

Shifting Landscapes



Rise of the Rest®
2023 Report





Contents

Letter from Rise of the Rest	3
The Beyond Silicon Valley Story Continues	4
Mega Rounds	5
Macro Swings Settling Out	5
AI Concetrated	5
Portfolio Company Spotlights	6
Buildforce	7
Cambium Carbon	8
Mad Rabbit	9
Starday Foods	10
The Cool Down	11
About Rise of the Rest	12

OCTOBER 1, 2023

In late 2021, Rise of the Rest published our [Beyond Silicon Valley Report](#) in collaboration with PitchBook. We wanted to better understand how — and where — coastal and regional investors were accelerating early-stage startup funding across the U.S. 2021 was a remarkable year for the venture capital market, shattering all-time records for funding globally. It was also remarkable in that, for the first time in more than a decade, the proportion of seed- and early-stage capital invested in Bay Area startups fell below 30%.

However, that trendline is not a constant. Last year, the Bay Area's share of U.S. VC funding increased by more than 5%, likely due to a number of factors that we explore in our report. Whatever the reason, our takeaway is clear: we don't see this as winding back the clock 10 years. The world is a different place now, and 2022 still marked the decade's second-highest level of funding for early-stage founders in rising geographies. The pie is growing for everyone, and founders outside of Silicon Valley are getting a larger piece, too.

In [last year's annual report](#), we clarified what we're looking for when we invest: "tentpole companies." Tentpoles are the standout successes of startup communities. They are the keystones of a rising economy — world-changing businesses solving real-world problems, and visible examples of what's possible in a given place.

2022 was another great year in furthering the Rise of the Rest mission to back great founders with the potential for great success and, in turn, support a more geographically distributed innovation economy. We welcomed new portfolio companies at the earliest stages, and watched as leaders in our portfolio continued to emerge, plant their flags as tentpole companies, and further invest in their HQ regions. Collectively, the ROTR portfolio raised more than \$2.5B in follow-on capital in 2022, with particularly noteworthy financings for [Anduril](#) (\$1.48B; Costa Mesa, CA), [Branch](#) (\$147M; Columbus, OH), [Stord](#) (\$120M; Atlanta, GA), and [Hermeus](#) (\$100M; Atlanta, GA).

We're excited to publish another annual report to provide an update on what we are seeing with respect to venture investing outside the coastal tech hubs, and the latest results from companies leading their rising startup communities across the country. We hope it helps paint a picture of the American innovation possible, and happening, beyond Silicon Valley, New York City, and Boston.

Thanks,
Steve Case, David Hall & the ROTR Team

All US Seed & Early Stage Funding Outside of California, New York & Massachusetts



