

EXECUTIVE SUMMARY & SAMPLE PAGES
2004 ANNUAL REPORT

Total U.S.

Venture Capital Report

growthink | **RESEARCH**

- ◆ ***\$19 Billion Invested*** ◆
- ◆ ***1,860 Company Profiles*** ◆
- ◆ ***Over 1,750 Investor Profiles*** ◆

www.growthinkresearch.com

Executive Summary

Introduction

In 2003, over \$19 billion of venture capital was invested in 1,860 private U.S.-based companies. Though funding declined for a fourth consecutive year, investment activity picked up significantly in the latter half of the year following the successful IPOs of several venture-backed companies. With an improving U.S. economy and more companies slated to go public in 2004, the outlook for the venture capital industry is very promising.

Regions

The Bay Area continues to lead the nation in raising capital, receiving nearly thirty percent (29.6%) of the total dollars invested. The Bay Area was home to the largest number of funded ventures (514), and its average deal size was \$720,000 higher than the national average. Six Bay Area companies raised \$50 million or more, led by **Matrix Semiconductor** (Santa Clara, CA) and **Infinera** (Sunnyvale, CA). **Matrix Semiconductor** manufactures three-dimensional memory chips designed to make consumer electronics products less expensive and easier to use. In 2003, the Company received both a \$15 million strategic investment from Nintendo and a \$52 million venture capital round. Investors in **Matrix** include TeleSoft Partners, Benchmark Capital, Integral Capital Partners, Skymoon Ventures, Western Technology Investment and Seagate Technology. **Infinera**, which builds optical networking solutions, raised \$60 million in a round led by Mobius Venture Capital. To date, the Company has raised over \$130 million.

Total U.S. Funding by Region – 2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Bay Area	\$5,629,997,000	29.6%	514	27.6%	\$10,953,302
New England	\$2,964,825,000	15.6%	268	14.4%	\$11,062,780
Central U.S.	\$2,268,199,000	11.9%	205	11.0%	\$11,064,385
Northeast	\$2,064,255,000	10.8%	200	10.8%	\$10,321,275
Southern California	\$1,712,900,000	9.0%	167	9.0%	\$10,256,886
Southeast	\$1,276,654,000	6.7%	175	9.4%	\$7,295,166
Mid-Atlantic	\$1,076,750,000	5.7%	105	5.6%	\$10,254,762
Great Lakes	\$868,375,000	4.6%	87	4.7%	\$9,981,322
Pacific Northwest	\$728,430,000	3.8%	83	4.5%	\$8,776,265
Southwest	\$320,800,000	1.7%	38	2.0%	\$8,442,105
Other	\$119,040,000	0.6%	18	1.0%	\$6,613,333
Totals:	\$19,030,225,000	100.0%	1860	100.0%	\$10,231,304

New England followed the Bay Area with 15.6% of the total dollars invested. Nine of New England's top ten investments went to healthcare companies. **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.

Two hundred five (205) companies headquartered in the Central U.S. secured capital, led by a \$180 million investment in **AAT Communications** (St. Louis, MO), the nation's largest privately held provider of wireless tower sites. **AAT** is one of the most financially sound companies with venture backing. Prior to its recent infusion of capital, **AAT** had secured a \$100 million equity commitment in May 2002 and a \$115 million senior credit facility in August 2002.

Sectors

Over 35% of the capital was invested in companies in the Connectivity sector, which includes networking ventures, semiconductor companies, broadband and telecommunications companies, and wireless software and infrastructure providers. The sector was led by the above-mentioned \$180 million investment in **AAT Communications**. **WildBlue Communications** (Greenwood Village, CO), a wireless broadband company that is rolling out affordable services direct to homes and small offices throughout the United States, raised \$156 million.

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

Four hundred seventy (470) healthcare ventures raised \$5.8 billion, 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. **United BioSource** (Washington, DC), a company that provides science and evidence based services to the pharmaceutical and life sciences industries, raised \$153 million. The Company also acquires pharmaceutical and life science companies with strong track records. In January 2004, **United BioSource** announced its acquisition of **MEDTAP**, a Maryland-based provider of health economics and outcomes research services.

Five hundred forty two (542) companies in the Business Software & Services sector raised capital, led by **SSA Global Technologies** (Chicago, IL). **SSA Global Technologies**, which secured a \$75 million funding round, provides companies with eBusiness solutions, including business intelligence, customer relationship management and supply chain management applications.

Major Metropolitan Areas

Seventy one percent (71.0%) of the dollars raised in 2003 was invested in companies headquartered in the top ten metropolitan areas. The San Francisco/San Jose metropolitan area led the way with \$5.6 billion, followed by Boston with \$2.4 billion. New York City surpassed Washington D.C. as the third leading metropolitan area.

