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A romantic
comedy
for adults

May 13, 2010

Boulder, Colo., a Magnet for High-Tech Start-Ups

By CLAIRE CAIN MILLER

BOULDER, Colo. — Sixty engineers, entrepreneurs and financiers were sipping yerba mate tea at a coffee shop down the street from a bong-and-lingerie store on a recent sunny Tuesday in Boulder, and discussing how Boulder — usually seen as an enclave of hippies, marijuana dispensaries and rock climbers — has become a hotbed of capitalism.

Experienced tech entrepreneurs and investors sat alongside people who had just moved to Boulder hoping to start a company in this small city, which is breeding tech start-ups at an attention-grabbing rate. In the first three months of the year, 11 Colorado tech start-ups raised \$57 million in venture capital, solidifying Boulder's place among the country's up-and-coming tech centers.

"In Silicon Valley, you're a small fish in a huge pond, and it didn't seem as collaborative and a lot more corporate," said Chad McGimpsey, who moved to Boulder a month ago and is now a regular at the twice-a-month coffee club. "Here, you're a big fish in a small pond. Plus, there are the mountains."

A long list of communities around the country have tried to become "the next Silicon Valley." But very few have the mix of money, universities, a high-tech talent pool and appealing lifestyle needed to hatch tech start-ups. Boulder, however, has been luring tech industry veterans and young entrepreneurs from Silicon Valley and Manhattan with promises of a tech community that allows for lunch-break hikes in the foothills of the Rocky Mountains.

The town's big successes include Rally Software, a fast-growing company that makes project management software; Socialthing, a social media service acquired by AOL; and Kerpoof, which makes Web design tools for children and was acquired by the Walt Disney Company.

Venture capital dollars are following the entrepreneurs to Colorado. From 2007 to 2009, venture capitalists invested \$1.9 billion in 275 Colorado start-ups, up from \$1.6 billion in 247 companies from 2004 to 2006, according to the National Venture Capital Association. The money is coming from Colorado venture firms — including the Foundry Group, a prominent firm in Boulder — as well as from Silicon Valley and New York.

The recipes of other cities for creating the next Silicon Valley usually leave out a few main ingredients. Richard Florida, who wrote "The Rise of the Creative Class" and studies why certain cities foster creativity, cites three crucial factors: talented people and a high quality of life that keeps them around, technological expertise, and an open-mindedness about new ways of doing things, which often comes from a strong counterculture.

"Boulder has reached this beautiful sweet spot, where it has many advantages of a university town — tech and talent and openness — but without many of the costs and traffic and congestion that may disadvantage incumbent centers of innovation," Mr. Florida said.

This balance did not come about accidentally. Natural foods companies like Wild Oats Markets and Celestial Seasonings started here, and several national labs and big-tech companies like I.B.M. opened outposts. Early on, the biotech, telecom and data storage industries took off in Boulder, bolstered by Sun Microsystems's \$4.1 billion acquisition of Storage Technology in 2005.

"That generation of entrepreneurs had their success, and importantly, they don't leave," said Brad Bernthal, director of the entrepreneurship initiative at the University of Colorado Silicon Flatirons Center. "Lots of places, you get your money and you go retire somewhere. This place is a destination for people."

The center makes sure that those veterans cross paths with young entrepreneurs. It hosts meet-ups, a campuswide business plan competition and a law clinic, where entrepreneurs get free legal help on things like intellectual property protection.

TechStars, a three-month mentorship program that has taken place in an old gym in Boulder since 2007, has spurred the start-up community's growth. Of the first 10 companies that went through the program, eight received venture funding, five were acquired by bigger companies and three are still active. But David Cohen, the founder of TechStars, is equally proud of one of its failures, because he said it showed how supportive Boulder's tech community is. After EventVue, which built online communities for conferences, shut down, job offers from other tech companies came pouring in.

Almost half of the 30 companies that have gone through the TechStars program have decided to stay in town. Several of them share space — tiny offices and a big common room, kitchen and deck — above Aji, a Latin American restaurant downtown.

One is Everlater, for making travel journals on the Web. Its founders, Nate Abbott and Natty Zola, moved to Boulder to save money by living in their parents' basements after quitting their jobs on Wall Street. But when they arrived, Mr. Zola said, "We realized it was an incredible place to start a company."

The Foundry partners, even though they are not investors in the company, routinely give them an hour of their time or have them over for dinner. A relationship with a TechStars mentor led to a partnership with Martha Stewart Living Omnimedia.

