

Survey Report for Ventureplex:

*A strategic proposal to benchmark,
position and market a new fund*

DRAFT: For Discussion Purposes Only

July 28, 2002

**Prepared for :
Dante Fichera
Ventureplex**

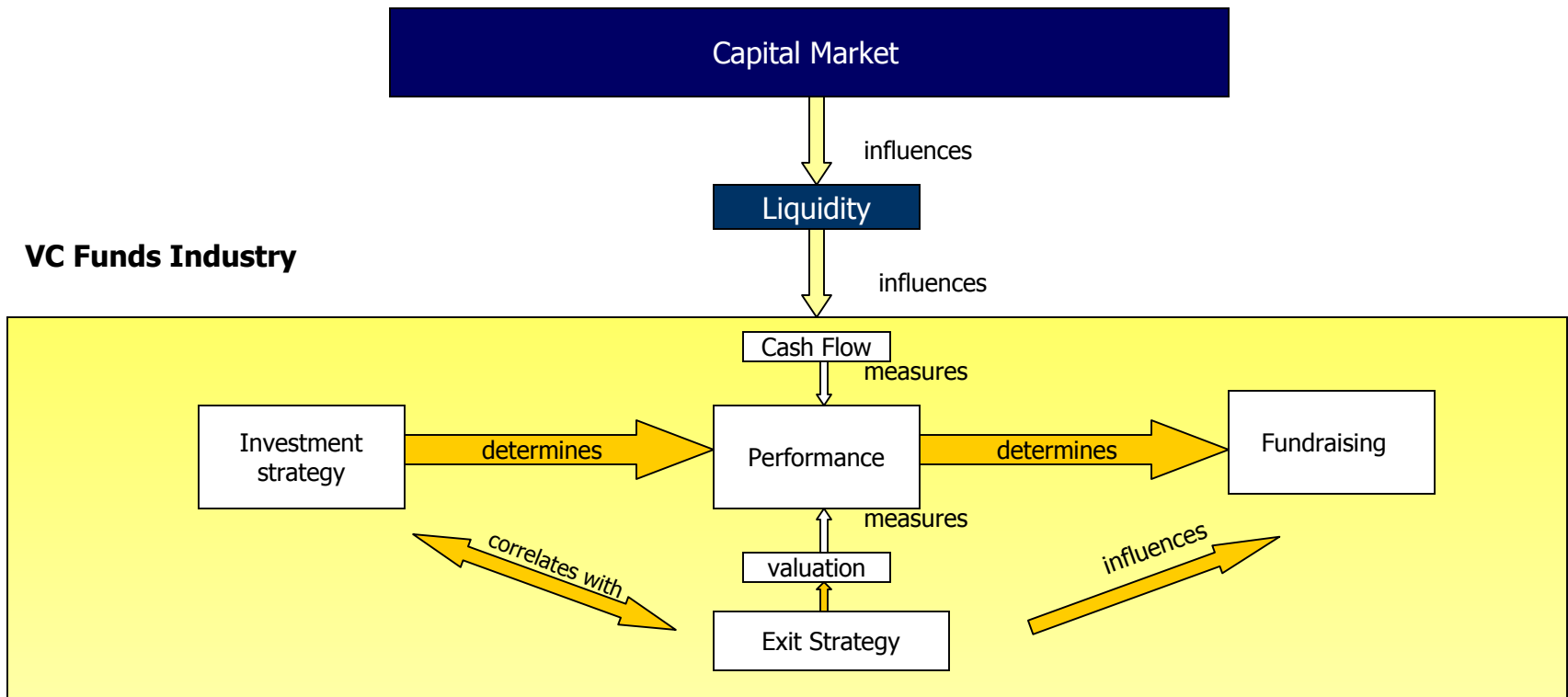
July 28, 2002

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Special thanks to Ms. Kathleen
Welch, Dr. Andy Gustafson and
Dr. Anthony Warren

Summary of This Report

- As 2001 offered a sluggish market for VC funds, venture capitalists & limited partners adjusted their investment strategies. This report identifies the major issues and trends in this market.
- This report will concentrate on the VC funds industry.
- This report is structured as follows:



Recommendation

To ensure the successful launching of a VC fund, Ventureplex should consider the following fundraising and investment strategies:

