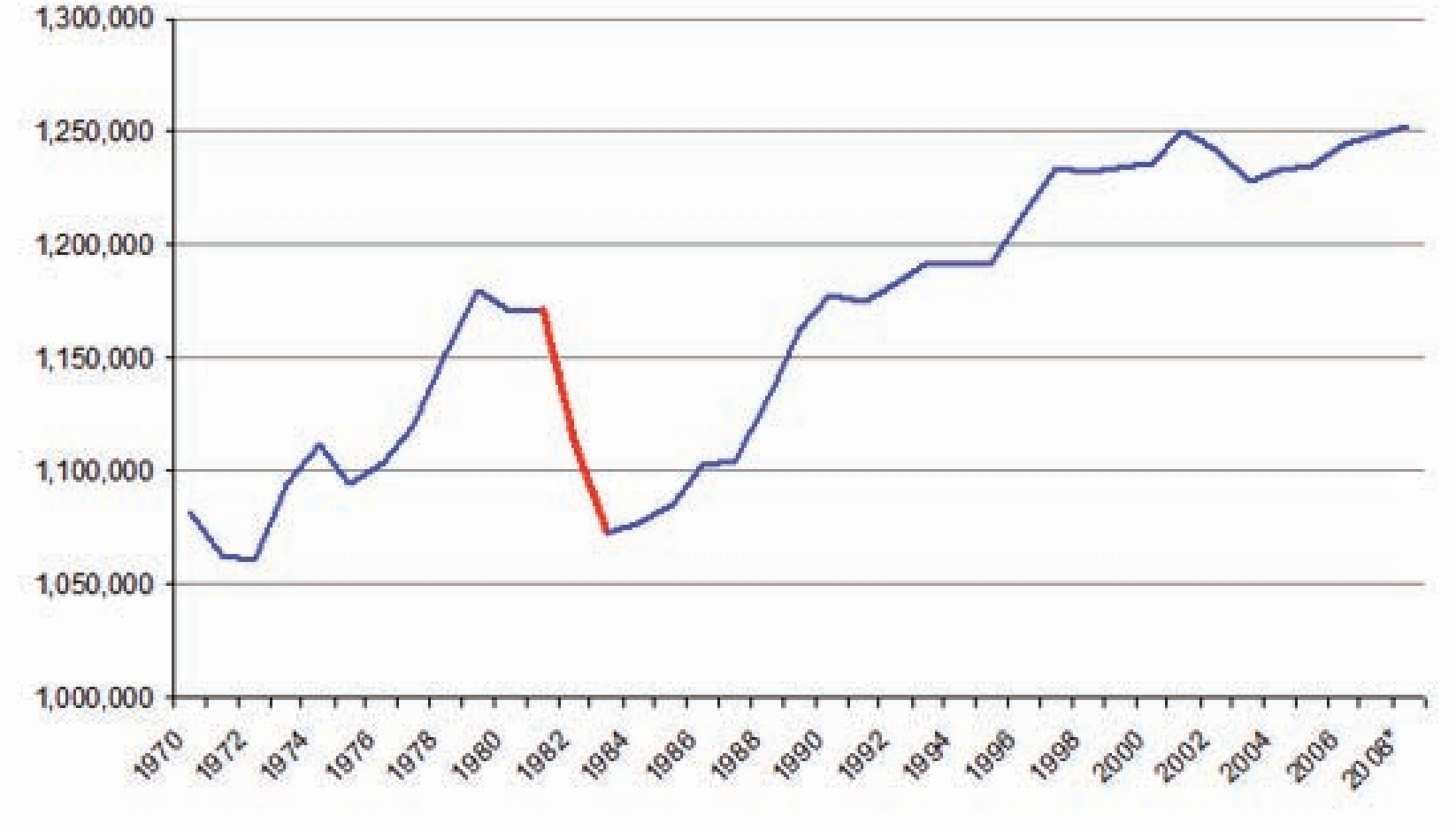
Innovation Works

Rich Lunak
President and CEO
November 10, 2010

Major Job Losses of the Early 1980's

Innovation Works

Total Employment 1970 - 2009



Source: Allegheny Conference on Community Development

Pittsburgh's Comeback

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No. 1 Most Livable City

- Forbes.com (April 29, 2010)

