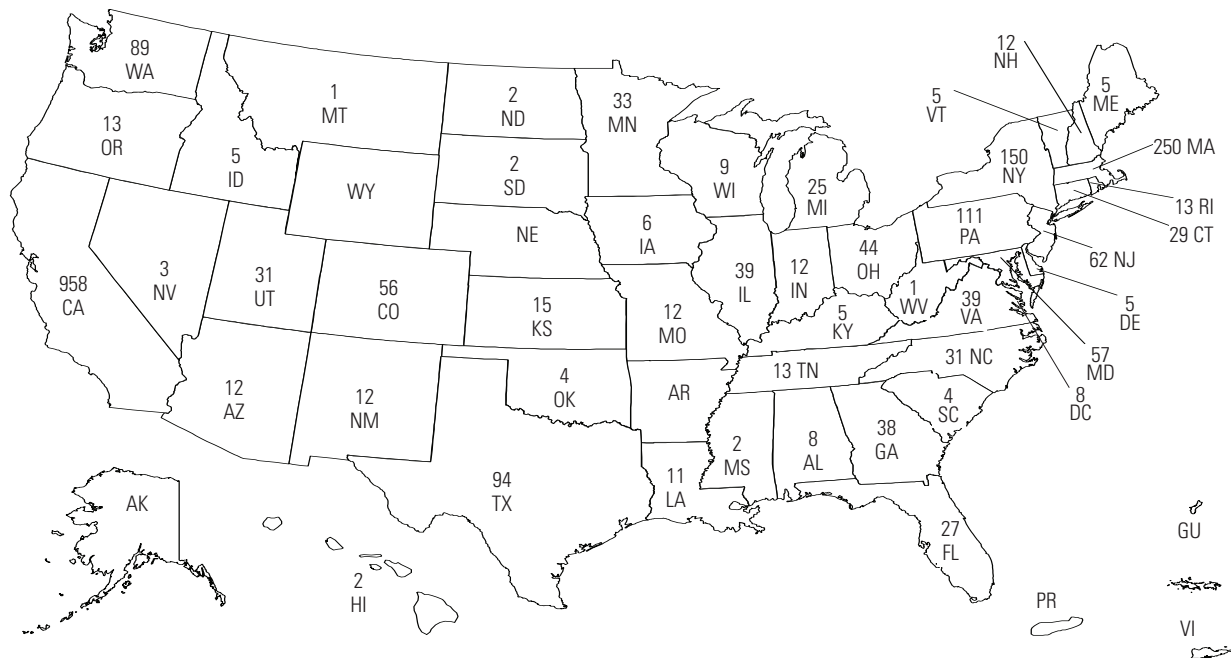


# National Venture Capital Association

**Figure 3.6**  
**Amount of Capital Invested By State in 2009**  
 (\$ Millions)



**Figure 3.7**  
**Number of Companies Invested in By State in 2009**



# 2010 NVCA Yearbook

**Figure 3.08**  
**Venture Capital Investments in 1980 to 2009**  
**By Region (\$ Millions)**

Region	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Silicon Valley	108.47	300.04	512.65	981.49	1,017.74	710.36	917.16	819.10	945.18	865.90	837.73	719.43	1,036.06	830.85	1,039.64	1,746.79	3,343.60	4,425.50	5,613.50	17,652.27	32,272.24	12,108.56	6,833.47	6,416.55	7,804.75	8,140.12	9,486.90	10,835.38	10,731.97	6,990.41
New England	66.03	162.21	228.57	408.49	418.45	418.77	403.54	488.26	477.01	406.09	360.07	265.81	423.51	326.76	419.94	680.31	1,120.90	1,485.63	2,221.08	5,336.51	11,422.90	5,090.59	2,804.31	2,899.73	3,269.35	2,878.22	3,126.45	3,839.72	3,294.72	2,160.87
NY Metro	46.90	60.58	86.90	132.18	147.91	204.53	199.29	250.84	291.34	357.61	189.64	174.11	218.14	203.94	260.42	432.93	683.23	1,248.21	1,627.38	4,423.31	10,120.72	3,432.65	1,482.31	1,380.03	1,593.16	2,025.05	2,117.94	1,710.83	1,963.84	1,413.44
Southeast	22.17	46.88	64.88	131.55	117.63	163.72	225.23	240.49	227.07	193.47	136.52	96.33	314.57	392.76	293.13	755.96	1,087.38	1,332.93	1,502.52	4,234.93	7,507.40	2,513.05	1,739.07	1,073.38	1,297.76	1,057.88	1,244.32	1,571.27	1,220.25	965.92
LA/Orange County	36.87	107.89	173.63	341.36	242.89	192.51	186.45	273.13	197.84	223.96	164.66	127.59	157.90	158.75	202.08	942.24	650.97	798.40	1,181.02	3,431.90	6,599.97	2,003.37	1,238.09	1,076.73	950.21	1,561.00	1,988.10	1,715.19	2,099.59	943.24
San Diego	20.25	35.21	14.04	67.08	59.53	90.94	74.75	101.71	146.82	132.51	106.38	93.07	102.09	122.49	207.03	245.87	434.48	487.62	965.18	1,149.23	2,084.67	1,487.48	976.01	771.29	1,186.75	1,122.36	1,204.86	1,930.82	1,191.66	983.15
Midwest	29.15	61.03	83.09	133.19	192.81	147.08	132.94	194.05	145.09	178.24	148.32	154.28	149.76	293.98	362.48	443.76	683.48	845.74	1,555.81	2,552.65	5,382.90	1,841.39	930.70	837.65	636.14	713.51	911.01	1,186.76	1,278.45	740.12
Northwest	5.50	20.86	42.45	127.55	87.69	138.01	125.98	137.35	99.77	114.03	88.55	62.39	216.96	131.78	153.14	349.42	474.91	528.89	791.96	2,787.66	3,653.78	1,352.03	719.02	626.33	985.07	1,001.41	1,229.90	1,673.17	1,076.32	784.79
Texas	66.37	105.36	110.19	129.43	194.12	225.44	225.93	202.57	227.34	216.31	133.25	147.86	145.46	216.83	266.17	453.30	517.74	799.03	1,122.59	2,930.88	5,945.10	2,818.58	1,220.33	1,204.19	1,148.58	1,163.04	1,373.44	1,437.45	1,261.89	644.62
DC/Metrolplex	24.27	24.76	20.69	75.19	58.88	91.53	58.31	97.08	128.31	134.05	81.08	37.15	48.38	67.24	129.11	353.32	485.38	547.96	1,038.45	2,006.85	5,250.84	1,984.09	1,071.17	758.90	928.09	1,036.57	1,122.94	1,245.50	984.73	545.54
Colorado	27.13	27.75	37.07	79.49	69.96	70.32	104.75	106.19	94.40	150.09	88.00	50.31	124.28	132.94	186.08	318.65	244.42	381.14	720.96	1,817.76	3,944.90	1,174.32	512.28	635.42	354.40	666.14	622.65	588.69	837.29	488.20
Philadelphia Metro	21.25	27.57	17.01	38.57	65.82	52.05	54.20	78.86	71.54	56.29	102.35	41.45	173.50	421.90	136.19	220.32	341.56	416.95	456.66	1,502.21	2,571.57	1,056.12	518.45	512.84	707.52	545.52	740.29	829.19	753.00	423.78
North Central	18.11	20.69	28.96	53.76	66.40	31.00	39.43	76.84	41.40	48.68	59.93	45.23	86.50	111.26	89.90	202.06	234.58	339.55	429.63	785.73	1,277.86	623.00	468.21	487.79	454.25	385.56	405.83	572.65	618.61	377.38
SouthWest	7.38	14.87	39.79	30.75	41.51	41.05	79.48	55.42	59.27	44.25	29.64	26.87	83.71	36.32	31.36	95.47	161.91	304.14	358.09	772.82	1,310.23	453.59	367.44	224.07	363.86	461.42	490.51	571.06	466.36	310.34
South Central	12.76	23.06	6.92	27.78	7.19	13.71	11.71	19.84	12.59	20.72	11.56	1.64	15.17	13.25	42.41	45.16	70.88	67.42	180.25	415.13	410.57	144.43	67.12	59.34	115.03	15.92	83.43	101.29	78.66	23.78
Upstate NY	7.08	12.14	2.95	10.11	17.43	14.16	10.74	9.68	5.33	7.34	8.13	3.37	9.07	5.15	0.67	35.53	22.37	84.55	175.62	207.49	268.49	131.50	86.35	132.29	103.67	53.57	106.17	138.72	90.35	18.01
Sacramento/N.Cal	2.36	7.86	15.11	8.78	19.08	11.98	34.02	22.00	34.10	4.20	19.29	15.74	16.81	5.63	16.58	31.39	28.08	21.37	85.79	98.83	314.04	226.70	58.79	32.08	36.02	42.52	35.72	109.98	68.96	17.01
Unknown	0.00	0.00	13.78	0.60	0.00	4.34	0.00	0.50	0.75	0.30	0.00	0.00	30.00	0.85	0.12	1.82	4.45	4.38	47.77	38.88	58.75	29.32	0.00	15.00	0.90	57.10	0.00	0.00	0.00	12.98
AK/HI/PR	0.00	0.06	3.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.29	0.03	1.00	22.00	7.76	24.62	14.00	5.47	17.36	237.62	69.81	4.90	12.93	11.36	14.11	47.07	20.95	21.00	7.09
Total	523.03	1,058.01	1,502.14	2,777.35	2,817.04	2,631.50	2,883.93	3,173.91	3,205.93	3,154.03	2,568.10	2,062.89	3,351.89	3,473.46	3,864.46	7,370.05	10,665.75	14,133.42	19,759.73	51,542.78	100,524.56	38,550.97	21,099.02	19,186.53	21,946.96	22,941.00	25,336.54	30,478.52	27,946.87	17,690.87

**Figure 3.08b**  
**Venture Capital Investments in 1980 to 2009**  
**By Region (Number of Deals)**

Region	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Silicon Valley	92	156	267	341	389	318	323	330	340	378	387	330	414	308	331	494	758	863	1,037	1,692	2,154	1,101	806	870	952	985	1,203	1,255	1,233	866	
New England	58	124	150	214	242	235	209	248	228	216	211	168	160	144	142	232	329	381	463	654	880	577	452	443	428	430	442	498	474	348	
NY Metro	27	63	78	106	81	89	100	117	103	116	87	80	69	69	78	125	150	228	260	476	805	432	225	195	217	190	286	271	319	246	
Midwest	29	46	68	86	102	97	111	128	102	128	101	91	85	86	83	129	181	226	240	312	498	272	240	168	163	166	209	257	285	221	
LA/Orange County	42	80	89	127	113	99	105	118	106	110	96	91	94	61	57	89	134	159	213	343	515	246	158	146	152	186	221	223	243	157	
Southeast	24	37	58	65	79	93	117	130	109	107	122	105	105	107	106	164	215	294	301	450	648	396	274	240	238	198	230	241	213	138	
Northwest	10	25	35	58	45	46	46	56	64	63	48	42	47	42	48	79	104	131	133	261	331	189	138	109	150	162	177	221	210	133	
DC/Metrolplex	13	16	27	53	39	46	42	61	57	49	59	54	45	35	45	74	114	134	158	264	498	257	201	180	182	207	212	213	206	119	
Texas	36	49	66	77	84	108	90	103	102	86	83	69	65	66	64	98	132	170	192	302	468	335	177	173	172	174	191	178	152	111	
San Diego	6	16	14	34	37	42	31	49	54	56	47	41	46	47	58	70	105	97	115	144	232	157	117	123	130	138	128	167	132	107	
Philadelphia Metro	14	20	18	27	28	38	35	50	43	35	42	41	63	49	44	78	89	138	135	136	225	128	97	88	99	89	109	131	149	89	
Colorado	11	35	33	40	53	43	56	59	59	50	47	34	51	47	49	59	81	95	124	159	220	109	88	73	69	79	99	100	105	72	
SouthWest	17	19	20	18	25	19	29	41	24	30	21	25	34	29	26	37	51	70	85	113	146	88	65	52	56	77	85	96	81	69	
North Central	21	21	34	52	63	36	47	53	52	38	43	39	40	41	38	71	71	117	109	115	148	121	74	73	70	66	66	86	81	58	
South Central	8	15	9	11	7	11	11	12	7	8	5	3	7	7	10	15	20	25	27	30	51	31	24	18	29	9	25	30	42	37	
Upstate NY	4	8	7	13	16	17	10	9	10	12	6	4	9	10	5	8	9	20	31	31	34	29	24	24	28	31	37	34	32	13	
Sacramento/N.Cal	2	3	6	10	14	11	17	11	11	6	10	9	13	7	9	10	10	7	16	17	35	25	7	11	7	10	9	18	19	8	
Unknown	0	0	19	2	0	13	0	1	2	2	0	0	1	4	2	3	9	7	17	5	17	15	0	1	3	2	0	0	0	8	
AK/HI/PR	0	1	1	0	0	1	0	0	0	0	0	0	3	3	1	2	4	8	6	5	5	14	10	3	6	5	6	14	8	8	2
Total	414	734	999	1,334	1,417	1,362	1,379	1,576	1,473	1,490	1,415	1,229	1,351	1,160	1,197	1,839	2,570	3,168	3,661	5,509	7,919	4,518	3,170	2,							

# National Venture Capital Association

**Figure 3.09**  
**Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Startup/Seed	153.2	322.6	333.8	543.9	636.4	509.3	732.8	616.6	640.6	543.5	384.7	223.0	534.4	599.2	727.3	1,193.4	1,237.2	1,295.9	1,651.4	3,498.7	3,066.3	721.6	320.7	336.1	456.6	908.4	1,229.0	1,425.2	1,625.2	1,596.3
Early Stage	123.0	280.6	359.6	703.2	665.6	506.6	588.1	708.4	717.1	690.0	667.6	521.2	548.3	601.3	812.9	1,670.3	2,530.8	3,362.3	5,276.2	11,074.5	23,975.9	8,191.2	3,764.7	3,523.6	3,864.5	3,932.2	4,251.7	5,740.0	5,326.6	4,671.8
Expansion	177.5	363.1	601.5	1,186.0	1,141.1	1,174.9	1,114.4	1,399.6	1,471.8	1,521.8	1,174.6	994.2	1,713.7	1,761.0	1,431.5	3,436.3	5,246.3	7,264.3	9,840.4	28,611.0	57,455.5	21,837.1	11,904.0	9,582.6	9,145.8	8,557.1	11,270.1	11,270.4	10,370.2	5,510.5
Later Stage	69.2	91.8	207.3	344.2	373.9	440.7	448.6	449.3	376.4	398.7	339.2	324.5	555.4	511.9	892.8	1,070.1	1,591.4	2,211.0	2,991.8	8,358.5	16,086.8	7,781.0	5,109.6	5,684.1	8,480.0	9,543.3	9,587.8	12,043.0	10,624.8	5,912.1
<b>Total</b>	<b>523.0</b>	<b>1,058.0</b>	<b>1,502.1</b>	<b>2,777.3</b>	<b>2,817.0</b>	<b>2,631.5</b>	<b>2,893.9</b>	<b>3,173.9</b>	<b>3,205.9</b>	<b>3,154.0</b>	<b>2,566.1</b>	<b>2,062.9</b>	<b>3,351.9</b>	<b>3,473.5</b>	<b>3,864.5</b>	<b>7,370.1</b>	<b>10,605.7</b>	<b>14,133.4</b>	<b>19,759.7</b>	<b>51,542.8</b>	<b>100,524.6</b>	<b>38,531.0</b>	<b>21,099.0</b>	<b>19,136.5</b>	<b>21,947.0</b>	<b>22,941.0</b>	<b>26,338.5</b>	<b>30,478.6</b>	<b>27,946.8</b>	<b>17,690.7</b>

**Figure 3.09b**  
**Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Startup/Seed	113	226	267	360	387	360	382	386	365	352	259	184	249	284	329	429	504	536	664	808	697	279	179	209	220	249	379	484	494	309
Early Stage	149	214	315	415	388	310	325	391	350	328	368	271	282	179	251	508	753	886	1,011	1,719	2,850	1,292	888	812	886	848	972	1,070	1,069	889
Expansion	125	243	310	458	512	526	494	589	595	644	586	528	601	505	424	696	1,019	1,412	1,576	2,453	3,697	2,401	1,610	1,374	1,243	1,111	1,376	1,276	1,224	804
Later Stage	27	51	107	101	130	166	178	210	163	166	202	246	219	192	193	206	294	334	410	529	675	546	493	598	801	997	1,016	1,197	1,197	800
<b>Total</b>	<b>414</b>	<b>794</b>	<b>939</b>	<b>1,334</b>	<b>1,417</b>	<b>1,362</b>	<b>1,379</b>	<b>1,576</b>	<b>1,473</b>	<b>1,490</b>	<b>1,415</b>	<b>1,229</b>	<b>1,351</b>	<b>1,160</b>	<b>1,197</b>	<b>1,839</b>	<b>2,570</b>	<b>3,168</b>	<b>3,661</b>	<b>5,509</b>	<b>7,919</b>	<b>4,518</b>	<b>3,170</b>	<b>2,993</b>	<b>3,150</b>	<b>3,205</b>	<b>3,743</b>	<b>4,027</b>	<b>3,984</b>	<b>2,802</b>

**Figure 3.09c-1**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	1980				1981				1982				1983				1984								
	1980-1Q	1980-2Q	1980-3Q	1980-4Q	1980 Total	1981-1Q	1981-2Q	1981-3Q	1981-4Q	1981 Total	1982-1Q	1982-2Q	1982-3Q	1982-4Q	1982 Total	1983-1Q	1983-2Q	1983-3Q	1983-4Q	1983 Total	1984-1Q	1984-2Q	1984-3Q	1984-4Q	1984 Total
Startup/Seed	46.83	11.95	48.58	45.88	153.24	94.51	45.95	105.18	76.91	322.55	112.84	50.82	71.14	99.01	333.81	109.09	144.16	136.78	153.86	543.89	170.08	186.54	162.27	117.54	636.44
Early Stage	30.37	22.89	30.57	39.21	123.05	80.63	60.77	66.89	72.33	280.60	128.81	98.96	49.58	82.21	359.56	211.67	172.73	148.05	170.77	703.22	165.29	161.68	158.40	180.26	665.62
Expansion	51.51	31.64	62.73	31.64	177.52	108.18	74.50	81.98	97.41	363.07	144.35	145.83	146.34	164.97	601.49	296.35	282.36	313.60	293.70	1,186.01	301.98	280.15	285.09	273.85	1,141.07
Later Stage	4.82	36.03	2.08	26.31	69.23	21.64	20.14	23.68	26.33	91.78	67.47	53.76	37.17	48.88	207.29	60.09	95.41	95.28	93.45	344.23	102.17	77.99	81.64	112.10	373.91
<b>Total</b>	<b>133.53</b>	<b>102.50</b>	<b>143.96</b>	<b>143.04</b>	<b>523.03</b>	<b>305.95</b>	<b>201.36</b>	<b>277.72</b>	<b>272.98</b>	<b>1,038.01</b>	<b>453.47</b>	<b>348.36</b>	<b>304.23</b>	<b>395.08</b>	<b>1,502.14</b>	<b>677.20</b>	<b>694.66</b>	<b>683.70</b>	<b>711.78</b>	<b>2,777.35</b>	<b>739.52</b>	<b>706.36</b>	<b>687.40</b>	<b>683.76</b>	<b>2,817.04</b>

**Figure 3.09c-2**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	1985				1986				1987				1988				1989								
	1985-1Q	1985-2Q	1985-3Q	1985-4Q	1985 Total	1986-1Q	1986-2Q	1986-3Q	1986-4Q	1986 Total	1987-1Q	1987-2Q	1987-3Q	1987-4Q	1987 Total	1988-1Q	1988-2Q	1988-3Q	1988-4Q	1988 Total	1989-1Q	1989-2Q	1989-3Q	1989-4Q	1989 Total
Startup/Seed	147.70	141.02	91.11	129.51	509.35	180.47	268.06	102.60	181.64	732.77	142.93	200.08	144.21	129.36	616.58	154.88	144.27	229.40	112.02	640.58	140.87	166.85	102.77	133.00	543.49
Early Stage	91.96	170.50	104.00	140.10	506.55	126.07	124.84	166.18	170.98	588.07	164.28	178.79	181.45	183.93	708.45	142.26	225.14	186.20	163.53	717.13	246.57	110.43	160.14	172.89	690.04
Expansion	208.63	313.33	289.15	363.75	1,174.86	265.99	351.09	228.67	268.70	1,114.44	391.30	346.58	363.35	298.38	1,399.60	302.63	471.61	291.03	406.50	1,471.77	383.97	428.16	274.61	435.10	1,521.84
Later Stage	133.20	82.27	151.18	74.11	440.75	107.76	79.71	134.50	126.68	448.65	91.85	151.99	104.52	100.93	449.28	110.32	67.85	139.82	58.46	376.45	87.79	92.50	78.68	139.71	398.67
<b>Total</b>	<b>581.48</b>	<b>707.12</b>	<b>635.44</b>	<b>707.47</b>	<b>2,631.50</b>	<b>680.29</b>	<b>823.70</b>	<b>631.95</b>	<b>747.99</b>	<b>2,893.93</b>	<b>730.36</b>	<b>877.44</b>	<b>793.52</b>	<b>712.59</b>	<b>3,173.91</b>	<b>710.09</b>	<b>908.68</b>	<b>846.45</b>	<b>740.52</b>	<b>3,205.93</b>	<b>859.20</b>	<b>797.94</b>	<b>616.20</b>	<b>880.69</b>	<b>3,154.03</b>

# 2010 NVCA Yearbook

**Figure 3.09c-3**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	1990					1991					1992					1993					1994				
	1990-1Q	1990-2Q	1990-3Q	1990-4Q	1990 Total	1991-1Q	1991-2Q	1991-3Q	1991-4Q	1991 Total	1992-1Q	1992-2Q	1992-3Q	1992-4Q	1992 Total	1993-1Q	1993-2Q	1993-3Q	1993-4Q	1993 Total	1994-1Q	1994-2Q	1994-3Q	1994-4Q	1994 Total
Startup/Seed	80.02	117.89	103.73	83.03	384.67	44.83	79.48	46.02	52.71	223.05	62.92	208.27	62.38	200.83	534.40	144.76	128.55	164.26	161.65	599.22	183.79	204.42	148.26	190.79	727.27
Early Stage	141.48	192.82	127.87	205.44	667.61	131.39	128.52	135.41	125.85	521.17	120.14	186.31	75.17	166.74	548.35	172.22	138.63	137.18	153.24	601.27	165.19	172.81	160.16	314.70	812.86
Expansion	338.28	299.65	197.67	338.02	1,174.62	209.63	230.61	249.07	304.86	994.17	461.96	483.84	322.84	445.09	1,713.72	339.66	401.65	433.98	585.73	1,761.02	304.23	348.09	323.34	455.87	1,431.53
Later Stage	81.02	92.00	79.82	86.37	339.20	81.46	96.17	54.72	92.15	324.50	193.39	88.97	96.22	176.85	555.43	176.11	93.37	92.86	149.60	511.95	158.32	169.50	225.74	339.25	892.81
Total	641.79	702.36	509.08	712.66	2,566.10	467.32	534.78	485.22	575.57	2,082.89	838.40	967.38	556.61	989.50	3,351.89	832.75	762.20	828.28	1,050.23	3,473.46	811.53	894.82	857.51	1,300.61	3,894.46

**Figure 3.09c-4**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	1995					1996					1997					1998					1999				
	1995-1Q	1995-2Q	1995-3Q	1995-4Q	1995 Total	1996-1Q	1996-2Q	1996-3Q	1996-4Q	1996 Total	1997-1Q	1997-2Q	1997-3Q	1997-4Q	1997 Total	1998-1Q	1998-2Q	1998-3Q	1998-4Q	1998 Total	1999-1Q	1999-2Q	1999-3Q	1999-4Q	1999 Total
Startup/Seed	265.30	397.96	215.33	314.82	1,193.40	306.96	420.39	203.18	306.71	1,237.23	378.40	303.85	313.42	300.22	1,295.88	361.39	391.47	436.17	462.35	1,651.38	504.93	795.77	936.44	1,261.61	3,498.75
Early Stage	408.72	383.08	349.27	528.19	1,670.26	551.63	677.53	592.98	708.61	2,530.75	749.73	818.73	761.55	1,032.24	3,362.25	1,066.89	1,175.61	1,134.15	1,899.52	5,276.18	1,147.61	2,117.21	2,559.41	5,250.27	11,074.50
Expansion	620.70	1,385.13	754.19	676.25	3,436.26	1,075.75	1,483.47	1,179.17	1,507.93	5,246.31	1,286.23	1,906.09	1,902.86	2,169.14	7,264.31	1,673.50	3,012.80	2,646.43	2,507.67	9,840.41	3,010.77	5,059.80	7,535.01	13,005.45	28,611.03
Later Stage	307.02	251.92	255.99	255.21	1,070.13	277.95	427.72	390.21	495.57	1,591.45	472.96	482.71	585.49	669.82	2,210.98	744.70	679.90	704.99	862.17	2,991.76	1,364.35	2,336.89	1,862.99	2,794.28	8,358.52
Total	1,602.73	2,418.09	1,574.77	1,774.46	7,370.05	2,212.28	3,009.11	2,365.54	3,018.82	10,605.75	2,887.31	3,511.39	3,563.32	4,171.40	14,133.42	3,846.49	5,259.77	4,921.75	5,731.72	19,759.73	6,027.66	10,309.67	12,893.85	22,311.61	51,542.79

**Figure 3.09c-5**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	2000					2001					2002					2003					2004				
	2000-1Q	2000-2Q	2000-3Q	2000-4Q	2000 Total	2001-1Q	2001-2Q	2001-3Q	2001-4Q	2001 Total	2002-1Q	2002-2Q	2002-3Q	2002-4Q	2002 Total	2003-1Q	2003-2Q	2003-3Q	2003-4Q	2003 Total	2004-1Q	2004-2Q	2004-3Q	2004-4Q	2004 Total
Startup/Seed	775.26	916.95	847.86	466.23	3,006.29	248.02	233.27	113.69	126.63	721.62	67.96	91.20	80.54	80.96	320.66	70.23	91.46	90.87	83.56	336.12	91.06	119.78	110.30	135.46	456.60
Early Stage	6,849.13	6,571.19	5,578.12	4,971.51	23,970.95	3,362.43	1,943.27	1,614.35	1,271.13	8,191.18	1,107.14	1,091.10	797.83	788.67	3,784.74	692.03	1,001.31	788.88	1,041.42	3,523.63	882.76	959.35	973.91	1,048.50	3,864.53
Expansion	15,743.08	15,302.64	14,810.01	11,599.75	57,455.49	6,447.49	6,296.01	4,425.10	4,688.54	21,837.13	3,677.57	3,606.10	2,372.84	2,247.51	11,904.02	2,351.58	2,374.34	2,277.56	2,589.15	9,592.64	2,087.10	2,778.26	2,011.46	2,269.02	9,145.84
Later Stage	3,978.50	4,025.77	4,133.86	3,948.63	16,086.84	2,218.44	2,235.90	1,721.69	1,605.00	7,781.03	1,692.31	1,078.01	1,104.99	1,234.30	5,109.61	1,017.73	1,307.13	1,583.80	1,775.48	5,684.14	2,164.40	2,233.59	1,715.73	2,366.27	8,479.99
Total	27,346.05	26,822.55	25,369.84	20,986.12	100,524.56	12,276.37	10,700.45	7,874.84	7,671.30	39,530.97	6,544.97	5,866.41	4,366.20	4,331.44	21,099.02	4,131.57	4,774.25	4,741.10	5,489.61	19,136.53	5,225.32	6,090.98	4,811.40	5,819.25	21,946.96

