



2007 Entrepreneurial Satisfaction Survey Report

COUNCIL FOR
ENTREPRENEURIAL
DEVELOPMENT

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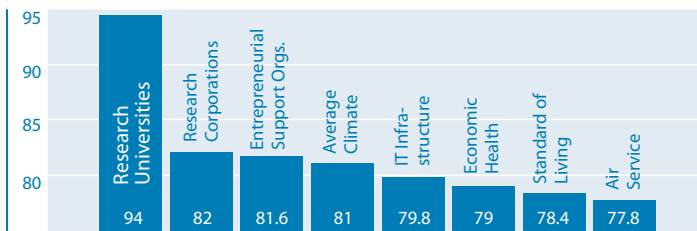
OVERVIEW

In early 2007, the Council for Entrepreneurial Development (CED) conducted its fifth Entrepreneurial Satisfaction Survey of Research Triangle entrepreneurs to gain insight into the critical factors in creating and growing an entrepreneurial business in the region. Respondents included founders and CEOs of innovation-based entrepreneurial companies who rated the relative importance of 28 factors and also rated how well the Triangle performs in each category.

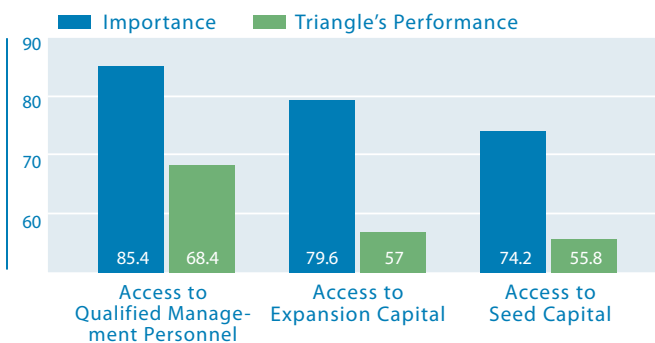
FOUR KEY THEMES EMERGED

- 1 People Matter Most.** The availability and retention of top technical, non-technical and management talent again registered as the most significant concern for high-growth entrepreneurs (which mirrors findings from the 2001, 2004 and 2006 CED surveys).
- 2 Research Universities Fuel Entrepreneurship.** The proximity of research universities ranked as the Triangle's greatest strength. The perceived importance of universities in growing an entrepreneurial company increased significantly, up from #22 in last year's survey to #7 in this year's survey.
- 3 New Sources of Seed Funding Prime Startups.** Access to alternative financing, such as grants and loans, continues to show increasing importance – up from #16 in 2004, to #7 in 2006, and now #5 in this year's survey.
- 4 Venture Capital Drives Growth.** The need for access to venture capital, both in seed and expansion stages, remains a high priority for respondents. While access to capital had declined in importance CED's 2001 and 2004 reports, financing sources regained importance in the 2006 report and remain a priority in the 2007 survey.

TRIANGLE'S TOP AREAS OF PERFORMANCE*



KEY AREAS FOR TRIANGLE IMPROVEMENT*



* Weighted Average Factor Score (with 100 being the highest)

RANKING OF KEY FACTORS

Key Factors	Importance in Growing an Entrepreneurial Company	How Well the Triangle Performs
Access to Qualified Technical and Non-Technical Workforce	1	10
Access to Qualified Management Personnel	2	20
Access to Expansion Capital	3	26
Overall Economic Health	4	6
Access to Alternative Financing	5	23
Overall Standard of Living	6	7
Proximity of Research Universities	7	1
Access to Seed Capital	8	27
Office Space Availability and Costs	9	21
Entrepreneurial Support Organizations	10	3
Available Air Service and Airport Facilities	11	8
Availability of IT Infrastructure	12	5
Availability of Qualified Service Professionals	13	9
Environmental Quality	14	15
Quality of K-12 Schools	15	19
Recreational Activities	16	11
Cultural Activities	17	16
Cost of Living	18	17
State and City Tax Rates	19	24
Crime Rate	20	14
Housing Costs	21	18
Average Climate (weather)	22	4
Nightlife (restaurants, bars, clubs, etc.)	23	22
Proximity of Research Corporations	24	2
Lab Space Availability and Cost	25	12
Pro Sports	26	25
Transportation Costs and Alternatives	27	28
Proximity of Community Colleges	28	13

