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FASTEST GROWING REGIONS FOR VENTURE CAPITAL INVESTMENT LIE OUTSIDE SILICON VALLEY

Venture Capitalists Finding Opportunities in “Unexpected” Pockets

New York, March 11, 2008 – While Silicon Valley and New England remain the country’s leading regions for venture capital investment, they are not the fastest growing, according to The MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association (NVCA) based on data by Thomson Financial. In the last ten years, smaller pockets in non-traditional venture capital regions have enjoyed impressive growth in the number of companies funded each year. Included in this ranking are areas such as New Mexico and Pittsburgh, which have not had a strong venture capital presence in the past but have recently shown notable signs of growth. Additionally, the ranking included larger metropolitan areas such as Seattle, Los Angeles, and the Washington DC metro area, which have been quietly growing their venture base over the last ten years. None of these up-and-coming areas were included in the top five regions for total venture capital investing in 2007, but that could only be a matter of time, suggests Mark Heesen, president of the NVCA.

“Venture capital growth is extremely organic. Once a critical mass of companies is funded in a certain region, a new ecosystem will develop,” Heesen says. “It is very magnetic in the sense that start-ups breed innovative thinkers and entrepreneurs who, in turn, attract venture capitalists. For regions that don’t have a large, indigenous venture investor base, it is important to give outside VCs a reason to visit. These unexpected regions are making venture capitalists stand up and take notice.”

The analysis focused on the ten-year growth rates for regions across the country and ranked the fastest growing areas based on number of companies funded, excluding areas that had under \$100 million in investment in 2007.

	2007		1997		% Change	
	No. of Comp	Total Investment	No. of Comp	Total Investment	No. of Comp	Total Investment
New Mexico	21	128.26	3	27.03	650%	375%
Pittsburgh/Tristate	44	198.17	12	32.32	267%	513%
Seattle	132	1253.41	65	403.2	103%	211%
Los Angeles	124	1146.04	73	459.41	72%	155%
Washington DC Metroplex	180	1282.16	105	558.24	71%	130%

The following offers some insight and fast facts about each of these regions:

New Mexico at a Glance: 2007 Venture Investment

The state of New Mexico experienced significant venture capital investment growth in the last year, fueled largely by interest in clean technology and alternative energy. The area is part of the larger Southwest region that also has seen increased deal flow in the last several years.

"New Mexico has long been a world leader in its concentration of technology research and development - over \$6 billion in R&D spending in 2007 alone, spread across a dozen national laboratories, public research universities, corporate laboratories, and independent think tanks," said Trevor Loy, managing partner of Flywheel Ventures. "Much of that innovation is concentrated in sectors of growing interest to venture capital investors - such as energy, advanced materials, water treatment, optics, and high-performance computing. In parallel, policymakers in New Mexico have dramatically improved the business climate for entrepreneurship, including a particularly successful State Investment Council program that augments market-driven investments made by local and out-of-state venture investors. Coupled with the creative character of the 'Land of Enchantment' and its unique lifestyle advantages for entrepreneurs, the rapid growth of venture capital-funded entrepreneurship is a natural outcome."

Top industries: Clean Technology, Life Sciences, Semiconductors

Most Active Investors: Verge, Flywheel Ventures, EPIC Ventures

Stage of Investment: 52 percent of the companies were Seed/Early stage

Largest Investments: Advent Solar, MIOX Corporation, Aspen Avionics

Pittsburgh at a Glance: 2007 Venture Investment

Once a region that relied primarily on traditional industries such as steel, Pittsburgh has the opportunity to further develop its innovation economy through venture capital investment. Like many regions, Pittsburgh saw substantial increases in venture capital investment during the technology bubble, but has since been building sustainable growth in the area of life sciences and other scalable sectors.

According to Dean Miller, managing director at Novitas Capital, "We have completed six early stage investments in Pittsburgh in just the last three years across life sciences, clean technology and software. Several of these investments are based on technology spun-out of the local universities and medical centers. The academic and clinical powerhouses of the University of Pittsburgh ("PITT"), the University of Pittsburgh Medical Center ("UPMC") and Carnegie Mellon University ("CMU") produce significant amounts of primarily government-funded technology across multiple disciplines. CMU is a world leader in Computer Science and Robotics; UPMC is ranked nationally as one of the top medical centers in a host of clinical areas such as transplantation oncology and CNS; and PITT's research spans both biomedical and engineering fields in medical devices and drugs. Most importantly, these three entities work extremely well together and all serve as value-added partners for our companies."

