

## EXECUTIVE SUMMARY

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First Quarter 2003

# *Total U.S.*

*Venture Capital Report*

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- ◆ *\$4.3 Billion Invested* ◆
- ◆ *486 Company Profiles* ◆
- ◆ *Over 1,250 Investor Profiles* ◆

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Growthink Research’s Total U.S. Venture Capital Report  
First Quarter 2003

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## Executive Summary

### Introduction

Over \$4.3 billion of venture capital was invested in 486 private U.S.-based companies in the first quarter of 2003. Though thirty six (36) fewer companies raised funding than in the preceding quarter, several segments of the industry experienced moderate quarter-to-quarter gains, including medical devices, semiconductors, Wi-Fi, and network security.

### Regions

The Bay Area continued its nationwide dominance in venture funding and was home to more than twice as many funded companies than any other region. The Bay Area's average deal size (\$9.5 million) was \$680,000 higher than the national average and second only to New England's (\$11.4 million). Further, three of the sixteen companies that raised \$40 million or more in the first quarter were located in the Bay Area, including **Matrix Semiconductor** (Santa Clara, CA), **Calix** (Petaluma, CA) and **Force10 Networks** (Milpitas, CA).

#### Total U.S. Funding by Region – 1Q2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Bay Area	\$1,267,866,321	29.5%	133	27.4%	\$9,532,829
New England	\$709,780,000	16.5%	62	12.8%	\$11,448,065
Northeast	\$452,830,000	10.5%	53	10.9%	\$8,543,962
Central US	\$433,700,000	10.1%	51	10.5%	\$8,503,922
Mid-Atlantic	\$335,550,000	7.8%	40	8.2%	\$8,388,750
Southeast	\$330,270,000	7.7%	42	8.6%	\$7,863,571
Pacific Northwest	\$268,200,000	6.2%	30	6.2%	\$8,940,000
Great Lakes	\$224,700,000	5.2%	29	6.0%	\$7,748,276
Southern California	\$198,653,100	4.6%	35	7.2%	\$5,675,803
Southwest	\$65,850,000	1.5%	8	1.6%	\$8,231,250
Other	\$16,300,000	0.4%	3	0.6%	\$5,433,333
<b>Totals:</b>	<b>\$4,303,699,421</b>	<b>100.0%</b>	<b>486</b>	<b>100.0%</b>	<b>\$8,855,349</b>

Following the Bay Area was New England, which raised 16.5% of the nation's total. Over eighty three percent (83.1%) of the dollars invested in New England went to companies based in the Boston area, led by a \$47.5 million investment in **Hypnion** (Worcester, MA). **Hypnion** is a drug discovery company focused on helping people who suffer from serious sleep disorders (e.g., insomnia, sleep apnea, excessive daytime sleepiness) and circadian rhythm abnormalities (e.g., jet lag, shift-work disorders). The Company transforms safe, marketed compounds into sleep-wake therapeutics by designing patentable analogs that have optimal sleep-wake efficacy and minimal side effects. **Peptimmune** (Cambridge, MA), a biotechnology company that focuses on developing specific immunotherapies for treating autoimmune and allergic diseases, raised \$41.2 million.

Fifty three (53) companies based in New York, New Jersey and Pennsylvania (collectively "the Northeast") raised funding, with an average deal size of \$8.5 million. These companies received over \$450 million, which was 10.5% of the total invested nationwide. This region was led by a \$50 million investment in **Vigo Remittance Corporation** (New York, NY), a global electronic funds transfer service firm.

## Sectors

Over forty five percent (45.8%) of the venture capital invested in the first quarter went to companies in the Connectivity sector, which includes networking ventures, semiconductor companies, broadband and telecommunications companies, and wireless software and infrastructure providers. Connectivity was the only sector that experienced a quarter-to-quarter increase in funding, up \$388 million from the fourth quarter of 2002. This sector included three companies that received rounds of \$50 million or more: **Matrix Semiconductor** (Santa Clara, CA), **NewSouth Communications** (Greenville, SC), and **SCP Global Technologies** (Boise, ID).

