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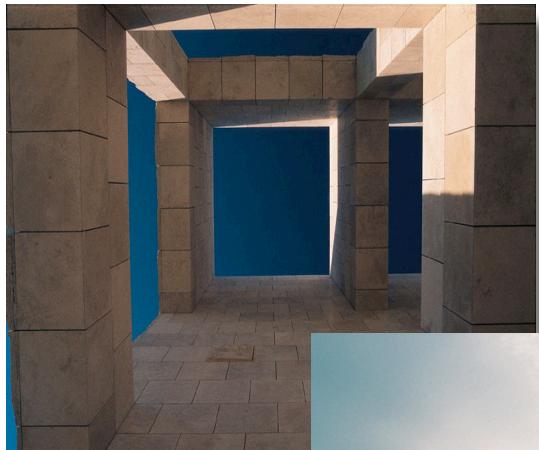
Investing in Louisiana: Venture Capital Activity 1995-2004

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Investing in Louisiana: Venture Capital Activity 1995 - 2004



State

Comparisons

California
Massachusetts
Texas
Georgia
South Carolina
Alabama
Oklahoma
Mississippi

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Investing in Louisiana: Venture Capital Activity 1995-2004

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Executive Summary

Introduction

As a powerful engine of economic development and high-quality job growth, venture capital (VC) is a critical component of the U.S. economy. It plays a crucial role in financing smaller, early-stage companies that do not have the assets and operating histories typically required to secure capital from public markets and banks. Venture capitalists seek out innovation and new technology that is in an early stage, but shows great promise for fast near term growth and return on investment. A region's ability to attract VC investment depends first on these elements of innovation, new technology and entrepreneurship. The importance of VC in today's innovation-based global economy is growing rapidly.

This study is a comprehensive analysis of VC activity in Louisiana during the last decade: 1995-2004. The data were obtained directly from the MoneyTree™ Survey of PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association. The Survey measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. and Puerto Rico. We examined investments in Louisiana businesses from both in-state and out-of-state venture capitalists and compared them to VC investments in eight selected states: California, Massachusetts, Texas, Georgia, South Carolina, Alabama, Oklahoma and Mississippi. These states were chosen either due to their economic importance or their historical, cultural, and economic similarities to Louisiana.

Louisiana's policy initiatives related to venture capital date back to 1983 when the state started the "Louisiana Capital Company's tax credit program" (the "CAPCO" program), which has achieved only limited success. More recently, in 2003, the state approved \$10.75 million to initiate the development of two VC funds focused on Louisiana-based early stage companies. And in July 2005, the Louisiana legislature passed the Angel Investment Tax Credit bill to create an investment incentive by allowing tax credits during the early stages of investment in start-up businesses. These recent initiatives are at the early stage and have not had time to develop. Consequently, their impacts, if any, on VC activity are not well known to date.. The data and trends in this report have not been substantially impacted by these more recent initiatives, but they can be expected to play a role in future activity.

Research Results

1. National Overview

Investment amount and investment per capita

Over the ten-year period from 1995 to 2004, an aggregate of \$315 billion was invested by venture capitalists in the U.S. California businesses received the most, \$132 billion, or 42% of the total VC funds invested. Massachusetts was a distant second, with \$33 billion, or 10% of the total funds invested. Texas and New York, with very large populations, were third and fourth, respectively, with just under \$18 billion each or almost 6% of the total funds invested. During the same period, \$618 million of venture capital was invested in Louisiana businesses,

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accounting for merely 0.2% of the total investment in the U.S. Louisiana ranked No. 29 nationwide in the total amount invested, trailing such southern states as Georgia, Tennessee, South Carolina, and Alabama, but ahead of Oklahoma, Mississippi and Arkansas.

When the data are normalized by population, Massachusetts moves to No. 1 with \$5,127 of VC investment per capita (per one million persons), followed by California and Colorado, with \$3,678 and \$2,379 per capita, respectively. The national average of VC investment per capita was \$638. Louisiana ranked No. 36, with \$137 of VC investment per capita. The state dropped seven slots from its total investment ranking of 29th and had investment per capita that was only 21% of the national average. That figure was significantly lower than other southern states such as Georgia and South Carolina, but comparable to Alabama and Mississippi.

In general, the data illustrate a considerable concentration of investment activity in terms of total investment dollars. One state, California, accounts for 42% of the national total, and the two top states, California and Massachusetts, account for over half (52%) of the total VC investment in the nation. The top ten states account for 81% of the national total, while 36 other states or territories account for less than one percent each. Massachusetts and California had, respectively, more than eight times and five times the national average of investment per capita. Eighteen states had per capita investment higher than the national average, while 34 states or territories were below the national average.

Number of deals and deals per capita

Over the ten-year period from 1995 to 2004, a total of 37,320 VC investments were made in businesses in the U.S. California, the most populous state, owned the highest number of deals, 13,990, or 37% of the total deals nationwide. Massachusetts was a distant second, with 4,074, or 11% of the total deals occurred. Texas and New York, with very large populations as well, were third and fourth, respectively, with just over 2,000 deals each or almost 6% of the national total. In contrast, during the same period, Louisiana had 81 VC deals, accounting for less than one quarter of one percent of the nationwide total. That level of activity ranked Louisiana 31st in the nation, well behind such southern states as Georgia, North Carolina, and Tennessee and Alabama, but ahead of Oklahoma, Mississippi and Arkansas.

Massachusetts had the highest number of venture capital deals (635) per one million population, followed by California (390) and Colorado (234). The national average was 81 deals per one million population. Louisiana ranked No. 39 with 18 deals per one million population over the ten-year period, which was comparable to South Carolina, Alabama, and Oklahoma, but significantly lower than Georgia and North Carolina.

Investment in tech related businesses

Nationwide there was \$285 billion invested by VCs in tech companies from 1995 to 2004, which represents over 90% of the total VC investment during that period. In other words, most of the VC money nationwide is going into tech related companies. Some of the smaller states with low-levels of activity overall have some of the highest concentrations of VC investment in technology (North Dakota, Mississippi, Hawaii, Alaska and Idaho). Even in states like California and Massachusetts where the total investments are very high, they still managed to funnel 94~95% percent of their VC investment into the tech sector. Fifteen states had a tech concentration higher than the national average of 90.55%, but 35 states had concentrations in

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technology of greater than 80%. Only five states (New Mexico, Louisiana, Nebraska, Vermont, and Wyoming) had VC investment in technology that was less than half of the state total.

2. Louisiana Overview

Investment by year

During the period of 1995-2004, a total of \$618 million was invested in Louisiana businesses through 81 deals - an average deal value of \$8 million. The investment level varied greatly from year to year in terms of both dollar amount and number of deals. VC investment in Louisiana reached its peak in the late 1990's and 2000 but declined dramatically after the tech bubble burst in 2000. Year 1999 saw the highest VC investment amount in Louisiana, \$294 million through ten deals. VC investment funds have declined substantially since 2000 in Louisiana and nationwide. The national figures fell from a peak of \$105 billion down to just \$21 billion-an 80% decline. But the Louisiana figures have dwindled to almost nothing. The total for 2004 was three deals worth \$3 million only-a 99% decline from its peak of \$294 million.

Disaggregating that data illustrates that the abnormally high investment amount in Louisiana in 1999 was due to a single \$200 million deal which accounted for nearly one-third of total VC investment in Louisiana during the ten-year study period. If this outlier deal is excluded, the average deal value falls from \$8 million to \$5 million. Also, excluding the outlier, 1999 still has the highest investment level (\$94 million), but the difference is much less dramatic compared with the rest of the years, and the trend more closely tracks the national figures.

There were a total of 42 Louisiana businesses that received VC investment during 1995-2004, only four businesses per year. The amount of investment received by the top three companies, each related to oil and gas, accounted for over 55% of the total investments in Louisiana.

Investment by geographic location

Geographically, VC investment was unbalanced in Louisiana. During the study period, only 13 out of 64 parishes (20%) in Louisiana received VC investments. All but two of these 13 parishes are located in South Louisiana. The region along I-10 and to the south accounted for 99% of the total VC activity in the state. In Northern Louisiana, only Caddo parish had VC investment-\$3.5 million through two deals. In Central Louisiana, only Rapides parish received VC investment-\$1 million through two deals.

Investment by industry

In Louisiana, the Industrial/Energy sector dominated venture capital financing. Fifty percent of all VC investment in the state went to that sector, representing \$311 million through 19 deals. That includes the \$200 million outlier deal, but even without this deal the Industrial/Energy sector still obtained the largest amount of VC funds (\$111 million). In only one other comparison state (Oklahoma) was investment in the Industrial/Energy sector greater than 9%. Telecom and Software sectors ranked No. 2 and No. 3, with \$90 million and \$70 million of investment, respectively. These three sectors accounted for over 75% of the venture capital activity in Louisiana during the study period. Notably, the Biotechnology sector, one of the fastest growing

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sectors and a major attractor of VC investment across the country, was essentially left out, receiving only \$700,000 through one VC deal.

Investment in tech related businesses

Over the last ten years, Louisiana had \$237 million of venture capital invested in tech related businesses, only 38% of total VC investment in the state. That percentage was 49th in the nation. Among all comparison states, only Oklahoma (63%) had a tech-related share of total investment that was less than 83%. In Mississippi, 99% of the venture capital was invested in tech related businesses, while the bellwether states of Massachusetts and California both had more than 90% of the venture capital invested in tech related business. Measured by number of deals, 53% of the venture capital deals in Louisiana were in tech related businesses, also one of the lowest rates in the nation.

Investment by stage of the investee company

VC investment in expansion stage businesses accounted for \$531 million through 55 deals, or 83% of the total VC investment in Louisiana—highest among the comparison states. Startup/seed stage businesses received the smallest share of funds, about \$5 million through two deals—less than one percent of the total investment over the study period. Louisiana investment in startup/seed and early stage companies was the lowest among the comparison states.

Conclusions

Louisiana, like most states, has not been a major player in venture capital activity. The national figures are determined primarily by activity in California, Massachusetts, and a few other large or highly active states. Regardless of how we measure it, venture capital activity in the U.S. during 1995-2004 was highly concentrated in a few states and tech related sectors.

Louisiana had very little VC investment from 1995 to 2004 and the activity was concentrated in the southern part of the state in the oil and gas industry. Neither the dollar amount invested nor the number of deals was likely large enough to have a significant impact on the state economy. Louisiana was atypical among the comparison states in its industry investment pattern and the stage of development of the companies receiving VC funds. VC invested in Louisiana was dominated by traditional non-tech related industrial sectors and the share of total investment in later stage ventures was considerably higher than comparison states. Consequently, more capital needs to be directed to businesses with rich technology content for the state to transition to the new economy; investment in seed and early stage ventures needs to increase to allow the creation and survival of new hi-tech businesses.

The emphasis placed by the state on investments in higher education, research and development, and tech-transfer which began in earnest during the late 1990's may eventually begin to impact the venture capital activity in Louisiana. Since VC funds tend to follow innovation, new technology, and entrepreneurial activity, and since investments in these types of activity by the state of Louisiana have been growing, then one can expect that those investments, if continued, will begin to produce opportunities for venture capitalists to invest in the state.

1 Introduction

1.1 Overview

Venture capital (VC) is one of the most powerful growth engines of the U.S. economy. Over the period 1970-2000, venture capital backed companies had approximately twice the sales, paid almost three times the federal taxes, generated almost twice the exports, and invested almost three times as much in R&D as the average non-venture capital-backed public company, per each \$1,000 of assets.¹ Venture-capital-funded companies employed more than 10 million American workers and generated \$1.8 trillion in sales in 2003. This corresponds to 9.4 percent of total U.S. private sector employment and 9.6 percent of company sales.² The importance of venture capital in the innovation-based global economy is growing rapidly.

This study is a comprehensive analysis of venture capital activity in Louisiana during the last decade: 1995-2004. We examined investments in Louisiana businesses from both Louisiana-based and out-of-state venture capitalists during this period and compared them to venture capital invested in eight selected states: California, Massachusetts, Texas, Georgia, South Carolina, Alabama, Oklahoma and Mississippi. These states were chosen either due to their economic importance or their historical, cultural, and economic similarities to Louisiana.

1.2 The fundamental role of venture capital

Access to various types and levels of financing is a central element of a dynamic, growing economy. Venture capital plays a fundamental role in this process by meeting the financing needs of generally smaller, early-stage companies that do not have the assets and long operating histories typically required to secure capital from public markets and banks. Venture capitalists tend to be more active financiers becoming involved in management and strategic decisions of the companies in which they invest. Their involvement takes place at a formative stage for companies, and as such they help shape the business or product and position it for long-term success. This type of partnership between young, innovative companies and hands-on, short-term investors is essential to the continual evolution and progress of modern economies. For a local or regional economy, lack of access to venture capital can be a significant impediment to entrepreneurial activity, innovation and growth.

It is important to keep in mind that while venture capital can be an important driver of growth and development, it is not the first stage. Venture capital follows or seeks out innovation, new technology, entrepreneurial activity that is in an early stage, but shows great promise for rapid near term growth and return on investment. A region's ability to attract venture capital and generate venture capital investment depends first on these elements of innovation, technology and entrepreneurship.

¹ DRI-WEFA study commissioned by the National Venture Capital Association. http://www.nvca.org/nvca06_25_02.html

² Venture Impact 2004: Venture Capital Benefits to the U.S. Economy, Global Insight, Inc., commissioned by the National Venture Capital Association (NVCA).

The typical venture capital firm is a private partnership or closely held corporation funded by some combination of wealthy individuals, investment banks, pension funds, endowment funds, foundations or corporations. The VC fund usually takes a percentage ownership in a company in exchange for the capital provided. Because of the uncertainty of these types of investment, the risks and rewards to venture capital firms can be extreme. Many of today's most prominent companies, including Microsoft, Intel, Federal Express, Medtronic, Genetech, The Home Depot, eBay, and JetBlue, were originally financed by venture capital.

1.3 Louisiana state initiatives in venture capital investing

Today there is increasing interest in the state of Louisiana as well as the rest of the nation in understanding and promoting venture capital investment. Louisiana's policy initiatives regarding venture capital began back in the early 1980's with the CAPCO program and have developed more recently into the establishment of three early-stage venture capital funds focused on Louisiana-based investments.

Recognizing the lack of venture capital access by Louisiana businesses, the state created the "Louisiana Capital Company's tax credit program" (the "CAPCO" program) in 1983 and amended it several times since then to encourage the development of a venture capital pool via the use of insurance premium tax credits and personal and corporate income tax credits. The state bears a cost--the loss of state tax revenues--but hopes to incur long-term benefits in terms of jobs and income that leads to additional state tax collections in the future.

Postlethwaite & Netterville conducted an economic analysis of the CAPCO program from 1988 to 1998.³ Their study found that the CAPCO program had encouraged and facilitated the development of private venture capital management firms in Louisiana. Dollars available for investment and likely to be invested in Louisiana businesses were greater than would have existed without the program. However, the study also showed that the program had been expensive and inefficient to the state. The state had granted or been obligated to provide \$610 million in tax credits during the period of 1988 through 2009. From 1988 to 1998, the CAPCO program raised \$517 million of certified capital, but made just over \$149 million in qualified Louisiana investments. The study concluded that the CAPCO program, in its current form, did not provide adequate features or incentives to encourage investments that offer the greatest potential economic benefit to the State. The state subsequently began the process of revising various aspects of the CAPCO program to enhance its economic development effect.

In addition to the CAPCO program, the Louisiana Economic Development Corporation (LEDC) rolled out a series of additional incentive programs to attract venture capitalists to invest in Louisiana businesses. The following list provides an overview of these programs:

- Venture Capital Match Program - provides for a match investment for qualified Louisiana venture capital funds. The fund must have at least \$5 million of private investment. LEDC may match funds at one dollar for each two dollars of private capital up to an LEDC maximum of \$5 million.

³ CAPCO Study prepared for Louisiana Department of Economic Development, Postlethwaite & Netterville.

