

FOR IMMEDIATE RELEASE

March 15, 2010

In 2009, New San Diego Tech Start-ups Create Over 1,000 Jobs; Federal Grants Exceed \$1.1 Billion; 4th Quarter M&A Deals Jump by Over \$1 Billion

CONNECT Fourth Quarter Innovation Report Released.

SAN DIEGO – CONNECT, the San Diego region's internationally recognized non-profit technology and life sciences accelerator, released its 2009 fourth quarter CONNECT Innovation Report (CIR) today. The CIR is the first to measure new business and job creation in the life science and technology-based sectors both statewide and in the San Diego region as well as venture capital investment, merger & acquisition (M&A) and patent activity, federal grant funding and private research institute wages and employment. Results provide a valuable gauge of the economic strength and impact of the knowledge economy in San Diego and across the state for business leaders, policy makers, and researchers. The report is developed in partnership with: the National University System Institute for Policy Research; University of California, San Diego Extension; PricewaterhouseCoopers LLP; Procopio, Cory, Hargreaves & Savitch LLP; and the San Diego Business Journal.

Report Highlights:

- In 2009, 300 new technology start-ups were formed in San Diego creating an estimated 1,070 new jobs. 74 new technology companies were created in San Diego in Q4 2009, down slightly from 78 in the previous quarter.
- The value of M&A deals jumped over 360% across California in Q4 2009. In San Diego, 29 deals totaling nearly \$1.3 billion were closed – up nearly 1200% compared to \$99 million in 32 deals closed in Q3 2009. Nearly 30% of all the M&A deals closed in Q4 2009 in Southern California involved San Diego companies.
- The life sciences sector received the majority of the VC funding in Q4 2009, over 60%, with \$185 million invested – up nearly 20% from the \$155 million raised in the sector in the previous quarter.
- Technology start-ups for all of California were up 13% in Q4 2009 with 700 new companies established compared to the previous quarter's 617 start-ups.
- 25 new pharma/biotech/medical device businesses were created in San Diego in Q4 2009. This represents over 15% of all California life sciences start-ups formed statewide in Q4 2009. San Diego ranked second behind Los Angeles County with 34 life science start-ups in the fourth quarter.
- Data from PricewaterhouseCoopers/National Venture Capital Association Moneytree™ latest report shows that Q4 2009 VC investment in San Diego companies was up 16% to \$300 million from \$259 million raised in Q3. San Diego was 4th in the nation for total VC investment received in the fourth quarter.
- 53% of total VC financing in San Diego went to start-ups and early stage companies. Financing of later stage companies increased to 28% of the total in San Diego from 16% in Q3 2009.

The top ten VC investments in San Diego companies for Q4 2009 were:

| | | | |
|--------------------------|----------------|---------------------------|----------------|
| Zogenix, Inc. | \$35.0 million | Receptos, Inc. | \$23.6 million |
| Fate Therapeutics, Inc. | \$30.5 million | Fyfe Company LLC | \$20.0 million |
| EVOFEM, Inc. | \$25.0 million | Altair Therapeutics, Inc. | \$17.0 million |
| SmartDrive Systems, Inc. | \$25.0 million | Cyntellect, Inc. | \$15.5 million |
| Pfenex, Inc. | \$24.0 million | Celula, Inc. | \$15.0 million |

Source: PricewaterhouseCoopers/National Venture Capital Association Moneytree™

- While VC funding in San Diego in 2009 totaled just over \$900 million raised by 107 companies, venture investment in the region was down for the second consecutive year from the \$1.2 billion invested in 2008 and \$2 billion invested in 2007.
- Federal funding granted to San Diego organizations totaled nearly \$1.2 billion in 2009 – up 35% over the \$889 million awarded in 2008. San Diego grant funding from the National Institutes of Health (NIH) totaled \$920 million in 2009 and National Science Foundation (NSF) grants totaled nearly \$250 million. NIH grants to San Diego fell to just over \$100 million in Q4 2009 from \$383 million in Q3 2009, while NSF grant amounts fell to \$26 million in Q4 2009 from nearly \$115 million in the previous quarter.
- San Diego patent applications were up approximately 6% compared to Q3 2009 while patents granted were down 8%. San Diego accounted for 16% of all patents filed and 11% of patents granted in California in Q4 2009. Qualcomm, Broadcom’s San Diego group, Callaway Golf, Sony, Hewlett-Packard and the University of California, San Diego accounted for almost 90% of the total number of patents granted in San Diego.
- Latest available data showed employment and average weekly wages paid by private research institutions in San Diego fell 18% in Q2 2009 compared to the previous quarter. The average weekly wage for San Diego private research institute employees was 24% lower than the corresponding average wage in northern California in Q2 2009.

The full report, including all data, is available at [CONNECT Innovation Report](#).

About CONNECT

CONNECT is a nonprofit organization dedicated to creating and sustaining the growth of innovative technology and life science businesses in San Diego. Since 1985, CONNECT has assisted in the formation and development of over 2,000 companies and is widely regarded as the world’s most successful regional program linking inventors and entrepreneurs with the resources they need for success. CONNECT focuses on research institution support, business creation and development, entrepreneurial learning, access to capital, public policy advocacy, awards, recognition and networking. Almost 40 countries and regions have adopted the CONNECT model, including the U.K, Sweden, Norway, Denmark, Australia, China and, most recently, New York City. For more information, please visit www.connect.org.

Contact:

CONNECT 858.964.1300

Steve Hoey, Senior Program Manager, CONNECT Innovation Report
858.964.1308

shoey@connect.org