

## The Bank for the Innovation Economy

Banks know that customers hate them. That is the headline from a CNN Business report from a survey of banking executives.<sup>1</sup> The financial crisis of 2008 engraved stains on banks that more than 80 percent of managers at banks, brokerages, and other financial services firms believe continue to have a negative impact on their companies. JPMorgan Chase, Bank of America, and Citigroup saw their biggest fall in reputation. Their names stayed in the headlines for settlements with the regulators reaching billions. Regulators imposed hefty fines against banks in 2021: Capital One, \$390 million; Deutsche Bank, \$130 million; Julius Baer, \$79 million; Apple Bank for Savings, \$12.5 million.<sup>2</sup> The total fines against big banks in the United States in 2020 escalated to more than \$11 billion, including the largest single fine issued against Goldman Sachs (\$3.9 billion) and the second largest against Wells Fargo (\$3 billion).<sup>3</sup>

In recent years, shareholders have voiced their opposition to executive pay and voted to reject pay plans at the world's biggest banks.<sup>4</sup> The excessively large bonuses, lawsuits, and big fines tied to bad practices fuel the public resentment toward banks.

<sup>1</sup> Paul R. La Monica, "Banks Know That Customers Hate Them," *CNNBusiness*, June 17, 2014, available at: <https://money.cnn.com/2014/06/17/investing/banks-crisis-reputation> [<https://perma.cc/RMH3-NRZK>] (last accessed September 18, 2023).

<sup>2</sup> Ian Henderson, "Lessons from the Seven Largest AML Bank Fines in 2021," *Forbes*, March 24, 2022, available at: [www.forbes.com/sites/forbestechcouncil/2022/03/24/lessons-from-the-seven-largest-aml-bank-fines-in-2021/?sh=374fced88ced](http://www.forbes.com/sites/forbestechcouncil/2022/03/24/lessons-from-the-seven-largest-aml-bank-fines-in-2021/?sh=374fced88ced) [<https://perma.cc/2W9L-45E4>] (last accessed September 18, 2023).

<sup>3</sup> "Banks Worldwide Amass \$15B in Fines in 2020, U.S. Banks Account for 73%," *Corporate Compliance Insights (CCI)*, January 11, 2021, available at: [www.corporatecomplianceinsights.com/banks-15b-in-fines-in-2020/](http://www.corporatecomplianceinsights.com/banks-15b-in-fines-in-2020/) [<https://perma.cc/HF7A-ECZ8>] (last accessed September 18, 2023).

<sup>4</sup> Steve Slater, "Shareholder Anger Simmers Worldwide over Bankers' Pay," *Reuters*, May 29, 2014, available at: [www.reuters.com/article/banks-salary-shareholders-agn/shareholder-anger-simmers-worldwide-over-bankers-pay-idINL6NcO74T120140529](http://www.reuters.com/article/banks-salary-shareholders-agn/shareholder-anger-simmers-worldwide-over-bankers-pay-idINL6NcO74T120140529) [<https://perma.cc/MSS5-REKG>] (last accessed September 18, 2023).

Banks have a reputation score of 342, compared to retail at 515 and automotive at 570.<sup>5</sup> Wells Fargo ranked the worst on both the 2019 and 2020 Harris Poll Reputation Quotient Rankings.

One site named Wells Fargo, TD, Commerce Bank, Bank of America, Fifth Third, Citibank, and Capital One amongst the banks receiving the most common customer complaints.<sup>6</sup> Another site surveyed and listed the most hated banks in every US state.<sup>7</sup> According to this site, Wells Fargo is most despised in Alaska, Colorado, Idaho, Montana, Nevada, New Mexico, North Carolina, South Carolina, and Virginia. Bank of America is the most loathed in nine states: California, Connecticut, Florida, Kansas, Maryland, Massachusetts, Oklahoma, Texas, and Washington. Chase Bank is the most detested in five states: Arizona, Illinois, Indiana, Louisiana, and New York. Credit One Bank is the most reviled in five different states: Hawaii, Maine, Michigan, North Dakota, and Wyoming. At all times and in all places, the public are ready to name a bank that they dislike. It rests true that customers abhor banks and banks are fully aware of it.

The idea of writing a good story about a bank invites ridicule; yet it seems right. This is because the story is about an independent, community bank that nurtured many startups in the tech community during its path of survival and growth to become the bank for the innovation economy.

The grey building, a modest two levels in height with a prominent ocean blue chevron, right arrow logo perched above the entrance door signaled you were approaching another value, a relative forward direction, a morphism in category theory, a material implication in logic, a pathway of a chemical reaction in a chemical equation, and a notation of Conway chained arrows for very large integers. The logo could very well be a bird with spread wings on its flight path, a boomerang moving toward its destination, or a road sign showing a dangerous curve in the road to keep drivers safe. Pick any of those meanings that the logo teases in your knowledge and subconscious, and you arrive at the unassuming headquarters of the former Silicon Valley Bank (SVB), also known as the Bank for the innovation economy before its sudden demise on March 10, 2023.

The Bank boasted 50 percent of all venture capital-backed tech and science companies in the United States as its clients. The Bank cultivated tech enterprises at all stages, from startups to mid-growth, late-growth, and initial public offering phases.

<sup>5</sup> Tom Groenfeldt, "Banks Have Got a Reputation, but They Can Improve It," *Forbes*, June 14, 2019, available at: [www.forbes.com/sites/tomgroenfeldt/2019/06/14/banks-have-got-a-reputation-but-they-can-improve-it/?sh=70688388247d](http://www.forbes.com/sites/tomgroenfeldt/2019/06/14/banks-have-got-a-reputation-but-they-can-improve-it/?sh=70688388247d) [<https://perma.cc/8KVN-UKBE>] (last accessed September 18, 2023).

<sup>6</sup> Katherine Muniz, "10 Most Common Bank Customer Complaints," *MyBankTracker*, June 28, 2022, available at: [www.mybanktracker.com/news/customer-banking-complaints](http://www.mybanktracker.com/news/customer-banking-complaints) [<https://perma.cc/C6WQ-XSG7>] (last accessed September 18, 2023).

<sup>7</sup> "These Are the Most Hated Banks in Every U.S. State," *Fairshake*, available at: <https://fairshake.com/consumer-guides/most-hated-banks-us/> [<https://perma.cc/BE25-QEYB>] (last accessed September 1, 2022).

Of all the US venture capital-backed companies that went public by the end of December 31, 2022, the Bank claimed about 55 percent of them as its clients. In tech lending, SVB carefully evaluated and executed loans to fast-growth enterprises of the innovation economy. Without growth, companies will soon wither and die, and the Bank held key factors to make its assessment of a company's financial health in determining a credit line or loan amount. The Bank dedicated 2 percent of its loan portfolio to fledgling enterprises; startups with less than \$5 million in revenue. The remaining 98 percent of the loan portfolio were concentrated on venture capital (VC)-backed tech companies at different growth phases and with revenues above \$5 million.

Airbnb, Fitbit, Pinterest, and Uber are some of the tens of thousands of tech companies the Bank courted as startup clients. Known as a part lender, part consultant, part cheerleader, and part investor, the Bank helped sustain tech companies in the early stage when their ideas for disruption and world domination were far-fetched. Airbnb founders used technology to persuade strangers to sleep in one another's homes worldwide in arrangements where the host can make extra income while the overnight guests pay less than they would have at a conventional lodging establishment. Maximizing use of the extra room in a house, an apartment, or a residence became a \$31 billion company when Airbnb launched its initial public offering (IPO). James Park, the CEO of Fitbit, was inspired in 2006 by his Nintendo Wii, purchased at Best Buy, because the combination of hardware, sensors, and software brought a holistic experience that transforms gaming into an active, fun, and positive activity. A few months later he started Fitbit, leveraging wireless-enabled wearable technology to motivate people to get off their chairs and couches, take steps and get moving, stay active, and become healthier by furnishing them key data, guidance, and inspiration. Fitness enthusiasts adore Fitbit wearable products, and the company has morphed into an American digital health and fitness brand. Before the age of Pinterest, people clipped and pinned their favorite images in scrapbooks and on boards. On Thanksgiving Day in 2009 Ben Silbermann conceived the idea of a site where people post, repost, and share their recipes and beautiful décor images. His now-wife named it "Pinterest." Through word of mouth, eleven million new people visited the site in its first seven months. Pinterest joined the lexicon meaning for sharing photos, just as Twitter had for sharing messages and Facebook for finding friends. Young entrepreneur Travis Kalanick met Greg Becker, CEO of Silicon Valley Bank, with a global plan to connect passengers with ordinary drivers who use their own vehicles without taxi medallions to hire out for ride sharing. Strangers get into other strangers' cars, blissfully disregarding warnings from parents of prior generations that you should never get a ride from a stranger. The world then opened up to the idea of ride sharing as Uber, and riders have no problem with climbing into strangers' cars.

By banking and lending to startup clients for the last forty years, the Bank rose from obscurity to one of the top fifteen largest banks in 2022. From its humble origin as a community, independent bank with one location in the isolated industrial area of northern San Jose in 1983, the Bank amassed assets totaling \$208.58 billion. This

large sum propelled the Bank forward eight spots from number 22 to 14, joining the group of the largest fifteen banks in the United States during the COVID-19 pandemic. Forbes listed SVB in its prestigious “America’s Best Banks 2022.” SVB was also on the “List of 100 Best Companies to Work For.” Shareholders enjoyed seeing the Bank’s net interest income on a fully taxable equivalent basis and noninterest income for 2021, which reached \$3.2 billion and \$2.7 billion, respectively.<sup>8</sup> At the end of Q1 2022, SVB’s assets of \$220 billion placed the Bank as the thirteenth largest bank in the United States. These national rankings were astounding because SVB was the only bank in the country, and perhaps the world, with 100% of its business devoted to serving the tech sectors.

Back in 2002, 1,019 full-time employees were working at the Bank’s twenty-seven regional offices in innovation centers across the United States. The number of total full-time employees reached 8,000 in 2023. The latest number is even more significant when contrasting it to the original thirteen people crammed into an office in northern San Jose when the Bank first opened its doors in October 1983 with \$5 million from 100 investors. The early employees, led by a fearless leader with the mindset of a startup stalwart, all shared a conviction of devoting a third of their business to serving the burgeoning new tech sectors in Silicon Valley.

In the forty years of its existence, witnessing and weathering the 1990s real estate crisis, the 2000s internet bubble, the 2008 Great Recession, and the COVID-19 pandemic in 2020–2022, the Bank faced challenges head-on and transformed itself along the way. Among these challenges, the Bank had to navigate operating in the tech community marred with scandals of sexual harassment and discrimination. But the Bank failed to withstand the herd mentality unleashed by the tech bro culture and social media risks of 2023. The Bank died within the tech sector it operated. But let’s not get ahead of ourselves about the Bank’s demise. We should first look at the tech culture it once lived within.<sup>9</sup>

The tech culture is rooted in welcoming new ideas, breaking down barriers, and encouraging creative collaboration. However, the same tech culture also enables sexual harassment and misconduct.<sup>10</sup> At the annual Foo Camp, an “unconference” annual tech event, attendees “bounce around the space and ideas and conversations,

<sup>8</sup> SVB 2022 10K Filing.

<sup>9</sup> The tech #MeToo is from the author’s prior works, see Xuan-Thao Nguyen, #MeToo Innovators: Disrupting the Race and Gender Code by Asian Americans in the Tech Industry, 28 *Asian American Law Journal* (2021): 17–56; Xuan-Thao Nguyen, Disrupting Adhesion Contracts with #MeToo Innovators, *Virginia J. of Social Policy & Law*, 26 (2019): 165–199.