"Pittsburgh, City of Renewal"

– The Atlantic (September 24, 2009)

"Summit Spotlights 'Steel City's' Extreme Makeover"

– National Public Radio (September 24, 2009)

"Reinvented 'Steel City' Chosen for G-20 Summit"

– Pravda (September 23, 2009)

Pittsburgh showcases green economy at G20 summit"

– Reuters (September 20, 2009)

"Pittsburgh Shows How the Rust Belt Can Be Polished Up"

– The Washington Post (September 24, 2009)

Investing In Our Region's Future

Entrepreneurs Drive The Economy

Innovation Works

" Entrepreneurial capacity and behavior are the prime drivers of economic growth and job creation. …Over the long-term, cities with strength in entrepreneurship will be among our Best Performing Cities – large and small."

The Milken Institute, Nov. 2004

" Entrepreneurs are still the primary engine of job creation in the U.S. In the last 30 years, all net new jobs have come from firms less than five years old."

Carl Schramm, President & CEO, Kauffman Foundation

" Economic growth is highly correlated with an abundance of small, entrepreneurial firms."

Harvard Business School, Sept. 2009

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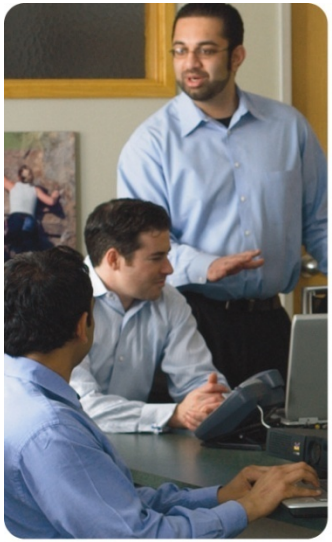


Growing Southwestern PA's entrepreneurial economy through direct investment, business expertise and hands-on support

Internationally Recognized Best Practice

Innovation Works

U.S. Department of Commerce i6 Challenge Award Winner

US Economic Development Administration, September 2010

EDA 2008 "Excellence in Regional Economic Development" Award

US Economic Development Administration, June, 2008

SSTI 2008 & 2009 "Excellence in TBED" Award

State Science & Technology Institute, Oct. 2008 & 2009

International Economic Development Council 2008 & 2009 "Excellence in Economic Development" Award

International Economic Development Council, Oct. 2009

In 2009, IW tied as the Nation's third most active seed or early-stage investor

Entrepreneur Magazine,

Companies Require Critical Resources At Each Phase of Growth

Applying The Right Mix Of Resources

Filling Investment Gaps Left By the Private Sector

Bossa Nova

- **IW seeks to identify the highest-potential startups at the earliest stages**
  - Not limited by sector
  - Profile of average initial investment:
    - Average of 4 employees
    - 84% pre-revenue
- **IW targets funding to fill the seed-stage funding gap**
  - IW invests 6 months prior to a significant angel round, on average
  - IW invests an average of 24 months prior to an initial VC round
- **IW utilizes its funds, expertise and connections to help startups attract other critical resources**

Innovation Works' Portfolio Fuels High-Growth Companies and Serves as a Feeder to Catalyze Regional Investment

$900+ Mil

Total follow-on funding for IW seed fund companies since 2000

75+%

Of all IW seed fund companies are still in business after 10 years when on average roughly 1/3 of all U.S. start-ups close by year two[1]

24 Months

IW invests on average 24 months before a traditional VC round and 6 months prior to a significant angel round