**Figure 3.09c-6**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (\$ Millions)**

Stage	2005					2006					2007					2008					2009				
	2005-1Q	2005-2Q	2005-3Q	2005-4Q	2005 Total	2006-1Q	2006-2Q	2006-3Q	2006-4Q	2006 Total	2007-1Q	2007-2Q	2007-3Q	2007-4Q	2007 Total	2008-1Q	2008-2Q	2008-3Q	2008-4Q	2008 Total	2009-1Q	2009-2Q	2009-3Q	2009-4Q	2009 Total
Startup/Seed	116.09	491.50	151.89	148.94	908.41	231.37	371.53	333.51	292.57	1,228.98	250.62	347.54	349.32	477.73	1,425.21	420.91	463.22	434.46	306.64	1,625.23	202.15	516.59	475.24	402.30	1,596.29
Early Stage	835.00	930.33	1,185.57	981.32	3,932.20	874.49	913.22	1,033.56	1,430.41	4,251.68	1,219.85	1,577.59	1,255.41	1,687.18	5,740.03	1,285.84	1,406.14	1,299.21	1,335.39	5,326.58	778.26	1,055.22	1,185.40	1,612.89	4,671.78
Expansion	2,134.70	2,465.77	1,647.30	2,309.33	8,557.10	2,528.77	3,328.13	2,924.43	2,488.75	11,270.09	3,020.52	2,314.27	2,963.13	2,972.45	11,270.37	3,353.07	2,506.80	2,491.04	2,019.30	10,370.22	937.24	1,282.70	1,680.74	1,609.87	5,510.54
Later Stage	1,960.59	2,376.21	2,874.68	2,331.79	9,543.28	2,678.19	2,487.70	2,358.68	2,063.22	9,587.79	2,896.09	3,083.10	3,175.71	2,888.10	12,043.00	2,631.56	2,987.81	2,812.08	2,193.38	10,624.83	1,472.88	1,208.40	1,760.10	1,470.68	5,912.06
Total	5,046.38	6,263.81	5,859.43	5,771.37	22,941.00	6,312.82	7,100.58	6,650.18	6,274.95	26,338.54	7,387.08	7,322.50	7,743.58	8,025.46	30,478.62	7,631.38	7,363.96	7,036.80	5,854.70	27,946.85	3,390.52	4,102.91	5,101.49	5,095.74	17,690.67

# National Venture Capital Association

**Figure 3.09d-1**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	1980					1981					1982					1983					1984				
	1980-1Q	1980-2Q	1980-3Q	1980-4Q	1980 Total	1981-1Q	1981-2Q	1981-3Q	1981-4Q	1981 Total	1982-1Q	1982-2Q	1982-3Q	1982-4Q	1982 Total	1983-1Q	1983-2Q	1983-3Q	1983-4Q	1983 Total	1984-1Q	1984-2Q	1984-3Q	1984-4Q	1984 Total
Startup/Seed	42	12	27	32	113	62	48	58	58	226	93	48	57	69	267	88	95	98	79	360	122	84	92	89	387
Early Stage	57	21	28	43	149	98	45	34	37	214	154	55	43	63	315	156	78	93	88	415	139	94	72	83	388
Expansion	49	25	26	25	125	94	49	55	45	243	126	57	58	69	310	157	92	107	102	458	173	115	115	109	512
Later Stage	7	7	6	7	27	15	11	10	15	51	36	21	24	26	107	25	27	25	24	101	44	26	24	36	130
<b>Total</b>	<b>155</b>	<b>65</b>	<b>87</b>	<b>107</b>	<b>414</b>	<b>269</b>	<b>153</b>	<b>157</b>	<b>155</b>	<b>734</b>	<b>403</b>	<b>181</b>	<b>182</b>	<b>227</b>	<b>999</b>	<b>426</b>	<b>292</b>	<b>323</b>	<b>293</b>	<b>1334</b>	<b>478</b>	<b>319</b>	<b>303</b>	<b>317</b>	<b>1417</b>

**Figure 3.09d-2**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	1985					1986					1987					1988					1989				
	1985-1Q	1985-2Q	1985-3Q	1985-4Q	1985 Total	1986-1Q	1986-2Q	1986-3Q	1986-4Q	1986 Total	1987-1Q	1987-2Q	1987-3Q	1987-4Q	1987 Total	1988-1Q	1988-2Q	1988-3Q	1988-4Q	1988 Total	1989-1Q	1989-2Q	1989-3Q	1989-4Q	1989 Total
Startup/Seed	111	89	61	99	360	133	107	62	80	382	115	102	86	83	386	118	78	88	81	365	106	97	77	72	352
Early Stage	88	82	61	79	310	109	69	70	77	325	124	83	97	87	391	96	91	87	76	360	99	63	82	84	328
Expansion	142	120	114	150	526	168	133	93	100	494	173	131	152	133	589	152	177	127	139	595	213	156	118	157	644
Later Stage	60	40	36	30	166	56	49	29	44	178	61	58	45	46	210	48	40	40	35	163	44	29	38	55	166
<b>Total</b>	<b>401</b>	<b>331</b>	<b>272</b>	<b>358</b>	<b>1362</b>	<b>466</b>	<b>358</b>	<b>254</b>	<b>301</b>	<b>1379</b>	<b>473</b>	<b>374</b>	<b>380</b>	<b>349</b>	<b>1576</b>	<b>414</b>	<b>386</b>	<b>342</b>	<b>331</b>	<b>1473</b>	<b>462</b>	<b>345</b>	<b>315</b>	<b>368</b>	<b>1490</b>

**Figure 3.09d-3**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	1990					1991					1992					1993					1994				
	1990-1Q	1990-2Q	1990-3Q	1990-4Q	1990 Total	1991-1Q	1991-2Q	1991-3Q	1991-4Q	1991 Total	1992-1Q	1992-2Q	1992-3Q	1992-4Q	1992 Total	1993-1Q	1993-2Q	1993-3Q	1993-4Q	1993 Total	1994-1Q	1994-2Q	1994-3Q	1994-4Q	1994 Total
Startup/Seed	60	70	58	71	259	51	48	42	43	184	49	68	48	84	249	69	68	66	81	284	89	68	81	91	329
Early Stage	87	95	74	112	368	79	70	58	64	271	74	87	51	70	282	41	48	39	51	179	64	61	49	77	251
Expansion	148	146	140	152	586	129	128	123	148	528	154	160	101	106	601	144	119	117	125	505	104	108	98	114	424
Later Stage	47	51	40	64	202	48	65	53	80	246	68	40	41	70	219	64	46	41	41	192	46	63	37	47	193
<b>Total</b>	<b>342</b>	<b>362</b>	<b>312</b>	<b>399</b>	<b>1415</b>	<b>307</b>	<b>311</b>	<b>276</b>	<b>335</b>	<b>1229</b>	<b>345</b>	<b>355</b>	<b>241</b>	<b>410</b>	<b>1351</b>	<b>318</b>	<b>281</b>	<b>263</b>	<b>298</b>	<b>1160</b>	<b>303</b>	<b>300</b>	<b>285</b>	<b>329</b>	<b>1197</b>

**Figure 3.09d-4**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	1995					1996					1997					1998					1999				
	1995-1Q	1995-2Q	1995-3Q	1995-4Q	1995 Total	1996-1Q	1996-2Q	1996-3Q	1996-4Q	1996 Total	1997-1Q	1997-2Q	1997-3Q	1997-4Q	1997 Total	1998-1Q	1998-2Q	1998-3Q	1998-4Q	1998 Total	1999-1Q	1999-2Q	1999-3Q	1999-4Q	1999 Total
Startup/Seed	124	95	95	115	429	132	139	98	135	504	161	117	119	139	536	148	160	162	194	664	165	212	245	186	808
Early Stage	129	135	112	132	508	149	205	178	221	753	204	209	219	254	886	236	220	248	307	1,011	242	379	446	652	1,719
Expansion	189	178	162	167	696	229	241	233	316	1,019	308	366	326	412	1,412	368	412	406	390	1,576	380	564	602	907	2,453
Later Stage	55	46	53	52	206	65	70	75	84	294	88	74	80	92	334	97	109	96	108	410	124	155	128	122	529
<b>Total</b>	<b>497</b>	<b>454</b>	<b>422</b>	<b>466</b>	<b>1,839</b>	<b>575</b>	<b>655</b>	<b>584</b>	<b>756</b>	<b>2,570</b>	<b>761</b>	<b>766</b>	<b>744</b>	<b>897</b>	<b>3,168</b>	<b>849</b>	<b>901</b>	<b>912</b>	<b>999</b>	<b>3,661</b>	<b>911</b>	<b>1,310</b>	<b>1,421</b>	<b>1,867</b>	<b>5,509</b>

# 2010 NVCA Yearbook

**Figure 3.09d-5**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	2000					2001					2002					2003					2004				
	2000-1Q	2000-2Q	2000-3Q	2000-4Q	2000 Total	2001-1Q	2001-2Q	2001-3Q	2001-4Q	2001 Total	2002-1Q	2002-2Q	2002-3Q	2002-4Q	2002 Total	2003-1Q	2003-2Q	2003-3Q	2003-4Q	2003 Total	2004-1Q	2004-2Q	2004-3Q	2004-4Q	2004 Total
Startup/Seed	194	193	172	138	697	81	72	67	59	279	48	53	40	38	179	55	59	43	52	209	44	71	42	63	220
Early Stage	766	779	687	618	2,850	433	337	270	252	1,292	247	249	194	198	888	195	216	189	212	812	208	237	214	227	886
Expansion	1,007	991	893	806	3,697	636	672	546	547	2,401	418	460	349	383	1,610	347	323	351	353	1,374	292	359	269	323	1,243
Later Stage	168	143	179	185	675	135	143	131	137	546	143	108	122	120	493	120	147	149	182	598	187	198	176	240	801
<b>Total</b>	<b>2,135</b>	<b>2,106</b>	<b>1,931</b>	<b>1,747</b>	<b>7,919</b>	<b>1,285</b>	<b>1,224</b>	<b>1,014</b>	<b>995</b>	<b>4,518</b>	<b>856</b>	<b>870</b>	<b>705</b>	<b>739</b>	<b>3,170</b>	<b>717</b>	<b>745</b>	<b>732</b>	<b>799</b>	<b>2,993</b>	<b>731</b>	<b>865</b>	<b>701</b>	<b>853</b>	<b>3,150</b>

**Figure 3.09d-6**  
**Quarterly Venture Capital Investments**  
**1980 to 2009 By Stage (Number of Deals)**

Stage	2005					2006					2007					2008					2009				
	2005-1Q	2005-2Q	2005-3Q	2005-4Q	2005 Total	2006-1Q	2006-2Q	2006-3Q	2006-4Q	2006 Total	2007-1Q	2007-2Q	2007-3Q	2007-4Q	2007 Total	2008-1Q	2008-2Q	2008-3Q	2008-4Q	2008 Total	2009-1Q	2009-2Q	2009-3Q	2009-4Q	2009 Total
Startup/Seed	48	66	67	68	249	76	93	113	97	379	83	134	128	139	484	129	123	144	98	494	57	75	88	89	309
Early Stage	210	214	220	204	848	204	242	228	298	972	243	310	245	272	1,070	251	284	262	272	1,069	187	199	221	282	889
Expansion	275	296	239	301	1,111	329	359	348	340	1,376	284	317	324	351	1,276	338	331	279	276	1,224	174	196	197	237	804
Later Stage	203	262	275	257	997	272	283	232	229	1,016	264	303	314	316	1,197	299	325	308	265	1,197	213	211	184	192	800
<b>Total</b>	<b>736</b>	<b>838</b>	<b>801</b>	<b>830</b>	<b>3,205</b>	<b>881</b>	<b>977</b>	<b>921</b>	<b>964</b>	<b>3,743</b>	<b>874</b>	<b>1,064</b>	<b>1,011</b>	<b>1,078</b>	<b>4,027</b>	<b>1,017</b>	<b>1,063</b>	<b>933</b>	<b>911</b>	<b>3,994</b>	<b>631</b>	<b>681</b>	<b>630</b>	<b>800</b>	<b>2,802</b>

**Figure 3.10**  
**Venture Capital Investments**  
**1980 to 2009 By Industry (\$ Millions)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Biotechnology	46.0	102.7	77.1	128.5	99.5	109.1	213.5	256.9	350.6	305.7	280.1	251.1	545.3	455.5	546.7	736.8	1,151.6	1,319.2	1,504.7	2,006.7	3,987.1	3,363.7	3,226.8	3,611.1	4,230.7	4,045.9	4,610.6	5,287.2	4,364.7	3,507.5
Software	37.8	115.4	230.0	537.5	662.2	576.7	556.2	490.9	455.0	443.9	501.3	441.6	587.9	438.2	628.3	1,088.6	2,157.0	3,197.8	4,324.4	10,251.6	23,845.8	10,016.6	5,141.8	4,383.0	5,317.8	4,783.4	4,888.5	5,467.5	5,144.2	3,115.6
Medical Devices and Equipment	23.8	42.5	67.0	130.0	187.5	174.1	171.6	252.9	336.1	334.9	316.1	217.9	471.2	401.2	415.0	612.4	590.4	1,020.9	1,069.7	1,432.6	2,245.6	1,902.4	1,833.6	1,555.5	1,829.0	2,180.7	2,789.5	3,771.3	3,410.3	2,506.4
Industrial/Energy	139.2	231.0	205.5	211.3	229.2	201.8	184.7	282.7	206.2	319.9	191.1	164.0	270.3	290.4	251.8	495.4	485.6	689.3	1,382.7	1,544.8	2,511.5	1,651.1	704.5	683.5	760.3	903.9	1,301.9	3,202.5	4,560.8	2,330.3
Media and Entertainment	17.8	38.6	53.7	94.8	56.4	83.3	110.1	142.3	126.7	152.6	91.8	59.4	150.3	307.2	259.6	909.5	1,062.6	926.0	1,722.6	6,422.7	10,159.7	2,216.3	688.5	844.0	888.9	1,072.2	1,661.3	1,981.4	1,728.8	1,172.8
IT Services	3.3	4.9	16.1	28.1	18.6	21.4	31.1	39.5	28.5	36.2	35.4	39.4	28.2	31.3	112.1	173.3	425.4	655.4	1,033.7	3,920.1	8,498.2	2,335.2	1,021.8	759.4	726.1	1,042.0	1,371.9	1,719.8	1,827.6	1,072.2
Semiconductors	20.2	81.3	115.6	206.3	242.2	238.6	271.0	249.0	286.4	158.5	174.6	73.6	140.5	58.1	190.7	191.2	295.8	563.5	611.5	1,219.3	3,466.7	2,343.0	1,093.7	1,767.6	2,103.3	1,042.6	2,088.6	2,112.6	1,645.5	771.6
Networking and Equipment	27.1	63.1	63.0	194.5	185.5	213.5	155.0	129.1	130.6	194.5	155.4	125.1	235.5	507.6	240.3	342.1	610.1	929.5	1,348.6	4,548.1	11,367.5	5,487.6	2,637.5	1,729.2	1,560.2	1,510.5	1,163.9	1,410.6	743.0	713.0
Telecommunications	7.5	43.4	88.6	129.1	152.3	169.7	167.1	144.8	158.7	112.9	121.9	104.5	175.0	234.6	444.6	872.3	1,141.4	1,459.8	2,513.5	7,493.7	15,709.1	4,961.6	2,082.0	1,659.9	1,823.6	2,294.6	2,628.6	2,053.6	1,671.2	558.7
Consumer Products and Services	19.1	8.1	42.3	47.3	41.8	66.1	124.1	153.8	152.0	99.1	133.6	127.4	107.3	128.5	155.4	426.6	476.9	735.7	616.4	2,408.4	3,334.1	612.2	223.0	159.3	290.2	304.8	370.9	433.3	410.5	370.8
Financial Services	12.4	14.3	6.8	25.9	11.7	86.0	102.6	63.2	208.0	221.3	57.3	21.1	107.5	121.9	120.3	182.8	319.2	358.7	771.1	2,142.6	4,117.1	1,366.2	318.3	405.4	515.2	906.1	448.7	578.7	499.8	364.0
Computers and Peripherals	88.5	219.7	398.2	797.9	647.2	434.3	423.5	385.6	350.8	280.2	225.3	161.0	181.8	154.3	174.0	320.8	384.4	380.2	363.2	885.3	1,568.8	603.2	464.1	394.1	593.6	540.8	541.5	607.1	448.0	338.0
Electronics/Instrumentation	29.4	51.7	65.8	52.0	96.3	112.7	117.7	123.9	77.6	114.0	60.8	71.0	52.0	53.7	64.8	122.4	192.4	256.5	222.4	278.6	757.8	347.5	294.0	224.4	358.9	436.5	690.7	520.2	574.3	305.2
Business Products and Services	5.7	15.4	20.6	28.9	26.5	29.4	54.9	50.1	43.9	42.4	57.0	70.6	34.2	62.7	45.4	176.8	371.5	409.0	694.2	2,755.9	4,508.3	1,003.2	440.3	664.6	397.7	377.7	565.3	693.3	483.7	253.3
Retailing/Distribution	27.1	5.8	13.5	80.6	66.5	31.9	80.8	284.2	209.4	193.2	86.5	45.3	96.3	81.1	78.8	312.2	243.6	297.2	579.6	2,746.8	3,057.8	314.0	150.9	64.4	185.2	224.6	191.8	358.8	238.4	172.2
Healthcare Services	17.5	12.0	33.9	77.5	86.6	79.3	117.5	124.6	84.9	144.6	77.9	57.3	168.7	140.4	161.0	395.4	674.9	878.1	918.0	1,347.6	1,342.0	541.8	364.2	216.2	365.3	397.7	379.1	182.6	102.4	
Other	0.7	8.3	4.6	7.2	2.5	2.5	0.3	0.3	0.0	0.0	0.0	32.7	0.0	5.8	5.8	11.5	22.9	56.3	93.3	138.0	47.5	65.3	4.0	15.0	0.9	57.1	7.5	1.4	13.5	31.4
<b>Total</b>	<b>523.0</b>	<b>1,068.0</b>	<b>1,502.1</b>	<b>2,777.3</b>	<b>2,817.0</b>	<b>2,631.5</b>	<b>2,883.9</b>	<b>3,179.9</b>	<b>3,205.9</b>	<b>3,154.0</b>	<b>2,566.1</b>	<b>2,062.9</b>	<b>3,351.9</b>	<b>3,473.5</b>	<b>3,864.5</b>	<b>7,370.1</b>	<b>10,665.7</b>	<b>14,133.4</b>	<b>19,759.7</b>	<b>51,542.8</b>	<b>100,524.6</b>	<b>39,531.0</b>	<b>21,099.0</b>	<b>19,136.5</b>	<b>21,947.0</b>	<b>22,941.0</b>	<b>26,338.5</b>	<b>30,478.6</b>	<b>27,946.8</b>	<b>17,690.7</b>

**Figure 3.10b**  
**Venture Capital Investments**  
**1980 to 2009 By Industry (Number of Deals)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Software	39	90	163	299	328	322	319	299	275	294	301	282	296	238	248	418	670	802	961	1,400	2,111	1,253	988	932	938	897	946	966	949	628
Biotechnology	19	46	58	67	52	73	97	130	145	128	139	134	157	132	137	168	231	249	280	270	353	341	321	352	392	397	471	494	503	411
Medical Devices and Equipment	35	48	64	99	110	130	111	164	147	180	189	154	188	148	128	180	213	267	282	281	296	248	237	245	275	281	352	405	384	309
Media and Entertainment	26	41	53	56	34	52	62	82	68	67	56	48	74	75	92	139	177	211	262	688	933	358	160	132	137	188	314	374	408	251
Industrial/Energy	95	158	163	148	151	128	131	155	134	140	145	121	124	93	94	129	151	209	186	189	240	193	128	138	146	147	215	304	352	221
IT Services	3	8	23	27	29	24	24	31	22	27	30	30	19	17	31	58	119	160	202	451	685	323	174	146	146	158	204	250	273	202
Telecommunications	10	35	52	66	96	87	76	90	77	75	55	64	63	69	71	139	209	269	329	519	895	491	276	221	223	251	327	299	249	140
Semiconductors	20	43	47	72	97	85	71	87	90	78	73	48	56	42	37	59	68	110	112	138	255	210	169	214	256	231	250	220	196	119
Networking and Equipment	12	36	27	65	65																									



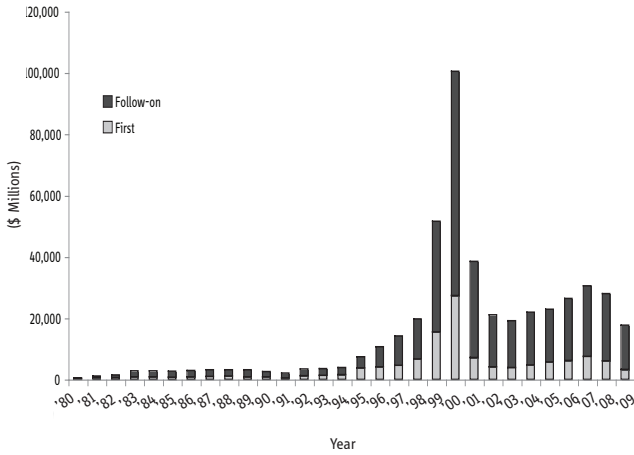
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**Figure 3.11b**  
**Number of Venture Capital Deals by State 1980 to 2009**

State	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
CA	142	255	376	512	553	470	476	508	511	550	540	471	567	423	455	664	1,008	1,126	1,382	2,198	2,936	1,530	1,088	1,150	1,241	1,319	1,561	1,663	1,627	1,138	
MA	50	110	136	189	215	214	183	216	195	179	167	134	135	127	123	197	289	334	395	585	773	512	385	384	385	377	401	451	422	303	
NY	17	37	47	66	43	47	46	52	46	48	29	22	32	33	35	65	85	152	188	348	602	282	153	120	151	135	221	203	248	174	
PA	11	17	19	20	29	34	44	55	53	38	42	35	60	46	38	65	83	133	144	146	257	145	100	102	105	99	138	161	190	124	
TX	36	49	66	77	84	108	90	103	102	86	83	69	65	66	64	98	133	170	193	302	468	335	177	173	172	174	191	178	152	111	
WA	8	13	18	32	17	20	20	25	23	35	27	27	33	28	35	61	74	85	111	205	255	141	110	83	116	127	141	172	163	109	
NJ	18	28	28	40	39	44	44	51	42	52	46	41	34	39	55	62	77	76	114	185	153	96	92	92	78	94	97	90	73		
CO	11	35	33	40	53	43	56	59	59	50	47	34	51	47	49	59	81	95	124	159	220	109	88	73	69	79	99	100	105	72	
MD	6	7	12	22	15	20	17	24	28	19	28	28	23	15	21	33	47	49	55	100	177	93	95	87	90	104	111	96	104	67	
OH	7	15	12	10	19	25	20	26	22	18	22	22	21	21	22	37	53	53	64	51	77	44	50	30	35	38	43	64	58	50	
GA	8	14	11	16	25	31	43	44	38	29	31	34	34	37	41	47	53	83	97	162	220	140	79	60	79	63	84	75	80	44	
IL	13	13	18	28	33	27	27	31	31	62	34	36	33	25	34	42	56	79	69	128	197	127	79	58	57	54	57	71	69	43	
VA	5	7	9	23	19	21	19	28	24	29	26	23	19	18	21	40	63	81	99	147	274	138	91	82	81	86	89	95	86	43	
CT	7	19	24	34	34	32	32	39	43	43	37	30	30	22	31	43	46	65	74	89	116	71	38	34	34	33	30	38	35	39	
UT	5	4	6	1	5	1	12	13	6	5	3	6	10	6	0	7	15	30	33	42	62	44	28	23	30	27	41	33	35	36	
MN	18	16	31	42	48	23	29	33	29	29	30	30	27	26	21	51	51	90	80	85	110	84	58	59	52	44	40	59	49	34	
NC	4	4	12	15	12	15	21	16	11	16	24	17	18	20	22	35	60	83	83	106	156	90	85	77	54	49	64	68	53	34	
MI	2	10	19	28	26	19	22	22	12	16	13	8	5	12	3	13	21	29	32	43	55	22	30	17	15	19	19	23	45	33	
FL	9	11	24	21	20	21	20	28	23	20	30	20	28	24	18	48	54	69	62	116	184	111	60	63	62	55	57	60	37	31	
KS	0	1	1	2	2	1	2	6	4	4	3	1	5	2	2	3	9	6	3	8	22	10	7	12	14	4	7	16	23	18	
OR	2	10	14	23	27	24	24	29	35	28	21	12	12	12	12	17	29	42	19	51	69	43	26	21	31	26	32	41	37	18	
AZ	7	13	12	14	15	15	11	20	12	23	14	13	20	21	23	27	29	30	38	56	66	35	25	16	12	26	28	29	21	16	
IN	0	0	3	8	7	8	15	15	6	6	12	8	1	8	7	7	8	12	8	11	27	6	11	8	10	10	15	15	16	16	
RI	0	4	3	7	10	6	4	7	6	7	7	4	2	3	0	3	1	4	5	10	9	11	14	10	8	13	7	4	10	16	
LA	4	9	5	3	2	6	2	2	2	0	0	1	1	4	2	8	4	12	11	10	15	11	8	1	3	3	3	7	14	15	
NM	5	2	1	1	4	3	4	6	6	1	3	2	0	2	1	2	5	3	4	6	8	4	6	5	8	15	9	25	19	14	
TN	1	3	4	12	10	17	23	27	29	27	22	23	10	8	10	19	24	26	26	45	46	32	28	24	27	25	14	21	23	14	
MO	1	0	5	4	4	5	5	12	8	11	10	9	9	12	7	15	21	16	19	23	49	17	28	19	9	10	13	17	22	13	
NH	3	4	5	7	5	3	9	10	7	11	18	17	11	10	4	10	16	17	26	31	58	34	40	33	22	24	19	22	26	13	
WI	1	3	1	7	11	11	15	17	15	6	11	6	9	8	8	7	9	19	16	18	22	20	10	8	10	16	20	20	18	11	
AL	2	2	7	1	8	7	9	11	4	7	7	1	4	9	4	10	8	16	15	10	28	15	13	9	6	3	7	5	8	9	
DC	2	2	4	6	4	4	5	7	4	1	5	3	3	2	3	1	4	2	3	17	45	24	7	6	8	12	9	18	15	8	
IA	2	1	2	2	2	1	3	2	3	2	2	3	4	2	5	10	6	4	7	3	4	5	1	0	3	3	2	3	7	8	
UN	0	0	19	2	0	13	0	1	2	2	0	0	1	4	2	2	7	7	15	3	17	14	0	0	3	2	0	0	0	8	
DE	0	0	0	0	0	1	1	1	4	3	1	3	2	1	3	4	4	4	0	2	4	2	2	1	1	5	5	6	7	5	
ID	0	0	2	3	1	1	0	1	0	0	0	0	1	2	1	1	1	2	3	3	4	3	2	5	2	3	3	6	7	5	
KY	1	1	2	1	0	2	4	7	4	5	0	2	2	2	3	10	7	15	16	16	14	4	3	3	4	3	10	7	11	5	
ME	2	0	0	3	4	9	6	5	4	6	6	4	1	2	0	2	5	2	11	11	15	5	4	2	3	3	4	7	3	5	
VT	0	3	0	1	1	0	3	3	3	2	3	3	1	0	3	4	1	1	2	1	4	3	5	5	4	5	7	5	7	5	
OK	3	5	3	6	3	4	5	4	1	4	2	1	0	0	5	2	7	5	11	7	9	7	4	2	11	0	8	6	5	4	
SC	0	0	0	0	2	1	0	4	3	7	5	9	7	7	6	5	13	14	16	9	11	5	6	4	5	1	3	10	12	4	
NV	0	0	1	2	1	0	2	2	0	1	1	4	4	0	2	1	2	7	10	9	10	5	6	8	6	9	7	9	6	3	
SD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	2	1	3	0	1	2	1	3	
HI	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	3	4	3	3	3	3	5	2	5	4	5	11	4	6	2	
MS	0	3	0	0	2	1	1	0	1	1	3	1	4	2	5	0	3	3	2	2	3	3	3	4	5	2	1	2	0	2	
ND	0	0	0	0	1	0	0	1	0	0	0	0	0	0	1	2	0	1	1	1	1	1	0	2	1	0	0	1	3	2	
MT	0	1	0	0	0	1	2	1	5	0	0	3	0	0	0	0	0	0	0	2	3	2	0	0	0	2	0	1	2	1	
WV	0	0	2	2	1	1	1	2	1	0	0	0	0	0	0	0	0	2	1	0	2	2	8	5	3	5	3	4	1	1	
AK	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
AR	1	0	0	0	0	0	2	0	0	0	0	0	1	1	1	2	0	2	2	5	5	3	5	3	1	2	7	1	0	0	
NE	0	1	0	1	1	1	0	0	5	1	0	0	0	5	3	1	5	3	5	7	10	10	3	3	1	3	3	1	3	0	
PR	0	0	0	0	0	0	0	0	0	0	0	3	2	1	2	4	5	2	2	2	10	5	1	1	1	1	3	4	2	0	
WY	0	1	1	0	0	0	0	0	1	0	0	0	1	0	0	0	0	2	0	0	0	0	0	0	1	4	1	1	1	0	
Total	414	734	999	1,334	1,417	1,362	1,379	1,576	1,473	1,490	1,415	1,229	1,351	1,160	1,197	1,839	2,570	3,168	3,661	5,509	7,919	4,518	3,170	2,993	3,150	3,205	3,743	4,027	3,984	2,802	