Austin and Denver, which had dropped out of the top ten in 2002, returned to the list in the eighth and ninth positions, respectively.

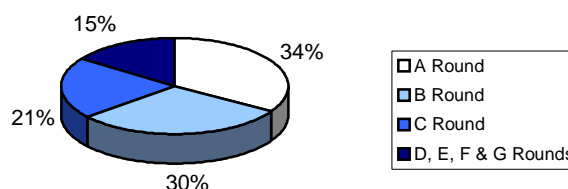
Total U.S. Funding by Top Metropolitan Areas – 2003

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
San Francisco/San Jose	\$5,629,997,000	29.6%	514	27.6%	\$10,953,302
Boston	\$2,377,025,000	12.5%	211	11.3%	\$11,265,521
New York City ¹	\$1,147,100,000	6.0%	97	5.2%	\$11,825,773
Washington DC	\$1,018,450,000	5.4%	97	5.2%	\$10,499,485
San Diego	\$803,150,000	4.2%	77	4.1%	\$10,430,519
Chicago	\$524,180,000	2.8%	38	2.0%	\$13,794,211
Seattle	\$522,930,000	2.7%	66	3.5%	\$7,923,182
Austin	\$512,650,000	2.7%	52	2.8%	\$9,858,654
Denver/Boulder	\$496,705,000	2.6%	37	2.0%	\$13,424,459
Los Angeles	\$473,550,000	2.5%	49	2.6%	\$9,664,286
Top Metro Areas	\$13,505,737,000	71.0%	1238	66.6%	\$10,909,319
Rest of U.S.	\$5,524,488,000	29.0%	622	33.4%	\$8,881,814
Total U.S.	\$19,030,225,000	100.0%	1860	100.0%	\$10,231,304

¹ Includes Connecticut-based and New Jersey-based companies in the Metro NYC area.

Funding Rounds

As shown in the chart to the right, 34% of the companies that raised venture capital in 2003 received their initial round of funding (including seed and Series A rounds). Thirty six percent (36%) of the companies raised a Series C or later round.



Top Investments

The top venture capital recipients in 2003 were as follows:

Company	Sector	Investment
Reliant Pharmaceuticals (Liberty Corner, NJ)	Healthcare	\$252.0 million
AAT Communications (St. Louis, MO)	Connectivity	\$180.0 million
WildBlue Communications (Greenwood Village, CO)	Connectivity	\$156.0 million
United BioSource (Washington, DC)	Healthcare	\$153.0 million
Synta Pharmaceuticals (Lexington, MA)	Healthcare	\$125.3 million
Archipelago Holdings (Chicago, IL)	E-Content & Commerce	\$125.0 million
Eagle Test Systems (Mundelein, IL)	Other (Electronics)	\$95.0 million
GCA Services Group (West Conshohocken, PA)	Other (Facilities Management)	\$90.0 million
Eclipse Aviation (Albuquerque, NM)	Other (Aerospace & Aircraft)	\$87.0 million
SSA Global Technologies (Chicago, IL)	Business Software & Services	\$75.0 million

Investors

Over 1,800 investors provided venture capital to privately held U.S.-based companies in 2003. The following were the most prolific investors, each of which provided funding to fifteen (15) or more ventures.

- 3i
- Accel Partners
- Advanced Technology Ventures
- Advent International Corp.
- Alta Partners
- Asset Management Company
- Atlas Venture
- Austin Ventures
- BA Venture Partners
- Battery Ventures
- Bay Partners
- Benchmark Capital
- Bessemer Venture Partners
- Boston Millennia Partners
- Charles River Ventures
- China Development Industrial Bank
- CMEA Ventures
- Columbia Capital
- ComVentures
- Domain Associates
- Draper Fisher Jurvetson
- Flagship Ventures
- Foundation Capital
- Globespan Capital Partners
- Granite Ventures
- Greylock
- Highland Capital Partners
- Intel Capital
- Intersouth Partners
- InterWest Partners
- J.P. Morgan Partners
- Johnson & Johnson Development Corporation
- Kleiner Perkins Caufield & Byers
- Kodiak Venture Partners
- Lightspeed Venture Partners
- Mayfield
- Menlo Ventures
- Mobius Venture Capital
- Morgenthaler Ventures
- Motorola Ventures
- MPM Capital
- New Enterprise Associates
- North Bridge Venture Partners
- Norwest Venture Partners
- Novus Ventures
- Oak Investment Partners
- Oxford Bioscience Partners
- Polaris Venture Partners
- Redpoint Ventures
- River Cities Capital Funds
- Sequoia Capital
- Sevin Rosen Funds
- Siemens Venture Capital
- Sierra Ventures
- Sigma Partners
- Sofinnova Ventures
- St. Paul Venture Capital
- The Sprout Group
- TL Ventures
- Trident Capital
- U.S. Venture Partners
- VantagePoint Venture Partners
- Venrock Associates
- Versant Ventures
- Walden International

Sample Profiles of Funded Ventures

Growthink Research's Total U.S. Venture Capital Funding Report profiles 1,860 private, U.S.-based companies that raised venture capital in 2003. Below are examples of companies featured in this report.