- **Choose the appropriate stages to invest in portfolio companies to meet the investors' preference for tradeoff between risk and return.** (slide 18, 20, 21)
 - If the pool of investors are risk-averse, choose the later stage or balance stage.
 - If the pool of investors are risk-tolerant and there is ample funding within the company, choose the early stage to get the maximum return.
 - Given the infancy of Ventureplx' new fund, choose seed stage as a component for investment as seed stage brings moderate return but positive return within shorter time period. (appendix 2)
- **Choose appropriate balance of industry sectors for investment to ensure positive return within reasonable time period.** (slide 22, 34)
 - Choose telecommunication, internet specific and biotechnology industry for higher return in the long run.
 - Choose biotechnology industry as a component of portfolio companies to ensure positive return within relative short time.
 - Avoid computer related industry if there is not sound business plan.
- **Strategically choose potential acquirers to realize the value of portfolio companies.** (slide 38, 39, 40)
- **Strategically set fund raising target to show successful fund raising record.** (slide 25, 26)
- **Locate long term investors to ensure succeed in current market.** (slide 16)

Take aways for this survey:

- **Small funds tend to outperform the market in strong market condition and vice versa** (slide 19).
- **Cultivate relationship with Fund of Funds and advisors will increase the source of funding** (slide 46).

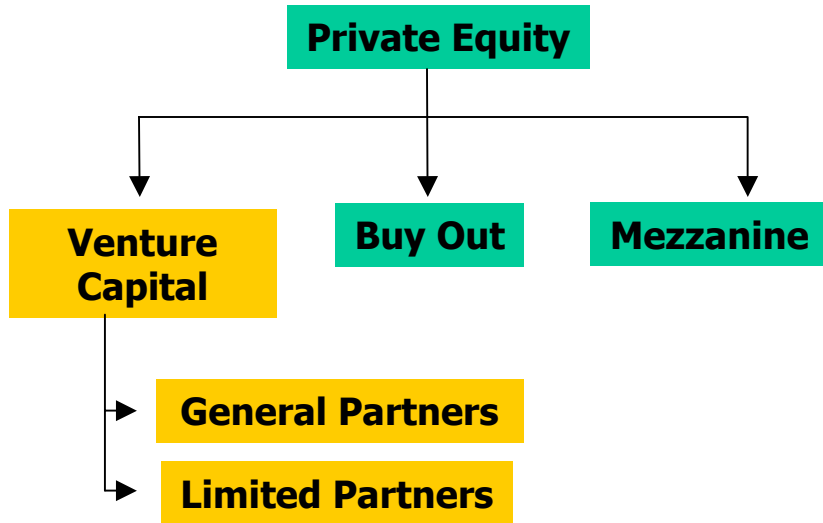
Contents

- I. Industry Overview
 - VC funds need to provide higher return to offset higher risk
- II. Performance Indicators and Metrics
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- IV. Exit Strategies
- V. Current Trends and Competitor Analysis
- VI. Appendix

I. Industry Overview

Venture Capital is one of the major three categories of the Private Equity Industry.

Private Equity Industry Structure



Investment Strategies of Private Equity Firms

- Venture Capital funds focus on private, young and fast growing companies.
- Buyout and Mezzanine funds focus on mature companies.

