

EXECUTIVE SUMMARY & SAMPLE PAGES
2004 ANNUAL REPORT

Healthcare

Venture Capital Report

growthink | RESEARCH

- ◆ *\$5.8 Billion Invested* ◆
- ◆ *470 Company Profiles* ◆
- ◆ *525 Investor Profiles* ◆

www.growthinkresearch.com

Executive Summary

Introduction

Four hundred seventy (470) privately held biotechnology, pharmaceutical, medical device and other healthcare companies raised \$5.8 billion in venture capital in 2003. These companies received over 30% of the total dollars invested, up from 26% in 2002. Investments in this sector picked up considerably in the latter half of 2003 following the successful IPOs of venture-backed companies such as **Acusphere**, **CancerVax** and **Myogen**. With more healthcare companies slated to go public in 2004, the industry is optimistic for an extraordinary year.

Total U.S. Funding by Sector – 2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Connectivity	\$6,817,557,000	35.8%	576	31.0%	\$11,836,036
Healthcare	\$5,813,374,000	30.5%	470	25.3%	\$12,368,881
Business Software & Services	\$3,962,150,000	20.8%	542	29.1%	\$7,310,240
Other	\$1,438,194,000	7.6%	161	8.7%	\$8,932,882
E-Content & Commerce	\$998,950,000	5.2%	111	6.0%	\$8,999,550
Totals:	\$19,030,225,000	100.0%	1860	100.0%	\$10,231,304

Regions

Bay Area companies led the nation in raising capital, receiving 23% of the dollars invested. **CoTherix** (Belmont, CA) and **Corgentech** (South San Francisco, CA) led the region, which was home to 96 healthcare ventures that raised \$1.4 billion. **CoTherix**, a biopharmaceutical company that develops and commercializes therapeutics for life-threatening diseases, completed a \$55 million Series C round. The Company, which filed an IPO registration statement in March 2004, acquired its first product, a novel therapeutic for treatment of primary pulmonary hypertension, from Schering AG. Investors in **CoTherix** include MPM Capital, Frazier Healthcare Ventures, Thomas Weisel Healthcare Ventures, Alta Partners, BioAsia Investments, Sofinnova Ventures and Spray Venture Partners. In October 2003, **Corgentech** entered into an agreement with Bristol-Myers Squibb to jointly develop a decoy treatment for the prevention of vein graft failure following coronary artery bypass graft and peripheral artery bypass graft surgery. Bristol-Myers Squibb made an initial payment to **Corgentech** of \$45 million with the potential for an additional \$205 million in clinical and regulatory milestone payments. **Corgentech** went public in February 2004 and is currently listed on NASDAQ.

Following the Bay Area was New England, where 72 healthcare companies raised \$1.2 billion. **Synta Pharmaceuticals** (Lexington, MA), a pharmaceutical company with a high-throughput chemical biology platform for accelerating drug discovery and development, raised two funding rounds in 2003, bringing its total funding to more than \$180 million. **Rib-X Pharmaceuticals** (New Haven, CT), which focuses on developing antibiotics that combat multidrug-resistant bacteria, raised \$63.5 million in a Series B round led by Warburg Pincus. The Company's other investors include Axiom Venture Partners, Cardinal Partners, Connecticut Innovations, EuclidSR Partners, Oxford Bioscience Partners, S.R. One and Zero Stage Capital.

The Northeast region (consisting of NY, NJ and PA) was led by **Reliant Pharmaceuticals** (Liberty Corner, NJ). **Reliant Pharmaceuticals**, which markets branded, patent-protected pharmaceutical products to primary care and targeted specialty physicians, raised a \$252 million Series D round. Investors include the Invemed Catalyst Fund, Bay City Capital, BayStar Capital and business interests of the Pritzker family.

Healthcare Funding by Region – 2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Bay Area	\$1,363,125,000	23.4%	96	20.4%	\$14,199,219
New England	\$1,244,675,000	21.4%	72	15.3%	\$17,287,153
Southern California	\$830,750,000	14.3%	76	16.2%	\$10,930,921
Northeast	\$807,285,000	13.9%	52	11.1%	\$15,524,712
Southeast	\$398,784,000	6.9%	58	12.3%	\$6,875,586
Central U.S.	\$362,780,000	6.2%	41	8.7%	\$8,848,293
Mid-Atlantic	\$294,500,000	5.1%	22	4.7%	\$13,386,364
Great Lakes	\$226,545,000	3.9%	24	5.1%	\$9,439,375
Pacific Northwest	\$207,230,000	3.6%	16	3.4%	\$12,951,875
Southwest	\$54,600,000	0.9%	9	1.9%	\$6,066,667
Other	\$23,100,000	0.4%	4	0.9%	\$5,775,000
Totals:	\$5,813,374,000	100.0%	470	100.0%	\$12,368,881

