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Despite A Fierce Funding Disadvantage, Some Promising News for Women-Led Companies

Growthink Research and re:invention, inc. "*Venture Funding For Women Entrepreneurs*" Report Reveals Sector Growth Disparities and Opportunities for Women-Led Firms

Chicago, IL – June 10, 2004 – Growthink Research of Los Angeles, California and Chicago-based re:invention, inc. today released a pioneering report, *Venture Funding for Women Entrepreneurs*. The report provides a detailed profile of women-led VC funded privately-held business enterprises. Analysis conducted by Growthink Research in partnership with re:invention, reveals the gaps between women-led and male-led venture capital funded business ventures. 84 women-led companies in the U.S. received \$783.8 million of venture capital. (4.5 percent of all funded firms, 4.2 percent of all venture capital dollars). More than 44 percent of the female CEOs worked in health care-oriented firms.

The 2004 Venture Funding for Women Entrepreneurs Report is based on a comprehensive analysis of 1,860 companies that raised over \$19 billion of venture capital in 2003. This 400 page study identifies and profiles 84 women-led funded ventures and over 670 funded companies with women executives – and draws points of comparison to male-led funded businesses. It is the first comprehensive report to explore the women-led business share of deals and dollars in 4 years -- the "*Women Entrepreneurs in the Equity Capital Markets: The New Frontier*" study conducted in 2000 by the National Foundation for Women Business Owners and sponsored by Wells Fargo estimated that women-owned firms represented 9% of investment deals and 2.3% of dollars.

"The disparity in funding between ventures led by males and females continues, but there are several areas of note in which women-led companies are performing better than others" announced study author Corey Lavinsky, CEO of Growthink Research, a leading venture capital research firm. "Leading the pack are women-led biotechnology and pharmaceutical companies which collectively raised \$289 million. Further, women-led companies in the fields of HR software, e-mail/messaging software, and imaging technologies all raised more than 10% of the total dollars invested in their particular fields."

This past March a Kauffman Foundation funded study found the venture capital industry was dominated by males and attributed the lack of women decision-makers and limited network connections to fueling the female entrepreneur funding gap. The Kauffman-funded research was based on data from the period of 1995 to 2000.

"Instead of bemoaning findings in this new report as yet another blow to women, we should be asking what can we do and where do we go from here?" suggests Kirsten Osolind, CEO of re:invention, inc., a marketing consulting company dedicated to women-led businesses and study sponsor. "We need to cultivate programs that help venture capitalists scale their business models and identify new high potential women entrepreneurs, as well as encourage, support, and promote visibility of women entrepreneurs in their attempts to stand out when raising startup capital."

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Key Findings in the Report

- More than \$19 billion of venture capital was invested in 1,860 private U.S. based companies by 1,750+ investors in 2003.
- Women headed 4.5 percent of all funded firms and received less than their fair share of capital (4.2 percent). This amounts to 84 women-led companies in the U.S., raising \$783.8 million.
- Only 217 investors provided venture capital to privately held women-led companies in 2003.
- 8 VC firms invested in 3 or more women-led firms (**we call these firms "butterfly herders" – they collect & direct for cash generation, then set the butterflies free**).
- Women-led companies in the healthcare sector dominated all women-led firms receiving funding (44%) and they received nearly 55% of funds. The biggest gaps between male-led and women-led firms are in Connectivity and Healthcare sectors.
- Women-led firms raised more than 10% of the total dollars invested in the following subsectors: Agricultural Biotechnology (17.5%), HR software (14.2%), imaging technologies (14.1%), and e-mail/messaging software (11.5%).
- More than one-third of the funding went to ventures in the Bay Area (the Bay Area also leads male-led company VC investments). The Bay Area and Boston accounted for over 59% of the funding for women-led ventures. The Northeast (New York, New Jersey, and Pennsylvania) was a distant third (7.4%).
- More than 45% of women-led funded companies employed other women in management positions. Over 1,150 VC funded companies headed by male CEOs did not employ any women executives.

Research Methodology and Data Verification

Previous venture capital funding reports have only offered top-line numbers about funding percentages for companies with female CEOs. The *Venture Funding for Women Entrepreneurs* report offers an unprecedented gender breakdown of executives at these firms. Growthink Research identified 1,860 private, U.S.-based ventures that received equity investments in 2003 through surveys of companies, surveys of venture capitalists and corporate investors, articles in newspapers, magazines, and trade publications, press releases, wire reports, and a network of regional contacts.

Companies were contacted by Growthink Research to verify collected information including the companies' funding amount, investors involved in the financing, funding round and date of funding. Growthink Research also sent surveys to over 2,000 investors to verify company portfolios and request the disclosure of other investments.

Sector Analysis

Thirty seven of the eighty four women-led companies (44%) were in the healthcare sector. Healthcare companies accounted for more than half (\$427.7 million) of the total funding raised by women. Twenty five companies (30%) in the Business Software & Services raised \$165.3 million, followed by twelve women-led companies (14%) in the Connectivity sector raising a total of \$130.1 million.