The Foundry partners also run the coffee club and hold office hours, where anyone can meet with them for free advice on their business idea.

Still, Boulder depends on Silicon Valley. There are not enough investors in Colorado to finance growing companies. Many entrepreneurs open California offices, including Matt Galligan, who started and sold Socialthing and is now the founder of SimpleGeo, which makes mapping and other location tools for software companies.

"The community here is terrific, but in terms of generating business, there's no substitute for Silicon Valley," he said.

Though the University of Colorado has opened to the tech community, it plays nowhere near the pivotal role that Stanford does. "Creating a culture somewhat like M.I.T. or Stanford, where it's expected in the technical disciplines that you will do a start-up, or at least it's not looked at askew, is not part of the faculty DNA in most departments yet," Mr. Bernthal said.

And maintaining such an inviting culture, where top venture capitalists will freely give people an hour of their time, will be difficult if Boulder's tech scene continues to grow.

Still, many tech types in Boulder move here precisely because they want to escape Silicon Valley and its institutionalized tech scene. "There is a feeling in Silicon Valley that if you win, someone else loses," said Kimbal Musk, chief executive of OneRiot, a real-time search engine based in Boulder. "It has driven success, but it has also driven people to leave."

BOULDER

True or False

- | | |
|--|-----|
| 1. Part of Boulder's attraction is its outdoor lifestyle. | T/F |
| 2. Boulder has a conservative image. | T/F |
| 3. In the Silicon valley you can be a big fish in a Small pond | T/F |
| 4. People often leave Boulder after having their success. | T/F |
| 5. The tech community in Boulder is very supportive. | T/F |
| 6. Many firms still have offices in California. | T/F |
| 7. The Foundry Group are venture capitalists. | T/F |
| 8. The Foundry Group's style is very formal | T/F |

KEY VOCAB - BOULDER COLORADO

A. Definitions

1. mentorship	a. to produce, create or devise
2. innovators	b. having come to understand something
3. eschew	c. a small area enclosed within a larger one
4. figured	d. people who produce or introduce something new
5. enclave	e. to act as a wise and trusted counselor
6. hatch	f. existing holder of an office or position
7. foster	g. to abstain, shun or keep away from
8. incumbent	h. to promote the growth or development of something

B. Synonym match

1. mentor	a. haven
2. innovator	b. devise
3. eschew	c. current
4. figure	d. encourage
5. enclave	e. shun
6. hatch	f. calculate
7. foster	g. teach
8. incumbent	h. reformer

Tech thrives in the mountains

BOULDER, COLORADO

Money, mentorship and natural beauty draw innovators to Colorado

BY CLAIRE CAIN MILLER

Sixty engineers, entrepreneurs and financiers were sipping yerba maté tea at a coffee shop down the street from a bong-and-lingerie store on a recent sunny Tuesday in Boulder, and discussing how the city — usually seen as an enclave of hippies, marijuana dispensaries and rock climbers — has become a hotbed of capitalism.

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factors: talented people and a high quality of life that keeps them around, technological expertise, and an open-mindedness about new ways of doing things, which often comes from a strong counterculture.

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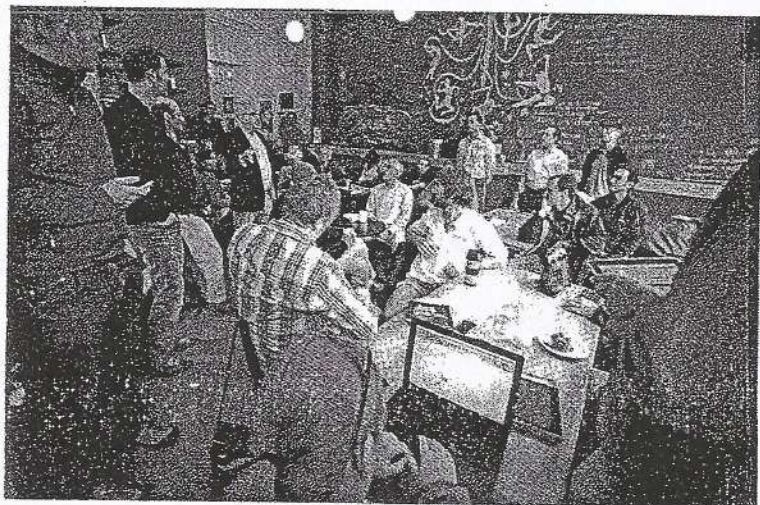
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KEVIN MOLONEY FOR THE NEW YORK TIMES

Technology entrepreneurs at a semi-weekly gathering at a coffee house in Boulder.