Segments

Biotechnology and pharmaceutical companies received seven of the sector's top ten investments and accounted for nearly sixty percent (57.9%) of the funding. This segment was led by the aforementioned investments in **Reliant Pharmaceuticals** and **Synta Pharmaceuticals**. Overall, 226 biotechnology and pharmaceutical companies raised \$3.4 billion, which was identical to the amount these companies raised in 2002.

One hundred forty four (144) medical device companies raised \$1.4 billion, led by a \$50 million investment in **Volcano Therapeutics** (Rancho Cordova, CA). **Volcano Therapeutics** is focused on discovering, developing and commercializing products for diagnosing and treating atherosclerosis and vulnerable plaques in the coronary or peripheral arteries. Its investors include Domain Associates, Johnson & Johnson Development Corporation, Medtronic, Neomed, Mayo Medical Ventures, and Ferrer, Freeman & Company.

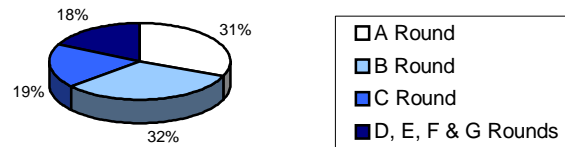
Medical Software and Services companies raised \$832 million, led by a \$153 million investment in **United BioSource** (Washington, DC), a company that provides science and evidence based services to the pharmaceutical and life sciences industries. **United BioSource** also acquires pharmaceutical and life science companies with strong track records. In January 2004, the Company announced its acquisition of **MEDTAP**, a Maryland-based provider of health economics and outcomes research services.

Healthcare Funding by Segment – 2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Biotechnology/Pharmaceuticals	\$3,363,100,000	57.9%	226	48.1%	\$14,880,973
Medical Devices	\$1,446,215,000	24.9%	144	30.6%	\$10,043,160
Medical Software & Services	\$832,325,000	14.3%	80	17.0%	\$10,404,063
Diagnostic/Patient Care	\$171,734,000	3.0%	20	4.3%	\$8,586,700
Totals:	\$5,813,374,000	100.0%	470	100.0%	\$12,368,881

Funding Rounds

Thirty one percent (31%) of the healthcare companies that raised capital in 2003 raised their initial funding round (including seed and Series A rounds). Thirty seven percent (37%) received a Series C or later round.



Top Investments

The following is a list of the top healthcare investments in 2003:

Company	Location	Category	Investment
Reliant Pharmaceuticals	Liberty Corner, NJ	Biotech/Pharmaceuticals	\$252.0 million
United BioSource	Washington, DC	Software & Services	\$153.0 million
Synta Pharmaceuticals	Lexington, MA	Biotech/Pharmaceuticals	\$125.3 million
Logistics Health	La Crosse, WI	Software & Services	\$72.5 million
Rib-X Pharmaceuticals	New Haven, CT	Biotech/Pharmaceuticals	\$63.5 million
Critical Therapeutics	Cambridge, MA	Biotech/Pharmaceuticals	\$56.0 million
Acorda Therapeutics	Hawthorne, NY	Biotech/Pharmaceuticals	\$55.3 million
Santarus	San Diego, CA	Biotech/Pharmaceuticals	\$55.1 million
CoTherix	Belmont, CA	Biotech/Pharmaceuticals	\$55.0 million
Volcano Therapeutics	Rancho Cordova, CA	Medical Devices	\$50.0 million

Investors

Over 675 investors funded healthcare ventures in 2003. The following investors financed eight or more healthcare companies:

- Advanced Technology Ventures
- Alta Partners
- Asset Management Company
- Bay City Capital
- BioAsia Investments
- Boston Millennia Partners
- Burrill & Co.
- Delphi Ventures
- Domain Associates
- Flagship Ventures
- Forward Ventures
- Frazier Healthcare Ventures
- InterWest Partners
- J.P. Morgan Partners
- Johnson & Johnson Dev. Corp.
- MPM Capital
- New Enterprise Associates
- Novartis Bioventure Fund
- Oxford Bioscience Partners
- Polaris Venture Partners
- ProQuest Investments
- Prospect Venture Partners
- S. R. One Limited
- Sofinnova Ventures
- St. Paul Venture Capital
- The Sprout Group
- Three Arch Partners
- Venrock Associates
- Versant Ventures

Sample Profiles of Funded Ventures

Growthink Research's Healthcare Venture Capital Funding Report profiles 470 healthcare companies that raised venture capital in 2003. Below are examples of companies featured in this report.