RESPONDENT PROFILE AND SURVEY METHODOLOGY

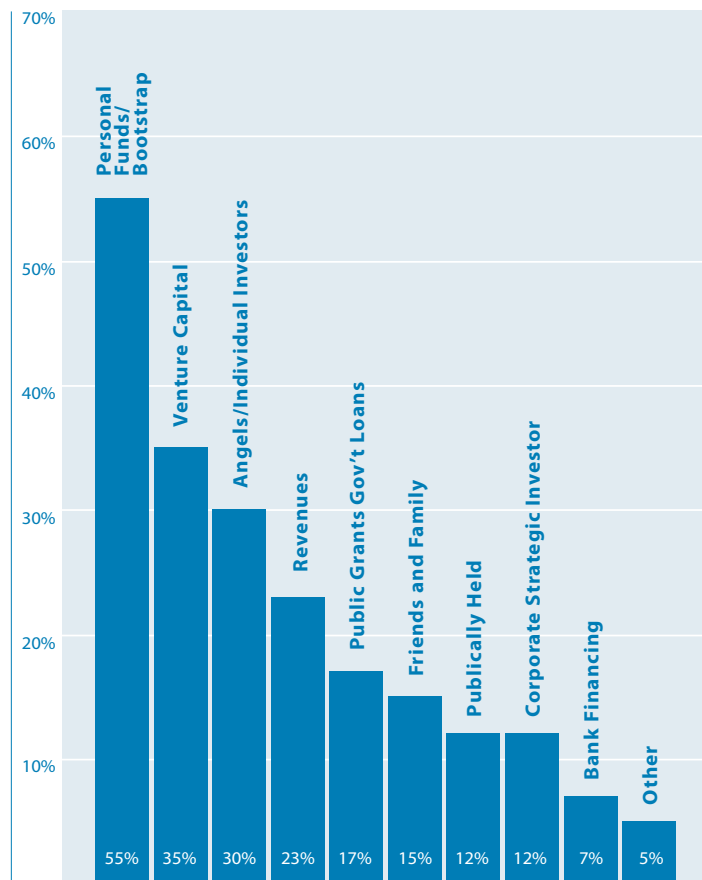
CED distributed the survey via email to Triangle area high-growth entrepreneurs across a wide range of growth industries. The survey included a menu of factors to numerically rank (with 1 being the least important and 5 being the most important), as well as an opportunity for respondents to add comments.

Also noteworthy, over 60 percent of survey respondents have either started or held senior positions for at least two entrepreneurial companies. Approximately 40 percent of respondents identified their current company in the startup/seed stage, while close to 60 percent said their company was in a growth/expansion stage.

FUNDING START-UP AND EXPANSION IN THE TRIANGLE

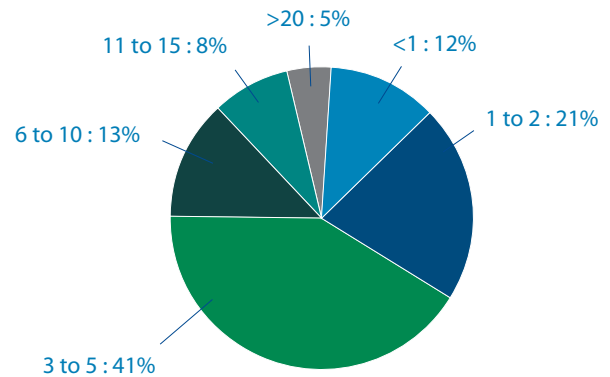
Companies relied more on angel and venture capital this year with 49% of the respondents reporting one or both of these equity sources vs. 43% last year, as well as on personal funds and bootstrapping. Public grants and "friends and family" funded a smaller percentage of companies, with other categories remaining static.

SOURCES OF FUNDING*

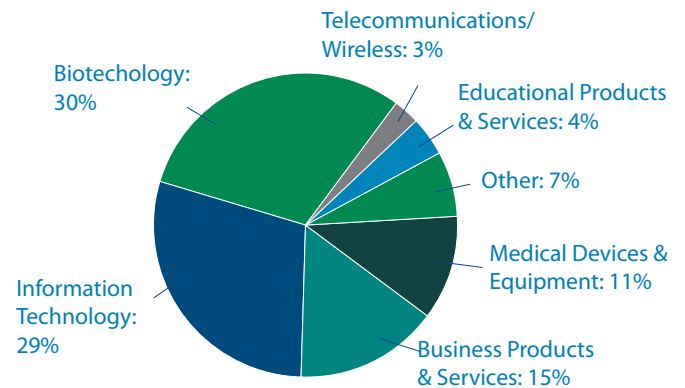


* Multiple sources of funding selected in many cases.