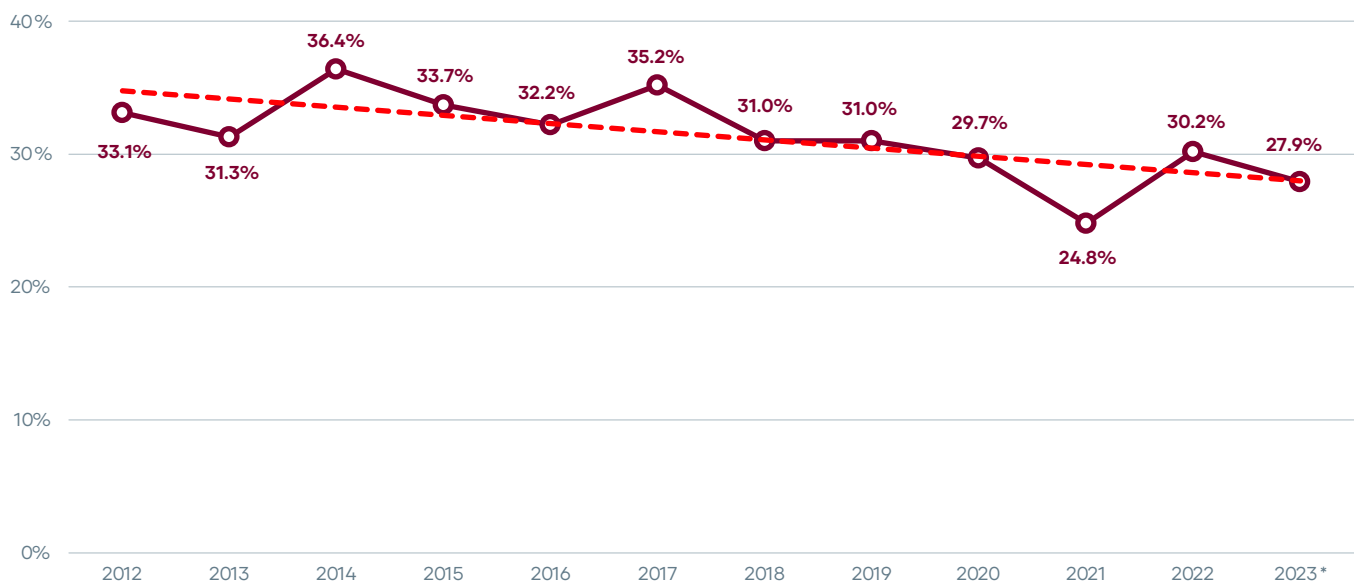
Source: PitchBook

The Beyond Silicon Valley Story Continues ...

Once again, we partnered with PitchBook to examine the data on where U.S. venture capital is going. After years on the decline, the Bay Area's share of startup funding picked up again in 2022.

Is this a blip on the radar, or a sign of systemic change?

**Bay Area Seed and Early Stage VC Deal Flow
as a Percent of All US Seed and Early Stage VC**



Source: PitchBook | Geography: Bay Area (defined as San Francisco and San Jose MSA)

* As of June 30, 2023

Mega Rounds



2022 was once again a year of massive early-stage rounds, many of which were raised in the Bay Area, and played an outsized role in shifting the numbers. There were 138 \$100M+ seed and early-stage venture rounds in 2022, 41 of which were in the Bay Area (two were FTX rounds). We expect that Silicon Valley will continue to dominate these types of rounds if past patterns of behavior are indicative of the future. By comparison, only 38 of these mega early rounds were raised outside of California, New York, and Massachusetts.

Macro Swings Settling Out



2022 saw rising interest rates, a funding slowdown, war in Ukraine, and a pullback from pandemic trends. We don't necessarily equate a shift away from domestic emerging markets with a cool down, but uncertainty in the global economy may have encouraged investors to return to what was most familiar.

Overall, the trendline is still heading toward a more geographically diverse funding landscape, and we are eagerly awaiting 2023 numbers to see where the money is going. 2021 and 2022 were each remarkable years in their own way. The fact that they were back-to-back only adds to the drastic swing we see in the data:

- **2021** was likely an anomaly in ROTR's favor: a record-setting year of investing everywhere as money continued to flow in the private market, people settled in new locations, and Zoom became the great equalizer.
- **2022** was also probably an anomaly in the other direction: a rebound (we believe temporarily) back towards perceived safety in the Bay Area, with fewer funds for VCs to deploy.
- **2023's** share of Bay Area funding looks like it could fall where we might expect: a middle point between 25.4% and 30.2%.

AI Concentrated



Interestingly, after each increase in funding for rising cities over the last 10 years, there have been relatively brief, but noticeable, declines.

The "rise of the rest" trend appears to move in a step-wise fashion, with the overall trendline in our favor.

That said, the difference between 2021 and 2022 is stark. And while we expected some retraction after a record-breaking year, the more than 5% swing back toward the Bay Area was a surprise. One explanation: If technology hype cycles tend to be most pronounced in major hubs, then the 2022 AI boom, whose funding winners have largely been **concentrated in just four states** (with a very dominant California topping the list), may, at least somewhat, account for the difference. Indeed in 2018, the share of venture dollars going to rising cities declined as well. What happened in 2017? The cryptocurrency and ICO boom.

Despite these headwinds and market cycles, we firmly believe in pressing forward. Embracing a contrarian approach in this industry often yields exceptional results. If the market deems investing beyond major tech hubs as contrarian once again, we are eager to continue partnering with founders and co-investors who feel the same.

Progress doesn't happen in a straight line.

Last year may have been a step back in the movement to diversify where VC dollars are going, but demographic, migration, and policy trends are on our side. Over the last decade, we've witnessed dozens, if not hundreds of founders in underestimated places turn their ideas into transformational startups. And we've seen those startups scale, generate jobs, and become keystones of their cities' economies.

