



National Venture Capital Association

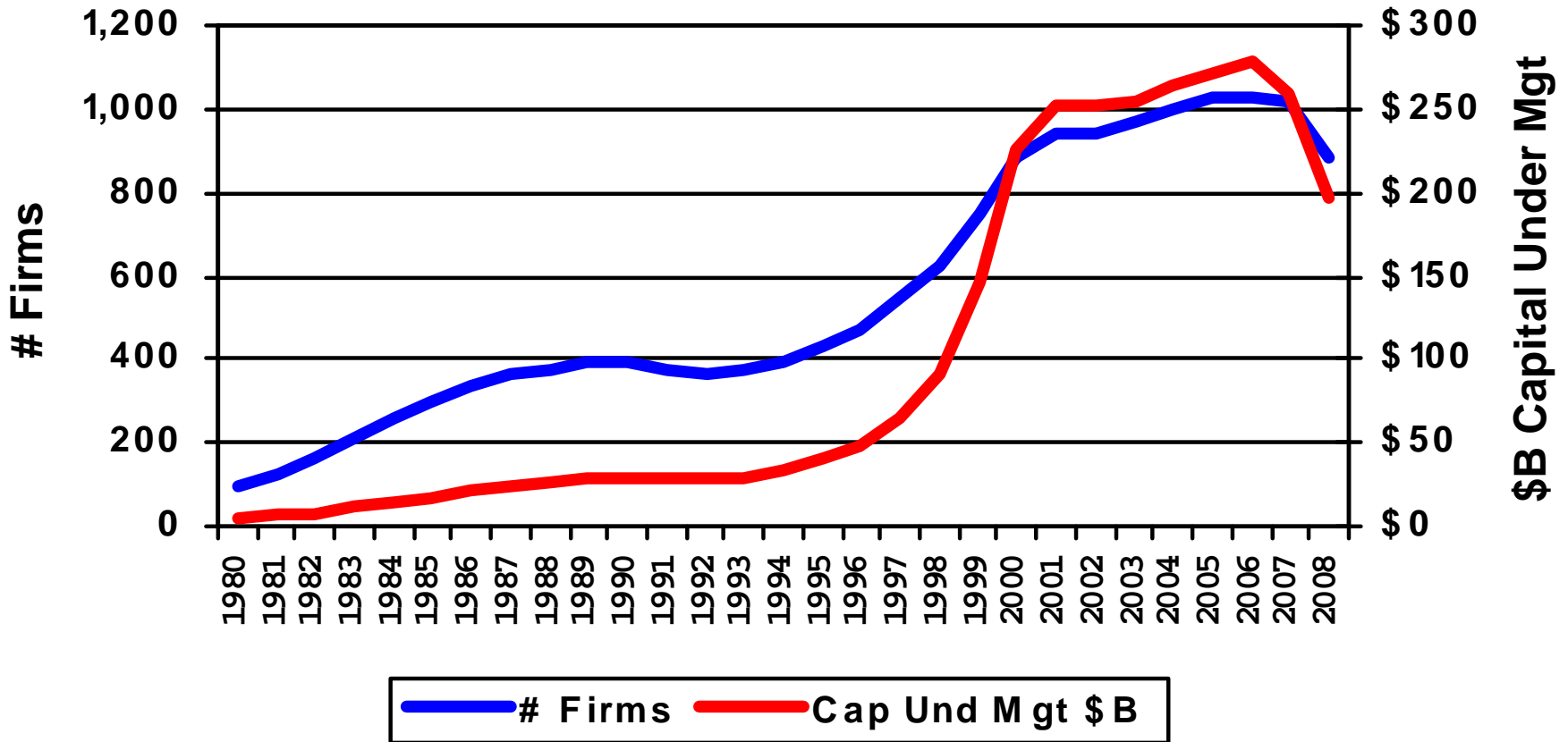
***Technology Alliance  
Technology Institute  
September 28, 2009***

***Mark G. Heesen  
President***

# ***Global Insight Study***

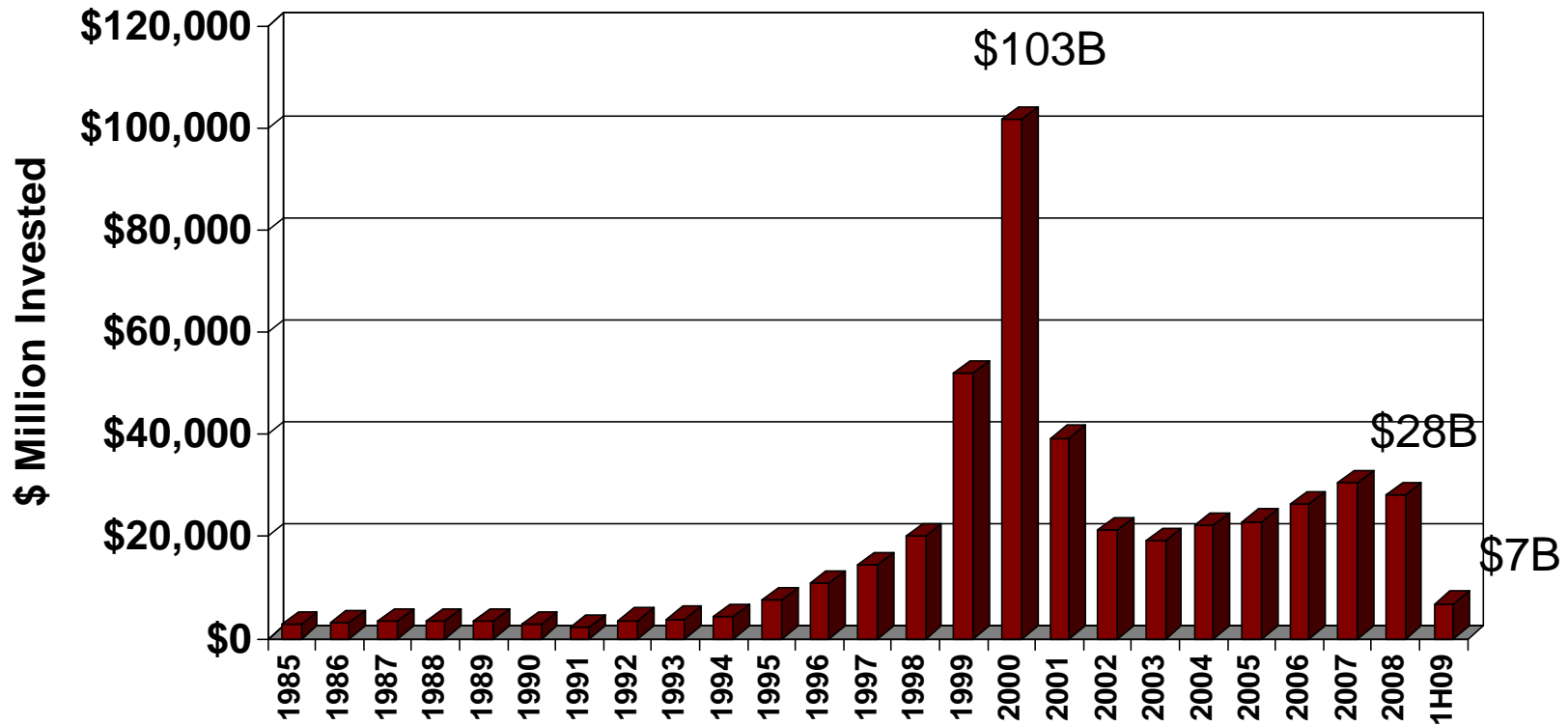
- In 2008, venture backed companies:
  - Provided 12.05 million US jobs
  - Had sales of \$2.3 trillion
    - Represents 20.5% of GDP
  - Still dominated venture-created sectors
    - 74% of telecommunications jobs
    - 81% of software jobs
    - 55% of semiconductor revenue
    - 67% of electronics/instrumentation revenue