<sup>10</sup> Katie Benner, “Women in Tech Speak Frankly on Culture of Harassment,” *The New York Times*, June 30, 2017, available at: [www.nytimes.com/2017/06/30/technology/women-entrepreneurs-speak-out-sexual-harassment.html](http://www.nytimes.com/2017/06/30/technology/women-entrepreneurs-speak-out-sexual-harassment.html) (last accessed September 18, 2023); Sara O’Brien and Laurie Segall, “Sexual Harassment in Tech: Women Tell Their Stories,” *CNN Tech*, July 2017, available at: <https://money.cnn.com/technology/sexual-harassment-tech/> [<https://perma.cc/UA5A-FYCC>] (last accessed November 28, 2019); John Pletz, “1 in 4 Women Report Harassment at Tech Conferences: Study,” *Crain’s Chicago Business*, March 12, 2019, 2:04 P.M., available at: [www.chicagobusiness.com/john-pletz-technology/1-4-women-report-harassment-tech-conferences-study](http://www.chicagobusiness.com/john-pletz-technology/1-4-women-report-harassment-tech-conferences-study) (last accessed September 18, 2023).

and so many of the normal social distances break down into collaboration,” but the hidden reality is that at the same conference, female attendees frequently face sexually explicit questions from creators of tech companies during their presentations.<sup>11</sup> During the evening, the Foo Camp unconference shifts to a casual vibe for different activities, as recalled by attendees. The drinking, and the pressure to drink, has reportedly led to male attendees continuing to pour drinks for drunk female attendees, creating an uncomfortable environment. At the Foo Camp and Startup Riot conference, a powerful technology evangelist openly sexually assaulted female attendees by putting his hands on their breasts and bottoms when others introduced him to them in public spaces. From Foo Camp to Startup Riot to Dent Conference, predators roamed and assaulted women in tech even after the women had reported the misconduct to the organizers.<sup>12</sup>

<sup>11</sup> Caitlin Mullen, “Where Tech Conferences Get It Wrong for Women,” *Bizjournals*, March 26, 2019, 9:59 A.M. EDT; updated: March 27, 2019, 12:32 P.M. EDT, available at: [www.bizjournals.com/bizwomen/news/latest-news/2019/03/where-tech-conferences-get-it-wrong-for-women.html?page=all](http://www.bizjournals.com/bizwomen/news/latest-news/2019/03/where-tech-conferences-get-it-wrong-for-women.html?page=all) [<https://perma.cc/UM8J-CDYC>] (last accessed September 18, 2023) (“From sexist comments to robot strippers, tech conferences – and the industry itself – often have an atmosphere that doesn’t exactly convey gender equality in the field.”). Quinn Norton, “Robert Scoble and Me,” *Medium*, October 19, 2017, available at: <https://medium.com/@quinnnorton/robert-scoble-and-me-9b14ee92fffb> [<https://perma.cc/5QYV-TA86>] (last accessed September 18, 2023). Additionally, female attendees face sexual harassment and assaults at tech camps and conferences. Davey Alba, “A Multimillion-Dollar Startup Hid a Sexual Harassment Incident by Its CEO: Then a Community of Outsiders Dragged It into the Light,” *Buzzfeed News*, May 13, 2019, 9:30 A.M., available at: [www.buzzfeednews.com/article/daveyalba/datacamp-sexual-harassment-metoo-tech-startup](http://www.buzzfeednews.com/article/daveyalba/datacamp-sexual-harassment-metoo-tech-startup) [<https://perma.cc/ZJK3-9539>] (last accessed September 18, 2023) (“One evening that week at an after-hours bar with a live band playing, DataCamp CEO Jonathan Cornelissen groped 27-year-old Kara Woo, a DataCamp curriculum lead. According to Woo, as other DataCamp employees milled about, a drunken Cornelissen pressed his crotch into Woo’s behind, fondling her hips and thighs.”); Gaby Del Valle, “A WeWork Employee Says She Was Fired after Reporting Sexual Assault. The Company Says Her Claims Are Meritless. A New Lawsuit Claims the Company Spent More on Parties than on Sexual Harassment Training,” *Vox*, updated October 12, 2018, 6:05 P.M., available at: [www.vox.com/the-goods/2018/10/12/17969190/wework-lawsuit-sexual-assault-harassment-retaliation](http://www.vox.com/the-goods/2018/10/12/17969190/wework-lawsuit-sexual-assault-harassment-retaliation) [<https://perma.cc/E7BG-TZZ2>] (last accessed September 18, 2023) (“The complaint, which was filed on Thursday in the Manhattan Supreme Court, details former employee Ruby Anaya’s allegations against the company. Anaya, who began working at WeWork in 2014, says she was groped by two different employees at two company-wide events where attendance was mandatory and alcohol was readily available. . . . The first alleged incident occurred in August 2017 at an annual company event called Summer Camp; on Facebook, the company described Summer Camp as a “festival-esque getaway” for employees and their guests. Anaya claims that a male co-worker “grabbed [her] from behind in a sexual manner,” and that when that employee was questioned by human resources, he said he didn’t remember the event because he was “black-out drunk.”); O’Brien & Segall, *supra*, note 9 (reporting that at a tech conference in 2014, Pavel Curda propositioned to Gesche Haas with an email that read, “I will not leave Berlin without having sex with you. Deal?”).

<sup>12</sup> Alyssa Newcomb, “#MeToo: Sexual Harassment Rallying Cry Hits Silicon Valley,” *NBC News*, October 23, 2017 12:30 P.M. PDT updated October 23, 2017, 12:30 P.M. PDT, available at: [www.nbcnews.com/tech/tech-news/metoo-sexual-harassment-rallying-cry-hits-silicon-valley-n813271](http://www.nbcnews.com/tech/tech-news/metoo-sexual-harassment-rallying-cry-hits-silicon-valley-n813271) [<https://perma.cc/G578-QXJM>] (last accessed September 28, 2023) (“Sarah Kunst, founder of Proday Media, tweeted she had reported Scoble’s bad behavior to organizers of the Dent Conference, yet he still continued to attend.”).

Meanwhile, the same behavior goes on in the ordinary workplace at Uber. Susan Fowler, a former engineer at Uber, recounts experiencing a culture of sexual harassment daily.<sup>13</sup> Beginning on her first official day on the Site Reliability Engineer team, the team manager asked her to have sex with him in a string of messages over the company's chat platform. She immediately took screenshots and reported him to Human Resources (HR). HR and upper management at Uber informed her that, because it was the first time the manager had committed sexual harassment and he was a "high performer" at the Company, they would not take any action beyond talking to him. HR also ordered that Fowler choose either transferring to a different team or staying with the same team and receiving a negative review from the manager. HR explained to Fowler that the negative review would not be viewed as retaliation because she was given the option to transfer. Fowler subsequently transferred to a different team. During her one-year tenure at Uber, Fowler also documented other sexist emails and chat records and sent them to HR. Instead of working to fix the problems, the HR representative accused Fowler of initiating the incidents and blamed her for saving the emails and chat records. Her new manager then threatened to fire her if she reported him to HR. Fowler reported the threat to HR and the Chief Technology Officer. Though they admitted to her that the threat was illegal, they once again did nothing because the manager was a "high performer."

Fowler soon learned that other female engineers at Uber had similar experiences. They, too, had reported to HR to no avail. Together, Fowler and the female engineers requested a meeting with HR about the manager's sexual harassment, but the HR representative insisted that the manager "had never been reported before."<sup>14</sup> Later, around the same time these women left Uber, the company's female workforce dropped from 25 percent women to less than 6 percent.<sup>15</sup>

Sexual harassment and misconduct are an "open secret" in the tech industry.<sup>16</sup> The pervasiveness of the open secret occurs beyond the campfires, conferences, unconferences, and team projects. Harassment has even occurred during the initial interviews for jobs at tech companies. For example, the cofounder and former CEO

<sup>13</sup> Susan Fowler, "Reflecting on One Very, Very Strange Year at Uber," *Susan Fowler Blog*, February 19, 2017, available at: [www.susanjowler.com/blog/2017/2/19/reflecting-on-one-very-strange-year-at-uber](http://www.susanjowler.com/blog/2017/2/19/reflecting-on-one-very-strange-year-at-uber) [<https://perma.cc/8QH7-VBK6>] (last accessed September 28, 2023).

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

<sup>16</sup> Alyssa Newcomb, "#MeToo," *supra*, note 11 ("Much like Hollywood and the Harvey Weinstein story, a culture of sexual harassment and misconduct being perpetrated by some of the most powerful men in Silicon Valley had long been whispered about. The technology industry's shameful open secret was publicly aired earlier this year when female founders began coming forward to share stories of male investors crossing the line.")

of a startup accelerator told a potential female hire, “I was getting confused figuring out whether to hire you or hit on you.”<sup>17</sup>

Very few women dare to speak out about this harassment for fear of destroying both their careers and personal lives. For example, entrepreneur Cheryl Yeoh did not speak out after Dan McClure pushed himself against her in a corner because she “had to preserve” her business relationship with him to ensure a contract was signed that same week.<sup>18</sup> The few female founders in the industry have received lurid texts, groping, and unwanted sexual propositions. Female founders Niniane Wang, Susan Ho, and Leiti Hsu all described their dealings with a partner at a VC firm.<sup>19</sup> Wielding their economic prowess, venture capitalists have attempted to use their companies’ funding to silence the female founders.<sup>20</sup>

Tech companies go after “talent,” which, in reality, means just male talent. That translates into rewarding male tech workers who are deemed “high performers” with a slap on the wrist when women report sexual harassment.<sup>21</sup> Tech companies protect high-performing men by driving women out of the workplace. They do this by refusing to grant transfers, giving them negative reviews, and threatening to fire them. But forcing women out of the industry is not the only way that the tech companies protect perpetrators of sexual misconduct.

Tech companies have also paid powerful predators attractive exit packages. A survey by Blind reported that 33.05 percent of respondents stated that their companies have paid “high dollar exit packages” to employees accused of sexual

<sup>17</sup> Alyssa Newcomb, “Silicon Valley Grapples with How to Fix a Sexist Culture,” *NBC News*, July 26, 2017, 3:15 P.M., available at: [www.nbcnews.com/tech/tech-news/silicon-valley-grapples-how-fix-sexist-culture-n776906](http://www.nbcnews.com/tech/tech-news/silicon-valley-grapples-how-fix-sexist-culture-n776906) [<https://perma.cc/F8E3-LE6R>] (last accessed September 28, 2023).

<sup>18</sup> Cheryl Y. Sew Hoy, “Shedding Light on the ‘Black Box of Inappropriateness,’” *Cheryl: Breadcrumbs: A Series of Connected Events*, July 3, 2017, available at: <https://cherylyeoh.com/2017/07/03/shedding-light-on-the-black-box-of-inappropriateness/> [<https://perma.cc/GX8C-PJPC>] (last accessed September 2, 2022).

<sup>19</sup> Sarah Lacy, “Binary Capital’s Justin Calbeck Accused of Unwanted Sexual Advances towards Female Founders. Where’s the Outrage?,” *PANDO*, June 22, 2017, available at: <https://pandodaily.com/2017/06/22/binary-capitals-justin-calbeck-accused-unwanted-sexual-advances-towards-female-founders-wheres-outrage> [<https://perma.cc/W6TH-CCU3>] (last accessed September 2, 2022). See also Laura Sydell, “How a Female Engineer Built a Public Case against a Sexual Harasser in Silicon Valley,” *NPR*, December 13, 2017, 1:17 P.M., available at: [www.npr.org/sections/alltechconsidered/2017/12/13/56845103/how-a-woman-engineer-built-a-public-case-against-a-sexual-harasser-in-silicon-val](http://www.npr.org/sections/alltechconsidered/2017/12/13/56845103/how-a-woman-engineer-built-a-public-case-against-a-sexual-harasser-in-silicon-val) [<https://perma.cc/82XN-F8WM>] (last accessed September 28, 2023).

<sup>20</sup> Sarah Lacy, “Founder: Days before Scandal Broke, Binary’s Justice Calbeck ‘Tried to Use Funding to Shut Me Up,’” *PANDO*, June 24, 2017, available at: <https://pandodaily.com/2017/06/25/niniane-wang-days-scandal-broke-binarys-justin-calbeck-tried-use-funding-shut-me> [<https://perma.cc/P3AZ-8QVP>] (last accessed September 2, 2022).