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- Minority Venture Capital Match Program - provides for a match investment for qualified minority venture capital funds. The fund must have at least \$250,000 of private investment for which LEDC may invest one dollar for every two dollars of private capital up to a \$5 million match.
- Venture Capital Co-Investment Program - provides for a co-investment in a Louisiana business of up to 1/4 of the round of investment, but not more than \$500,000, with any qualified venture capital fund with at least \$7.5 million in private capital. The venture capital fund may be from outside of Louisiana.
- Louisiana Seed Capital Program - provides matching or co-investment funds, which with other capital provided by a Louisiana-based fund, will be used exclusively to provide the seed investment needed to move a Louisiana small business out of the theoretical stage of development on course to commercial production. The candidate company must not be a retail or professional enterprise. The applicant fund must be Louisiana based, organized for profit, have three years experience in managing the investments of other parties, and have raised a minimum of \$ 250,000 for a co-investment project or \$ 500,000 for a matching fund request.
- BIDCO Investment Program - provides for a match or co-investment in certified Business and Industrial Development Corporations (BIDCOs). BIDCOs are state-chartered, non-depository alternative financing sources for small businesses. BIDCOs frequently provide equity and subordinated debt financing to new and growing companies, as well as to companies requiring turnaround assistance. A BIDCO must have at least \$1 million in private capital. LEDC may match the investment one dollar for every two dollars of private capital up to \$2.5 million. Co-investments are considered on a project by project basis and cannot exceed 33% of the total investment.
- Specialty BIDCO Investment Program - provides for a match or co-investment in certified Specialty BIDCOs. Specialty BIDCOs are established with a particular focus on assisting disadvantaged businesses and businesses located in impoverished and economically disadvantaged areas. The BIDCO must have at least \$250,000 in private capital. LEDC may match the investment of private capital one-to-one up to \$2.5 million. Co-investments are considered on a project by project basis and cannot exceed 50% of the total investment.

The more recent state initiatives feature the establishment of three early-stage venture capital funds. In 2003, the LEDC approved a total of \$10.75 million to initiate the development of two Louisiana seed capital funds.⁴

One of the two new funds is Louisiana Ventures LP, which will invest its entire capital in companies based in Louisiana or with operations in the state. At the time of this article, the venture capital partnership has raised approximately \$15 million from private investors in Shreveport and Baton Rouge and \$5 million from the LEDC.

⁴ Source: <http://bayoubuzz.com/articles.aspx?aid=142>

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The other fund is Louisiana Fund 1, established by LSU Systems Research and Technology Foundation based in Baton Rouge. Seeded with a \$5.75 million investment from the LEDC, the fund received \$10 million from the Teachers' Retirement System of Louisiana. Its other investors included the Baton Rouge Area Foundation, Pennington Medical Foundation, New Orleans Firefighters Pension Fund, the State Firefighters Pension Fund, and the LSU Foundation. Presently Louisiana Fund I has \$21 million in closings or commitments and aims to grow to \$35 million by fall 2005.

Additionally, a third new fund was recently financed by three Louisiana CAPCOs, Advantage Capital Partners, Enhanced Louisiana Capital, and Whitecap Louisiana Growth Fund. This fund, called The Louisiana Technology Fund, was initially capitalized at \$2.371 million.

In July 2005, the Louisiana legislature passed the Angel Investment Tax Credit bill to create an angel investment incentive by allowing tax credits during the early stages of investment in start-up businesses. Another bill, the Community Development Financial Institution Act, creates a venture capital vehicle focused on building local communities, diminishing poverty and providing assistance to new or expanding businesses.⁵

The impact of these policies on venture capital activity in Louisiana, except for CAPCO, is not well known to date. In fact, the more recent initiatives are small funds at this early stage and have not had time to fully develop and demonstrate their impacts on economic activity. The data and trends in this report have not been substantially impacted by these more recent initiatives, but they can be expected to play a role in future activity. We hope to extend our work to analyze those impacts in the future.

⁵ Source: <http://www.lded.state.la.us/>

2 Data and Methodology

2.1 Data source

Venture capital investments data in this study were directly obtained from the PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey. The MoneyTree™ Survey is a quarterly study of venture capital investment activity in the U.S. Data were primarily collected from a survey of venture capital practitioners and the information was augmented by other research techniques including other public and private sources.

The MoneyTree™ Survey is the only industry-endorsed venture industry data source. The Survey is the definitive source of information on emerging companies that receive venture capital financing. It is a staple of the financial community, entrepreneurs, government policymakers and the business press worldwide.

2.2 Survey methodology⁶

The MoneyTree™ Survey measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. (including Puerto Rico). The Survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments in a qualified and verified financing round the entire amount of the round is included.

Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies. The Survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing. Investee companies must be domiciled in one of the 50 U.S. states, District of Columbia or Puerto Rico even if substantial portions of their activities are outside the U.S.

The focus of the MoneyTree™ Survey is on cash received by the investee company. Therefore, tranches, not term sheets, are the determining factor. Drawdowns on commitments are recognized at the time the investee company receives the money rather than recorded as a lump sum amount at the time the term sheet is executed. Convertible debt and bridge loans are recognized only when converted to equity.

⁶ Source: www.pwcmoneytree.com

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Once a company has received a qualifying venture capital financing round, all subsequent equity financing rounds are included regardless of whether the round involved a venture capital firm as long as all other investment criteria are met (e.g. cash-for-equity, not buyout or services in kind).

Angel, incubator and similar investments are considered pre-venture financing if the investee company has received no prior qualifying venture capital investment and are not included in the MoneyTree™ Survey results. Angel, incubator and similar investments that are part of a qualifying venture capital round or follow a qualifying venture capital round are included to the extent that such investments can be fully verified as meeting all other criteria (e.g. cash for equity, not buyout or services in kind).

Direct investment by corporations (not through a corporate venture capital arm) is excluded unless (a) the investment is clearly demonstrated to be primarily a financial investment rather than outsourced R&D or market development; (b) it is a co-investment in an otherwise qualifying round; or (c) it follows a qualifying venture round in a company and meets all other criteria (e.g. cash-for-equity, not buyout or services in kind).

The following sections contain our presentation of the data from the MoneyTree™ Survey. We start with a national overview, then move to a specific analysis of Louisiana followed by the contrast with comparison states. Generally, the results are presented in terms of total investment dollars or number of deals. These categories are illustrated across time, geographic areas, industry sector, tech-related vs. non-tech, and stage of investee companies. In some cases we have normalized the data by population for comparison purposes.

3 National Overview

3.1 Ranking by investment amount and investment per capita

| Table 1, shows the total and per capita VC investment for each of the 50 states, the District of Columbia and Puerto Rico. The table also ranks states according to the aggregate dollar investment over the time period and shows the percentage of the national total accounted for by each state. The states highlighted in grey are the comparison states reviewed in Section Three.

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Over the ten-year period from 1995 to 2004, an aggregate of \$315 billion was invested by venture capitalists in the U.S. California businesses received the most, \$132 billion, or 42% of the total VC funds invested. Massachusetts was a distant second, with \$33 billion, or 10% of the total funds invested. Texas and New York, with very large populations, were third and fourth, respectively, with just under \$18 billion each or almost 6% of the total funds invested.

During the same period, \$618 million of venture capital was invested in Louisiana businesses, accounting for merely 0.2% of the total investment in the U.S. Louisiana ranked No. 29 nationwide in the total amount invested, trailing such southern states as Georgia, Tennessee, South Carolina, and Alabama, but ahead of Oklahoma, Mississippi and Arkansas.

When the data are normalized by population, the picture changes slightly. Massachusetts advanced to No. 1 with \$5,127 of VC investment per capita, followed by California and Colorado, with \$3,678 and \$2,379 per capita, respectively. The national average of VC investment per capita was \$638. Several states' rankings changed considerably. The District of Columbia ranked 25th in total dollars, but 4th in per capital investment. New Hampshire jumped from 21st to 5th, Connecticut from 15th to 7th, Rhode Island from 34th to 24th, and Delaware from 36th to 21st. Other states fell, indicating their investment totals were in part driven by their large populations. Texas fell from 3rd in total dollars to 12th in per capita terms; New York from 4th to 11th; Pennsylvania from 8th to 16th; Florida from 10th to 20th. Florida was 10th in total investment, but below the national average in per capital investment (72% of the national average).

Louisiana ranked No. 36, with \$137 per capita. The state dropped seven slots from its total investment ranking of 29th and had investment per capita that was only 21% of the national average. That figure was significantly lower than other southern states such as Georgia and South Carolina, but comparable to Alabama and Mississippi.

In general, the data illustrate a considerable concentration of investment activity in terms of total investment dollars. One state, California, accounts for 42% of the national total, and the two top states, California and Massachusetts, account for over half (52%) of the total VC investment in the nation. The top ten states account for 81% of the national total, while 36 other states or territories each account for less than one percent of the total. The per capita concentration was only slightly less dense. Massachusetts and California were, respectively, more than eight times and five times the national average of investment per capita. Eighteen states had a per capita

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investment figure higher than the national average, while 34 states or territories were below the national average.

Table 1 Venture capital invested by state, 1995-2004

Total Inv.				Per Capita	Investment per Capita	% of National Average
Rank	State	Amount	% of Total	Rank		
1	California	\$ 132,027,552,700	41.86%	2	\$ 3,678	576.77%
2	Massachusetts	\$ 32,898,553,300	10.43%	1	\$ 5,127	803.96%
3	Texas	\$ 17,880,574,900	5.67%	12	\$ 795	124.67%
4	New York	\$ 17,626,894,100	5.59%	11	\$ 917	143.75%
5	Colorado	\$ 10,947,219,200	3.47%	3	\$ 2,379	373.05%
6	New Jersey	\$ 9,383,271,600	2.97%	9	\$ 1,079	169.14%
7	Washington	\$ 9,344,328,800	2.96%	6	\$ 1,506	236.18%
8	Pennsylvania	\$ 8,717,719,500	2.76%	16	\$ 703	110.18%
9	Virginia	\$ 8,308,151,300	2.63%	8	\$ 1,114	174.63%
10	Florida	\$ 7,979,471,600	2.53%	20	\$ 459	71.92%
11	Georgia	\$ 6,759,864,600	2.14%	15	\$ 766	120.05%
12	Illinois	\$ 6,641,625,100	2.11%	19	\$ 522	81.91%
13	Maryland	\$ 5,993,776,000	1.90%	10	\$ 1,078	169.10%
14	North Carolina	\$ 5,617,133,300	1.78%	17	\$ 658	103.12%
15	Connecticut	\$ 4,812,713,800	1.53%	7	\$ 1,374	215.39%
16	Minnesota	\$ 4,047,867,400	1.28%	13	\$ 794	124.43%
17	Ohio	\$ 2,759,728,600	0.87%	28	\$ 241	37.76%
18	Oregon	\$ 2,301,510,300	0.73%	18	\$ 640	100.40%
19	Arizona	\$ 2,128,014,100	0.67%	22	\$ 370	58.09%
20	Missouri	\$ 2,103,923,200	0.67%	23	\$ 366	57.33%
21	New Hampshire	\$ 2,007,684,800	0.64%	5	\$ 1,545	242.26%
22	Utah	\$ 1,880,358,000	0.60%	14	\$ 787	123.42%
23	Tennessee	\$ 1,875,426,800	0.59%	25	\$ 318	49.83%
24	Michigan	\$ 1,439,727,200	0.46%	35	\$ 142	22.32%
25	District of Columbia	\$ 1,139,133,900	0.36%	4	\$ 2,058	322.70%
26	South Carolina	\$ 1,086,541,200	0.34%	27	\$ 259	40.58%
27	Alabama	\$ 796,603,200	0.25%	31	\$ 176	27.57%
28	Wisconsin	\$ 688,049,600	0.22%	38	\$ 125	19.58%
29	Louisiana	\$ 617,705,900	0.20%	36	\$ 137	21.45%
30	Indiana	\$ 555,688,000	0.18%	44	\$ 89	13.97%
31	Kentucky	\$ 502,267,200	0.16%	39	\$ 121	19.00%
32	Kansas	\$ 472,771,300	0.15%	32	\$ 173	27.10%
33	Oklahoma	\$ 445,420,100	0.14%	37	\$ 126	19.82%
34	Rhode Island	\$ 378,155,000	0.12%	24	\$ 350	54.87%
35	Nebraska	\$ 354,033,200	0.11%	30	\$ 203	31.77%
36	Delaware	\$ 350,166,100	0.11%	21	\$ 422	66.12%
37	Maine	\$ 345,300,100	0.11%	26	\$ 262	41.10%
38	Mississippi	\$ 331,494,100	0.11%	40	\$ 114	17.91%
39	Hawaii	\$ 299,313,100	0.09%	29	\$ 237	37.16%
40	Nevada	\$ 234,823,900	0.07%	42	\$ 101	15.77%
41	New Mexico	\$ 194,798,300	0.06%	41	\$ 102	16.05%
42	Idaho	\$ 136,303,000	0.04%	43	\$ 98	15.34%
43	Iowa	\$ 118,547,100	0.04%	49	\$ 40	6.29%
44	Alaska	\$ 102,686,000	0.03%	33	\$ 157	24.57%
45	Puerto Rico	\$ 94,909,900	0.03%	51	\$ 24	3.82%
46	Vermont	\$ 90,027,900	0.03%	34	\$ 145	22.72%
47	West Virginia	\$ 77,125,200	0.02%	48	\$ 42	6.66%
48	Arkansas	\$ 68,062,000	0.02%	50	\$ 25	3.88%
49	South Dakota	\$ 66,975,000	0.02%	45	\$ 87	13.62%
50	Montana	\$ 65,335,000	0.02%	46	\$ 70	11.05%
51	North Dakota	\$ 37,974,900	0.01%	47	\$ 60	9.39%
52	Wyoming	\$ 1,500,000	0.00%	52	\$ 3	0.46%
	Unknown	\$ 276,996,000	0.09%			
Total		\$ 315,411,796,400	100%	National Average	\$ 638	100%

3.2 Ranking by number of deals and deals per capita

| [Table 3](#) shows the total and per capita VC deals for each of the 50 states, the District of Columbia and Puerto Rico. The table also ranks states according to the number of deals over the ten-year period and shows the percentage of the national total accounted for by each state. The states highlighted in grey are the comparison states.

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Over the ten-year period from 1995 to 2004, a total of 37,320 VC investments were made in businesses in the U.S. California, the most populous state, owned the highest number of deals, 13,990, or 37% of the total deals nationwide. Massachusetts was a distant second, with 4,074, or 11% of the total deals occurred. Texas and New York, with very large populations as well, were third and fourth, respectively, with just over 2,000 deals each or almost 6% of the national total.

In contrast, during the same period, Louisiana had 81 VC deals, accounting for less than one quarter of one percent of the nationwide total. That level of activity ranked Louisiana 31st in the nation, well behind such southern states as Georgia, North Carolina, and Tennessee and Alabama, but ahead of Oklahoma, Mississippi and Arkansas.

| In the per capita figures on the right side of [Table 3](#), the data show that Massachusetts had the highest number of venture capital deals (635) per one million population, followed by California (390) and Colorado (234). The national average was 81 deals per one million population. Similar to the figures in [Table 1](#) for total investment dollars, the rankings of deals per capita changed somewhat from the ranking for total number of deals. The District of Columbia ranked 27th in total deals, but 4th in deals per capita. New Hampshire advanced from 22nd to 5th, Connecticut from 16th to 7th, Rhode Island from 33rd to 20th, and Delaware from 46th to 20th. Other states fell, indicating their total number of deals was in part driven by their large populations. These states include Texas, New York, Pennsylvania, and Florida.

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Louisiana ranked No. 39 with 18 deals per one million population over the ten-year period. That figure represented only 22% of the national average of 81, which was comparable to South Carolina, Alabama, and Oklahoma, but significantly lower than Georgia (137%) and North Carolina (120%).

The data on number of VC deals generally reflect the total VC investment dollars in terms of concentration of VC activity. The deals are concentrated in California and Massachusetts, in part due to their large populations. But they also outperform other large states in the per capita figures indicating that there is more than population driving the numbers. Some relatively smaller states such as Colorado, Connecticut, New Hampshire and the District of Columbia are generating strong activity for their population size, whereas the activity in Texas, New York, Florida and Pennsylvania is more largely driven by population.