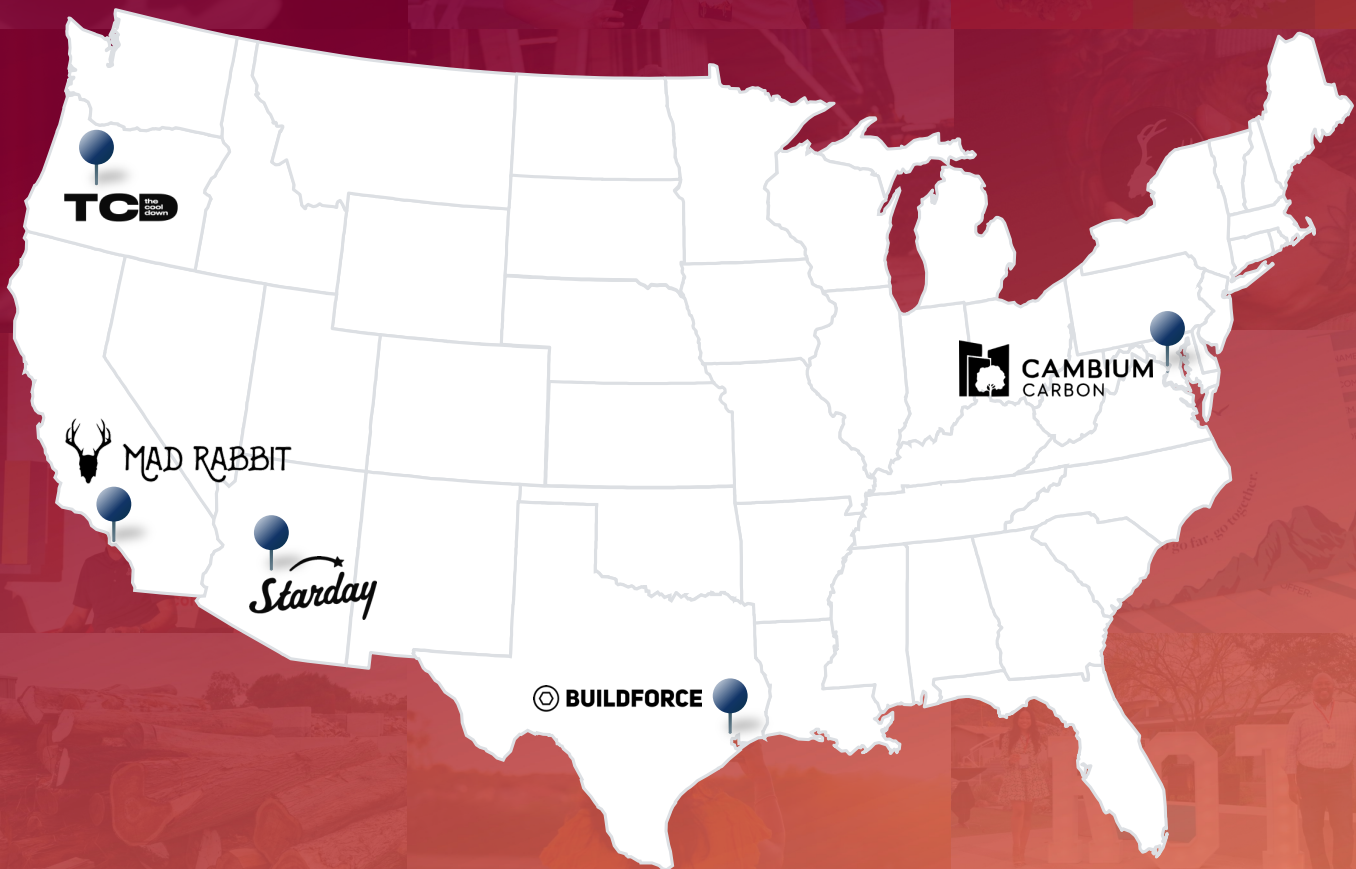


David Hall

Managing Partner at Revolution's Rise of the Rest Seed Fund

Portfolio Company Spotlights

A geographic cross-section of
the startups we backed in 2022





Buildforce is a staffing platform for the construction trades, starting with electrical contractors. Founded in 2020 and headquartered in Houston, TX, their mission is to address the pervasive staffing challenges encountered by the mechanical, electrical, and plumbing (MEP) contracting industries. These sectors, despite operating on a massive scale, are often characterized by inefficient and outdated practices, with limited integration of digital technologies. Buildforce recognizes the pressing need for change and provides clean, effective solutions to the construction sector, commencing with electrical contractors as a niche market.

Buildforce's proposition as a niche staffing firm tailored to subcontractors is just the beginning of its ambitious vision. The company aspires to evolve into a comprehensive vertical SaaS platform designed for the entire construction subcontractor industry, beginning with the electrical sector. Staffing serves as the foundational wedge that enables the gradual expansion into other critical areas, such as payroll, workforce management, and more.