<sup>21</sup> Marianne Cooper, “The 3 Things That Make Organizations More Prone to Sexual Harassment,” *The Atlantic*, November 27, 2017, available at: [www.theatlantic.com/business/archive/2017/11/organizations-sexual-harassment/546707/](http://www.theatlantic.com/business/archive/2017/11/organizations-sexual-harassment/546707/) [<https://perma.cc/XP9Y-U24V>] (last accessed September 18, 2023) (reporting that Amazon’s CEO Jeff Bezos’ silence after Roy Price, head of Amazon Studios resigned amid sexual harassment allegations, “continues a pattern of inaction by the company”).



misconduct.<sup>22</sup> These companies include Google, Intel, Booking.com, Uber, Microsoft, Cisco, Overall, Oracle, Amazon, Apple, LinkedIn, and Facebook. For example, Google paid Android founder Andy Rubin almost \$100 million amid employees accusing him of sexual harassment. Google also paid \$15 million to Amit Singhal, also accused of sexual harassment.<sup>23</sup>

There is yet another way the tech sector has been enabling sexual misconduct: the tech culture fails to punish powerful male employees or employers who have sexually harassed women, even encouraging rivals to hire them or prompting investors to fund them. A long list of examples illustrates this. Google paid Amit Singhal to leave the company, but Uber immediately hired him, allowing him to collect \$15 million from Google and enjoy new power at Uber.<sup>24</sup> Eyal Gutentag, Uber's LA general manager, left the company after multiple employees reported him for groping female subordinates. Four months later, Gutentag had a new powerful position as Chief Operations Officer at HopSkipDrive, a competitor of Uber.<sup>25</sup> He subsequently joined ZipRecruiter, a tech unicorn valued at more than a

<sup>22</sup> Kyle McCarthy, "1/3 of Tech Employees: My Company Has Given Generous Exit Packages to Employees Accused of Sexual Misconduct," *BLIND BLOG*, November 13, 2018, available at: [www.teamblind.com/blog/index.php/2018/11/13/one-third-of-tech-employees-my-company-has-given-generous-exit-packages-to-employees-accused-of-sexual-misconduct](http://www.teamblind.com/blog/index.php/2018/11/13/one-third-of-tech-employees-my-company-has-given-generous-exit-packages-to-employees-accused-of-sexual-misconduct) [https://perma.cc/7K FH-2D3A] (last accessed September 2, 2022).

<sup>23</sup> Nate Swanner, "Sexual Harassment Payouts in Tech: Here Are the Worst Offenders," *Dice*, November 15, 2018, available at: <https://insights.dice.com/2018/11/15/sexual-harassment-payouts-tech-companies/> [https://perma.cc/A2XU-WR8A] (last accessed September 19, 2023); see also Jillian D'Onfro, "Google's Approval of \$135 Million Payout to Execs Accused of Sexual Misconduct Sparks Fresh Employee Backlash," *Forbes*, March 12, 2019, available at: [www.forbes.com/sites/jilliandonfro/2019/03/12/googles-approval-of-135-million-payout-to-execs-accused-of-sexual-misconduct-sparks-fresh-employee-backlash/#6dea10e23cf3](http://www.forbes.com/sites/jilliandonfro/2019/03/12/googles-approval-of-135-million-payout-to-execs-accused-of-sexual-misconduct-sparks-fresh-employee-backlash/#6dea10e23cf3) [https://perma.cc/CLZ6-D2SZ] (last accessed September 19, 2023).

<sup>24</sup> Shannon Liao, "Google Confirms It Agreed to Pay \$135 Million to Two Execs Accused of Sexual Harassment," *THE VERGE*, March 11, 2019, 8:35 P.M. EDT, available at: [www.theverge.com/2019/3/11/18260712/google-amit-singhal-andy-rubin-payout-lawsuit-accused-sexual-harassment](http://www.theverge.com/2019/3/11/18260712/google-amit-singhal-andy-rubin-payout-lawsuit-accused-sexual-harassment) [https://perma.cc/T7ZL-T8Z7] (last accessed September 19, 2023) (reporting that Google first offered to pay Amit Singhal \$45 million but then reduced to \$15 million because he joined Uber, a rival company); Gabrielle Canon, "Google Gave Top Executive \$90m Payoff but Kept Sexual Misconduct Claim Quiet: Report," *The Guardian*, October 25, 2018, 6:42 P.M., available at: [www.theguardian.com/technology/2018/oct/25/google-andy-rubin-android-creator-payoff-sexual-misconduct-report](http://www.theguardian.com/technology/2018/oct/25/google-andy-rubin-android-creator-payoff-sexual-misconduct-report) [https://perma.cc/TR79-WGV5] (last accessed September 19, 2023) ("[E]xecutives had relationships and extramarital affairs with subordinate employees, including David Drummond, Alphabet's chief legal officer," with Jennifer Blakely, who "was then transferred to another department, before leaving a year later, having been asked to sign paperwork saying she had departed voluntarily. Drummond's career, meanwhile, accelerated."); Mike Isaac & Daisuke Wakabayashi, "Amit Singhal, Uber Executive Linked to Old Harassment Claim, Resigns," *The New York Times*, February 27, 2017, available at: [www.nytimes.com/2017/02/27/technology/uber-sexual-harassment-amit-singhal-resign.html](http://www.nytimes.com/2017/02/27/technology/uber-sexual-harassment-amit-singhal-resign.html) (last accessed September 19, 2023).

<sup>25</sup> Ryan Mac & Davey Alba, "These Tech Execs Faced #MeToo Allegations. They All Have New Jobs," *BuzzFeedNews*, April 16, 2019, 8:00 A.M., available at: [www.buzzfeednews.com/article/ryanmac/](http://www.buzzfeednews.com/article/ryanmac/)



billion dollars, as Chief Marketing Officer.<sup>26</sup> Likewise, Mike Cagney, the former CEO of Social Finance, left the company after a series of reports of sexual misconduct. He then founded a new startup with fresh funding of \$120 million.<sup>27</sup> In another incident, Steve Jurvetson left Draper Fisher Jurvetson after the firm's internal investigation about his sexual misconduct and, two months later, he debuted Future Ventures with \$200 million in new funding.<sup>28</sup>

Deeply embedded in the tech community is tech bro culture.<sup>29</sup> Beyond their tech uniforms of hoodies and power vests, tech bros value power, finance, marketing, and business, in addition to tech. Caleb Williams, a former venture development specialist, wrote in Quora that the “tech bro is the latest cultural evolution of the Alpha Male super breed.”<sup>30</sup> Tech bros today include both professionals in “VC and Tech, manifesting in the form of VC’s, Product Managers, and family-funded startup founders, almost entirely localized to the Bay Area.”<sup>31</sup> Williams distinguishes the “tech bro” from the “tech nerd” based on physical appearance, “because the nerd is far too interested in technology to waste time making himself look good.”<sup>32</sup> Unlike tech nerds, tech bros possess more power, finance, marketing, and business backgrounds. Outsiders of the tech industry offer similar observations about tech bros. For example, explicit definitions of common tech bro expressions help society understand their “language.”<sup>33</sup>

[tech-men-accused-sexual-misconduct-new-jobs-metoo](https://perma.cc/X32W-WB5W) [https://perma.cc/X32W-WB5W] (last accessed September 19, 2023).

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Jennifer S. Fan, “Innovating Inclusion: The Impact of Women on Private Company Boards,” *Florida State University Law Review* 46 (2019): 345, 385. (noting how the bro culture has led to the rampant sexual harassment and sexist conduct in the tech industry).

<sup>30</sup> Caleb Williams, “What Is a Tech Bro?,” QUORA, January 17, 2020, available at: [www.quora.com/What-is-a-tech-bro](http://www.quora.com/What-is-a-tech-bro) [https://perma.cc/Z6BH-KHC7] (last accessed September 19, 2023).

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> See, e.g., Julia Carrie Wong & Matthew Cantor, “How to Speak Silicon Valley: 53 Essential Tech-Bro Terms Explained,” *The Guardian*, June 27, 2019, available at: [www.theguardian.com/us-news/2019/jun/26/how-to-speak-silicon-valley-decoding-tech-bros-from-microdosing-to-privacy](http://www.theguardian.com/us-news/2019/jun/26/how-to-speak-silicon-valley-decoding-tech-bros-from-microdosing-to-privacy) [https://perma.cc/84B8-CWVC] (last accessed September 19, 2023) (caricaturizing the culture of tech bros). *The Guardian* defines “tech bro” as a “US-born, college-educated, Patagonia-clad male whose entry level salary at one of the FAANG companies was at least \$125,000 and who frequently insists that his female co-workers give him high-fives. Typically works in product management or marketing. Had he been born 10 years earlier, he would have been a finance bro instead.” Ibid.; see also, Ginny Hogan, “11 Tips for Dating a Tech Bro,” *Medium: The Bold Italic*, August 19, 2019, available at: <https://thebolditalic.com/eleven-tips-for-dating-a-tech-bro-4e9fba6552bf> [https://perma.cc/X4TT-7TSD] (last accessed September 19, 2023); Tyler Sumter, “What We Mean When We Say ‘Bro Culture,’” *USA Today*, June 7, 2017, available at: [www.usatoday.com/story/college/2017/06/07/what-we-mean-when-we-say-bro-culture/37432805](http://www.usatoday.com/story/college/2017/06/07/what-we-mean-when-we-say-bro-culture/37432805) [https://perma.cc/42AX-VPTT] (last accessed September 19, 2023) (discussing the bro culture in the tech industry).

As tech bros ascend in power in tech firms and companies that fund tech entrepreneurs, the bro culture allows men to abuse women in tech systematically. The #MeToo movement reveals the ugly side of tech bros. Over 40 percent of women in the tech industry have reported being harassed by a boss or an investor.<sup>34</sup>

Numerous examples plague the VC sector. Justin Caldbeck, cofounder of venture capital fund Binary Capital, was accused of using his position of power in exchange for sexual gain. Caldbeck targeted female tech entrepreneurs, and six women came forward with allegations against him.<sup>35</sup> Likewise, Chris Sacca, a well-known venture capitalist, an early investor in startups like Twitter, Uber, and Instagram, and a Shark Tank judge, was accused of sexually harassing a female entrepreneur at a tech gathering and admitted to “helping make tech hostile to women.”<sup>36</sup> Tom Frangione, COO at Greylock Partners, one of the oldest venture firms with \$3.5 billion under management, stepped down after accusations he engaged in an inappropriate relationship with an employee.<sup>37</sup> Dave McClure of venture fund 500 Startups admitted making “inappropriate advances” on “multiple women” and a job candidate.<sup>38</sup>

Women received no relief outside the VC sector either. Tech evangelists with enormous influence like Robert Scoble have faced allegations from several women

<sup>34</sup> Courtney Connley, “Over 40% of Women in Tech Say They’ve Been Harassed by a Boss or Investor, According to a New Report,” CNBC, December 17, 2020, 4:00 P.M., available at: [www.cnbc.com/2020/12/16/40percent-of-women-in-tech-say-theyve-been-harassed-by-boss-or-investor.html](http://www.cnbc.com/2020/12/16/40percent-of-women-in-tech-say-theyve-been-harassed-by-boss-or-investor.html) [https://perma.cc/8MAC-BBEP] (last accessed September 19, 2023).

<sup>35</sup> Nathan Vardi, “Founders of Silicon Valley Firm That Imploded Amid Sex Harassment Allegations Are Now Fighting Each Other,” *Forbes*, February 28, 2019, available at: [www.forbes.com/sites/nathanvardi/2019/02/28/founders-of-silicon-valley-firm-that-imploded-amid-sex-harassment-allegations-are-now-fighting-each-other/#475f336a357f](http://www.forbes.com/sites/nathanvardi/2019/02/28/founders-of-silicon-valley-firm-that-imploded-amid-sex-harassment-allegations-are-now-fighting-each-other/#475f336a357f) [https://perma.cc/3U4W-RQBC] (last accessed September 19, 2023) (reporting that Caldbeck faced allegations he had sexually harassed female tech entrepreneurs who sought funding and that six women came forward to accuse Caldbeck of sexual wrongdoing).

