



Press Release

NASVF SURVEY RESULTS: 90% OF YOUNG ENTREPRENEURIAL COMPANIES CAN'T FIND FOLLOW-ON FUNDING

April 6, 2009 - Philadelphia, PA-- The National Association of Seed and Ventures Funds (NASVF), a national organization of public and private sector innovation capital providers, recently surveyed over 5,000 early and seed-stage venture funds and the service providers that support these organizations and found that the state of funding for entrepreneurial companies is dire.

The survey found that the vast majority of young innovative companies across the United States -- the emerging Microsofts, Ciscos, Apples and Genentechs of the 21st century -- cannot find the early and seed-stage financing needed to develop their products and services and bring them to market. Many venture capitalists that used to provide this critical phase of funding aren't making new, early-stage investments are also having difficulty raising capital

"We are very concerned that we could lose a generation of technology companies because venture funds can't raise additional capital," said Jim Jaffe, President/CEO of NASVF. "The results of the survey were very disturbing and show that Congress and the President need to act quickly before hundreds of millions of already invested dollars and high paying quality jobs are lost."

The results of the study show that entrepreneurial companies are suffering due to a severe lack of capital. This is happening because of venture capital constraints at the funding and startup company level. Specifically:

Venture Funding

- **90%** of the already-funded companies can't obtain follow on funds to get to the next level. Without this follow-on funding, they will die and a generation of great ideas will die along with them.
- **75%** of the money received by seed and early stage venture funds comes from private investors.
- **70%** of the money needed to fill this early stage investment gap is less than a million dollars per company.
- **60%** of early stage funds aren't making any new investments.

Entrepreneurial Companies

- **75%** of the companies investors are putting money into can't leverage that money into bank financing.
- **42%** of the companies investors are putting money into have been stripped of their lines of credit.

The results of the survey are alarming because promising new technologies may wither on the vine for lack of financing and many new, well-paying jobs that may never be created because these companies will fail without proper investment support. Nationwide, innovative new businesses have created between 60-to-80% of new jobs annually over the past decade, according to the Small Business Administration.

Seed Funding and Job Creation

In Pennsylvania, where NASVF is headquartered, statistics from the DCED* have demonstrated that there are significantly lower costs for jobs created in knowledge based industries compared to investments envisioned in stimulus funding. This is equally so in a study completed by CDVCA**.

	State of PA*	CDVCA **	Stimulus Funding
Funds Invested	\$ 90,000,000	\$26,000,000	\$787,000,000,000
Jobs Created	8,150	3,700	4,000,000.00
\$ Per Job Created	\$11,000	\$7,100	\$197,000

* Pennsylvania’s Department of Community and Economic Development ** Community Development Venture Capital Alliance - promotes using venture capital to create jobs, entrepreneurial capacity and wealth.

To help remedy this lack of funding for young entrepreneurial companies and to get knowledge-based job growth going again, NASVF is working with a national innovation intermediary, Innovation America, to create the National Innovation Seed Fund of Funds (NISF). “NISF will leverage the experience of the most successful early stage investors utilizing both private and public capital,” said Richard Bendis, president/founder of Innovation America. “This can provide the infrastructure, contacts and experience that will invigorate the foundation of the American Innovation Economy through seed and early-stage innovative entrepreneurial companies.”

Contact

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Information on the National Association of Seed and Venture funds - NASVF

The National Association of Seed and Venture Funds’ mission is to foster investment in seed and early stage companies to educate accredited investors on how to successfully invest in companies and encourage the creation of public and private venture funds. NASVF brings together professional investors, angels, state and regional economic development organizations and university technology transfer professionals to build their local economies.

Information on Innovation America -IA

Innovation America is a national, not-for-profit, private/public partnership that functions as an innovation intermediary to accelerate the growth of the innovation economy in America. IA partners with other Federal, State and Regional innovation organizations and associations and is a catalyst for increasing knowledge economy jobs and wealth creation in America.