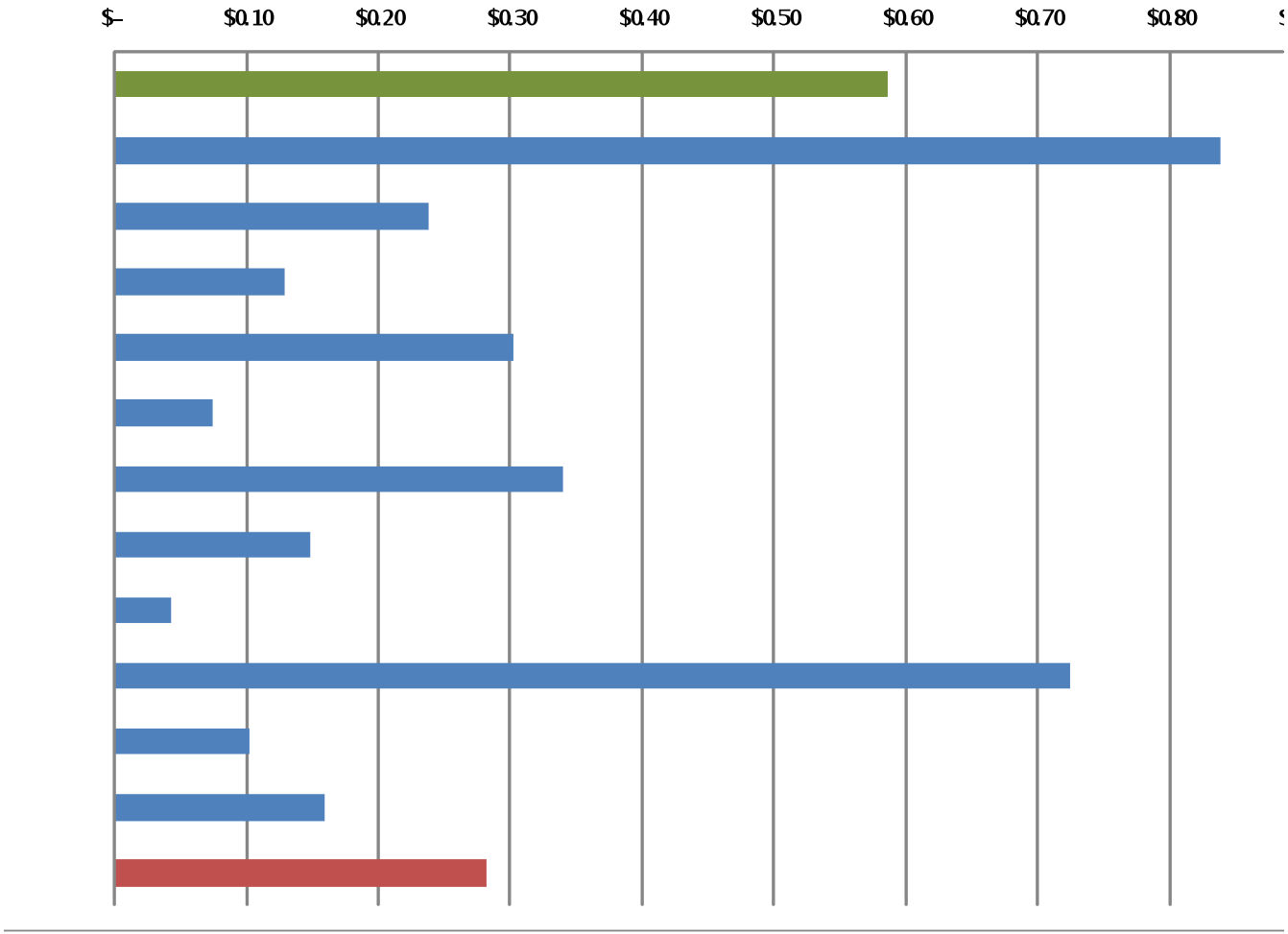
72%

Of all SW PA venture deals from 2007-2009 went to companies that had previously received IW seed funding

Source	TOTAL	# of Rounds
VC Funds	$ 323,402,361	87
Individual Angels	$ 179,827,390	220
Angel Groups	$ 27,436,918	28
Angel Funds (pooled)	$ 5,883,660	10
Angel Rounds w/Placement Agent	$ 74,101,824	27
Corporate/Strategic	$ 199,228,763	33
Federal Grants	$ 46,238,117	78
Other State of PA Programs	$ 16,289,159	87
Local Econ Dev	$ 1,449,085	13
Commercial Lenders	$ 32,025,000	15
TOTAL	$ 905,882,277	598