Advanced Data Exchange

Description

Advanced Data Exchange provides an easy, outsourced EDI and XML translation service that enables companies to exchange business documents electronically with all of their suppliers and customers.

2003 Investment

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

Investors

Sandler Capital, GKM Venture Partners, Talkot Capital, Wasserstein Adelson Ventures, Net Market Partners, iCentennial Ventures, Ovation Capital Partners, Individual Investors

Key Personnel

- Andrew T. Duncan, *CEO*
aduncan@adx.com
- Walt Borland, *COO*
- Daniel P. Walsh, *VP Engineering & Network Operations*
dwalsh@adx.com
- David Michaud, *VP Marketing*
dmichaud@adx.com
- Bill Falk, *VP Sales*

Contact Information

Stevenson Point Tech Park
39655 Eureka Dr.
Newark, CA 94560
Tel: (510) 493-5000
Fax: (510) 493-5200
www.adx.com

Agentis Software

Description

Agentis Software enables enterprises to adapt in real time to rapidly changing business environments. By leveraging goal-directed technology, customers automate highly variable, exception-driven business problems, such as dynamic planning and recovery or flexible process automation.

2003 Investment

Funding Amount: \$11,750,000
Funding Round: B

Investors

Constellation Ventures, Draper Fisher Jurvetson, Partech International

Key Personnel

- Jean-Yves Dexmier, *CEO*
jdexmier@agentissoftware.com
- William O'Kelly, *CFO*
wokelly@agentissoftware.com
- David Kinney, *Ph.D., CTO*
dkinney@agentissoftware.com
- F. Steven Weick, *VP Engineering*
sweick@agentissoftware.com
- Roger Phillip, *VP Marketing*
rphillip@agentissoftware.com
- John Field, *VP People & Culture*

Contact Information

1990 N. California Blvd.
Suite 400
Walnut Creek, CA 94596
Tel: (925) 935-5656
Fax: (925) 935-7006
www.agentissoftware.com

Alara

Description

Alara is a medical device company that designs, manufactures and markets digital imaging products based on storage phosphor technology. The Company's manufacturing facility produces the DenOptix line of digital scanners for the Gendex division of Dentsply International.

2003 Investment

Funding Amount: \$1,000,000
Funding Round: N/A

Investors

Vanguard Atlantic, Individual Investors

Key Personnel

- Charles W. Cantoni, *CEO*
- Steve Giardina, *VP Computed Radiography*
sgiardina@alara.com
- Joseph Rimsa, *VP Operations*
- Christopher Mitchell, *VP R&D*
cmitchell@alara.com
- Diane King, *VP Regulatory Affairs*
dking@alara.com

Contact Information

2545 Barrington Ct.
Hayward, CA 94545
Tel: (800) 410-2525
Fax: (510) 723-0111
www.alara.com

Sample Profiles of Funded Ventures (Continued)

Alloptic

Description

Alloptic delivers proven, standards-based, passive optical access equipment that simplifies cost-effective Fiber-to-the-Premise (FTTP) deployment. Alloptic's unique, flexible technology enables service providers to deploy true triple-play services, including voice (TDM and IP), video (RF and IP) and data.

2003 Investment

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

Investors

GMG Capital Partners, Athenian Venture Partners

Key Personnel

- Mike Moone, *CEO*
- John Dunican, *CFO*
- Kirsti Spiva, *Chief Corporate Officer*
- Tom Warner, *VP Engineering*
tom.warner@alloptic.com
- Jerry Miller, *VP Operations*
- John Yuzdepski, *VP Sales & Marketing*

Contact Information

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

Artemis Medical

Description

Artemis Medical develops, manufactures and markets products for the diagnosis, intervention and treatment of various types of cancer. The Company's MiniTome Breast Biopsy System is capable of localizing and immobilizing target breast tissue more precisely than current techniques.