Industry:

Workforce
Development,
Construction Tech

Business Type:

B2B, B2B2C

Location:

Houston, TX

Website:

buildforce.com



"Our mission at Buildforce is to help people dedicated to a career in the construction trades lead more secure and fulfilling lives. My co-founders Michael and Vu and I wanted to start a software business focused on positive impact for working class Americans, the backbone of our populace who are unfortunately struggling in 21st century America."

Moody Heard

Co-Founder and CEO



Cambium Carbon is building a wood exchange that helps economize access for the localized millers to buyers and suppliers via a managed marketplace. Their tech platform, **Traece**, is the link that digitizes the historically antiquated mill industry to the modern-day ecommerce platform. Traece enables sawmills and other wood workers to: track and manage their inventory from end-to-end; have visibility into and manage their operations; standardize and uphold product quality; and instantly integrate into the greater marketplace to connect with new buyers and suppliers. By providing suppliers with a single source of truth for all material and actions in the supply chain, Traece can aggregate local suppliers, connect them to the national market, and offer distributed capacity of locally sourced, high-impact wood material at scale.

With increasing global efforts to address the impact of climate change, the need for more resilient, tech-enabled, and sustainable supply chains is also growing. The conventional supply chains are no longer enough to meet the demands of modern business, and the lack of transparency, efficiency, and scalability of traditional supply chains makes it difficult to achieve sustainability and resilience. This increasing demand for sustainable, environmentally responsible building practices and products is reflected in the growth of the green building materials market, which continues to at a rapid pace.

Industry:
Climate Tech,
Supply Chain

Business Type:
B2B

Location:
Washington, DC

Website:
cambiumcarbon.com



"What we're trying to build at Cambium Carbon is a circular economy that connects wood waste streams ... to local processing. So, instead of taking it to a landfill or just mulching it, how can you capture it? How can those local processors then use that wood, use it at scale, and connect it into large buyers?"

Ben Christensen
Co-Founder and CEO



Mad Rabbit is a revolutionary tattoo care company that takes pride in its clean and natural formulations, offering an easy and effective solution for tattoo enthusiasts. Founded in 2019 by two friends, Oliver and Selom, who shared a passion for ink, the company aims to enhance the healing process and preservation of tattoos through their innovative products. Mad Rabbit's "no-nonsense" approach prioritizes clean ingredients, ensuring consumers can confidently care for their tattoos without worrying about harmful toxins commonly found in traditional tattoo skincare products. Their comprehensive range covers preventative, post-aftercare, and daily tattoo skincare solutions, allowing tattoos to maintain their vibrant, age-resistant, and original allure.

Driven by a mission to empower individuality, artistry, and adventure, Mad Rabbit is committed to delivering superior tattoo aftercare products that celebrate and enhance the beauty of each person's unique art. Inspired by tattoo artists who create meaningful art reflecting personalities and milestones, Mad Rabbit ensures that their products uphold the natural vibrancy of tattoos. Rejecting overpriced and underperforming alternatives, the company offers a straightforward and efficient solution for tattoo care, allowing customers to confidently display their tattoos and cherish them for years to come.

Industry:

Personal Products,
E-Commerce

Business Type:

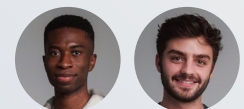
B2C, B2B2C

Location:

Los Angeles, CA

Website:

madrabbit.com



"We're inspired by the tattoo artists that wake up every day to create beautiful art on their clients' bodies — the ones that create art to reflect personality and milestones. They put in the effort to create your art, so we are putting in the effort to make sure your tattoo maintains its natural vibrancy."

**Oliver Zak &
Selom Agbitor**
Co-Founders



Starday Foods is building a next-generation CPG conglomerate that uses data science to predict product-market-fit and compress product innovation cycles when creating food brands. Through testing, insights, and machine learning models, the company tracks shifts in consumer behavior to detect pent-up demand and build better-for-you brands and products that meet consumers' needs. By leveraging SaaS best practices, and essentially building its own vertical software, data and software are used to drive efficiency, repeatability, and scale that competes with legacy incumbents and wins when compared head-to-head with upstart brands.

