

Venture Impact

The Economic Importance of Venture Capital Backed Companies
to the U.S. Economy

Third Edition



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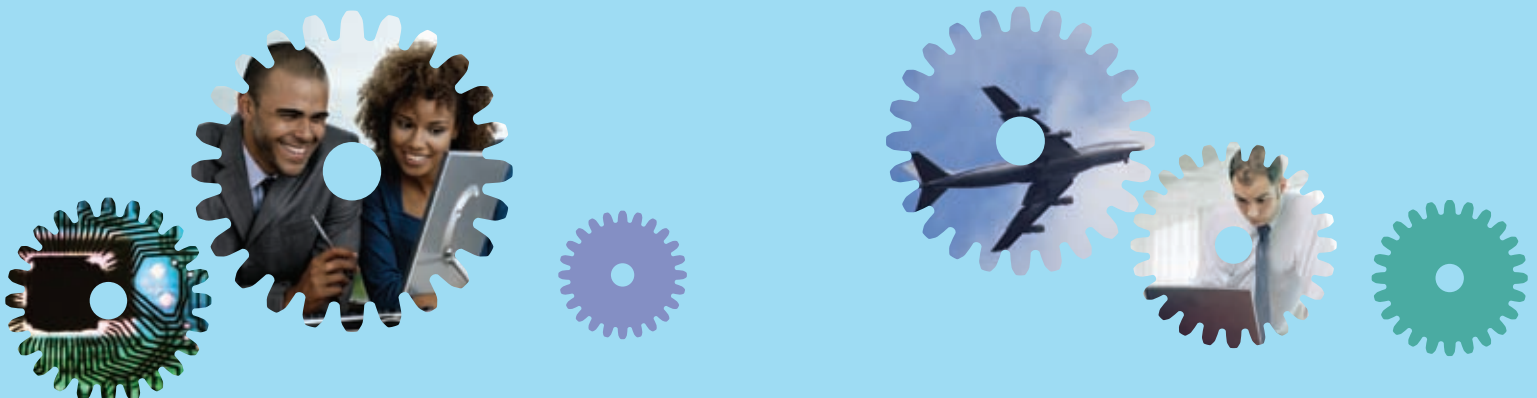
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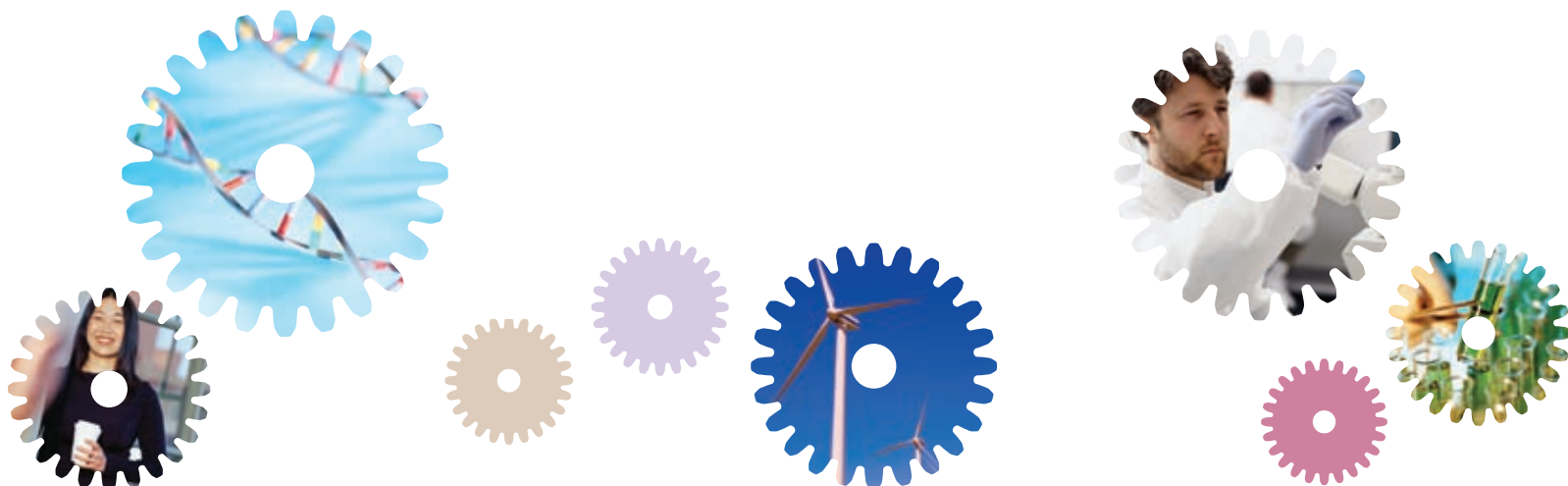
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Third Edition — Data Updated Through 2005

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Executive Summary

This report provides an overview of the key findings contained in the Global Insight study, *Venture Impact: The Economic Importance of Venture Capital Backed Companies to the U.S. Economy*, commissioned by the National Venture Capital Association (NVCA). The statistics presented here are based on a database of nearly 23,500 venture capital backed companies. The data demonstrates the enormous contribution of venture capital backed companies to U.S. jobs, sales, economic growth, and technological progress. The nation's venture capital industry plays a paramount role in nourishing the U.S. economy by bringing innovative concepts and business models to life.

Economic Importance of Venture Capital Backed Companies to the U.S. Economy 2005

**Total Revenue of
Venture Capital Backed Companies:
16.6% of U.S. GDP**

**Total Employment of
Venture Capital Backed Companies:
9.0% of U.S. Private Sector Employment**



The nation's venture capital industry plays a paramount role in nourishing the U.S. economy by bringing innovative concepts and business models to life.

Boosts America's Economic Strength by Creating Jobs and Revenue

Employment and sales data conclusively show the importance of venture capital backed companies to the U.S. economy. Venture capital financed companies are found in all sectors of the American economy. Innovative venture capital backed businesses such as Genentech, Medtronic, Microsoft, Home Depot, and Intel are among the prominent and diverse American companies that received venture capital early in their development.

Together, the nation's venture capital backed companies employed just over 10.0 million American workers in high-quality jobs and generated \$2.1 trillion in revenue in 2005. The total revenue of venture capital financed companies comprised 16.6 percent of the nation's gross domestic product (GDP) and 9.0 percent of U.S. private sector employment in 2005.

