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# 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."