# National Venture Capital Association

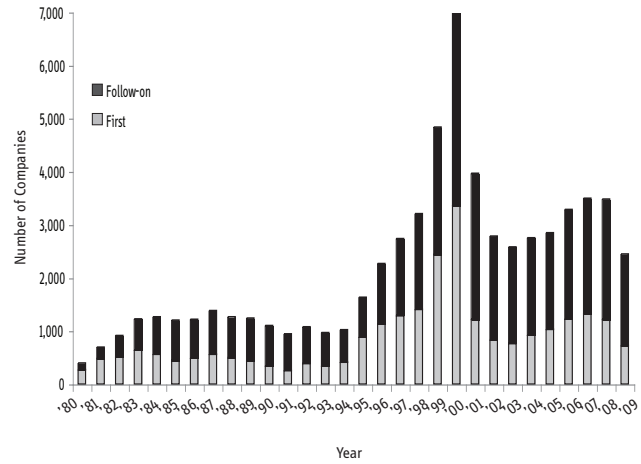
**Figure 3.12**  
Venture Capital Investments  
First vs. Follows-on Rounds  
Total Dollars Invested (\$ Millions)



**Figure 3.13**  
Venture Capital Investments  
First vs. Follows-on Rounds  
Total Dollars Invested (\$ Millions)

Year	First	Follow-on	Total
1980	302.3	220.7	523.0
1981	588.4	469.6	1,058.0
1982	573.4	928.7	1,502.1
1983	901.0	1,876.3	2,777.3
1984	824.5	1,992.5	2,817.0
1985	718.1	1,913.4	2,631.5
1986	845.4	2,038.5	2,883.9
1987	979.7	2,194.2	3,173.9
1988	1,039.2	2,166.8	3,205.9
1989	886.0	2,268.1	3,154.0
1990	795.0	1,771.1	2,566.1
1991	526.4	1,536.4	2,062.9
1992	1,249.4	2,102.5	3,351.9
1993	1,300.4	2,173.1	3,473.5
1994	1,612.2	2,252.3	3,864.5
1995	3,777.8	3,592.3	7,370.1
1996	4,121.1	6,484.7	10,605.7
1997	4,646.9	9,486.5	14,133.4
1998	6,677.2	13,082.5	19,759.7
1999	15,505.3	36,037.5	51,542.8
2000	27,321.4	73,203.1	100,524.6
2001	7,096.5	31,434.5	38,531.0
2002	4,126.3	16,972.7	21,099.0
2003	3,848.4	15,288.1	19,136.5
2004	4,728.7	17,218.2	21,947.0
2005	5,720.8	17,220.2	22,941.0
2006	6,162.7	20,175.8	26,338.5
2007	7,449.7	23,028.9	30,478.6
2008	6,059.1	21,887.7	27,946.8
2009	3,316.3	14,374.4	17,690.7

**Figure 3.14**  
Venture Capital Investments  
Number of Companies Receiving



**Figure 3.15**  
Venture Capital Investments  
First vs. Follows-on Rounds  
Total Number of Companies

Year	No. of Cos Receiving Initial Deals Financing	No. of Cos Receiving Follow-On Financing	No. of Cos Receiving Financing*
1980	271	127	379
1981	482	218	661
1982	514	404	876
1983	643	587	1,165
1984	567	705	1,209
1985	449	756	1,169
1986	491	734	1,186
1987	562	826	1,333
1988	502	766	1,221
1989	438	809	1,197
1990	342	761	1,035
1991	259	690	908
1992	388	690	1,016
1993	342	626	913
1994	417	607	959
1995	884	753	1,538
1996	1,138	1,132	2,074
1997	1,293	1,448	2,543
1998	1,412	1,800	2,981
1999	2,440	2,399	4,414
2000	3,366	3,635	6,343
2001	1,223	2,744	3,804
2002	837	1,950	2,677
2003	765	1,819	2,483
2004	926	1,829	2,649
2005	1,033	1,820	2,731
2006	1,230	2,059	3,115
2007	1,331	2,168	3,336
2008	1,219	2,268	3,307
2009	728	1,721	2,372

\* No. of Cos receiving financing can be less than the sum of the prior two columns because a given company can receive initial and follow-on financing in the same year

# 2010 NVCA Yearbook

**Figure 3.16**  
**First Sequence by Stage of Development (\$ Millions)**

Stage	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Startup/Seed	133.3	278.3	266.8	395.7	419.0	296.9	414.2	342.3	347.1	245.9	175.4	91.6	202.9	331.8	400.7	701.2	657.7	762.5	930.4	2,623.5	2,364.0	573.5	251.8	278.8	358.6	786.2	1,045.1	1,098.4	1,184.7	839.2
Early Stage	56.5	126.9	141.9	278.4	179.1	127.0	174.1	313.3	297.7	210.3	288.0	206.5	264.0	322.3	400.7	876.2	1,319.2	1,697.4	2,738.6	6,107.4	15,698.2	4,388.1	2,287.3	2,138.5	2,521.0	2,533.1	2,354.8	2,982.5	2,302.3	1,299.1
Expansion	56.3	130.7	125.4	178.9	203.8	250.8	207.9	271.7	310.5	319.3	287.5	158.7	632.1	514.9	502.4	1,700.0	1,726.9	1,862.7	2,679.3	6,290.5	8,724.0	1,891.8	1,366.1	988.0	1,299.5	1,489.5	2,029.6	2,525.6	1,691.6	682.7
Later Stage	56.2	52.5	39.4	48.1	22.6	43.3	49.2	52.5	83.9	110.4	44.0	69.7	150.4	131.4	228.4	500.4	417.2	324.3	328.9	483.9	535.2	243.2	221.1	443.2	549.6	911.9	733.3	843.2	880.5	495.3
Total	302.3	588.4	573.4	901.0	824.5	718.1	845.4	979.7	1,039.2	886.0	795.0	526.4	1,249.4	1,300.4	1,612.2	3,777.8	4,121.1	4,646.9	6,677.2	15,505.3	27,321.4	7,096.5	4,126.3	3,848.4	4,728.7	5,720.8	6,162.7	7,449.7	6,059.1	3,316.3

**Figure 3.17**  
**First Sequence by Stage of Development (No. of Deals)**

Stage	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Startup/Seed	101	202	210	290	279	221	242	227	208	203	119	85	117	143	186	253	313	346	453	649	577	219	129	160	167	200	313	394	355	188
Early Stage	95	141	182	219	161	99	115	192	167	99	118	75	127	69	108	282	409	474	497	1,116	1,922	692	469	427	527	530	559	564	514	342
Expansion	59	109	96	106	112	106	106	117	106	111	90	83	121	104	105	291	358	423	414	636	811	281	205	145	182	245	267	283	216	127
Later Stage	16	30	26	28	15	23	28	26	21	25	15	16	23	26	18	58	58	50	48	39	56	31	34	33	50	58	91	90	134	71
Total	271	482	514	643	567	449	491	562	502	438	342	259	388	342	417	884	1,138	1,293	1,412	2,440	3,366	1,223	837	765	926	1,033	1,230	1,331	1,219	728

**Figure 3.18**  
**First Sequence by Industry (\$ Millions)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Software	26.3	61.0	106.5	220.6	192.1	88.8	111.2	90.2	124.5	92.5	161.2	106.7	145.7	110.7	297.6	510.9	871.6	994.8	1,159.6	2,717.3	5,733.6	1,524.8	1,137.9	895.3	1,239.1	1,123.6	1,157.9	1,195.4	999.7	585.4
Industrial/Energy	104.1	153.4	81.2	98.8	79.8	96.5	76.4	118.9	120.5	212.9	99.8	61.8	154.9	188.5	157.5	419.6	278.9	360.7	913.1	878.2	1,031.7	464.3	368.7	228.3	262.5	327.3	739.0	1,305.2	1,125.6	571.2
Biotechnology	13.8	55.8	31.9	22.4	23.7	33.7	54.3	61.7	65.7	51.0	27.2	15.4	158.6	121.9	149.4	141.3	210.2	345.1	356.9	383.1	707.8	748.2	662.7	391.8	701.9	655.9	952.5	892.1	844.9	550.9
Medical Devices and Equipment	14.2	21.2	28.2	45.1	70.6	42.0	71.6	82.3	76.7	70.7	58.0	39.7	93.5	143.4	133.0	178.3	190.6	275.1	231.3	275.0	333.1	249.8	260.7	307.2	299.8	399.2	571.7	790.4	586.4	326.1
IT Services	3.1	4.9	13.3	9.0	11.6	16.1	9.2	4.5	9.4	20.6	16.7	10.3	8.8	13.1	92.8	53.7	215.8	247.4	332.0	1,452.3	2,506.8	358.2	192.0	155.8	176.1	369.5	339.5	556.9	613.0	286.3
Media and Entertainment	7.7	37.0	29.9	41.6	41.2	62.7	43.2	96.2	90.1	83.2	65.1	13.9	101.5	232.3	105.8	735.7	363.7	385.3	737.5	2,120.8	2,873.5	347.0	181.1	437.3	254.0	506.5	661.2	653.0	513.2	276.6
Business Products and Services	3.0	7.0	16.9	13.6	9.8	12.6	33.9	25.2	10.5	13.3	40.5	62.4	25.4	54.7	39.5	133.4	250.8	232.2	339.1	950.5	1,789.1	215.8	127.8	353.9	206.8	153.6	210.4	294.5	138.8	158.1
Financial Services	6.1	11.8	4.8	9.4	6.3	70.2	81.3	43.9	160.6	71.3	32.6	8.8	100.6	109.1	66.9	113.0	254.4	228.0	401.3	783.1	1,513.1	323.0	81.2	81.7	247.2	600.6	143.2	247.6	253.3	109.3
Telecommunications	3.3	26.1	36.6	35.8	47.0	64.5	42.9	37.2	42.4	42.9	52.1	10.8	93.6	62.4	187.5	392.8	386.0	372.1	862.4	1,943.4	4,664.0	825.3	204.8	207.0	270.4	376.3	526.3	404.0	270.6	101.7
Consumer Products and Services	7.2	5.6	32.7	22.1	28.1	44.0	59.4	52.3	74.5	29.8	55.6	54.8	73.6	54.8	100.8	275.2	202.8	207.4	232.2	726.9	906.2	122.9	44.9	76.9	117.8	204.0	130.0	200.8	205.1	91.8
Networking and Equipment	4.5	25.5	19.7	60.1	30.3	22.7	32.9	24.2	40.5	54.6	42.0	19.8	53.9	81.0	37.7	72.7	127.4	217.2	298.9	1,571.8	2,476.8	848.2	225.8	115.4	169.9	117.5	102.6	194.8	70.3	62.6
Computers and Peripherals	38.4	83.2	103.2	154.4	110.1	38.6	56.6	82.8	63.8	41.5	52.4	17.4	58.6	39.3	39.1	162.6	142.3	101.0	117.6	254.3	344.3	264.4	30.8	92.9	95.0	106.7	59.4	176.1	132.4	48.7
Healthcare Services	5.5	12.0	25.2	51.0	40.2	16.5	61.1	56.4	17.1	48.0	27.8	20.3	63.0	67.6	109.5	243.8	272.7	292.0	261.0	330.0	427.3	82.0	155.3	71.0	91.0	161.9	152.1	62.5	39.2	39.5
Other	0.7	8.3	2.9	0.6	0.8	0.5	1.5	0.0	0.3	0.0	0.0	32.7	0.0	0.0	0.2	11.5	1.1	15.3	24.5	91.5	46.3	41.7	4.0	0.0	0.9	57.1	7.5	1.4	8.1	28.7
Semiconductors	18.5	46.6	12.7	52.5	78.2	45.7	22.4	38.1	56.7	13.2	31.8	10.3	51.0	5.0	34.9	63.4	117.6	175.6	160.7	268.8	973.9	528.2	321.7	377.2	398.6	273.2	222.9	233.7	133.3	28.4
Electronics/Instrumentation	18.8	24.3	14.7	32.3	28.2	43.3	28.2	32.4	25.6	19.2	18.7	16.1	14.2	12.8	8.6	55.5	83.4	88.8	43.0	95.0	145.1	94.9	82.1	45.5	90.0	138.6	141.8	144.7	89.9	28.1
Retailing/Distribution	27.1	4.8	13.0	31.8	26.6	19.6	59.2	133.3	60.1	21.2	13.3	25.4	52.5	23.8	51.5	214.4	151.6	109.0	206.0	663.3	888.7	57.8	44.7	11.3	107.6	149.9	44.9	96.6	35.4	22.9
Total	302.3	588.4	573.4	901.0	824.5	718.1	845.4	979.7	1,039.2	886.0	795.0	526.4	1,249.4	1,300.4	1,612.2	3,777.8	4,121.1	4,646.9	6,677.2	15,505.3	27,321.4	7,096.5	4,126.3	3,848.4	4,728.7	5,720.8	6,162.7	7,449.7	6,059.1	3,316.3

# National Venture Capital Association

**Figure 3.19**  
**First Sequence by Industry (No. of Deals)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Software	24	60	81	161	129	74	72	80	85	66	81	58	67	51	97	215	318	320	324	588	861	304	260	227	247	262	266	271	259	159
Media and Entertainment	19	34	37	30	15	28	32	45	31	33	22	10	28	24	29	71	75	105	117	372	386	75	40	40	53	89	156	176	175	85
Biotechnology	13	31	33	23	20	28	32	54	46	32	26	20	52	45	40	53	69	87	102	80	123	109	106	90	111	116	143	129	132	80
Industrial/Energy	70	112	80	68	71	62	58	72	71	73	49	28	31	32	39	81	77	99	88	96	121	79	62	48	56	64	105	147	146	71
IT Services	2	8	18	12	12	11	8	5	8	11	6	5	4	6	19	26	65	65	88	226	325	77	29	33	45	62	76	99	116	71
Medical Devices and Equipment	18	29	28	48	51	40	51	60	54	59	37	30	43	42	37	55	84	105	94	85	70	56	66	73	75	83	126	124	99	64
Business Products and Services	6	11	21	15	12	13	23	20	12	9	10	9	10	13	10	30	41	48	75	147	219	49	28	28	34	37	44	57	48	32
Telecommunications	6	23	27	26	41	27	24	23	22	22	7	12	20	27	22	69	90	94	134	233	389	131	47	43	53	76	108	82	45	32
Consumer Products and Services	12	15	32	22	19	28	29	32	18	22	25	16	22	17	30	57	50	72	68	134	99	28	23	18	29	41	43	51	54	26
Other	3	4	8	4	3	1	1	0	1	0	1	2	0	1	1	6	2	5	4	10	9	9	2	0	3	3	2	5	4	21
Financial Services	9	11	10	16	5	18	22	24	21	12	7	11	13	18	13	29	39	40	62	100	179	44	27	17	33	29	30	39	29	17
Computers and Peripherals	37	67	74	81	66	28	31	31	34	27	18	11	27	17	17	43	37	43	31	34	53	25	12	23	21	21	13	26	19	15
Networking and Equipment	5	16	11	37	21	18	21	20	24	22	16	14	22	14	17	29	49	52	82	102	211	96	37	20	33	26	17	25	10	14
Healthcare Services	2	2	13	25	24	9	31	19	11	8	7	10	16	12	18	42	59	52	39	55	58	18	21	17	15	24	19	17	11	12
Electronics/Instrumentation	21	29	20	24	32	27	18	24	17	17	10	8	10	5	9	23	19	18	17	17	27	25	16	19	22	32	27	30	30	11
Semiconductors	18	26	10	34	40	24	13	15	21	12	11	8	11	5	10	23	29	54	44	48	118	79	51	64	79	45	43	36	29	11
Retailing/Distribution	6	4	11	17	6	13	25	38	26	13	9	7	12	13	9	32	35	34	43	113	118	19	10	5	17	23	12	17	13	7
<b>Total</b>	<b>271</b>	<b>482</b>	<b>514</b>	<b>643</b>	<b>567</b>	<b>449</b>	<b>491</b>	<b>562</b>	<b>502</b>	<b>438</b>	<b>342</b>	<b>259</b>	<b>388</b>	<b>342</b>	<b>417</b>	<b>884</b>	<b>1,138</b>	<b>1,293</b>	<b>1,412</b>	<b>2,440</b>	<b>3,366</b>	<b>1,223</b>	<b>837</b>	<b>765</b>	<b>926</b>	<b>1,033</b>	<b>1,230</b>	<b>1,331</b>	<b>1,219</b>	<b>728</b>

# 2010 NVCA Yearbook

**Figure 3.20**  
Internet-Related Investments  
By Year 1994-2009

Year	No. of Cos	(\$ Millions)
1994	169	707.0
1995	401	1,822.4
1996	743	3,878.5
1997	998	5,708.7
1998	1,456	10,798.5
1999	3,022	39,888.9
2000	4,547	76,984.0
2001	2,342	24,533.4
2002	1,417	10,612.3
2003	1,188	8,752.8
2004	1,192	9,741.1
2005	1,252	10,042.7
2006	1,514	11,723.3
2007	1,602	13,011.6
2008	1,619	11,128.8
2009	1,185	6,967.7
<b>TOTAL</b>	<b>24,647</b>	<b>246,301.6</b>

**Figure 3.21**  
Top Five States by Internet-Related Investments  
in 2009

State	(\$ Millions)
California	3,646.4
New York	675.1
Massachusetts	610.3
Texas	236.5
Washington	229.6
<b>TOTAL*</b>	<b>5,397.9</b>

\* Total includes above 5 states only

**Figure 3.22**  
2009 Internet-Related Investments  
By Regions in 2009

Stage Region	(\$ Millions)
Silicon Valley	3,153.0
NY Metro	785.8
New England	649.7
LA/Orange County	384.0
Midwest	351.5
Southeast	320.7
Northwest	282.2
DC/Metroplex	273.7
Texas	236.5
SouthWest	196.9
Colorado	124.3
San Diego	99.5
Philadelphia Metro	49.6
North Central	33.9
Sacramento/N.Cal	10.0
South Central	9.6
Upstate NY	6.0
Unknown	1.0
<b>TOTAL</b>	<b>6,967.7</b>



# 2010 NVCA Yearbook

Figure 3.23 (continued)  
Sources and Targets of Invested Capital Investments 2009

SOURCE STATE	Target State																										TOT			
	MT	NC	ND	NE	NH	NJ	NM	NV	NY	OH	OK	OR	PA	PR	RI	SC	SD	TN	TX	UN	UT	VA	VI	VT	WA	WI		WV	WY	
AB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.7
AL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4
AZ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.9
BC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	0.0	7.8	
CA	0.0	30.1	0.0	0.0	4.0	57.2	1.0	2.7	158.4	7.7	0.0	38.4	59.8	0.0	3.8	0.0	0.0	0.0	64.2	2.1	18.7	31.5	0.0	0.0	192.5	0.0	0.0	0.0	5,905.4	
CO	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	18.6	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.1	0.0	0.0	1.2	0.0	0.0	10.2	0.0	0.0	0.0	161.1	
CT	0.0	4.8	0.0	0.0	0.0	30.1	0.0	0.0	44.0	27.8	0.0	4.4	50.0	0.0	0.0	0.0	0.0	0.0	14.7	0.0	2.3	13.6	0.0	0.0	8.4	0.0	0.0	0.0	476.5	
DC	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	1.9	0.0	0.0	6.7	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.6	0.0	2.8	0.0	0.0	0.0	98.1	
DE	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	
FF	0.0	0.0	0.0	0.0	0.0	128.4	0.0	5.0	50.8	0.0	0.0	0.0	29.3	0.0	0.0	0.0	0.0	0.0	11.7	0.0	9.5	17.9	0.0	0.0	35.0	0.0	0.0	0.0	1,083.9	
FL	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	3.0	4.7	0.0	0.0	0.0	0.0	0.0	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	57.4	
GA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	2.4	0.0	0.0	0.3	0.0	0.0	1.3	0.0	1.3	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	174.1	
HI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
IA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	
ID	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.5	
IL	0.0	6.1	0.0	0.0	0.0	0.0	0.0	0.0	6.8	5.8	0.0	0.0	6.1	0.0	0.0	0.0	0.0	0.0	8.5	0.0	2.0	0.0	0.0	0.0	30.9	0.0	0.0	0.0	293.5	
IN	0.0	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.8	
KS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.8	
KY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	10.5	0.0	0.0	0.0	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	37.4	
LA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	2.2	0.0	0.0	0.0	0.0	2.5	0.0	0.0	23.0	
MA	2.6	23.8	0.0	0.0	24.3	71.5	0.0	0.0	112.8	0.3	0.0	0.1	41.6	0.0	16.3	0.5	0.0	0.0	25.4	0.1	6.5	11.8	0.0	0.0	48.7	0.0	0.0	0.0	2,039.1	
MB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	
MD	0.0	13.2	0.0	0.0	0.0	40.6	0.0	0.0	44.1	0.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	17.2	0.0	28.5	26.4	0.0	0.0	0.0	0.0	0.0	0.0	776.3	
ME	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	
MI	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	1.6	0.0	0.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	72.4	
MN	0.0	0.0	0.2	0.0	0.0	6.7	0.0	0.0	0.0	1.4	0.0	0.0	4.4	0.0	0.0	2.0	0.2	0.0	1.3	0.0	0.0	0.0	0.0	3.5	0.0	0.0	0.0	161.1		
MO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	0.0	0.0	0.0	47.2		
NC	0.0	93.5	0.0	0.0	0.1	2.4	0.0	0.0	1.0	0.0	0.2	0.0	0.8	0.0	0.0	4.3	0.0	5.0	16.5	0.0	17.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	177.4	
ND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	
NH	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	
NJ	0.0	8.0	6.6	0.0	0.0	42.8	0.0	0.0	4.6	0.0	0.0	0.0	7.2	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	272.8	
NM	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	
NV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	
NW	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.9	
NY	12.0	25.2	0.0	0.0	2.2	59.1	0.0	0.0	177.3	11.4	0.2	8.7	42.6	0.0	0.0	0.0	0.0	4.7	199.5	0.0	0.0	4.1	0.0	13.3	8.3	1.8	0.0	1,628.7		
OH	0.0	0.0	0.0	0.0	0.0	0.3	0.8	0.0	0.0	31.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.0	69.1	
OK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.5	
ON	0.0	5.0	0.0	0.0	0.0	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	59.8	
OR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	7.4	
PA	0.0	25.9	0.0	0.0	0.0	9.2	0.0	0.0	22.8	0.4	0.0	1.9	97.6	0.0	3.2	0.0	0.0	0.0	13.2	0.0	0.0	0.6	0.0	0.0	0.6	0.0	1.5	0.0	354.7	
QL	0.0	5.2	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	17.0	
QU	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	19.3	
RI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.6	
SC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	
SD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	
ST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7	
TN	0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.1	
TX	0.0	5.9	0.0	0.0	0.0	3.8	0.0	0.0	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	110.7	0.0	17.1	0.0	0.0	6.3	0.0	0.0	0.0	242.2		
UN	0.0	27.7	0.0	0.0	4.1	69.7	1.0	7.7	175.5	18.7	2.7	26.8	33.2	0.0	10.6	0.0	0.6	5.3	112.5	0.8	24.8	40.9	0.0	0.1	91.8	9.4	1.5			

# National Venture Capital Association

**Figure 3.24**  
2009 Internet-Related Investments  
By Stage

Company Stage	(\$ Millions)
Startup/Seed	167.2
Early Stage	1,840.9
Expansion	2,667.1
Later Stage	2,292.5
<b>TOTAL</b>	<b>6,967.7</b>

**Figure 3.26**  
2009 Internet-Related vs Non Internet-Related  
Investments By Industry Sector (\$ Millions)

Industry	Internet Related	Non-Internet Related	Total
Software	2,426.5	689.1	3,115.6
Media and Entertainment	1,140.1	32.7	1,172.8
IT Services	1,020.4	56.7	1,077.2
Networking and Equipment	672.1	40.9	713.0
Telecommunications	447.4	111.4	558.7
Consumer Products and Services	290.1	80.7	370.8
Computers and Peripherals	189.1	148.9	338.0
Business Products and Services	146.5	106.8	253.3
Semiconductors	143.5	628.2	771.6
Financial Services	136.6	227.5	364.0
Retailing/Distribution	136.0	36.2	172.2
Medical Devices and Equipment	87.5	2,418.9	2,506.4
Industrial/Energy	60.1	2,270.3	2,330.3
Biotechnology	47.6	3,459.9	3,507.5
Healthcare Services	22.5	79.9	102.4
Electronics/Instrumentation	1.6	303.6	305.2
Other	NA	31.4	31.4
<b>Total</b>	<b>6,967.7</b>	<b>10,723.0</b>	<b>17,690.7</b>

**Figure 3.27**  
2009 Internet-Related vs Non Internet-Related  
Investments By Industry Sector (Number of Companies)

Industry	Internet Related	Non-Internet Related	Total
Software	442	103	545
Media and Entertainment	211	12	223
IT Services	170	6	176
Telecommunications	99	19	118
Networking and Equipment	62	8	70
Consumer Products and Services	46	24	70
Business Products and Services	38	32	70
Computers and Peripherals	26	25	51
Financial Services	22	23	45
Retailing/Distribution	17	6	23
Semiconductors	14	81	95
Medical Devices and Equipment	13	247	260
Healthcare Services	9	23	32
Biotechnology	7	323	330
Industrial/Energy	6	187	193
Electronics/Instrumentation	3	47	50
Other	NA	21	21
<b>Total</b>	<b>1,185</b>	<b>1,187</b>	<b>2,372</b>

**Figure 3.25**  
2009 Internet-Related Investments  
By Industry Sector

Industry Group	(\$ Millions)
Software	2,426.5
Media and Entertainment	1,140.1
IT Services	1,020.4
Networking and Equipment	672.1
Telecommunications	447.4
Consumer Products and Services	290.1
Computers and Peripherals	189.1
Business Products and Services	146.5
Semiconductors	143.5
Financial Services	136.6
Retailing/Distribution	136.0
Medical Devices and Equipment	87.5
Industrial/Energy	60.1
Biotechnology	47.6
Healthcare Services	22.5
Electronics/Instrumentation	1.6
<b>TOTAL</b>	<b>6,967.7</b>

**Figure 3.28**  
Top Five States By Percentage Invested  
Within State in 2009

Fund Domicile	Pct. Invested Within State
California	72%
Tennessee	68%
Utah	62%
North Carolina	53%
Ohio	46%

*\*Minimum \$20 million invested*

**Figure 3.29**  
Top Five States By Portion Received From  
In-State Firms 2009

Company Location	Pct. Invested From State
District of Columbia	66%
Tennessee	63%
California	48%
Massachusetts	34%
North Carolina	32%

*\*Minimum \$20 million invested*

# 2010 NVCA Yearbook

**Figure 3.30**  
Number of States Invested Into in 2009  
By State of Venture Firm

Location of Venture Firm	No. of States Invested In
California	33
Massachusetts	32
New York	28
Pennsylvania	21
Connecticut	19
Maryland	18
Illinois	17
North Carolina	16
Minnesota	15
New Jersey	14
Washington	14

**Figure 3.31**  
Number of States California Venture Firms  
Invested Into By Year

Year	No. of States Invested In
1989	28
1999	40
2009	33

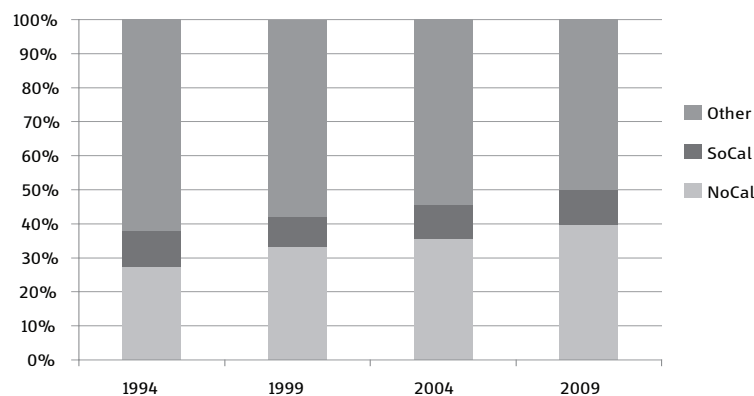
**Figure 3.32**  
Corporate Investments By Year

Year	Corp-Backed Investments (\$ Millions)	% of Overall Investments	No. of Corp-Backed Deals	% of Overall Deals With at Least One Corp VC
1995	434.9	6%	136	7%
1996	735.1	7%	235	9%
1997	959.8	7%	333	11%
1998	1,709.0	9%	511	14%
1999	7,961.6	15%	1,284	23%
2000	16,218.3	16%	2,102	27%
2001	4,844.6	13%	997	22%
2002	1,942.1	9%	578	18%
2003	1,314.2	7%	450	15%
2004	1,546.9	7%	554	18%
2005	1,583.8	7%	558	17%
2006	2,017.1	8%	657	18%
2007	2,622.9	9%	798	20%
2008	2,194.2	8%	761	19%
2009	1,312.5	7%	373	13%

**Figure 3.33**  
Clean technology Investments By Year

Year	Clean Technology Investments (\$ Millions)	No. of Clean Technology Deals	Average Investment Per Deal (\$ Millions)
1995	76.7	36	2.1
1996	146.7	46	3.2
1997	147.4	47	3.1
1998	123.3	37	3.3
1999	216.9	39	5.6
2000	606.6	48	12.6
2001	346.0	59	5.9
2002	375.1	68	5.5
2003	261.5	63	4.2
2004	434.1	86	5.0
2005	502.4	92	5.5
2006	1,597.4	147	10.9
2007	2,701.2	247	10.9
2008	4,116.0	290	14.2
2009	2,170.4	209	10.4

**Figure 3.34**  
California Investments as a Percentage of Overall Investments



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# Portfolio Company Valuations

Round valuations in 2009, where reported, did increase overall at the average and at the median (Figure 4.04) from the reference period (Figure 4.01) which is the prior four years. However a closer look at those two charts shows differing trends by sector. Biotechnology valuations are lower but Industrial/Energy, the MoneyTree sector containing much of the clean technology investment, significantly increased. Software, the sector receiving the second highest amount of money, also showed meaningfully higher valuations.