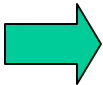
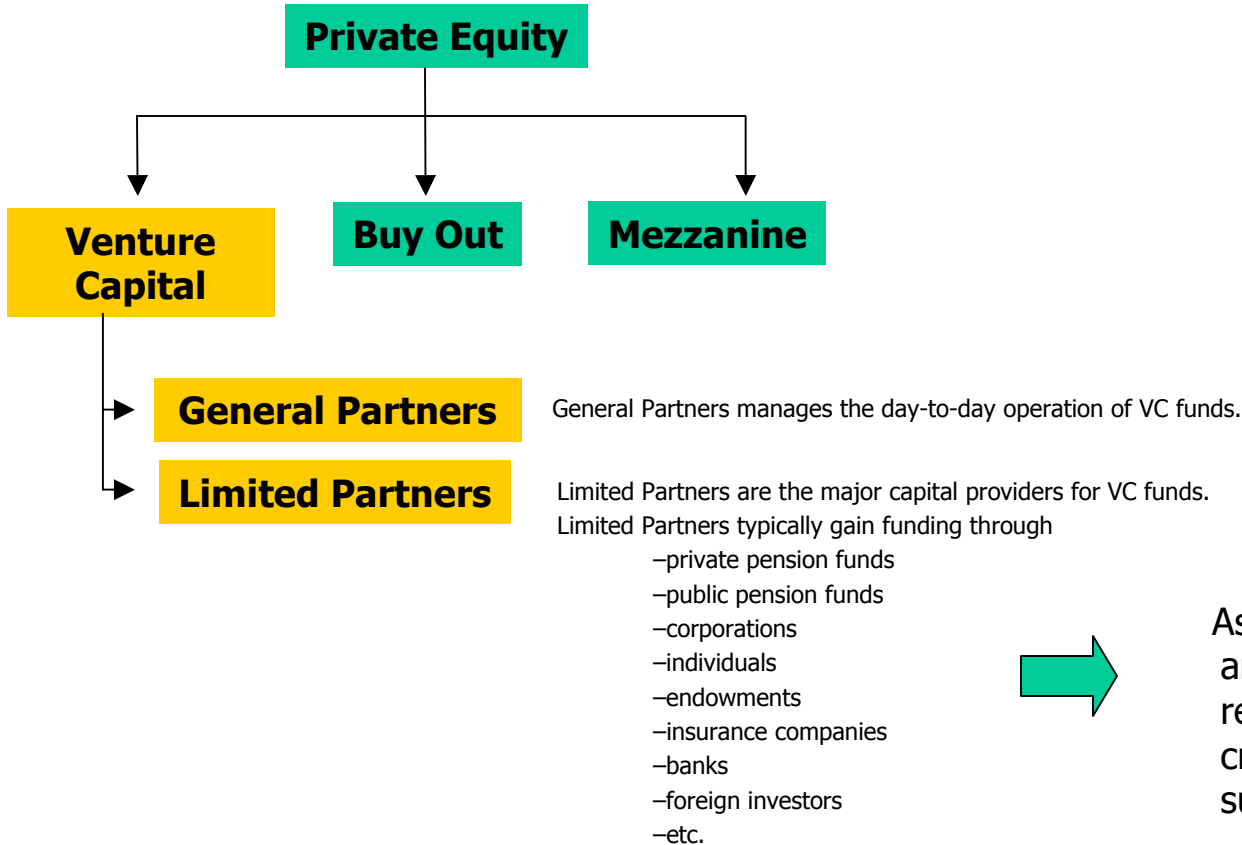


This report focuses on Venture Capital funds only

I. Industry Overview

Partnership is the typical organizational structure of Venture Capital funds and limited partners are the major fund providers.

Private Equity Industry Structure

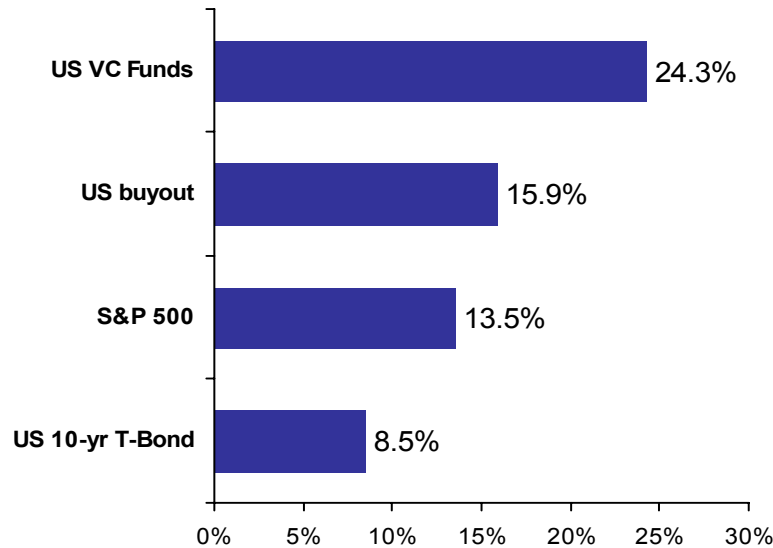


As the vast majority of VC funds are raised privately, strong relationships with investors are critical to a fund's long-term success.