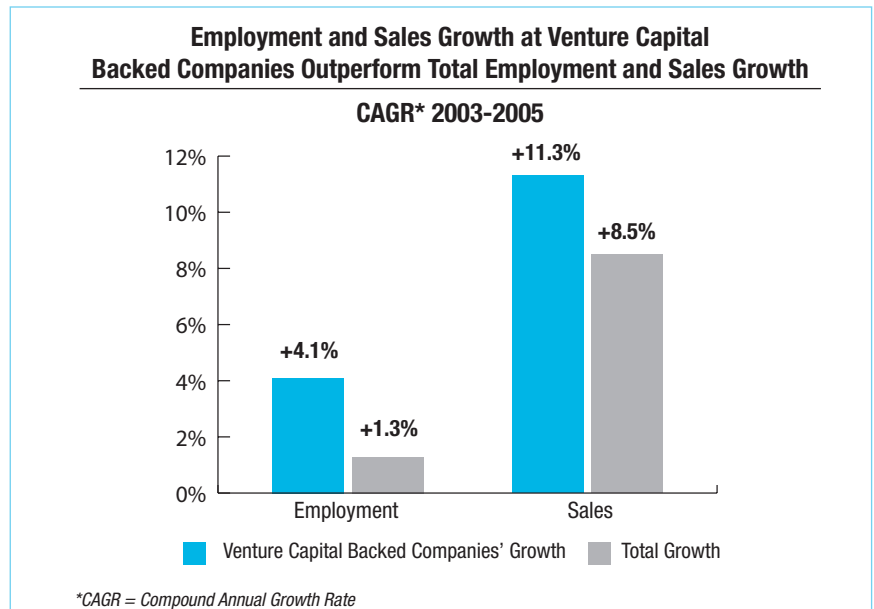
**Economic Benefits of
Venture Capital Backed Companies on the U.S. Economy
2000, 2003, and 2005**

	2000	2003	2005
Jobs	8.7 million	9.2 million	10.0 million
Revenue	\$1.5 trillion	\$1.7 trillion	\$2.1 trillion

The payoffs for venture capital investments are enormous. Similar to recent years, \$23 billion was invested in 2005. This represented just 0.2 percent of U.S. GDP. Revenue generated by the universe of venture backed companies in 2005 corresponded to 16.6 percent of GDP.

Outperforms Other Companies

Venture capital backed companies outperformed their non-ventured counterparts in job creation and revenue growth. Employment in venture backed companies jumped by 4.1 percent, while national employment grew by just 1.3 percent, between 2003 and 2005. At the same time, venture capital backed company sales grew by more than 11.0 percent, compared to an overall rise in U.S. company sales of 8.5 percent during the same period.



Sustains Employment and Revenue Across Major U.S. Industry Sectors

The nation’s innovative and cutting-edge venture capital backed companies sustain jobs and revenue across diverse industry sectors from computers and peripherals, media/entertainment/retail, semiconductors, software, and telecommunications to biotechnology, financial services, healthcare services, and medical devices.

**Venture Capital Backed Companies by Top Five Industry Sectors
Employment and Revenue
2005
(ranked by employment)**

Industry	Employment at Venture Capital Backed Companies	Revenue at Venture Capital Backed Companies
Media/Entertainment/Retail	2,005,700	\$299.0 billion
Computers and Peripherals	1,866,400	\$466.0 billion
Industrial/Energy	1,180,100	\$268.0 billion
Financial Services	896,900	\$134.0 billion
Software	857,700	\$211.0 billion

In 2005, venture capital financed companies in the media/entertainment/retail sector employed more than 2.0 million Americans, followed by the computers and peripherals industry with 1.9 million American jobs. The computers and peripherals industry was the leading industry in 2005 with revenue at \$466.0 billion, followed by the media/entertainment/retail sector with \$299.0 billion in 2005 revenue.

Additionally, the revolutionary products generated by the nation’s venture capital backed biotechnology and medical devices and equipment sectors supported nearly 425,000 high-skilled, high-wage jobs in 2005.

Contributes to Economic Health of State Economies

California, Texas, Pennsylvania, Massachusetts, and Georgia were the top national job creators measured by venture capital backed companies headquartered in their state. In California alone, nearly 2.3 million jobs were supported by venture capital backed companies headquartered in the state.



The nation’s innovative and cutting-edge venture capital backed companies sustain jobs and revenue across diverse industry sectors from computers and peripherals, media/entertainment/retail, semiconductors, software, and telecommunications to biotechnology, financial services, healthcare services, and medical devices.



**Top Five States by Employment at
Venture Capital Backed Companies Headquartered in the State
2005**

Rank	State	Employment at Venture Capital Backed Companies
1	California	2,285,200
2	Texas	1,089,100
3	Pennsylvania	697,600
4	Massachusetts	639,900
5	Georgia	604,300

California, Texas, Washington, Pennsylvania, and Massachusetts were the top five states by revenue at venture capital backed companies headquartered in their state. California was the nation's leader by this metric, with more than \$500.0 billion in revenue tied to venture capital backed companies headquartered in the state.

**Top Five States by Revenue at
Venture Capital Backed Companies Headquartered in the State
2005**

Rank	State	Revenue at Venture Capital Backed Companies
1	California	\$507.0 billion
2	Texas	\$274.0 billion
3	Washington	\$127.0 billion
4	Pennsylvania	\$113.0 billion
5	Massachusetts	\$112.0 billion



VENTURE CAPITAL 101:

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 and builds 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 Backed Companies
Known for Innovative Technology and Products
2000 and 2005 Employment**

Company	2000	2005	# Change
Intel Corporation	86,100	99,900	13,800
Microsoft	39,100	61,000	21,900
Medtronic, Inc.	21,490	33,000	11,510
Apple Inc.	8,568	16,820	8,252
Genentech	4,459	9,500	5,041
Google	--	5,680	n/a

Source: Hoover's

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.

**Venture Capital Backed Companies
Known for Innovative Business Models
2000 and 2005 Employment**

Company	2000	2005	# Change
The Home Depot	201,000	325,000	124,000
Starbucks Corporation	47,000	115,000	68,000
Staples	49,993	65,078	15,085
Whole Foods Market, Inc.	18,500	38,000	19,500
PetSmart, Inc.	19,825	30,300	10,475
eBay	1,927	12,600	10,673

Source: Hoover's



Venture capital firms are professional, institutional managers of risk capital that enables and supports the most innovative and promising companies.

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 companies have received funding but no one- or two-person company has ever gone public! Along the way, talent must be recruited

What Entrepreneurs Are Really Asking For!