Investing in Louisiana: Venture Capital Activity 1995-2004

Table 3 Number of VC deals by state, 1995-2004

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Total Deals		Number of Deals	% of Total	Per Capita Rank	Deals per 1 Million People	% of National Average
Rank	State					
1	California	13,990	37.49%	2	390	481.13%
2	Massachusetts	4,074	10.92%	1	635	783.77%
3	New York	2,159	5.79%	12	112	138.61%
4	Texas	2,062	5.53%	18	92	113.18%
5	Washington	1,207	3.23%	6	195	240.17%
6	Pennsylvania	1,189	3.19%	16	96	118.31%
7	Colorado	1,076	2.88%	3	234	288.66%
8	Virginia	1,071	2.87%	8	144	177.23%
9	Georgia	982	2.63%	13	111	137.29%
10	New Jersey	947	2.54%	14	109	134.39%
11	Illinois	835	2.24%	19	66	81.07%
12	North Carolina	831	2.23%	15	97	120.10%
13	Florida	825	2.21%	24	47	58.54%
14	Maryland	766	2.05%	9	138	170.13%
15	Minnesota	698	1.87%	10	137	168.91%
16	Connecticut	638	1.71%	7	182	224.79%
17	Ohio	442	1.18%	27	39	47.61%
18	Oregon	341	0.91%	17	95	117.10%
19	Arizona	322	0.86%	21	56	69.20%
20	Utah	298	0.80%	11	125	153.98%
21	Michigan	276	0.74%	33	27	33.69%
22	New Hampshire	268	0.72%	5	206	254.58%
23	Tennessee	263	0.70%	25	45	55.02%
24	Missouri	231	0.62%	26	40	49.55%
25	Alabama	132	0.35%	28	29	35.97%
26	Wisconsin	131	0.35%	34	24	29.35%
27	District of Columbia	116	0.31%	4	210	258.69%
28	Indiana	98	0.26%	43	16	19.39%
29	Kentucky	91	0.24%	36	22	27.09%
30	South Carolina	87	0.23%	37	21	25.58%
31	Louisiana	81	0.22%	39	18	22.14%
32	Kansas	78	0.21%	30	29	35.20%
33	Rhode Island	70	0.19%	20	65	79.96%
34	Maine	67	0.18%	22	51	62.79%
35	Nevada	64	0.17%	32	27	33.84%
36	Oklahoma	64	0.17%	38	18	22.42%
37	New Mexico	54	0.14%	31	28	35.02%
38	Iowa	42	0.11%	46	14	17.55%
39	Puerto Rico	32	0.09%	50	8	10.14%
40	Vermont	31	0.08%	23	50	61.58%
41	Hawaii	29	0.08%	35	23	28.35%
42	Nebraska	29	0.08%	40	17	20.49%
43	Mississippi	27	0.07%	48	9	11.48%
44	West Virginia	27	0.07%	45	15	18.36%
45	Arkansas	25	0.07%	49	9	11.21%
46	Delaware	24	0.06%	29	29	35.68%
47	Idaho	23	0.06%	41	17	20.38%
48	Montana	14	0.04%	44	15	18.65%
49	North Dakota	10	0.03%	42	16	19.46%
50	South Dakota	10	0.03%	47	13	16.01%
51	Alaska	2	0.01%	51	3	3.77%
52	Wyoming	1	0.00%	52	2	2.44%
	Unknown	70	0.19%			
Total		37,320	100%	National Average	81	100%

3.3 Ranking by investment in tech related businesses

Because of the central importance of the technology sector to today's global economy, we decided to analyze the data on investments in technology related businesses. Based on the industry and sub-industry that the investee companies belong to and the nature of the business, MoneyTree™ Survey grouped venture capital investment into two categories: investment in tech related businesses vs. investment in non-tech related businesses. [Table 5](#) displays the data for the 50 states, the District of Columbia and Puerto Rico. The left-hand side of the table ranks the states by total investment in tech related companies, and the right-hand side ranks the states by their share of total investment in tech related companies. The right-hand side data indicate the concentration of VC activity in the technology sector.

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Nationwide there was \$285 billion invested by VCs in tech companies from 1995 to 2004, which represents over 90% of the total VC investment during that period. In other words, most of the VC money nationwide is going into tech related companies.

California, Massachusetts, and Texas topped the nation in terms of dollar amount invested in tech related businesses, with \$124 billion, \$31 billion, and \$16 billion, respectively. In contrast, Louisiana had \$237 million invested in tech related businesses and ranked No. 37.

Interestingly, some of the smaller states with low-levels of activity overall have some of the highest concentrations of VC investment in technology (North Dakota, Mississippi, Hawaii, Alaska and Idaho). Even in states like California and Massachusetts where the total investment is very high, they still managed to funnel 94~95% percent of their VC investment into the tech sector. There were only 15 states that had a tech concentration higher than the national average of 90.55%, but 35 states had concentrations in technology of greater than 80%.

At the bottom of the [Table 5](#), we can see that five states (New Mexico, Louisiana, Nebraska, Vermont, Wyoming) had VC investment in technology that was less than half of the total VC activity in that state. It is not to say that there are not productive investments to be made, even by VCs, that are outside the technology sector. However, based on the nationwide data it would seem that the VC money is generally most productively targeted to investments in tech-related businesses. States that are not following this pattern, like Louisiana, may indicate the limited availability of VC investment opportunities in technology-based companies.

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Investing in Louisiana: Venture Capital Activity 1995-2004

Table 5 Tech related VC investment by state, 1995-2004

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Rank	State	Tech-Related Investment	Rank	State	Tech-Related Share of Total Investment
1	California	\$ 124,356,204,400	1	North Dakota	100.00%
2	Massachusetts	\$ 31,106,941,800	2	Mississippi	98.97%
3	Texas	\$ 15,562,817,700	3	Hawaii	96.78%
4	New York	\$ 14,761,820,000	4	Alaska	96.59%
5	Colorado	\$ 9,787,909,300	5	Idaho	95.85%
6	Washington	\$ 8,763,664,900	6	District of Columbia	94.90%
7	New Jersey	\$ 8,694,384,300	7	West Virginia	94.68%
8	Pennsylvania	\$ 7,753,122,700	8	Massachusetts	94.55%
9	Virginia	\$ 7,651,945,300	9	California	94.19%
10	Florida	\$ 7,087,474,200	10	Utah	93.93%
11	Georgia	\$ 6,062,332,400	11	Washington	93.79%
12	Maryland	\$ 5,434,981,000	12	New Jersey	92.66%
13	Illinois	\$ 5,215,288,000	13	Virginia	92.10%
14	North Carolina	\$ 5,101,087,300	14	North Carolina	90.81%
15	Connecticut	\$ 3,674,887,600	15	Maryland	90.68%
16	Minnesota	\$ 3,499,596,800	16	Delaware	90.10%
17	Ohio	\$ 2,138,374,100	17	Georgia	89.68%
18	Oregon	\$ 2,039,086,300	18	Colorado	89.41%
19	New Hampshire	\$ 1,773,096,900	19	Pennsylvania	88.94%
20	Utah	\$ 1,766,183,000	20	Florida	88.82%
21	Arizona	\$ 1,642,963,200	21	Oregon	88.60%
22	Tennessee	\$ 1,598,107,500	22	New Hampshire	88.32%
23	Missouri	\$ 1,375,235,500	23	Texas	87.04%
24	Michigan	\$ 1,158,176,700	24	Minnesota	86.46%
25	District of Columbia	\$ 1,080,984,000	25	Nevada	85.77%
26	South Carolina	\$ 902,861,400	26	Rhode Island	85.40%
27	Alabama	\$ 665,517,200	27	Tennessee	85.21%
28	Wisconsin	\$ 581,907,600	28	Wisconsin	84.57%
29	Indiana	\$ 459,443,900	29	New York	83.75%
30	Kansas	\$ 395,743,300	30	Kansas	83.71%
31	Kentucky	\$ 384,337,800	31	Alabama	83.54%
32	Mississippi	\$ 328,095,100	32	South Carolina	83.09%
33	Rhode Island	\$ 322,935,000	33	Indiana	82.68%
34	Delaware	\$ 315,489,100	34	Arkansas	80.97%
35	Hawaii	\$ 289,666,100	35	Michigan	80.44%
36	Oklahoma	\$ 282,430,100	36	Iowa	79.45%
37	Louisiana	\$ 237,275,000	37	Illinois	78.52%
38	Maine	\$ 236,695,100	38	Ohio	77.48%
39	Nevada	\$ 201,417,900	39	Arizona	77.21%
40	Idaho	\$ 130,653,000	40	Kentucky	76.52%
41	Nebraska	\$ 125,837,000	41	Connecticut	76.36%
42	Alaska	\$ 99,186,000	42	Puerto Rico	74.01%
43	Iowa	\$ 94,181,300	43	South Dakota	70.18%
44	New Mexico	\$ 92,758,300	44	Maine	68.55%
45	West Virginia	\$ 73,025,200	45	Missouri	65.37%
46	Puerto Rico	\$ 70,240,000	46	Oklahoma	63.41%
47	Arkansas	\$ 55,112,000	47	Montana	60.89%
48	South Dakota	\$ 47,000,000	48	New Mexico	47.62%
49	Montana	\$ 39,780,000	49	Louisiana	38.41%
50	North Dakota	\$ 37,974,900	50	Nebraska	35.54%
51	Vermont	\$ 19,461,000	51	Vermont	21.62%
52	Wyoming	\$ -	52	Wyoming	0.00%
	Unknown	\$ 38,475,000		Unknown	13.89%
	Nationwide	\$ 285,614,163,200		Nationwide	90.55%

4 Louisiana Overview

This section presents venture capital data on investment totals and deals for Louisiana by year, by parish and by city. The data on investment by industry, by tech-related vs. non-tech, and by stage of investee company are included in the comparison section 5.

4.1 Venture capital investment by year

Table 7-Table 9 show the annual figures for VC activity in Louisiana and the U.S. as a whole. During the period of 1995-2004, a total of \$618 million was invested in Louisiana businesses through 81 deals. The median value of each deal in Louisiana was \$3 million over that time period, which was smaller than the median deal value of \$4 million in the U.S. overall.

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The investment level varied greatly from year to year in terms of both dollar amount and number of deals. Generally speaking, the VC investment trends in Louisiana were consistent with the venture capital business cycle in the nation, albeit at a very small fraction of the nationwide totals (note that the annual investment totals for Louisiana are in the millions and the national totals are in the billions). Following the national trend, VC investment in Louisiana reached its peak in the late 1990's and 2000 but declined dramatically after the tech bubble burst in 2000 (Figure 1-Figure 5). Year 1999 saw the highest VC investment amount in Louisiana, \$294 million through ten deals. VC investment funds have declined substantially since year 2000 in Louisiana and as well as the nation. The national figures fell from a peak of \$105 billion down to just \$21 billion—an 80% decline. But the Louisiana figures have dwindled to almost nothing. The total for 2004 was three deals worth \$3 million only—a 99% decline from its peak of \$294 million.

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Disaggregating that data illustrates that the abnormally high investment amount in Louisiana in 1999 was due to a single \$200 million deal. If this outlier deal is excluded, 1999 still has the highest investment level (\$94 million), but the difference is much less dramatic compared with the rest of the years, and the trend more closely tracks the national figures. This outlier deal also reflects nearly one-third of the total VC investment dollars in Louisiana during the entire ten-year period.

There were a total of 42 Louisiana businesses that received VC investment during 1995-2004, averaging only four businesses a year. The amount of investment in a single deal varied greatly from the highest amount of \$200 million to the lowest amount of \$0.5 million. The amount of investment received by the top three companies together accounted for over 55% of the total investments in Louisiana. Each of these three companies is in the oil and gas exploration industry or provides services for the oil and gas industry.

Overall, the amount of VC investment and the number of deals in Louisiana during the ten-year study period was relatively small, and in many years it was likely too small to matter for the economy of the state. In general, Louisiana was about 1/5 of the national average for VC activity in a state (21% of the national average of investment dollars per capita, and 22% of the national average of deals per capita). Louisiana would need to increase its VC activity by roughly five times to reach the national average and development VC investment that is a significant component of the state's economy.

Investing in Louisiana: Venture Capital Activity 1995-2004

Table 7 VC investment in Louisiana businesses, 1995-2004

Year	Investment Value	Number of Deals	Average Value	Median Value
1995	\$ 30,450,000	8	\$ 3,806,250	\$ 1,600,000
1996	\$ 10,660,000	3	\$ 3,553,333	\$ 4,940,000
1997	\$ 26,500,000	12	\$ 2,208,333	\$ 1,700,000
1998	\$ 69,162,900	12	\$ 5,763,575	\$ 3,500,000
1999	\$ 294,001,900	10	\$ 29,400,190	\$ 4,500,000
2000	\$ 87,882,900	14	\$ 6,277,350	\$ 4,500,000
2001	\$ 75,350,100	10	\$ 7,535,010	\$ 4,000,000
2002	\$ 19,258,100	8	\$ 2,407,263	\$ 2,541,500
2003	\$ 1,250,000	1	\$ 1,250,000	\$ 1,250,000
2004	\$ 3,190,000	3	\$ 1,063,333	\$ 1,000,000
1995-2004	\$ 617,705,900	81	\$ 7,625,999	\$ 3,000,000

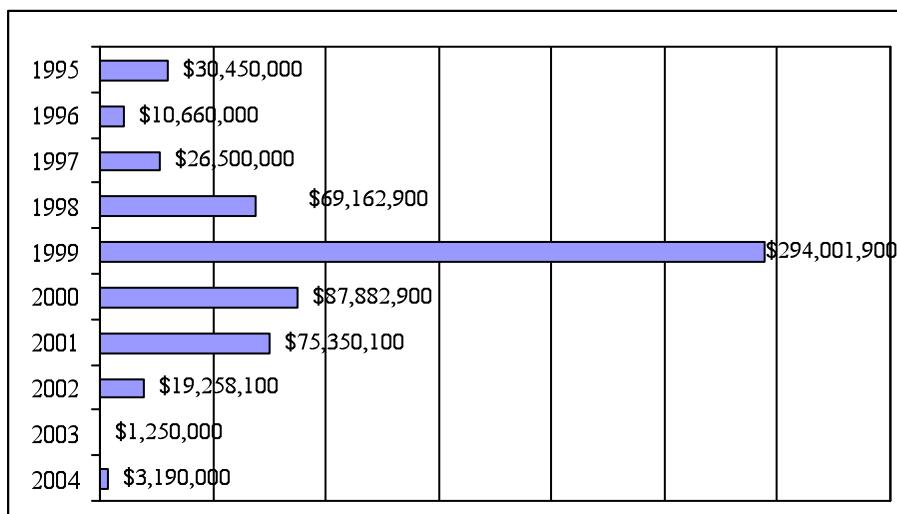
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Table 9 VC investment in U.S., 1995-2004

Year	Investment Value	Number of Deals	Average Value	Median Value
1995	\$ 7,853,455,200	1,776	\$ 4,421,991	\$ 2,000,000
1996	\$ 10,993,282,200	2,465	\$ 4,459,749	\$ 2,500,000
1997	\$ 14,646,862,800	3,084	\$ 4,749,307	\$ 2,687,500
1998	\$ 20,903,248,100	3,558	\$ 5,874,999	\$ 3,250,000
1999	\$ 53,572,974,800	5,401	\$ 9,919,084	\$ 5,000,000
2000	\$ 104,857,655,700	7,832	\$ 13,388,363	\$ 6,510,500
2001	\$ 40,833,344,900	4,450	\$ 9,176,033	\$ 4,839,550
2002	\$ 21,538,451,000	3,037	\$ 7,092,015	\$ 4,000,000
2003	\$ 19,214,301,800	2,834	\$ 6,779,923	\$ 4,000,000
2004	\$ 20,998,219,900	2,883	\$ 7,283,462	\$ 4,600,000
1995-2004	\$ 315,411,796,400	37,320	\$ 8,451,549	\$ 4,000,000

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Figure 1 VC investment in Louisiana businesses, 1995-2004



