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Oded Green



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Trends, challenges and opportunities in Pittsburgh's startup market: Q&A with K&L Gates emerging growth and venture capital partners

BY K&L GATES LLP

The Pittsburgh region is emerging as one of the top startup hubs in the country, with new software, robotics and other technology companies launching each year. In the following Q&A, Oded Green, Adam Kelson and David Lehman, emerging growth and venture capital partners with K&L Gates LLP, share valuable information for Pittsburgh's startup market.

What industries do you see as the greatest opportunities for startups in the Pittsburgh region?

The Pittsburgh region is a launching pad for startups in fields related to robotics, artificial intelligence, software, life sciences and other technologies.

Our region is fortunate to have prominent academic and research institutions, including Carnegie Mellon University, a leader in computer sciences and robotics, and the University of Pittsburgh, a leading research institute in life sciences and medicine. These institutions are creating a deep pool of talent, many of whom are spinning-off cutting edge technology and life sciences-based enterprises and

creating a fertile environment for innovation in the region.

Local startups have access to robust mentoring and acceleration programs focused on their respective industries and a significant corporate presence from leaders in their respective industries. Many of these companies are establishing offices in Pittsburgh, including through the acquisition of Pittsburgh-based companies.

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The region is supporting the innovation economy and has made many attempts in recent years to construct and maintain technology manufacturing facilities and university and hospital laboratories. An interesting example is the ARM Institute, a national consortium dedicated to manufacturing through robotics and workforce innovation.

What are the biggest challenges facing local startups?

One of the most significant challenges for emerging growth companies in our region is the so-called "funding gap." While initial funding for startups is generally available from local incubators, economic development organizations and angel investment groups, subsequent funding for companies that are just beginning to commercialize their products and generate revenue without any track record remains challenging. Pittsburgh does not have as many venture funds as other innovation hubs; however, in recent years, access to capital has improved as geographic boundaries have become less relevant.

Another challenge that many early-stage companies face is regulatory compliance, which can be complicated and burdensome. Technology companies, especially in fields related to health care and fintech, need to address numerous privacy and data security regulations. Further, more states and regions across the globe, such as California and the European Union, have adopted their own privacy legislation in recent years, with no uniformity in sight. In specialized fields, such as fintech, biotech and health care, the regulatory compliance challenges are

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greater, and may determine almost any significant step and action taken by the company. Our clients work with our lawyers and policy professionals from around the globe to navigate these waters.

How can people get involved in growth companies?

The easiest way to get involved is to pull out your checkbook. Investors can invest directly in startups or participate in funding rounds through existing investment groups in the region. The innovation community has a myriad of networking events and showcase opportunities for its local startups, and entrepreneurs are always happy to meet and talk about their companies with potential investors.

These arrangements can be beneficial to startup companies and provide them access to markets and deeper resources, while legitimizing their technologies.