# Capital under mgt & # firms peaked; Industry capital now \$197B



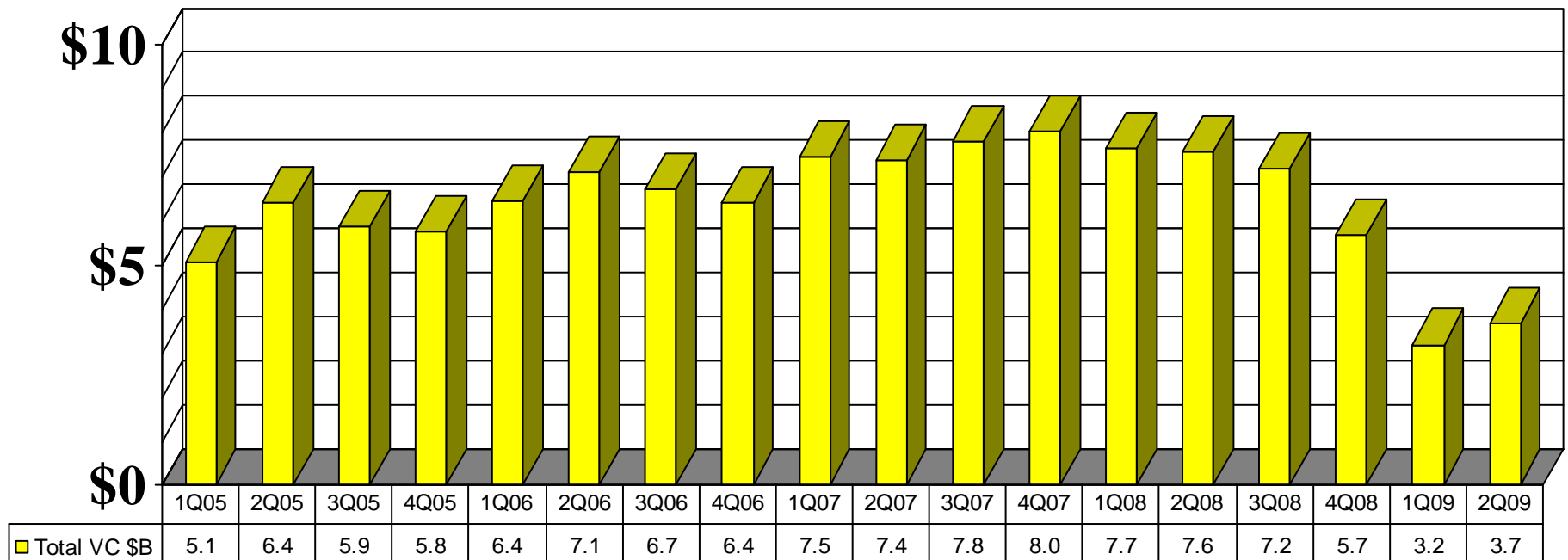
Source: NVCA 2008 Yearbook prepared by Thomson Reuters

# ***VC Investment Peaked in 2000; 2008 Was Down 8%; 1H09 was \$6.8B***



*Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report,  
Data: Thomson Reuters*

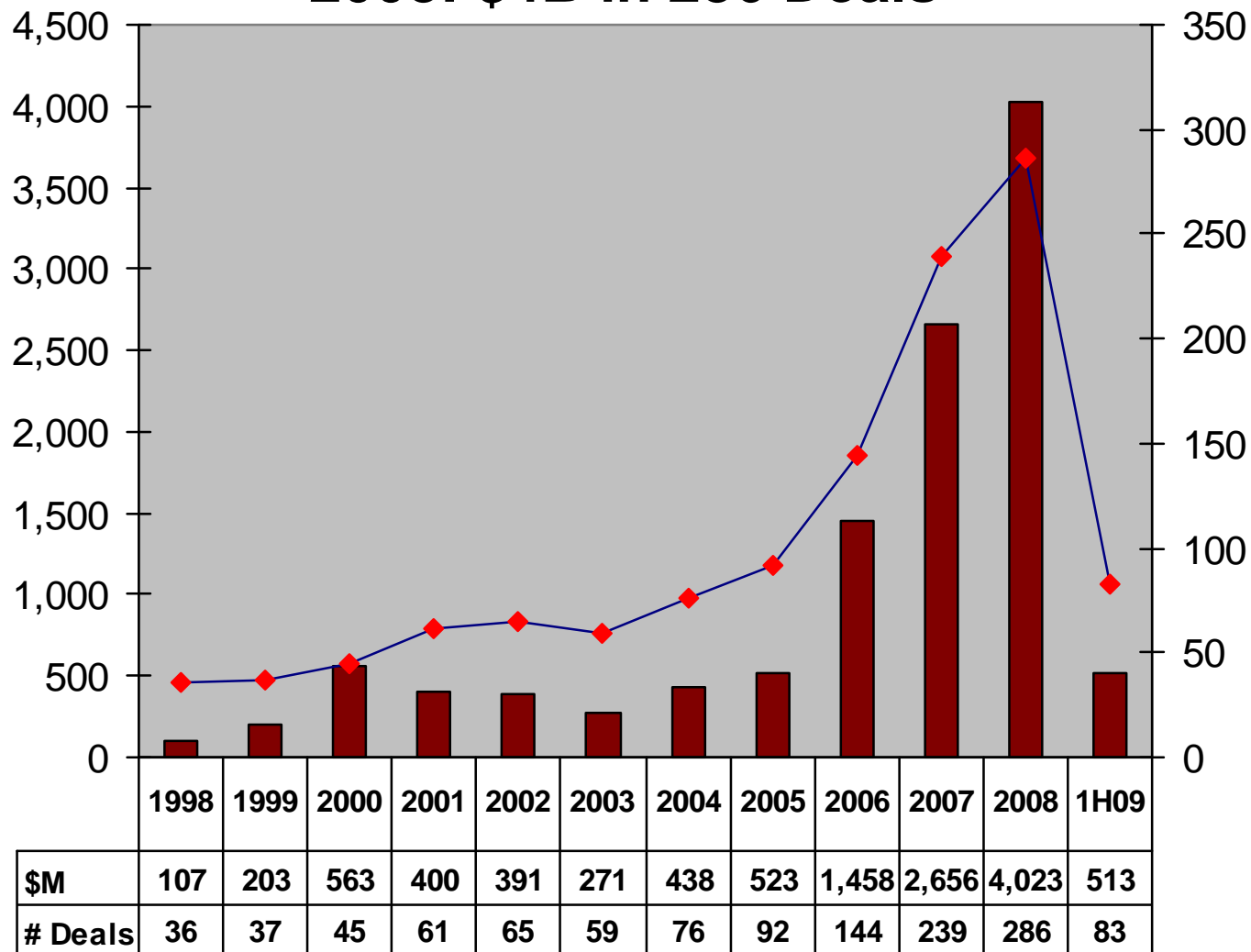
# *Investment Started Slowing Considerably in 3Q08 from a 5-year Steady Slow Growth*



*Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters*

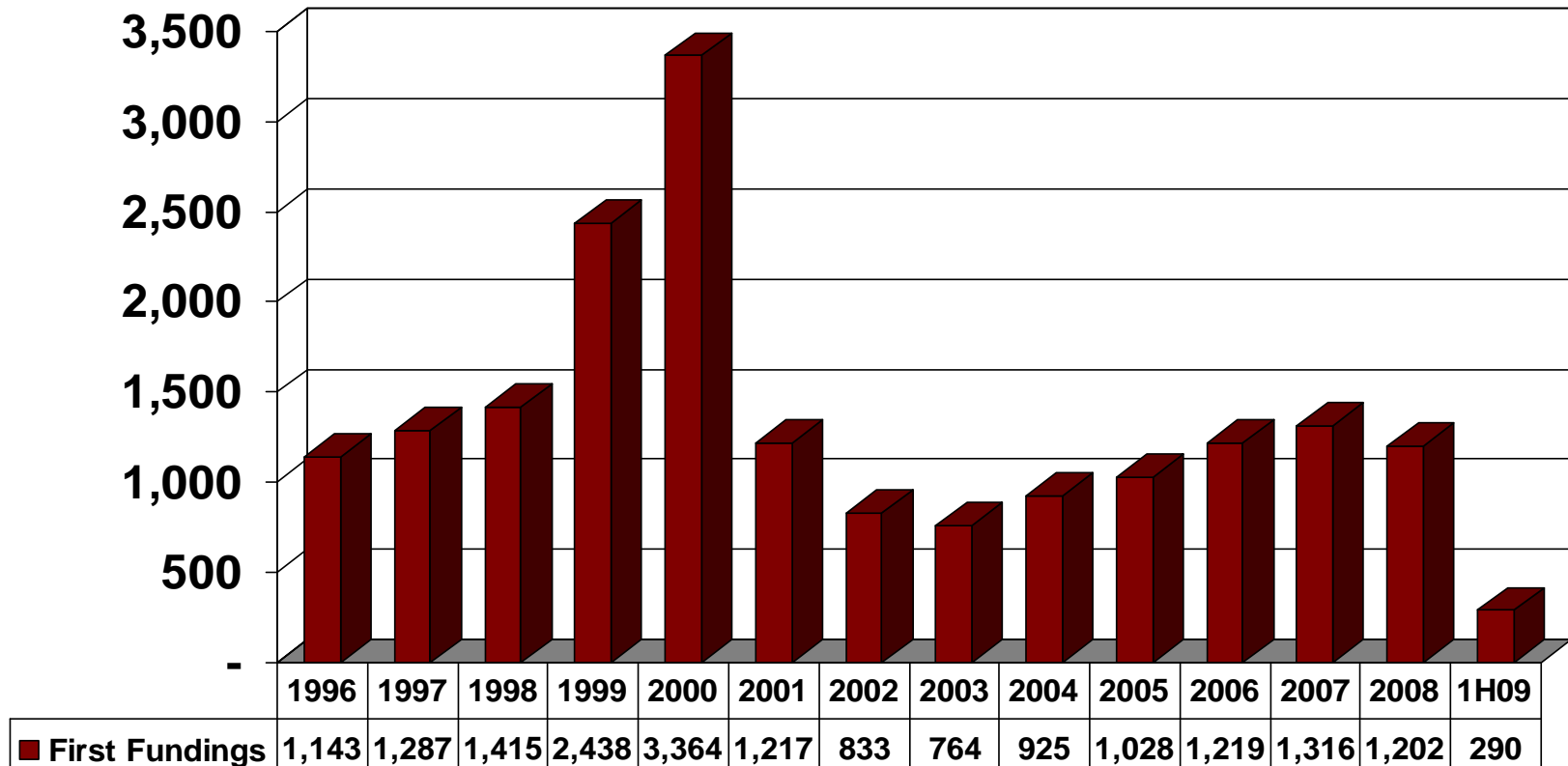
# Clean Technology investment grows significantly

## 2008: \$4B in 286 Deals



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report,  
 Data: Thomson Reuters

# Despite the recession Q4, VCs funded 1,202 new companies in 2008; Very slow YTD ....

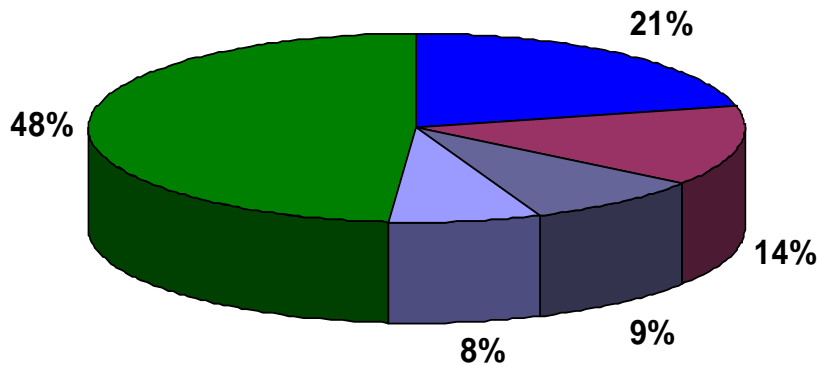


Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report,  
Data: Thomson Reuters