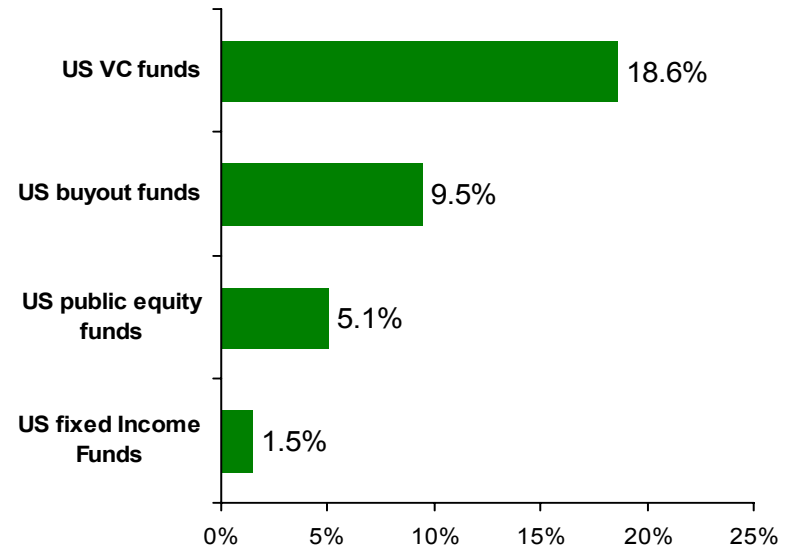
I. Industry Overview

Benchmarking different financial instruments shows that VC funds provide substantially higher returns and higher return volatility.

High Returns: VC Funds Compared to Other Investments on Average Annual Return (1980-2000)



High Risk: VC Funds Compared to Other Investments on Spread between Top Quartile and Median Annual Return (1980-2000)



To be competitive, VC funds must provide high returns to offset the inherent high risk and volatility.

Contents

I. Industry Overview

→ II. Performance Indicators and Metrics

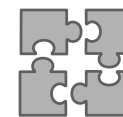
To benchmark and outperform the VC market, Ventureplex must strategically select investment concentrations .

III. Fundraising and Investment

IV. Exit Strategies

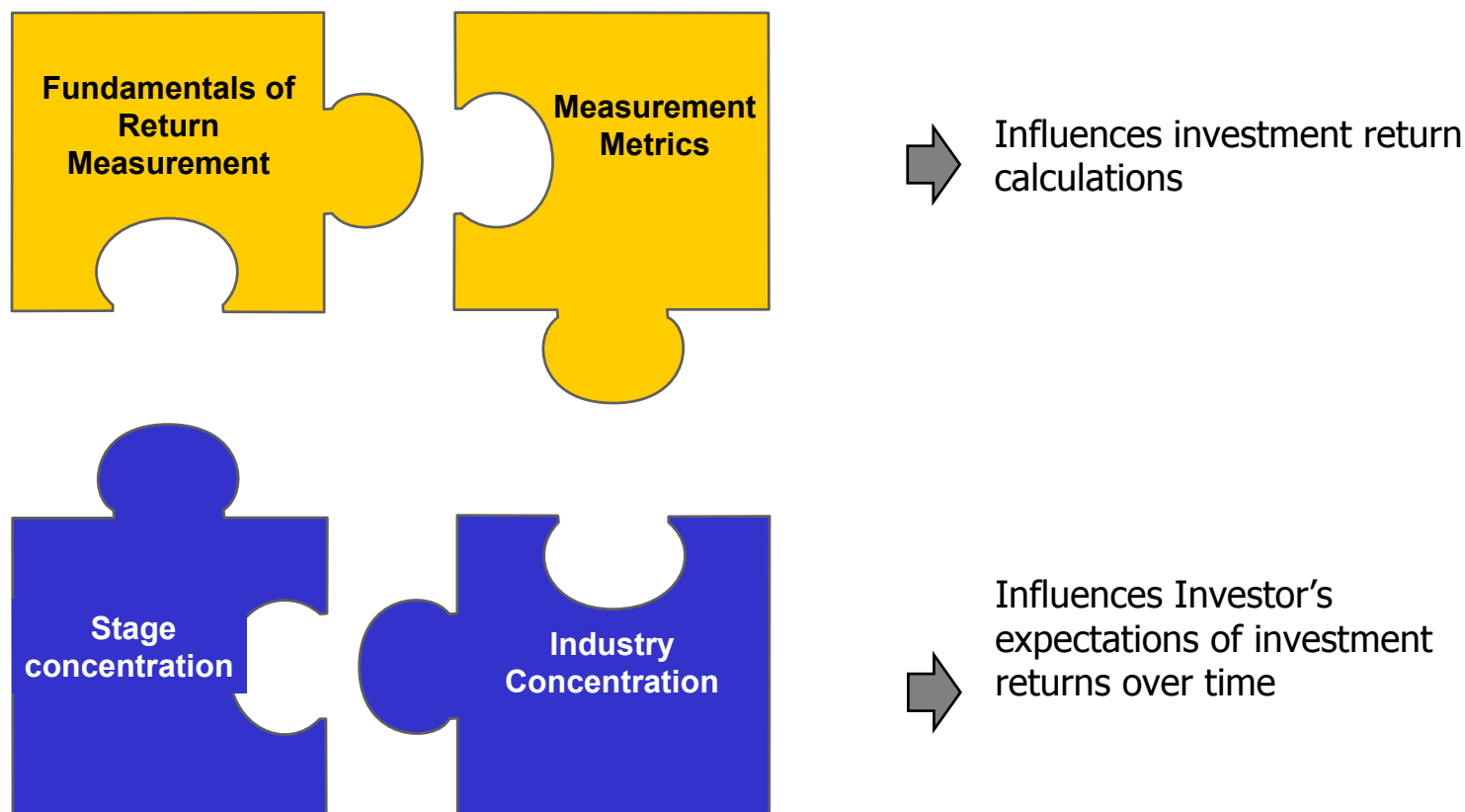
V. Current Trends and Competitor Analysis