RESPONDENTS' NUMBER OF YEARS IN BUSINESS



RESPONDENTS' INDUSTRY



COMMENTS FROM SURVEY RESPONDENTS

"The Triangle has a lot of business opportunities, a great support infrastructure and it's a great place to live."

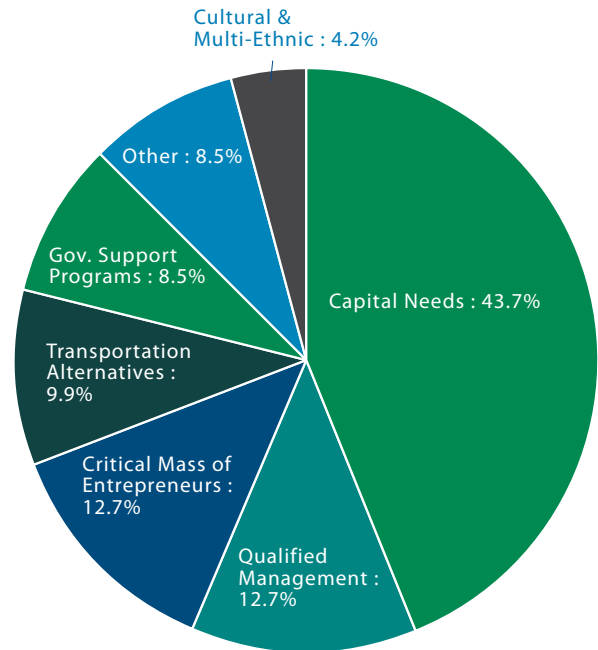
"RTP lacks pools of capital that look to grow companies versus exit the investment."

"I am attracted to North Carolina's climate, schools and quality of life for a family. From a business perspective, the access to low cost lab space and qualified bachelors/masters level scientists is also attractive."

ADDITIONAL FINDINGS

- Access to capital in the Research Triangle continues to be of considerable concern to area entrepreneurs. When asked to identify one thing the Triangle lacks, almost **44% of respondents cited capital**, up from 34% in 2006 and 28% in 2004. Of those, the majority emphasized the need for seed and expansion capital, a larger critical mass of sophisticated investors and angel investors, and access to non-dilutive funding sources.
- Survey respondents ranked **access to alternative funding sources** (such as grants and loans) #5 in importance in this year's survey, up from #7 in 2004. The Triangle's year-over-year performance declined in this category, falling from #18 in 2004 to #23 this year. Overall trends in the survey emphasize the growing need for a wide range of capital sources to stimulate new and existing company growth.
- While financial capital is a high priority for entrepreneurs, human capital remains the single-most important factor when starting or growing a company. In particular, respondents ranked the availability of experienced management and **availability of qualified technical and non-technical employees** as the two most critical success factors. These findings mirror the results of the 2004 and 2006 studies.
- This year respondents ranked proximity to research universities #7 in importance, rising from #22 last year, highlighting the importance of these institutions to the entrepreneurial process. Strong increases in university funding from the state budget and/or capital campaigns, the recent UNC system-wide emphasis on entrepreneurship and two new entrepreneurship centers at Duke University will continue to position the region as a formidable player in the national and global innovation race.
- **Overall economic health remains a key factor** in growing an entrepreneurial company. In the past three surveys, respondents have cited "overall economic health" as one of the top five most important factors in growing an entrepreneurial company.
- In addition to available capital resources, approximately **13% of respondents mentioned a larger critical mass of experienced entrepreneurs** as the one thing the Triangle lacks. A similar percentage of respondents also mentioned a scarcity of qualified management talent to take companies to the next level.
- **Recreational/cultural activities and climate ranked lower** on entrepreneurs' priority list this year, when compared to the 2006 study. Survey respondents ranked recreational activities and weather #16 and #22 in importance, respectively, down from #11 and #12 in the 2006 report. A focus on core business factors (such as human capital, financial capital and overall economic health) may explain the drop in quality of life concerns.
- **Office space availability and costs** increased in relative importance this year, up from #17 in 2006 to #9 in 2007. However, the Research Triangle's performance in this category shows room for improvement, decreasing from #8 in 2006 to #21 in 2007.
- Despite the many obstacles described in the survey, numerous respondents expressed appreciation for living and working in the Triangle. Some respondents noted the region's **overall quality of life and collaborative culture** as key strengths, while others praised the region's access to research facilities and SBIR matching grants.