Note 1: Kauffman Foundation, November 2009

Pittsburgh VC Outpacing Traditional Benchmark Regions



Source: Innovation Works Inc. using data from the PWC MoneyTree Survey

Leveraging Research Strengths

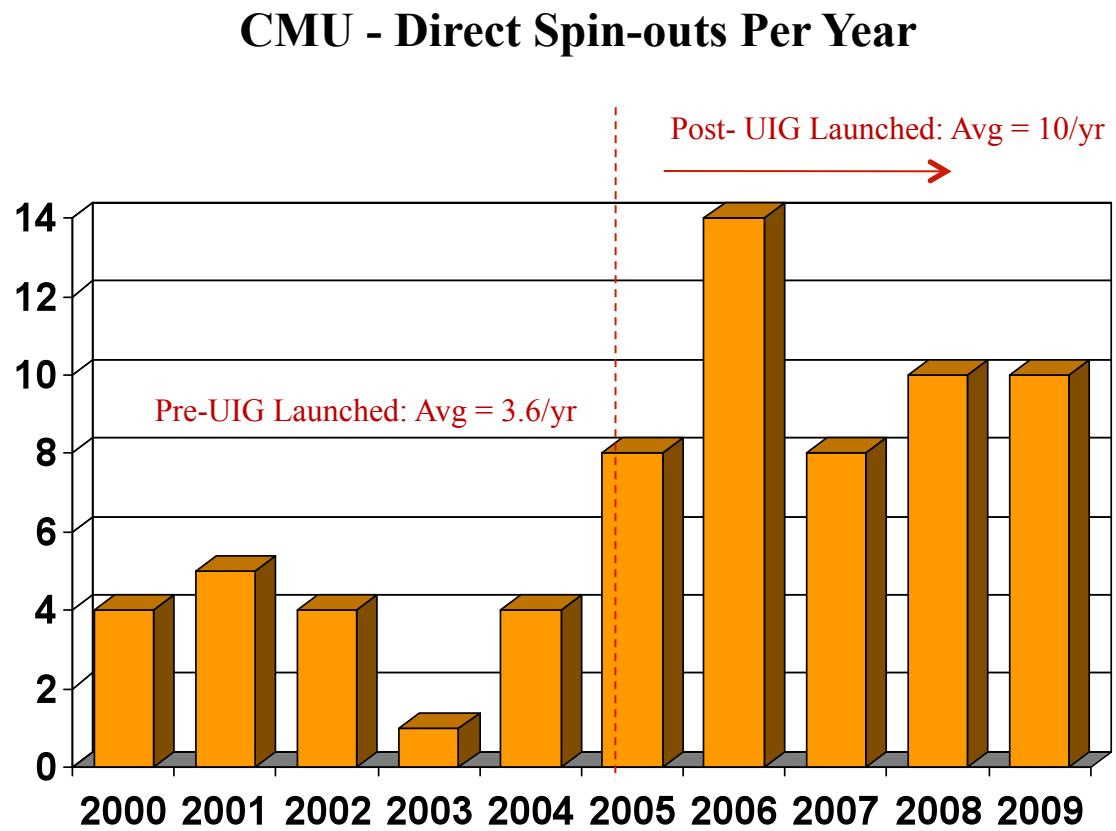
***"IW is a vital link in the entrepreneurial community here*. They play a key role in helping researchers to determine whether their innovation warrants moving forward and their vetting process creates a stamp of approval for future investors."**

Marc Malandro, PhD.

Associate Vice Chancellor for Technology Management & Commercialization, and Director of University of Pittsburgh's Office of Technology Management

Best-In-Class Performance Commercializing Research

RedZone Robotics



"The UIG fund bridges a critical gap which lies between the output of a university research lab and a commercial product."