Investing in Louisiana: Venture Capital Activity 1995-2004

Figure 2 VC investment in U.S., 1995-2004

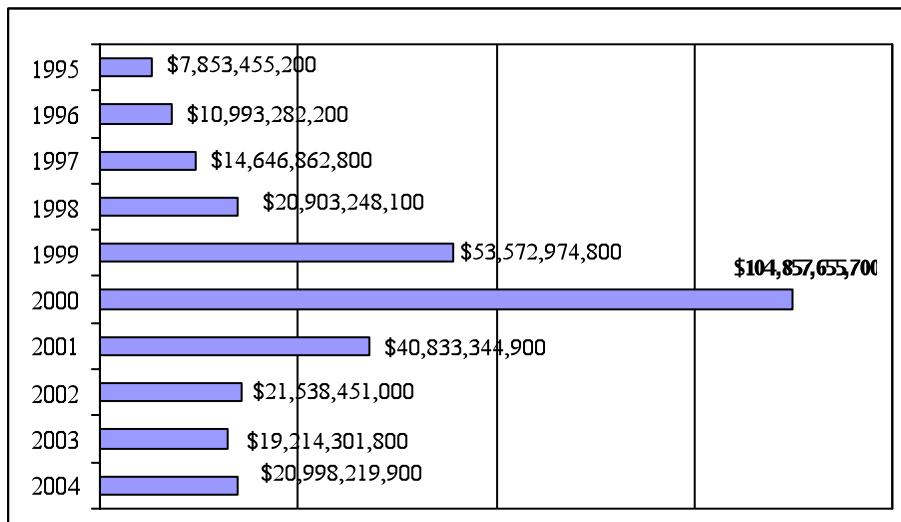


Figure 3 Number of VC deals in Louisiana, 1995-2004

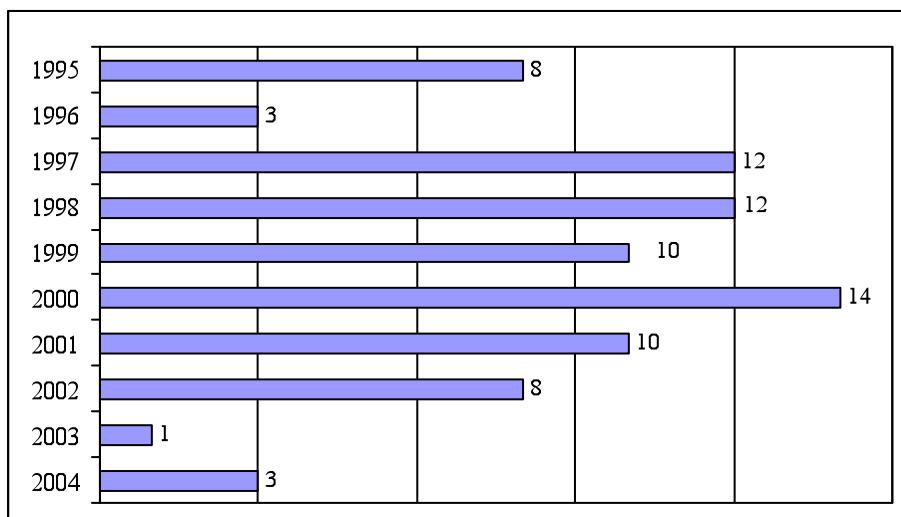
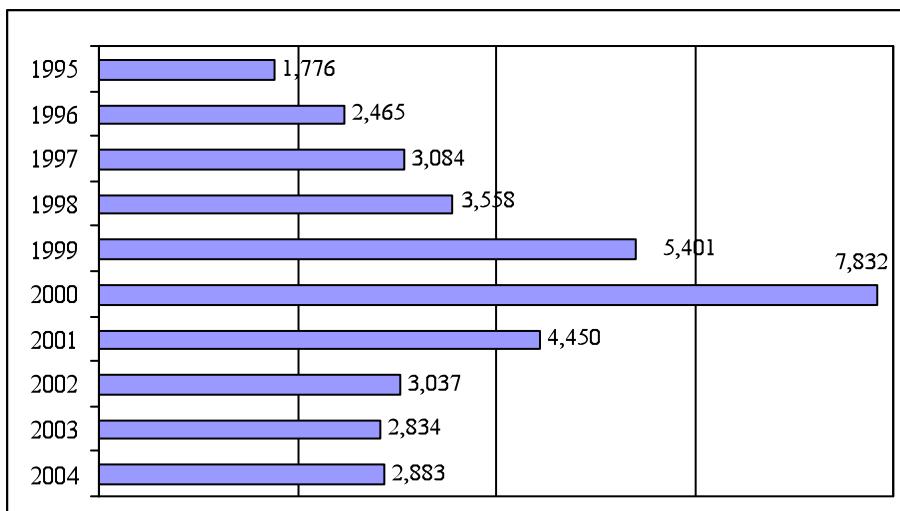


Figure 5. Number of VC deals in U.S., 1995-2004



4.2 Venture capital investment by geographic location

Geographically, VC investment was unbalanced across Louisiana. During the study period of 1995-2004, only 13 out of 64 parishes (20%) in Louisiana received venture capital investments. These 13 parishes were mostly located in Southeast Louisiana (

Figure 5. The three parishes (St. Charles, Orleans, and Jefferson) which received the highest investment amounts are highlighted in

Table 11. In northern Louisiana, only Caddo parish had venture capital investment--\$3.5 million through two deals during the ten-year period. In Central Louisiana, only Rapides parish received venture capital investment--\$1 million through two deals during the ten-year period.

The region along I-10 and to the South accounted for 99% of the total VC activity in the state. Orleans parish accounted for 26% of all venture capital investment in Louisiana, followed by Jefferson parish with 18%. Saint Charles accounted for 32%, but that figure was the one outlier deal which was discussed in the previous section. In terms of the number of deals, 62% were in Orleans and Jefferson parishes. East Baton Rouge, St. Tammany, and Lafayette each accounts for approximately 8% of the deals.

Table 13. illustrates investment in Louisiana at the city level, and these data basically mirror the parish figures. Seventeen cities received venture capital investment. The top three cities which received the highest investment amount are highlighted (New Orleans, Harahan in Jefferson parish, and the outlier deal in New Sarpy). New Orleans received \$161 million through 35 deals. Harahan saw \$84 million invested through eight deals. The northern and central part of the state has essentially not seen any VC activity of note in the last ten years.

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Investing in Louisiana: Venture Capital Activity 1995-2004

Figure 5 Louisiana parishes that received venture capital investment, 1995-2004

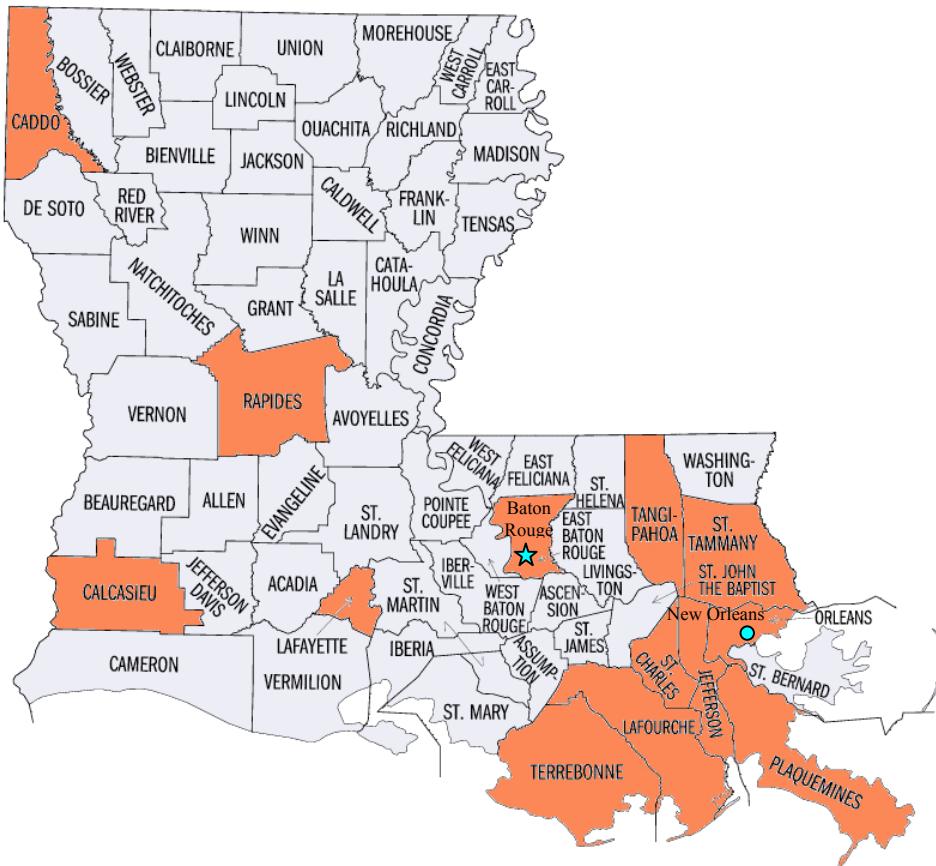


Table 11 VC investment in Louisiana businesses, by parish, 1995-2004

Parish	Amount	% of State Total		% of State Total	
		Amount	Number of Deals	Deals	Deals
Caddo	\$ 3,630,000	0.59%	2	2.47%	
Calcasieu	\$ 500,000	0.08%	1	1.23%	
East Baton Rouge	\$ 42,682,900	6.91%	6	7.41%	
Jefferson	\$ 109,889,900	17.79%	15	18.52%	
Lafayette	\$ 22,190,000	3.59%	6	7.41%	
Lafourche	\$ 7,000,000	1.13%	1	1.23%	
Orleans	\$ 161,308,100	26.11%	35	43.21%	
Plaquemines	\$ 3,350,000	0.54%	1	1.23%	
Rapides	\$ 1,000,000	0.16%	2	2.47%	
Saint Charles	\$ 200,001,900	32.38%	1	1.23%	
Saint Tammany	\$ 49,453,100	8.01%	7	8.64%	
Tangipahoa	\$ 1,200,000	0.19%	1	1.23%	
Terrebonne	\$ 15,500,000	2.51%	3	3.70%	
State Total	\$ 617,705,900	100.00%	81	100.00%	

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Investing in Louisiana: Venture Capital Activity 1995-2004

Table 13. VC investment in Louisiana businesses, by city, 1995-2004

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City	Amount	% of State Total		% of State Total	
		Amount	Number of Deals	Deals	Deals
Alexandria	\$ 1,000,000	0.16%	2	2.47%	
Baton Rouge	\$ 42,682,900	6.91%	6	7.41%	
Belle Chasse	\$ 3,350,000	0.54%	1	1.23%	
Carencro	\$ 1,250,000	0.20%	1	1.23%	
Covington	\$ 43,453,000	7.03%	4	4.94%	
Gretna	N/A	N/A	1	1.23%	
Harahan	\$ 83,839,900	13.57%	8	9.88%	
Houma	\$ 15,500,000	2.51%	3	3.70%	
Lafayette	\$ 20,940,000	3.39%	5	6.17%	
Lake Charles	\$ 500,000	0.08%	1	1.23%	
Lockport	\$ 7,000,000	1.13%	1	1.23%	
Mandeville	\$ 6,000,100	0.97%	3	3.70%	
Metairie	\$ 26,050,000	4.22%	6	7.41%	
New Orleans	\$ 161,308,100	26.11%	35	43.21%	
New Sarpy	\$ 200,001,900	32.38%	1	1.23%	
Ponchatoula	\$ 1,200,000	0.19%	1	1.23%	
Shreveport	\$ 3,630,000	0.59%	2	2.47%	
State Total	\$ 617,705,900	100.00%	81	100.00%	

5 Louisiana vs. Eight Comparison States

The following sections compare venture capital data on Louisiana with eight comparison states including California, Massachusetts, Texas, Georgia, South Carolina, Alabama, Oklahoma, and Mississippi. California and Massachusetts were chosen because they are by far the two leading states in term of venture capital activity. Texas, Oklahoma and Mississippi was chosen for there geographical proximity, but Mississippi has other socio-economic similarities that make for a good comparison. South Carolina and Alabama are other deep south states that have some socio-economic similarities and are close in population to Louisiana. Georgia is another deep south state with certain socio-economic similarities, but it is far more advanced in areas that attract venture capital, and it was chosen in large part as a benchmark.

The primary areas of comparison included here are venture capital investments (dollars and deals) by industry, tech vs. non-tech, and stage of investee companies.

5.1 Venture capital investments by industry

| [Table 15](#) and [Figure 7](#) illustrate venture capital investment by industry sector in Louisiana and eight selected states. The most significant venture capital activity across all states was in Software, Telecommunications, and Networking and Equipment—generally considered new economy sectors where new technology and innovation are rapidly developing. Most states had significant activity in at least one of these sectors.

Louisiana

Venture capital investment in Louisiana during the study period was highly concentrated in the Industrial/Energy sector. Fifty percent of all VC investment in the state went to that sector, representing \$311 million through 19 deals. That figure includes the \$200 million outlier deal, but even without this deal, the Industrial/Energy sector received the largest amount of VC funds (\$111 million). In only one other comparison state (Oklahoma) was investment in the Industrial/Energy sector greater than 9%. Telecommunications (15%) and Software (11%) sectors ranked No. 2 and No. 3 in Louisiana, with \$90 million and \$70 million of investment, respectively. These top three sectors accounted for over 75% of the venture capital activity in the state during the study period. Notably, the Biotechnology sector, one of the fastest growing sectors in the U.S. and a major attractor of VC investment across the country, was essentially left out, receiving only \$700,000 through one VC deal.

The outlier deal, representing a \$200 million dollar investment in the energy sector, is also having a large impact on these distribution figures. When we consider all deals in Louisiana during the study period excluding that one deal, we see a better dispersed investment pattern. The Industrial/Energy sector still tops with 27% of the total investment, but a significant share of the VC dollars go to Telecom (21%), Software (17%), Media and Entertainment (10%), and Financial Services (8%). But the primary result is that the overall level of VC activity in Louisiana was so low and concentrated in one sector that a single large deal can dramatically

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alter the numbers. In no other comparison state did we find such an outlier that skewed the figures.

California

In California, venture capital invested in a broad range of sectors. Software, Networking and Equipment, and Telecommunications sectors were the three most invested sectors, accounting for 24%, 12%, and 11% of the entire venture capital investment, respectively. Biotechnology sector was also very active, accounting for nearly 8% of the venture capital invested in that state. Media and Entertainment, IT Services, and Semiconductors also attracted a significant share of VC money. The Industrial/Energy sector was among the least invested sectors in California, accounting for less than 2% of the total venture capital investment.

California is one of two bellwether states for venture capital activity—the other being Massachusetts. These states have the most mature and active VC communities. They contribute significantly to the growth and development of new innovative companies and products that impact the economies of their states, the nation and the world. Relative to California, Louisiana's VC activity is very small, even in per capita terms, and under-invested in new technology sectors.

Massachusetts

The distribution of VC funds in Massachusetts looks very similar to California with slightly more emphasis on Biotechnology. Software, Biotechnology, and Networking and Equipment received the most venture capital investment, accounting for 29%, 13%, and 11% of all venture capital invested in Massachusetts, respectively. IT Services and Telecommunications also attracted a significant share of total investment. Similar to California, Industrial/Energy sector accounted for 2% of all venture capital invested, one of the least invested sectors in Massachusetts.

Massachusetts, the second of the bellwether states, is putting a greater emphasis on Biotechnology than any other comparison state. The overwhelming majority of VC activity in Massachusetts is focused in new economy/new technology sectors, which are traditionally the most active and productive areas for venture capital investment. The emphasis on higher education, cutting edge research, and technology transfer at the world-class universities in the state has certainly played a large role.

Texas

In Texas, Software, Telecommunications, and Networking and Equipment were the most active sectors, which accounted for 22%, 20%, and 13% of all venture capital invested, respectively. And even with the prominence of the Industrial/Energy sector in Texas it still ranked fourth with less than 9% of the total VC investment in the state.

The aggregate numbers in Texas are in part driven by its large population, but the state has generated considerable activity in new economy sectors. Because of the geographical proximity to Louisiana and the prominence of the energy sector, Texas represents an important model for comparison to Louisiana.

Georgia

In Georgia, the Software and Telecommunications sectors attracted a combined 44% of the state's venture capital during the study period, with Media and Entertainment obtaining another 10%. The rest of the investment was relatively evenly distributed across a variety of sectors including Networking and Equipment, Medical Devices, and Financial Services.

Georgia presents a healthy picture on venture capital activity with high aggregate and per capita figures. Georgia has managed to attract significant capital to new economy sectors and new technology deals. And its VC activity is sizable in a large number of sectors. Georgia is a southern state with nearly twice the population of Louisiana, but had more than ten times the venture capital investment during the study period.

South Carolina

In South Carolina, venture capital investment was highly concentrated in the Telecommunications sector, which accounted for 65% of all venture capital invested. The only other sectors to obtain a significant share of funds were Consumer Products and Services (10%), Media and Entertainment (9%), Software (6%) and Industrial/Energy (5%). Among the comparison states only Mississippi had a higher concentration of VC funds in one industry (96% in Telecommunications).

South Carolina is a southern state with approximately the same population as Louisiana, but they had nearly twice the total VC investment with about the same number of deals overall. South Carolina's venture capital was more highly concentrated than Louisiana's, but it was concentrated in one of the most dynamic and profitable new economy industries—Telecommunications.

Alabama

In Alabama, venture capital investment was widely distributed with significant activity in a variety of sectors. Software and Healthcare services sectors received the most venture capital investment, accounting for 28% and 16% of the total venture capital, respectively. Biotechnology and Telecommunications sectors captured 10% each, and Consumer Products and Services received 9%. Four other sectors attracted between 4 and 6 percent of the total VC investment in the state.

Alabama is another southern state with a similar population to Louisiana, and its venture capital activity was comparable in terms of the overall figures. However, the industry concentrations were very different. While Louisiana was concentrated in the Energy sector with Telecommunications ranked number two, Alabama venture capital was funneled into Software and Healthcare Services. The state also registered significant activity in the Biotechnology sector and had a broader distribution of VC funds in general.

Okalahoma

In Okalahoma, venture capital investment was highly concentrated in Telecommunications (33%) and Industrial/Energy (31%) and the state saw a smaller range of sectors obtaining VC funds than most other comparison states. Biotechnology was the third most active sector with

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10% of the venture capital investment, while four other sectors received between 4 and 6% of the total.

Oklahoma was the only comparison state with a similar concentration in the Industrial/Energy sector, although Louisiana was more focused on the energy side and Oklahoma more on the industrial side. The state, like Louisiana, had a low level of VC activity overall, but did manage to attract relatively considerable investment to the Biotechnology sector.

Mississippi

Mississippi saw the least diversified VC investment of any comparison state. Only six sectors received any VC funds and 96% of the total investment was in one sector-Telecommunications. No other industry sector received significant investment.

Mississippi is the state most demographically and economically similar to Louisiana, and both states saw their venture capital investments highly concentrated. However, VC investment in Mississippi was completely focused in one sector, albeit a new economy sector, while Louisiana was largely focused on energy (oil and gas) with some activity in other sectors. Neither state has VC activity that was large enough to significantly impact economic growth.