An early stage venture capitalist sitting on six company boards has a huge workload.

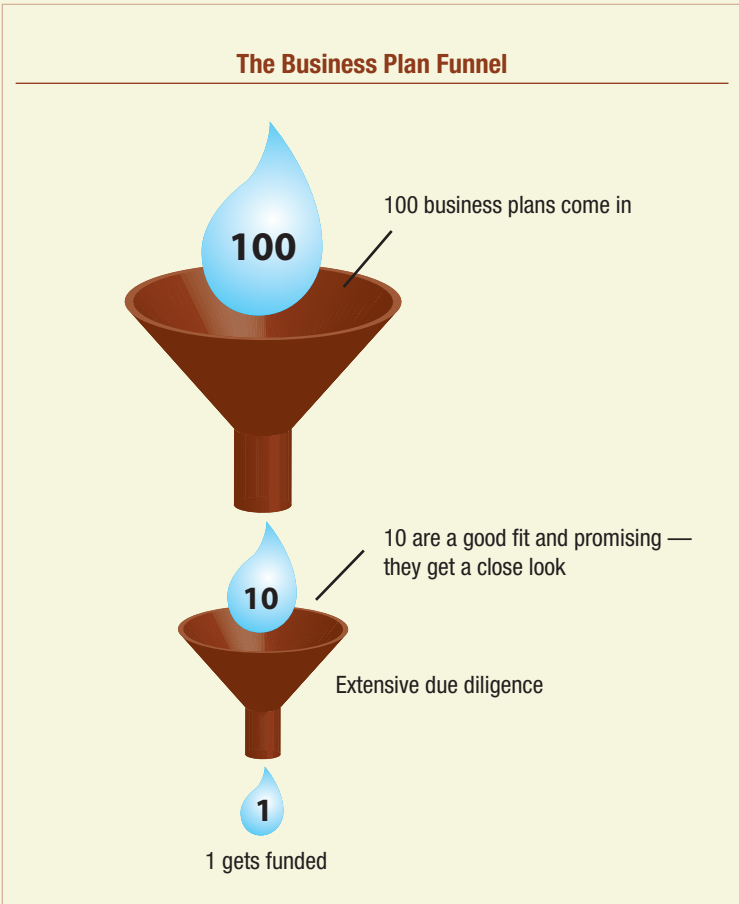


and the company scaled up. Ask any venture capitalist who has had an ultra-successful investment and he or she will tell you that the company that broke through the gravity evolved from the original business plan concept with the careful input of an experienced hand.

Deal Flows — Where The Buys Are

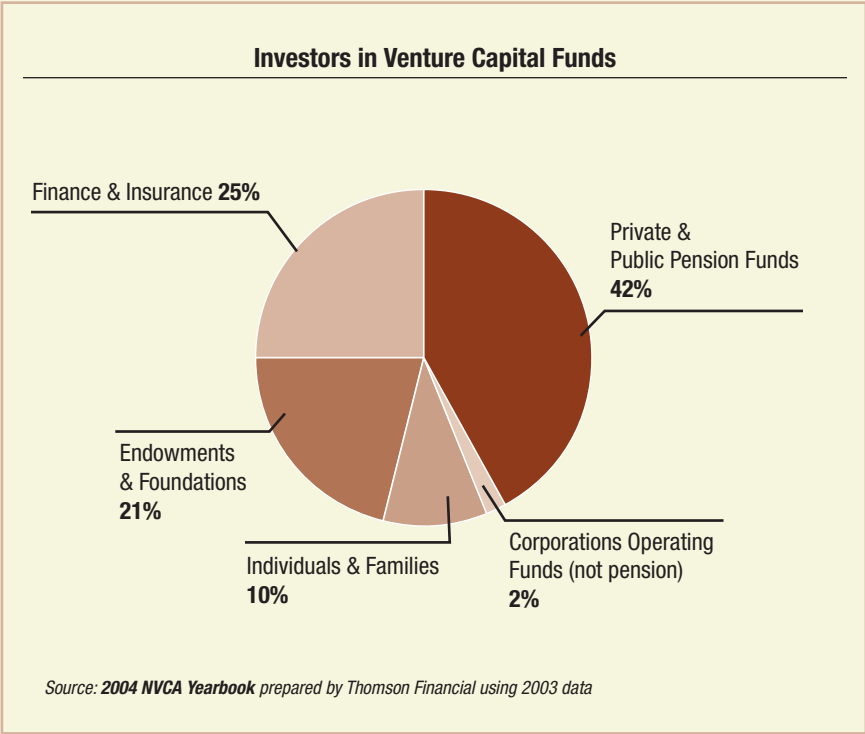
For every 100 business plans that come to a venture capital firm for funding, usually only 10 or so get a serious look, and only one ends up being funded. The venture capital firm looks at the management team, the concept, the marketplace, fit to the fund’s objectives, the value-added potential for the 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.



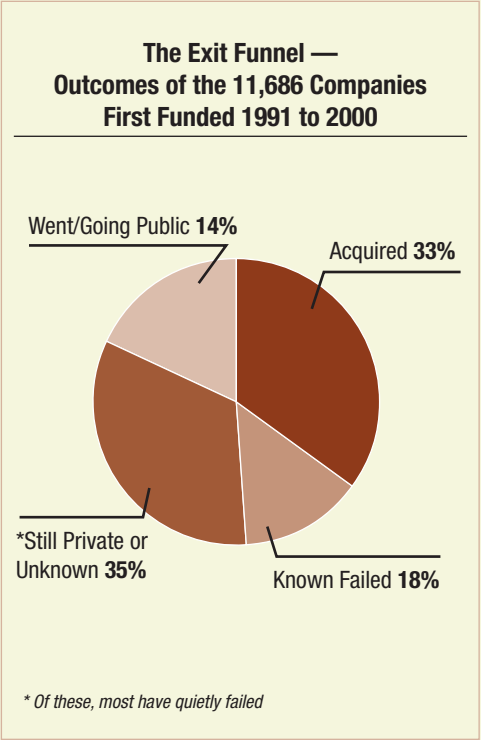
Economic Alignment of all Stakeholders — An American Success Story

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

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.



Venture Capital Backed Companies Boost America's Economic Strength

The Venture Capital Sector Has Grown To Become a Major Force in the U.S. Economy

Venture capital funded companies are an integral part of the American economy. Venture capitalists have provided the U.S. economy a reward far beyond their investment of money and time in these companies. Venture capital investment continually reinforces America's entrepreneurial spirit by producing innovative and cutting-edge technology and products. In doing so, the venture capital industry becomes a catalyst for change. Venture capitalists, many of whom are former successful entrepreneurs themselves, shepherd new business men and women to reach their full potential.