### Total U.S. Funding by Sector – 1Q2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Connectivity	\$1,973,216,321	45.8%	179	36.8%	\$11,023,555
Healthcare	\$1,057,323,100	24.6%	122	25.1%	\$8,666,583
Business Software & Services	\$943,580,000	21.9%	134	27.6%	\$7,041,642
Other	\$197,330,000	4.6%	34	7.0%	\$5,803,824
E-Content & Commerce	\$132,250,000	3.1%	17	3.5%	\$7,779,412
<b>Totals:</b>	<b>\$4,303,699,421</b>	<b>100.0%</b>	<b>486</b>	<b>100.0%</b>	<b>\$8,855,349</b>

Over 25% of the companies that raised capital in the first quarter of 2003 fell within the Healthcare sector. One hundred twenty two (122) healthcare ventures raised \$1.1 billion in capital, led by 55 biotechnology and pharmaceutical companies that collectively raised \$549 million. Eight (8) more medical device manufacturers raised capital than in the preceding quarter, led by a \$26.5 million investment in **Endius** (Plainville, MA). **Endius** develops minimally invasive spine surgery products and implants to treat serious spine disease. The Company's Atraumatic Spine Fusion System enables surgeons to perform lumbar spine fusion endoscopically with one access portal and without changing the surgeon's traditional technique.

One hundred thirty four (134) companies in the Business Software & Services sector raised funding. The Great Lakes region was home to the largest deal in this sector – a \$75 million investment in **SSA Global Technologies** (Chicago, IL). **SSA Global Technologies** provides enterprise solutions for process manufacturing, discrete manufacturing, consumer and service companies. The Company has 121 worldwide offices serving more than 10,000 customers. It received funding from General Atlantic Partners.

The E-Content & Commerce sector experienced the greatest decline in the first quarter of 2003. Only 17 companies in this sector raised capital, led by a \$32 million investment in **Mythic Entertainment** (Fairfax, VA), an independent developer of Massively Multiplayer Online Role-Playing Games (MMORPG).

## Major Metropolitan Areas

Over seventy five percent (75.2%) of the dollars raised in the the first quarter of 2003 was invested in companies headquartered in the top ten metropolitan areas. The Bay Area (San Francisco/San Jose) led the way with \$1.3 billion, followed by Boston with \$590 million. Washington DC, which in 2002 surpassed New York City as the third leading metropolitan area, retained its third position.

Cities based in Southern California experienced a difficult quarter. San Diego dropped from fifth to seventh, Irvine/Santa Ana (Orange County) fell from the top ten, and Los Angeles continued its freefall.

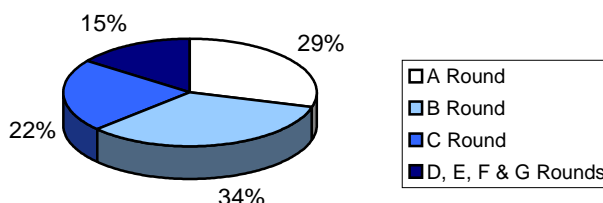
**Total U.S. Funding by Top Metropolitan Areas – 1Q2003**

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Bay Area	\$1,267,866,321	29.5%	133	27.4%	\$9,532,829
Boston	\$589,780,000	13.7%	49	10.1%	\$12,036,327
Washington DC	\$305,750,000	7.1%	37	7.6%	\$8,263,514
New York City	\$281,780,000	6.5%	26	5.3%	\$10,837,692
Seattle	\$208,200,000	4.8%	28	5.8%	\$7,435,714
Chicago	\$137,350,000	3.2%	11	2.3%	\$12,486,364
San Diego	\$122,903,100	2.9%	19	3.9%	\$6,468,584
Dallas	\$128,050,000	3.0%	13	2.7%	\$9,850,000
Denver/Boulder	\$118,300,000	2.7%	12	2.5%	\$9,858,333
Austin	\$76,600,000	1.8%	10	2.1%	\$7,660,000
<b>Top Metro Areas</b>	<b>\$3,236,579,421</b>	<b>75.2%</b>	<b>338</b>	<b>69.5%</b>	<b>\$9,575,679</b>
Rest of U.S.	\$1,067,120,000	24.8%	148	30.5%	\$7,210,270
<b>Total U.S.</b>	<b>\$4,303,699,421</b>	<b>100.0%</b>	<b>486</b>	<b>100.0%</b>	<b>\$8,855,349</b>

<sup>1</sup> Includes Connecticut-based and New Jersey-based companies in the Metro NYC area.