Table 15. VC investment by industry, 1995-2004

Louisiana

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 700,000	1	0.11%	12
Business Products and Services	\$ 28,750,000	7	4.65%	6
Consumer Products and Services	\$ 1,200,000	1	0.19%	11
Electronics/Instrumentation	\$ 10,000,000	2	1.62%	8
Financial Services	\$ 33,050,000	6	5.35%	5
Healthcare Services	\$ 5,000,000	1	0.81%	9
Industrial/Energy	\$ 310,705,900	19	50.30%	1
Media and Entertainment	\$ 40,875,000	14	6.62%	4
Medical Devices and Equipment	\$ 3,550,000	2	0.57%	10
Networking and Equipment	\$ 24,000,000	2	3.89%	7
Software	\$ 70,152,100	15	11.36%	3
Telecommunications	\$ 89,722,900	11	14.53%	2
Total	\$ 617,705,900	81	100.00%	

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California

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 10,331,755,400	966	7.83%	4
Business Products and Services	\$ 4,178,288,100	483	3.16%	10
Computers and Peripherals	\$ 4,005,715,500	460	3.03%	11
Consumer Products and Services	\$ 3,538,765,500	382	2.68%	13
Electronics/Instrumentation	\$ 1,446,718,700	193	1.10%	16
Financial Services	\$ 3,666,909,800	355	2.78%	12
Healthcare Services	\$ 1,767,236,800	223	1.34%	15
Industrial/Energy	\$ 2,010,141,400	264	1.52%	14
IT Services	\$ 8,246,146,300	888	6.25%	7
Media and Entertainment	\$ 10,129,565,300	1,044	7.67%	5
Medical Devices and Equipment	\$ 7,316,552,400	1,031	5.54%	8
Networking and Equipment	\$ 15,367,541,400	1,076	11.64%	2
Retailing/Distribution	\$ 4,349,331,500	387	3.29%	9
Semiconductors	\$ 9,412,849,500	894	7.13%	6
Software	\$ 31,055,776,800	3,964	23.52%	1
Telecommunications	\$ 15,032,438,200	1,344	11.39%	3
Other	\$ 171,820,100	36	0.13%	17
Total	\$ 132,027,552,700	13,990	100.00%	

Massachusetts

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 4,140,649,700	413	12.59%	2
Business Products and Services	\$ 1,417,425,100	173	4.31%	8
Computers and Peripherals	\$ 484,489,900	96	1.47%	15
Consumer Products and Services	\$ 1,108,751,700	139	3.37%	9
Electronics/Instrumentation	\$ 262,756,900	47	0.80%	16
Financial Services	\$ 839,904,200	84	2.55%	10
Healthcare Services	\$ 532,339,800	79	1.62%	14
Industrial/Energy	\$ 670,097,800	132	2.04%	12
IT Services	\$ 2,975,802,500	335	9.05%	4
Media and Entertainment	\$ 1,604,774,500	226	4.88%	7
Medical Devices and Equipment	\$ 1,802,179,700	296	5.48%	6
Networking and Equipment	\$ 3,656,406,700	272	11.11%	3
Retailing/Distribution	\$ 545,372,900	96	1.66%	13
Semiconductors	\$ 778,094,500	100	2.37%	11
Software	\$ 9,389,482,600	1,306	28.54%	1
Telecommunications	\$ 2,677,896,800	278	8.14%	5
Other	\$ 12,128,000	2	0.04%	17
Total	\$ 32,898,553,300	4,074	100.00%	

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Texas

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 501,037,000	73	2.80%	10
Business Products and Services	\$ 809,836,300	96	4.53%	7
Computers and Peripherals	\$ 247,249,300	39	1.38%	14
Consumer Products and Services	\$ 354,595,100	92	1.98%	13
Electronics/Instrumentation	\$ 232,077,200	44	1.30%	15
Financial Services	\$ 390,347,400	46	2.18%	12
Healthcare Services	\$ 430,132,700	61	2.41%	11
Industrial/Energy	\$ 1,553,399,200	186	8.69%	4
IT Services	\$ 773,868,200	92	4.33%	8
Media and Entertainment	\$ 923,270,300	130	5.16%	5
Medical Devices and Equipment	\$ 206,478,200	59	1.15%	16
Networking and Equipment	\$ 2,356,080,600	138	13.18%	3
Retailing/Distribution	\$ 556,130,500	54	3.11%	9
Semiconductors	\$ 884,422,900	98	4.95%	6
Software	\$ 3,969,447,700	579	22.20%	1
Telecommunications	\$ 3,550,098,300	262	19.85%	2
Other	\$ 142,104,000	13	0.79%	17
Total	\$ 17,880,574,900	2,062	100.00%	

Georgia

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 244,619,000	25	3.62%	10
Business Products and Services	\$ 322,781,000	46	4.77%	7
Computers and Peripherals	\$ 51,275,100	13	0.76%	16
Consumer Products and Services	\$ 102,609,000	25	1.52%	13
Electronics/Instrumentation	\$ 67,500,000	7	1.00%	15
Financial Services	\$ 337,366,900	67	4.99%	6
Healthcare Services	\$ 315,962,800	72	4.67%	8
Industrial/Energy	\$ 226,373,000	35	3.35%	11
IT Services	\$ 314,630,000	51	4.65%	9
Media and Entertainment	\$ 649,939,600	82	9.61%	3
Medical Devices and Equipment	\$ 402,096,300	71	5.95%	5
Networking and Equipment	\$ 417,318,500	43	6.17%	4
Retailing/Distribution	\$ 203,279,300	24	3.01%	12
Semiconductors	\$ 89,525,000	14	1.32%	14
Software	\$ 1,836,430,200	301	27.17%	1
Telecommunications	\$ 1,174,538,900	103	17.38%	2
Other	\$ 3,620,000	3	0.05%	17
Total	\$ 6,759,864,600	982	100.00%	

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South Carolina

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 5,000,000	2	0.46%	9
Business Products and Services	\$ 1,632,000	3	0.15%	11
Consumer Products and Services	\$ 103,882,000	11	9.56%	2
Electronics/Instrumentation	\$ 2,800,000	1	0.26%	10
Financial Services	\$ 14,299,900	3	1.32%	7
Healthcare Services	\$ 30,000,000	1	2.76%	6
Industrial/Energy	\$ 56,365,900	25	5.19%	5
IT Services	\$ 8,352,000	2	0.77%	8
Media and Entertainment	\$ 93,288,900	8	8.59%	3
Software	\$ 68,157,000	7	6.27%	4
Telecommunications	\$ 702,763,500	24	64.68%	1
Total	\$ 1,086,541,200	87	100.00%	

Alabama

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 78,775,300	24	9.89%	3
Business Products and Services	\$ 11,699,000	6	1.47%	12
Computers and Peripherals	\$ 5,062,000	2	0.64%	14
Consumer Products and Services	\$ 70,000,000	2	8.79%	5
Electronics/Instrumentation	\$ 35,600,000	3	4.47%	8
Financial Services	\$ 29,804,000	6	3.74%	10
Healthcare Services	\$ 129,819,100	16	16.30%	2
Industrial/Energy	\$ 40,583,000	7	5.09%	6
IT Services	\$ 10,249,900	4	1.29%	13
Medical Devices and Equipment	\$ 37,703,000	14	4.73%	7
Networking and Equipment	\$ 14,000,000	2	1.76%	11
Retailing/Distribution	\$ 3,090,000	2	0.39%	15
Semiconductors	\$ 33,100,000	5	4.16%	9
Software	\$ 219,619,900	33	27.57%	1
Telecommunications	\$ 77,498,000	6	9.73%	4
Total	\$ 796,603,200	132	100.00%	

Oklahoma

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	\$ 44,140,000	7	9.91%	3
Business Products and Services	\$ 8,000,000	1	1.80%	8
Electronics/Instrumentation	\$ 4,650,000	3	1.04%	9
Financial Services	\$ 27,360,000	4	6.14%	4
Industrial/Energy	\$ 137,130,000	15	30.79%	2
Media and Entertainment	\$ 20,805,000	4	4.67%	7
Medical Devices and Equipment	\$ 26,700,100	4	5.99%	5
Networking and Equipment	\$ 3,600,000	6	0.81%	10
Semiconductors	N/A	1	N/A	N/A
Software	\$ 26,003,000	13	5.84%	6
Telecommunications	\$ 147,032,000	6	33.01%	1
Total	\$ 445,420,100	64	100.00%	

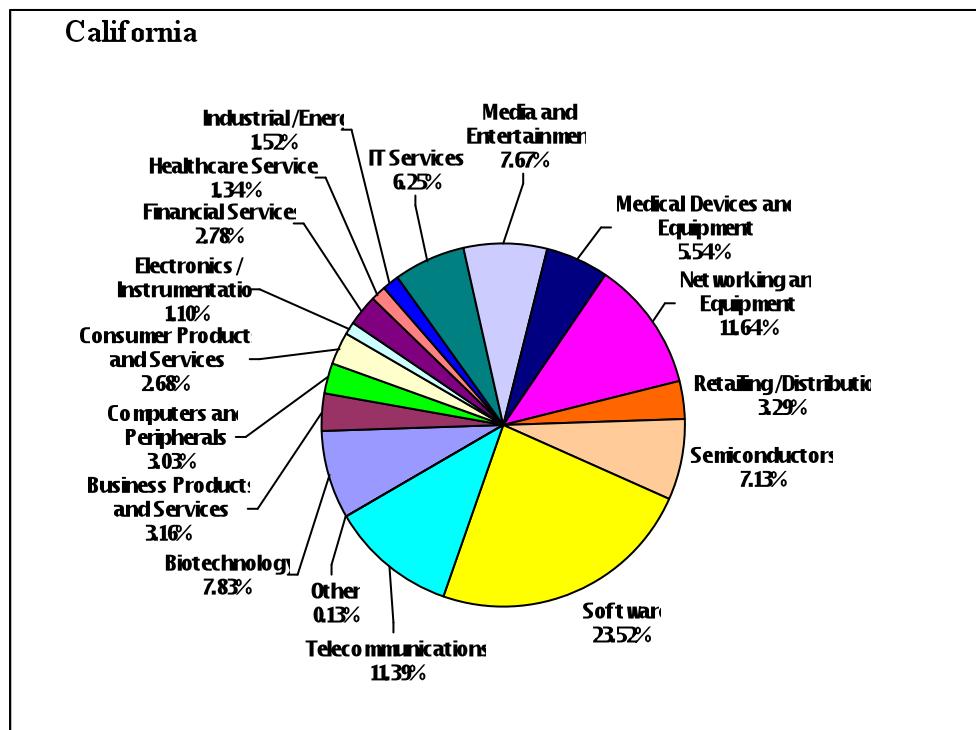
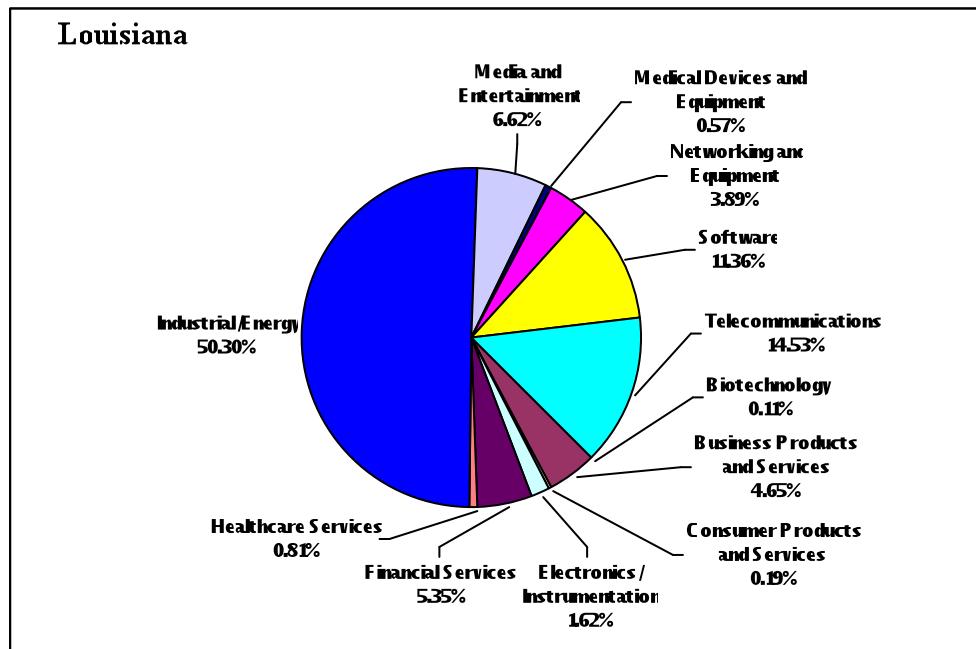
Mississippi

Industry	Amount	Number of Deals	% of Total Amount	Rank
Biotechnology	N/A	1	N/A	N/A
Consumer Products and Services	\$ 650,000	2	0.20%	5
Financial Services	\$ 2,749,000	1	0.83%	4
Medical Devices and Equipment	\$ 5,050,000	5	1.52%	3
Software	\$ 5,799,900	3	1.75%	2
Telecommunications	\$ 317,245,200	15	95.70%	1
Total	\$ 331,494,100	27	100.00%	

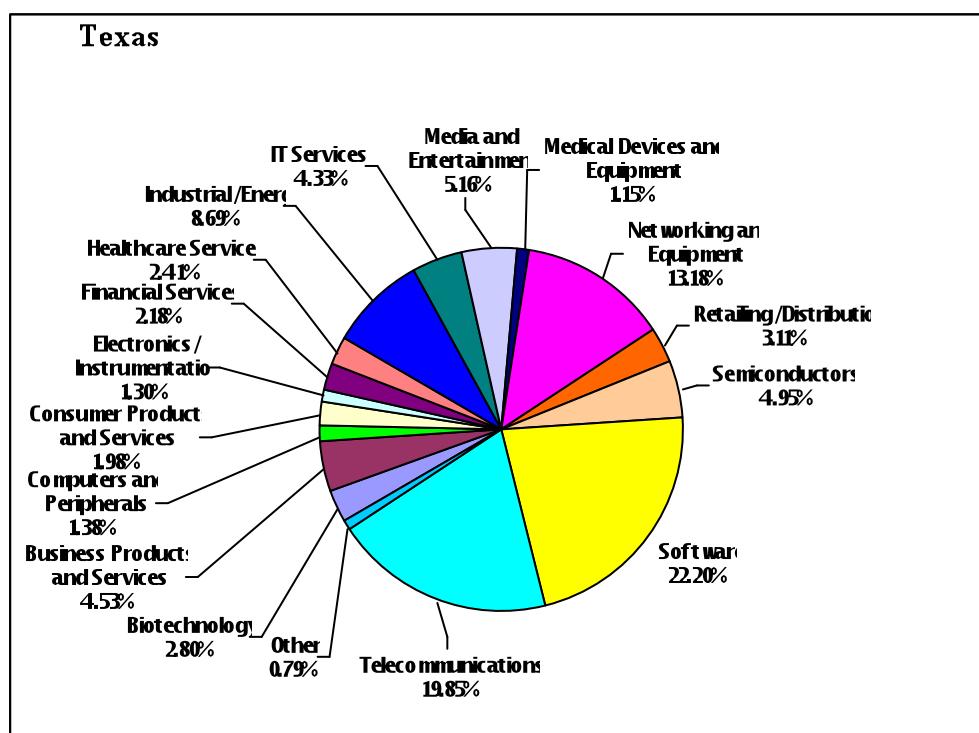
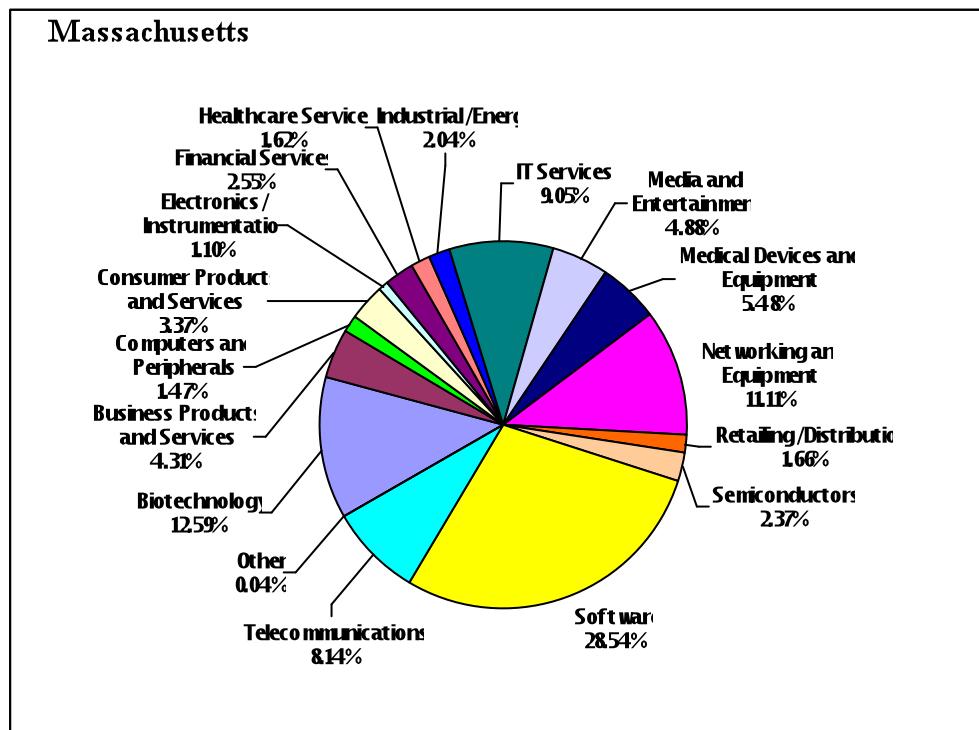
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Figure 7 VC investment by industry, 1995-2004