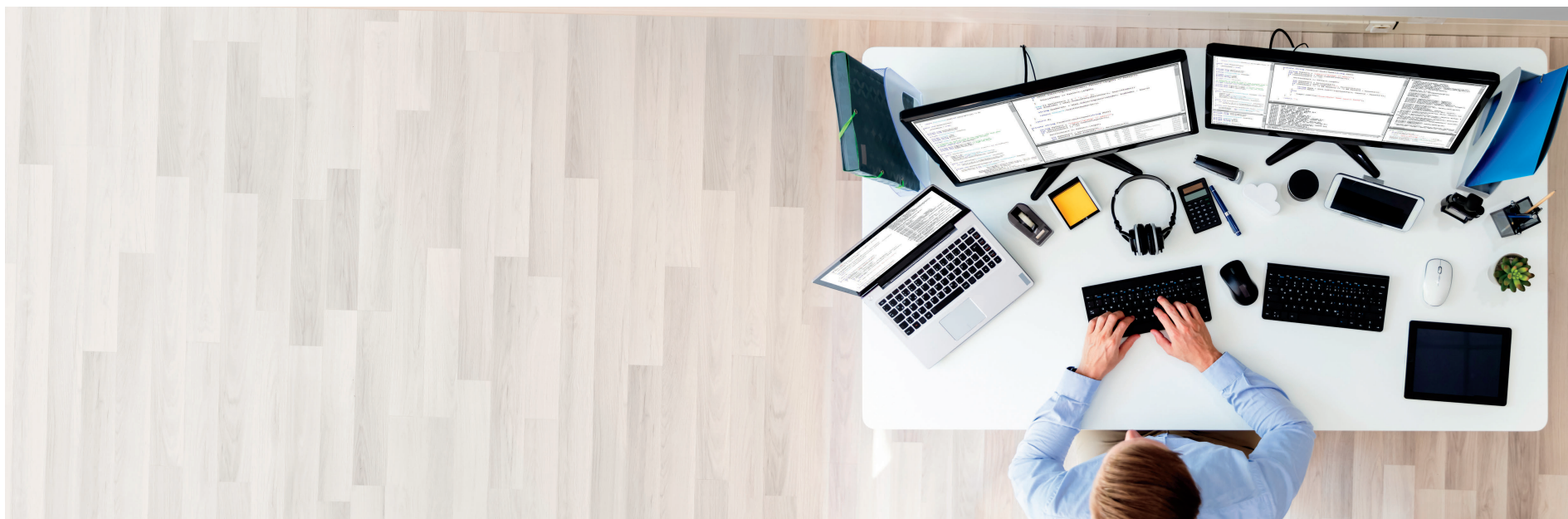
Advanced companies may also consider spinning off technologies and businesses, which can then be new startups, bringing additional value to their shareholders from underutilized assets.

How does K&L Gates help startups throughout their lifecycle?

K&L Gates is one of the largest law firms in the world with more than 45 offices across the globe. The firm has been rooted in Pittsburgh for more than 75

and foundations, and can support our clients in almost any line of business. We help our clients on a daily basis in connection with their venture capital financing, licensing, intellectual property (including patents), litigation and regulatory matters locally, nationally and internationally.

If you are interested in learning more about how K&L Gates LLP can help your business, connect with partners Oded Green at +1.412.355.6584 or Oded.Green@klgates.com; Adam Kelson at +1.412.355.8247 or Adam.Kelson@klgates.com; or David Lehman at +1.412.355.6738 or David.Lehman@klgates.com.



Groups of investors, whether friends and family or like-minded individuals, can pool funds to invest in technology or startup companies. These can take different forms, including seed funds, angel funds and private equity funds. Pooling assets has many advantages, such as allocating the investment risk over to a mix of companies, industries and stages of development; sharing investor knowledge and costs of due diligence; and increasing access to deal flow. We assist many investors in forming investment vehicles, including navigating the regulatory requirements, conducting due diligence on potential investments and structuring and papering investments.

Mature companies may consider investing in startups as strategic investors. These investments provide companies with access to new technologies and opportunities to become involved in new businesses. Strategic investments are often accompanied by arrangements related to marketing, co-development, licensing of technology and distribution.

years, and is committed to the support and growth of emerging growth companies throughout their whole lifecycle, from formation through their fund raise, venture capital transactions, licensing of technology, commercial transactions, mergers and acquisitions, joint ventures and public offerings.

Our emerging growth and venture capital practice is one of the most active teams in the region with more than 20 lawyers focused on helping startups navigate their journey from formation through exit. Our lawyers work seamlessly across our global platform, pulling in the knowledge of professionals from our corporate, finance and public policy and law practices when necessary. For example, we recently added a new member to the team: retired Congressman Mike Doyle, who during his time as an elected official did a great deal for the robotics and AI community throughout this region.

Our lawyers have strong ties to universities, incubators, investors, funds

About K&L Gates LLP

K&L Gates represents leading global corporations in every major industry, capital markets participants, and ambitious middle-market and emerging growth companies. Our lawyers serve public sector entities, educational institutions, philanthropic organizations, and individuals. We are leaders in legal issues related to industries critical to the economies of both the developed and developing worlds.