Remember that venture investment in 2009 was characterized as a mix of (A) later stage companies receiving large rounds anticipating an acquisition (M&A) or initial public offering (IPO), and (B) early investment in companies just getting going. With the activity focused on the two ends of the spectrum, it is worth looking at a company's first financings (Figures 4.02 and 4.05) and subsequent financings separately (Figures 4.03 and 4.06). The overall drop in the public markets for technology company stocks of more than 30% affected valuations of companies at both ends of the maturity spectrum. Early stage fundings had to be structured to provide for additional rounds and investors later on. Later stage compa-

nies needed cash infusions at a time when they would have otherwise gone public or been acquired. Continued depressed public markets did not allow much step up in valuation.

For the mere 12 venture-backed companies that went public in 2009, the valuations were good (Figure 4.08). The 2009 crop of IPOs had the highest median valuation, \$428.3 million, and highest average valuation (\$1.2 billion) ever, even higher than the prior record in 2007. Note that the average valuation statistic was driven by one very large IPO which made up more than half the total valuation.

**Figure 4.01**  
Valuations By Company Industry 1995-2008 (\$ Millions)

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	66.9	493.5	102.0	52.0	13.9	0.1
Business Products and Services	28.0	95.0	36.2	14.6	8.1	1.3
Computers and Peripherals	33.8	122.3	46.6	17.2	10.9	2.3
Consumer Products and Services	29.9	137.4	25.3	12.9	9.1	2.0
Electronics/Instrumentation	35.4	350.0	18.5	10.6	5.0	1.2
Financial Services	90.5	384.0	144.9	30.0	6.0	0.2
Healthcare Services	18.0	64.6	20.0	11.5	5.9	3.0
Industrial/Energy	28.5	200.0	28.6	12.0	4.0	0.1
IT Services	51.4	233.0	80.7	30.0	7.5	0.3
Media and Entertainment	66.5	1,000.0	33.2	12.4	5.9	0.1
Medical Devices and Equipment	57.9	340.0	84.9	40.0	14.9	0.1
Networking and Equipment	74.3	455.0	82.2	36.0	18.8	0.3
Other	N/A	N/A	N/A	N/A	N/A	N/A
Retailing/Distribution	11.3	28.8	14.5	7.8	5.7	2.4
Semiconductors	83.0	566.3	82.8	55.3	26.6	1.0
Software	38.7	352.8	40.1	20.0	8.0	0.4
Telecommunications	141.0	2,200.0	142.6	31.8	11.4	1.8
<b>Total</b>	<b>53.4</b>	<b>2,200.0</b>	<b>83.3</b>	<b>18.6</b>	<b>5.9</b>	<b>0.1</b>

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Figure 4.02  
Valuations By Company Industry 1995-2008 Financings (\$ Millions)  
First Round Financings

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	18.4	115.0	19.0	11.4	3.1	0.1
Business Products and Services	18.8	90.0	19.4	9.3	5.6	1.3
Computers and Peripherals	14.3	40.0	22.9	5.4	4.2	2.3
Consumer Products and Services	10.0	16.0	14.1	10.0	7.3	2.0
Electronics/Instrumentation	6.7	15.0	10.2	5.0	2.5	1.2
Financial Services	99.3	384.0	90.5	46.0	18.9	4.8
Healthcare Services	7.9	10.0	9.9	8.0	5.9	5.5
Industrial/Energy	15.6	150.0	11.5	5.7	3.0	0.1
IT Services	9.1	35.0	9.5	6.3	3.5	0.3
Media and Entertainment	10.5	44.2	10.0	6.0	4.8	2.0
Medical Devices and Equipment	14.2	62.4	20.1	8.4	3.9	0.1
Networking and Equipment	N/A	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A	N/A
Retailing/Distribution	13.9	28.8	16.9	10.4	7.4	6.1
Semiconductors	52.4	156.0	63.4	24.9	20.8	13.3
Software	16.9	165.0	20.2	10.0	3.8	0.4
Telecommunications	14.7	61.2	19.1	8.8	5.4	1.8
<b>Total</b>	<b>21.5</b>	<b>384.0</b>	<b>20.2</b>	<b>8.8</b>	<b>3.6</b>	<b>0.1</b>

Figure 4.03  
Valuations By Company Industry 1995-2008 Financings (\$ Millions)  
Additional Round Financings

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	79.4	493.5	107.7	70.7	23.6	0.5
Business Products and Services	42.5	95.0	70.3	20.0	15.3	11.0
Computers and Peripherals	45.5	122.3	79.6	19.1	14.0	12.5
Consumer Products and Services	49.8	137.4	71.0	34.4	11.7	5.5
Electronics/Instrumentation	57.7	350.0	31.6	15.0	7.5	5.0
Financial Services	67.3	200.0	144.0	6.0	2.8	0.2
Healthcare Services	23.1	64.6	26.3	18.0	10.5	3.0
Industrial/Energy	41.5	200.0	57.0	27.0	12.4	0.8
IT Services	76.0	233.0	110.6	57.5	26.8	2.9
Media and Entertainment	102.2	1,000.0	87.6	23.0	10.3	0.1
Medical Devices and Equipment	69.7	340.0	94.9	61.7	29.3	0.5
Networking and Equipment	79.0	455.0	86.6	37.7	23.6	0.3
Other	N/A	N/A	N/A	N/A	N/A	N/A
Retailing/Distribution	N/A	N/A	N/A	N/A	N/A	N/A
Semiconductors	82.8	566.3	82.0	54.2	26.0	1.0
Software	50.4	352.8	59.6	28.2	12.4	0.5
Telecommunications	174.3	2,200.0	150.6	73.6	19.0	3.1
<b>Total</b>	<b>69.4</b>	<b>2,200.0</b>	<b>101.3</b>	<b>28.2</b>	<b>11.1</b>	<b>0.1</b>

**Figure 4.04**  
**Valuations By Company Industry**  
**2009 Financings (\$ Millions)**

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	49.0	249.0	60.9	29.1	18.9	4.0
Business Products and Services	N/A	N/A	N/A	N/A	N/A	N/A
Computers and Peripherals	18.2	23.0	21.7	20.5	17.1	8.9
Consumer Products and Services	48.0	165.7	54.2	12.5	6.3	1.3
Electronics/Instrumentation	N/A	N/A	N/A	N/A	N/A	N/A
Financial Services	N/A	N/A	N/A	N/A	N/A	N/A
Healthcare Services	N/A	N/A	N/A	N/A	N/A	N/A
Industrial/Energy	189.9	550.0	307.2	109.7	18.7	8.3
IT Services	103.9	403.0	88.0	16.5	8.2	3.6
Media and Entertainment	274.4	1,000.0	406.0	77.0	21.5	9.2
Medical Devices and Equipment	40.7	229.2	43.4	30.0	20.0	3.0
Networking and Equipment	182.2	719.4	73.0	59.3	54.0	5.1
Other	N/A	N/A	N/A	N/A	N/A	N/A
Retailing/Distribution	N/A	N/A	N/A	N/A	N/A	N/A
Semiconductors	23.3	46.0	31.0	21.3	13.0	5.0
Software	80.5	436.0	56.8	26.1	17.8	11.3
Telecommunications	30.7	66.0	44.5	24.9	11.1	7.0
<b>Total</b>	<b>94.6</b>	<b>1,000.0</b>	<b>80.5</b>	<b>26.1</b>	<b>12.0</b>	<b>1.3</b>

**Figure 4.05**  
**Valuations By Company Industry 2009 Financings (\$ Millions)**  
**First Round Financings**

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	NA	NA	NA	NA	NA	NA
Business Products and Services	NA	NA	NA	NA	NA	NA
Computers and Peripherals	NA	NA	NA	NA	NA	NA
Consumer Products and Services	NA	NA	NA	NA	NA	NA
Electronics/Instrumentation	NA	NA	NA	NA	NA	NA
Financial Services	NA	NA	NA	NA	NA	NA
Healthcare Services	NA	NA	NA	NA	NA	NA
Industrial/Energy	NA	NA	NA	NA	NA	NA
IT Services	NA	NA	NA	NA	NA	NA
Media and Entertainment	112.7	406.0	117.6	17.9	13.0	9.2
Medical Devices and Equipment	17.0	40.0	22.5	11.5	8.0	3.0
Networking and Equipment	NA	NA	NA	NA	NA	NA
Other	NA	NA	NA	NA	NA	NA
Retailing/Distribution	NA	NA	NA	NA	NA	NA
Semiconductors	NA	NA	NA	NA	NA	NA
Software	NA	NA	NA	NA	NA	NA
Telecommunications	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>64.9</b>	<b>406.0</b>	<b>93.8</b>	<b>14.7</b>	<b>9.3</b>	<b>3.0</b>

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Figure 4.06  
Valuations By Company Industry 2009 Financings (\$ Millions)  
Additional Round Financings

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	53.5	249.0	73.0	30.1	20.0	4.1
Business Products and Services	NA	NA	NA	NA	NA	NA
Computers and Peripherals	NA	NA	NA	NA	NA	NA
Consumer Products and Services	NA	NA	NA	NA	NA	NA
Electronics/Instrumentation	NA	NA	NA	NA	NA	NA
Financial Services	NA	NA	NA	NA	NA	NA
Healthcare Services	NA	NA	NA	NA	NA	NA
Industrial/Energy	226.2	550.0	347.6	186.0	33.5	13.8
IT Services	NA	NA	NA	NA	NA	NA
Media and Entertainment	403.8	1,000.0	750.0	136.8	77.0	55.0
Medical Devices and Equipment	46.0	229.2	50.9	32.5	22.4	8.2
Networking and Equipment	182.2	719.4	73.0	59.3	54.0	5.1
Other	NA	NA	NA	NA	NA	NA
Retailing/Distribution	NA	NA	NA	NA	NA	NA
Semiconductors	27.8	46.0	34.8	26.2	19.3	13.0
Software	83.7	436.0	58.9	27.0	18.2	11.3
Telecommunications	30.7	66.0	44.5	24.9	11.1	7.0
<b>Total</b>	<b>131.7</b>	<b>1,000.0</b>	<b>141.7</b>	<b>31.3</b>	<b>19.0</b>	<b>4.1</b>

Figure 4.07  
2009 Venture-Backed IPOs Valuations as of IPO

Company Industry	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
Biotechnology	640.2	1,417.1	853.9	290.6	251.8	212.9
Business Products and Services	NA	NA	NA	NA	NA	NA
Computers and Peripherals	NA	NA	NA	NA	NA	NA
Consumer Products and Services	NA	NA	NA	NA	NA	NA
Electronics/Instrumentation	NA	NA	NA	NA	NA	NA
Financial Services	NA	NA	NA	NA	NA	NA
Healthcare Services	NA	NA	NA	NA	NA	NA
Industrial/Energy	NA	NA	NA	NA	NA	NA
IT Services	NA	NA	NA	NA	NA	NA
Media and Entertainment	NA	NA	NA	NA	NA	NA
Medical Devices and Equipment	NA	NA	NA	NA	NA	NA
Networking and Equipment	NA	NA	NA	NA	NA	NA
Other	NA	NA	NA	NA	NA	NA
Retailing/Distribution	NA	NA	NA	NA	NA	NA
Semiconductors	NA	NA	NA	NA	NA	NA
Software	571.1	804.9	773.3	583.2	380.9	313.0
Telecommunications	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>605.6</b>	<b>1,417.1</b>	<b>833.7</b>	<b>436.9</b>	<b>284.0</b>	<b>212.9</b>

\*Categories containing less than 3 companies will not be displayed but their valuation amounts will be included in bottom line totals.

**Figure 4.08**  
**Venture-Backed IPOs Valuations as of IPO (\$ Millions)**  
**By Year of IPO**

Year of IPO	Avg Val	Max	Upper Quartile	Median	Lower Quartile	Min
1995	161.6	1,569.0	171.8	110.2	71.4	12.2
1996	208.1	9,911.4	182.8	110.3	66.8	9.5
1997	160.3	2,139.2	161.0	108.1	63.9	11.4
1998	221.2	1,220.6	269.6	182.2	106.6	12.5
1999	499.0	4,827.7	538.8	343.8	222.4	47.0
2000	504.3	11,965.5	521.1	248.8	134.9	18.0
2001	439.1	1,719.2	527.3	322.2	205.7	57.3
2002	361.4	1,083.3	570.7	223.3	141.7	36.8
2003	284.7	821.9	359.2	227.7	156.2	41.9
2004	656.2	23,053.7	389.6	255.9	152.8	21.6
2005	290.5	1,442.1	387.5	201.9	140.1	23.1
2006	390.2	2,647.5	406.7	255.3	171.9	70.9
2007	622.7	7,963.7	573.0	346.0	271.5	50.0
2008	441.1	1,443.1	380.7	257.8	197.6	88.8
2009	1,240.7	8,262.5	935.0	428.3	310.0	212.9

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# Exits: IPOs and Acquisitions

As bad as 2008 was for venture-backed companies exiting through initial public offerings or acquisitions, the year 2009 was not much better. The IPO levels remained near zero against a backdrop of an ever increasing number of portfolio companies maturing into the later stages and thus awaiting an exit. The number of acquisitions actually declined in 2009 to the lowest post-bubble level. In 2009, there were just 12 venture-backed IPOs raising \$1.6 billion and 270 acquisitions with disclosed deals totaling \$14.1 billion.

Only 12 venture-backed companies went public in 2009, double the six IPOs in 2008. These two years are the second-worst and worst years, respectively, going back at least to 1980. Similarly, the \$1.6 billion raised through IPOs in 2009 is the second worst year (only to 2008) since 1990. While the valuation of the 2009 IPOs reached almost \$15 billion, the overall pace remained a mere trickle. To put this in context, approximately 14% of the venture-backed companies first funded in the 1990s eventually went public. In recent years, more than 1,000 companies annually are funded for the first time. That would suggest an annual IPO count of around 140. While times may have changed and the anticipated percent is lower, it is a far cry from current levels.

While we have provided the traditional analytical charts and summaries in this chapter, the reader is reminded that 2009 results are based on this very small sample of 12 IPOs. At year end 2009, there were only 23 companies in registration. The number of venture-backed companies acquired during 2009 (270) declined from 2008 (349), which itself declined from 2007 (379). While there were a few strong acquisitions raising the average purchase price to \$152.9 million, the overall quality of deals deteriorated, with 38% of the known acquisitions occurring at a price less than the total venture investment in that company.

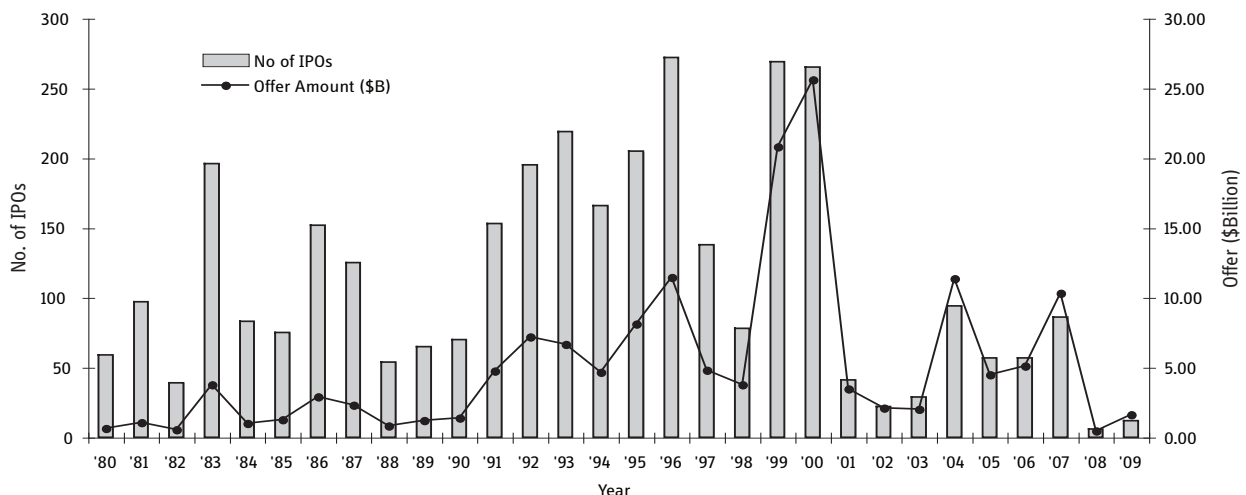
In 2009, IPO and acquisition activity were both far below what is necessary to sustain the industry long term.

## Methodology

Initial and secondary public offerings of companies that are venture-backed are followed and analyzed by Thomson Reuters. This research is compiled three ways: first, through cross-referencing venture-backed companies with IPOs in registration or that have begun trading, which is tracked through the new

issues online database of Thomson Reuters; second, through daily prospectus research; third, through industry surveys. By using this research process, we have been successful in identifying virtually all companies that have gone public that have had venture backing. However, the term “venture-backed” has different meanings depending on context. There are

Figure 5.01 Venture-Backed IPOs



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three decreasingly stringent classifications that Thomson Reuters uses in classifying public companies as venture-backed. The most rigorous is that a venture capitalist must be a shareholder at the time of the public offering and the investment must have been made by a non-buyout venture capital fund. Thus, an investment that was exited prior to going

public or a company financed by a buyout firm would not be counted as venture-backed in this sense. This is the criterion used in publishing venture-backed IPOs in the Venture Capital Journal. The second most strict category still provides that the investment be made in a venture round of financing, but allows that the investment could have been exit-

**Figure 5.02 Number of Venture-Backed IPOs vs. All IPOs**

Year	# of All IPOs	# of Venture-Backed IPOs
1999	476	269
2000	350	265
2001	83	41
2002	76	22
2003	67	29
2004	187	94
2005	167	57
2006	167	57
2007	159	86
2008	24	6
2009	39	12

**Figure 5.03  
Venture-Backed IPOs 1980 to 2009  
Value and Age Characteristics**

Year	Num of IPOs	Offer Amount (\$Mil)	Med Offer Amt (\$Mil)	Mean Offer Amt (\$Mil)	Post Offer Value (\$Mil)	Med Post Value (\$Mil)	Mean Post Value (\$Mil)	Median Age @ IPO (yrs)	Mean Age @ IPO (yrs)
1980	59	664	9	12	3,517	28	62	9	11
1981	97	1,068	8	11	4,886	26	51	7	10
1982	39	577	8	16	2,663	35	76	4	7
1983	196	3,770	12	20	18,787	44	98	5	8
1984	83	1,005	9	12	4,672	31	57	5	8
1985	75	1,279	12	17	6,440	35	87	4	9
1986	152	2,931	13	21	14,529	52	106	5	9
1987	125	2,318	15	21	9,789	56	91	5	9
1988	54	846	14	17	3,391	57	68	5	6
1989	65	1,223	15	21	5,577	55	96	7	8
1990	70	1,396	20	23	5,274	67	85	6	9
1991	153	4,762	25	32	20,140	86	136	7	9
1992	195	7,204	24	39	31,404	77	169	6	9
1993	219	6,683	22	32	23,194	68	110	7	9
1994	166	4,668	23	28	18,317	70	112	8	11
1995	205	8,147	33	41	31,073	110	155	7	9
1996	272	11,482	32	42	56,399	110	207	5	8
1997	138	4,826	30	35	22,126	108	160	6	8
1998	78	3,782	41	48	17,253	182	221	5	7
1999	269	20,823	63	77	133,727	343	497	4	5
2000	265	25,618	73	97	133,639	249	504	5	7
2001	41	3,490	71	85	18,004	322	439	6	12
2002	22	2,109	71	96	7,950	223	361	8	15
2003	29	2,023	66	70	8,257	228	285	8	9
2004	94	11,378	69	121	61,678	256	656	7	8
2005	57	4,485	65	79	16,558	202	290	6	8
2006	57	5,117	76	90	22,242	255	390	8	10
2007	86	10,326	84	120	53,556	346	623	9	9
2008	6	470	71	78	2,646	258	441	10	10
2009	12	1,642	97	137	14,889	428	1241	10	10

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ed at some point prior to the IPO. The third and most comprehensive definition of venture-backed includes companies invested in by either venture capital or buyout funds and the investor may or may not have exited prior to the IPO. When the term venture-

backed is used in this particular chapter, it usually refers to companies covered by the second category. The term 'private-equity backed' will refer to the third category of company.

**Figure 5.04**  
**Venture-Backed IPOs by MoneyTree™ Industry**  
**Total Offering Size (\$ Millions)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Software	68	164	43	487	137	47	270	222	130	128	135	386	517	800	391	1,933	1,837	834	731	4,337	4,019	365	155	289	2,050	505	576	1,242	62	456
Telecommunications	11	28	27	104	34	39	73	361	15	41	207	162	234	737	264	599	1,215	325	694	4,123	4,730	150	0	152	1,040	358	719	2,583	0	386
Electronics/Instrumentation	31	54	45	165	14	6	33	16	0	64	45	66	78	272	201	216	140	77	72	36	274	41	500	0	0	0	0	0	0	380
Biotechnology	35	143	44	397	45	17	318	173	24	65	63	920	769	485	161	527	856	536	147	328	4,085	335	331	440	1,436	782	855	1,315	0	198
Consumer Products and Services	3	62	26	198	93	12	102	119	8	174	5	445	401	376	338	285	191	155	515	453	414	185	39	157	250	103	77	202	0	142
Networking and Equipment	24	76	61	108	34	30	135	113	37	52	71	299	241	356	400	285	567	316	319	2,704	3,361	135	0	0	138	0	427	453	0	80
Computers and Peripherals	209	208	234	820	179	177	261	237	108	165	125	68	277	298	199	398	371	200	53	237	606	0	55	0	84	7	0	108	188	0
IT Services	0	21	43	66	25	13	21	32	12	0	0	169	848	66	64	284	457	85	262	1,643	1,711	0	90	0	90	122	191	344	0	0
Semiconductors	87	34	0	278	79	14	41	98	74	79	25	178	132	340	203	669	6	204	0	269	1,591	122	0	332	2,218	594	125	636	0	0
Medical Devices and Equipment	45	51	40	274	37	74	80	152	20	108	124	490	817	333	476	878	1,492	450	91	48	759	610	300	53	844	327	756	1,241	57	0
Healthcare Services	26	24	0	160	67	83	30	13	0	59	61	359	730	124	240	297	276	185	247	504	192	535	72	52	108	67	0	113	164	0
Industrial/Energy	90	148	8	324	199	251	240	418	242	155	399	350	1,293	787	775	1,022	1,337	333	130	78	1,317	522	158	0	367	21	257	580	0	0
Media and Entertainment	0	49	7	41	12	78	778	196	61	15	40	243	258	666	466	160	485	457	116	2,888	1,499	0	207	65	1,669	352	798	184	0	0
Retailing/Distribution	0	7	0	120	41	223	236	94	106	34	33	366	257	729	101	67	551	175	309	1,521	275	0	0	65	62	28	139	496	0	0
Financial Services	25	0	0	39	0	208	207	56	9	85	0	166	281	197	323	442	1,272	245	7	505	104	490	201	322	699	755	197	0	0	0
Business Products and Services	10	2	0	191	10	8	51	17	2	0	62	95	61	116	67	78	429	109	90	1,152	683	0	0	97	324	464	0	828	0	0
Other	0	0	0	0	0	0	54	0	0	0	0	0	10	0	0	7	0	141	0	0	0	0	0	0	0	0	0	0	0	0
Total	664	1,068	577	3,772	1,006	1,279	2,931	2,318	846	1,223	1,396	4,762	7,204	6,682	4,668	8,147	11,482	4,827	3,782	20,823	25,618	3,490	2,109	2,023	11,378	4,485	5,117	10,326	470	1,642

**Figure 5.05**  
**Venture-Backed IPOs by MoneyTree™ Industry**  
**Total Number of Companies**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Software	4	10	6	25	9	3	22	12	7	9	9	14	18	27	20	55	59	27	19	69	55	5	4	4	8	6	6	12	1	4	
Biotechnology	1	5	4	24	4	5	16	13	2	8	4	32	29	24	13	17	31	22	6	6	49	4	4	7	25	14	17	21	0	3	
Telecommunications	2	4	2	6	6	8	8	8	2	2	6	3	8	15	11	10	18	9	7	39	41	1	0	2	8	4	3	9	0	2	
Networking and Equipment	2	4	2	6	4	2	4	6	3	3	2	8	12	10	14	10	10	6	7	26	16	1	0	0	2	0	4	5	0	1	
Consumer Products and Services	1	7	3	11	6	2	7	5	1	5	1	12	11	12	5	9	7	6	7	7	4	4	1	3	3	1	1	2	0	1	
Electronics/Instrumentation	5	8	3	10	4	1	7	4	0	1	2	3	6	12	8	8	8	2	1	1	4	1	1	0	0	0	0	0	0	1	
Medical Devices and Equipment	6	6	6	21	5	5	11	10	4	8	11	22	35	20	20	23	44	14	3	1	15	8	3	1	15	8	10	11	2	0	
Industrial/Energy	11	21	3	16	12	14	13	29	15	10	15	14	21	25	22	15	22	10	3	1	10	6	1	0	2	1	3	4	0	0	
Media and Entertainment	0	6	2	4	1	6	15	4	2	1	3	4	8	15	10	5	10	8	3	35	16	0	3	1	10	4	6	2	0	0	
Computers and Peripherals	12	15	6	30	10	12	16	10	6	4	7	3	14	12	8	8	11	7	3	5	7	0	1	0	1	1	0	1	1	0	
Healthcare Services	2	2	0	10	6	4	3	1	0	2	4	12	8	4	7	6	6	6	5	7	3	6	1	1	1	1	0	1	2	0	
Semiconductors	8	5	0	8	5	2	4	4	5	5	1	8	3	16	9	18	1	6	0	5	14	2	0	3	6	8	2	8	0	0	
Retailing/Distribution	0	1	0	7	6	7	10	5	4	2	3	4	7	14	3	2	11	5	6	16	5	0	0	1	1	1	1	3	0	0	
Financial Services	3	0	1	4	0	2	7	6	1	4	0	3	8	5	10	8	14	4	1	8	2	3	2	4	7	3	2	0	0	0	
IT Services	0	2	1	5	3	1	2	3	1	1	0	6	3	3	3	7	12	3	5	27	16	0	1	0	2	1	2	4	0	0	
Business Products and Services	2	1	0	9	2	1	6	5	1	0	2	5	3	5	3	3	8	2	2	16	8	0	0	2	3	4	0	3	0	0	
Other	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	59	97	39	196	83	75	152	125	54	65	70	153	195	219	166	205	272	138	78	269	265	41	22	29	94	57	57	86	6	12	