<sup>36</sup> Alex Konrad, “How Super Angel Chris Sacca Made Billions, Burned Bridges and Crafted the Best Seed Portfolio Ever,” *Forbes*, April 12, 2015, available at: [www.forbes.com/sites/alexkonrad/2015/03/25/how-venture-cowboy-chris-sacca-made-billions/?sh=6cedoffcf6597](http://www.forbes.com/sites/alexkonrad/2015/03/25/how-venture-cowboy-chris-sacca-made-billions/?sh=6cedoffcf6597) [https://perma.cc/NG94-DQHK] (last accessed September 19, 2023); Becky Peterson, “‘Shark Tank’ Judge Chris Sacca Apologizes for Helping Make Tech Hostile to Women: After Being Accused of Inappropriately Touching a Female Investor,” *Business Insider*, June 30, 2017, 3:38 P.M., available at: [www.businessinsider.com/chris-sacca-apologizes-after-accusation-of-inappropriate-touching-2017-6](http://www.businessinsider.com/chris-sacca-apologizes-after-accusation-of-inappropriate-touching-2017-6) [https://perma.cc/L65Q-JXDV] (last accessed September 19, 2023) (reporting on Sacca’s apology for “behaving in ways that made women feel uncomfortable” and *The New York Times*’ report that he had inappropriately touched a female entrepreneur).

<sup>37</sup> Cromwell Schubarth, “Greylock Partners COO Left Firm after ‘Lapse of Judgment,’” *Silicon Valley Business Journal*, August 3, 2017, 7:04 A.M., available at: [www.bizjournals.com/sanjose/news/2017/08/02/greylock-partners-coo-left-firm-after-lapse.html](http://www.bizjournals.com/sanjose/news/2017/08/02/greylock-partners-coo-left-firm-after-lapse.html) [https://perma.cc/WG5Z-23NH] (last accessed September 19, 2023).

<sup>38</sup> Jonathan Shieber, “500 Startups’ Dave McClure Apologizes for ‘Multiple’ Advances toward Women and Being a ‘Creep,’” *TechCrunch*, July 1, 2017, available at: <https://techcrunch.com/2017/07/01/500-startups-dave-mcclure-apologizes-for-multiple-advances-toward-women-and-being-a-creep> [https://perma.cc/Z378-B6T4] (last accessed September 19, 2023).

for groping them at tech conferences.<sup>39</sup> Roy Price, Head of Amazon Studios, allegedly made unwanted sexual remarks to a female employee and others.<sup>40</sup> Price “lewdly and repeatedly propositioned” an executive producer of one of Amazon’s popular shows.<sup>41</sup>

From tech workplaces and camps to official VC firm parties, tech bro culture parades power and domination through sex and objectification of women. For instance, Steve Jurvetson, a founder of a top-tier VC firm Draper Fisher Jurvetson, hosted an alleged “sex party” with “rampant sex and drug use” following the firm’s annual conference in 2017.<sup>42</sup> In a lawsuit, a former WeWork employee alleged that she was fired in retaliation for reporting sexual assault and that the company spent more on parties than on sexual harassment training.<sup>43</sup> Another woman sent a fifty-page document to the company laying out claims of illegal drug use, sexual harassment, and pay discrimination at WeWork.<sup>44</sup> A subsequent investigation discovered instances of managers sleeping with subordinates.<sup>45</sup>

- <sup>39</sup> Doree Shafir, “Another Woman Has Accused Robert Scoble of Sexual Harassment,” *BuzzFeedNews*, October 19, 2017, 11:56 P.M., available at: [www.buzzfeednews.com/article/doree/woman-accuses-robert-scoble-of-sexual-harassment](http://www.buzzfeednews.com/article/doree/woman-accuses-robert-scoble-of-sexual-harassment) [https://perma.cc/VKD9-68B4] (last accessed September 19, 2023) (reporting Robert Scoble’s sexual harassment at O’Reilly Media’s Foo Camp event).
- <sup>40</sup> Laura Bradley, “Roy Price Stands Accused of Sexual Harassment, Nepotism, and Bad TV Taste,” *Vanity Fair*, October 18, 2017, available at: [www.vanityfair.com/hollywood/2017/10/roy-price-amazon-sexual-harassment-allegations-big-little-lies](http://www.vanityfair.com/hollywood/2017/10/roy-price-amazon-sexual-harassment-allegations-big-little-lies) [https://perma.cc/LCT2-2FA6] (last accessed September 19, 2023).
- <sup>41</sup> John Koblin, “Roy Price Quits Amazon Studios after Sexual Harassment Claim,” *The New York Times*, October 17, 2017, available at: [www.nytimes.com/2017/10/17/business/media/roy-price-amazon-studios.html](http://www.nytimes.com/2017/10/17/business/media/roy-price-amazon-studios.html) [https://perma.cc/2XLR-XQBX] (last accessed September 19, 2023) (reporting on Price’s resignation days after the producer publicly accused him of sexual harassment).
- <sup>42</sup> Theodore Schleifer, “DFJ Has Apologized for the Reported ‘Sex Party’ Event at Steve Jurvetson’s Home,” *Vox*, January 11, 2018, 5:55 P.M., available at: [www.vox.com/2018/1/11/16880806/dfj-steve-jurvetson-sex-party-apology](http://www.vox.com/2018/1/11/16880806/dfj-steve-jurvetson-sex-party-apology) [https://perma.cc/S3UF-U6ZC] (last accessed September 19, 2023); see generally, Emily Chang, “Oh My God, This Is So F—ed Up: Inside Silicon Valley’s Secretive, Orgiastic Dark Side,” *Vanity Fair*, January 2, 2018, available at: [www.vanityfair.com/news/2018/01/brotopia-silicon-valley-secretive-orgiastic-inner-sanctum](http://www.vanityfair.com/news/2018/01/brotopia-silicon-valley-secretive-orgiastic-inner-sanctum) [https://perma.cc/M9S2-Y5HE] (last accessed September 19, 2023) (reporting on the prevalence of secretive sex parties hosted throughout Silicon Valley and describing Jurvetson’s party specifically, but anonymously); Erin Griffith, “‘Sex Party’ or ‘Nerds on a Couch’? A Night in Silicon Valley,” *Wired*, January 11, 2018, 5:31 P.M., available at: [www.wired.com/story/sex-party-or-nerds-on-a-couch-a-night-in-silicon-valley](http://www.wired.com/story/sex-party-or-nerds-on-a-couch-a-night-in-silicon-valley) [https://perma.cc/E2BA-2CZN] (last accessed September 19, 2023) (confirming that one of the parties described in Chang’s *Vanity Fair* piece was Jurvetson’s).
- <sup>43</sup> Del Valle, “A WeWork Employee,” *supra*, note 10 (describing the claims alleged in former WeWork employee’s lawsuit).
- <sup>44</sup> Meghan Morris, “Bosses Frequently Slept with Subordinates at WeWork,” *Business Insider*, February 22, 2020, available at: [www.businessinsider.com/office-relationships-and-sex-abounded-at-wework-under-adam-neumann-2020-2](http://www.businessinsider.com/office-relationships-and-sex-abounded-at-wework-under-adam-neumann-2020-2) [https://perma.cc/QM9D-ACJK] (last accessed September 19, 2023).
- <sup>45</sup> Del Valle, “A WeWork Employee,” *supra*, note 10 (describing the claims alleged in former WeWork employee’s lawsuit).

At Uber, a toxic culture of sexual harassment and ineffective HR responses has allegedly existed for years.<sup>46</sup> Under the helm of CEO Travis Kalanick, Uber ignored allegations of rampant sexual harassment and misconduct. Kalanick's "reputation for ruthlessness and machismo" fostered Uber's insider culture, filled "with persistent stories about organisational sexism."<sup>47</sup> Amit Singhal, Uber's Vice President of Engineering, and Ed Baker, Uber's Vice President of Product, resigned over allegations of sexual harassment.<sup>48</sup> Emil Michael, Uber's Senior Vice President, was implicated in an escort-karaoke scandal.<sup>49</sup> The toxic culture drove female innovators away from Uber.<sup>50</sup>

The tech bros seem to share the same superiority belief as billionaire Michael Moritz. As chair and partner at the prestigious venture capitalist firm, Sequoia Capital, Moritz once said that women simply are not as superior as men and that the firm would not "lower our standards" to hire a woman.<sup>51</sup> Other premier VC

<sup>46</sup> See Johana Bhuiyan, "How Uber Got into This Human Resources Mess," *Vox*, February 21, 2017, 3:25 P.M., available at: [www.vox.com/2017/2/21/14673658/uber-travis-kalanick-susan-fowler-diversity-sexual-harassment](http://www.vox.com/2017/2/21/14673658/uber-travis-kalanick-susan-fowler-diversity-sexual-harassment) [<https://perma.cc/8AGK-K8CW>] (last accessed September 19, 2023) (chronicling Uber's human resources team's slow and delayed development).

<sup>47</sup> Zoe Kleinman, "Uber: The Scandals That Drove Travis Kalanick Out," *BBC*, June 21, 2017, available at: [www.bbc.com/news/technology-40352868](http://www.bbc.com/news/technology-40352868) [<https://perma.cc/KzGY-G8Y6>] (last accessed September 19, 2023) (noting Kalanick's resignation came after a series of scandals about sexual harassment, macho culture, and the departure of senior executives).

<sup>48</sup> Vincent Lanaria, "Uber Loses Product and Growth VP Ed Baker amid Company Issues: The Odd Timing of His Resignation," *Tech Times*, March 3, 2017, 11:03 P.M., available at: [www.techtimes.com/articles/200181/20170303/uber-loses-product-and-growth-vp-ed-baker-amid-company-issues-the-odd-timing-of-his-resignation.htm](http://www.techtimes.com/articles/200181/20170303/uber-loses-product-and-growth-vp-ed-baker-amid-company-issues-the-odd-timing-of-his-resignation.htm) [<https://perma.cc/7AQM-X75B>] (last accessed September 19, 2023); Carl Velsco, "Uber Executive Told to Resign over Undisclosed Sexual Harassment Allegations During Stint at Google," *Tech Times*, February 28, 2017, 02:02 A.M., available at: [www.techtimes.com/articles/199535/20170228/uber-executive-told-to-resign-over-undisclosed-sexual-harassment-allegations-during-stint-at-google.htm](http://www.techtimes.com/articles/199535/20170228/uber-executive-told-to-resign-over-undisclosed-sexual-harassment-allegations-during-stint-at-google.htm) [<https://perma.cc/7KTZ-8TNU>] (last accessed September 19, 2023).

<sup>49</sup> Michael J. Coren, "Sexual Harassers in Silicon Valley Have No Idea How to Redeem Themselves," *QUARTZ*, January 13, 2018, available at: <https://qz.com/1166153/silicon-valley-sexual-harassers-are-trying-to-redeem-their-reputations-at-the-expense-of-their-victims> [<https://perma.cc/WE84-R7C2>] (last accessed September 19, 2023).

<sup>50</sup> Christina Cauterucci, "The Sexism Described in Uber Employee's Report Is Why Women Leave Tech: Or Don't Enter at All," *SLATE*, February 21, 2017, 2:03 P.M., available at: <https://slate.com/human-interest/2017/02/the-sexism-in-uber-employees-report-is-why-women-leave-tech-or-dont-enter-at-all.html> [<https://perma.cc/7MZE-ZS7L>] (last accessed September 19, 2023).