**Funding Rounds**

As shown in the chart to the right, 29% of the companies that raised venture capital in the first quarter of 2003 received their initial round of funding (including seed and Series A rounds). Thirty seven percent (37%) of the companies raised a Series C or later round.



**Top Investments**

Twelve (12) companies received investments of at least \$40 million, more than half of which fall within the Connectivity sector. Below are the top investments of the first quarter of 2003:

Company	Sector	Investment
SSA Global Technologies (Chicago, IL)	Business Software & Services	\$75.0 million
Matrix Semiconductor (Santa Clara, CA)	Connectivity	\$67.0 million
NewSouth Communications (Greenville, SC)	Connectivity	\$62.5 million
Calix (Petaluma, CA)	Connectivity	\$50.0 million
SCP Global Technologies (Boise, ID)	Connectivity	\$50.0 million
Vigo Remittance (New York, NY)	Business Software & Services	\$50.0 million
Hypnion (Worcester, MA)	Healthcare	\$47.5 million
Peptimmune (Cambridge, MA)	Healthcare	\$41.2 million
Force10 Networks (Milpitas, CA)	Connectivity	\$41.0 million
Birch Telecom (Kansas City, MO)	Connectivity	\$40.0 million
Corus Pharma (Seattle, WA)	Healthcare	\$40.0 million
Photuris (Piscataway, NJ)	Connectivity	\$40.0 million



## Investors

Over 800 investors provided venture capital to privately held U.S.-based companies in the first quarter of 2003. The following were the most prolific investors, each of which provided funding to five or more ventures.

- Accel Partners
- Advanced Technology Ventures
- Alexander Hutton Venture Partners
- Alta Partners
- Austin Ventures
- Battery Ventures
- Benchmark Capital
- Bessemer Venture Partners
- Burrill & Co.
- Charles River Ventures
- Core Capital Partners
- Domain Associates
- Draper Fisher Jurvetson
- EDF Ventures
- Intel Capital
- J.P. Morgan Partners
- JAFCO Ventures
- Matrix Partners
- Mobius Venture Capital
- Morgenthaler Ventures
- New Enterprise Associates
- North Bridge Venture Partners
- Northwest Venture Associates
- Norwest Venture Partners
- OVP Venture Partners
- Oxford Bioscience Partners
- RBC Capital Partners
- Ridgewood Capital
- River Cities Capital Funds
- SeaPoint Ventures
- Sequoia Capital
- Sevin Rosen Funds
- Sierra Ventures
- Sigma Partners
- Silicon Valley Bank
- Sofinnova Ventures
- St. Paul Venture Capital
- STAR Ventures
- Stonehenge Capital
- The Sprout Group
- VantagePoint Venture Partners
- Venrock Associates
- Walden International

## Profiles of Funded Ventures

This Report contains profiles of 486 private, U.S.-based companies that received venture capital investments in the first quarter of 2003. Profiles contain the following information:

- Company Name
- Website
- Description
- Address
- Telephone Number
- Fax Number
- Key Personnel
- E-mails (when available)
- Funding Amount
- Funding Round
- Investors

### Alloptic

#### Description

Alloptic is a manufacturer of Gigabit Ethernet-based high-speed fiber optic solutions for access networks. The Company has developed an advanced converged platform to support integrated voice, data and video services over a broadband fiber optic infrastructure.

#### 1Q 2003 Investment

Funding Amount: \$35,000,000  
Funding Round: D

#### Investors

GMG Capital Partners, Athenian Venture Partners, Undisclosed Investors

#### Key Personnel

- Mike Moone, *CEO*  
*mike.moone@alloptic.com*
- John Dunican, *CFO*
- Jerry Miller, *VP Operations*
- Kirsti Spiva, *COO*  
*kirsti.spiva@alloptic.com*
- Tom Warner, *VP Eng*
- Keith Zacky, *VP Worldwide Field Operations*

#### Contact Information

2301 Armstrong St.  
Suite 101  
Livermore, CA 94551  
Tel: (925) 245-7600  
Fax: (925) 245-7601  
*www.alloptic.com*

### Terawave Communications

#### Description

Terawave Communications is a manufacturer of optical access products for service providers, MSO and enterprise customers. The Terawave family of products provides multi-topologies, protocols and services that enable cost effective 'triple play' of voice, video and data on a single platform.