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BOULDER MUTI-CHOICE QUESTIONS

Read the article "Tech thrives in the mountains "

and answer the following questions by selecting the best single response.

1. Boulder Colorado has
 - a) usually been seen as a hotbed of capitalism
 - b) usually been seen as an enclave of hippies and marijuana dispensaries
 - c) usually more famous for yeba matétea and rock climbers
2. Chad Mc Gimpsey says that in Boulder you are
 - a) a small fish in a big pond
 - b) a big fish in a small pond
 - c) a small fish in a small pond and close to the mountains
3. Unlike Boulder very few communities have the right mix of
 - a) money, universities, a high tech talent pool and an appealing life style
 - b) money, mountains and appealing swimming pools
 - c) hippies, rock climbers and capitalists
4. Richard Florida, author of "The Creative Class" believes ~~cities~~ that Boulder
 - a) has too many costs
 - b) has now too much traffic and congestion
 - c) has reached this beautiful sweet spot
5. TechStars
 - a) is an exciting new start up
 - b) is a social basketball team
 - c) is a three month mentorship programme
6. According to Brad Bernthal Boulder
 - a) is a destination for people
 - b) is a retirement destination
 - c) is a place where you get your money and then go retire somewhere else

7. Many entrepreneurs open California offices because

- a) they like the Silicon Valley lifestyle
- b) there are not enough investors in Colorado
- c) they miss the beaches

8. Many people moved to Boulder because they

- a) like yerba mate and mountain climbing
- b) wanted a more institutionalized scene
- c) wanted to escape Silicon Valley

Bucking the ways of Silicon Valley

By David S. Foray

THE SILENT REVOLUTION is under way in the heart of the West. It is a revolution of the mind, a revolution of the spirit, a revolution of the soul.

It is a revolution that is being led by a new generation of entrepreneurs, a generation that is not content with the status quo, a generation that is not afraid to challenge the established order.

These entrepreneurs are not looking for a quick buck, they are looking for a way to make a difference, a way to change the world.

They are not interested in the money, they are interested in the mission, they are interested in the vision, they are interested in the future.

They are not looking for a job, they are looking for a purpose, they are looking for a challenge, they are looking for a way to make a difference.

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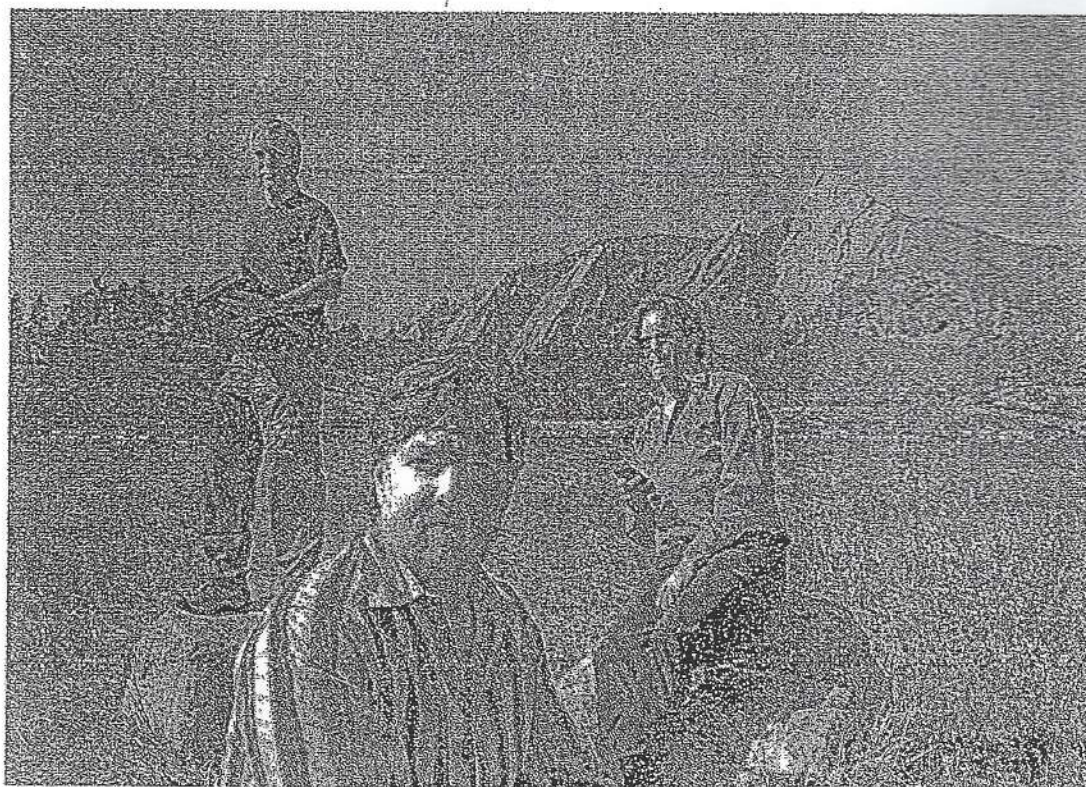
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KEVIN MOLONEY FOR THE NEW YORK TIMES