Venture capital funded companies were directly responsible for just over **10.0 million** jobs and **\$2.1 trillion** in sales in 2005.

This corresponds to **9.0%** of total private sector employment and **7.8%** of total sales.

Venture Capital Backed Companies Create Jobs and Revenue

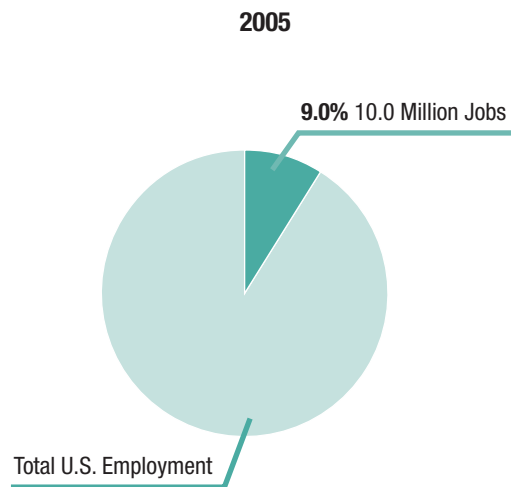
Venture capital backed companies known for their innovative technology and business models, such as Microsoft, Intel, Genentech, and Starbucks, added more than 1.3 million jobs to the U.S. economy between 2000 and 2005, resulting in annual growth of approximately 2.9 percent. Total venture capital backed company employment exceeded 10.0 million jobs in 2005. The data show that venture capital backed companies added 765,700 jobs to the U.S. economy in the last two years alone, posting a 4.1 percent annual growth rate.

Sales by venture capital financed companies jumped from \$1.5 trillion in 2000 to \$2.1 trillion in 2005. Venture capital backed companies posted a 6.8 percent annual growth rate over the last five years.

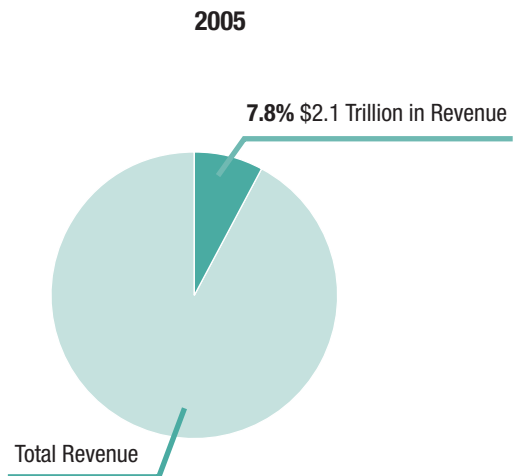


Sales by venture capital financed companies jumped from \$1.5 trillion in 2000 to \$2.1 trillion in 2005. Venture capital backed companies posted a 6.8 percent annual growth rate over the last five years.

**Employment at Venture Capital Backed Companies
as a Percent of Private Sector Employment**

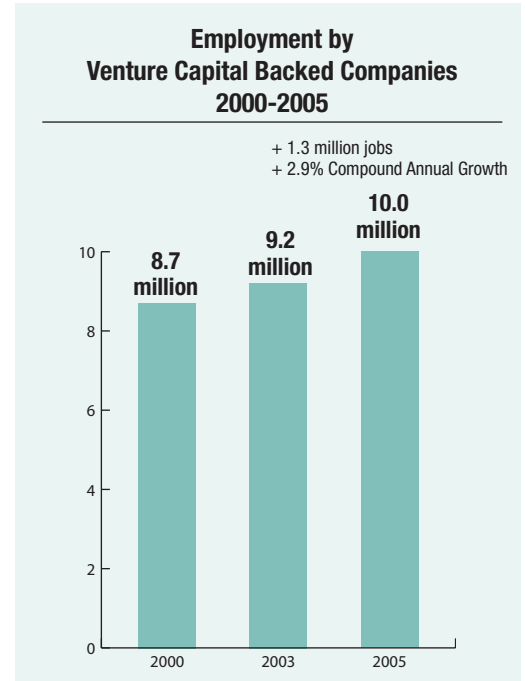
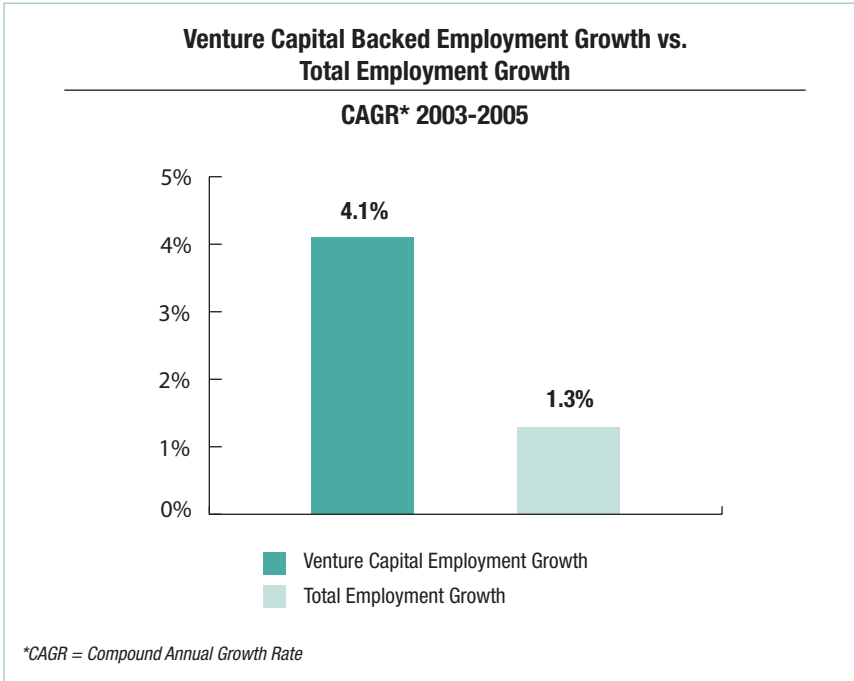