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**Figure 5.06**  
Average and Median Age in Months  
of Companies at IPO 2000 to 2009

Industry	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Telecommunications	55.5	40.0	18.0	N/A	N/A	N/A	102.5	102.5	85.6	81.0	68.5	68.5	87.3	65.5	101.2	97.5	127.0	N/A	N/A	N/A
Computer Hardware and Services	99.4	54.0	87.0	87.0	243.0	243.0	91.0	N/A	77.0	83.0	107.9	73.0	131.0	131.0	106.6	103.0	127.0	N/A	104.3	109.0
Computer Software	90.3	67.0	60.0	56.0	120.4	71.0	95.0	89.0	82.1	90.0	73.8	67.0	125.1	109.5	126.8	112.5	110.0	110.0	104.5	114.5
Business/Financial	63.4	48.0	106.0	47.0	361.5	361.5	105.9	108.0	122.2	83.0	94.7	66.0	120.5	126.5	145.7	132.0	N/A	N/A	137.0	N/A
Semiconductors and Electronics	132.1	68.5	108.7	118.0	9.0	N/A	143.0	141.0	96.2	78.0	106.9	96.0	111.5	111.5	111.1	95.0	N/A	N/A	96.0	N/A
Biotechnology	100.4	65.5	67.0	67.0	145.0	145.0	77.5	72.5	84.4	75.0	81.2	73.0	96.2	94.0	87.3	94.0	103.0	N/A	164.5	164.5
Healthcare Related	157.8	73.0	158.6	94.0	180.1	100.0	80.0	80.0	116.0	98.0	89.2	91.0	118.3	99.5	109.6	106.0	121.7	157.0	120.0	N/A
Retailing and Media	45.6	40.0	176.0	176.0	171.2	58.0	79.7	64.5	109.3	82.0	136.1	74.0	134.2	122.0	113.3	112.0	N/A	N/A	123.0	123.0
Industrial/Energy	100.3	82.0	223.0	67.0	40.0	N/A	N/A	N/A	57.0	55.0	124.0	129.0	109.0	98.0	105.7	113.0	N/A	N/A	N/A	N/A

**Figure 5.07**  
Venture-Backed  
Merger & Acquisitions by Year

Year	Number Total	Number Known	(\$ Millions)	
			Price	Average
1980	1	0	0.0	0.0
1981	0	0	0.0	0.0
1982	1	0	0.0	0.0
1983	2	0	0.0	0.0
1984	4	1	4.5	4.5
1985	6	3	271.2	90.4
1986	11	1	86.8	86.8
1987	13	4	398.1	99.5
1988	16	6	481.1	80.2
1989	18	5	371.8	74.4
1990	20	9	214.3	23.8
1991	17	4	200.5	50.1
1992	75	46	2544.8	55.3
1993	71	42	1656.5	39.4
1994	100	63	3405.5	54.1
1995	97	60	3788.3	63.1
1996	118	77	8531.0	110.8
1997	163	115	7410.5	64.4
1998	212	133	9487.6	71.3
1999	240	165	42019.1	254.7
2000	316	206	68165.5	330.9
2001	355	164	16770.3	102.3
2002	320	154	7586.7	49.3
2003	285	120	7521.1	62.7
2004	349	188	16043.8	85.3
2005	349	163	17324.6	106.3
2006	376	164	19034.8	116.1
2007	379	168	29460.0	175.4
2008	349	119	13775.4	115.8
2009	270	92	14068.1	152.9

Average acquisition price is calculated by dividing total known acquisition proceeds by the number of transactions where the proceeds are known, not the total number of transactions.

**Figure 5.08**  
Private Equity-Backed  
Merger & Acquisitions by Year

Year	Number Total	Number Known	(\$ Millions)	
			Price	Average
1980	1	0	0.0	0.0
1981	1	1	217.5	217.5
1982	1	0	0.0	0.0
1983	3	0	0.0	0.0
1984	5	2	643.5	321.8
1985	8	3	271.2	90.4
1986	17	4	214.7	53.7
1987	21	8	854.4	106.8
1988	31	16	1579.5	98.7
1989	37	20	2071.3	103.6
1990	28	12	595.6	49.6
1991	33	13	1038.7	79.9
1992	91	60	4293.4	71.6
1993	118	73	6027.7	82.6
1994	136	88	9970.1	113.3
1995	160	108	16106.4	149.1
1996	193	146	37023.7	253.6
1997	268	200	65122.5	325.6
1998	325	233	91541.2	392.9
1999	349	256	222683.1	869.9
2000	375	249	121780.0	489.1
2001	407	203	39639.9	195.3
2002	360	187	24031.8	128.5
2003	327	146	14605.5	100.0
2004	389	213	25386.4	119.2
2005	449	222	43507.1	196.0
2006	513	227	49968.4	220.1
2007	568	244	76855.0	315.0
2008	502	168	29383.2	174.9
2009	333	122	51730.0	424.0

Average acquisition price is calculated by dividing total known acquisition proceeds by the number of transactions where the proceeds are known, not the total number of transactions. Note: Private Equity includes venture capital, buyouts, mezzanine, and other private equity financed companies. Therefore, transactions from Figure 5.07 are included here.

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**Figure 5.09**  
**Venture-Backed Acquisitions by MoneyTree™ Industry**  
**Total Transaction Values 1980 to 2009 (\$ Million)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Medical Devices and Equipment	0	0	0	0	0	101	0	6	4	250	0	0	436	43	295	221	313	602	157	498	398	611	565	525	1145	1156	1533	1989	584	3645
Biotechnology	0	0	0	0	0	0	0	0	0	0	0	68	61	25	39	97	388	426	172	780	1206	430	115	604	709	2637	1779	6045	1647	2331
Software	0	0	0	0	0	0	0	5	40	0	104	83	274	141	521	500	1022	2104	2930	10309	15755	3063	1944	2043	4305	4754	4301	5201	3691	1808
Telecommunications	0	0	0	0	0	0	0	0	0	0	0	0	4	299	790	334	419	1097	948	2249	9474	1518	1257	326	1748	1182	1420	1501	1872	1337
Retailing/Distribution	0	0	0	0	0	0	0	0	0	0	0	0	35	80	90	29	2	161	74	955	1086	8	3	757	12	0	305	2285	10	930
Media and Entertainment	0	0	0	0	0	0	0	0	0	0	0	0	0	119	29	45	2107	1387	343	10407	2517	669	324	285	2260	1370	4470	1812	1428	921
Networking and Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	347	354	794	1033	213	1206	10518	18902	5525	751	789	526	1468	603	713	609	844
Industrial/Energy	0	0	0	0	5	99	0	0	11	0	20	40	180	231	771	79	1115	244	350	1061	2066	1240	113	59	613	499	426	1719	514	660
Semiconductors	0	0	0	0	0	71	0	0	0	15	0	0	0	38	67	327	0	8	468	1269	5353	1439	563	415	740	214	945	1029	787	523
Computers and Peripherals	0	0	0	0	0	0	0	0	0	47	79	0	16	161	84	69	889	394	674	388	1374	357	59	64	756	270	311	610	49	400
IT Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19	485	80	706	676	2077	533	603	1011	1681	1729	490	2395	707	373
Business Products and Services	0	0	0	0	0	0	0	387	0	0	12	0	0	0	0	0	185	207	368	1639	2218	245	142	154	279	252	351	2478	463	294
Healthcare Services	0	0	0	0	0	0	0	0	199	60	0	0	94	0	178	475	130	94	166	325	286	262	855	84	706	789	817	362	27	0
Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	1407	161	109	734	67	34	463	431	701	489	211	99	10	530	938	1040	988	0
Electronics/Instrumentation	0	0	0	0	0	0	0	0	0	0	0	0	36	13	49	42	14	115	60	47	4162	209	20	20	116	72	3	83	117	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	195	0	0
Consumer Products and Services	0	0	0	0	0	0	87	0	227	0	0	10	1	0	29	23	362	245	404	466	592	171	61	285	439	403	343	0	284	0
Total	0	0	0	0	5	271	87	398	481	372	214	200	2545	1656	3406	3788	8531	7411	9488	42019	68166	16770	7587	7521	16044	17325	19035	29460	13775	14068

**Figure 5.10**  
**Venture-Backed Acquisitions by MoneyTree™ Industry**  
**Number of Companies 1980 to 2009**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Software	0	0	0	0	2	0	3	1	3	2	5	2	12	14	30	26	22	45	63	57	99	88	117	103	118	124	137	125	128	99	
Media and Entertainment	0	0	0	0	0	0	0	1	0	0	1	1	5	2	4	9	14	10	20	32	48	19	13	30	26	26	41	31	26		
Telecommunications	0	0	0	0	0	0	1	1	0	2	1	1	2	4	5	4	7	12	16	20	29	34	37	30	24	26	29	29	22	21	
Medical Devices and Equipment	0	0	0	0	0	1	1	2	2	2	0	12	4	8	9	7	14	9	11	7	15	11	8	23	25	21	23	14	20		
Biotechnology	0	0	0	0	0	0	1	0	1	1	1	2	6	3	5	9	11	10	12	13	14	17	11	15	22	25	30	24	20	19	
Semiconductors	0	0	0	0	0	1	0	0	0	1	1	3	1	2	3	5	1	1	9	8	16	12	13	12	14	11	15	17	24	18	
Networking and Equipment	0	0	0	0	0	0	0	1	0	0	0	2	8	10	8	13	5	9	20	21	14	15	18	24	21	25	15	24	18		
IT Services	0	0	0	0	0	0	1	0	2	1	0	0	1	0	0	4	6	6	11	15	17	28	33	26	27	22	19	28	21	13	
Industrial/Energy	0	0	0	1	2	1	1	2	2	3	3	3	8	6	12	8	6	13	19	19	11	13	10	7	9	12	10	19	18	12	
Business Products and Services	0	0	0	0	0	0	0	1	1	0	1	1	1	3	1	0	3	3	7	10	14	21	17	14	14	14	19	28	13	9	
Financial Services	0	0	0	0	0	0	0	0	0	0	0	6	3	3	4	5	5	7	11	8	17	11	9	11	7	13	10	6	5		
Healthcare Services	0	0	0	0	0	0	1	1	1	2	1	1	5	0	9	9	4	5	14	6	10	8	12	4	6	14	9	5	4	4	
Computers and Peripherals	0	0	1	0	0	2	1	2	1	2	4	1	10	10	6	4	10	10	12	9	7	5	1	9	9	9	8	4	5	3	
Electronics/Instrumentation	1	0	0	0	0	0	0	1	2	2	0	1	4	3	2	1	4	7	4	2	4	9	3	3	5	3	5	2	5	1	
Retailing/Distribution	0	0	0	0	0	1	0	0	0	0	1	0	2	3	2	1	2	5	3	8	14	11	6	8	5	2	6	5	4	1	
Consumer Products and Services	0	0	0	1	0	0	1	0	1	0	0	1	2	3	2	1	8	8	7	11	11	14	4	6	7	7	4	3	9	1	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	0	0	1	1	0	1	1	0
Total	1	0	1	2	4	6	11	13	16	18	20	17	75	71	100	97	118	163	212	240	316	355	320	285	349	349	376	379	349	270	

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**Figure 5.11**  
**Private Equity-Backed Acquisitions by MoneyTree™ Industry**  
**Total Transaction Values 1980 to 2009 (\$ Million)**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Telecommunications	0	0	0	0	0	0	0	0	262	0	0	0	81	299	1376	2299	3155	3399	3884	65791	16753	7670	7116	326	2165	1182	2622	4936	2222	29567
Biotechnology	0	0	0	0	0	0	0	0	0	809	0	68	228	1057	351	794	999	583	1918	4755	2101	540	2540	660	812	4855	1779	6083	1764	6848
Medical Devices and Equipment	0	0	0	0	0	101	0	6	4	344	167	0	1311	368	358	614	1199	4980	2235	3208	481	993	1011	548	1295	3063	2202	4231	716	3919
Software	0	0	0	0	0	0	0	24	56	443	104	135	696	580	911	1287	5958	6479	4574	39945	22068	3258	1944	4175	4631	5027	5337	6176	4852	2570
Industrial/Energy	0	0	0	0	644	99	63	25	302	75	20	130	282	953	2012	2625	2438	8075	3403	7844	3022	2978	3822	1634	6014	10523	16750	8957	8404	1622
Media and Entertainment	0	0	0	0	0	0	0	0	0	32	0	0	0	143	122	405	3650	3809	12959	23978	6733	738	1112	285	2260	5250	9239	7902	1650	1281
Networking and Equipment	0	0	0	0	0	0	0	0	0	15	0	0	0	675	1529	1482	6842	1355	4278	44539	18902	5525	751	877	526	2346	819	947	782	1219
Consumer Products and Services	0	0	0	0	0	0	132	95	227	0	0	10	90	549	29	573	1305	2129	2506	549	1375	748	1540	1432	1101	4378	1559	17394	770	1072
Retailing/Distribution	0	0	0	0	0	0	0	0	212	0	619	35	357	90	472	1371	7810	5616	3877	2636	2408	178	1636	703	0	910	4745	973	955	
Healthcare Services	0	0	0	0	0	0	0	0	199	60	0	0	94	103	1053	951	1559	5247	789	610	286	602	1020	84	706	1717	2398	1801	718	570
Semiconductors	0	218	0	0	0	71	0	0	0	15	100	70	0	38	67	327	0	289	792	4705	5353	1564	563	415	740	214	1188	1029	787	550
Financial Services	0	0	0	0	0	0	0	317	0	0	0	0	1424	732	1733	2759	6561	18410	44588	16882	1505	3565	1538	253	10	1005	938	1370	1813	490
Computers and Peripherals	0	0	0	0	0	0	19	0	242	67	79	0	16	161	289	264	951	394	730	1554	2569	357	59	64	756	270	311	610	769	400
IT Services	0	0	0	0	0	0	0	0	7	0	0	0	0	0	0	19	485	357	1075	2164	31248	866	670	1809	1848	2079	1031	2633	707	373
Business Products and Services	0	0	0	0	0	0	0	387	200	0	12	7	0	0	0	1192	370	1383	1999	2200	2258	245	142	196	1269	486	2338	3458	1663	294
Electronics/Instrumentation	0	0	0	0	0	0	0	0	81	0	115	0	36	13	49	43	181	426	197	81	4491	7582	27	20	221	72	3	3689	472	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	190	330	1039	545	890	324	0
Total	0	218	0	0	644	271	215	854	1580	2071	596	1039	4293	6028	9970	16106	37024	65123	91541	222683	121780	39640	24032	14605	25386	43507	49968	76855	29383	51730

Note: Private Equity includes venture capital, buyouts, mezzanine, and other private equity financed companies. Therefore, transactions from Figure 5.09 are included here.

**Figure 5.12**  
**Private Equity-Backed Acquisitions by MoneyTree™ Industry**  
**Number of Companies 1980 to 2009**

Industry	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Software	0	0	0	0	2	0	3	3	4	5	7	5	14	20	33	30	31	54	75	74	106	91	117	108	121	128	146	142	142	105	
Media and Entertainment	0	0	0	0	0	0	1	1	0	1	0	1	1	6	5	6	16	20	22	29	38	52	21	15	30	30	36	55	35	33	
Industrial/Energy	0	0	0	2	3	2	3	3	6	4	4	8	11	18	18	23	17	35	39	35	21	24	23	20	20	52	60	73	74	29	
Medical Devices and Equipment	0	0	0	0	0	2	1	3	2	5	3	0	14	8	12	13	15	23	17	21	11	18	13	10	24	31	25	30	17	26	
Biotechnology	0	0	0	0	0	0	2	0	1	4	1	2	7	6	8	15	14	13	19	22	16	18	13	16	23	28	31	25	22	24	
Telecommunications	0	0	0	0	0	0	1	1	1	2	1	1	4	4	10	8	10	15	19	25	34	35	41	32	27	26	32	36	28	23	
Semiconductors	0	1	0	0	0	1	0	0	0	1	2	4	1	2	3	5	1	2	12	10	17	13	13	12	14	12	16	19	27	19	
Networking and Equipment	0	0	0	0	0	0	0	2	0	2	0	0	2	10	11	11	16	7	12	27	21	14	16	19	24	25	27	18	25	19	
IT Services	0	0	0	0	0	0	1	0	3	1	1	0	1	0	0	5	6	8	14	19	22	31	35	29	28	23	23	36	21	17	
Financial Services	0	0	0	0	0	0	0	1	0	0	0	0	8	11	8	13	18	28	22	21	12	24	13	11	13	12	15	13	11	9	
Business Products and Services	0	0	0	0	0	0	0	1	3	0	2	2	1	3	1	3	4	7	10	13	15	23	17	15	17	20	32	42	25	9	
Consumer Products and Services	0	0	0	1	0	0	2	2	3	2	0	2	6	9	3	5	13	19	22	13	16	21	12	9	15	20	21	30	27	9	
Healthcare Services	0	0	0	0	0	0	1	1	1	2	1	1	5	1	11	11	8	9	15	9	10	11	13	4	8	17	19	19	12	5	
Computers and Peripherals	0	0	1	0	0	2	2	2	3	4	4	1	10	11	9	7	12	10	13	15	9	5	1	10	9	10	8	4	7	3	
Retailing/Distribution	0	0	0	0	0	1	0	0	1	2	1	5	2	6	2	3	5	9	8	13	18	13	8	13	7	7	13	14	10	2	
Electronics/Instrumentation	1	0	0	0	0	0	0	1	3	2	1	1	4	3	2	2	7	9	6	3	7	13	4	3	6	4	7	8	12	1	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	0	1	3	4	2	4	7	0
Total	1	1	1	3	5	8	17	21	31	37	28	33	91	118	136	160	193	268	325	349	375	407	360	327	389	449	513	568	502	333	

Note: Private Equity includes venture capital, buyouts, mezzanine, and other private equity financed companies. Therefore, transactions from Figure 5.10 are included here.

**Figure 5.13**  
**Venture-Backed**  
**Merger & Acquisitions by Year**

Relationship Between Transaction Values vs. Cumulative Total Venture Investment				
Year	< TVI	1x-4x TVI	4x-10x TVI	>10x TVI
2003	41%	37%	15%	7%
2004	34%	32%	22%	11%
2005	28%	39%	21%	12%
2006	26%	37%	21%	16%
2007	22%	32%	25%	21%
2008	25%	31%	25%	18%
2009	38%	20%	27%	15%

*This chart is prepared by analyzing all deals where total venture investment and acquisition price are confirmed. Each deal is classified as a ratio of company acquisition (exit) price to total venture investment from all rounds. This chart compares the number of deals in each category. An acquisition where deal price is less than the total venture investment ("<TVI") clearly did not result in a good return. Four times the investment to 10 times the investment can be a good outcome. An acquisition for more than 10 times venture investment is usually a nice outcome.*

**Figure 5.14**  
**Venture-Backed IPOs**  
**Cos. in Registration vs.**  
**Number of Venture-Backed IPOs**

Year	# of Cos in Registration*	# of IPOs
2003	31	29
2004	57	94
2005	16	57
2006	36	57
2007	31	86
2008	20	6
2009	23	12

\*As of Year-End

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# Appendix A: Glossary

**“A” round** – a financing event whereby angel groups and / or venture capitalists become involved in a fast growth company that was previously financed by founders and their friends and families.

**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 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.

**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.

**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.

**Angel** – a wealthy individual that invests in companies in relatively early stages of development. Usually angels invest less than \$1 million per startup.

**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**.

**“B” round** – a financing event whereby investors such as venture capitalists and organized angel groups are sufficiently interested in a company to provide additional funds 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, “beeps”).

**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&P500 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.

**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 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 with little or no revenue uses available cash to cover expenses. 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 received eventually receive funding.

**Buyout** – a sector of the private equity industry. Also, the purchase of a controlling interest of a com-

pany by an outside investor (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 additional 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** – 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 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”.

**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** — the share in the capital gains of a venture capital fund which 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.

**Club deal** – the act of investing by two or more entities in the same target company, usually involving a leveraged buyout transaction.

**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 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 publicly traded company with similar characteristics to a private 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.

**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 which 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 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**.

**Cost of revenue** – the expenses generated by the core operations 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.

**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 pro-

viding 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. Defined contribution plan capital cannot be invested in private equity funds.

**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 to new investors.

**Dilution protection** – see **Anti-dilution** and **Full ratchet**.

**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.

**Disbursement** – an investment by a fund in a company.

**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 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. Typically, dividends are paid quarterly, by approval of the board of directors, to owners of preferred stock.

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

**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 his or her 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.  $\text{Equity} = \text{Assets} - \text{Liabilities}$ .

**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. This has received much recent attention as the Financial Accounting Standards Board (FASB) has issued definitive guidance (FAS 157) on this long standing principle.

**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** – an accounting standard developed by the Financial Accounting Standards Board (FASB) regarding the application of a fair value principle.

**First refusal** – the right of a privately owned company to purchase any shares that employees would like to sell.

**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. 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 whereby the price per share of the preferred stock of investor A is adjusted downward 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 match the price of investor B's preferred stock. Usually as a result of the implementation of a ratchet, company management and employees who own a fixed amount 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 issued by the company on the assumption that all warrants and options are exercised and preferred stock.

**Fund-of-funds** – a fund created to invest in private equity funds. Typically, individual investors and relatively small institutional investors participate in a fund-of-funds to minimize their portfolio management efforts.

**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 aside from the initial fund.

**Going-private transaction** – when a public compa-

ny 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.

**Grossing up** – an adjustment of an option pool for management and employees of a company which increases the number of shares available over time. This usually occurs after a financing round whereby one or more investors receive a relatively large percentage of the company. Without a grossing up, managers and employees would suffer the financial and emotional consequences of dilution, thereby potentially affecting the overall performance of the company.

**Growth stage** – the state 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 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.

**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 backoffice resources.

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

**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 trades 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 veri-

fication 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 pay 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.

**IPO** – see Initial public offering.

**IRR** – see Internal rate of return.

**Issuer** – the company that chooses to distribute a portion of its stock to the public.

**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 venture capital 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 Seniore 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.

**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 or shares in another, usually larger company. For example, an IPO is a liquidity event.

**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 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 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 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.

**NDA** – see **Non-disclosure agreement**.

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

**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-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.

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

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

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

**OID** – see Original issue discount.

**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, such as the right to influence key management decisions.

**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. Participating preferred stock has been characterized as “having your cake and eating it too”.

**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.

**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 “post-money” valuation of \$7 million.

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

**Private equity** – equity investments in non-public companies, usually defined as being made up of venture capital funds 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 institution-

al 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”).

**Prudent man rule** – a fundamental principle for professional money management which serves as a basis for the Prudent Investor Act. The principle is based on a statement by Judge Samuel Putnum in 1830: “Those with the responsibility to invest money for others should act with prudence, discretion, intelligence and regard for the safety of capital as well as income.” In the 1970s a favorable interpretation of this rule enabled pension fund managers to invest in venture capital for the first time.

**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.

**Ratchet** – a mechanism to prevent dilution. An anti-dilution clause in a contract protects an investor from a reduction in percentage ownership in a company due to the future issuance by the company of additional shares to other entities.

**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 compa-

ny’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** – an SEC regulation that governs private placements. Private placements are investment offerings for institutional and accredited individual investors but not for the general public. There is an exception that 35 non-accredited investors can participate.

**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, usually at a discount.

**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 chose to sell.

**Right of first refusal** – a contractual right to participate in a transaction. For example, a venture capitalist may participate in a first round of investment in a startup and request a right of first refusal in any following rounds of investment.

**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**.

**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 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**.

**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 activi-

ties 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 chose 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 angels, friends and family to the founders of a startup in seed stage.

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

**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 the IPO or sale of the company.

**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 (annu-

al) 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 in order to 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”.

**Success rate** – the proportion of venture funded companies that are considered successful. A study of companies funded by VCs during the 1990s indicated that 14% of the companies went public and another 11% were acquired.

**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 which 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 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.

**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 stops accepting new investors and begins to make investments on behalf of those investors. 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, merger 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 amount 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.

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These definitions were graciously provided by the Center for Private Equity and Entrepreneurship at the Tuck School of Business at Dartmouth. Please refer to the Center's website for additional definitions and information at <http://mba.tuck.dartmouth.edu/pecenter/resources/glossary.html>. Used by permission. Thomson Reuters and National Venture Capital Association are grateful to the Center for its support.

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# Appendix B: MoneyTree Report Criteria

## The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters

### REPORT CRITERIA

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#### Summary Description

The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S.

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#### General Definition

The report includes the investment activity of professional venture capital firms with or without a US office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments in a qualified and verified financing round the entire amount of the round is included.

Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spunout of existing companies.

The report excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing. Investee companies must be domiciled in one of the 50 US states or DC even if substantial portions of their activities are outside the United States.

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#### Specific Methodology

The focus of the report is on cash received by the company. Therefore, tranches not term sheets are the determining factor. Drawdowns on commitments are

recognized at the time the company receives the money rather than recorded as a lump sum amount at the time the term sheet is executed. Convertible debt and bridge loans are recognized only when converted to equity. Once a company has received a qualifying venture capital financing round, all subsequent equity financing rounds are included regardless of whether the round involved a venture capital firm as long as all other investment criteria are met (e.g. cash-for-equity, not buyout or services in kind).

Angel, incubator and similar investments are considered pre-venture financing if the company has received no prior qualifying venture capital investment and are not included in the MoneyTree results. Angel, incubator and similar investments that are part of a qualifying venture capital round or follow a qualifying venture capital round are included to the extent that such investments can be fully verified as meeting all other criteria (e.g. cash for equity, not buyout or services in kind).

Direct investment by corporations (not through a venture capital arm) is excluded unless (a) the investment is clearly demonstrated to be primarily a financial investment rather than outsourced R&D or market development, (b) it is co-investment in an otherwise qualifying round, or (c) it follows a qualifying venture round in a company and meets all other criteria (e.g. cash-for-equity, not buyout or services in kind).

Data is primarily obtained from a quarterly survey of venture capital practitioners. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies.

Only professional independent venture capital firms,

institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

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## **Disclaimer**

PricewaterhouseCoopers, the National Venture Capital Association, and Thomson Reuters have taken responsible steps to ensure that the information contained in the MoneyTree Report has been obtained from reliable sources. However, none of the parties can warrant the ultimate validity of the data obtained in this manner. Results are updated periodically. Therefore, all data is subject to change at any time.

