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Latest WTIA Survey Shows Increased Optimism Among Washington State Venture Capitalists

Local investors expect upturn in portfolio company revenue and employment.

SEATTLE – April 20, 2009 – After several consecutive quarters of negative predictions, the Washington state venture capital (VC) community is more optimistic about the quarter ahead, according to the Q2 2009 Venture Capital Outlook Survey from the Washington Technology Industry Association (WTIA). In the latest WTIA survey, participants were notably more positive about revenue growth, new and follow-on investments and employment.

The survey queries top local VC firms about indicators for the coming quarter and covers topics such as deal quality, deal quantity, expected exits and various business metrics for their portfolio companies. Results are compared to previous quarters. Key highlights from the Q2 09 survey, which is sponsored by Ernst & Young, include:

- **Better revenue growth on the horizon:** Forty-four percent of participants predicted moderately better revenue growth for their portfolio companies in the coming quarter (up from 22 percent in Q1 09 and 13 percent in Q4 08). Additionally, the survey found a 27-percent decrease in the number of respondents predicting moderately worse growth versus Q1 09.
- **Outlook optimistic regarding new and follow-on investments:** Seventy-one percent of participants plan on making one or two new Washington state investments this quarter, up from 56 percent last quarter and only 50 percent in Q4 08. Expectations for follow-on investments are also slightly up, with 86 percent of respondents predicting one or two follow-on investments and 14 percent predicting three, four or five.
- **Layoffs expected to decrease sharply:** Fourteen percent of participants predicted a more than 10-percent workforce reduction among their portfolio companies, versus a significantly higher 44 percent in Q1 09.

Although the outlook for Q2 09 is noticeably more positive than past quarters, respondents still identified some areas that have yet to rebound:

- **Deal flow predictions show no significant change:** Predictions for better deal flow remain similar to Q1 09. However, predictions for lower deal flow show a steady decline.

- **Expectations for deal valuations still low:** Although the majority of respondents (71 percent) expect moderately or substantially lower deal valuations across all investment stages, predictions for Q2 09 were more optimistic than previous quarters.
- No IPOs are expected in Q2 09, and 14 percent of respondents predict at least one portfolio company acquisition (down from approximately 33 percent last quarter).

The summary and full results of the survey are available on the WTIA's Web site:

<http://www.washingtontechnology.org>.

About the Washington Technology Industry Association

The Washington Technology Industry Association, founded in 1984, is the largest statewide association of technology companies, IT departments and individual technology professionals in North America. With more than 1,000 member companies representing more than 100,000 employees in Washington State, the association is a catalyst for sharing expertise, fostering collaboration, delivering key business services and advancing the value and global impact of technology companies doing business in Washington. The association's global partners are Davis Wright Tremaine LLP, Microsoft, Regence BlueShield, Sun Microsystems, Vertafore and Wells Fargo Insurance Services. The association's funding partners are AH&T Insurance, F5 Networks, GrapeCity, Moss Adams and RealNetworks. For more information, go to www.washingtontechnology.org.

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Media Contact:

Katie James
Sterling Communications for WTIA
206-388-5758
kjames@sterlingpr.com