<sup>51</sup> Noah Kulwin, "One of Silicon Valley's Top VC Firms Finally Hired a Woman Investor," *VICE*, October 20, 2016, 11:00 P.M., available at: [www.vice.com/en\\_us/article/43qg9p/one-of-silicon-valleys-top-vc-firms-finally-hired-a-woman](http://www.vice.com/en_us/article/43qg9p/one-of-silicon-valleys-top-vc-firms-finally-hired-a-woman) [<https://perma.cc/X9CM-7U92>] (last accessed September 19, 2023); see also, Liza Mundy, "Why Is Silicon Valley So Awful to Women?" *The Atlantic*, April 2017, available at: [www.theatlantic.com/magazine/archive/2017/04/why-is-silicon-valley-so-awful-to-women/517788](http://www.theatlantic.com/magazine/archive/2017/04/why-is-silicon-valley-so-awful-to-women/517788) [<https://perma.cc/2LW8-LZFM>] (last accessed September 19, 2023) (reporting on Moritz's statement about not lowering standards at Sequoia Capital to hire more women). Moritz is an influential venture capitalist who was ranked 49th on *Forbes*'s list of most top tech investors in 2021. #49 Michael Moritz, *Forbes*, available at: [www.forbes.com/profile/michael-moritz/?sh=63ab8af96439](http://www.forbes.com/profile/michael-moritz/?sh=63ab8af96439) [<https://perma.cc/8LVK-FRFK>] (last accessed August 7, 2021).

firms like Accel Partners and Redpoint Ventures have only recently started hiring women to join their investment teams.<sup>52</sup> In fact, as recently as 2019, less than a third of VC firms employed even a single woman in their business and investment practice.<sup>53</sup>

Some male engineers in Silicon Valley enforce Moritz's belief using biological essentialism and determinism. For example, James Damore, a former senior software engineer at Google with a master's degree in Systems Biology from Harvard, penned a manifesto explaining why women are the minority in the tech industry.<sup>54</sup> He asserted that women have more neuroticism and lower "stress tolerance" than men, and that men maintain a "higher drive for status" than women.<sup>55</sup> He posted the manifesto on the company's forum for employees to read.<sup>56</sup>

Scandals of all nature plague the innovation economy. Facebook faced lawsuits over the Cambridge Analytica data scandal in the aftermath of the 2016 presidential election. Another whistleblower renewed scrutiny of how Facebook deceived the public and its investors about its ability to address hate speech and misinformation on its platform.<sup>57</sup> Google faced criticism of tax avoidance, misuse and manipulation of search results, data breach, intellectual property theft, and illegally spying on workers, in addition to having 20,000 employees and contractors protest the Company's sexual harassment problems by participating in global walkouts.<sup>58</sup> Antics from the CEO of Tesla regularly rocked the public. WeWork's colossal IPO failure was "an implosion unlike any other in the history of startups" noted

<sup>52</sup> Ibid.

<sup>53</sup> See, Pam Kostka, "More Women Became VC Partners Than Ever before in 2019 but 65% of Venture Firms Still Have Zero Female Partners," *Medium – All Raise*, February 7, 2020, available at: <https://medium.com/allraise/more-women-became-vc-partners-than-ever-before-in-2019-39cc6cb86955> [<https://perma.cc/GFD7-LZW2>] (last accessed September 19, 2023).

<sup>54</sup> Aja Romano, "Google Has Fired the Engineer Whose Anti-Diversity Memo Reflects a Divided Tech Culture," *Vox*, August 8, 2017, 8:50 A.M., available at: [www.vox.com/identities/2017/8/8/16106728/google-fired-engineer-anti-diversity-memo](http://www.vox.com/identities/2017/8/8/16106728/google-fired-engineer-anti-diversity-memo) [<https://perma.cc/LD2U-ANX8>] (last accessed September 19, 2023) (explaining how biological essentialism and determinism have long been discredited).

<sup>55</sup> James Damore, "Google's Ideological Echo Chamber," July 4–5, 2017 (unpublished memo), available at: <https://s3.documentcloud.org/documents/3914586/Googles-Ideological-Echo-Chamber.pdf> [<https://perma.cc/F7RW-JUCM>] (last accessed September 19, 2023).

<sup>56</sup> Elizabeth Chuck and James Damore, "Google Engineer Fired for Writing Manifesto on Women's 'Neuroticism,' Sues Company," *NBC News*, January 8, 2018, available at: [www.nbcnews.com/news/us-news/google-engineer-fired-writing-manifesto-women-s-neuroticism-sues-company-n835836](http://www.nbcnews.com/news/us-news/google-engineer-fired-writing-manifesto-women-s-neuroticism-sues-company-n835836) [<https://perma.cc/QZ2E-3JJW>] (last accessed September 19, 2023).

<sup>57</sup> Jacklyn Diaz, "Facebook's New Whistleblower Is Renewing Scrutiny of the Social Media Giant," *National Public Radio*, October 4, 2021, available at: [www.npr.org/2021/10/04/1042921981/facebook-whistleblower-renewing-scrutiny-of-social-media-giant](http://www.npr.org/2021/10/04/1042921981/facebook-whistleblower-renewing-scrutiny-of-social-media-giant) [<https://perma.cc/92F8-UA6A>] (last accessed September 19, 2023).

<sup>58</sup> Zoe Schiffer, "Google Illegally Spied on Workers before Firing Them, US Labor Board Alleges," *THE VERGE*, December 2, 2020, available at: [www.theverge.com/2020/12/2/22047383/google-spied-workers-before-firing-labor-complaint](http://www.theverge.com/2020/12/2/22047383/google-spied-workers-before-firing-labor-complaint) [<https://perma.cc/YG9Z-5UVX>] (last accessed September 19, 2023).

by *The New York Times*.<sup>59</sup> Theranos founder acted like the female version of Steve Jobs and lied to investors by saying that, with a few drops of blood, its Edison test could magically detect conditions such as cancer and diabetes quickly but failed to convince a jury armed with prosecutor's evidence.<sup>60</sup>

The controversial gig economy and the downfall of mostly powerful men in tech during the #MeToo era burnished Big Tech's reputation. SVB, however, stood tall. The Bank did not face any scandal, but the scandal hit its clients across the United States. The Bank later took concrete and meaningful steps to address inequity faced by women and minorities in the tech community.<sup>61</sup>

The Bank stayed focused on its growth in the tech community. Wherever clients expanded into different subsectors of tech and science or ventured into new geographical locations, the Bank mapped itself organically on the innovation trails. The Bank followed the money.

With its marquee reputation as the Bank for the innovation economy, entrepreneurs and their enterprises poured their deposits into accounts at the Bank. In total, the Bank held \$397 billion in deposits from tech companies. In 2021, the economy was overheated, and more money flooded into the tech sector, resulting in bigger deposit sums at the Bank. Ironically, because tech companies didn't borrow too much money and the Bank was also prudent in its tech lending approach, the total loans reached only \$69 billion. Since 2001, the Bank had leveraged deep connections and knowledge in the VC ecosystem to make shrewd investments including SVB Capital, the Bank's investment banking subsidiary, which brought in the fees. Overall, the Bank's stock performance in the last five years brought a 124.81 percent return to shareholders.

Like any commercial bank, SVB provided banking and lending services and sought to receive prompt payments on loans and interest from clients. However, unlike traditional banks, stepping inside the SVB's entrance, you won't find a fancy lobby adorned with marble hauled from Italy. Their building and offices were at the center of innovation. Proximity to entrepreneurs was what really mattered because SVB was the only bank in the country with deep relationships with the VC and private equity (PE) firms, investors' portfolio companies, leading law firms, and influencers through its four decades of tech lending. SVB bankers claimed they knew everyone in the VC ecosystem.

<sup>59</sup> Amy Chozick, "Adam Neumann and the Art of Failing Up," *The New York Times*, November 2, 2019, updated May 18, 2020, available at: [www.nytimes.com/2019/11/02/business/adam-neumann-wework-exit-package.html](https://www.nytimes.com/2019/11/02/business/adam-neumann-wework-exit-package.html) (last accessed September 19, 2023).

<sup>60</sup> Avery Hartmans, Sarah Jackson, and Aine Cain, "The Rise and Fall of Elizabeth Holmes, the Former Theranos CEO Found Guilty of Wire Fraud and Conspiracy, Who's Now Asking a Judge to Toss Out Her Conviction," *Business Insider*, July 7, 2022, available at: [www.businessinsider.com/theranos-founder-ceo-elizabeth-holmes-life-story-bio-2018-4](https://www.businessinsider.com/theranos-founder-ceo-elizabeth-holmes-life-story-bio-2018-4) [<https://perma.cc/3X5K-H2QE>] (last accessed September 19, 2023).

<sup>61</sup> See Chapter 11, *infra*, for the frustrations expressed by female and minority founders in the aftermath of SVB's demise.

Intel Museum can be found just a short drive away from the Banks' headquarters. If you go west of the Bank within a five-mile radius, numerous tech conglomerates' offices dot the area: Facebook, Google, Amazon, Baidu USA, Juniper Networks, Finisar, Cepheid, PACCAR Innovation Center, Barefoot Networks, DigiLens, Turmtide Technologies, ViaBot, Silk Road Medical; and, just a few steps from the parking lot, GoDaddy, Astera Labs, and Aviatrix Systems are the immediate neighbors.

The Bank's Menlo Park office on Sand Hill Road, a two-story grey building with a hint of beige tucked in a gentle slope of a park-like setting, prided itself on being within walking distance to luminary VC firms like Sequoia Capital, Kleiner Perkins, New Enterprise Associates, Mayfield, Andreessen Horowitz, and Greylock Partners. Standing outside the office, the bankers regaled other VC firms like Lightspeed Venture Partners, Trinity Ventures, Shasta Ventures, Felicis Ventures, and DCM, within a one-mile radius. Besides the VC firms, SLAC National Accelerator Laboratory, a US Department of Energy National Laboratory operated by Stanford University, is across Sand Hill Road. Stanford and its incubator hub of entrepreneurs are nearby. The Bank's Menlo Park office anchored its deep roots in the fertile soil of Silicon Valley for startups.

The Bank itself was once a startup, and its history and growth are a startup story. Understanding the Bank's journey requires first understanding startups.

From innovation centers across the nation to state capitols and the halls of Congress, startups are known to be the engine for jobs. Startups have historically created 11 percent of all private sector jobs, added 10 percent of total US sales, and contributed 21 percent of US GDP.<sup>62</sup> Startups in technology-based industries contribute a higher employment share than startups in other fields.<sup>63</sup>

Still, startups are very risky. The lucky few startups may receive outside capital to grow. Everyone in the tech industry knows that scaling a startup is incredibly hard. Everyone is aware and afraid of a death valley curve, the fearsome period of time from initial capital infusion to when the enterprise can generate revenue. The risk of failure is very real because in pursuit of growth the startup burns so much cash by paying numerous expenses – renting office space, payroll, insurance, marketing, research and development – before it can generate any revenue. The longer a company spends on its death valley curve, the higher the risk it will fail prematurely. If the company survives its death valley period and is able to rapidly scale, the

<sup>62</sup> Money Market Fund Reform; Amendments to Form PF, Release No. IC-30551; File No. 57-03-13, Letter from Joe Morgan, Chief Innovation Officer, Silicon Valley Bank, to Elizabeth M. Murphy, Securities and Exchange Commission, available at: [www.sec.gov/comments/s7-03-13/s70313-153.pdf](http://www.sec.gov/comments/s7-03-13/s70313-153.pdf) [<https://perma.cc/9GJY-NXG5>] (last accessed September 19, 2023).

<sup>63</sup> See John Wu & Robert D. Atkinson, "How Technology-Based Start-Ups Support U.S. Economic Growth," *Information Technology & Innovation Foundation*, November 28, 2017, available at: <https://itif.org/publications/2017/11/28/how-technology-based-start-ups-support-us-economic-growth> [<https://perma.cc/BT3F-PWTK>] (last accessed September 19, 2023).



rewards are handsome to the investors and the entrepreneurs. High risks, high growth, and high rewards are common features associated with tech and life science startup sectors. These are the same features pushing banks away from accepting startups as potentially attractive customers for lending.