## Appendix C: MoneyTree Geographical Definitions

The Geographical Regions identified in the MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data provided by Thomson Reuters and used in the *2010 NVCA Yearbook* are as follows:

**Alaska/Hawaii/Puerto Rico:** Alaska, Hawaii, and Puerto Rico

**Colorado:** The state of Colorado

**DC/Metroplex:** Washington, D.C., Virginia, West Virginia, and Maryland

**LA/Orange County:** Los Angeles, Ventura, Orange, and Riverside Counties (i.e., southern California, except San Diego)

**Midwest:** Illinois, Missouri, Indiana, Kentucky, Ohio, Michigan, and western Pennsylvania

**New England:** Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and parts of Connecticut (excluding Fairfield county)

**New York Metro:** Metropolitan NY area, northern New Jersey, and Fairfield County, Connecticut

**North Central:** Minnesota, Iowa, Wisconsin, North Dakota, South Dakota, and Nebraska

**Northwest:** Washington, Oregon, Idaho, Montana, and Wyoming

**Philadelphia Metro:** Eastern Pennsylvania, southern New Jersey, and Delaware

**Sacramento/Northern California:** Northeastern California

**San Diego:** San Diego area

**Silicon Valley:** Northern California, bay area and coastline

**South Central:** Kansas, Oklahoma, Arkansas, and Louisiana

**Southeast:** Alabama, Florida, Georgia, Mississippi, Tennessee, South Carolina, and North Carolina

**Southwest:** Utah, Arizona, New Mexico, and Nevada

**Texas:** The state of Texas

**Upstate New York:** Northern New York state, except Metropolitan New York City area

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## Appendix D: Industry Codes (VEIC)

VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
<b>1000</b>	<b>COMMUNICATIONS AND MEDIA</b>	1530	Network test, monitor and support equipment
1100	Commercial Communications	1549	Other Data Communications
1110	Radio & TV Broadcasting Stations	1550	Internet Communications and Infrastructure NEC
1120	CATV & PayTV Systems	1551	Internet Access Services and Service Providers
1125	Cable Service Providers	1552	Internet Multimedia Services
1130	Radio & TV Broadcasting & Other Related Equipment	1553	Internet Backbone Infrastructure
1135	Services to Commercial Communications	1559	Other Internet Communications NEC
1199	Other Commercial Communications	1560	E-Commerce Technology
1200	Telecommunications	1561	Internet Security and Transaction Services
1210	Long Distance Telephone Services	1562	Ecommerce Services
1215	Local Exchange Carriers (LEC)	1563	Ecommerce Enabling Software
1220	Telephone Interconnect & Other Equipment	1569	Other Ecommerce
1230	Telephone answering and/or management systems, PBXs	1600	Satellite Microwave Communications
1299	Other Telephone Related	1610	Satellite Services/Carriers/Operators
1300	Wireless Communications	1620	Satellite Ground (and other) Equipment
1310	Mobile Communications, Pagers & Cellular Radio	1630	Microwave Service Facilities
1320	Wireless Communications Services	1640	Microwave & Satellite Components
1325	Messaging Services	1699	Other Satellite & Microwave
1330	Wireless Communications Components	1700	Media and Entertainment
1399	Other Wireless Communications	1710	Entertainment
1400	Facsimile Transmission	1720	Publishing
1500	Data Communications	1800	Other Communications Related
1510	Local Area Networks (incl. voice/data PBX systems)	1810	Defense Communications
1515	Wide Area Networks	1825	Other Communications Services NEC
1520	Data Communications Components	1899	Other Communications Products (not yet classified)
1521	Communications Processors/Network Management	<b>2000</b>	<b>COMPUTER RELATED</b>
1522	Protocol Converters & Emulators	2100	Computers and Hardware
1523	Modems and Multiplexers	2110	Mainframes & Scientific Computers
1524	Other Data Communication Components	2111	Mainframes
1525	Switches/Hubs/Routers/Gateways/ATM	2112	Supercomputers and Scientific Computers
		2119	Other Mainframes and Scientific Computers

# National Venture Capital Association

VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
2120	Mini & Personal/Desktop Computers	2321	Computer related
2121	Fail Safe Computers	2322	Communications Products/Services
2122	Mini Computers	2323	Education
2123	Personal Computers (micro/personal)	2324	Reference
2124	Other Mini and Personal Computers	2325	Scientific
2125	Portable Computers (notebooks/ laptops)	2399	Other Intergrated Systems and Solutions
2126	Handheld Computing (PDA)	2500	Peripherals
2130	Optical computing	2510	Terminals
2140	Servers and Workstations	2511	Intelligent Terminals
2141	Servers	2512	Portable Terminals
2142	Web Servers	2513	Graphics Terminals
2143	Workstations	2519	Other Terminals
2144	Thin Client Hardware	2520	Printers
2149	Other Servers and Workstations	2521	Laser Printers
2200	Computer Graphics and Digital Imaging	2522	Color Printers
2210	CAD/CAM, CAE,EDA Systems	2523	Inkjet Printers
2220	Graphic Systems	2524	Dot Matrix Printers
2230	Scanning Hardware	2529	Other Printers
2234	OCR (Optical Character Recognition)	2530	Data I/O Devices
2236	OBR (Optical Bar Recognition)	2531	Mouse Input Devices
2238	MICR (Magnetic Ink Character Recognition)	2532	TouchPad Input Devices
2239	Other Scanning Related	2533	Pen based computing
2250	Graphics Printers/Plotters	2539	Other Data I/O Devices
2255	Graphics/Enhanced Video Cards	2540	Disk Related Memory Devices
2260	Other Graphics Peripherals	2541	Floppy Disks & Drives
2280	Other Multimedia NEC	2542	Winchester Hard Disks and Drives
2290	Digital Imaging Hardware and Equipment	2543	Optical Disks & Drives,CD-ROM DVD
2295	Digital Imaging Services	2546	Disk Drive Components
2299	Other Computer Graphics	2549	Other Disk Related
2300	Integrated Turnkey Systems and Solutions	2550	Tape Related Devices
2311	Business and Office	2551	Magnetic Tapes
2312	Consumer	2552	Tape Heads & Drives
2313	Retailing	2553	Continuous Tape Backup Systems
2315	Transportation	2559	Other Tape Related Devices
2316	Finance/Insurance/Real Estate	2560	Other Memory Devices (excl. semi- conductors)
2317	Agriculture	2561	PC or PCMCIA cards
2318	Recreation/Entertainment	2562	Memory Cards
2319	Manufacturing/Industrial/ Construction	2563	Sound Cards
2320	Medical/Health	2564	Communications Cards
		2569	Other Peripheral Cards
		2590	Other Peripherals (not yet classified)
		2600	Computer Services
		2630	Time Sharing Firms

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
2640	Computer Leasing & Rentals	2748	Other Industry specific Software
2650	Computer Training Services	2749	Other Applications Software
2655	Backup and Disaster Recover	2750	Artificial Intelligence Related Software
2660	Data Processing, Analysis & Input Services	2751	Expert Systems
2665	Computer Repair Services	2752	Natural Language
2670	Computerized Billing & Accounting Services	2753	Computer-Aided Instruction
2675	Computer Security Services	2754	Artificial Intel. Programming Aids
2691	Data communications systems management	2755	Other Artificial Intelligence Related Software Services
2699	Other Computer Services	2761	Programming Services/Systems Engineering
2700	Computer Software	2762	Software Consulting Services
2710	Systems Software	2763	Software Distribution/Clearinghouse
2711	Database & File Management	2765	Internet/Web Design and programming services
2712	Operating Systems & Utilities	2766	Internet Graphics Services
2713	Program Development Tools/CASE/Languages	2768	Other Internet Software Services
2716	Graphics and Digital Imaging Software	2769	Other Software Services
2719	Other Systems Software	2780	Internet Systems Software
2720	Communications/Networking Software	2781	Site Development and Administration Software
2721	Security/Firewalls, Encryption software	2782	Internet Search Software and Engines
2722	Email Software	2783	WebServer Software
2723	Groupware	2784	Web Languages (Java/ActiveX/HTML/XML)
2724	Multimedia software	2785	Web Authoring/Development Software
2729	Other Communications/Networking Software	2798	Other Internet Systems Software
2730	Applications Software	2799	Other Software Related
2731	Business and Office Software	2800	Internet and Online Related
2732	Home Use Software	2810	E-Commerce—Selling products Online or Internet
2733	Educational Software	2811	Business and Office Products
2734	Manufacturing/Industrial Software	2812	Consumer Products
2735	Medical/Health Software	2813	Retailing Products
2736	Banks/Financial Institutions Software	2814	Publishing Products
2737	Retailing Software	2815	Transportation Products
2738	Integrated Software	2816	Finance/Insurance/Real Estate products
2739	ERP/Inventory Software	2817	Agricultural Products
2740	Recreational/Game Software	2818	Recreation/Entertainment/Music/Movies
2741	Scientific Software	2819	Manufacturing/Industrial/Construction
2743	Agricultural Software		
2744	Transportation Software		

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
2820	Medical/Health	2860	Medical/Health Info/Content
2821	Computer Related	2861	Computer Related Info/Content
2822	Communications Products	2862	Communications Info/Content
2823	Education Products	2863	Education Info/Content
2824	Reference Products	2864	Reference Info/Content
2825	Scientific Products	2865	Scientific Info/Content
2826	Legal Products	2866	Legal Info/Content
2829	Other Ecommerce Selling Products	2869	Other Aggregation/Portal/Exchange Sites
2830	Ecommerce—Selling Services Online/Internet	2870	Internet Services
2831	Business and Office Services	2871	Internet Marketing Services
2832	Consumer Services	2873	Data Warehousing Services
2833	Retailing Services	2879	Other Internet and Online Services NEC
2834	Publishing Services	2900	Other Computer Related
2835	Transportation Services	2910	Voice Synthesis
2836	Finance/Insurance/Real Estate Services	2911	Voice Recognition
2837	Agricultural Services	2990	Other Computer Related (not yet classified)
2838	Recreation/Entertainment/Music/Movies		
2839	Manufacturing/Industrial/Construction	<b>3000</b>	<b>OTHER ELECTRONICS RELATED</b>
2840	Medical/Health Services	3100	Electronic Components
2841	Computer Related services	3110	Semiconductors
2842	Communications Products/Services	3111	Customized Semiconductors
2843	Education Services	3112	Standard Semiconductors
2844	Reference	3114	Flash Memory
2845	Scientific	3115	Optoelectronics semiconductors (incl laser diodes)
2846	Legal	3119	Other Semiconductors
2848	Recreation/Entertainment Services	3120	Microprocessors
2849	Other Ecommerce Selling Services	3130	Controllers and Sensors
2850	Web Aggregation/Portal Sites/Exchanges	3132	Controllers
2851	Business and Office Info/content	3135	Sensors
2852	Consumer Info/Content	3139	Other Controllers/Sensors
2853	Retailing Info/Content	3140	Circuit Boards
2854	Publishing Info/Content	3160	Display Panels
2855	Transportation Info/Content	3170	Other Electronics Related (including keyboards)
2856	Finance/Real Estate/Insurance Info/Content	3200	Batteries
2857	Agriculture Info/Content	3300	Power Supplies
2858	Recreation/Entertainment/Music/Movies	3310	Uninterruptible Power Supply (UPS)
2859	Manufac/Industrial/Constr. Info/Content	3400	Electronics Related Equipment
		3410	Semiconductor Fabrication Equip. & Wafer Products
		3420	Component Testing Equipment

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
3499	Other Electronics Related Equipment	4112	In Vivo Monoclonal Antibody
3500	Laser Related		Diagnostics/Imaging
3510	Laser Components (incl. beamsplitters, excimers)	4113	DNA/RNA Probes
3599	Other Laser Related	4119	Other Medical Diagnostic Biotechnology
3600	Fiber Optics	4120	Therapeutic Biotechnology Products
3610	Fiber Optic Cables	4121	Therapeutic Monoclonal Antibodies
3620	Fiber Optic Couplers and Connectors	4122	Immune Response Effectors (interferons,vaccines)
3630	Fiber Optic Communication Systems (see 1510)	4123	Other Therapeutic Proteins (incl. hormones & TPA)
3699	Other Fiber Optics	4129	Other Therapeutic Biotechnology
3700	Analytical & Scientific Instrumentation	4130	Genetic Engineering
3710	Chromatographs & Related Laboratory Equipment	4200	Agricultural/Animal Biotechnology
3720	Other Measuring Devices	4210	Genetically Engineered Plants
3799	Other Analytical & Scientific Instrumentation	4220	Genetic. Eng. Microorganisms to raise plant yield
3800	Other Electronics Related	4230	Other Plant Related Biotechnology
3810	Military Electronics (excluding communications)	4240	Biotech Related Animal Health & Nutrition Products
3820	Copiers	4250	Genetically Engineered Animals
3830	Calculators	4290	Other Animal Related Biotechnology
3835	Security/Alarm/Sensors	4300	Industrial Biotechnology
3899	Other Electronics Related (incl. alarm systems)	4310	Biochemical Products
3900	Optoelectronics	4311	Biotech Related Fine Chemicals (NOT Pharmaceuts.)
3910	Photo diodes	4312	Biotech Related Commodity Chemicals
3920	Optoelectronics fabrication equipment	4319	Other Biochemical Products
3930	Lenses with Optoelectronics applications	4320	Biotech Processes for Food Industrial Applications
3940	Advanced photographic processes (incl lithographs)	4321	Biotech Related Food Enzymes and Cultures
3989	Other Optoelectronics Related	4322	Biotech Related Food Diagnostics
3990	Other Electronc Semiconductor	4329	Other Biotech Process for Food/Industrial Products
<b>4000</b>	<b>BIOTECHNOLOGY AND PHARMACOLOGY</b>	4330	Biotech Processes for Pollution/Toxic Waste Contrl
4100	Human Biotechnology	4340	Biotech Processes for Enhanced Oil Recovery/Mining
4110	Medical Diagnostic Biotechnology Products	4390	Other Industrial Biotechnology
4111	In Vitro Monoclonal Antibody Diagnostics	4400	Biosensors
		4410	Biosensors for Medical Diagnostic Applications

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
4420	Biosensors for Industrial Applications	5350	Medical Monitoring Equipment
4490	Other Biosensors	5380	Health related optics (including glasses, lenses)
4500	Biotech Related Research & Production Equipment	5399	Other Medical/Health (NEC)
4510	Biotech Related Analytical Instruments & Apparatus	5400	Medical Health Services
4520	Biotech Related Production Equipment	5410	Hospitals/Clinics/Primary Care
4525	Biotech laser and optronic applications	5412	Long Term Care/Home Care/Elder Care
4599	Other Biotech Research & Production Equipment	5414	Dependent Care (child care/assisted living)
4600	Biotech Related Research & Other Services	5420	Managed care (including PPO/PPM)
4610	Pure & Contract Biotechnology Research	5429	Other Healthcare Facilities
4699	Other Biotechnology Services	5430	Emergency Services/Ambulance
4900	Other Biotechnology Related	5440	Hospital & Other Institutional Management
<b>5000</b>	<b>MEDICAL/HEALTH RELATED</b>	5499	Other Medical/Health Services
5100	Medical Diagnostics	5500	Pharmaceuticals
5110	Diagnostic Services	5510	Pharmaceutical Research
5120	Medical Imaging	5520	Pharmaceutical Production
5121	X-Rays	5530	Pharmaceutical Services
5122	CAT Scanning	5540	Pharmaceutical Equipment
5123	Ultra Sound Imaging	5550	Pharmaceuticals/Fine Chemicals (non-biotech)
5124	Nuclear Imaging	5599	Other Pharmaceutical NEC
5125	Other Medical Imaging	<b>6000</b>	<b>ENERGY RELATED</b>
5130	Diagnostic Test Products & Equipment	6100	Oil & Gas Exploration and Production
5140	Other Medical Diagnostics	6200	Oil & Gas Exploration Services
5200	Medical Therapeutics	6300	Oil & Gas Drilling & Support Services
5210	Therapeutic Services	6400	Oil & Gas Drilling,Exploration & Extraction Equip.
5220	Surgical Instrumentation & Equipment	6410	Oil & Gas Drilling & Extraction Equipment
5221	Surgical lasers (including laser delivery fibers)	6420	Oil & Gas Drilling Instrumentation
5230	Pacemakers & Artificial Organs	6430	Oil & Gas Exploration Equip. Instrumentation
5240	Drug Delivery & Other Equipment	6499	Other Oil & Gas (NEC)
5299	Other Therapeutic (including defibrillators)	6500	Alternative Energy
5300	Medical Health Related Products	6510	Solar Energy
5310	Disposable Medical Products	6511	Photovoltaic Solar
5340	Handicap Aids	6512	Other Solar
		6520	Wind Energy
		6530	Geothermal Energy

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
6540	Energy Co-Generation	7320	Health Food
6599	Other Alternative Energy (incl. nuclear energy)	7330	Soft Drinks & Bottling Plants
6600	Enhanced Oil Recovery/Heavy Oil/Shale	7340	Food Supplements/Vitamins
6700	Coal Related	7350	General Food Products
6710	Coal Mining	7399	Other Food and Beverages
6720	Coal Related Equipment	7400	Consumer Products
6799	Other Coal Related	7410	Clothing, Shoes & Accessories (incl. jewelry)
6800	Energy Conservation Related	7420	Health & Beauty Aids
6900	Other Energy Related	7430	Home Furnishing & Housewares
<b>7000</b>	<b>CONSUMER RELATED</b>	7431	Housewares
7100	Entertainment and Leisure	7432	Furnishings & Furniture
7110	Movies, Movie Products & Theater Operations	7433	Garden and Horticultural Products
7120	Amusement & Recreational Facilities	7434	Other Home Furnishings (NEC)
7125	Casino and Gambling	7450	Mobile Homes
7130	Toys & Electronic Games	7499	Other Consumer Products
7140	Sporting Goods, Hobby Equipment & Athletic Clothes	7500	Consumer Services
7150	Sports Facilities (Gyms and Clubs)	7510	Fast Food Restaurants
7155	Sports	7520	Other Restaurants
7160	TVs, Radio, Stereo Equipment & Consumer Electronics	7530	Hotels and Resorts
7170	Music, Records, Production and Instruments	7540	Auto Repair Shops
7199	Other Leisure/Recreational Products and Services	7550	Education & Educational Products and Materials
7200	Retailing Related	7560	Travel Agencies and Services
7210	Drug Stores	7599	Other Consumer Services
7220	Clothing and Shoe Stores	7999	Other Consumer Related (not yet classified)
7230	Discount Stores	<b>8000</b>	<b>INDUSTRIAL PRODUCTS</b>
7240	Computer Stores	8100	Chemicals & Materials
7245	Retail Publishing (books, magazines, newspapers)	8110	Plastic Fabricators
7246	Office Supply Stores	8111	Homogeneous Injections/Extrusions
7247	Music/Electronics	8112	Non-Homogeneous Injections/Extrusions
7248	Specialty Department and retail stores	8113	Fiber-Reinforced (Plastic) Composites
7250	Franchises(NEC)	8114	Other Fabricated Plastics
7299	Other Retailing Related	8115	Processes for Working with Plastics
7300	Food and Beverages	8119	Other Plasti Fabricators
7310	Wine & Liquors	8120	Coatings & Adhesives Manufacturers
		8121	Optical coatings
		8129	Other Coatings & Adhesives
		8130	Membranes & Membrane-Based Products

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
8140	Specialty/Performance Materials	8340	Mining Machinery
8141	Semiconductor Materials (eg. silicon wafers)	8350	Industrial Trucks and Tractors
8142	III/V Semiconductor Mater. (eg. gallium arsenide)	8360	Other Industrial Process Machinery
8143	Specialty Metals (incl. coatings, alloys, clad)	8370	Power Transmission Equipment (generators & motors)
8144	Ceramics	8399	Other Industrial Equipment & Machinery
8145	Lubricants & Functional Fluids	8500	Environmental Related
8146	Other Specialty Materials	8510	Air Filters & Air Purification & Monitoring Equip.
8147	Specialty materials for laser generation	8520	Chemical and Solid Material Recycling
8148	Superconducting materials	8530	Water Treatment Equipment & Waste Disposal Systems
8149	Other Special Performance Materials	8599	Other Environmental Related
8150	Commodity Chemicals & Polymers	8600	Other Industrial Products (not yet classified)
8151	Industrial Chemicals	8700	Industrial Services
8152	Polymer (Plastics) Materials	<b>9000</b>	<b>OTHER SERVICES AND MANUFACTURING</b>
8160	Specialty/Performance Chemicals	9100	Transportation
8161	Electronic Chemicals	9110	Airlines and Aviation Related
8162	Other Industrial Chemicals	9120	Trucking
8170	Agricultural Chemicals	9125	Railway related
8189	Other Commodity Chemicals and Polymers	9130	Leasing of Railcars, Buses and Cars
8199	Other Chemicals & Materials (not yet classified)	9140	Mail and Package Shipment
8200	Industrial Automation	9150	Motor Vehicles, Transportation Equipment & Parts
8210	Energy Management	9160	Airfield and Other Transportation Services
8220	Industrial Measurement & Sensing Equipment	9180	Advanced Aircraft/Aerospace
8221	Laser related measuring & sensing equipment	9199	Other Transportation
8230	Process Control Equipment & Systems	9200	Financial Services
8240	Robotics	9210	Insurance Related
8250	Machine Vision Software & Systems	9220	Real Estate
8260	Numeric & Computerized Control of Machine Tools	9230	Banking
8299	Other Industrial Automation (NEC)	9235	Non Bank Credit
8300	Industrial Equipment and Machinery	9240	Securities & Commodities Brokers and Services
8310	Machine Tools, Other Metalworking Equipment	9250	Investment Groups
8320	Hoists, Cranes & Conveyors	9254	Venture Capital and Private Equity Investors
8330	Pumps, Ball Bearings, Compressors, Indus. Hardware	9255	Financial Transactions Services
		9299	Financial Services, Other

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VEIC	INDUSTRY DESCRIPTION	VEIC	INDUSTRY DESCRIPTION
9300	Services	9599	Other Agriculture,Forestry,Fishing
9310	Engineering Services	9600	Mining and Minerals (non-energy related)
9320	Advertising and Public Relations	9700	Construction & Building Products
9330	Leasing (not elsewhere classified)	9710	Construction
9340	Distributors,Importers and Wholesalers	9720	Manufacture of Building Products
9350	Consulting Services	9730	Manufacture of Pre-Fabricated Buildings & Systems
9360	Media Related Services	9740	Distribution of Building Products & Systems
9399	Other Services NEC	9750	Construction Services
9400	Product Manufacturing	9799	Other Construction & Building Products Related
9410	Business Products and Supplies	9800	Utilities and Related Firms
9415	Office Automation Equipment	9810	Electric Companies
9420	Office Furniture & Other Professional Furnishings	9820	Water,Sewage,Chem. & Solid Waste Treatment Plants
9430	Textiles (Synthetic & Natural)	9830	Gas Transmission & Distribution
9440	Hardware,Plumbing Supplies	9899	Other Utilities & Related Firms
9450	Publishing	9900	Other Products and Services
9460	Packaging Products & Systems	9910	Conglomerates
9470	Printing & Binding	9912	Socially Responsible
9499	Other Manufacturing (not elsewhere classified)	9914	Environment Responsible
9500	Agriculture,Forestry,Fishing,Animal Husbandry,etc.	9915	Women-Owned
9510	Agriculture related	9918	Minority-Owned
9520	Forestry related	9920	Holding Companies
9530	Fishing related	9999	Other Products and Services
9540	Animal husbandry		

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## Appendix E: Industry Sector VEIC Ranges

*Industry analysis is based upon the following industry sectors: Biotechnology, Business Products and Services, Computers and Peripherals, Consumer Products and Services, Computer Software, Electronics/Instrumentation, Financial Services, Healthcare Services, Industrial/Energy, IT Services, Media and Entertainment, Medical Devices and Equipment, Networking and Equipment, Retailing/Distribution, Semiconductors, Telecommunications and Other. These sectors are based on the 17 industry classifications of the MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters.*

**Biotechnology** 4000, 4100, 4110, 4111, 4112, 4113, 4119, 4120, 4121, 4122, 4123, 4129, 4130, 4200, 4210, 4220, 4230, 4240, 4250, 4290, 4300, 4310, 4311, 4312, 4319, 4320, 4321, 4322, 4329, 4330, 4340, 4390, 4400, 4410, 4420, 4490, 4500, 4510, 4520, 4525, 4599, 4600, 4610, 4699, 4900, 5500, 5510, 5520, 5530, 5540, 5550, 5599

**Business Products and Services** 2811, 2824, 2831, 2844, 9300, 9310, 9320, 9330, 9340, 9350, 9360, 9399

**Computers and Peripherals** 2000, 2100, 2110, 2111, 2112, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2130, 2140, 2141, 2142, 2143, 2144, 2149, 2220, 2230, 2234, 2236, 2238, 2239, 2250, 2255, 2260, 2280, 2290, 2295, 2299, 2500, 2510, 2511, 2512, 2513, 2519, 2520, 2521, 2522, 2523, 2524, 2529, 2530, 2531, 2532, 2533, 2539, 2540, 2541, 2542, 2543, 2546, 2549, 2550, 2551, 2552, 2553, 2559, 2560, 2561, 2562, 2563, 2564, 2569, 2590, 3170

**Consumer Products and Services** 2812, 2832, 7000, 7300, 7310, 7320, 7330, 7340, 7399, 7400, 7410, 7420, 7430, 7431, 7432, 7433, 7434, 7450, 7499, 7500, 7510, 7520, 7530, 7540, 7550, 7560, 7599, 7999

**Computer Software** 1563, 2200, 2210, 2300, 2311, 2312, 2313, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2399, 2700, 2710, 2711, 2712, 2713, 2716, 2719, 2720, 2721, 2722, 2723, 2724, 2729, 2730, 2731, 2732, 2733, 2734, 2735, 2736, 2737, 2738, 2739, 2740, 2741, 2743, 2744, 2748, 2749, 2750, 2751, 2752, 2753, 2754, 2755, 2780, 2781, 2782, 2783, 2784, 2785, 2798, 2799, 2900, 2910, 2911, 2990, 8250

**Electronics/Instrumentation** 3000, 3100, 3160, 3200, 3300, 3310, 3400, 3420, 3499, 3500, 3510, 3599, 3700, 3710, 3720, 3799, 3800, 3810, 3820, 3830, 3835, 3899

**Financial Services** 2816, 2836, 9200, 9210, 9220, 9230, 9235, 9240, 9250, 9254, 9255, 9299

**Healthcare Services** 2820, 2840, 5400, 5410, 5412, 5414, 5420, 5429, 5430, 5440, 5499

**Industrial/Energy** 2819, 2837, 2839, 6000, 6100, 6200, 6300, 6400, 6410, 6420, 6430, 6499, 6500, 6510, 6511, 6512, 6520, 6530, 6540, 6599, 6600, 6700, 6710, 6720, 6799, 6800, 6900, 8000, 8100, 8110, 8111, 8112, 8113, 8114, 8115, 8119, 8120, 8121, 8129, 8130, 8140, 8143, 8144, 8145, 8146, 8147, 8148, 8149, 8150, 8151, 8152, 8160, 8161, 8162, 8170, 8189, 8199, 8200, 8210, 8220, 8221, 8230, 8240, 8260, 8299, 8300, 8310, 8320, 8330, 8340, 8350, 8360, 8370, 8399, 8500, 8510, 8520, 8530, 8599, 8600, 8700, 9000, 9100, 9110, 9120, 9125, 9130, 9140, 9150, 9160, 9180, 9199, 9400, 9410, 9415, 9420, 9430, 9440, 9460, 9470, 9499, 9500, 9510, 9520, 9530, 9540, 9599, 9600, 9700, 9710, 9720, 9730, 9740, 9750, 9799, 9800, 9810, 9820, 9830, 9899

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**IT Services** 1560, 1561, 1562, 1569, 2600, 2630, 2640, 2650, 2655, 2660, 2665, 2670, 2675, 2691, 2699, 2760, 2761, 2762, 2763, 2765, 2766, 2768, 2769, 2800, 2870, 2871, 2873, 2879

**Media and Entertainment** 1110, 1120, 1125, 1130, 1135, 1199, 1700, 1720, 2814, 2818, 2834, 2838, 2843, 2848, 2850, 2851, 2852, 2853, 2854, 2855, 2856, 2857, 2858, 2859, 2860, 2861, 2862, 2863, 2864, 2865, 2866, 2869, 7100, 7110, 7120, 7125, 7130, 7140, 7150, 7155, 7160, 7170, 7199, 9450

**Medical Devices and Equipment** 5000, 5100, 5110, 5120, 5121, 5122, 5123, 5124, 5125, 5130, 5140, 5200, 5210, 5220, 5221, 5230, 5240, 5299, 5300, 5310, 5340, 5350, 5380, 5399

**Networking and Equipment** 1400, 1500, 1510, 1515, 1520, 1521, 1522, 1523, 1524, 1525, 1530, 1549, 3600, 3610, 3620, 3630, 3699

**Retailing/Distribution** 2810, 2813, 2815, 2817, 2821, 2823, 2825, 2826, 2829, 2830, 2833, 2835, 2841, 2845, 2846, 2849, 7200, 7210, 7220, 7230, 7240, 7245, 7246, 7247, 7248, 7250, 7299, 7350

**Semiconductors** 3110, 3111, 3112, 3114, 3115, 3119, 3120, 3130, 3132, 3135, 3139, 3140, 3410, 3900, 3910, 3920, 3930, 3940, 3989, 3990, 8141, 8142

**Telecommunications** 1000, 1100, 1200, 1210, 1215, 1220, 1230, 1299, 1300, 1310, 1320, 1325, 1330, 1399, 1550, 1551, 1552, 1553, 1559, 1600, 1610, 1620, 1630, 1640, 1699, 1710, 1800, 1810, 1825, 1899, 2822, 2842

**Other** 9900, 9910, 9912, 9914, 9915, 9918, 9920, 9999

# Appendix F: Stage Definitions

## **SEED STAGE FINANCING**

This stage is a relatively small amount of capital provided to an inventor or entrepreneur to prove a concept. This involves product development and market research as well as building a management team and developing a business plan, if the initial steps are successful. This is a pre-marketing stage.