454 Life Sciences

Description

454 Life Sciences is developing novel technologies for rapidly and comprehensively determining the nucleotide sequence of entire genomes. The Company's technology is expected to have broad applications in genetic engineering, agriculture, animal health, biodefense, and human health care, including drug discovery and development, and disease diagnosis.

2003 Investment

Funding Amount: \$16,000,000
Funding Round: B

Investors

CuraGen, Cooper Hill Partners, Soros Private Equity Partners

Key Personnel

- Richard F. Begley, Ph.D., *CEO*
rbegley@454.com
- Joseph G. Turgeon, *Sr. Dir. Marketing*
jturgeon@454.com
- Kenton L. Lohman, Ph.D., *Sr. Dir. Molecular Sciences*
klohman@454.com
- Marcel Margulies, Ph.D., *VP Engineering*
mmargulies@454.com
- Peter J. Dacey, *VP Finance & Operations*
pdacey@454.com
- Michael Egholm, Ph.D., *VP Molecular Sciences*
- Shaun Lonergan, *VP Sales, Marketing & Business Development*
slonergan@454.com

Contact Information

20 Commercial St.
Branford, CT 06405
Tel: (203) 871-2300
Fax: (203) 481-2075
www.454.com

ACADIA Pharmaceuticals

Description

ACADIA Pharmaceuticals is a drug discovery and development company that discovers novel small molecule drug candidates using its proprietary chemical-genomics platform. ACADIA has successfully applied its platform to generate a broad discovery pipeline directed at large unmet medical needs including Parkinson's disease, chronic pain, psychosis, and glaucoma.

2003 Investment

Funding Amount: \$28,000,000
Funding Round: F

Investors

Oxford Bioscience Partners, OrbiMed Advisors, Federated Kaufmann Fund, ABN AMRO, Carnegie Fund II Biotechbridge, Dansk Kapitalanlæg Aktieselskab, Coastview Capital

Key Personnel

- Uli Hacksell, Ph.D., *CEO*
- Robert E. Davis, Ph.D., *EVP Drug Discovery & Development*
rdavis@acadia-pharm.com
- Mark R. Brann, Ph.D., *President & CSO*
mbrann@acadia-pharm.com
- Thomas H. Aasen, *CFO*
taasen@acadia-pharm.com
- Douglas E. Richards, *VP Business Development*
drichards@acadia-pharm.com
- Bo-Ragnar Tolf, Ph.D., *VP Chemistry*

Contact Information

3911 Sorrento Valley Blvd.
San Diego, CA 92121
Tel: (858) 558-2871
Fax: (858) 558-2872
www.acadia-pharm.com

Acorda Therapeutics

Description

Acorda Therapeutics is a biotechnology company devoted to developing therapies for individuals with spinal cord injury (SCI), multiple sclerosis, and related central nervous system disorders.

2003 Investment

Funding Amount: \$55,300,000
Funding Round: J

Investors

ABN AMRO, Cross Atlantic Capital Partners, TVM Techno Venture Management, Easton Hunt Capital Partners, Forward Ventures, J.P. Morgan Partners, MPM Capital

Key Personnel

- Ron Cohen, M.D., *CEO*
- Mark R. E. Pinney, *CFO*
mpinney@acorda.com
- Andrew R. Blight, Ph.D., *CSO*
ablight@acorda.com
- Mary Fisher, *EVP Operations*
mfisher@acorda.com
- Harold Safferstein, Ph.D., *VP Business Development*
hsafferstein@acorda.com
- Mitchell Katz, Ph.D., *VP Clinical Programs*
- David Lawrence, *VP Finance*
dlawrence@acorda.com
- Elliott A. Gruskin, Ph.D., *VP R&D*
egruskin@acorda.com

Contact Information

15 Skyline Dr.
Hawthorne, NY 10532
Tel: (914) 347-4300
Fax: (914) 347-4560
www.acorda.com

Sample Profiles of Funded Ventures (Continued)

ActivBiotics

Description

ActivBiotics is focused on the development and commercialization of antibacterials for the treatment of acute and chronic disease. The Company is developing rifalazil, a potent broad spectrum antibiotic that targets and inhibits the transcriptional machinery of bacteria. Previously studied in Phase I and IIA clinical trials, rifalazil is currently being planned for additional Phase II trials in several indications.