VI. Appendix



II. Performance Indicators and Metrics

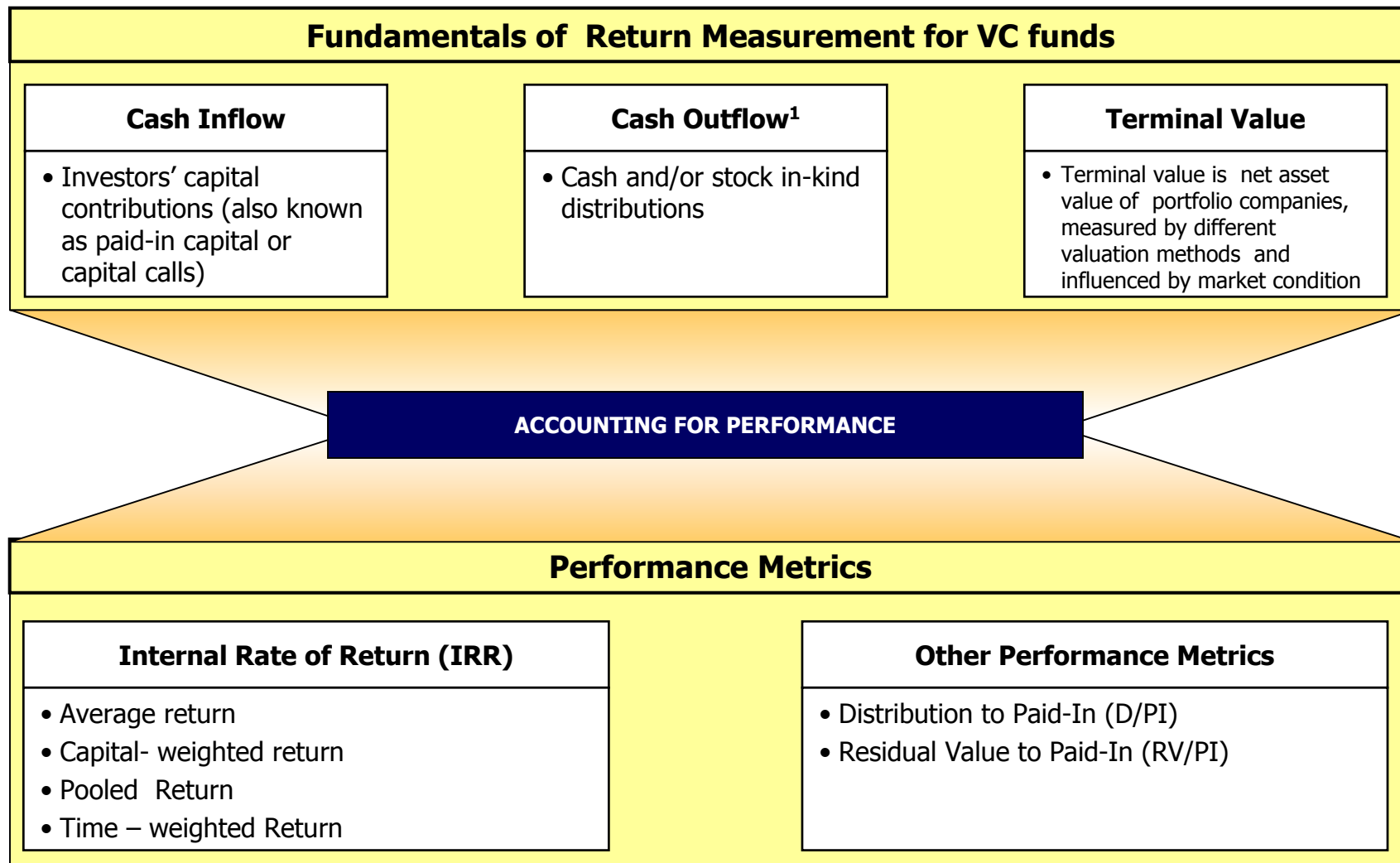
VC Funds performance is measured by IRR and other metrics; Performance is determined by investment strategies including stage concentration and industry concentration.