# The heaviest venture funded industries in the U.S. today are Software, Energy, Biotech and Medical Devices.

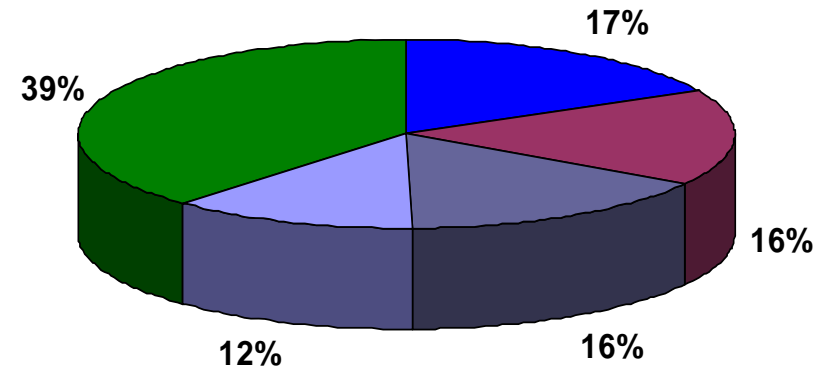
US VC Investment - Industry Breakout

1998



■ Software ■ Telecom ■ Media ■ Biotech ■ Other

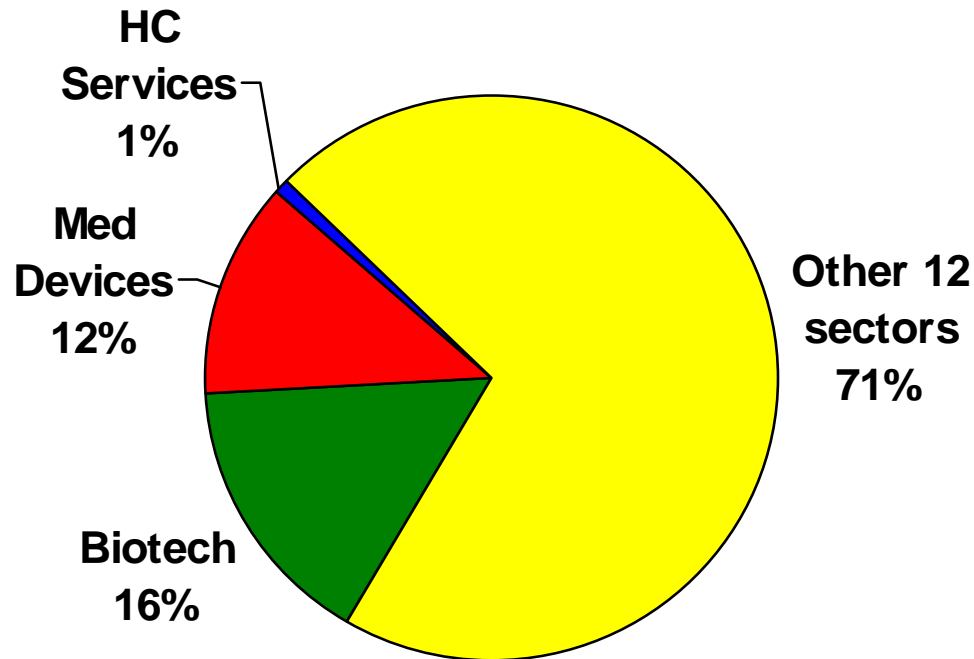
2008



■ Software ■ Energy/Ind ■ Biotech ■ Med Dev ■ Other

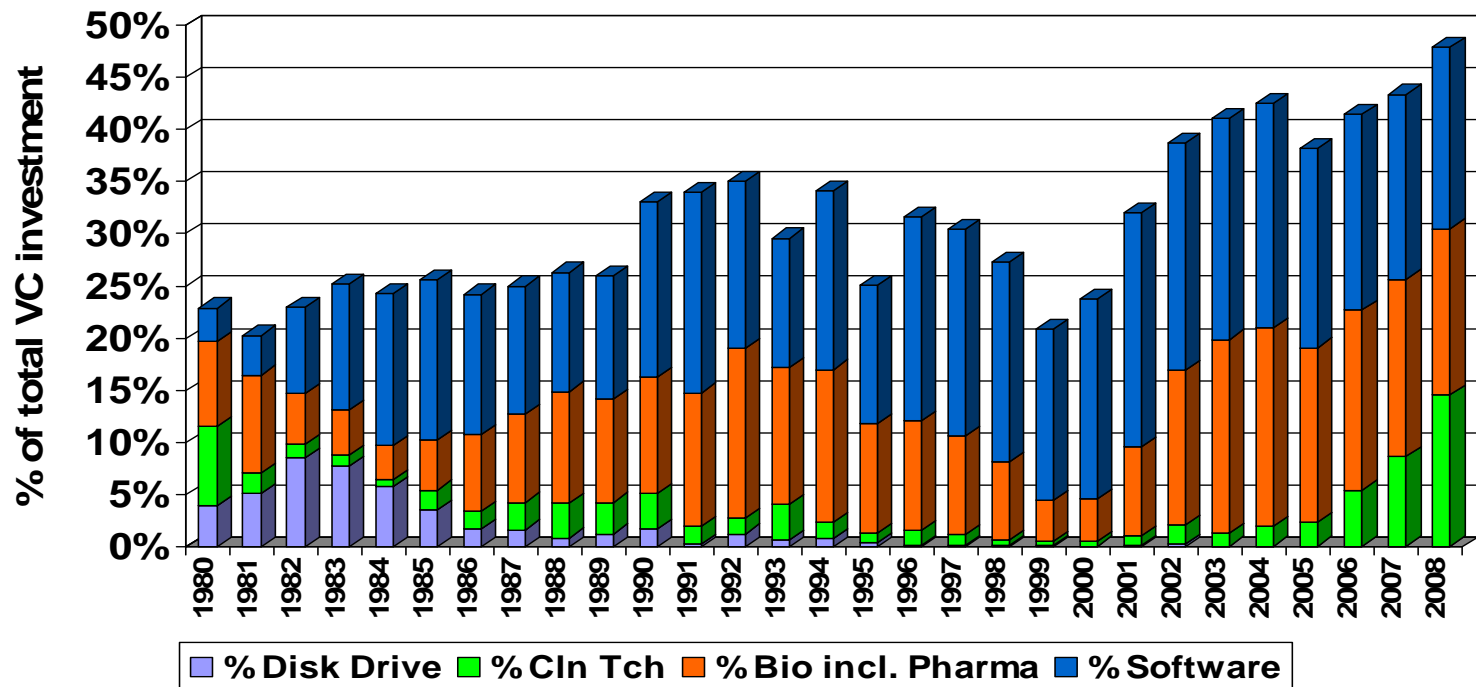
Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report,  
Data: Thomson Reuters