Bob Wooldridge

Director, Carnegie Mellon Center for Technology Transfer

Strategic Guidance & Functional Expertise

Innovation Works

IW Staff Prior Positions:

- Startup Founder
- VC, Managing Director
- Seed Fund Manager
- Large Corp. President
- Investment Banker
- Strategy Consultant
- Tech Sector Analyst
- Corporate Attorney
- Product Manager
- VP, Finance
- Communications Director
- HR Manager/Recruiter
- Tech Transfer Officer

Industry Backgrounds:

- Energy
- Advanced Materials
- Robotics
- Medical Devices
- Healthcare IT
- Enterprise Software
- Internet

Functional Expertise:

- Strategy/Business Planning
- Fundraising & Corp. Finance
- Hiring & Human Resources
- Marketing & PR
- Product Development
- Market Entry
- Sales Strategy
- Finance

Helping Manufacturers Succeed

Innovation Works

Plextronics

Innovation Adoption Grant Program (IAG)

- Grants to support small manufacturers (< 250 employees)
  - Development of new products
  - Improved engineering processes
  - Advanced fabrication techniques
- $289K in grants awarded in FY09-10
- Companies have utilized 15 different centers of excellence
- Program supported by the Benedum Foundation and U.S. Economic Development Administration

"The IAG Program helps small manufacturers gain the engineering and research expertise they would not have otherwise, allowing them to create better products and bring them to market faster."

Linda D. Nitch

Executive Director, Lawrence County Economic Development Corporation

Leveraging the Region's Energy Assets

energy alliance

Research Strength

NETL

Carnegie Mellon

PENNSTATE

West Virginia University

University of Pittsburgh

Industry Leaders

Allegheny Energy

CONSOL ENERGY

EQT
Where energy meets innovation.

Duquesne Light

EATON
Powering Business Worldwide

Westinghouse

PPG Industries

bpl GLOBAL

Economic Development Leadership

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alleghenyconference
ON COMMUNITY DEVELOPMENT
AND ITS AFFILIATES

Regional Cluster Initiative

alphalab

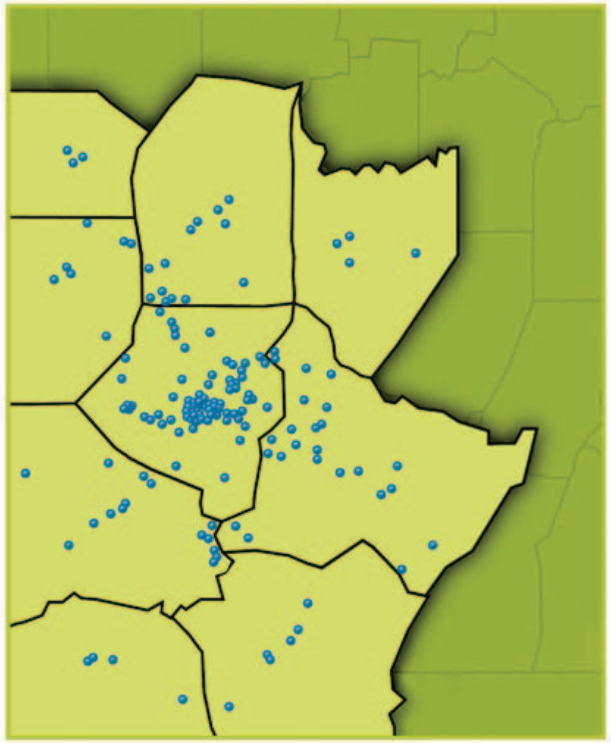
Innovation Works

- 28 companies selected to participate since program started June '08
  - Rapid product development accelerator targeting software, internet & entertainment technology companies
  - Funding, Space, Business Expertise
  - Advisors & Partners
  - AlphaLab Community
- Over 400 Applicants from 35 states and 7 different countries in the first two years
- Four successful Demo Days – over 150 investors and entrepreneurial leaders attended the most recent event
- Building a strong entrepreneurial community locally and creating greater visibility for Pittsburgh nationally

AlphaLab Demo Day - Spring 2010

An Enhanced National Profile For Our Region

Innovation Works: 10-Year Impact



COMPANIES ASSISTED	659
PRODUCTS LAUNCHED	662
JOBS ATTRIBUTED TO IW ASSISTANCE	2,936
AVERAGE WAGE	$54,750
2009 REVENUES AT IW ASSISTED COMPANIES	$897 MILLION
TOTAL AMOUNT INVESTED BY IW	$48 MILLION
ADDITIONAL FUNDS LEVERAGED	$1+ BILLION
TAX REVENUES GENERATED PER DOLLAR INVESTED	$3.50

Innovation Works

Thank You

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November 10, 2010