## **EARLY STAGE FINANCING**

This stage provides financing to companies completing development where products are mostly in testing or pilot production. In some cases, product may have just been made commercially available. Companies may be in the process of organizing or they may already be in business for three years or less. Usually such firms will have made market studies, assembled the key management, developed a business plan, and are ready or have already started conducting business.

## **EXPANSION STAGE FINANCING**

This stage involves working capital for the initial expansion of a company that is producing and shipping and has growing accounts receivables and inventories. It may or may not be showing a profit. Some of the uses of capital may include further plant expansion, marketing, working capital, or development of an improved product. More institutional investors are more likely to be included along with initial investors from previous rounds. The venture capitalist's role in this stage evolves from a supportive role to a more strategic role.

## **LATER STAGE**

Capital in this stage is provided for companies that have reached a fairly stable growth rate; that is, not growing as fast as the rates attained in the expansion stages. Again, these companies may or may not be profitable, but are more likely to be than in previous stages of development. Other financial characteristics of these companies include positive cash flow. This also includes companies considering IPO.

## **ACQUISITION FINANCING**

An acquisition of 49% stake or less. Firm acquires minority shares of a company. Thomson Venture Economics includes these deals in standard venture capital disbursement data when calculating venture capital disbursements where the funding is by a venture capital firm.

## **ACQUISITION FOR EXPANSION**

Funds provided to a company to finance its acquisition of other companies or assets. A consolidator of companies in specific industries.

## **MANAGEMENT/LEVERAGED BUYOUT**

These funds enable an operating management group to acquire a product line or business, at any stage of development, from either a public or private company. Often these companies are closely held or family owned. Management/leveraged buyouts usually involve revitalizing an operation, with entrepreneurial management acquiring a significant equity interest.

## **RECAP/TURNAROUND**

Financing provided to a company at a time of operational or financial difficulty with the intention of improving the company's performance.

## **SECONDARY BUYOUT**

A buyout deal on top of a buyout deal. Secondary buyouts are distinguished when the initial firm investor is different from the current investing firm.

# Appendix G: Data Sources and Resources

*For this publication, the main source for data was ThomsonONE.com, the online research database of Thomson Reuters. ThomsonONE.com (which recently replaced VentureXpert™, and Thomson One Banker) is endorsed by the NVCA as the official United States venture capital activity database. By using data gathered through the MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters, ThomsonONE.com contains investment, fund raising, portfolio company information, Deals Insight and Reuters News along with other statistical data. ThomsonONE.com includes blogs, events, and articles from the peHUB and the Venture Capital Journal, two of the industry's most widely-read publications. Other information contained in this database is gathered through a variety of public and proprietary sources including. This publication is produced on an annual basis primarily using year-end data. However, the underlying databases can be accessed online to provide the most up-to-date and comprehensive global private equity statistics and profile information available.*

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## MoneyTree™ Data

PricewaterhouseCoopers, Thomson Reuters, and the National Venture Capital Association joined forces in December 2001 to produce what was then known as the PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey. Conducted on a quarterly basis, the designated PwC/NVCA MoneyTree Report allows Thomson Reuters unparalleled access to primary sources of information from general partners.

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## Sources of Data

The online database of Thomson Reuters is ThomsonONE.com (VentureXpert), the foremost information provider for private equity professionals worldwide. The private equity portion of Thomson Reuters offers an incomparable range of products from directories to conferences, journals, newsletters, research reports, and the ThomsonONE.com Private Equity database. As of February 2010, the database included over 78,520 portfolio companies, 273,840 executives, 14,380 private equity firms, 31,070 private equity funds, and 159,330 financing rounds. By establishing working relationships with private equity and venture capital firms, institutional investors, and industry associations such as the NVCA, PricewaterhouseCoopers and other such entities around the world, Thomson Reuters has been able to gather, on a timely basis, complete and accurate information.

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## Timeliness of Data

Many of the tables and charts presented in this report can be produced by using ThomsonONE.com. One

of advantages of using ThomsonONE.com is that the reader can customize a report to better fit the needs of what they are seeking. In addition, because the online database is continuously updated, the information available is more up-to-date than what can be presented in this report. Readers should note that timely industry information on details concerning venture capital investment is available from other sources such as PricewaterhouseCoopers at [www.pwcmoneytree.com](http://www.pwcmoneytree.com), the 'Industry Stats' section of the NVCA website, [www.nvca.org](http://www.nvca.org), and the 'News & Ideas' segment of the private equity section of Thomson Reuters found at [http://thomsonreuters.com/products\\_services/financial/financial\\_products/deal\\_making/private\\_equity/](http://thomsonreuters.com/products_services/financial/financial_products/deal_making/private_equity/)

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## Verification and Updating of Data

Collectively, PricewaterhouseCoopers, Thomson Reuters, and the NVCA have the utmost commitment to provide an accurate historical record of venture capital activity. On a daily basis, the database is constantly analyzed for consistency, crosschecked with other data sources, and updated as new information comes in. On a quarterly basis, we have worked with many venture firms to ensure that their current and past data is correct. Primarily for this reason, the private equity news releases of Thomson Reuters will often restate statistics from prior news releases. With the availability of the online data access, users are encouraged to always use the most current numbers even regarding historical activity so as to maintain accuracy and comparability.

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## Reporting Functionality of ThomsonONE.com

Users can access information in terms of profiles on private equity companies, funds, firms, executives, IPOs, and limited partners. In addition, users can access the analytics portion of the database, which contains investment, valuation, IPO analytic, merger analytic, fund performance, fund raising, and fund statistic information along with venture capital information such as aggregate fund raising, investments, and IPOs broken out into state and nation profiles.

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## Comprehensiveness of ThomsonONE.com

Both the breadth and depth of ThomsonONE.com can perhaps best be shown in that it, among other types of information, the user can find the answers to the following questions:

- Which venture firms actively co-invest with a firm I am considering co-investing with?
- Which venture firms are most active in funding online financial services companies in the Ohio Valley?
- What does Yearbook Figure 3.15 look like for just biotech?
- How much money was raised by each fund stage in 2009?
- What was a particular venture-backed IPO's one year return at the end of 2009?
- As of December 2009, was the 10-year return to small buyout funds larger than that of large buyout funds?
- Who are the most active acquirers of ecommerce security companies?
- How much money was committed to mezzanine funds from 1997 to 2009?
- How much money was invested in the venture capital industry from 1987 to 2009?
- What is the performance at quarter end for private equity funds that were formed from 1998 to 2009?
- In 2009, how much money was invested at each development stage in Research Triangle Pharmaceutical companies?

In addition, there are also advantages of using the database for a general partner as well. Although this is not an inclusive list, utilizing the database by general partners can be helpful to them for among the following reasons:

- Plan your companies' exits with data on both ven-

- ture-backed IPOs and mergers and acquisitions
- Aid in recruiting talented executives from other venture-backed companies
- Quickly spot venture-backed companies in competition with your own portfolio companies
- Create industry analyses to benchmark both performance and portfolio investments
- Find other venture capitalists likely to support follow-on rounds
- Provide clarity to investment decisions by comparing them to current market conditions
- Compile valuation reports for comparable portfolio companies
- Identify prospective investors and their investment histories
- Benchmark valuations among recent transactions and obtain valuation comparables
- Analyze investment trends by industry
- Utilize returns information to limited partners using appropriate benchmarks
- Tailor your pitch to investor focus size and limited partner type

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## Reporting Functionality of LPXpert

Another database is available to users: LPXpert, an online portfolio monitoring system that allows institutional investors to analyze their portfolio activity in both a cost-effective and timely manner. Over 100 different types of reports can be produced detailing firm, fund, portfolio company, executive, IPO profiles and fund performance analysis. A description of the features provided include portfolio highlights that show changes in portfolio activity between reporting periods. These changes can include the number of funds invested in, committed capital, the amount of capital called, and percent overlap of investments, a particularly valuable tool for large institutional investors investing in various funds.

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## Comprehensiveness of Data of LPXpert

The extent to how comprehensive LPXpert is can be shown by providing the following examples of the types of queries that could be researched using this product:

- What other funds have co-invested alongside the funds I have invested in?
- What are the other funds managed by the firms I have invested with, but that I am not currently invested in?

- How have my funds performed over the last 10 years ending December 31, 2009?
- Of the amount that I have invested in my portfolio of funds, what is the industry distribution by percentage?
- Of the funds I have invested in, how has the amount of dollars invested changed between reporting periods?

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## **Accessing ThomsonONE.com, LPXpert, and Other Services**

For more information on ThomsonONE.com or LPXpert, please visit [\[ucts\\\_services/financial/financial\\\_products/deal\\\_making/private\\\_equity/private\\\_equity\\\_venture\\\_capital\]\(http://thomsonreuters.com/prod-ucts\_services/financial/financial\_products/deal\_making/private\_equity/private\_equity\_venture\_capital\) or by phone at 1-800-782-5555. For information on NVCA membership, which can include a free trial and discounts on an annual subscription, please contact Janice Mawson at the NVCA. You may contact her online through the link on the member benefits section of the NVCA website or at 703-524-2549. For information on services PricewaterhouseCoopers provides for venture capital firms as well as emerging companies, please visit their website at \[www.pwcmoneytree.com\]\(http://www.pwcmoneytree.com\).](http://thomsonreuters.com/prod-</a></p></div><div data-bbox=)

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# Appendix H: Portfolio Company Valuation Guidelines

*In the United States, a venture capital fund is usually organized as a limited partnership. The institutional investors providing capital to a fund typically become limited partners (LPs). The venture firm becomes a general partner (GP) in the limited partnership. In most of the limited partnership agreements defining GP-LP relationship, the GPs are required to provide financial reports quarterly (unaudited) and annually (audited) prepared according to United States Generally Accepted Accounting Principles (“GAAP”). GAAP generally requires the use of investment company accounting which mandates that a fair value to be assigned to the individual portfolio companies. This is consistent with the LPs need for fair values of their investments as well as 3rd party or regulatory requirements, e.g., ERISA-regulation.*

Guidelines fall into two categories. The first is portfolio performance presentation formats, calculations, and disclosure. An example of the former is the Private Equity Provisions of the Global Investment Performance Standards (GIPS). This was developed by the CFA Institute. While many of the specifications and terminology line up with current practice in the United States, the NVCA has not endorsed or otherwise commented on these standards. Neither NVCA nor Thomson Reuters has determined how widespread the adoption of those standards is or will likely be. This document and accompanying guidance can be currently found at <http://www.cfainstitute.org/centre/codes/gips/>.

Much more attention is being paid to the other category: portfolio company valuation guidelines. The chronology and sections below refer to this category. Suffice it to say for now that portfolio valuation guidelines developed by the Private Equity Industry Guidelines Group (PEIGG, [www.peigg.org/home.html](http://www.peigg.org/home.html) > Valuations), most recently revised in March 2007, are the most commonly referred to in the US. An unrelated European consortium has created “international” guidelines which they intend to conform to IASB rules. That version has received little attention in the US.

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## Why Valuation Guidelines Matter

What ultimately matters to the investors and private equity practitioners is the cash which has been distributed to the investors during the life of the fund compared with the original money put in. However,

the life of a typical venture fund is at least 10 years, longer in the life sciences arena. During that period the venture capital fund reports progress to the limited partners. In many cases, this means quarterly portfolio updates and a complete audited annual financial statement. For a typical venture fund, very little money is paid out in the first four or five years. Also, while every portfolio company receives funding with high expectations, it can take several years to determine if a particular company is a likely winner. Therefore, understanding progress in the portfolio requires some estimate of the success of the investee companies by the venture capital or private equity firm. While many investors and fund managers agree that financial measurements mean little for the first three or so years of a fund, after that the fund wants to communicate progress to the investors. This is where specific valuation rules and processes become important. The agreed valuation procedures for individual portfolio companies become the basis for progress assessment as the fund matures and ultimately distributes cash to the investors.

So while portfolio company valuations are more of an art than a science, especially for pre-revenue or even pre-EBITDA companies, most limited partner agreements (LPAs) establishing a venture capital fund require the venture firm to provide quarterly and annual financial statements using Generally Accepted Accounting Principles (GAAP). GAAP requires fair value measurement for portfolio positions. Therefore, most GPs must issue financial statements using fair value.

## The Evolution of Valuation Guidelines: 1989 to 2009

This section reviews the various efforts to create comprehensive portfolio company valuation guidelines for US private equity.

**1989-1990** – A group of investors, private equity fund managers, and fund-of-fund managers formed a group to develop a set of portfolio company valuation guidelines. Contrary to a very persistent rumor, the NVCA did not endorse, adopt, bless, publish, or otherwise opine on the guidelines.

**Decade of the 1990s** – Two noteworthy developments occurred in the 1990s. Despite no endorsement by the NVCA these guidelines became accepted practice by much of the US industry, especially in the venture capital side of private equity. These guidelines were referred to by many as being issued by the NVCA but in fact they were not. The second development is international venture associations creating localized guidelines based heavily on these guidelines. These were created in Europe and other international regions. In fact, by 2005, there had been multiple iterations of the European and British guidelines.

**2003** – A self-appointed group of private equity practitioners, fund managers, fund-of-fund managers and others formed the Private Equity Industry Guidelines Groups (PEIGG). The overall constitution of this group is not hugely different from the 1989-1990 group. The PEIGG group announced that it was contemplating taking on four initiatives, of which portfolio company valuation guidelines was the first one.

**December 2003** – After an extensive input phase and review by various industry groups and service providers, the first version of the PEIGG guidelines were issued. Throughout the process PEIGG had been actively soliciting feedback and input from a number of industry groups including the NVCA.

**March 2004** – NVCA board issued statement of support, but not endorsement as some pundits had hoped. NVCA position was widely consistent with input provided by members of the NVCA CFO Task Force, members at large, and the NVCA Board of Directors. The text of NVCA's statement is printed below.

**March/April 2004** – The Institutional Limited Partners Association (ILPA) hails NVCA support as welcome support – especially as it relates to the GP and LPs mutually agreeing to the valuation process. PEIGG also hails the NVCA support.

**July 2004** – After consulting quietly with various industry groups, PEIGG issues guidance on controversial paragraph 30 which was the most discussed and debated provision in the guidelines.

**September 2004** – Based on input from ILPA and others, PEIGG agrees to minor wording changes in two paragraphs. This becomes PEIGG guidelines version 2. These two wording changes were consistent with, and in part inspired by, language the NVCA board used in its March 2004 statement of support.

**October 2004** – ILPA endorses the PEIGG guidelines.

**December 2004** – As most fund accounting year's end, GPs prepare for their first audits since the effective date of AICPA's SAS 101 rule. Essentially that rule says that if a reporting entity claims to be reporting "fair value" – which is required by GAAP – then the auditors must document and test that this is, in fact, true. It was not clear to what extent this increased scrutiny would affect valuation expectation and practices.

**March 2005** – NVCA board issues an updated statement, which now refers to the September 2004 version of the PEIGG guidelines. The NVCA also decided to make the PEIGG document widely available to its members. The text of that statement is below.

**April 2006** – Guidelines issued by a consortium of three Europe-based venture capital associations (AFIC, BVCA, EVCA) are released. The authors cite compliance with IASB rules. Informal feedback from US venture capital professionals reviewing this document was that the document was more formulaic than PEIGG's counterpart and only partially compliant with US GAAP as defined at that time. Subsequently, 30 non-US private equity and venture capital associations endorsed this document. Go to <http://www.privateequityvaluation.com>. The most recent edition is October 2006. These guidelines have gotten little traction in the US and expected to be updated in 2009.

**September 2006** – Financial Accounting Standards

Board (FASB) issues its long-awaited and long-anticipated fair value measurement standard as FAS 157. Only a few of its 145 pages relate directly to typical venture capital and private equity funds. Because FASB maintains that this is a clarification and further definition of fair value which was already required for portfolio accounting, some auditors began requiring selective compliance in advance of the 2008 effective date.

**March 2007** – PEIGG issues a revised portfolio company valuation guidelines document to reflect the Fair Value Measurement standard (FAS 157).

**September 2007** – NVCA board reaffirms its prior position on the PEIGG guidelines to refer to the most recent version.

**March 2008** – the International Private Equity Valuation & Venture Capital Valuation (IPEV) Board reconstitutes and re-launches itself, expanded to include 5 practitioners from the United States. The initial focus of the group is on convergence of US PEIGG and IPEV valuation guidelines. Details at [www.privateequityvaluation.com](http://www.privateequityvaluation.com).

**August 2008** – SEC proposes a roadmap toward

global accounting standards and publishes for public comment the concept of adoption of International Financial Reporting Standards. Details are at <http://www.sec.gov/news/press/2008/2008-184.htm>.

**September 2008** – At this point, visible signs of a valuation whirlpool are hard to miss. This changed what appeared a couple of months earlier to be a generally painless implementation of FAS 157 to a fluid environment with no precedent and little guidance.

**December 2008** - The decreases in public market valuations accelerate. This makes valuation of even on-track, pre-revenue companies tricky. The NVCA issues a one page information letter to its members to shed light on applying FAS 157 in a valuation microburst/whirlpool. (Text below)

**July 2009** – Effective July 1, authoritative GAAP became contained in a single Codification and the prior nomenclature went away. Existing US GAAP was recast in 90 topics which include all related FASB pronouncements, AICPA guidance and EITFs under single “Topics.” Familiar standards will no longer exist. For example, FAS157 is now Topic 820 Fair Value Measurements and Disclosure.

## The PEIGG Guidelines

While the NVCA has not specifically endorsed the PEIGG portfolio company valuation guidelines (see statement in next section below), it believes that the guidelines document should be readily accessible to its members for reference and use. Be sure to refer to [www.peigg.org](http://www.peigg.org) for the latest version and guidance on the document. The NVCA thanks the members of PEIGG for their efforts and for their permission to reprint the guidelines here. The guidelines as updated in March 2007 to reflect FAS 157 are printed below.

## OVERVIEW

### Introduction

1. As the U.S. private equity industry (defined as venture, buyout, mezzanine, and other investments in private companies) has grown and matured, its participants have become increasingly interested in the appropriate reporting of fund values. The interest

stems from a number of sources, such as an investor’s desire to measure interim performance, investor’s need for fair value data to report investments in their own financial statements, a manager’s need to report and measure valuations in accordance with fund agreements, and the need to determine the allocation of distributions of fund realizations. This has led to increased scrutiny of portfolio company values and the need for greater consistency of valuation methodologies employed by managers of private equity funds. However, by its very nature private equity is an asset class in which judgment plays a significant role. Accordingly, investors in the same company may have different, but supportable, views on valuation.

2. The objective of the Updated U.S. Private Equity Valuation Guidelines (“Guidelines”) is to provide managers a framework for valuing investments in portfolio companies at fair value and to provide greater consistency within the private equity industry with regard to valuations. Historically there were few

authoritative guidelines compliant with U.S. generally accepted accounting principles (GAAP) that required specific procedures for estimating fair value of investments in portfolio companies held by private equity investors. In September, 2006, the Financial Accounting Standards Board released Statement of Financial Accounting Standards No. 157, Fair Value Measurements. The Updated U.S. Private Equity Valuation Guidelines are intended to assist managers in their estimation of fair value and are intended to be consistent with GAAP (FASB Statement No. 157) and the AICPA Audit and Accounting Guide - Audits of Investment Companies. The AICPA Guide's definition of Investment Companies includes Private Equity Investors (paragraph 1.03) and requires investments to be reported at fair value (paragraph 1.32).

3. These Guidelines were created jointly by managers (i.e., general partners) and investors (i.e., limited partners) incorporating feedback from a wide number of industry participants. The Guidelines are not intended to be all encompassing, nor are they intended to eliminate all subjectivity. Rather, they are to be a guide to assist managers and investors in agreeing to a valuation framework while allowing a manager to exercise its best judgment in applying the Guidelines.

4. Included in these Guidelines are terms that are subjective in nature, such as materiality, and could have different meanings in various factual situations. While it is outside the scope of these Guidelines to force specific definitions upon its users, the manager, in consultation with the Valuation Policy Committee (as discussed below) may develop and document appropriate definitions of these subjective terms.

5. The Guidelines are not intended in any way to modify the provisions of the fund agreement relating to the subject matter hereof. To the extent the Guidelines are adopted by a manager and a Valuation Policy Committee and in one or more respects the Guidelines are inconsistent with the fund agreement, the fund agreement would govern (absent a specific amendment thereto).

#### **Fair Value Concept**

6. The Guidelines seek to have all investments in portfolio companies reported at fair value on a consistent, transparent and prudent basis. Fair value as

defined in accordance with GAAP is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (FASB Statement No. 157, paragraph 5). The objective is to estimate the exchange price at which hypothetical willing marketplace participants would agree to transact in the principal market, or lacking a principal market, the most advantageous market. No matter which market is deemed most appropriate, fair value is the estimated "exit price" in that market.

7. Securities of private companies, by definition, will not have quoted market prices available. However, private companies at times engage in arm's-length transactions for issuances of their equity or debt securities. The value of these transactions could serve as an observable market price similar to a quoted market price if the transaction is both recent and between willing parties for the same securities as those for which the fair value determination is being made (deemed a level 2 input by FASB Statement No. 157), and could therefore be used as an estimate of the theoretical exit price.

8. When quoted market prices or arm's-length transaction prices as described above are not available, the estimate of fair value should incorporate all reasonably available information about the business and utilize assumptions that market participants would normally use in their estimates of value. The estimate of fair value should seek to best replicate the amount at which the investment could be sold in a current transaction between willing parties.

9. In determining the fair value of individual investments using these Guidelines, managers are expected to use their judgment. In utilizing judgment, substance takes precedence over form. For example, when a manager's past experience indicates that liquidation preferences will likely be renegotiated or may not be fully enforced at the time of liquidation, the manager is strongly encouraged to use the expected results rather than the form of the agreement.

10. Valuations should be updated on each measurement date, generally on a quarterly basis. Of course, valuations used for annual and quarterly performance reporting should be used in private placement

memorandums and other marketing materials.

## **Valuation Policy Committee**

11. These Guidelines acknowledge the perception that bias exists or has the potential to exist in a non-independent (versus independent) valuation performed by a fund's manager. As a result, it is recommended that the manager of each private equity fund establish a Valuation Policy Committee consisting of a subset of the fund's investor representatives. The Valuation Policy Committee could be all of, or a portion of, a fund's advisory committee, if such a committee exists. (Neither these Guidelines nor GAAP require managers to obtain independent valuations).

12. The fund manager, in consultation with the Valuation Policy Committee, should establish the written valuation parameters to be consistently followed by the fund's manager using these Guidelines. The agreed upon valuation policy and deviations from that policy should be communicated to the Valuation Policy Committee and the limited partners by the manager. Private equity fund managers are solely responsible for establishing and documenting valuation policy, practices, procedures and methodologies as well as valuing their investments in portfolio companies. The Valuation Policy Committee should not set, formulate or approve the valuations, except as required by the fund agreement. The Valuation Policy Committee should periodically discuss the level of the manager's adherence to the fund's valuation policy parameters.

## **II. PRIVATE COMPANY VALUATION METHODOLOGIES**

### **General Guidelines**

13. Managers are to fairly value the investments in their portfolio companies on a consistent, transparent and prudent basis. Since value is often realized through a liquidity event of the entire company, the value of the company as a whole at the reporting date will often provide the best evidence of the value of the investment in that company. As a result, the methodologies discussed in this section involve estimating the value of the company as a whole as an initial step for valuing the company's privately issued securities. The manager will then need to determine

how the total enterprise value is distributed among the various securities of the company.

14. Managers of funds should, without undue cost and effort, contact other sophisticated investors to discuss the valuations of common investments and the factors considered in their valuations. However, managers are not required to use other investors' valuations since the estimate of fair value is the responsibility of the managers.

15. To value an investment, managers should place the most weight on valuation methodologies that are clearly objective and timely. On each valuation date managers need to take into account available information from market participants, the relevant marketplace and the global economy along with specific facts and circumstances in determining the fair value of their investments.

16. Historically, the Private Equity Industry used cost or the value of the latest round of financing as an approximation of fair value; often without taking into account other facts and circumstances. Such an approach is incompatible with the concept of fair value described above. At each valuation date a manager must make a determination of fair value for each investment. As further outlined below, these Guidelines provide a consistent and transparent methodology for determining fair value. However, a manager may conclude, after considering the facts and circumstances as outlined below, that the best indication of fair value is provided by cost or the value of the latest round of financing.

17. FASB Statement No. 157 allows managers to utilize three valuation techniques, either alone or in combination. These Guidelines encourage managers to use the "market approach" in most situations (see FASB Statement No. 157, paragraph 18a) utilizing Comparable Company Transactions or Performance Multiple inputs, as the primary technique to estimate the fair value of equity securities in private companies. For Private Equity, the market approach usually is the most appropriate.

18. In addition to the market approach technique discussed above, there are other valuation methodologies, some of which are discussed in paragraphs 41 and 42. These other methodologies or techniques may be

appropriate in certain circumstances, and include discounting cash flows, valuing net assets, and industry-specific benchmarking (described in FASB Statement No.157 as the income and cost approaches).

19. Other valuation matters, including valuing interest bearing securities, PIK dividends, warrants, liquidation preferences, convertible securities, escrows, and other rights, privileges and preferences of preferred securities are discussed in paragraph 47.

20. Determination of valuation adjustments should typically be based upon actual positive and negative events, not upon expected accomplishments and performance.

21. Regardless of the valuation methodology used, once used, it should continue to be used until a new methodology will provide a better approximation of the investment's current fair value. It is expected that there would not be frequent changes in valuation methodology.

#### **Cost / Latest Round of Financing**

22. While entry prices and exit prices are different conceptually, for the Private Equity Industry these Guidelines presume the manager at the time of the initial investment has considered near term company performance in determining investment valuation. Therefore, cost (the transaction price) may be fair value (the exit price) upon purchase. The transaction price may not represent fair value upon purchase when:

- a) The transaction is between related parties;
- b) The transaction occurs under duress;
- c) The transaction price includes transaction costs (transaction costs are expensed under GAAP);
- d) The market in which the initial transaction takes place is different than the principal or most advantageous market in which the exit transaction would take place.

23. Managers should reconsider a company's fair value in connection with each material equity financing, regardless of the manager's participation. The value of the last round of financing is a factor in determining fair value, but it is not necessarily the only factor.

24. A subsequent equity financing that includes substantially the same group of investors as the prior financing is an appropriate factor to consider in valuing prior investments unless it can be demonstrated that the financing no longer represents fair value. This approach may be different from historic practice, where, typically the value of prior investments was not increased in a subsequent higher priced financing round unless a new investor 'validated' the new pricing.