**Revenue at Venture Capital Backed Companies
as a Percent of Total Revenue**

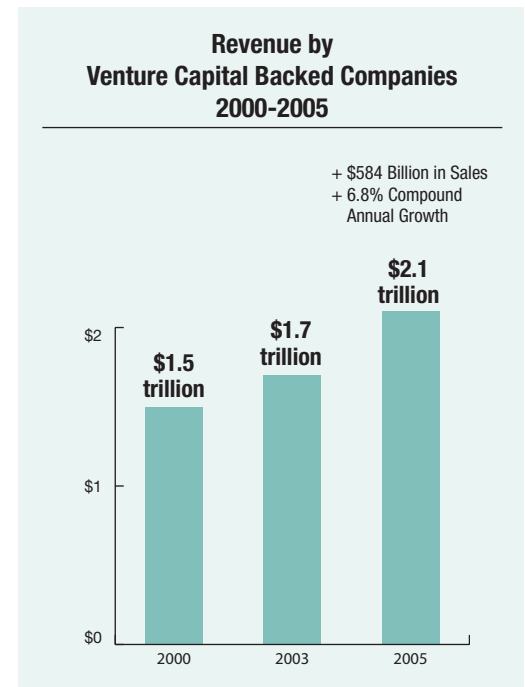
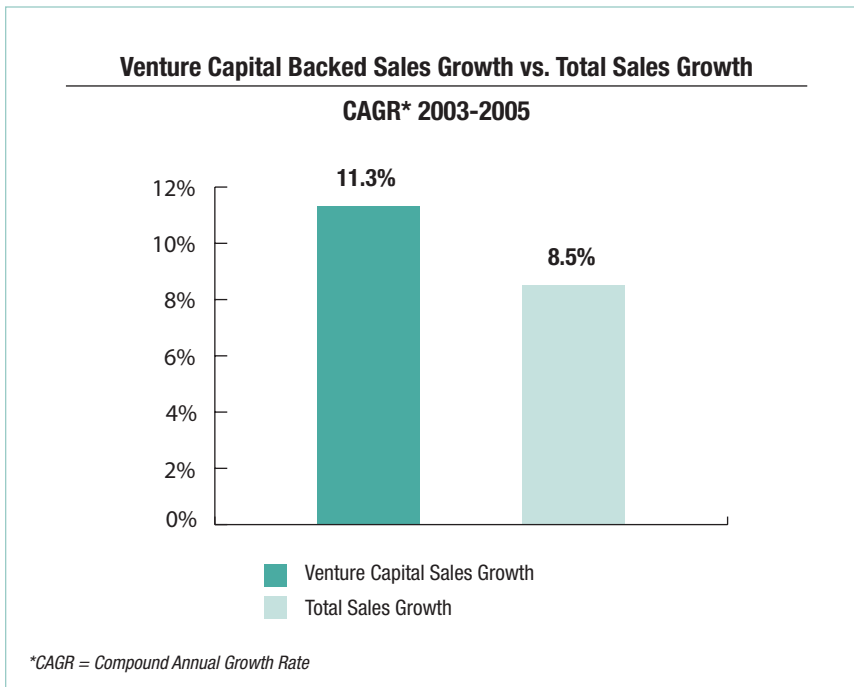


Venture Capital Backed Companies Create Jobs and Add Workers at a Faster Rate than Non-Ventured Companies

Companies financed by venture capital added jobs at a faster pace than their non-ventured counterparts. The most recent statistics show that the 4.1 percent annual growth rate of jobs among venture capital backed companies was more than three times faster than the 1.3 percent total private sector employment growth rate between 2003 and 2005.



Similarly, venture capital backed companies outperformed total U.S. sales growth at a compound annual rate of 11.3 percent for venture capital backed companies, compared to 8.5 percent for total U.S. sales between 2003 and 2005.



Venture Capital Backed Companies Create Jobs



Venture capital financed companies in the media/entertainment/retail sector produced the largest number of jobs, employing more than 2.0 million workers in 2005, and comprising over half of the industry's nearly 4.0 million jobs.

The most recent statistics from Global Insight reveal that the venture capital job creating engine is not limited to one segment of the economy. It permeates the entire American economy from computers, software, and telecommunications to biotechnology, financial services, and medical devices.

Venture capital financed companies in the media/entertainment/retail sector produced the largest number of jobs, employing more than 2.0 million workers in 2005, and comprising over half of the industry's nearly 4.0 million jobs. Other large industries in employment by venture capital backed companies were the nearly 1.9 million jobs in computers and peripherals, accounting for 9 of every 10 jobs, and the 1.2 million jobs in the industrial and energy sector.

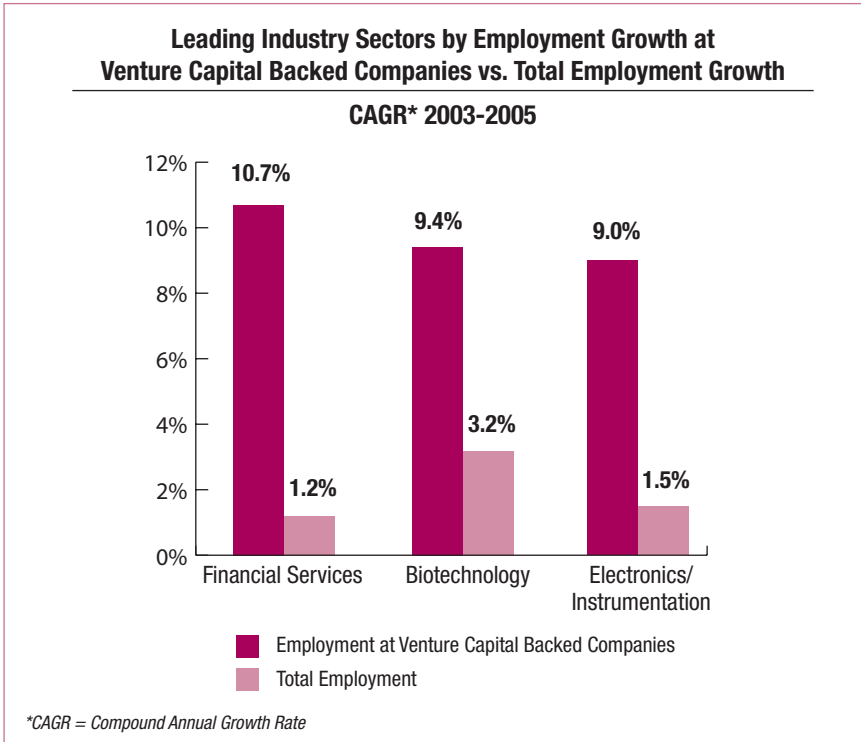
The employment statistics also show a heavy concentration of venture capital supported employment in the software industry, with nearly 860,000 jobs, representing almost 90 percent of the 960,000 total jobs in software, in 2005. The revolutionary products generated by the nation's venture capital backed biotechnology and medical devices and equipment sectors supported nearly 425,000 high-skilled, high-wage jobs in 2005.