# ***In 2008, Life Sciences drew 29% of funding; Med Dev funding is catching up with Biotech***



*Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters*

# VC Deploys Capital To Most Promising Sectors: Four Examples (“Sector Churn”)



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

# Washington is currently ranked 5<sup>th</sup> for overall venture capital investment.

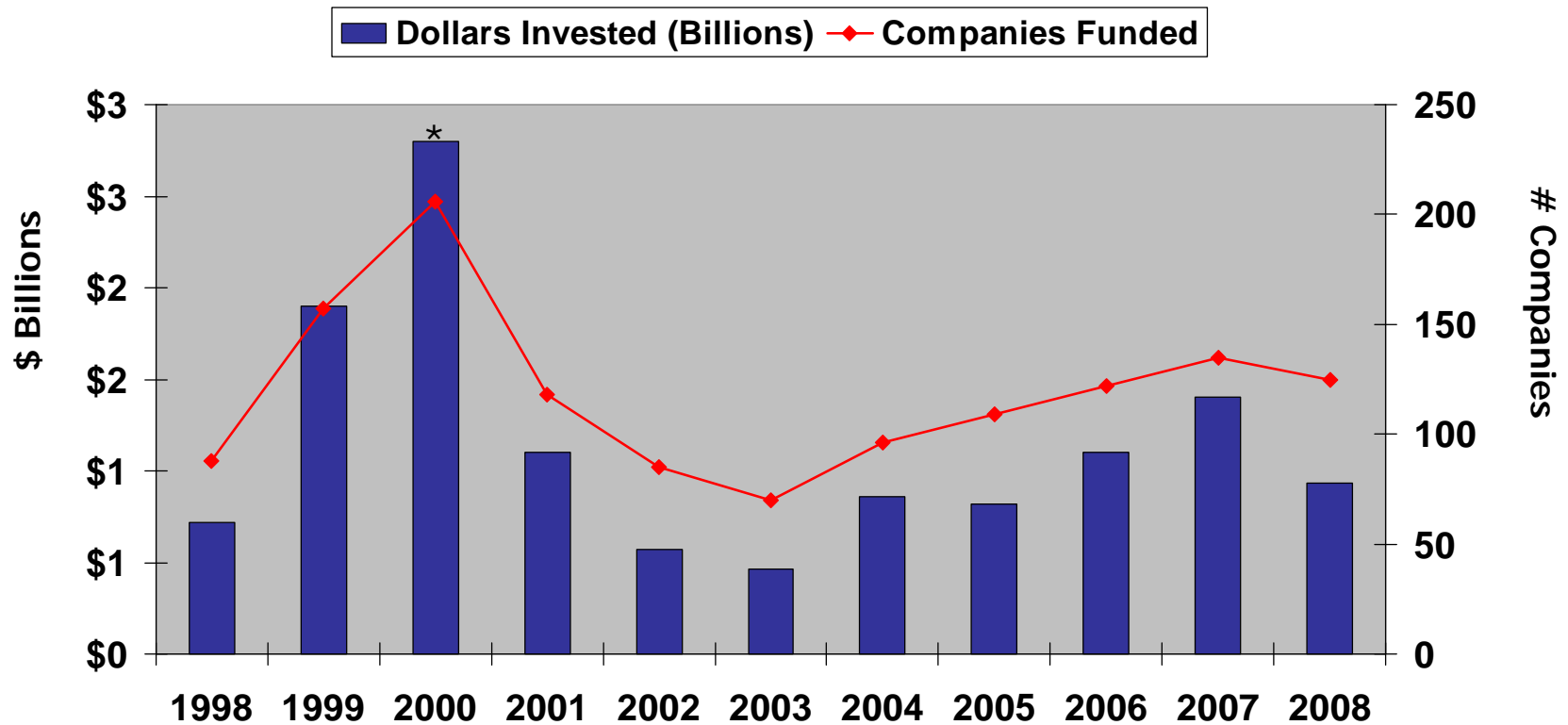
Venture Capital Investment In Billions  
2008 State Ranking

Rank	State	VC \$
1	California	\$14.1
2	Massachusetts	3.0
3	New York	1.3
4	Texas	1.3
5	Washington	.93
6	Colorado	.85
7	New Jersey	.70
8	Pennsylvania	.68
9	Minnesota	.50
10	Virginia	.49
11	Maryland	.48
12	Illinois	.46

# Venture-backed companies are a critical engine of economic growth for Washington.

- From 1970 – 2008 venture capitalists invested **\$14.7 billion** in **795 companies** in WA.
- Public companies headquartered in WA that were once venture-backed account for **219,954 jobs** and **\$79 billion in revenue**.\*
- WA ranks **#12 in jobs** and **#8 in revenues** at venture-backed companies headquartered in the state.\*
- One U.S. job was created for every **\$66,832** of venture capital dollars invested in the state of Washington.

# Annual average venture capital investment in Washington from 2003-2008 was \$920 million.



\* 2000 numbers reflect technology bubble

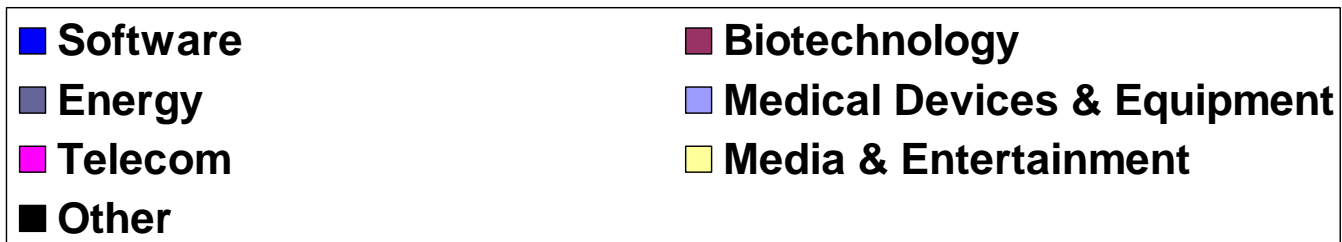
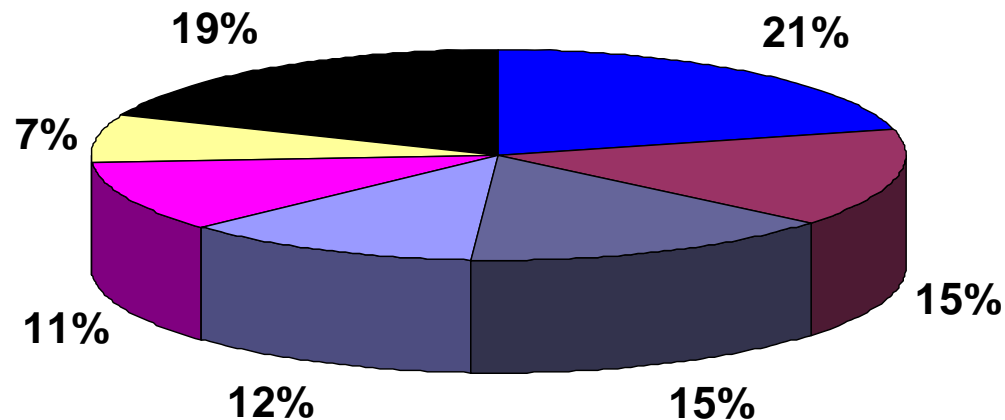
# Washington venture-backed companies receiving top funding in 2008 represent a broad range of industries.

