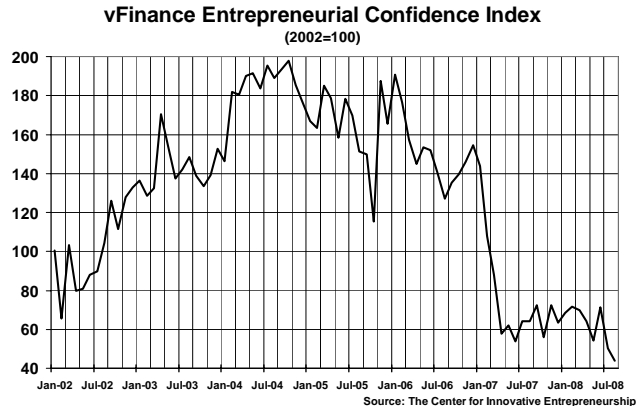


vFinance Entrepreneurial Confidence Index: VECI

August 2008



Recent Index Performance:

Month	Index Level	Monthly % Change	Year Ago % Change
Mar-08	70.0	-2.4%	-20.2%
Apr-08	64.2	-8.2%	11.7%
May-08	54.2	-15.6%	-12.0%
Jun-08	71.3	31.6%	33.5%
Jul-08	50.2	-29.6%	-21.5%
Aug-08	43.9	-12.5%	-31.1%

Focus of the Month:

Real Estate: Down and Out? Over the past two months the share of all individuals seeking financing for real estate related businesses has fallen to the lowest level since 2002. The decline suggests the speculative residential real estate market has finally been wiped out by continuing declines in home sales and prices.

Summary:

The vFinance Entrepreneurial Confidence Index (VECI) dropped again in August 2008, declining by 12.5% and falling to a new record low and breaking out of the range that it has been stuck in for the past year and a half. The decline in August marks the fifth time in the past six months that the Index has fallen.

As the financial sector entered a new set of crises in late August and September, the number of individuals seeking financing at vFinance.com fell to the lowest level ever recorded. Many business operators may have moved to the sidelines as the financial crisis reached a crescendo and uncertainty about their own business future increased sharply. It is likely that the interest in seeking financing will remain low until there is some clarity about what the financial sector will look like and how the economy will perform.

Highest level of interest (Share of total responses):

- Food (12.1%)
- Financial Services (8.1%)
- Leisure (7.8%)

Lowest level of interest (Share of total responses):

- Chemicals (0.5%)
- Conglomerates (0.3%)
- Manufacturing (0.0%)

August 2008	Rising	Falling
Sectors	<ul style="list-style-type: none"> • Food • Media • Retail 	<ul style="list-style-type: none"> • Health Products and Services • Real Estate • Manufacturing
Sub-Sectors	<ul style="list-style-type: none"> • Clothing Retail • Biotechnology - Medicine • Diversified Foods 	<ul style="list-style-type: none"> • Medical Practice Management & Services • REIT - Hotel/Motel • Miscellaneous Entertainment



Focus of the Month: *Real Estate Continues to Decline*

✓ The decline in interest in seeking funding for a business in the real estate industry has accelerated in the past two months as the housing sector has worsened. With sales now at the lowest levels in decades and inventories of unsold homes remaining high, the residential real estate industry is in the worst shape in a generation. Given this deterioration, it is no surprise that the share of individuals seeking funding for a business in this sector today is less than half that at the peak less than 2 years ago. Today's level of interest is the lowest since 2002, when the residential housing boom was just getting going.



- ✓ With the news in early September that the Federal Government will take over the Federal National Mortgage Association (Fannie Mae) and its counterpart the Federal Home Mortgage Corporation (Freddie Mac), there is hope that the residential housing sector will finally reach a bottom as the financial stress caused by sub prime mortgage defaults may lessen.
- ✓ However, it is likely to be many months, perhaps years, before the residential housing market strengthens enough to support speculative investment of the sort that led to the strong interest reflected in the VECI.
- ✓ With the recession likely to worsen following the dramatic increase in financial stress that emerged in September, it is likely that real estate will remain low on the radar of entrepreneurs or individual investors for a long while.

The VECI is published on the second Tuesday of every month.



The VECI and The Center for Innovative Entrepreneurship

The VECI is a measure of the interest entrepreneurs are showing in 28 sectors and 289 sub-sectors. That level of interest represents the confidence of these entrepreneurs in the business opportunities they perceive. The survey is conducted through www.vfinance.com, the world's leading web site for entrepreneurial financial information.

The Center for Innovative Entrepreneurship: **The Center for Innovative Entrepreneurship (CIE)** (www.C4IE.org) was established in November 2004 to measure the impact innovative entrepreneurship has on the global economy. Innovative entrepreneurship combines the act of creating a new product or process (innovation) with the act of starting a business to exploit the innovation (entrepreneurship). It is an activity that tends to be transformational in its macro economic impact. CIE serves entrepreneurs, investors, economists, and researchers through the Center's education, research, and communications initiatives.

For more information on the vFinance Entrepreneurial Confidence Index, please see the CIE Research Reports section at www.C4IE.com:

**The Center for Innovative Entrepreneurship
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DISCLOSURE INFORMATION

The economist who prepared this report and whose name appears in the front cover of this report certifies that the views expressed in this macroeconomic research report accurately reflect such economist's personal views about the overall economy and the subject industries and sectors mentioned in the report. The economist responsible for the preparation of the report receives payment from The Center for Innovative Entrepreneurship (CIE) to prepare the reports, however, the economist's compensation was not and will not be directly or indirectly related to the specific recommendations or views published in this report.

The Center for Innovative Entrepreneurship uses the web site www.vfinance.com, owned by vFinance, Inc. to conduct research about entrepreneurs and investors in start-up companies.

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