"ONE THING THE TRIANGLE LACKS"



Numbers represent the percent of total respondents

"We decided to start our company in the Research Triangle because of access to research facilities, collaborators, and matching grants the region provides, as well as the overall quality of life in the Triangle."

"The Research Triangle has offered proximity to experts in my field at area universities, as well as support from experienced entrepreneurs."

"The region should continue supporting an influx of capital from every region of the country."

CED: IGNITING ENTREPRENEURIAL SUCCESS THROUGH KNOW-HOW AND NETWORKS

CED thanks the entrepreneurs, founders and CEOs who completed this year's Entrepreneurial Satisfaction Survey. The results provide clear direction as CED works to ensure that the region's environment, resources and culture support a vibrant entrepreneurial sector. To help North Carolina become the country's leading entrepreneurial state, CED will build on recent organizational highlights, regional accolades and company milestones – many of which are outlined below.

Recent CED Accomplishments

- Implemented digital technology and new media (such as wikis, blogs and podcasting) to provide “24/7” access to CED
- Hosted Biotech 2006 conference in Winston-Salem with more than 800 attendees
- Partnered with the Kauffman Foundation to develop curriculum and prepare FastTrac Tech for national distribution
- Expanded CED headquarters to new location in Research Triangle with additional meeting space and resources for entrepreneurs
- Partnered with North Carolina Public Radio – WUNC to offer special “MemberCard” to CED members with dining discounts across the state
- Hosted “Angel Investor Retreat” during Venture 2006 and Opportunity 2006, offering networking and educational opportunities for angel investors across the Southeast
- Established strategic alliance with the Contemporary Science Center to build a strong entrepreneurial culture in North Carolina
- Expanded presence in greater Wilmington region by opening downtown Wilmington office, hiring full-time Coastal director and celebrating one-year anniversary of CED-Coastal
- Presented Opportunity 2006 conference, which attracted a record number of entrepreneurs and angel investors to Wilmington
- Worked with coalition of government and nonprofit partners to extend North Carolina's SBIR/STTR Phase I Incentive and Matching Funds Program
- Joined NC Rural Center and 20 other partners to publish a “Guide to Building Entrepreneurial Networks” for rural and minority entrepreneurs in low-wealth areas of North Carolina
- Partnered with NC State College of Management brings its part-time MBA program to CED's newly expanded Entrepreneurship Center
- Celebrated 20th anniversary of Monica Doss as CED's president

ABOUT CED

The Council for Entrepreneurial Development (CED) is a private, non-profit organization formed in 1984 to identify, enable and promote high growth, high impact entrepreneurial companies and to accelerate the entrepreneurial culture of the Research Triangle and North Carolina. With more than 4,000 active members representing over 1,100 companies, CED is the largest entrepreneurial support organization in the nation. Headquartered in the Research Triangle with an office in Wilmington, CED achieves its mission by mobilizing a supportive network and providing programs and services in four major areas: education, capital formation, mentoring and communications. Visit www.cednc.org for more information.



Regional Rankings and Accolades

- #1 Best U.S. City (Raleigh-Cary) for Jobs – Forbes, February 15, 2007
- #1 Metro (Raleigh-Cary) for Women Entrepreneurs – Allbusiness.com Inc., November 29, 2006
- # 1 High Tech Region (Raleigh-Durham) – “Daring To Compete: A Region-to-Region Reality Check,” Silicon Valley Leadership Group, September 2006
- #4 Best Places to Live (Raleigh) – Money, July 17, 2006
- # 2 Best Place (Raleigh) for Business & Careers – Forbes, May 4, 2006
- # 1 City (Greater Raleigh-Durham) for Biotechnology – “The Greater Philadelphia Life Sciences Cluster,” Milken Institute, June 2005
- Top National University Schools in America (Duke, # 5; UNC-Chapel Hill, # 29; NC State, # 86) – America's Best Colleges, U.S. News & World Report, 2005

“The region needs to stimulate new companies, but also nurture those that are growing. High-growth companies that lead to visible successes will benefit the region and stimulate future investment.”