Top industries: Life Sciences, Software, Clean Technology

Most Active Investors: Innovation Works, Draper Triangle, Pittsburgh Life Sciences Greenhouse, Novitas Capital

Stage of Investment: 66 percent of the companies are Seed/Early stage

Largest Investments: Millennium Pharmacy, Logical Therapeutics, BPL Global

Seattle at a Glance: 2007 Venture Investment

Seattle benefits from a strong bench of local venture capital firms that have embedded themselves in the start-up community. It does not rely on a single industry to carry investments. Rather, it is very diverse, investing in both traditional venture capital areas as well as cutting edge investment sectors such as biotechnology and clean technology.

“Venture investing in the Pacific Northwest is an even greater opportunity than when I started 25 years ago,” said Chad Waite, managing director at OVP Venture Partners. “One of the things that grows well here is the entrepreneurial spirit. That, combined with the resources and scale of some local, establishment technology giants, means the start-up scene continues to be vibrant year after year. I love being in the midst of a region I truly consider an epicenter of innovation, creativity, talent and productivity.”

Top industries: Software, Life Sciences, Media and Entertainment

Most Active Investors: Ignition Partners, Madrona Venture Capital, OVP

Stage of Investment: 42 percent of the companies were Seed/Early stage

Largest Investments: Imperium Renewables, Telecom Transport, Dexterra

Los Angeles at a Glance: 2007 Venture Investment

Los Angeles is one of the strongest regions in the country for media and entertainment companies. It offers a great deal of promise for innovative young companies operating at the intersection of telecommunications, Internet and consumer entertainment. It also has a great deal of activity in the alternative energy and clean technology spaces.

Steve Krausz, general partner at U.S. Venture Partners explains, "As technology has begun to transform media, entertainment and consumer trends, Southern California and Los Angeles, in particular, has become a center of innovation. Venture capital investment has increased to the region in response to this dramatic new opportunity to re-invent large existing industries. Los Angeles has a unique, creative workforce. When coupled with the state's favorable entrepreneurial and innovation policies which helped grow Northern California into the well known capital of U.S. venture activity we expect to see a continued flow of venture capital into the region."

Top industries: Media and Entertainment, Software, Clean Technology

Most Active Investors: Clearstone Venture Partners, US Venture Partners, Draper Fisher Jurvetson, Redpoint Ventures

Stage of Investment: 41 percent of the companies are Seed/Early stage

Largest Investments: Amp'd Mobile, Ceres, Vantage Media

Washington D.C. Metroplex at a Glance: 2007 Venture Investment

The Washington DC Metroplex region has many attributes that help foster a strong venture capital ecosystem, including a strong population of technologists and entrepreneurs, a group of indigenous venture capital firms, and clusters of innovations in areas such as Southern Maryland and Northern Virginia.

Much of the D.C. region's entrepreneurial culture is uniquely rooted in three main components of government-based activity, said Roger Novak, founding partner at Novak Biddle Venture

Partners. "First, the entrepreneurs bred by federal laboratories and agencies create opportunities for VCs who understand the nuances of building companies around talent and innovations spun out of a government lab. Second, VCs are increasingly drawn to local companies' ability to sell sophisticated technologies that address some of the government's and industries' toughest challenges. With D.C.-area venture-backed companies like Blackboard and AOL spawning new companies and, in some cases, new clusters, the region is likely to remain attractive for many years."

Top industries: Software, Life Sciences, Telecom

Most Active Investors: Novak Biddle Venture Partners, Columbia Capital, Grotech, New Enterprise Associates, Valhalla

Stage of Investment: 37 percent of the companies were Seed/Early stage

Largest Investments: Bravo Health, BillMeLater, Gridpoint

While these five regions represent the fastest growing, there are many other areas of the country that have enjoyed significant venture capital investment growth in the last ten years. In fact, 25 of the 50 states experienced double digit growth from 1997 to 2007.

"Silicon Valley and New England are well-known for their entrepreneurial spirit. However, VCs have been encouraged to look to other markets for talented individuals with great ideas and solid business plans, in part because the cost of doing business is less in these alternative markets," explained Tracy Lefteroff, global managing partner of PricewaterhouseCoopers venture capital practice. "Another reason VCs are likely drawn to these markets is the quality of talent coming out of prominent universities and corporations as well as the opportunities for academia and other large corporations in the region to spin out new companies. These factors provide ample investment opportunities as well as a capable employee base to staff those opportunities."

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The **National Venture Capital Association (NVCA)** represents approximately 480 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenue in the U.S. in 2006. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

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