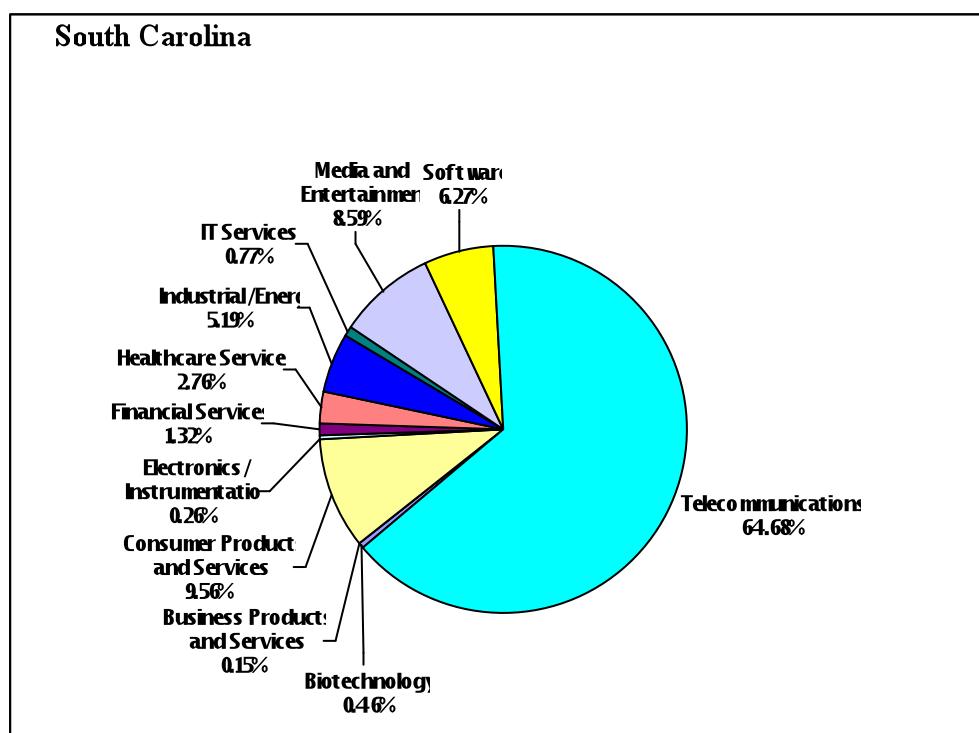
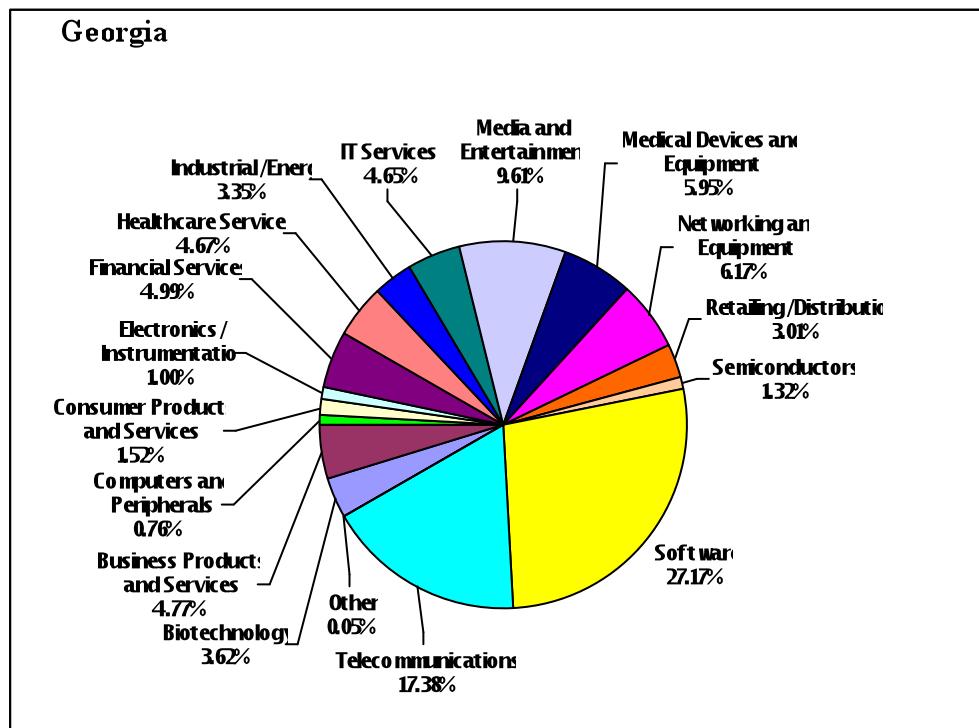
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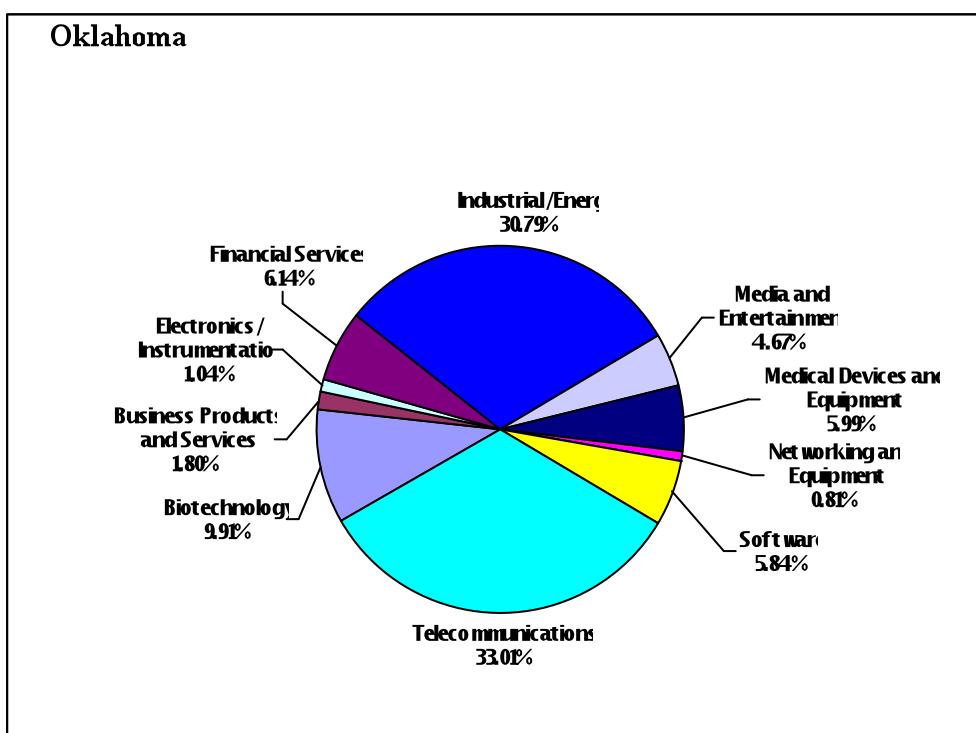
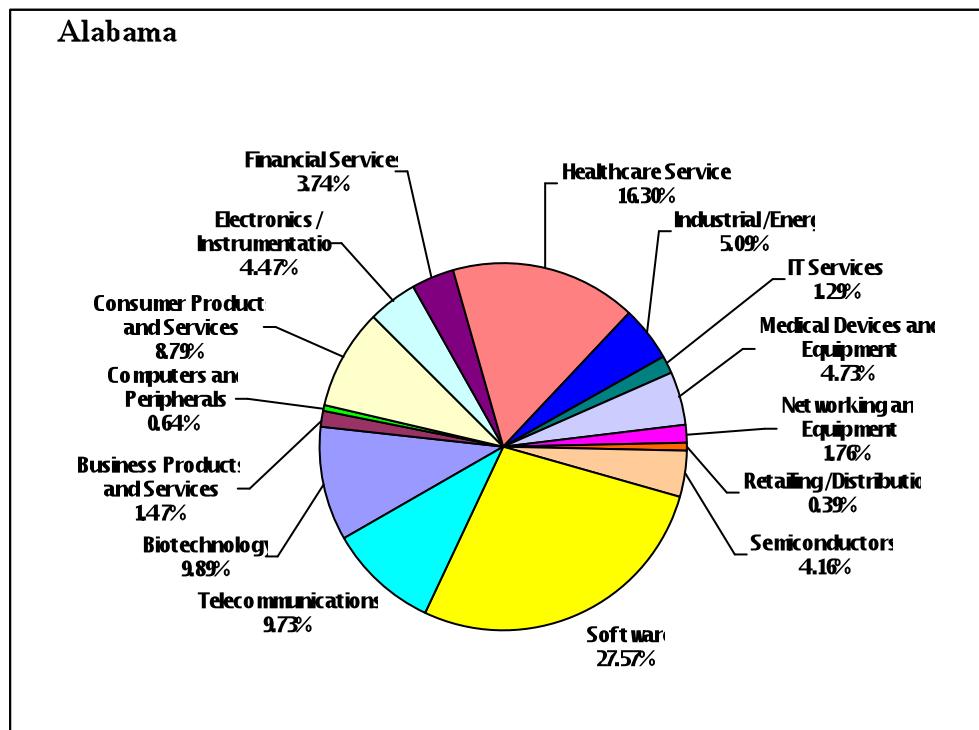
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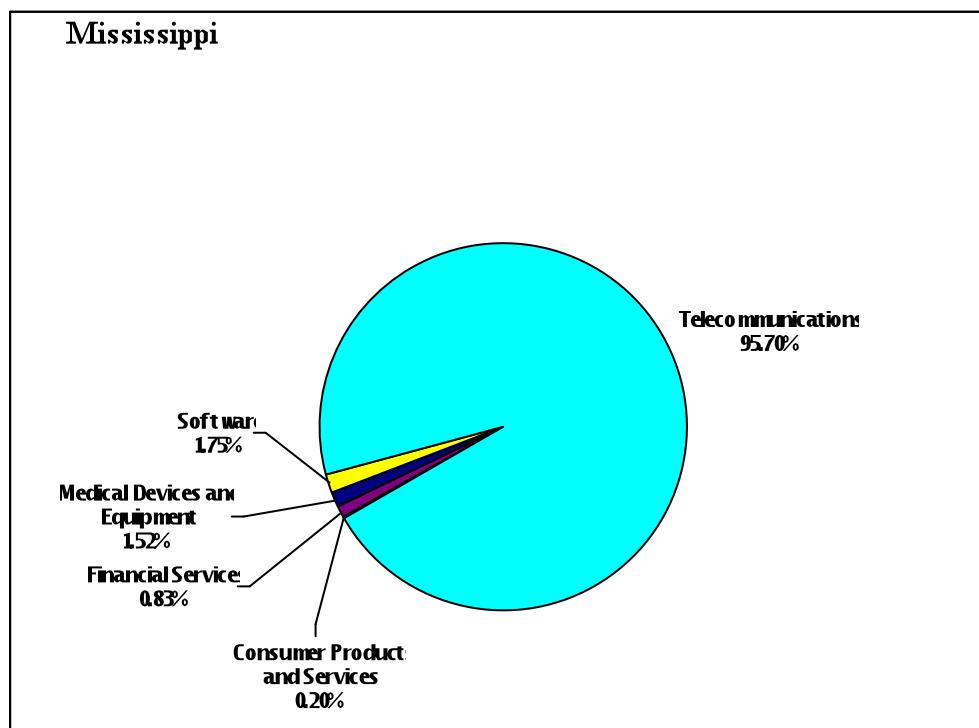


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5.2 Venture capital investment in tech related vs. non-tech related businesses

The level of venture capital activity in tech-related businesses reflects the degree to which a region is linked with the evolving new economy. [Table 17](#), compares the share of total investment amount and the share of deals in tech related businesses between Louisiana and eight selected states.

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As previously shown, Louisiana exceeded Oklahoma by \$173 million and Mississippi by \$287 million in total venture capital investment, respectively. However, Louisiana trailed both Oklahoma and Mississippi as well as the other six comparison states in investment amount in tech related businesses. Over the last ten years, Louisiana had \$237 million venture capital invested in tech related businesses; while Mississippi and Oklahoma had \$328 million and \$282 million invested in tech related businesses, respectively.

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[Figure 9](#), illustrates the percentage of venture capital invested in tech related businesses vs. non-tech related businesses, in terms of dollar amount invested and the number of deals, respectively, for Louisiana and eight selected states.

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Measured by dollar amount invested, only 38% of the venture capital invested in Louisiana was in tech related businesses, the lowest among all states compared in this study, and, in fact, among the lowest in the nation. Only Oklahoma (63%) had a tech-related share of total investment that was less than 83%. In Mississippi, 99% of the venture capital was invested in tech related businesses, while the bellwether states of Massachusetts and California both had more than 90% of the venture capital invested in tech related business.

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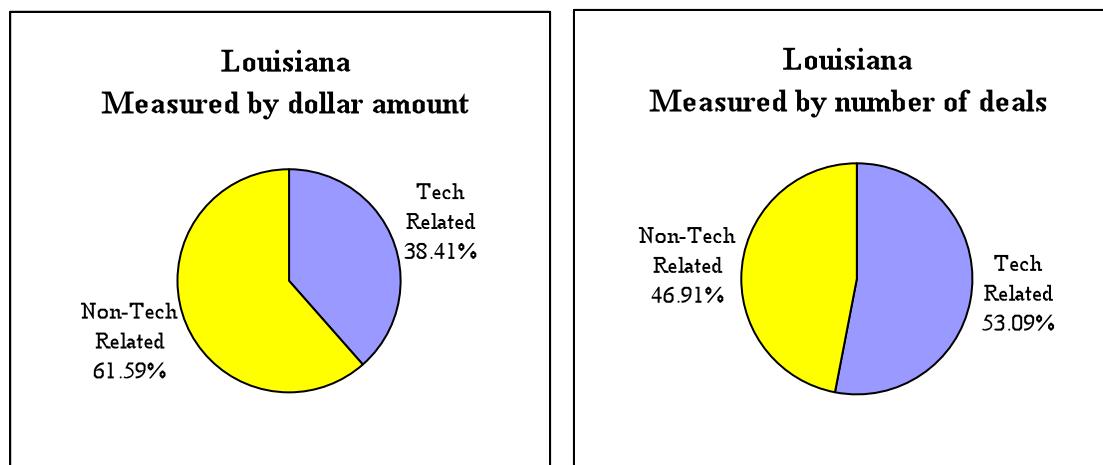
Measured by number of deals, 53% of the venture capital deals in Louisiana were in tech related businesses, lower than all states compared except South Carolina (51%). In Mississippi and Oklahoma, 89% and 72% of the venture capital deals were in tech related businesses, respectively.

These figures for Louisiana are primarily driven by the reliance on the energy sector. New technology and new economy sectors in Louisiana have been unable to attract venture capital away from the energy sector or from other states. Unlike Louisiana, some states with very small overall VC investments, such as Alabama, Mississippi, Oklahoma, and South Carolina, have still managed to attract most of the venture capital into tech related businesses.