Top Five Industry Sectors by Venture Capital Backed Employment and Share of Total Employment 2005

Industry	Employment at Venture Capital Backed Companies	Total Sector Employment	Venture Capital Backed Companies' Share of Total Employment
Media/Entertainment/Retail	2,005,700	3,991,300	50.3%
Computers and Peripherals	1,866,400	2,099,000	88.9%
Industrial/Energy	1,180,100	22,484,400	5.2%
Financial Services	896,900	10,464,900	8.6%
Software	857,700	959,600	89.4%



Global Insight also found that venture capital backed companies' employment growth outpaced total industry employment growth across all sectors between 2003 and 2005. The financial services sector recorded double digit compound annual gains of 10.7 percent, compared with an industry average of only 1.2 percent between 2003 and 2005. The biotechnology sector closely followed, with 9.4 percent annual growth in employment from 2003 to 2005. By contrast, the annual employment gain for the total biotechnology industry was only 3.2 percent during this same period. Venture capital backed companies in the electronics, healthcare, and computers and peripherals industries all expanded their employment at a significantly higher annual rate than the industry average.



Semiconductors, networking and equipment, and information technology services were the only three venture capital backed sectors that experienced net job losses between 2003 and 2005. However, declines in the overall industry were more severe than the aggregate downturn in venture capital supported companies.



Global Insight also found that venture capital backed companies' employment growth outpaced total industry employment growth across all sectors between 2003 and 2005.



Venture Capital Backed Companies Drive Sales

The almost 23,500 venture capital backed companies generated \$2.1 trillion in sales for the American economy in 2005. Like employment, sales by venture capital financed companies are not limited to one segment of the economy. Computers and peripherals, media/entertainment/retail, industrial and energy, software, and telecommunications were the five leading industries by revenue. Computers and peripherals industry sales were \$466.0 billion in 2005, followed by the nearly \$300.0 billion in sales posted by the media/entertainment/retail sector. Sales by venture capital backed companies in the industrial and energy industry totaled nearly \$270.0 billion, software services sales exceeded \$210.0 billion, and telecommunications sales were \$161.0 billion in 2005.

**Venture Capital Backed Revenue
by Industry Sector and Share of Total Revenue
2005**

Industry	Revenue at Venture Capital Backed Companies	Total Sector Revenue	Venture Capital Backed Companies' Share of Total Revenue
Computers and Peripherals	\$466.0 billion	\$670.0 billion	69.5%
Media/Entertainment/Retail	\$299.0 billion	\$822.0 billion	36.4%
Industrial/Energy	\$268.0 billion	\$6.0 trillion	4.5%
Software	\$211.0 billion	\$584.0 billion	36.1%
Telecommunications	\$161.0 billion	\$426.0 billion	37.7%

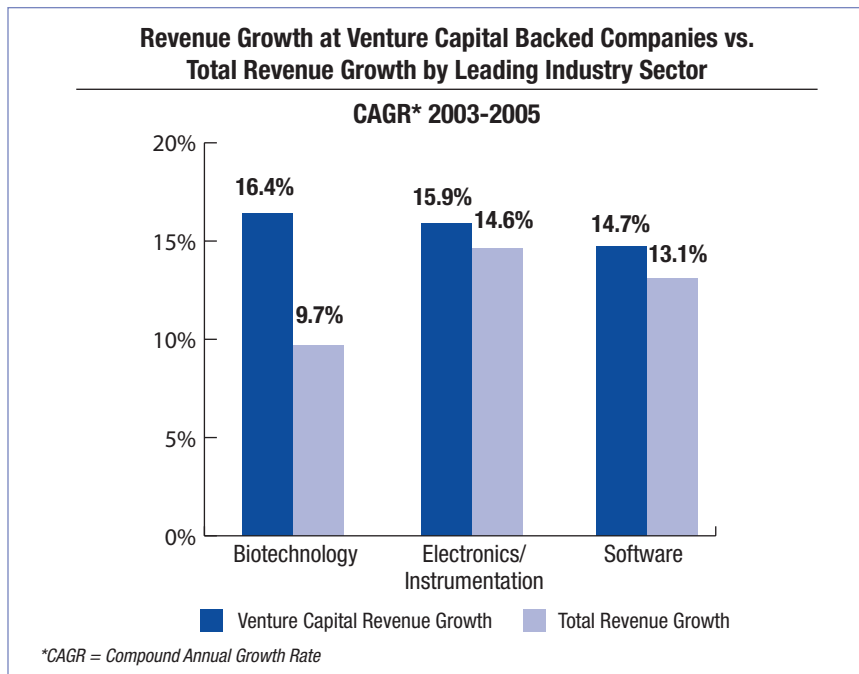
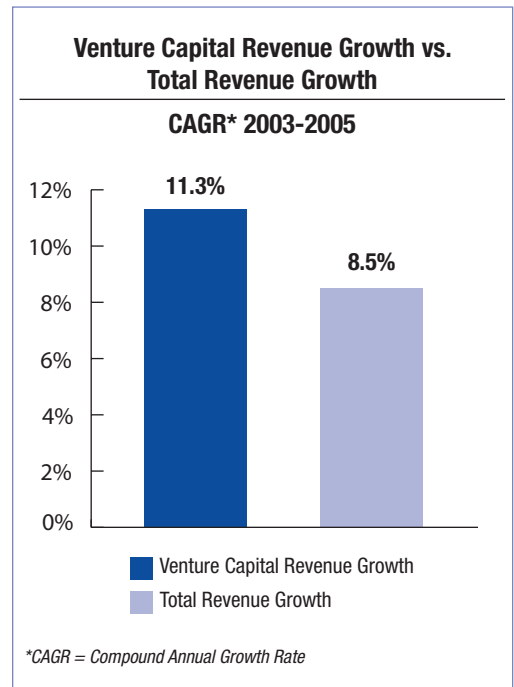


Sales by venture capital backed companies outpaced their non-ventured counterparts. The most recent statistics show that the 11.3 percent annual growth rate in sales among venture capital backed businesses exceeded the 8.5 percent annual growth rate in total sales between 2003 and 2005.