II. Performance Indicators and Metrics

Cash flows and valuation influence VC Funds returns, regardless of the measurement metrics

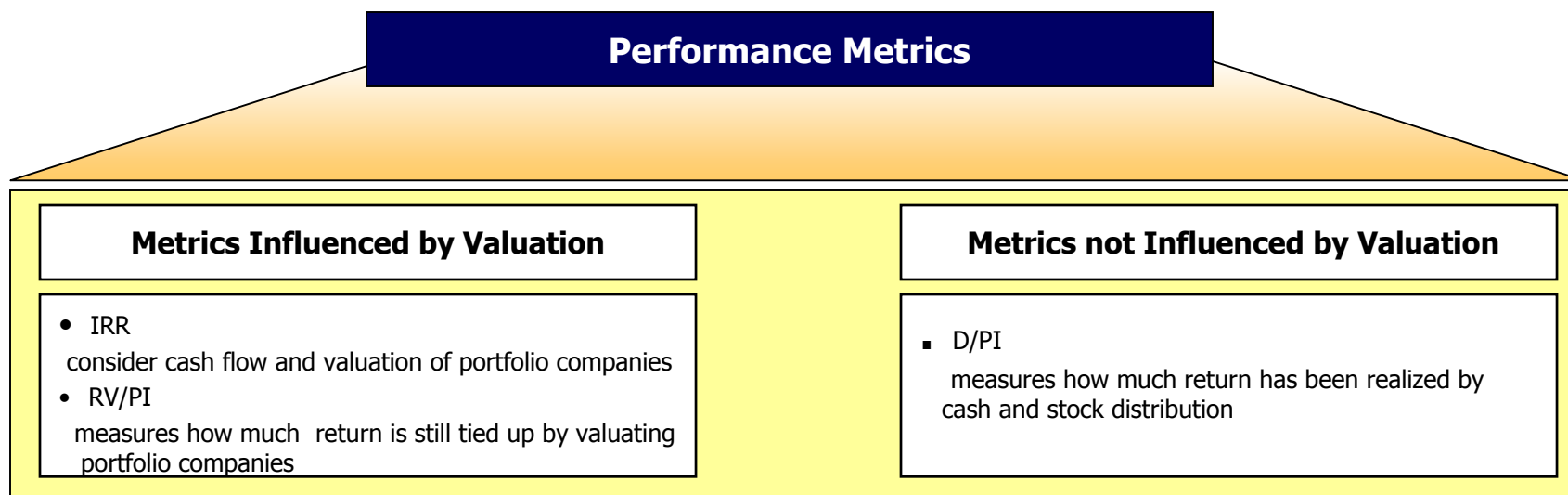


¹ The majority of VC funds tend to subtract management fees from capital accounts, which tends to overstate returns.
Source: Josh Lerner & Felda Hardyman "Venture Private Capital Equity", 2000; venture economics



II. Performance Indicators and Metrics

Valuation determines the terminal value of portfolio companies and is highly influenced by market condition, resulting in that performance of VC funds is highly influenced by market.





II. Performance Indicators and Metrics

Individual VC fund calculate IRR, RV/PI and D/PI to measure performance; VC industry usually calculate three metrics of IRR (average return, capital-weighted return and pooled return) to evaluate the industry performance. Time weighted return is also used to measure the performance of VC funds

Different Performance Metrics of IRR

		Calculation	Strength	Weakness
IRR Metrics	Average Return	Arithmetic average return for VC funds	simple	does not consider the size of funds or cash flow
	Capital-weighted return	Weighting the return by fund size	Takes fund size into consideration.	does not consider size or timing of cash flow
	Pooled Return	Treat cash flow of all funds as a "single" flow	Considers scale and timing of cash flow	the larger fund may have more influence
	Time-weighted return	The geometric average return of different periods	Return for a defined time clearly measures the performance of incumbent managers of VC funds	does not consider timing of cash flow, return depend highly on valuation