Table 17 VC investment in tech related businesses, 1995-2004

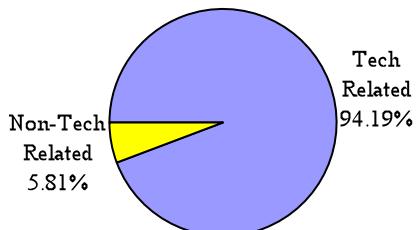
State	Tech Related Investment	% of Total Amount	Tech Related Deals	% of Total Deals
Louisiana	\$ 237,275,000	38.41%	43	53.09%
California	\$ 124,356,204,400	94.19%	12,983	92.80%
Massachusetts	\$ 31,106,941,800	94.55%	3,740	91.80%
Texas	\$ 14,926,899,500	83.48%	1,696	82.25%
Georgia	\$ 6,062,332,400	89.68%	856	87.17%
South Carolina	\$ 902,861,400	83.09%	44	50.57%
Alabama	\$ 665,517,200	83.54%	114	86.36%
Oklahoma	\$ 282,430,100	63.41%	46	71.88%
Mississippi	\$ 328,095,100	98.97%	24	88.89%

Figure 9 VC investment in tech related vs. non-tech related businesses, 1995-2004

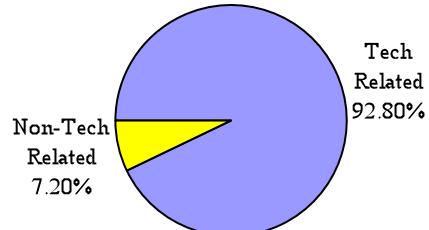


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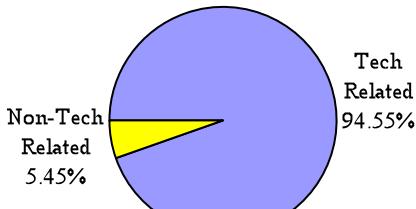
California
Measured by dollar amount



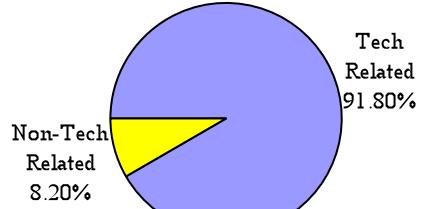
California
Measured by number of deals



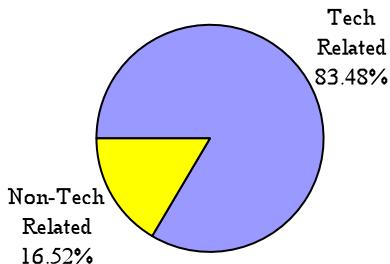
Massachusetts
Measured by dollar amount



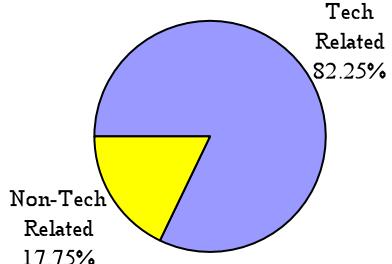
Massachusetts
Measured by number of deals



Texas
Measured by dollar amount

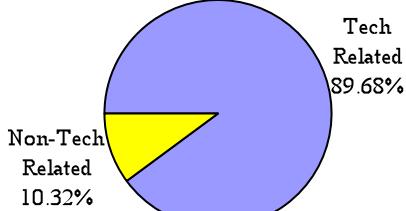


Texas
Measured by number of deals

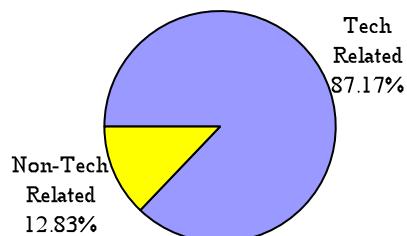


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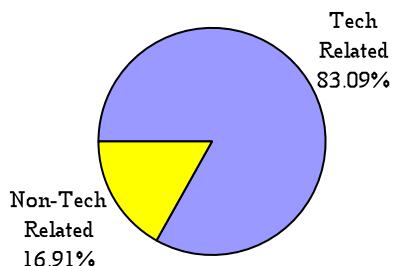
Georgia
Measured by dollar amount



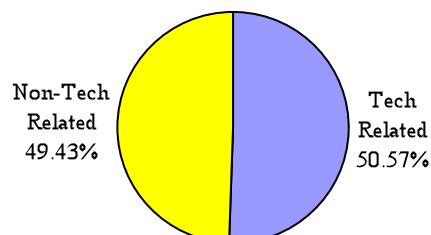
Georgia
Measured by number of deals



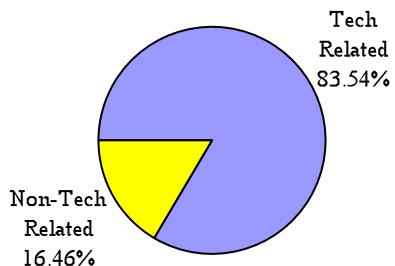
South Carolina
Measured by dollar amount



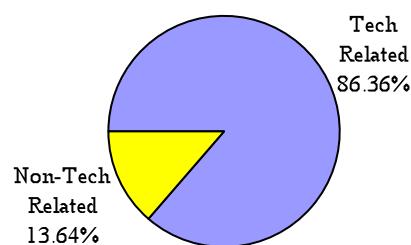
South Carolina
Measured by number of deals



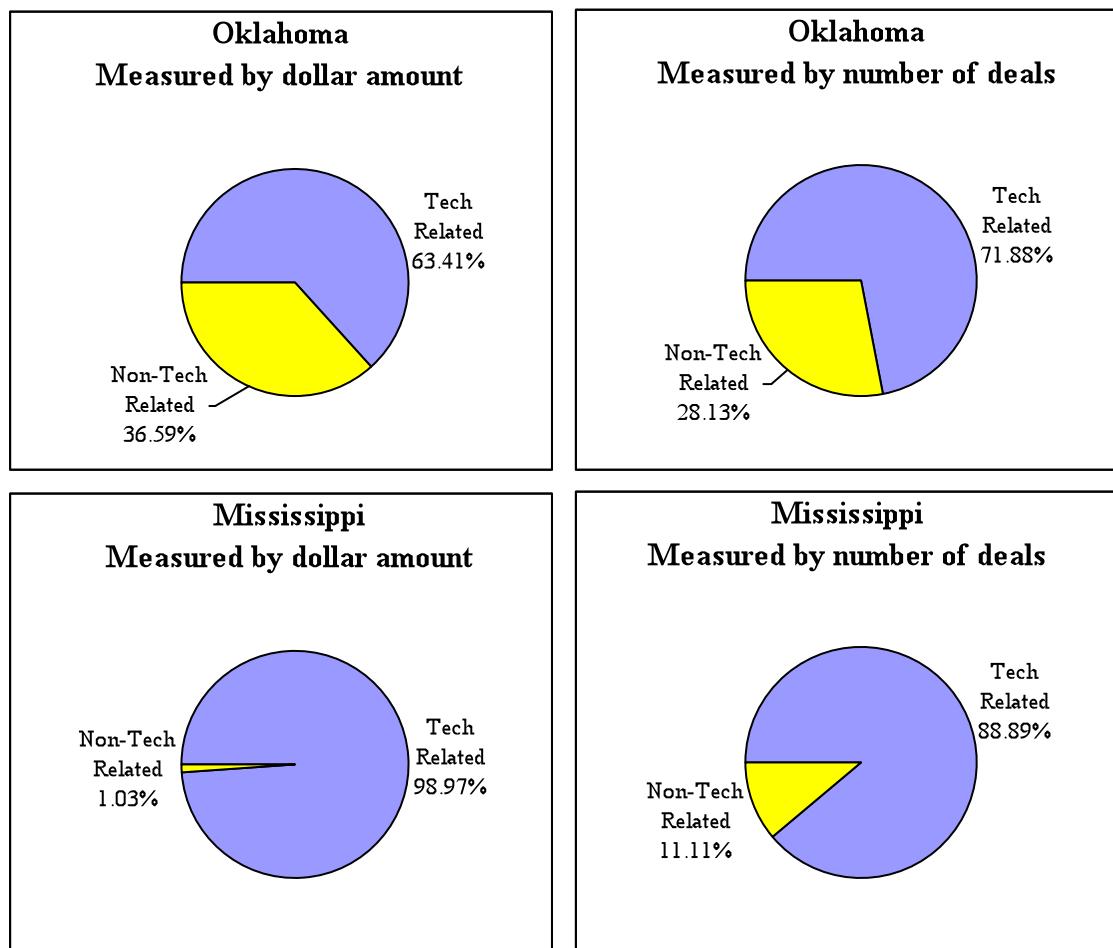
Alabama
Measured by dollar amount



Alabama
Measured by number of deals



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5.3 Venture capital investment by development stage of the investee company

The stage of the investee company is an important element of venture capital investment. One of the important roles that venture capital plays is to bring operating capital and management expertise into a company in its infancy, then energize it and steer it on a course that leads to success. It is at the earliest stage that VC funding is the most essential to the survival of a company, technology or product. Later stage or expansion stage investments are typically less hands-on investments, and the venture capitalists' funds and expertise play a different and somewhat less critical role.

The stage of development of the investee company says a lot about the type of VC investments that are being made. We examined four stages: Startup/Seed, Early Stage, Expansion, and Later Stage. Strong investment in Startup/Seed and Early Stage deals indicates that VC investment is providing a dynamic, innovative ingredient for future growth and development of the economy.

[Table 19](#), [Table 21](#), illustrate VC investment by the development stage of investee companies.

During 1995-2004, the majority of the investment in Louisiana was in expansion stage businesses, accounting for \$531 million or 83% of the total VC invested in Louisiana. Startup/seed stage businesses were the least invested in Louisiana, less than \$5 million through only two deals, accounting for 0.77% of the total investment over the last ten years.

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| Davy | Delete **Figure 11**, shows that, compared with the eight selected states, Louisiana had the highest percentage investment in expansion stage businesses, in both dollar amount invested and the number of deals. Regarding investment in startup/seed stage and early stage businesses, Louisiana had the lowest percentage investment when measured by the number of deals, and had the second lowest percentage, just ahead of Mississippi, when measured by the dollar amount invested.

If California and Massachusetts are the bellwether states, then a healthy mix of investment would show about 25% of total funds and 30-40% of deals going to early stage and start-up businesses. That is the case for all the other comparison states except for Louisiana and Mississippi. South Carolina and Alabama were safely in that range. Texas and Georgia were slightly more invested in early stage and startups, while Oklahoma was slightly lower. However, Louisiana was very heavily concentrated in expansion stage deals, while Mississippi had little activity outside of later stage and expansion deals in Telecommunications.

| Davy | Delete **Table 19**, VC investment, by stage of development, 1995-2004

State	Startup/Seed	Early Stage	Expansion	Later Stage	Total*
Louisiana	\$ 4,750,000	\$ 61,504,900	\$ 531,398,000	\$ 20,053,000	\$ 617,705,900
California	\$ 6,176,855,300	\$ 26,885,874,600	\$ 71,293,893,100	\$ 27,665,494,700	\$ 132,022,117,700
Massachusetts	\$ 1,513,755,700	\$ 7,319,974,800	\$ 17,433,795,900	\$ 6,627,776,900	\$ 32,895,303,300
Texas	\$ 781,858,000	\$ 4,526,420,300	\$ 9,448,948,400	\$ 3,123,348,200	\$ 17,880,574,900
Georgia	\$ 280,330,100	\$ 1,717,712,500	\$ 3,659,636,400	\$ 1,102,185,600	\$ 6,759,864,600
South Carolina	\$ 56,547,000	\$ 202,714,000	\$ 726,929,900	\$ 100,350,300	\$ 1,086,541,200
Alabama	\$ 56,554,800	\$ 137,806,500	\$ 451,842,900	\$ 150,399,000	\$ 796,603,200
Oklahoma	\$ 18,093,000	\$ 65,699,000	\$ 345,528,100	\$ 16,100,000	\$ 445,420,100
Mississippi	\$ 100,000	\$ 26,249,900	\$ 213,345,200	\$ 89,050,000	\$ 328,745,100

* Excludes investment in Other/Unknown stages representing 0.01% of total.

| Davy | Delete **Table 21**, Number of VC deals, by stage of development, 1995-2004

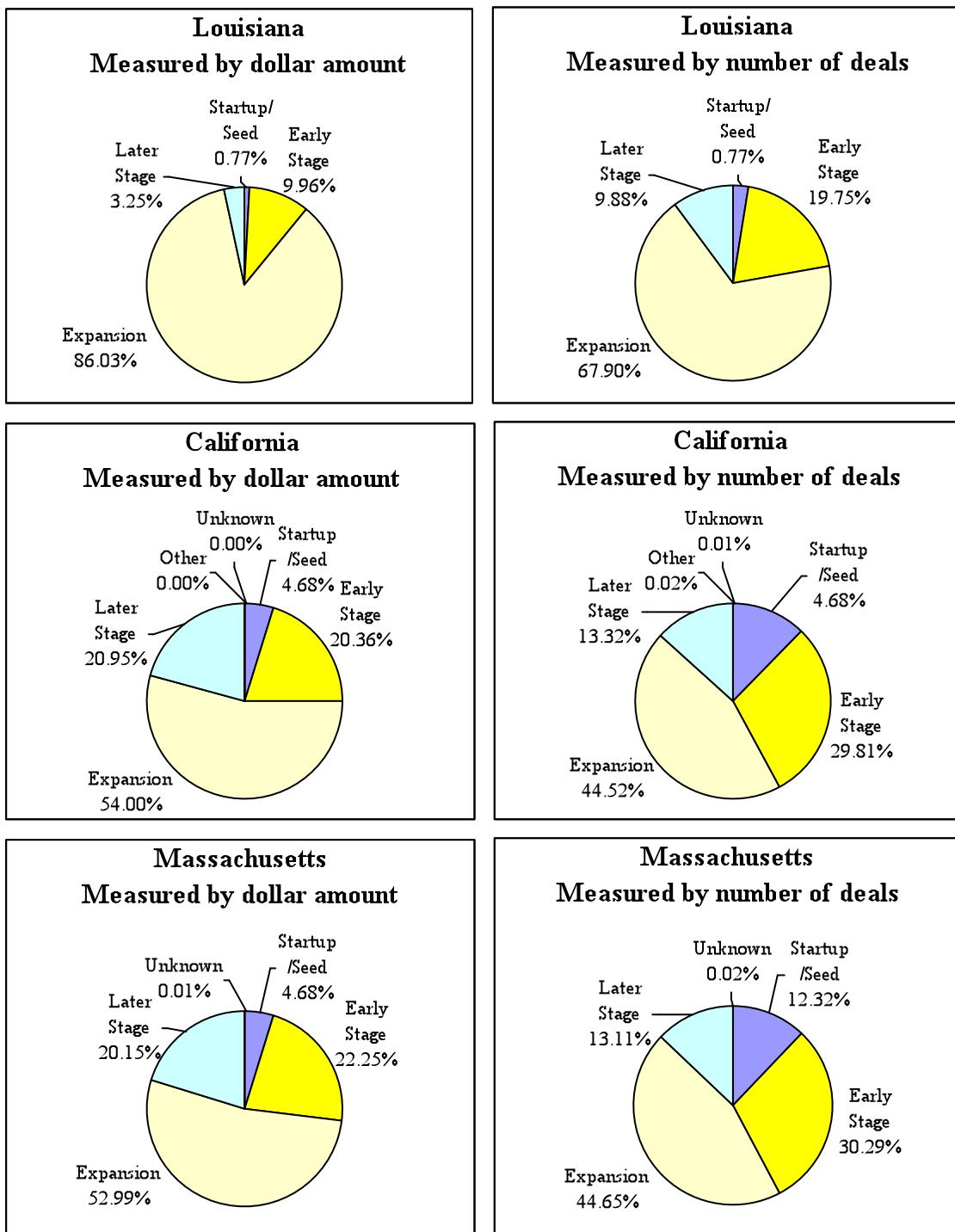
State	Startup/Seed	Early Stage	Expansion	Later Stage	Total*
Louisiana	2	16	55	8	81
California	1,723	4,171	6,228	1,863	13,985
Massachusetts	486	1,234	1,819	534	4,073
Texas	239	605	980	237	2,061
Georgia	100	327	463	92	982
South Carolina	6	32	45	4	87
Alabama	16	38	62	16	132
Oklahoma	8	14	40	2	64
Mississippi	1	8	13	3	25

* Excludes deals in Other/Unknown stages representing 0.04% of total.