2003 Investment

Funding Amount: \$26,400,000
Funding Round: B1

Investors

MDS Capital Corp., BioVentures Investors, F. Hoffmann-LaRoche Ltd., China Development Industrial Bank, New England Partners, HealthCare Ventures, Delphi Ventures

Key Personnel

- James L. Warren, *CFO*
jwarren@activbiotics.com
- Arthur Michaelis, Ph.D., *SVP Therapeutics*
amichaelis@activbiotics.com
- Ronnie Farquhar, *VP Pre-Clinical*
rfarquhar@activbiotics.com
- Bernie Cabana, Ph.D., *VP Regulatory Affairs & Clinical Pharmacology*
bcabana@activbiotics.com

Contact Information

128 Spring St.
Lexington, MA 02421
Tel: (781) 372-4800
Fax: (781) 274-9129
www.activbiotics.com

Acucela

Description

Acucela is a biotechnology company seeking to discover new drug therapies for eye diseases. Acucela's screening technology uses primary, mature retinal neurons, allowing for precise measurements of how actual retinal neurons are affected by different chemical entities. Acucela will use its technology in conjunction with partners to rapidly test compound libraries for safety and efficacy in eye diseases using proprietary disease models.

2003 Investment

Funding Amount: N/A
Funding Round: Seed

Investors

Cosmos Alliance

Key Personnel

- Ryo Kubota, Ph.D., *CEO*
rkubota@acucela.com
- Jeff Chen, *Mgr. Operations*
jeffchen@acucela.com

Contact Information

454 N. 34th St.
Seattle, WA 98103
Tel: (206) 545-2880
Fax: (206) 545-2897
www.acucela.com

Acuity Pharmaceuticals

Description

Acuity Pharmaceuticals is a product-focused pharmaceutical firm that is a pioneer in commercializing short interfering RNA (siRNA) therapeutics. Acuity is developing treatments for serious diseases of the eye and retina.

2003 Investment

Funding Amount: \$500,000
Funding Round: A

Investors

Ben Franklin Technology Partners

Key Personnel

- Dale Pfost, Ph.D., *CEO*
dpfost@acuitypharma.com
- Michael Tolentino, M.D., *Chief Medical Advisor*
- Todd M. Wallach, *Dir. Business Development*
twallach@acuitypharma.com
- Samuel J. Reich, *Sr. Dir. Research*

Contact Information

3701 Market St.
Philadelphia, PA 19104
Tel: (215) 966-6181
Fax: (215) 966-6001
www.acuitypharma.com

Investor Profiles

Growthink Research's Healthcare Venture Capital Funding Report profiles 525 investors that invested in healthcare companies in 2003. Below are examples of investors featured in this report.

3i

www.3ius.com

2003 Healthcare Investments

3F Therapeutics, deNovis, NeoGuide Systems, TransMedics

Menlo Park, CA

275 Middlefield Rd.
Menlo Park, CA 94025
Tel: (650) 470-3200
Fax: (650) 470-3201

Waltham, MA

880 Winter St.
Suite 330
Waltham, MA 02451
Tel: (781) 890-8300
Fax: (781) 890-8301

5AM Ventures

www.5amventures.com

2003 Healthcare Investments

Ambrx, Miikana Therapeutics

San Francisco, CA

750 Battery St.
San Francisco, CA 94111
Tel: (415) 676-3830
Fax: (415) 837-0503

A.G. Edwards Capital

www.agedwards.com

2003 Healthcare Investments

MicroVenton, Quick Study Radiology

St. Louis, MO

1 N. Jefferson Ave.
St. Louis, MO 63103
Tel: (314) 955-3000
Fax: (314) 955-8095

A.M. Pappas & Associates

www.ampappas.com

2003 Healthcare Investments

FlowCardia, Genstruct, LipoScience, Nereus Pharmaceuticals, NuVasive

Research Triangle Park, NC

7030 Kit Creek Rd.
P.O. Box 110287
Research Triangle Park, NC 27709
Tel: (919) 998-3300
Fax: (919) 998-3301

Abbott Laboratories

www.abbott.com

2003 Healthcare Investments

Hydra Biosciences

Abbott Park, IL

100 Abbott Park Rd.
Abbott Park, IL 60064
Tel: (847) 937-6100
Fax: (847) 937-1511

Aberdare Ventures

www.aberdare.com

2003 Healthcare Investments

Neuroscience Solutions

San Francisco, CA

One Maritime Plaza
Suite 1475
San Francisco, CA 94111
Tel: (415) 392-7442
Fax: (415) 392-4264