Conventional banking practices dictate banks make loans to legacy and established companies with real, physical, and tangible assets. Banks require borrowers to produce positive cash flow and long credit histories. Banks eagerly compete against each other for active participation in real estate lending transactions, from commercial to residential. Banks ignore innovators in the tech and life science sectors, avoiding startups and high-growth companies that don't generate profits.

Born in one of the industrial parks of Silicon Valley, SVB rejected conventional banking practices. It dared to provide banking and lending services to the unbanked innovators in the early 1980s. Banking for the innovators compelled SVB itself to be innovative in meeting local innovators' needs. The new approach required SVB to embrace intellectual property assets, cultivate networks of experts to assist innovators, and behave not like bankers but more like their entrepreneurial clients. SVB's model of banking innovators means that the Bank must understand the VC ecosystem and leverage the ecosystem's network effects to assist innovators. The network includes investors, technical experts, founders, entrepreneurs, business and community leaders, and politicians. Utilizing the network effects, the Bank could seek investments, enhance publicity, vet new ideas proposed by innovators, and connect innovators to members of the network. In the ecosystem, the SVB bankers assisted in incubating and nurturing innovators, building companies in different growth stages, in addition to providing pivotal banking and lending services to startup clients and their investors.

SVB carved its presence where innovation centers spring up from north to south along the serpentine shape of California. Because entrepreneurs in the tech industry do not limit themselves to a particular location, the Bank followed the entrepreneurial paths to different states and countries. The independent, community bank, that once had only one office in the industrial part of northern San Jose, enlarged its footprints for new roots and grew its influence in innovation centers, first in California and then along Route 128 in Massachusetts. It added offices in Portland to serve new innovation centers in the Pacific Northwest, ventured to Colorado and Texas, and later included Arizona, Florida, Georgia, Illinois, Minnesota, New York, North Carolina, Pennsylvania, Utah, and Virginia on its roster of banking expansion locales serving the dynamic ecosystems created by the US tech community.

Innovation is both local and global. The Bank's VC and investor clients expanded their investments with inquisitive and insatiable attention to growing companies in new innovation centers overseas. The Bank supported investors and their portfolio companies in the United Kingdom, Israel, China, Canada, Denmark, and Germany. Where tech growth occurred was where the Bank located its new home to assist innovators, enterprises, and investors to reach their next milestones around

the world. This meant the Bank had to keep its eyes and ears attuned to new trends and constantly nurture VC/PE relationships for new business. Lots of hard and smart work was required.

Expansion of offices into new innovation centers in the United States or overseas was an organic process for the Bank. SVB had no set goals, but it flowed with the tech currents and grew with the tech waves. The aggressively adaptive nature of the Bank allowed its practices to evolve, expand, contrast, and dominate while serving clients in different innovation sectors: Hardware & Frontier Tech, Software & Internet, Science & Healthcare, Fintech, Climate Technology & Sustainability, VC/PE Investors, and Premium Wine. Banking is a relationship business and the Bank's expansion was the direct result of its carefully cultivated relationships in tech sectors throughout its existence.

Fundamentally, SVB operated differently than other banks. Asking former employees of the Bank about their experience, the answers uniformly revealed that SVB was very different and was not a typical commercial bank. No retail services, no fancy lobbies and offices, no advertising expenses, no suits and ties, and no sitting at the offices waiting for clients to walk through the door. Former employees proudly asserted that the Bank's relationships in the tech ecosystem were so deep that "we know everyone" appeared as both a badge of honor and a bragging right.

For the Startup Division, the Bank encompassed a team of more than seventy-five bankers with expertise in helping unseasoned entrepreneurs through the maze of fundraising, introducing them to investors, and offering useful critique and advice. The Bank built a special platform called SVB GO specifically for founders so they can easily use the platform's features while remaining focused on their projects. Time is too precious to waste when startups are in the fragile early stage.

If the client enterprises were in science, the Bank provided the CipherBio Science Digital Platform, a free global database that connected companies with investors, VCs, and accelerators, and kept founders informed of the latest news and insights related to the industry. By providing founder-focused services, the Bank went beyond the traditional modern banking products marketed by other commercial banks that have only a small segment of the entire banking business devoted to tech industry clients.

As a startup advanced and received its first round of VC funding, its revenue was in the range of \$5–\$75 million. The Bank built a robust roster of 300 tech banking and growth experts in the Venture-Funded Division to serve the VC-backed enterprises. These experts were often referred to as Relationship Managers because they worked closely with both the investors and the VC-backed companies by leveraging the Bank's vast connections, expertise, and resources in the VC ecosystem to enable these companies to accelerate in the grueling path of rapid scaling.

The Bank understood that, at this new stage, the enterprise must be able to scale rapidly in order to advance to subsequent rounds of funding or exit at a later, more mature, robust stage. Accordingly, the Bank met the enterprise's needs by providing

both banking services and business strategy support. Ideally, the Bank aimed to partner with the enterprise for a long-term relationship as the enterprise grows through different stages. The Bank offered its financial and banking services to help the enterprise raise capital, protect equity, manage cash flows, and access global markets through the Bank's extensive network of partners. One of SVB's key products was venture debt.

Venture debt is a line of credit or loan that enables entrepreneurs to fuel their high-growth, VC-backed company a little longer, so they can reach the next funding milestone to realize a better valuation. By exploring the potential of a debt solution and obtaining the debt, the venture-backed company gained the time it needed and the resources it must have for reaching the milestone. In so doing the company was not diluting its equity because the debt requires repayment in cash not in equity. The Bank was a known expert in venture debt because it was the only bank besides Bank of America in the early 1980s that provided this type of loan to VC-backed companies. When Bank of America exited the tech lending segment, SVB became the default number one go-to bank for venture debt. Through venture debt offerings, the Bank staked its position as the long-term partner of the majority of VC-backed companies and their investors across the country. In fact, in 2021, 63 percent of VC-backed companies that went public were SVB's clients. In providing venture loans to VC-backed companies, the Bank gained both interest payments and warrants or rights to purchase shares in the companies.

One example of how the warrants worked is a warrant given to the Bank by Coinbase in 2014 in which the Bank stood to gain \$152 million.<sup>64</sup> The warrant gave the Bank the right to purchase more than 400,000 shares of Coinbase's Class B common stock. The warrant was scheduled to expire in June 2024. Coinbase issued the warrant to the Bank in connection with the Bank's ACH Origination Services. According to Coinbase's prospectus for IPO, Class B common shares are identical to Class A common shares but have more voting rights. Class B shares are convertible to Class A shares at any time. If SVB exercised its right on November 9, 2021, the stock price was at \$357. It could have gained a very handsome amount. But if SVB wanted to keep the warrant for a later time, it had until June 2024 to exercise its right whenever it wished. As reported in September 2021, the Bank held 3,000 warrant positions in tech startups, an enviable role that separated and distinguished SVB from bank and non-bank lenders in the tech industry.<sup>65</sup>

<sup>64</sup> Bram Berkowitz, Silicon Valley Bank's Stake in Coinbase Could Be Worth \$152 Million, *Fool.com*, February 26, 2021, available at: [www.fool.com/investing/2021/02/26/silicon-valley-banks-stake-in-coinbase-could-be-wof/](http://www.fool.com/investing/2021/02/26/silicon-valley-banks-stake-in-coinbase-could-be-wof/) (last accessed September 19, 2023).

<sup>65</sup> Mark Calvey, "Here's Why Odeon Capital's Dick Bove is Bullish on SVB, Even after Its Stock Has Soared 46% This Year," *Silicon Valley Business Journal*, September 1, 2021, available at: [www.bizjournals.com/sanjose/news/2021/09/01/heres-why-analyst-bullish-on-svb-after-stock-jump.html](http://www.bizjournals.com/sanjose/news/2021/09/01/heres-why-analyst-bullish-on-svb-after-stock-jump.html) (last accessed September 19, 2023)

As the enterprises in the late-growth stage are infused with capital, the Bank turned its attention to serving VC/PE professionals and founders and management teams of companies. SVB Private Banking and Wealth Advisory group assisted these entrepreneurs in how to unlock their liquidity and advised them about how to build tax-efficient investment strategies for their newly found wealth. SVB made loans for their home acquisitions, aircraft, vineyards, and whatever their taste desired.

Having VC-backed companies who were scaling to the next phases as clients presented both opportunities and challenges in helping to nurture and shape these new enterprises in the #MeToo and DEI (diversity, equity, and inclusion) era. The Bank demonstrated its awareness of gender parity issues and turned its awareness into action. The Bank connected its high-growth clients to an online talent marketplace called the Boardlist to change the ratio in the boardroom. The Boardlist assisted both private and public companies in seeking qualified corporate board directors with diverse backgrounds and experiences in shifting the gender gap from the top. Concerning Black professionals, the Bank added Valence, a novel platform enabling companies to recruit, retain, and promote Black talent in the tech industry. Simply, no other bank serving the tech industry confronted gender and race disparity in the early phase of VC-backed companies. SVB was its own class of pioneers. Whether these connections alter the actual numbers of executives and board members at VC-backed companies who were SVB clients remains to be seen. Meanwhile, SVB exhibited that it was on the right path by working directly with the relevant solutions-based platforms and identifying them on the SVB's webpages.

Also, for high-growth enterprises, the Bank assisted with their needs for recruiting and hiring executive and management talent by providing access to SVB's network of partners who possess expertise and connections to the executive talent marketplace. Specifically, SVB worked with Bolster, a company with an extensive database to assist companies scale their CEOs, Executive Teams, and Boards. Bolster's platform matches on-demand executives with high-growth companies based on their specific criteria of needs. Whether the need is a fractional executive, a part-time general counsel, or the right coach for the enterprise, Bolster meets the unique demands of VC-backed companies in hiring top talent immediately. Overall, SVB carved out a comprehensive suite of services and connections in positioning itself as an innovative and relationship-driven bank for the innovation economy.

Another interesting characteristic in the age of multimedia is SVB's storytelling on its site. The Bank frequently featured personal narratives and stories from founders and entrepreneurs who overcame challenges and navigated their business complexities to share their insights with the new crop of founders and entrepreneurs. Survival tips, radical course correction, and the uncomfortable truth of executing successful pivots are available from those who had experienced them now and can tell their sides so those in the room who can summon the courage can switch gears, abandon the old plans, and morph into a new identity. For instance, Gigy, one of the Bank's clients, was a software startup that sold solutions to customers who used

them to enhance their MySpace and Friendster pages. Gigya met its revenue targets with ease. But Facebook quickly changed the social media scene, forcing first-generation social networks like MySpace and Friendster into oblivion. That meant Gigya had to replace its business plan with a pivot strategy if it had any hope of survival. The founding team shifted resources into building something new. Gigya started producing a beta of a new social infrastructure product for businesses. They had to lay off some of the salespeople who were used to pitching ads for a consumer product but failed to transition to sell the new product to businesses. In the end, Gigya was able to pivot and exited at a much higher valuation. Gigya offered a lesson that success today does not guarantee success tomorrow. The Bank asked Gigya's former CEO to share his insights into the painful period of pivoting. In many ways, the Bank demonstrated that it too empathized with many young tech clients and the difficulties they face in doing what is right for their business.

The hard truth about a startup's financial health must be seen in numbers and metrics. The Bank understood there are times the clients must confront and address the hard truth in order to survive and thrive. The Bank gathered insightful comments from veteran analysts who share top metrics for evaluating a startup's financial health. Startups must focus on key performance indicators (KPIs) like revenue, cost of goods, gross margins, marketing, and EBITDA.<sup>66</sup> These KPIs help determine the company's underlying contribution margin. In a simplistic sense, contribution margin means gross margin (revenue minus the cost of sales, such as parts and factory labor) minus sales and marketing costs. The contribution margin must exceed basic costs like executive salaries, taxes, and administrative costs for functions like payroll and IT. Otherwise, the enterprise will not generate an operating profit. By understanding the company's financial health, the entrepreneurs can calculate projections for the future that are grounded on historical trends.<sup>67</sup> Such insights assist the clients in obtaining an overall picture of the financial health of their enterprises.