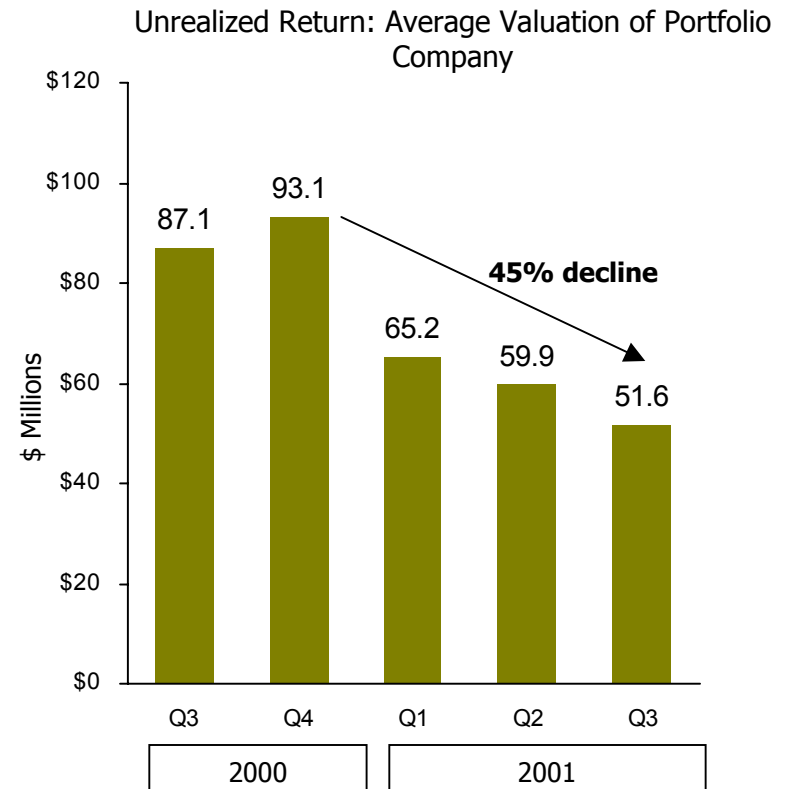
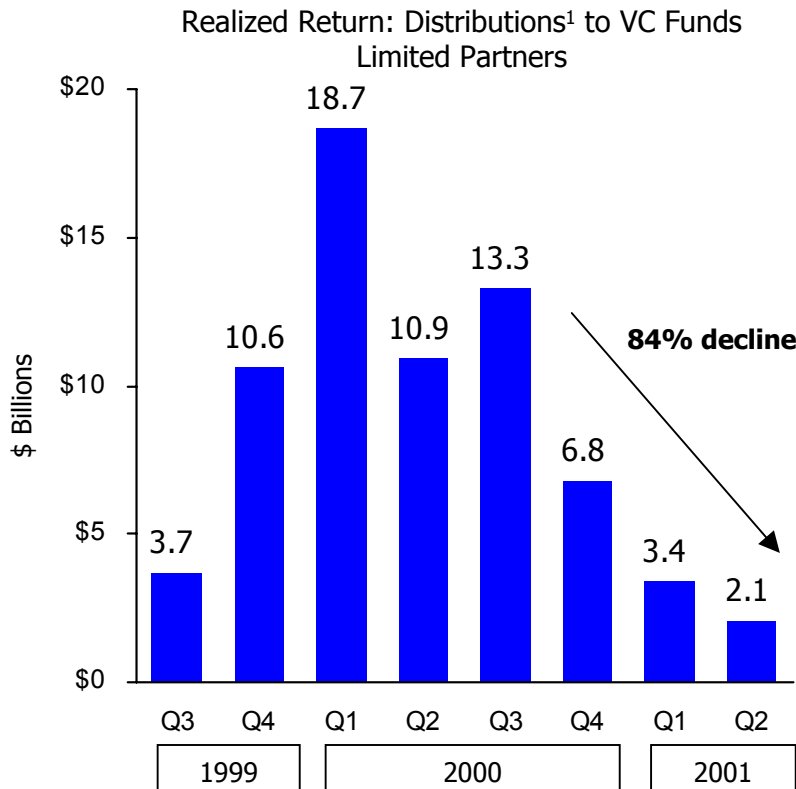
The different metrics of IRR adopted by VC Industry provide investors with different benchmarks to evaluate the performance of individual VC funds. However, the performance of a given VC fund is not dependant on different measurement metrics, it is influenced by the fundamentals of measurement including cash flow and terminal value.