From left, Jason Mendelson, Ryan McIntyre and Brad Feld of the Foundry Group, who vow never to raise a fund bigger than \$225 million.

1HT / 10/MAY/10

Bucking the ways of Silicon Valley

BOULDER, COLORADO

BY CLAIRE CAIN MILLER

Like students who choose to attend a university in a small town to avoid the distractions of big-city life, the venture capitalists at Foundry Group have shunned Silicon Valley or New York for Boulder.

In this small city nestled in the foothills of the Rocky Mountains with a thriving tech start-up scene, they say they can focus on an old-fashioned style of investing.

They eschew traditional Monday morning partner meetings for lunches, and have vowed never to hire junior associates or hand down the firm to others when they are ready to retire. They have also vowed never to raise a fund bigger than their current fund of \$225 million.

"We said, 'Let's do the craft of venture capital, rather than scale up an asset-management business,'" said Brad Feld, a co-founder of Foundry who strikes a distinctly un-Silicon Valley note in a paisley-and-striped shirt, jeans and sneakers. "As you grow a firm and legacy, you spend time on the wrong things — managing the people and justifying to investors how to invest more money."

The Foundry Group would be unrecognizable to some big Silicon Valley venture capital firms, like New Enterprise Associates, which is investing \$11 billion across all its funds and invests in both start-ups and big, mature compa-

nies. But it is one of a new breed of firms practicing back-to-the-basics venture capital, like Union Square Ventures, Spark Capital and True Ventures.

Mr. Feld moved to Boulder from Boston in 1995 for the mountains and the sun, after selling Feld Technologies, a software consulting start-up he founded.

He began investing with Mobius Venture Capital, a Silicon Valley firm. "We came here with zero expectation of doing business here — I figured Colorado was a base for going to the East Coast and West Coast," he said.

But he discovered that there were opportunities here. He recruited three of his Mobius partners — Jason Mendel-

"We said, 'Let's do the craft of venture capital.'"

son, Seth Levine and Ryan McIntyre — to join him in Boulder and start Foundry.

At that point, Mobius had ballooned to 60 people, struggled after the dot-com crash of 2000 and ultimately did not raise another fund.

The Foundry partners wanted to avoid the same fate.

"We're not obsessed with finance, exits, the industry macro, the global macro," Mr. Feld said. "We're in Boulder so we can avoid that stuff being in our face."

Instead of chasing the latest trends, like online video or start-ups in India,

Foundry looks for companies that are part of broad themes, like human-computer interaction and digital living.

They have had some luck at it. Its portfolio of companies includes Zynga, the online gaming company that created FarmVille on Facebook and has been valued at several billion dollars, and StockTwits, for monitoring traders on Twitter.

Previous investments include Sling Media, the maker of the Slingbox, which EchoStar bought for \$380 million; StubHub, the e-commerce site for tickets that was sold to eBay for \$310 million; and Postini, an e-mail security company bought by Google for \$625 million.

A third of their portfolio companies are in Colorado, a third are in California and a third are elsewhere in the United States. They find many of them by using social media.

Each partner blogs, which has benefits. The partners discovered two of their investments — Organic Motion, a computer vision company, and Brightleaf, which makes legal software for businesses — in comments left on their posts.

Another investment, Gist, for improving e-mail inboxes, was made after Mr. Feld wrote on Twitter that he was going for a run. The company's founder responded and asked if he could join him.

Apart from using Twitter for deal flow, the partners insist they are old-fashioned.

"It's just a return to the roots of venture capital," Mr. McIntyre said. "It's how it was done in the past."

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