Their first four brands are:

- **Gooley:** The first Gooley product is an absurdly delicious all-natural chocolate hazelnut spread that's low in sugar, high on chocolate, and made without palm oil or dairy. Dip it, dunk it, spread it, or spoon it straight out of the jar.
- **All Day:** Designed by top chefs and battle-tested in kitchens big and small, All Day seasonings are light on sodium, heavy on flavor, and go on everything.
- **Cozumi:** Cozumi is a gut-friendly seasoned rice blend that's low on FODMAPs and high on flavor, so it sits well with even the most sensitive of stomachs. They've removed common trigger ingredients (see: onion and garlic) and replaced them with even better subs.
- **Habeya:** Habeya is a new plant-based protein that's as easy as adding salt and pepper. Crispy, crunchy chickpea-based crumbles make for an easier, better-for-you (AND THE PLANET!), way to eat plant-based protein.

Industry:
Consumer

Business Type:
B2B2C

Location:
Scottsdale, AZ

Website:
stardayfoods.com



"It feels like a 'Napster moment' in the way consumers are now coming online to discover and buy. We are measuring their interest and using data to drive outcomes so we can go up against the Nestlés of the world. We use data to let consumers tell us what they want now rather than how Big Food has operated over the years: to follow consumer demand and create nutritionally bad food that is also bad for the environment."

Chaz Flexman
Co-Founder and CEO



The Cool Down (TCD) is a community of content, commerce, and climate experts dedicated to creating a sustainable future through eco-friendly shopping. With thorough research and testing, TCD curates green products and practices that cater to all budgets, ensuring consumers can shop confidently and make a positive difference for the planet.

The company addresses the environmental challenges posed by excessive plastic consumption and fast fashion. By advocating for reusable and plastic-free alternatives, TCD aims to reduce the 60% of planet-heating pollution originating from everyday product production. Moreover, they encourage mindful consumption, urging individuals to reuse and repair before making new purchases. With a commitment to maintaining high-quality standards, TCD provides cleaner, healthier, and cooler products that align with eco-conscious values.

Industry:

Media, Climate

Business Type:

B2B, B2C, B2B2C

Location:

Bend, OR

Website:

thecooldown.com



"The first lightbulb moment I had came from three things. Working in the local news space and seeing the impact of the extreme weather, being evacuated, and the third thing, I got curious and angry about how much innovation was happening that people didn't really know about. I just sort of asked, 'Why isn't there a more mainstream source of climate information written in plain English?'"

Anna Robertson

Co-Founder

to Deseret News



About Revolution & Rise of the Rest



Revolution is a D.C.-based investment firm focused on investing in entrepreneurs building transformative companies outside of Silicon Valley. Through our family of funds — The Rise of the Rest Seed Fund, Revolution Ventures, and Revolution Growth — we partner with founders at every stage of the startup lifecycle. Follow us at [@Revolution](#) and [@RiseOfRest](#).



Rise of the Rest is a seed and early-stage venture capital fund investing in entrepreneurs based outside of the coastal tech hubs of Silicon Valley, New York City, and Boston. Our goal is to identify compelling investment opportunities in rising cities and back more founders who are solving real-world problems. We have \$300 million in assets under management.

Disclaimer

Certain information contained herein has been obtained from third-party sources, including portfolio companies of Rise of the Rest Seed Fund, LP and Rise of the Rest Seed Fund II, LP ("ROTR"). While taken from sources believed to be reliable, ROTR has not independently verified such information and makes no representations about the enduring accuracy of the information or its appropriateness for a given situation.

This content is provided for informational purposes only, and should not be relied upon as legal, business, investment, or tax advice. You should consult your own advisers as to those matters. References to any securities are for illustrative purposes only, and do not constitute an investment recommendation or offer to provide investment advisory services. Furthermore, this content is not directed at nor intended for use by any investors or prospective investors, and may not under any circumstances be relied upon when making a decision to invest in any ROTR portfolio company. Any investments or portfolio companies mentioned, referred to, or described are not representative of all investments in vehicles managed by ROTR, and there can be no assurance that the investments will be profitable or that other investments made in the future will have similar characteristics or results.

Charts and graphs provided within are for informational purposes solely and should not be relied upon when making any investment decision. Past performance is not indicative of future results. The content speaks only as of the date indicated. Any projections, estimates, forecasts, targets, prospects, and/or opinions expressed in these materials are subject to change without notice and may differ or be contrary to opinions expressed by others. ROTR expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions, or circumstances on which any such statement is based. Please see revolution.com/terms-of-use for additional important information.



RISE **OF THE** **REST**[®]

a  revolution fund