Top venture-funded WA companies - 2008

<b>Infinia Corporation</b>	Develops and delivers Stirling engines and generators
<b>Light Sciences Oncology, Inc.</b>	Develops light infusion technology for the treatment of cancer
<b>Alder Biopharmaceuticals, Inc.</b>	Develops a yeast cell-based method for producing antibodies
<b>AltaRock Energy, Inc.</b>	Develops and commercializes geothermal technology
<b>Airbiquity, Inc.</b>	Provides wireless data communications software solutions
<b>Wetpaint.com, Inc.</b>	Offers online social publishing platform
<b>Impinj, Inc.</b>	Operates as a semiconductor company
<b>Pathway Medical Technologies, Inc.</b>	Develops medical devices intended for the treatment of arterial diseases
<b>Dexterra, Inc.</b>	Provides mobile application and mobile platform
<b>ReliOn, Inc.</b>	Develops and markets fuel cell technology
<b>Vetinsurance</b>	Operates as a pet insurance company

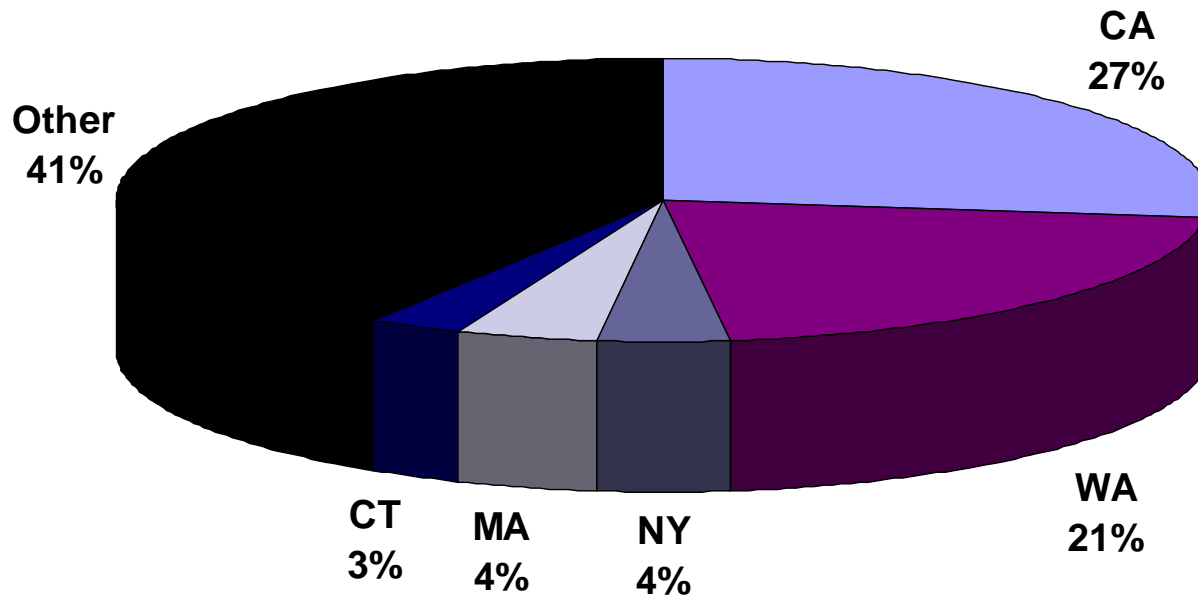
# The highest venture funded industries in Washington are software, biotech, and energy.

VC Investment in WA - Industry Breakout - 2008



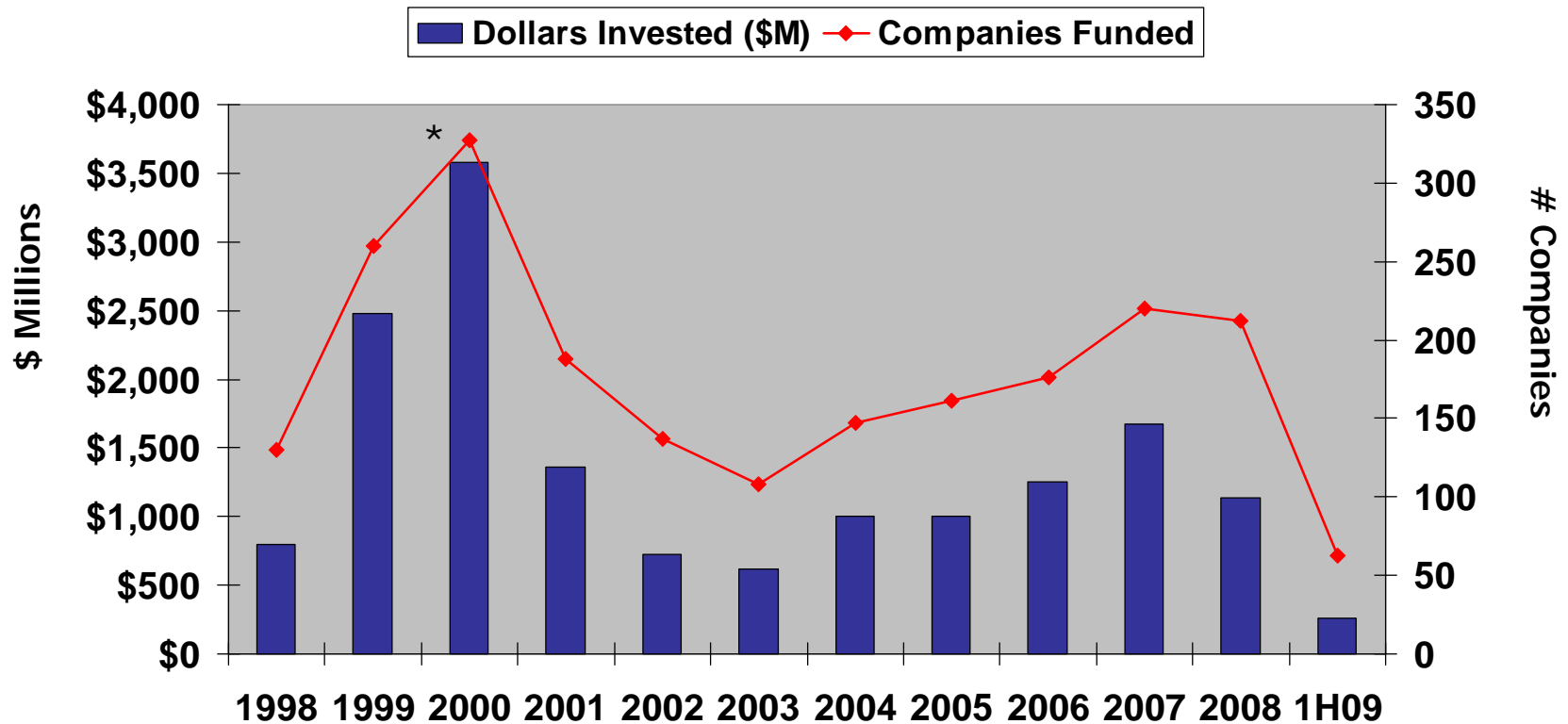
# 79% of venture capital investment into WA companies comes from out of state.