2003 Investment

Funding Amount: \$10,200,000
Funding Round: D

Investors

Bedrock Capital Partners, ProQuest Investments, Vanguard Ventures, The Vertical Group, Yasuda Enterprise Development Co., W Capital Partners

Key Personnel

- Judith Stant, *CEO*
- Anthony Rimac, *VP Finance*

Contact Information

21021 Corsair Blvd.
Suite 100
Hayward, CA 94545
Tel: (510) 259-3100
Fax: (510) 723-0617
www.artemismedical.com

Athena Semiconductors

Description

Athena Semiconductors is a fabless IC company that specializes in CMOS radio transceiver IC products addressing rapidly growing wireless broadband communications and convergence markets. The Company's products enable seamless delivery of video, audio and data over different types of wireless networks.

2003 Investment

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

Investors

Samsung, Needham Capital Partners, Alliance Ventures

Key Personnel

- Chandrashekar M. Reddy, *CEO*
- Surendar S. Magar, *CTO*
- Ilias Bouras, *Managing Dir., Greece*
- Pratap G. Reddy, *President*
pratap@athenasemi.com

Contact Information

47358 Fremont Blvd.
Fremont, CA 94538
Tel: (510) 651-6000
Fax: (510) 651-6003
www.athenasemi.com

Investor Profiles

Growthink Research's Total U.S. Venture Capital Funding Report profiles over 1,750 investors. Below are examples of investors featured in this report.

Abingworth Management

www.abingworth.com

2003 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

ABS Capital Partners

www.abscapital.com

2003 Investments

Broadmargin, Cyveillance, Familymeds, Radiant Research

San Francisco, CA

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

ABS Ventures

www.absventures.com

2003 Investments

CBCA, Cognio, CVRx, Formation Systems, Neothermia, ObjectVideo, Paratek Microwave, Zilliant

San Francisco, CA

One Market Plaza
Steuart Tower
Suite 2400
San Francisco, CA 94105
Tel: (415) 217-4260
Fax: (415) 217-4266

Acacia Venture Partners

www.acaciavp.com

2003 Investments

Payerpath, Vivius

San Francisco, CA

101 California St.
Suite 3160
San Francisco, CA 94111
Tel: (415) 433-4200
Fax: (415) 433-4250

Accel Partners

www.accel.com

2003 Investments

Acopia Networks, Airgo Networks, Andale, Atrica, Big Bear Networks, comScore Networks, FlexLight Networks, Groove Networks, Ingenuity Systems, ItemField, Peribit Networks, Reactivity, Responsys, Riverbed Technology, Sylanro Systems, TeraChip, Topspin Communications, Trapeze Networks, Vertical Networks

Palo Alto, CA

428 University Ave.
Palo Alto, CA 94301
Tel: (650) 614-4800
Fax: (650) 614-4880

Access Venture Partners

www.accessventurepartners.com

2003 Investments

Planitax, QuickArrow, Vincera Software, ZettaCore

San Francisco, CA

319 Laidley
San Francisco, CA 94131
Tel: (415) 586-0132
Fax: (415) 392-6310

Acer Technology Ventures

www.acertechventures.com

2003 Investments

AirMagnet, Centrality Communications, HelloSoft, iRobot, Leopard Logic, seeUthere Technologies

San Jose, CA

2641 Orchard Pkwy.
San Jose, CA 95134
Tel: (408) 432-6200
Fax: (408) 922-2933

Acorn Campus

www.acorncampus.com

2003 Investments

Leopard Logic, Mobile Radius, RASilient Systems

Cupertino, CA

6 Results Way
Cupertino, CA 95014
Tel: (408) 777-8090
Fax: (408) 777-8091

Agilent Ventures

www.agilentventures.com

2003 Investments

Digital Optics, MEMX, OEwaves, SiRiFIC Wireless, TelASIC Communications

Palo Alto, CA

395 Page Mill Rd.
Palo Alto, CA 94303
Tel: (650) 752-5598
Fax: (650) 752-5772

AIG Global Investment Group

www.aiggig.com

2003 Investments

FreshDirect, Iomai, SkyBitz

Landspur, CA

700 Landspur Landing Circle
Landspur, CA 94939
Tel: (800) 871-2000
Fax: (310) 772-6622

Akers Capital

www.akerscapital.com

2003 Investments

CustomerLink Systems

Fair Oaks, CA

5207 Sunrise Blvd.
Suite 220
Fair Oaks, CA 95628
Tel: (916) 966-2236
Fax: (916) 966-2239

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.

- **The funding must be equity funding, not debt financing.**
- **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.
- **The Company must be headquartered in the United States.**
- **The Company must have received at least \$250,000 in financing.**
- **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 information 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)