The startup clients the Bank frequently showcased hinted at inspiring stories of the innovation economy like Irving Fain, the CEO and cofounder of Bowery Farming, an urban farming startup. Who would imagine that farms are warehouses located less than 10 miles from the company offices in Manhattan? Who would believe that technology and the innovation economy would automate agriculture? Fain did. He developed his proprietary software to collect plant data to grow better and healthier crops in space-challenged environments. At his warehouse, greens are cultivated at a 100-times greater speed than those grown on outdoor farms for the same amount of space! He uses precision farming techniques, data analytics, and

<sup>66</sup> EBITDA: Earnings before interest, taxes, depreciation, and amortization (EBITDA) is a business analysis metric.

<sup>67</sup> "Top Metrics for Evaluating Startup Health," *Silicon Valley Bank*, available at: [www.svb.com/startup-insights/startup-growth/top-startup-metrics-evaluate-health](http://www.svb.com/startup-insights/startup-growth/top-startup-metrics-evaluate-health) [<https://perma.cc/KL65-X2CZ>] (last accessed September 2, 2022).

automation to produce greens without the use of pesticides and with only 5 percent of the water typically required in traditional farming. Fain also reduces the distribution distance because his farms are closer to his clients.

Ring and its entrepreneurial inventor Jamie Siminoff ignited the modern day's garage into a global success story that we used to hear about from the founders of Apple, Google, and the like. The serial entrepreneur Siminoff produces and saves his new inventive ideas on his mobile phone. He likes to tinker with technology because he sees problems that either need fixing or require new solutions. Siminoff invented a doorbell with Wi-Fi enabled to send alerts to cell phones while he worked in his garage on a different concept. He went to ABC's Shark Tank trying to raise both his company's profile and cash. He rejected their offer, but Ring sales shot up from the show's publicity. Despite the Shark Tank investor's prediction of doom to his company on live TV, top VCs showed strong interest in Ring. VCs invested in Ring, and the company has raised \$209 million since 2014. Ring products are now sold on Amazon and in retail stores in 100 countries.

Shivani Siroya is a fearless romantic who believes that successful entrepreneurs must possess the drive of putting oneself out there and allow one's heart to be broken. Through her observations while working for the UN Population Fund, she learned that microentrepreneurs and small business owners in emerging economies face difficult hurdles in gaining access to credit. Consequently, these individuals hold no credit history, but they may be creditworthy for small loans. Siroya solved the problem by launching a tech startup with a mobile app that would provide a credit scoring system and lending tool. Her company, Tala, allows customers from Kenya to obtain loans to start their small businesses. Tala is in a very early stage; it received a seed round of money which it deposited at SVB.

In a highly competitive online job search market, ZipRecruiter stands above the rest. The company bootstrapped itself and grew without VC funds for five years. Ian Siegel, the cofounder of ZipRecruiter, remembered the frustration of receiving numerous resumes in his inbox. His team refines their algorithms to seize the right job and present it to the right job candidates. ZipRecruiter has matched more than one million people with jobs via relentless improvements of their algorithms and targeted email job alerts, mobile apps, and posts on hundreds of online job boards. For a new job posted, ZipRecruiter can pick the top 100 job candidates from its vast database of millions of resumes and alert those candidates that there is a "perfect job" available, just waiting for them to apply. The company has generated more than eight million job postings and connected employers to more than 10 million active job seekers. In the Series A round of funding, ZipRecruiter raised \$63 million!

These startup stories all have one thing in common: SVB *was* their bank. To them, SVB functioned as a partner and a networking tool; it was simply not *just* a bank.

For large and publicly traded companies with revenue above \$75 million, SVB's Corporate Banking Division served this group of clients. Based on PitchBook and

NVCA data, 67 percent of US venture capital-backed companies with an IPO in 2020 were SVB clients. Based on Pitchbook data as of February 14, 2022, more than 700 publicly traded technology and healthcare companies were SVB's long-term financial partner. These corporate clients demanded different types of services and attention in the Bank's partnership with the enterprises.

These clients may need debt and equity financing to fuel their growth, acquisitions, global expansion, or balance sheet optimization. SVB understood that growth means survival and thriving in all companies, and innovation means both scaled and fast-paced for these clients. The Bank furnished global banking and credit and capital solutions to these clients. More specifically, the Bank segmented the practice into target groups like "Leveraged & Sponsor Finance," "Project Finance," "Venture Capital & Investing," and "Investment Banking," tailoring solutions to these clients within the tech industry ecosystem.

SVB provided leveraged finance that focused on the corporate clients and private equity investors in both small-cap and large-cap markets. For project finance, SVB leaned on its network of project owners, sponsors, and investors to provide financing to large cleantech and sustainability resource projects. Here, SVB distinguished itself as a bank with expertise in proposing financing solutions to address climate change challenges and making a positive influence on environmental change. The Bank supported a broad spectrum of clients and climate change innovation projects. For instance, in the Sunrun Mars project, a 195 MW residential solar portfolio, SVB was the coordinating lead arranger, administrative agent, and hedge provider of the \$265 million term loan and letter of credit facilities. In the financing deal of a portfolio of 92.9 MW fuel cell projects for Daroga, SVB served as the sole coordinating lead arranger, sole book runner, and administrative agent for the \$133.9 million term loan and letter of credit facilities.

Some tech executives at large private and public companies are visionaries in technologies that would disrupt existing industries in sciences, health care, fintech, frontier tech, enterprise software, consumer internet, and cleantech. SVB supported these executives as clients by serving as their financial partner through leveraging the Bank's VC/PE connections and industry expertise. After all, SVB demonstrated that it always lived technology and breathed sciences and health care. The Bank's business faced no competition among commercial banks in the United States, and SVB was second to none in its position of serving all facets of the tech industry.

In the last twenty years, the Bank expanded its reach with the creation of SVB Capital, opening new doors for large corporate clients and private equity investors to make their venture investments in tech companies and venture funds. SVB Capital offered its clients access to investments in the innovation economy by utilizing SVB's long history and relationships with tech companies and VC/PE sectors, including more than 50 percent of all VC-backed companies in the United States and funds and corporations in different countries with innovation centers. SVB Capital funds were pooled investment vehicles, including direct venture funds that



invest in tech companies, funds that focus on other venture capital funds, and debt funds that engage in lending and provide financial solutions. Through its expertise and services, SVB Capital generated handsome income from investment returns which carried interest and management fees, enriching third-party limited partner investors and the Bank's shareholders. SVB Capital invested in more than 700 unicorns across its fund strategies. SVB Capital managed \$7.5 billion in assets.

On the expansion trajectory, SVB Securities emerged as a wholly owned subsidiary of the Bank's Holding Company with a sole focus on the innovation economy. As new bold ideas and technologies in health care grew rapidly, SVB Securities extended investment banking services in Biopharma, Digital Health, and HealthTech, Healthcare Services, Medical Devices, and Tools and Diagnostics. In 2021, SVB Securities initiated Technology investment banking that cornered the tech subsectors like Consumer Internet, Commerce Enablement and Marketing Software, Digital Infrastructure and Tech-Enabled Services, Education Technology, Enterprise Software, Industrial Technology, and FinTech. As SVB Securities continued to expand, it amassed equity research coverage with the acquisition of MoffettNathanson LLC in 2021. By 2022, SVB Securities solidified its positions in four main areas: Capital Raising, M&A Advisory, Equity Research, and Sales and Trading. Consequently, with SVB Securities, the Bank prevented other big bank competitors from seizing large deals in the Healthcare and Technology subsectors.

Unlike conventional banks, SVB hosted numerous networking events and summits to bring innovators and their peers together, introduce innovators to investors, and connect innovators, investors, and industry icons at special events. The Bank hosted SVB Fintech Open House for both existing clients and the general fintech public. The Open House covered venture debt for fintech founders, warehouse lending practice, payments enablement, and the corporate venture capital ("CVC") in the fintech landscape. Likewise, the Bank partnered with top-tier VCs to create a series of "Meet the Investors" events to introduce Early Stage companies to potential investors. The Bank's webinars covered topics from "Why Gender Is Just the Tip of the Diversity Iceberg," "Racial Equality: Hiring Diverse Talent into Your Company," "US Expansion & Fundraising," "SVB's State of the Markets 2021," to "In Conversation with Atomico: What's Next for European Tech in 2022." These contents conveyed a sense that SVB was trying to be a modern bank for the innovation economy. The Bank feared being complacent.

In the digital era, data holds the key to investments in VC. Gathering vast data and generating relevant insight through its network of clients, investors, and partners throughout innovation centers in the United States and worldwide, SVB produced quarterly reports pertaining to investments in private equity and VC markets. The Family Offices report was based on SVB's own surveys and interviews with family offices to ascertain investments in VC activity, staffing and compensation, portfolio investment trends, perspectives, and generational priorities. In the investment

context, family offices refer to private companies that focus on the management of investment and wealth of ultra-high-net-worth families to effectively grow and strategically transfer generational wealth.

In the 2022 Q2 report from SVB's *Global Fund Banking Outlook Report*, SVB identified fund activities in the US market and highlighted global capital distributed by fund types like venture capital, PE growth, and PE buyout. *The Report*, as expected with the SVB brand name, focused on IPO and M&A markets and competition for capital from limited partners, cross-border deals, and hedging transaction growth. To be both current and relevant, *The Report* featured four experts discussing cybersecurity essentials for fund and portfolio companies.

Likewise, SVB displayed its data and insights prowess in healthcare venture funding. SVB's *Healthcare Investments and Exits Annual 2022 Report* covered data on venture funding in healthcare sectors like biopharma, healthtech, dx/tools, and devices. It revealed that venture funding in these sectors increased 30 percent in the United States and Europe compared to the previous year's data. The increase was not an isolated event, but it was part of a pattern showing healthcare venture investments have doubled every two years since 2017, from \$16 billion to \$34 billion to \$80 billion in 2021. Further, forty-two healthtech companies with valuations of \$1 billion or higher, generally referred to as "unicorns," emerged in the new year. Dissecting the data at a more granular level, the Report showed that startups at Seed and Series A funding stages obtained large seed investments of \$10–\$20 million from mostly institutional investors. Also, investments in early stage companies like Nano Cures and Pardes Biosciences in the anti-infective sector increased reflecting investors' focus on technology to prevent infectious diseases, epidemics, and pandemics. Deals in computational bio and Dx analytics were included in *The Report* with historical trends. Post-pandemic, innovators of non-invasive monitoring devices to monitor patients outside a hospital setting received an infusion of over \$1 billion in early-stage device investment. These reports, along with the *State of the Markets Report*, cemented SVB as the only bank possessing a vantage point through its relationships with top science and healthcare entrepreneurs and investors, demonstrating that the Bank's insights were the must-read resources.

In addition to the reports pertaining to trends, SVB published a series of Startup Insights, Industry Insights, Market Insights, Business Growth, Foreign Exchange Advisory, and Private Bank targeting different groups of clients with specific and relevant content. Overall, these insights cover topics across the innovation economy. For instance, SVB analyzed data from tech companies that went IPO between 2016 and 2019 for currency practices employed by these companies during their high-growth periods during the venture funding rounds based on their IPO filings. The data indicated that nine in ten companies reported global revenues, a third of the companies' total revenues originated outside of the United States, and revenues grew 50 percent faster outside the United States than within the United States, but nine in ten of the companies cited foreign currency exchange as a key risk factor.

A high-growth company without established overseas revenues would pay foreign operations in US dollars obtained through VC rounds of funding.