#### 1Q 2003 Investment

Funding Amount: \$14,000,000  
Funding Round: E

#### Investors

Alta Partners, Walden International, Lightspeed Venture Partners, Goldman Sachs

#### Key Personnel

- Ray Lin, *CEO*
- Donald Stalter, *COO*  
*stalter@terawave.com*
- Boris Auerbuch, *CTO*  
*bauerbuch@terawave.com*
- David Mullin, *CFO*  
*dmullin@terawave.com*
- Dave Werdin, *Dir. Biz Dev*  
*dwerdin@terawave.com*

#### Contact Information

30680 Huntwood Ave.  
Hayward, CA 94544  
Tel: (510) 429-5300  
Fax: (510) 401-6513  
*www.terawave.com*

### Topio

#### Description

Topio develops and markets next-generation data replication and disaster recovery solutions that significantly extend the capabilities currently available to enterprises for consistent replication and disaster recovery.

#### 1Q 2003 Investment

Funding Amount: \$10,000,000  
Funding Round: B

#### Investors

Sigma Partners, Sequoia Capital

#### Key Personnel

- Yoram Novick, *CEO*
- Eric Herzog, *VP Mktg*  
*herzog@topio.com*
- Frank Lord, *VP Sales*  
*lord@topio.com*

#### Contact Information

5201 Great America Pkwy.  
Suite 340  
Santa Clara, CA 95054  
Tel: (408) 350-9800  
Fax: (408) 982-9126  
*www.topio.com*

# Investor Profiles

This Report contains profiles of over 1,250 active investors. These investors are sorted alphabetically by region.

Investor profiles contain the following information:

- Investor Name
- Website
- Address
- Telephone Number
- Fax Number
- 1Q2003 Investments

The following are samples of Investor Profiles that appear in the Report:

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## Atlanta Technology Angels

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[www.angelatlanta.com](http://www.angelatlanta.com)

**1Q2003 Investments**  
Ocept Technologies

**Atlanta, GA**  
Fifteen Piedmont Center  
3575 Piedmont Rd.  
Suite 1560  
Atlanta, GA 30305

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## C&B Capital

---

[www.croft-bender.com](http://www.croft-bender.com)

**1Q2003 Investments**  
nuBridges

**Atlanta, GA**  
4200 Northside Pkwy. NW  
Bldg. One  
Suite 100  
Atlanta, GA 30327  
Tel: (404) 841-3131  
Fax: (404) 841-3135

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## H.I.G. Ventures

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[www.higventures.com](http://www.higventures.com)

**1Q2003 Investments**  
Lancope, LVL7 Systems

**Atlanta, GA**  
950 E. Paces Ferry Rd. NE  
Suite 1550  
Atlanta, GA 30326  
Tel: (404) 504-9333  
Fax: (404) 504-9370

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## Kinetic Ventures

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[www.kineticventures.com](http://www.kineticventures.com)

**1Q2003 Investments**  
Calix, Covega

**Atlanta, GA**  
3500 Lenox Rd. NE  
Suite 1790  
Suite 640  
Atlanta, GA 30326  
Tel: (404) 995-8811  
Fax: (404) 995-4455

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## MB Venture Partners

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[www.mbventures.com](http://www.mbventures.com)

**1Q2003 Investments**  
QGENICS Biosciences

**Memphis, TN**  
930 Madison Ave.  
Suite 100  
Memphis, TN 38103  
Tel: (901) 448-8825  
Fax: (901) 448-8850

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## Research Triangle Ventures

---

[www.rtventures.com](http://www.rtventures.com)

**1Q2003 Investments**  
LiveWire Logic, LVL7 Systems,  
Noverant

**Raleigh, NC**  
3110 Edwards Mill Rd.  
Suite 220  
Raleigh, NC 27612  
Tel: (919) 571-8819  
Fax: (919) 571-8631

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