In comparison, 60% of all male led funded firms fell into the Connectivity and Business Software and Services sectors, with only 24% categorized as Healthcare firms. The biggest gap between male and women-led funded companies occurred within the Connectivity and Healthcare sectors.

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"The quantitative findings in this important report validate the experience we have had at Springboard since we launched in 2000. We've uncovered a tremendous talent pool of women entrepreneurs launching and growing venture backable businesses. Shining a spotlight, as this report does, on this untapped source of quality deal flow will only increase the fortunes of both the women-led firms and their wise investors." said Amy Millman, President of Springboard Enterprises.

The lack of funded women-led ventures may be attributed to the limited incidence of women-led high tech firms, the sector traditionally backed by venture capital. According to Washington, D.C.-based Center for Women's Business Research, the largest share of women-owned firms is in the service sector. Nearly half (45 percent) of these firms (4.9 million) are in services; 16.4 percent (1.8 million) are in retail trade; 8.9 percent (966,662) are in finance, insurance or real estate; and 6 percent are in construction (652,807). Another 12.5 percent (1.4 million) are in industries that are not classified. The Center for Women's Business Research also reports that few women CEOs are actively seeking equity investments.

Butterfly Herders and Butterflies

Eight VCs funded three or more women-led ventures in 2003 including: Advanced Technology Ventures, Anthem Capital, Lightspeed Venture Partners, Mobius Venture Capital, New Enterprise Associates, ProQuest Investments, Vanguard Ventures, and Versant Ventures.

"We call these firms "butterfly herders," said Osolind. "They collect and direct for cash generation, then set the butterflies free."

And the winged flight butterflies? Notably among the 84 funded women-led firms, thirteen companies received at least \$15 million – 10 of which fell in the healthcare sector:

Company	Chief Executives	Sector	Investment
Rib-X Pharmaceuticals (New Haven, CT)	Susan Froshauer, Ph.D.	Healthcare	\$63.5 million
SomaLogic (Boulder, CO)	Patricia K. Scheller	Healthcare	\$30.5 million
TissueLink Medical (Dover, NH)	M. Jacqueline Eastwood	Healthcare	\$30.0 million
Maranti Networks (San Jose, CA)	Debbie Miller	Connectivity	\$26.0 million
3ware (Sunnyvale, CA)	Faye Pairman	Connectivity	\$26.0 million
Percardia (Merrimack, NH)	Nancy M. Briefs	Healthcare	\$23.5 million
Ventaira (Columbus, OH)	Leslie J. Williams	Healthcare	\$22.0 million
Deploy Solutions (Westwood, MA)	Nicole M. Stata	Business Software	\$21.0 million
Affymax (Palo Alto, CA)	Arlene M. Morris	Healthcare	\$20.0 million
Acusphere (Watertown, MA)	Sherri C. Oberg	Healthcare	\$19.0 million
Applied Genetic Technologies (Alchua, FL)	Susan B. Washer	Healthcare	\$15.3 million
Biospect ¹ (South San Francisco, CA)	Deborah J. Neff	Healthcare	\$15.0 million
Prestwick Pharmaceuticals (Washington DC)	Kathleen Clarence-Smith, M.D., Ph.D.	Healthcare	\$15.0 million

¹ Biospect changed its name to Predicant Biosciences in May 2004.

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Detailed profiles of 671 companies with female executives (including the 84 women-led ventures) are available in the full 400 page report.

The full report is available on the Growththink Research's web site, www.growththinkresearch.com.

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About Growththink Research

Growththink Research is a full-service market research firm located in Los Angeles, California. Growththink Research publishes venture capital reports on a quarterly and annual basis that analyze financing trends for emerging companies. Growththink Research's reports are recognized as the most comprehensive source of venture funding news. Clients include venture capital firms, angel investors, investment banks, emerging ventures/entrepreneurs, established companies and related product and service providers. Growththink Research also performs client-specific market and competitive research projects. As an independent market research firm with a strong strategic orientation, we can often source information and primary competitive intelligence unavailable to direct market participants. To date, we have researched and assessed over 200 markets and micro-markets, and can conduct a wide range of market research projects to meet our clients' needs. Visit us on the Web at www.growththinkresearch.com or call us at (310) 823-8346.

About re:invention, inc.

re:invention, inc. is a Chicago-based marketing consulting company dedicated to women-led businesses. Company services include brand strategy, retail strategy, and all phases of marketing, promotion and public relations. re:invention clients are high potential women-led entrepreneurial businesses within consumer packaged goods, services, retail, and software industries. Clients are served via a nationwide network of multi-talented, results-driven senior-level women marketing entrepreneurs who "fit" a client's industry, company profile, goals and needs. re:invention proposes a new marketing consulting model based on women entrepreneurs helping women entrepreneurs succeed. re:invention's team of smart-minded women associates uniquely understand a client's highs and lows, personal challenges – and how to identify profitable opportunities. re:invention minimizes the time and money it takes for clients to track down experienced marketing advisors for their businesses. Visit re:invention on the Web at www.reinventioninc.com or call (312) 421-0311.