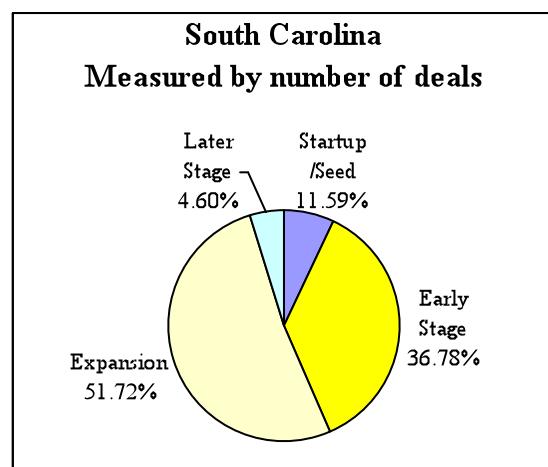
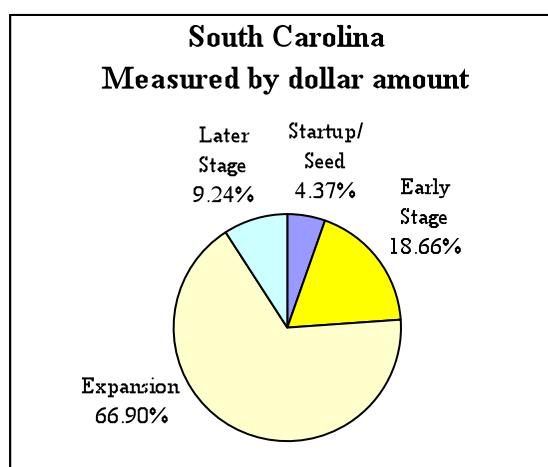
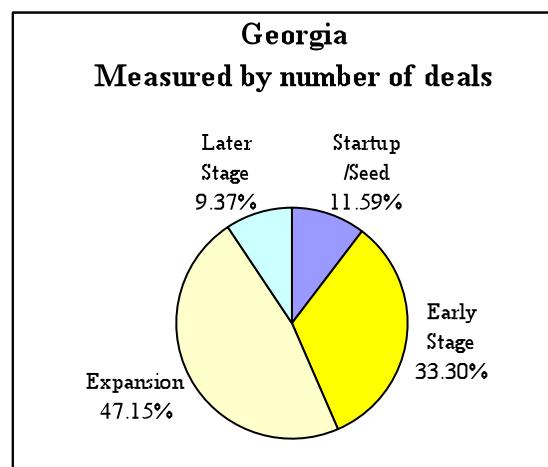
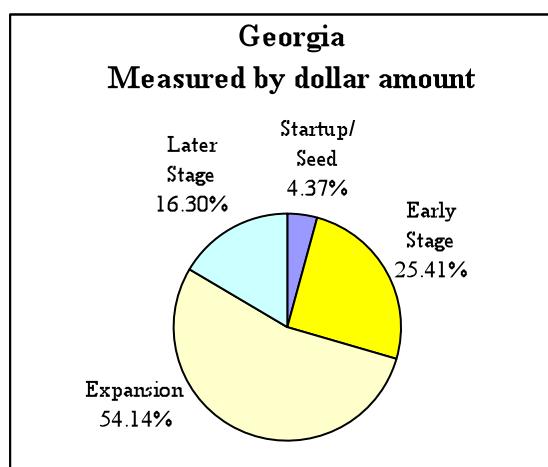
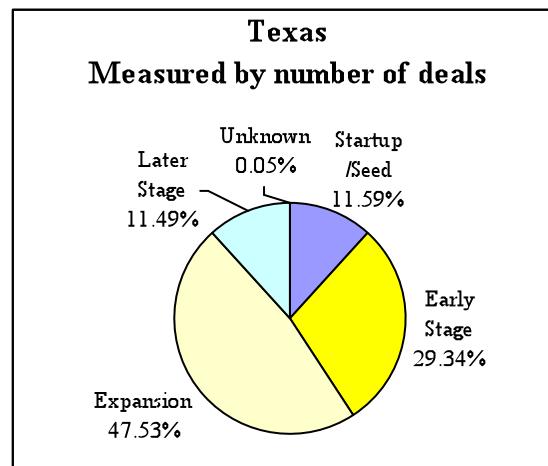
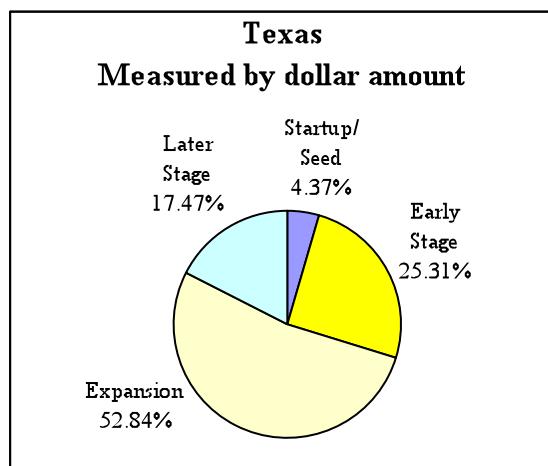
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Figure 11 VC investment in Louisiana businesses, by stage of development, 1995-2004

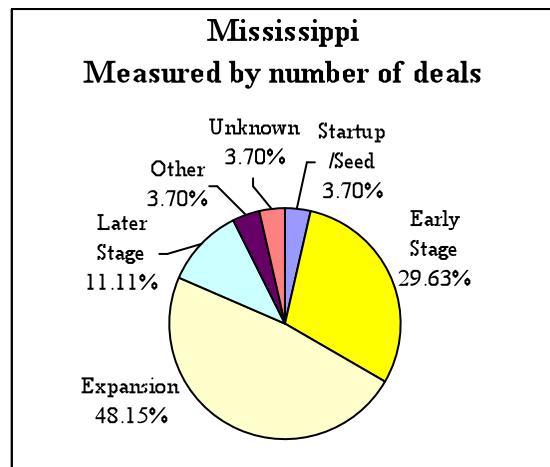
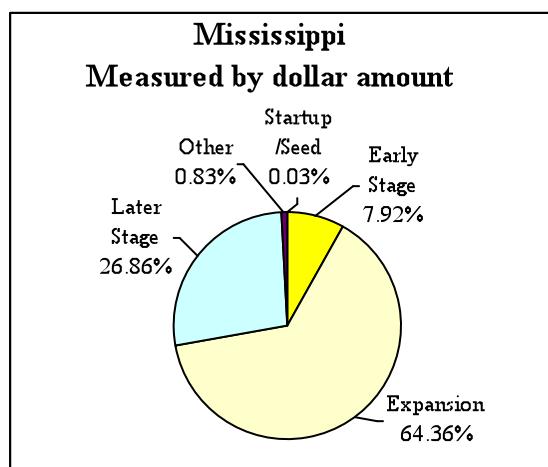
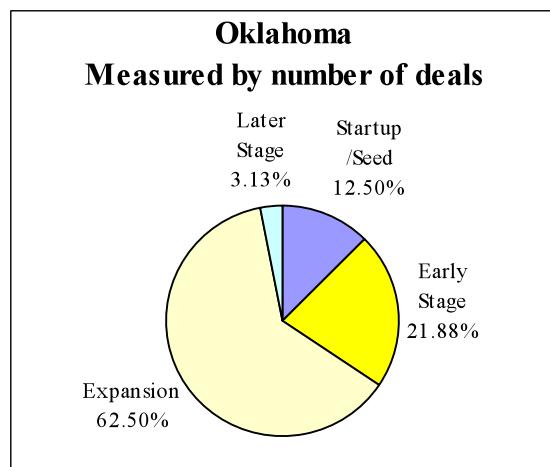
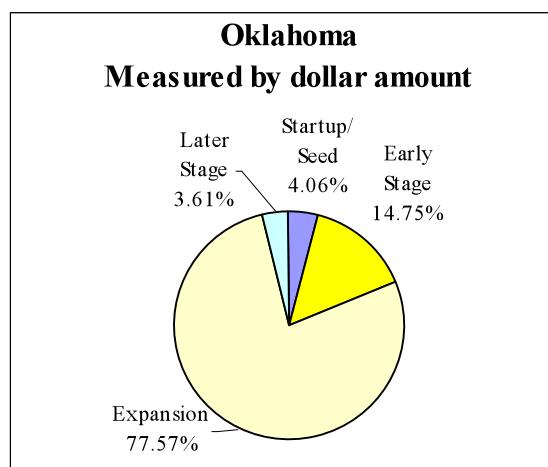
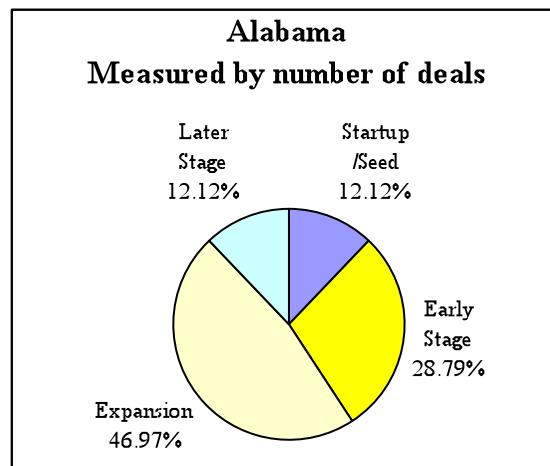
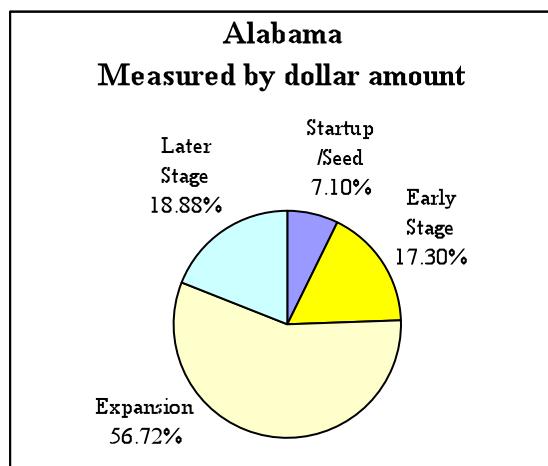
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6 Summary and Conclusions

Louisiana, like most states, has not been a major player in venture capital activity. The national figures are determined primarily by activity in California, Massachusetts, and a few other large or highly active states. The data presented in this paper confirm that and reveal some of the details of that larger picture. Here are some of the conclusions illustrated in the preceding pages.

- Regardless of how we measure it, venture capital activity in the U.S. during 1995-2004 was highly concentrated in a few states.
 - More than half of the \$315 billion invested through 37,320 venture capital deals in the United States from 1995 to 2004 were in California and Massachusetts. The top ten states account for 81% of the total, while 36 states each had less than a one-percent share of the total venture capital invested.
 - Controlling for population, seven states had per capita VC investment levels that were twice or more times the national average: California, Massachusetts, Colorado, the District of Columbia, New Hampshire, Washington, and Connecticut. Twenty-eight states had per capital investment levels that were less than half of the national average.
- Nationwide, VC investment was concentrated in tech-related sectors.
 - 16 states had at least 90% of their VC investments in tech related companies; another 19 states invested at least 80%.
 - Only five states, including Louisiana, invested less than half of their VC funds in tech related companies.
- Louisiana had very little venture capital investment from 1995 to 2004 and the activity was concentrated in the oil and gas industry.
 - Louisiana companies attracted \$618 million in venture capital funds through 81 deals during the ten-year study period, representing only 0.2% of the national investment total. Neither the dollar amount invested nor the number of deals realized was likely to have a significant impact on the state economy.
 - Louisiana ranked 29th in the nation in total venture capital investment and 36th in per capita investment.
 - \$200 million of the total VC investment in Louisiana came from a single oil and gas deal. That deal accounts for nearly one-third of the total VC investment in the last ten-years.
 - 50% of the total VC investment in Louisiana was in the Industrial/Energy sector, mostly in oil and gas.
 - South Louisiana (along I-10) accounted for 99% of all venture capital activity in Louisiana during the study period. 62% of the deals were in Orleans and Jefferson parishes. The unbalanced venture capital investment among Louisiana parishes is consistent with the unbalanced economic development landscape of the state. More investment is needed in Northern and Central Louisiana to spur business growth and job creation in these regions.
- Louisiana was atypical among the comparison states in its industry investment pattern and the stage of development of the companies receiving VC funds.
 - The typical industry investment pattern in the comparison states was strong investment in Software, Telecommunications and Networking and Equipment—

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sectors typical of new technology, innovation and the new economy. In Louisiana, however, 50% of the funds were invested in the Energy sector and the Networking and Equipment sector attracted insignificant funds.

- All of the comparison states, except Oklahoma, funneled 80% or more of their VC investments into tech related companies. Oklahoma invested 63% and Louisiana 38% in tech-related companies. VC invested in Louisiana was dominated by traditional non-tech related industrial sectors represented by the oil and gas industry. More capital needs to be directed to business with rich technology content for the state to transit to the new economy.
- Most comparison states saw around 25% of their investment dollars and 30-40% of their VC deals in early stage and startup companies. In Louisiana only 10% of the dollars and 20% of the deals were in early stage or startup companies. Seed and early stage capital is the most needed to allow the creation and survival of new businesses.

The emphasis placed on investments in higher education, research and development, technology transfer and commercialization which began in earnest during the late 1990's is one of the factors that may eventually begin to impact the venture capital activity in Louisiana. Since VC funds tend to follow innovation, new technology, and entrepreneurial activity, and investment of these types of activity by the state of Louisiana through its research universities has increased in the last decade, and seems poised to continue, one can expect that those investments will begin to produce innovations and opportunities for venture capitalists to invest in the state.

7 Appendix: MoneyTree™ Survey Definitions⁷

7.1 Industry definitions

The Industry Classifications used in the MoneyTree™ Survey are as follows:

- **Biotechnology**
Developers of technology promoting drug development, disease treatment, and a deeper understanding of living organisms. Includes human, animal, and industrial biotechnology products and services. Also included are biosensors, biotechnology equipment, and pharmaceuticals
- **Business Products and Services**
Offers a product or service targeted at another business such as advertising, consulting, and engineering services. Also includes distributors, importers, and wholesalers.
- **Computers and Peripherals**
Includes manufacturers and distributors of PCs, mainframes, servers, PDAs, printers, storage devices, monitors, and memory cards. Also included are digital imaging and graphics services and equipment such as scanning hardware, graphics video cards and plotters. Integrated turnkey systems and solutions are also included in this category
- **Consumer Products and Services**
Offers products or services targeted at consumers such as restaurants, dry cleaners, automotive service centers, clothing, toiletries, and housewares.
- **Electronics/Instrumentation**
Includes electronic parts that are components of larger products and specialized instrumentation, including scientific instruments, lasers, power supplies, electronic testing products, power supplies, and display panels. Also included are business and consumer electronic devices such as photocopiers, calculators, and alarm systems.
- **Financial Services**
Providers of financial services to other businesses or individuals including banking, real estate, brokerage services, and financial planning.
- **Healthcare Services**
Includes both in-patient and out-patient facilities as well as health insurers. Included are hospitals, clinics, nursing facilities, managed care organizations, Physician Practice Management Companies, child care and emergency care.
- **Industrial/Energy**
Producers and suppliers of energy, chemicals, and materials, industrial automation companies and oil and gas exploration companies. Also included are environmental, agricultural, transportation, manufacturing, construction and utility-related products and services.
- **IT Services**
Providers of computer and internet-related services to businesses and consumers including computer repair, software consulting, computer training, machine leasing/rental, disaster recovery, web design, data input and processing, internet security, e-commerce services, web hosting and systems engineering.

⁷ Source: www.pwcmoneytree.com

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- **Media and Entertainment**
Creators of products or providers of services designed to inform or entertain consumers including movies, music, consumer electronics such as TVs/stereos/games, sports facilities and events, recreational products or services. Online providers of consumer content are also included in this category (medical, news, education, legal)
- **Medical Devices and Equipment**
Manufactures and/or sells medical instruments and devices including medical diagnostic equipment (X-ray, CAT scan, MRI), medical therapeutic devices (drug delivery, surgical instruments, pacemakers, artificial organs), and other health related products such as medical monitoring equipment, handicap aids, reading glasses and contact lenses.
- **Networking and Equipment**
Providers of data communication and fiber optics products and services. Includes WANs, LANs, switches, hubs, routers, couplers, and network management products, components and systems.
- **Retailing/Distribution**
Firms making consumer goods and services available for consumer purchase including discount stores, supercenters, drug stores, clothing and accessories retailers, computer stores and book stores. Also included in this group are e-Commerce companies ---those selling their products or services via the Internet.
- **Semiconductors**
Design, develop or manufacture semiconductor chips/microprocessors or related equipment including diodes and transistors. Also includes companies that test or package integrated circuits.
- **Software**
Producers of bundled and/or unbundled software applications for business or consumer use including software created for systems, graphics, communications and networking, security, inventory, home use, educational, or recreational. Also included is software developed for specific industries such as banking, manufacturing, transportation, or healthcare.
- **Telecommunications**
Companies focused on the transmission of voice and data including long distance providers, local exchange carriers, and wireless communications services and components. Also included are satellite and microwave communications services and equipment.
- **Other**
If the classification criteria in all of the other categories does not appropriately describe the product or service offered, the firm may be categorized in this group.

7.2 Stage of development definitions

The Stage of Development Classifications used in the MoneyTree™ Survey are as follows:

- **Seed/Start-Up Stage**
The initial stage. The company has a concept or product under development, but is probably not fully operational. Usually in existence less than 18 months.

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- **Early Stage**
The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Usually in business less than three years.
- **Expansion Stage**
Product or service is in production and commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. Usually in business more than three years.
- **Later Stage**
Product or service is widely available. Company is generating on-going revenue; probably positive cash flow. More likely to be, but not necessarily profitable. May include spin-outs of operating divisions of existing private companies and established private companies.

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