Venture Capital Backed Companies Outperform Their National Counterparts by Revenue

As with employment, venture capital backed companies outperformed their national counterparts in every industry sector when measured by revenue. The industry posting the greatest differential in revenue growth was biotechnology. Revenue at venture capital backed biotechnology companies totaled nearly \$67.0 billion in 2005, posting a compound annual growth rate of 16.4 percent, compared to a 9.7 percent growth rate for the entire biotechnology industry between 2003 and 2005.

The electronics and instrumentation industry recorded the second largest annual growth rate at 15.9 percent between 2003 and 2005, reaching \$70.0 billion in revenue. Software services revenue jumped by 14.7 percent on an annual basis between 2003 and 2005, compared to 13.1 percent for the total software industry for the same time period.



The industry posting the greatest differential in revenue growth was biotechnology. Revenue at venture capital backed biotechnology companies totaled nearly \$67.0 billion in 2005, posting a compound annual growth rate of 16.4 percent, compared to a 9.7 percent growth rate for the entire biotechnology industry between 2003 and 2005.



Venture Capital Supports Employment Across the Country

Venture capital backed companies create jobs in every state. California, Texas, Pennsylvania, Massachusetts, and Georgia led the nation by venture capital backed employment in 2005. Even small states by population like Montana, South Dakota, and Wyoming benefit from jobs generated by venture capital investments in local companies headquartered in these states.

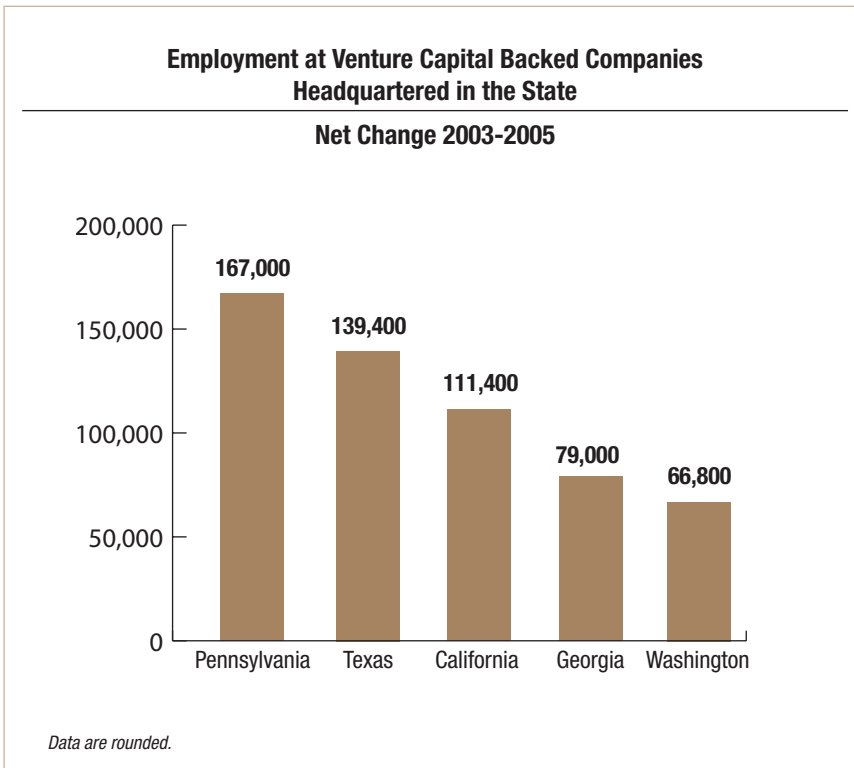
**Employment at Companies Headquartered in the State
2003-2005**

Rank	State	Employment at Venture Capital Backed Companies 2003	Employment at Venture Capital Backed Companies 2005	Growth Rate of Venture Capital Backed Companies' Employment CAGR* 2003 - 2005
1	California	2,173,800	2,285,200	2.5%
2	Texas	949,700	1,089,100	7.1%
3	Pennsylvania	530,600	697,600	14.7%
4	Massachusetts	616,800	639,900	1.9%
5	Georgia	525,200	604,300	7.3%
6	Tennessee	523,400	540,800	1.7%
7	Washington	377,700	444,500	8.5%
8	New York	398,200	415,700	2.2%
9	Virginia	345,200	348,900	0.5%
10	Minnesota	268,700	302,000	6.0%
11	Florida	292,700	301,900	1.6%
12	New Jersey	263,200	279,900	3.1%
13	Illinois	200,200	211,600	2.8%
14	Ohio	173,200	184,100	3.1%
15	Connecticut	168,900	173,400	1.3%

*CAGR = Compound Annual Growth Rate

Venture backed companies headquartered in California provided the greatest number of jobs, totaling nearly 2.3 million in 2005. Texas was the second largest state by venture capital backed companies headquartered in the state, with almost 1.1 million jobs nationwide in 2005, and nearly 700,000 jobs were supported by venture capital backed companies headquartered in Pennsylvania. Massachusetts and Georgia completed the top five states for national job creation by venture capital backed companies headquartered there.

Although Pennsylvania ranked third in the nation by total venture capital backed employment, it posted an annual employment growth rate of 14.7 percent, the strongest in the nation. As a result, venture capital backed companies with headquarters in Pennsylvania generated more than 167,000 jobs between 2003 and 2005. During the same period, venture capital backed companies headquartered in Texas added nearly 140,000 jobs. While California was the nation's leading state by employment at venture backed companies, it ranked third nationwide in jobs added between 2003 and 2005 at 111,400 and posted a 2.5 percent annual growth rate in employment. Georgia and Washington also posted substantial job gains between 2003 and 2005, adding 79,000 jobs and 66,800 jobs, respectively, as a result of investments made by venture capital backed companies headquartered there.



Venture Capital Supports Sales Across the Country

Venture capital backed companies generate sales nationwide. California, Texas, Washington, Pennsylvania, and Massachusetts topped the list of states by revenue generated by venture capital backed companies headquartered in the state.