In 2008, venture capital dollars invested in WA companies came from venture firms headquartered in:



# Washington Dominates the Northwest Region (WA, OR, ID, MT, WY)

## In 2008: WA \$930M out of \$1.14B

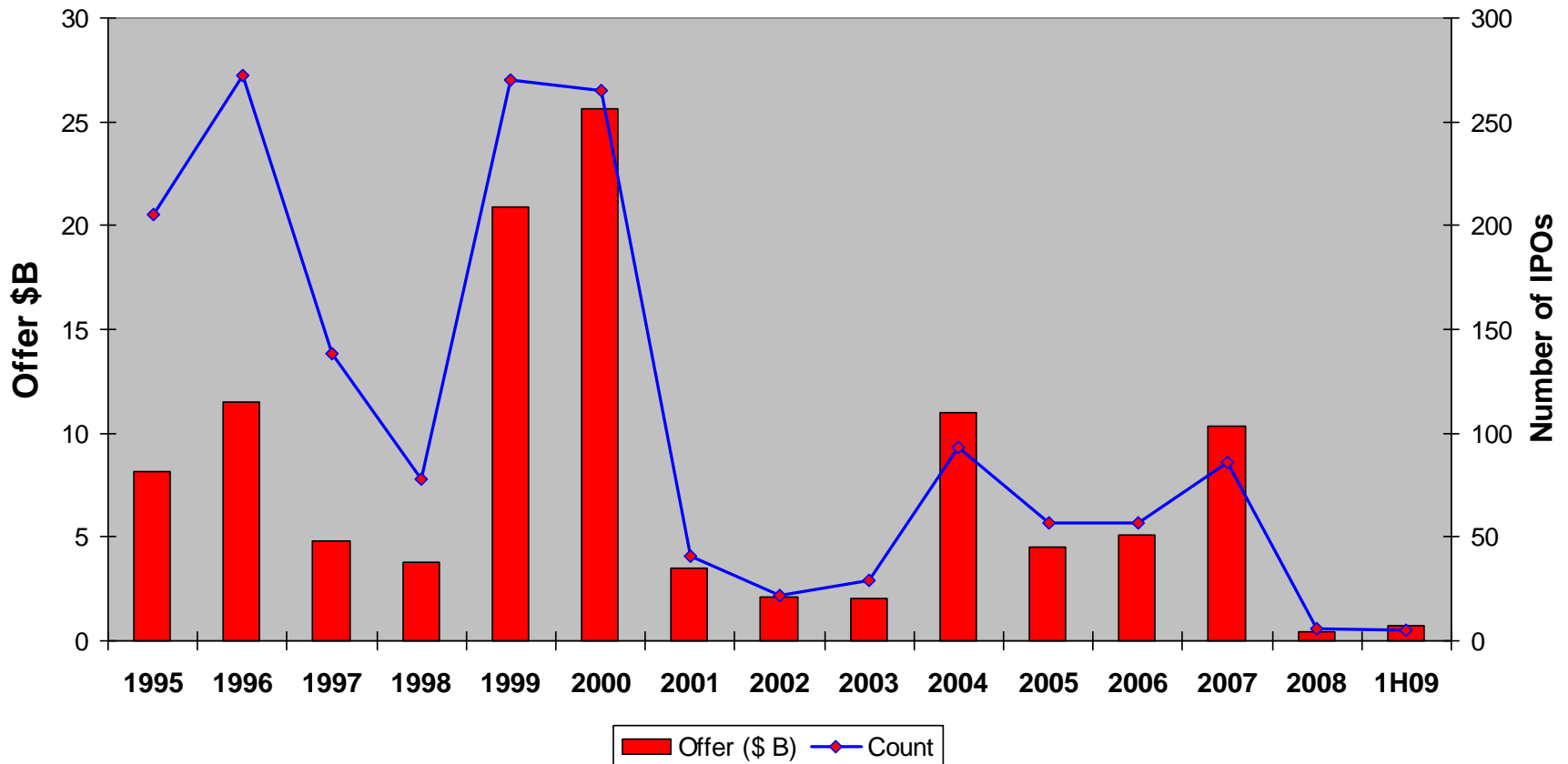


\* 2000 numbers reflect technology bubble



***The Exit Scene -  
the importance of acquisitions  
has become clear over the past  
several years***

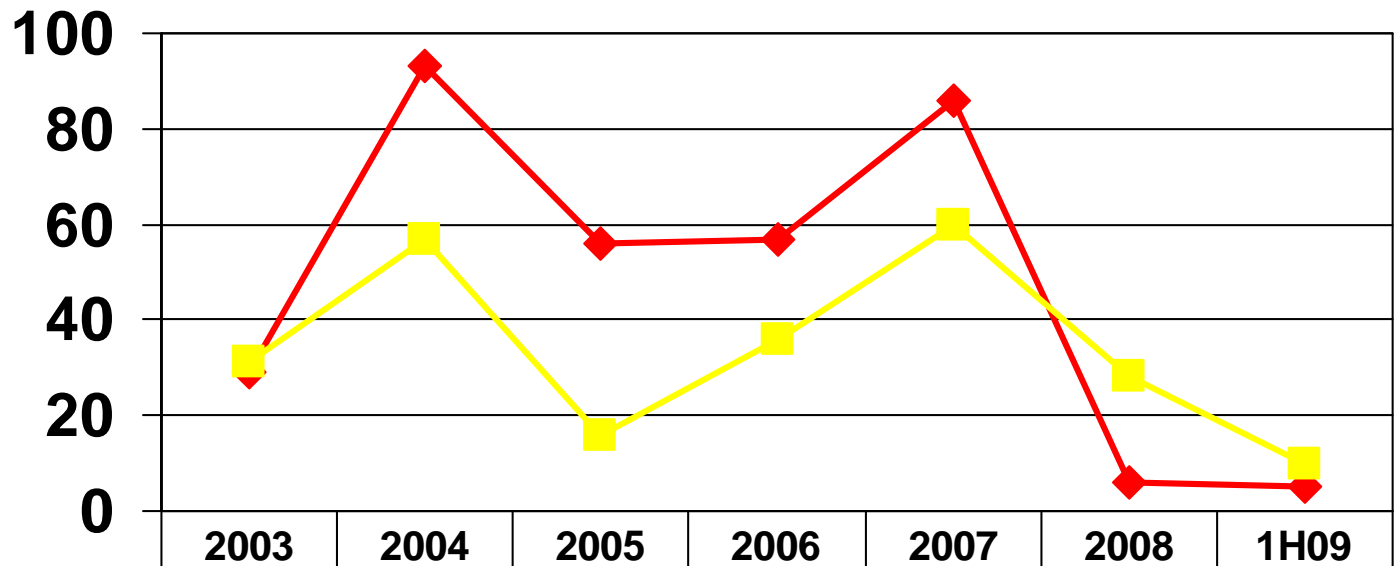
# *IPO Levels Were Good in 2004 and Okay in 2007; Awful Now*