[But] weakness in the USD makes foreign-denominated costs more expensive, aggravating the companies' cash burn and shortening their cash runways. Past research using SVB's proprietary data found that for one in four technology companies, a 25% adverse move in currencies could shorten runways by six months. A strong US dollar also can present challenges. Although a rising US dollar extends cash runways, it may cause revenues and profits denominated in foreign currencies to lose value in USD terms. In this scenario, valuations tied to revenue and profit multiples may be at risk.

By publishing these insights on foreign currency factors and other insight reports, SVB positioned to make itself indispensable to VC-backed, high-growth companies and their investors.

On the investors side, the Bank served clients in private equity (PE), venture capital (VC), and corporate venture (CV) fields. The Bank offered a wide range of products and services catered to Private Equity Chief Financial Officers. The Bank counted BainCapital, SilverLake, Primus, Trive, WynnChurch Capital, Insight Partners, and Frazier Healthcare Partners among their PE clients. For the VC community in the United States and worldwide, the Bank was known as the most experienced and leading provider to venture funds since its inception in 1983. Its VC clients were in the hundreds, including Andreessen Horowitz, Lightspeed, Venrock, Hyde Park, and Polaris Partners, among others. In corporate VCs where corporations dedicate innovation units to identify, discover, and evaluate tech and healthcare investments, SVB directed its attention to support corporate VCs by leveraging its client base and deep connections in the VC-backed tech and science sectors to provide support to corporations looking for new investments. Together, SVB served the investors and their portfolio companies in the tech industry ecosystem.

Woven intensely in the innovation economy, SVB worked with pioneers and witnessed disruption. Working with clients on the investors side, SVB did not limit itself to established funds and fund managers. SVB assisted new and growing funds across sectors and partners with emerging managers who want to change the VC landscape. SVB bankers who were former investors and operators knew very well that launching a new fund for the first time is an exciting journey fraught with unexpected challenges. The bankers brought their experience and insight to help emerging managers and offer critical advice and advocacy across funds, sectors, stages, and geographical regions. True to its word, the Bank included HomeBrew, Harlem Capital, Scribble Ventures, Pear, Mucker Capital, Matchstick Ventures, Halogen, Array VC, Basis Set Ventures, and Precursor Ventures among other emerging managers and funds as clients. Obviously, the Bank served both the emerging manager clients and their portfolio companies in the tech startup ecosystem. However, the Bank did not report specific data showing the results of its efforts in this area.

As part of its efforts to assist emerging managers of new funds, SVB gathered experienced managers to share lessons that they wish they had known when they were working on raising their first fund. The “Advice for New Fund Managers” built a new SVB community of emerging managers through experience. Also, the Bank produced videos on the role of a fund manager’s main job in coaching founders, offering startups advice, guidance, and inspiration. In the three videos, the Bank invited Tim Connors of PivotNorth Capital, Shruti Gandhi of Array Ventures, and Richard Kerby and Rick Zullo of Equal Ventures to share their lessons with new fund managers. Essentially, through the “Emerging Fund Managers” program, the Bank was banking on new startup VCs, in addition to the established VCs.

The Bank harvested a handsome income by banking and lending to clients in the innovation economy in the United States and worldwide. Like any bank, SVB’s total revenue included net interest income on a fully taxable equivalent basis and noninterest income. Unlike all banks, SVB’s total revenue came solely from serving the tech industry. For 2021, SVB’s net interest income was an astonishing \$3.2 billion and noninterest income \$2.7 billion, compared to the prior year’s \$2.17 billion net interest income and \$1.84 billion noninterest income.<sup>68</sup> The Bank derived more than 90 percent of its revenue from US clients.

The Bank generated net interest income from the interest rate spread differences between the interest rates borrowers pay and depositors save in their accounts with the Bank. In bank parlance, the net interest income is the difference between the interest rates received on interest-earning assets like loans to clients and securities from fixed income securities portfolio and the interest rates paid by the Bank on interest-bearing liabilities like deposits and borrowings. In yearend 2021, the interest rates difference yielded the Bank \$3.2 billion!

The noninterest income was from the Bank’s fee-based services and gains from the Bank’s investments and derivative securities. That meant the Bank generated fee-based financial services for its clients for global commercial and private banking. The Bank earned a fee-based income for services associated with client investment fees, wealth management and trustee fees, foreign exchange fees, credit card fees, deposit service charges, lending-related fees, letter of credit fees, and standby letters of credit fees. Through SVB Securities, the Bank garnered fees from investment banking, M&A advisory services, and commissions. The Bank also held a variety of marketable investment securities and gains from investments in privately held companies and funds. In addition, the Bank realized gains from warrants to acquire stock in client companies that the bankers secured in extending credit facilities and other services to clients. The noninterest income significantly contributed to the Bank’s overall revenue in the last few years. In yearend 2021, that number was \$2.7 billion, representing a 46.7 percent increase from the previous year.

<sup>68</sup> SVB 2022 and 2021 10K Filings.

In serving the innovation economy, SVB articulated its core values as including “start with empathy for others; take responsibility; embrace diverse perspectives; speak and act with integrity; and keep learning and improving.”<sup>69</sup> The Bank asserted in its annual 10K filings that it believed the core values were key to attracting, retaining, and inspiring its employees and contributed to the success of both the Bank’s business and the innovation economy more generally. SVB’s core values were seen in its hiring of Tosh Ernest on June 14, 2022, as Head of *Access to Innovation*, SVB’s signature initiative to advance women and Black and Latinx individuals to positions of influence in the innovation economy. Whether *Access to Innovation* would make concrete inroads to address the tech industry’s notoriously clubby and closed circles of whites and males in leadership roles was too prematurely terminated when SVB collapsed in March 2023. But SVB did make a strategic step by creating the new program and hiring a Black woman to lead it.

Notably, some of the Bank’s core values were reflected in its \$11.2 billion, five-year Community Benefits Plan announced in 2021. The Bank tied the Plan to its proposed acquisition of Boston Private Bank. The Plan’s five-year period from January 2022 through December 2026 aimed to provide financial support to low-and-moderate-income (LMI) communities in California and Massachusetts, allocating \$5 billion in small business loans of \$1 million or less, \$4.8 billion in Community Reinvestment Act’s community development loans and investments, \$1.3 billion in residential mortgages to LMI borrowers and in LMI census tracts, and \$75 million in charitable contributions. SVB was to create a community advisory council and work with representatives from the California Reinvestment Coalition, The Greenlining Institute, the Massachusetts Affordable Housing Alliance, and the Massachusetts Association of Community Development Corporations toward the Plan’s goals. The impact of the Plan was to be revealed by 2026 and beyond.

For comparison purposes, First Citizens Bank allocated \$16 billion to a five-year Community Benefits Plan that would reinvest in LMI communities and communities of color throughout the United States without geographical restrictions. First Citizen Banks would support lending and invest in LMI communities following the competition of its proposed merger with the CIT Group. Similarly, US Bank announced its \$100 billion Community Benefits Plan for a five-year period when it planned to merge with MUFG Union Bank. PNC launched a \$88 billion Community Benefits Plan when it acquired BBVA US. These Community Plans are a reactive move to advance proposed bank merger deals and serve as strategic tactics to win the support of regulators. Banks attempt to address social equity in the communities and geography where they plan to expand. Interestingly, First Citizens Bank is significantly smaller than SVB but allocated 45 percent or \$5 billion more than SVB in the Community Benefits Plan.

<sup>69</sup> SVB 2022 10K Filings.

Likewise, the Bank launched Nasdaq Private Market with Nasdaq, Citi, Goldman Sachs, and Morgan Stanley in 2021. Essentially, the private market platform will be an independent entity, a centralized secondary trading venue; it is a spin-out of Nasdaq's 2014 Private Market for institutional trading of private company stock. SVB played the role of the big bank, together with the notable established big banks of Citi, Goldman Sachs, and Morgan Stanley, making strategic investments in the joint venture platform that would continue to enable brokers and investors to access, manage, and trade private company stock via a global marketplace and technology solutions. At the time of the announcement, the platform facilitated 477 private company transactions for 59,000 shareholders and executed over \$30 billion in volume for private companies. In other words, this joint venture platform revealed that SVB kept reinventing itself by crafting new solutions to existing and new clients.

As a commercial bank like any other commercial bank, SVB bank was subject to stringent federal and state banking regulations. After all, depositors are the owners of the money held by the Bank, and they are protected under the banking regulations. The Federal Reserve and state banking regulators impose supervision and examinations over the Bank. Also, the Bank's consumer banking activities are subject to regulation and supervision by the Consumer Financial Protection Bureau. Like many financial holding companies of banks, SVB Financial (the holding company) had to be well-capitalized and well-managed under Federal Reserve's Regulation Y. Because the Bank's assets had enlarged and it became a big bank, SVB Financial was subject to enhanced prudential standards. The Bank was also subject to Community Reinvestment Act examination. It was no surprise that, under the new Community Benefits Plan announced in 2021, the Bank's CRA examination earned its first "outstanding" rating.

For the non-bank subsidiaries, they were primarily subject to SEC and FINRA regulations.

As the Bank occupied offices in other countries in Europe, Asia, and Canada, these offices had to comply with the regulatory regimes in these jurisdictions. As it turned out, among all the foreign jurisdictions, India's regulations posted severe roadblocks to the Bank's efforts to serve the tech sector there; Indian regulators insisted that the Bank served the rural sector, but the Bank possessed no such expertise. The Bank understood its limitations and pulled out of India. As the UK Branch opened in 2012, the Bank found its rhythm as its office in the Alphabeta building nestled between London's Old Street Roundabout and the City, serving some of the most innovative businesses in the United Kingdom and Europe. The Bank touted that the UK Branch was "the only local bank in the United Kingdom focused on the Innovation Economy." The UK Branch was bustling with growth and the hiring posts on Twitter exulted excitement. Plans were in place for the Bank's UK Branch to become a subsidiary. Indeed, the regulatory approval occurred in August 2022 and the UK Branch achieved its status as a standalone bank within the United Kingdom, not just a branch but a new legal entity, wholly owned subsidiary of the Bank with a new name, SVBUK Ltd.

Before its demise, SVB served the US and UK banking needs of investors and entrepreneurs from many different parts of the world. As emerging global centers constantly change the landscape of banking the innovation economy, SVB leveraged its knowledge and relationships to follow new money trails whether they were in Brazil, Mexico, Argentina, Russia, India, Turkey, or Australia. This brought both opportunities and challenges for a big bank like SVB, with 8,000 employees, to keep its core values and culture coherent.

The leadership at the Bank is reflected in a picture of eleven men and one woman. It is an image of white people in a financial and innovation economy possessing all the authority and power. The image is reflective of Silicon Valley itself and the innovation sectors in general. The networks and circles of the innovation sectors are exclusionary despite the belief of meritocracy preached to many. Perhaps the new Diversity, Equity, and Inclusion (DEI) initiatives embraced by the Bank may change the face of the leadership in the tech ecosystem in the future. The occurrence of such a change was determined by the same people whose pictures are on the leadership roster. The image of the leadership at the Bank before its collapse is not much different from when it began forty years ago when women and people of color were not included.

The undeniable truth is that the community independent bank transformed into a big bank, a very special big bank with relationships that dominated venture banking and lending throughout the United States. With its vast connections and expertise, how did the community independent bank founded in 1983 survive and excel to be the Bank of the innovation community in the United States and overseas? How did the Bank shine in the tech and science sectors avoided by conventional banks? How did the Bank begin? This book looks at the conception of the Bank, dispels myths regarding its creation, and provides a picture of an entrepreneurial bank that dared to tread where other banks declined to venture by banking for and lending to high-tech companies forty years ago.

This book is an American story of a bank's rags to riches, of an underdog in the banking industry, of founders' heartbreak, and strong conviction. It is a feel-good story amidst justifiably hateful sentiments against banks in the United States and worldwide.

This book is also a tragic story about the last chapter of an innovative bank destroyed by the very innovators who the Bank encouraged, who used social media to burn down their own bank through an unprecedented bank run.