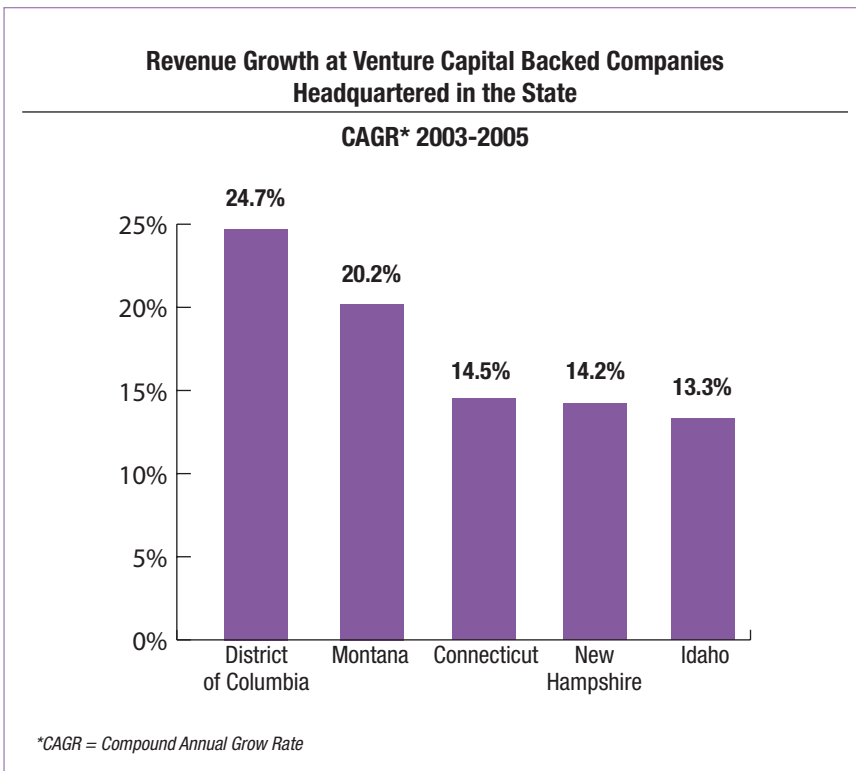
Revenue by Venture Capital Backed Companies Headquartered in the State 2003-2005

Rank	State	Revenue at Venture Capital Backed Companies 2003	Revenue at Venture Capital Backed Companies 2005	Growth Rate of Venture Capital Backed Companies' Revenue CAGR* 2003-2005
1	California	\$397.3 billion	\$506.8 billion	12.9%
2	Texas	\$219.6 billion	\$274.0 billion	11.7%
3	Washington	\$100.4 billion	\$127.4 billion	12.6%
4	Pennsylvania	\$92.3 billion	\$112.8 billion	10.6%
5	Massachusetts	\$91.4 billion	\$111.7 billion	10.6%
6	Georgia	\$87.7 billion	\$109.2 billion	11.6%
7	New York	\$72.5 billion	\$87.4 billion	9.8%
8	Virginia	\$69.5 billion	\$82.9 billion	9.2%
9	Tennessee	\$59.4 billion	\$71.6 billion	9.8%
10	Florida	\$57.9 billion	\$68.9 billion	9.1%
11	Minnesota	\$52.6 billion	\$65.0 billion	11.2%
12	Connecticut	\$41.1 billion	\$53.9 billion	14.5%
13	New Jersey	\$39.2 billion	\$48.1 billion	10.7%
14	Illinois	\$29.2 billion	\$36.8 billion	12.3%
15	Maryland	\$28.0 billion	\$30.6 billion	4.6%

*CAGR = Compound Annual Growth Rate

Venture capital backed companies headquartered in California led the nation by sales from venture capital supported companies at \$506.8 billion in 2005. Second ranked Texas posted venture backed sales of \$274.0 billion, while Washington ranked third with \$127.4 billion in sales in 2005. Pennsylvania and Massachusetts rounded out the list of the top five states by revenue at venture capital backed companies with totals of \$112.8 billion and \$111.7 billion, respectively, in 2005.

While every state benefited from expanding revenue, growth was not equal across all states. Although the District of Columbia posted venture capital backed revenue of only \$2.2 billion in 2005, it posted the fastest growth rate in the nation, with a compound annual growth rate of 24.7 percent between 2003 and 2005. Based on the compound annual growth rate between 2003 and 2005, Montana was the second fastest growing state in the country at 20.2 percent, followed by Connecticut at 14.5 percent. New Hampshire and Idaho completed the list of the top five states by venture capital backed company revenue growth.





Methodology for the Global Insight Study



Global Insight constructed a database of 23,476 venture capital backed companies. This database measures venture backed employment and sales revenue across states and industries for the 2003 and 2005 periods. The Global Insight database is created from four unique databases.

The first database was the 2003 Venture Capital Database. Using this database, the top 200 companies in terms of 2003 revenue were identified. Current 2005 employment and revenue estimates were entered into the database as available for the top 200 companies. For the remainder of the companies in the database, 2005 employment and revenue figures were projected using industry growth rates. The industry data are based on the Venture Economics Industry Code (VEIC), which Global Insight maps to a specific North American Industry Classification System (NAICS) code. Note that the venture capital share of the media/entertainment/retail sector is only a rough approximation because some retail industry employment is included in the distribution industry.

The Global Insight Business Demographics Navigator¹ was used to estimate sales and employment growth figures for the 2003 and 2005 periods. These growth rates were applied to the 2003 revenue and employment observations to obtain estimated 2005 employment and revenue.

The second database consisted of 181 venture capital backed companies that offered IPOs during the January 1, 2003 to June 20, 2006 period. Sales and employment figures for all 181 companies were obtained and added to the database.

The third database was comprised of 306 companies that received venture capital backed investment funds over the March 1, 2003 to June 30, 2003 period. Employment and sales data for 2005 were obtained for 143 of the 306 firms.

The final database consists of mergers and acquisitions occurring over the January 1, 2003 to June 30, 2006 timeframe. This database was cross-checked with the other three databases. The database is adjusted when one venture capital backed company acquires another.

The list of venture backed companies used to establish, and subsequently update, the database used for this study comes from the MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Financial. Thomson Financial is the leading commercial provider of data on the venture capital industry. Thomson's VentureXpert database is the official database of the NVCA.

¹ Global Insight's Business Demographics Navigator provides historical and forecast data projections for nominal sales, real sales, employment, and establishments at the national, state, and metro geographies for 6-digit NAICS codes.

Content First, LLC

This publication was prepared from the Global Insight study by Content First, LLC, a full-service public policy research services firm in Washington, DC that utilizes a unique process of melding solid research and analysis with presentation and communication. Content First brings advocacy data, industry statistics, and policy research to life for trade associations, businesses, law firms, consulting firms, and the public affairs community.

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National Venture Capital Association

The National Venture Capital Association represents approximately 480 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy and support entrepreneurial activity and innovation. NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members.

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