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Washington State Venture Capital Climate Showing Mixed Sentiments, Washington Technology Industry Association Survey Finds

*Investment climate trends show slight downward tilt;
revenue and hiring in portfolio companies expected to increase*

SEATTLE – (July 28, 2008) – Concern over the national economy continues to worry Washington state's venture capital community, according to the quarterly Venture Capital Outlook Survey conducted by the Washington Technology Industry Association.

The third-quarter forecast suggests a flat or a slight decline in both the quantity and quality of new deal investment flow, with deal valuations trending flat or moderately lower across all investment stages. However, several respondents indicated that the third quarter is traditionally a slow time for deal flow.

While the nation's uncertain economy and its effect on revenue growth of current portfolio companies remains ahead of attracting and retaining talent as the No. 1 near-term concern, the survey sounded some positive notes.

Nearly 60 percent of the venture capitalists responding predict revenue growth of their portfolio companies to be moderately better in the third quarter, up from 20 percent in Q2. In terms of new investing, 90 percent of respondents said they expect one to two new investments in the third quarter; 50 percent plan to make one to two follow-on investments; and more than 30 percent are planning three to five follow-on investments.

Responding venture capitalists also indicated that nearly one third of their planned investments will be seed-stage companies.

The survey queries more than a dozen of the state's venture capital firms about quarterly indicators and explores topics such as projected deal quality and quantity, portfolio company condition and expected exits in comparison to the preceding quarter.

Other highlights from the survey, which is sponsored by Ernst & Young and Perkins Coie, include:

- Venture capitalists are positive about portfolio-company hiring in Q3 with 57 percent predicting a 10 percent increase in workforce.
- Deal valuations in Q3 are expected to stay the same or trend moderately lower which is an improvement compared to the Q2 outlook when 80 percent of respondents predicted moderately lower middle and late state valuations.

- No Washington state IPOs are expected, and 29 percent of respondents project at least one acquisition from their current portfolio.

The full results, as well as a summary of the survey, are available on the association's Web site at 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, Blink Interactive, Inc., Comerica Bank, F5 Networks, GrapeCity and RealNetworks. For more information, go to www.washingtontechnology.org.

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