Abingworth Management

www.abingworth.com

2003 Healthcare Investments

Guava Technologies, Hydra Biosciences, ParAllele BioScience, Portola Pharmaceuticals, Xenogen

Palo Alto, CA

2465 E. Bayshore Rd.
Suite 348
Palo Alto, CA 94303
Tel: (650) 565-8296
Fax: (650) 565-8295

ABN AMRO

www.abnequity.com

2003 Healthcare Investments

ACADIA Pharmaceuticals, Accelerated Technologies, Acorda Therapeutics

Chicago, IL

208 S. La Salle St.
10th Floor
Chicago, IL 60603
Tel: (312) 904-6445
Fax: (312) 904-1028

ABS Capital Partners

www.abscapital.com

2003 Healthcare Investments

Familymeds, Radiant Research

San Francisco, CA

505 Sansome St.
Suite 1550
San Francisco, CA 94111
Tel: (415) 989-5100
Fax: (415) 989-5105

Baltimore, MD

400 E. Pratt St., Suite 910
Baltimore, MD 21202
Tel: (410) 246-5600
Fax: (410) 246-5606

Wayland, MA

21 Cochituate Rd.
Wayland, MA 01778
Tel: (508) 358-9200
Fax: (508) 358-2511

About Growthink Research

Growthink Research is a full-service market research firm.

Venture Capital Research: Growthink Research publishes venture capital reports on a quarterly and annual basis that analyze financing trends for emerging companies. Growthink Research's reports are recognized as the most comprehensive source of venture funding news. Clients include venture capital firms, angel investors, investment banks, emerging ventures/entrepreneurs, established companies and related product and service providers.

Strategic Market Research: Growthink Research also performs client-specific market and competitive research projects. As an independent market research firm with a strong strategic orientation, we can often source information and primary competitive intelligence unavailable to direct market participants. To date, we have researched and assessed over 200 markets and micro-markets, and can conduct a wide range of market research projects to meet our clients' needs.

Visit us on the Web at www.growthinkresearch.com.

Funding Report Methodology

Data Collection

Growthink Research identified 1,860 private U.S.-based ventures that received equity investments in 2003. These companies were identified through the following sources, among others:

- Surveys of Companies
- Surveys of Venture Capitalists and other Investors
- Growthink Research's network of regional contacts
- Articles in newspapers, magazines, and trade publications
- Company Press Releases
- Investor Press Releases
- Wire Reports

Data Verification

Companies: Growthink Research contacted companies directly to verify the information we collected from the above research. This effort verified the companies' funding amount, investors involved in the financing, funding round and date of funding. Companies that did not meet Growthink Research's criteria for appearing in this report were not included herein.

Investors: Growthink Research sent surveys to over 2,000 venture capitalists, angel groups and corporate investors to verify the companies Growthink Research had identified as being in their portfolios. The surveys also requested the disclosure of other investments.

Qualification Criteria

Each company that appears in the report meets the following criteria.

- 1) **The funding must be equity funding, not debt financing.**
- 2) **The Company must be a private company.** Publicly held (NASDAQ, OTC, etc.) companies are not included. Likewise, wholly owned subsidiaries of public companies are not included.
- 3) **The Company must be headquartered in the United States.**
- 4) **The Company must have received at least \$250,000 in financing.**
- 5) **The Company must have received the financing to invest primarily in itself (new venture funds and incubators were not included).**

Other Notes

- "N/A" was inserted in Company and investor profiles when the information was unavailable at the time of publication, or if the investor did not have any investments in the quarter.
- To derive our total funding amount calculations, Growthink Research assumed a funding amount of \$7.0 million when the funding amount was not available. In 2003, \$7.0 million was the median funding amount for all ventures for which funding was available.
- When listing investors with multiple offices, no attempt was made to determine which office was responsible for each investment.
- The regions were broken down as follows: Bay Area, Central U.S. (AR, CO, IA, KS, LA, MN, MO, NE, ND, OK, SD, TX), Great Lakes (IL, IN, MI, OH, WI), Mid-Atlantic (DC, DE, MD, VA, WV), New England (CT, MA, ME, NH, RI, VT), Northeast (NJ, NY, PA), Pacific Northwest (ID, MT, OR, WA, WY), Southeast (AL, FL, GA, KY, MS, NC, SC, TN), Southern California, Southwest (AZ, NM, NV, UT), and Other (AK, California-Metro Sacramento, California-Central, HI)