25. If a private financing will be completed with a high degree of certainty in the near future, and the pricing of the transaction has been substantially agreed, to establish the value of a previous investment, a manager should consider their best estimate of the upcoming new financing if it can be objectively determined that the prospective financing is at fair value.

26. Occasionally a round of financing includes a significant investment from a strategic investor paying a premium due to benefits accruing uniquely to itself. The manager must evaluate whether such a premium is representative of what the most likely buyers of the company would also pay upon exit, and therefore, whether the price paid by the strategic investor is deemed to be the exit price (fair value) expected from market participants.

#### **Deviations from Cost / Latest Round of Financing**

27. After some period of time, cost or the latest round of financing becomes less reliable as an approximation of fair value. Therefore, the manager must assess whether fair value has changed even though there has not been a new round of financing. Examples of changes in circumstances which indicate a change in fair value may include, but are not limited to, the following:

- a) The current performance of the company is significantly above or below the expectations at the time of the original investment. Potential indicators of this situation will include evaluation of the company's success or failure in attaining certain milestones, achieving technology breakthroughs, developing proprietary technology, progressing through clinical trials or significantly exceeding or failing to meet budgets.
- b) Market, economic or company specific conditions

have significantly improved or deteriorated since the time of the original investment. Potential indicators of this situation will include evaluation of broad changes in the economic climate, changes in the financing markets, changes in the legal or regulatory environment in which the company operates, changes in the company's cost structure, increased or decreased risk factors faced by the company, or significant fluctuations in share prices of quoted companies operating in the same or a related industry.

c) Substantial decreases in the value of quoted, more senior securities of the company (e.g., public debt), defaults on any obligations of the company, a bankruptcy filing, significant ownership dilution caused by recapitalization of the company, or liquidity concerns that are expected to be more than short term in nature are circumstances which may indicate a potential impairment in value.

28. Estimating the extent of a change in fair value, if any, may not easily lend itself to an analytical process. As a result, the manager will be required to exercise prudent judgment and carefully consider the broad indicators of potential changes to fair value (such as market conditions, relevant stock market indices, and other factors as discussed above).

29. The result of such consideration will provide indications whether the carrying value of the investment should be increased or decreased to represent fair value. The longer that fair value has been estimated using cost or the price paid at the most recent round of financing, the more consideration should be given to reviewing changed circumstances and potentially determining fair value utilizing other inputs. Managers may consider historic cost or the price paid at the most recent round of financing in making their fair value determination, but should not use cost or the most recent financing price as the sole determinate of fair value.

30. These Guidelines recognize that building long-term value in a private equity backed business is not an easy task. Usually, many positive events need to happen in order for portfolio companies to succeed. However, managers often become aware that certain of their investments are likely to fail given their insight into the company. Even private companies

that have significant manager involvement face a daunting task to create value for investors. Thus, it is natural that decreases in value may be more easily identified and justified than increases in value. However, both decreases and increases in investment fair value should be recognized when warranted. Because of the difficulty in building sustainable, long-term value in a private equity backed business, increases in value should only be made where the manager can support the increase using the methodologies discussed in these guidelines or using other techniques common to the marketplace, remembering that fair value is defined as the exit price on the measurement date in a hypothetical transaction. Diligence, prudence and caution should be applied when valuing private companies, and in particular when considering the valuation write-up of early-stage companies, in the absence of market-based financing events. All such changes and the factors upon which the changes are made should be reviewed with the Valuation Policy Committee. However, managers must recognize that there should be no bias toward either increasing or decreasing carrying value to record fair value.

31. When valuation adjustments are necessary, the methodology used should be based on relevant comparable data wherever possible ("relevant comparable data" as used in these Guidelines is intended to be consistent with the input hierarchy discussed in paragraphs 22-31 of FASB Statement No. 157). Recommended methodologies are discussed below.

### **Comparable Company Transactions**

32. This methodology involves deriving the value of a company through examination of third-party investments in comparable equity securities of the company, examination of transactions in equity securities of comparable companies and direct comparisons to similar companies. These comparisons should be appropriately adjusted for any control premiums, synergistic benefits or other excess benefits or detriments that accrue to the owner when determining a proper comparable valuation.

33. These Guidelines acknowledge that until a company achieves marketplace acceptance for its product or service, it is unlikely that truly comparable companies with determinable fair values will be readily identifiable.

34. To the extent comparable transactions cannot be ascertained and fair value cannot be reasonably assessed and reliably measured using comparable transactions, the following Performance Multiple methodology should be used, if applicable.

## **Performance Multiple**

35. The performance multiple methodology applies a relevant multiple to the performance of the company being valued in order to derive the value of the company. This approach is most applicable to companies that have achieved positive and sustainable operating performance.

36. The valuation determined using this methodology is calculated by applying the most appropriate and reasonable multiple derived from reference to market based conditions of quoted companies or recent private transactions. The multiple to be used, which may need to be adjusted for differences in terms of growth prospects and risk attributes (depending on the size of the comparison sample, among other factors), should be one of the following:

- a) Current average comparable public company multiple for similar companies in the industry;
- b) Current average multiples for recent private transactions of similar companies in the industry; and
- c) The original acquisition multiple when no other similar public or private multiples can be ascertained.

The most appropriate and reasonable multiple as determined above will be applied to the relevant operating performance metrics of the company to estimate fair value.

37. The manager should be confident that reasonable, relevant and sustainable performance metrics are utilized, which may necessitate the adjustment for one-time and non-recurring items.

38. There may be significant changes in the financial, regulatory, economic or legal climate in which the company operates which harm or enhance the prospects of the company, but these changes may not yet have affected performance. The manager needs to consider these changes in evaluating a company's

sustainable performance. Managers should share with the Valuation Policy Committee the factual data and their assumptions that support the sustainable performance used in the valuation determination.

39. The multiples used should be those that are used regularly and routinely to value companies in the industry in which the subject company is operating. If the multiples used are derived from public company comparables, a discount to a private company's equity value may be appropriate. Discounts applied to private securities may be higher than those applied to restricted public securities, which are discussed in paragraph 46. Managers should share with the Valuation Policy Committee the factual data that generates the multiples used in the valuation process.

40. To the extent fair value cannot be reasonably assessed and reliably measured using performance multiples, the following methodologies may be considered.

## **Other Valuation Methodologies**

41. A few other valuation methodologies, which may be appropriate in certain circumstances, are as follows:

a) Because of the need to use significant estimates and forward-looking information, discounted cash flow (DCF) methodologies should only be used in limited situations using a discount rate commensurate with the risks involved. These situations would involve instances where the methodologies previously discussed in these Guidelines prove incapable of addressing the specific circumstances.

b) Net asset valuation methodologies should be used for valuing investments in businesses whose value is derived primarily from the underlying value of their tangible assets rather than their performance.

c) Industry-specific benchmarks, which are customarily and routinely used in specific industries such as price per subscriber or other industry norms, should only be used in estimating fair value where appropriate.

42. In those circumstances where there are indications that a change in carrying value is appropriate based on paragraph 27, but the methodologies described in paragraphs 32-41 are not applicable, the manager should exercise prudent judgment in

considering assumptions that marketplace participants would utilize in their estimate of fair value.

### III. VALUATION OF PUBLICLY TRADED SECURITIES

#### Unrestricted

43. Actively traded public equity and public debt securities are required to be valued at the closing price or bid price, except as discussed below. Active markets are defined as a market in which transactions occur with sufficient frequency (daily) and sufficient volume to provide pricing information on an ongoing basis, regardless of the size of the position held.

44. Discount (blockage) factors for unrestricted securities that trade in an active market are prohibited by GAAP (FASB Statement No. 157).

#### Restricted

45. A discount from values of actively traded securities should be taken for holdings of securities when there is a formal restriction that limits sale of the securities. Examples of restrictions that may warrant a discount include rule 144 holding periods and underwriter's lock-ups. Discounts for restricted equity securities from their market price typically range from 0% to 30%. When determining a discount to actively traded restricted securities, factors that should be taken into consideration include the company's trading characteristics (the extent to which the market for the security is active), the investor's ability to sell its position when the restriction expires, and the term of the restriction. The adjustment of the discount will vary depending on the duration of the restriction. As the remaining length of the restriction decreases, the amount of the discount should also decrease. Limitations on sale based on rule 144's volume tests or based on a closed trading window for board members do not qualify as formal restrictions related to the security itself. Therefore discounts are not allowed by GAAP in these situations.

#### Inactive

46. A quoted price is not readily available for securities which trade in inactive markets, where transactions do not occur with sufficient frequency and volume to provide ongoing pricing data. Therefore,

the last transacted price may not provide the best indication of fair value. In such situations, an adjustment to the last transacted price may be appropriate or other valuation techniques may be utilized based on all relevant factors.

### IV. OTHER MATTERS

47. There are a wide variety of securities and capital structures used in the private equity industry. Such securities should be valued consistent with the Guidelines set forth above. Some examples and valuation guidance for securities and structures which have not been specifically addressed by these Guidelines include:

- a) The carrying value of private interest bearing securities should be based on the underlying company's ability to service and repay debt.
- b) PIK dividends should be accrued in accordance with the terms of the underlying security. A valuation discount may be necessary depending on the health of the company and the realizability of the underlying securities.
- c) Valuations of securities denominated in currencies other than the base currency of the fund should be adjusted for changes in the spot prices of the currency.
- d) Warrants should be carried at their fair value.
- e) The rights associated with preferred stock are generally divided into two broad categories—economic rights and control rights. Once the enterprise value of the company is determined in accordance with these Guidelines, fair value should be determined by allocating value to shares of preferred and common stock based on their relative economic and control rights.

In addition, when making their fair value determination managers should recognize that liquidation preferences are often granted to investors as an inducement to invest in a company. When a manager's past experience indicates that liquidation preferences will be renegotiated or will not be fully enforced at the time of liquidation, the manager is strongly encouraged to use the expected results in

determining the valuation of a security which has a liquidation preference.

f) Currently convertible securities should be valued at the excess of the value of the underlying security over the conversion price as if the security was converted when the conversion feature is “in the money” (appropriately discounted if restricted). If the security is not currently convertible, the use of an appropriate discount in valuing the underlying security should be considered. If the value of the underlying security is less than the conversion price, the carrying value of the convertible security should be based on the underlying company’s ability to service and repay the security.

g) If deemed determinable beyond a reasonable doubt (virtually certain) escrows from the sale of a portfolio company should be valued at an amount that the manager, using its best estimate, ultimately expects to receive from the buyer in light of the escrow’s various conditions.

h) Because of the inefficiencies of the secondary market, purchase and sale transactions of partnership interests in and of themselves may not be appropriate in determining the value of portfolio company valuations or positions in funds.

48. FASB’s Statement No. 157 Fair Value Measurements utilizes a hierarchy described as Level 1, 2 and 3 inputs (Statement No. 157 paragraphs 21-31). The FASB valuation hierarchy has not been restated in these Guidelines. The concepts outlined in these Guidelines are intended to be consistent with Level 1, 2 and 3 inputs as defined. The input level is a required GAAP disclosure and provides users of financial statements with additional clarity in how a manager made their determination of fair value.

## V. CONCLUSION

49. As the private equity industry has matured in the United States, there is a need for greater consistency of valuation standards/methodologies by both managers of, and investors in, private equity funds. These Guidelines are designed to provide a framework for addressing the majority of the private equity industry’s valuation questions on a consistent,

transparent and prudent basis. It is recommended that managers and investors collaborate to share experiences and best practices across relationships. This collaboration will narrow the range of specific definitions of subjective terms and will enhance the consistent application of these Guidelines.

50. The key goals of these Guidelines are as follows:

- Encourage managers to approach valuation from a consistent, transparent and prudent basis.
- Focus the private equity industry on the need to determine fair value for each of their investments in a manner that is consistent with these Guidelines.
- Provide greater transparency into valuation results through the use of the Valuation Policy Committee as described in the Guidelines.

51. The Guidelines are not intended to be all encompassing, nor are they intended to eliminate all subjectivity. Rather, they are to be a guide to assist managers and investors in agreeing to a valuation framework while allowing a manager to exercise its best judgment in applying the Guidelines.

52. The Private Equity Industry Guidelines Group acknowledges that the application of these guidelines may result in a departure from past valuation practices. It is recommended that managers and investors work jointly to develop a timetable to implement these guidelines. It is expected that over time the broad use of these Guidelines will become industry practice

53. These Guidelines are consistent with US Generally Accepted Accounting Principles. If managers adopt these Guidelines it is expected that their determination of fair value will be GAAP compliant. However, it is also understood that a manager may be GAAP compliant without utilizing these Guidelines.

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## **NVCA Position on Portfolio Company Valuation Guidelines (March 2007 Version)**

The NVCA Board of Directors reaffirmed its support for the latest iteration (March 2007) of the PEIGG Guidelines on September 18, 2007. While the NVCA has not specifically endorsed the PEIGG or other valuation guidelines, the NVCA board statement of support is below:

The NVCA recommends that its members create, follow and communicate clearly the specific procedures and methodologies used for valuing their portfolios. These methodologies should be agreed to by the firm's investors (LPs), and conform, when required, to Generally Accepted Accounting Principles and fair value measurement standards, recognizing that the ultimate responsibility for valuations remains with the general partner. When evaluating current valuation procedures or developing new approaches, the NVCA suggests its members include a review of the Private Equity Industry Guidelines Group (PEIGG) December 2003 "Private Equity Valuations Guidelines" document, as reissued in March 2007 (found at [www.peigg.org](http://www.peigg.org)). We commend the fine efforts of PEIGG, an independent group which sought and reflected input from the NVCA and other industry stakeholders. The NVCA encourages diligence, prudence, and caution when implementing the specific elements of any guideline, such as valuation changes to early-stage companies in the absence of market-based financing events.

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## **NVCA Member Alert – Fair Value Considerations for Venture Capitalists - December 2008**

The following alert was sent to the NVCA membership to highlight certain issues and considerations to be explored in the application of FAS 157, the fair value measurement standard. The NVCA thanks David Larsen of Duff and Phelps and several members of the NVCA CFO Task Force for their role in drafting this document:

"We are operating in a severely distressed investment environment that has deteriorated rapidly in the past few months. What does this mean for venture capital

investors as they attempt to value privately-held investments at December 31, 2008? The short answer is: despite the current very challenging economic environment, Fund managers must continue to exercise their sound judgment in estimating the Fair Value of each portfolio company after considering the relevant facts, including current market conditions. The valuation process does not change, but much more judgment is required when we are in a period of economic discontinuity.

Virtually all LP agreements require GPs to use US GAAP for financial reporting. US GAAP requires Fair Value reporting for virtually all VC firms because they are "investment companies." US GAAP continues to define Fair Value as: "the price that would be received to sell an asset...in an orderly transaction between market participants at the measurement date."

Fund managers need to establish Fair Values even though they may not currently need to sell, or cannot sell, their private investments in this market. GPs must use their judgment in estimating the current Fair Values of their investments, even though "exit markets" may have few buyers, IPO markets appear closed, and there are few, if any, relevant comparable transactions. Such judgment should take into account all relevant information, including a financing round's specific terms and conditions.

There are no easy outs, rules of thumb or safe harbors for establishing Fair Value.

As always, best considerations for Fair Value determination include the following:

- The Fair Value of an investment portfolio is the sum of the Fair Value determined for each portfolio company using a "bottoms up" approach. Applying a "top-down" overall percentage adjustment to the aggregate portfolio's value is not compliant with US GAAP.
- Valuations should reflect specific factors in a buy/sell context. For example, a GP could ask: "Given my portfolio company's current cash position, cash burn rate, performance compared to plan, probability of meeting forecasts, the projected environment for its product or technology, etc., as a board member, what is the lowest price that I would

sell the company's stock today in an orderly sale with a willing buyer?" [Footnote: A fund manager should not assume a "fire sale" of the stock, but should assume "exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary..." - SFAS 157, Paragraph 7].

- The valuations set by the most recent financing round – perhaps even one in the third quarter of 2008 – may be stale and inappropriate for determining Fair Value, especially given current market conditions.
- The Fair Value at December 31 in many cases will likely be different from the value at September 30, given the deterioration of the macro economic environment.
- Each valuation should reflect a company's degree of progress from the prior reporting date to the current one.

- To determine a portfolio company's Fair Value, GPs should apply their judgment in a consistent manner and evaluate the same data they use for monitoring a company's performance and progress. There is no magic formula or weighting of factors.

In summary, determining Fair Value continues to require the exercise of judgment based on objective evidence, such as calibrating the original investment decision with the current performance of the company and the current economic environment. The fact that the macro market is distressed probably adversely impacts the value of most companies. This negative impact may be compounded by disappointing company performance or mitigated by tangible and sustainable company progress.

If you need more details about Fair Value, you might consider the 18-page PEIGG Valuation Guidelines at [www.peigg.org](http://www.peigg.org), or you can download the 158-page SFAS 157 at [www.fasb.org](http://www.fasb.org)."

# Appendix I: International Convergence

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## A GP's Primer on Global Accounting Standards Convergence

A recent flurry of media coverage has focused on the possible upcoming convergence of U.S. and international accounting standards. Much of this coverage discusses which accounting system casts which public companies in the most favorable light. While seemingly distant from the U.S. venture capital industry, it is important that all business constituencies weigh in on which system (current U.S. GAAP vs. International vs. neither) is the best system overall for the U.S. business community going forward. We would expect this dialogue to center on transparency, reliability, relevance, comparability, and ongoing costs in addition to any conversion costs, which might be significant.

More relevant to the U.S. venture capital industry are matters specifically affecting fund reporting, specifically the financial statements provided by GPs to LPs under international rules, should the international rules become the new U.S. rules.

As a first step towards understanding and engaging in constructive dialogue in both of these areas, the NVCA CFO Task Force has appointed a subgroup to begin gathering facts, analysis, and expert opinion on what all of this means to our industry.

In 2009, with a new administration, new SEC leadership, and other priorities at the SEC, the direction and timetable for convergence became less clear. A key concern for the U.S. venture capital industry is being able to continue investment company (IC) accounting. There are no provisions in the international rules for IC reporting, so if current GAAP provisions were not continued, venture fund statements to their investors would become unusable. Reports are that international venture capital and private equity firms currently subject to international rules are simply ignoring those provisions or additionally providing side schedules prepared in accordance with U.S. GAAP. If investment company accounting is removed from GAAP, for example, if the existing

international rules become GAAP, GPs would likely have to keep an additional set of books. One set would be used to create audit GAAP financial statements, although it not clear who the audience for those statements would be. The other set would be to provide meaningful portfolio information to investors and other stakeholders.

In February 2010, reports from a FASB-IASB meeting on convergence suggest a major initial victory for venture capital financial reporting. Sources report the Boards jointly agreed to permit an investment company exception to consolidation rules — a change from the existing IAS 27. Furthermore, rather than a new more restrictive test for qualification that would have excluded some venture capital funds, the Boards are reported to have chosen to generally follow criteria set out in current GAAP Topic 946. This recognition of the importance of Investment Company Accounting is significant. As with any general agreement, the details need to be worked through.

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## Why Has The Convergence Issue Come to the Surface at This Time?

For years, the United States has been developing generalized accounting principles referred to as Generally Accepted Accounting Principles (“GAAP”). The keeper/arbiter/decider of GAAP is the Financial Accounting Standards Board (“FASB”). FASB develops and updates GAAP and the SEC has adopted these accounting rules for public company reporting and other situations over which the SEC has jurisdiction.

In recent years, on a parallel track, a separate set of rules emerged from the International Accounting Standards Board (“IASB”) which was Europe-centric. These rules became known as the International Financial Reporting Standards (“IFRS,” pronounced “IFF-ers”).

Over recent years, the large number of multinational corporations complained that they had to

endure keeping two sets of books and this prompted the concept of convergence. In early September 2008, the SEC and the FASB announced steps to pave the way for U.S. public companies to convert from U.S. GAAP to IFRS. The SEC “roadmap” provides for a three-year run-up to an SEC “go-no go” decision in 2011. 2011 is also the year that major U.S. trading partners Canada, Japan, Korea, and India have indicated plans to adopt IFRS. At about the same time, the FASB and the IASB met to review and re-orient their convergence plan to be consistent with the SEC’s proposed schedule. The updated FASB-IASB memorandum of understanding is at [http://www.fasb.org/intl/MOU\\_09-11-08.pdf](http://www.fasb.org/intl/MOU_09-11-08.pdf). In 2009, much of Washington’s attention was focused on rescuing troubled assets and economic stimulus. The convergence time table may be delayed. Please check the [www.nvca.org](http://www.nvca.org) website for updates.

Nothing in the SEC proposal or the FASB-IASB memorandum says that the U.S. will conclusively “converge” by switching over to IFRS. This all contemplates a well-thought-out and informed decision in two years. It is worth pointing out that the SEC roadmap refers to public company reporting; however we should logically expect alignment of private and public company rules. Even with two sets of rules, because venture-backed companies plan to be public companies or a component of a public company, most venture-backed private companies would want to use public company accounting from the start.

What is not clear at this time is what the current global economic turmoil will do to the priority of this project or its timetable.

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## U.S. GAAP vs. IFRS – Never Generalize

Even viewed from 30,000 feet, it is difficult to generalize on how the two systems compare. First, while the IASB produces plain vanilla IFRS standards, there is no one flavor of IFRS in use. Much like the original UNIX kernel, each country/jurisdiction has been able to create its own version of IFRS. But unlike UNIX, sometimes the differences among the localized IFRS versions are large. So an apples-to-apples comparison of “IFRS-compliant” financials from different jurisdictions can be difficult. Second, it is true that IFRS itself is a very thin document com-

pared to GAAP, which has grown to roughly a two-foot stack of written rules. However, to implement IFRS, you need the implementation guide that combines with the original document to create its own two-foot stack. Again, much of the surface comparisons are not useful.

Until this point, U.S. venture capital firms have been using U.S. GAAP accounting standards exclusively. However, in early November, we received a report from a member firm with international intermediaries for overseas investment where the local auditors raised the question of whether those financial statements need to be IFRS-compliant.

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## GP-to-LP Reporting

One area already identified as a possible problem area is GP to LP reporting. Virtually all LP agreements (or accompanying documents) require GPs to provide GAAP-compliant financial reports to LPs. Annual audits of these reports are GAAP-based. Under GAAP, the U.S. venture capital industry provides fair-value portfolio reports under the special rules of “investment company reporting.” Our early analysis of IFRS shows special investment company rules for portfolios of publicly-traded companies, but no such provisions for portfolios of private companies.

Most of the SEC and FASB efforts to date have focused on public company reporting. We are very early on in verifying and creating awareness of the lack of private portfolio provisions. The initial reading is that, under IFRS, the financial statements for a number of the portfolio companies would have to be consolidated into the operating financials of the venture capital fund itself. This would create a mish-mash report, essentially unusable to the LPs in determining the value of their own portfolio holdings. This would mean an end to fair value reporting as we have known it. A potential further complication could arise if DOL ERISA fair value rules remain in place for the plan sponsors while accounting rules abandon the current fair value reporting requirements.

Since most fund agreements require GAAP financials, if investment company accounting is eliminated from GAAP, venture firms might have to maintain two sets of books.

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## How International GPs Now Handle LP Reporting

A logical question arising from the above paragraph is how venture capital firms operating in IFRS jurisdictions are currently reporting to LPs, including those subject to U.S. ERISA fair value reporting rules. The initial, and somewhat limited, review by the NVCA CFO Task Force subgroup is that they simply are not doing so. Many international GPs continue to produce financial statements in accordance with U.S. GAAP for both their U.S. and international LPs. Those reporting under IFRS are incurring the additional effort and expense of also providing a separate U.S. GAAP-type fair value schedule.

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## Recent Events

A full chronology of events is posted under Valuation Guidelines on the NVCA website [www.nvca.org](http://www.nvca.org). This document is updated from the chronology in Appendix H of the NVCA 2010 Yearbook prepared by Thomson Reuters. Even as the U.S. industry works toward compliance with the FASB's Statement 157 (now officially called "Topic 820") on fair value measurement starting with 2008 financials,

dialogue has begun on convergence. In March 2008, the International Private Equity & Venture Capital Valuation (IPEV) board reconstituted and relaunched itself. IPEV was expanded to include five practitioners from the United States who are familiar with the venture industry. The initial focus of the group is on convergence of U.S. Private Equity Industry Guidelines Group ("PEIGG") and IPEV fair value guidelines. Details, and the September 2009 International Private Equity and Venture Capital Valuation Guidelines, are online at [www.privateequityvaluation.com](http://www.privateequityvaluation.com). Check that site for updates, the press release issued with those guidelines, FAQs, etc.

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## Going Forward

With the international and domestic attention on other economic matters, it is not clear how quickly any accounting standard convergence activities will move. At the time this update is written in February 2010, FASB plans to address the consolidation standard by Q4 2010, resolve major convergence issues by mid-2011, and implement conversion to IFRS by 2014. For more information, please contact NVCA Vice President of Research, John Taylor, [john.taylor@nvca.org](mailto:john.taylor@nvca.org).

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# Appendix J: Non-US Private Equity

*As interest in globalization increases with each year, private equity investors have continued to broaden their investment criteria to include overseas ventures so as to increase portfolio diversification and search for higher returns. As such, Appendix J is produced for readers to analyze non-US private equity data. All data is reported in US dollars.*

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## Introduction

This appendix highlights various aspects of private equity activity outside of the United States and provides valuable information for comparison to the United States private equity environment. However, this appendix is not directly comparable to domestic data found in this Yearbook due to differences in definitions between the regions and variations in the currencies of each region. Additionally, this appendix provides a brief overview of non-US private equity; data herein is not as comprehensive as the United States data presented elsewhere in this publication. Despite this, the reader can use this appendix to analyze trends in private equity outside of the United States. All data is provided by Thomson Reuters.

As mentioned previously, readers should note the differences in methodology and definitions of private equity between United States and other regions before analyzing the data. For example, private equity outside of the United States provides equity capital for entities not publicly traded and consists of buyouts and venture capital. The category of buyouts includes management buyouts (management from inside the company investing with private equity investors), leveraged buyouts (the target taking on a high level of debt secured by assets), institutional buyouts (outside investors buying a business from existing shareholders), and management buy-ins (management from outside the company investing with private equity investors). On the other hand, venture capital describes the process of financing companies at the seed, start-up, or expansion stages. The United States places more emphasis on the early stages of development than do other regions, based on historical analysis of investments by stage. Like in the United States, non-US venture capital is considered a subset of private equity. For ease of analysis and to avoid differences in definitions between venture capital and buyouts inside and outside of the United States, it is per-

haps most comparable to analyze aggregate private equity in the two regions as opposed to any classifications contained within.

*\*\*Special Note: The methodology used to generate the data within this appendix differs slightly from the methodology used in previous years, causing data to vary slightly from previous Yearbook issues. However, trends reported in the past remain intact. Additionally, most data is now replicable on ThomsonONE.com.*

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## Commitments

Private equity commitment levels, outside of the United States, significantly decreased in 2009 from the record levels set in 2008. During 2009 commitments totaled \$36.3 billion, a 76% decrease from the previous year. 2009 represents the slowest year for private equity fundraising commitments outside of the United States since 2004. Buyouts funds accounted for a vast majority of the funds, 53%, of committed funds, an 80% decrease from 2008. Early stage financing accounted for 11% of commitments, an increase from 4% in the previous year, while balanced stage financing accounted for 3.4%, a slight decrease from 2008 when balanced stage financing accounted for 11% of commitments. It should be noted that these totals reflect not only the amount raised by independent funds, but also include capital gains and the amount raised by both captive funds and funds of funds, as well.

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## Investments

Private equity investing outside of the United States reached \$46.0 billion in 2009, a 21% decrease from the \$57.9 billion invested in the previous year. Buyout stage financing, which typically garners the largest percentage of investment dollars due the large trans-

action size associated with these deals, led activity in 2009, accounting for 48% of total investments. By number of deals, venture capital investments accounted for 65% of total deal activity outside of the United States. Leading all activity outside of the United States, investments in the United Kingdom totaled \$8.8 billion during 2009, a 27% increase from 2008 levels. In the emerging markets, private equity investments in China reached \$4.1 billion, a 2% decrease from 2008 and investments in India totaled \$2.8 billion a 35% decrease from a year ago.



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