*Source: Thomson Reuters/National Venture Capital Association*

# What's in the IPO Pipeline?

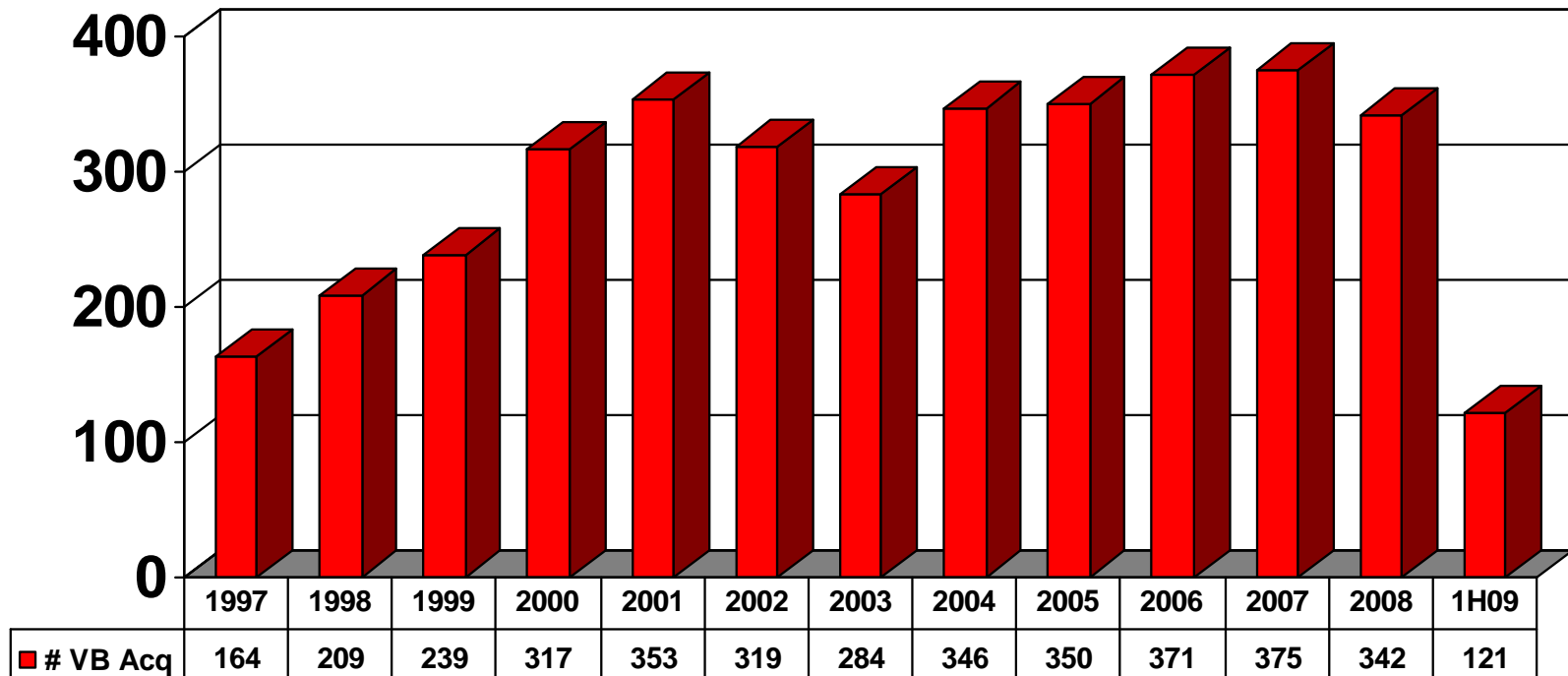
***IPOs During Period and Registration Counts at Period End; Did the 60 in Registration 12/31/2007 Evaporate?***



◆ IPOs Done	29	93	56	57	86	6	5
■ In Reg on last day	31	57	16	36	60	28	10

*Source: Thomson Reuters/National Venture Capital Association*

# ***VB Acquisition Counts Were Steady; Down Now – Quality Varies***



*Source: Thomson Reuters/National Venture Capital Association*

# Venture Capital Returns: Still Around 20% over the long haul net to the LPs

<i>Period Ending</i>	<i>1 Qtr</i>	<i>1 Year</i>	<i>10 Year</i>	<i>20 Year</i>
03/31/2009 (Current)	-2.9%	-17.5%	26.2%	22.5%
12/31/2008 (Last Qtr)	-12.5%	-16.5%	35.0%	22.3%
03/31/2008 (Year Earlier)	-1.8%	11.7%	32.8%	21.8%
<b>DJIA</b>	<b>-12.5%</b>	<b>-35.9%</b>	<b>-0.4%</b>	<b>8.8%</b>
<b>NASDAQ Composite</b>	<b>-3.1%</b>	<b>-32.9%</b>	<b>-4.7%</b>	<b>6.8%</b>
<b>S&amp;P 500</b>	<b>-11.0%</b>	<b>-38.1%</b>	<b>-3.0%</b>	<b>7.4%</b>

**Through Q1 2009**

*Source: Cambridge Associates U.S Venture Capital Index®, the performance benchmark of the National Venture Capital Association*



***Public Policy and  
The Venture Industry***

***Some Wins; Many Challenges ...***

# ***American competitiveness ...***

More people will graduate in the US [in 2006] with sports-exercise degrees than electrical engineering degrees.

So if we want to be the mass capital of the world, we're well on our way ...

*Jeffrey Immelt*

*CEO of GE in a*

*2006 Globalist interview*

# ***Key US VC building blocks ...***

- Capital formation
  - Prudent man rule – enabled pension investment
  - LP laws
  - Capital gains tax reduction
- Empowered entrepreneurs
  - Capital gains tax reductions
  - Stock options/team building tools
  - Reasonable bankruptcy laws
- Protect companies – IP laws
- Abundant customers willing to do business with SMEs
- Exit markets – the NASDAQ
- Face-to-face investing/proximity
- Cultural acceptance



*National Venture Capital Association*

***[www.nvca.org](http://www.nvca.org)***