II. Performance Indicators and Metrics

Limited liquidation options have forced venture capitalists to make a conservative outlook regarding their investments and lowered their distributions to limited partners.

Performance Metrics : The Realized And Unrealized Return For VC Funds

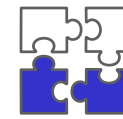


In FY 2000, limited partner realized 11.8% of their original investment. This figure underwent a sharp decline in 2001.

¹ Includes cash and stock distribution

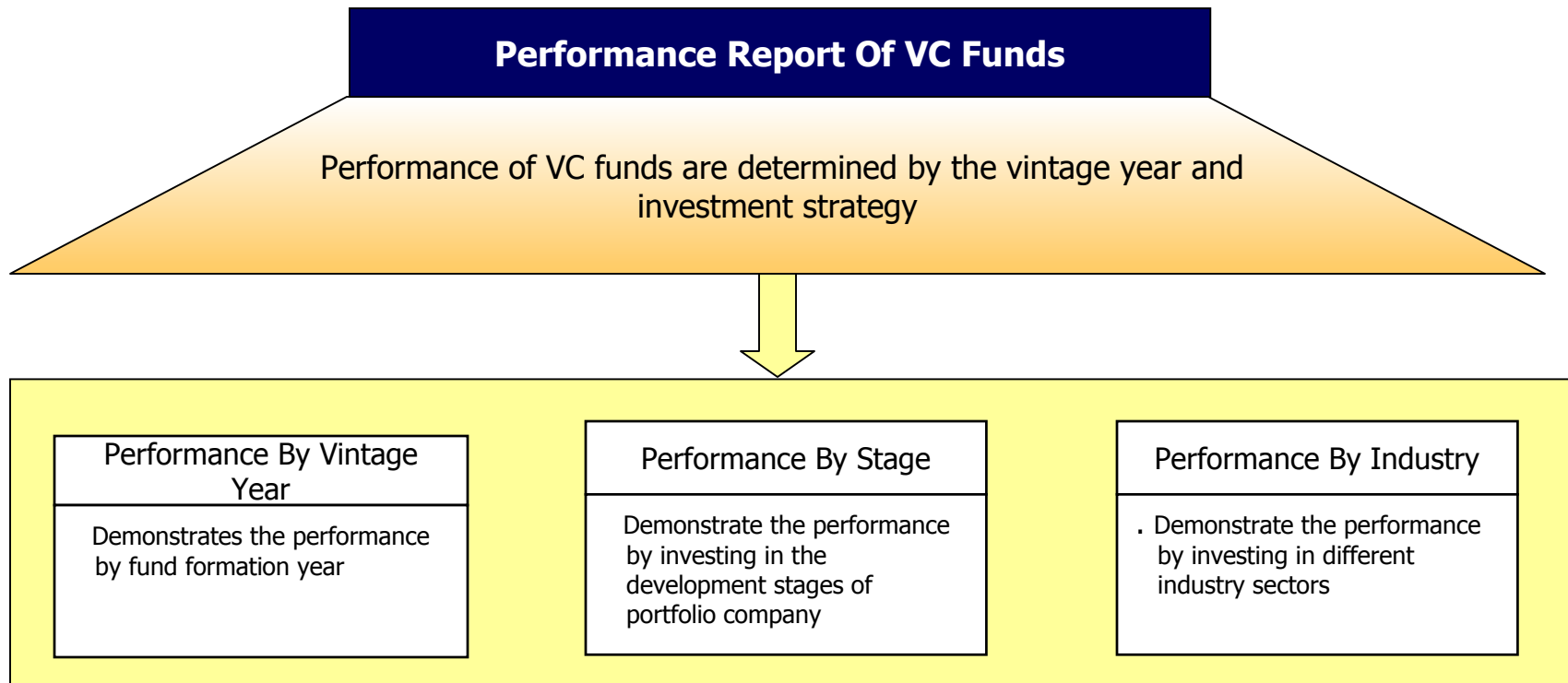
² Please refer to slide 25 for more data.

Source: venture economic/National venture Capital Association

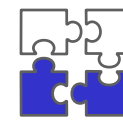


II. Performance Indicators and Metrics

VC funds performance is dependant upon the timing of investment and investment concentrations.



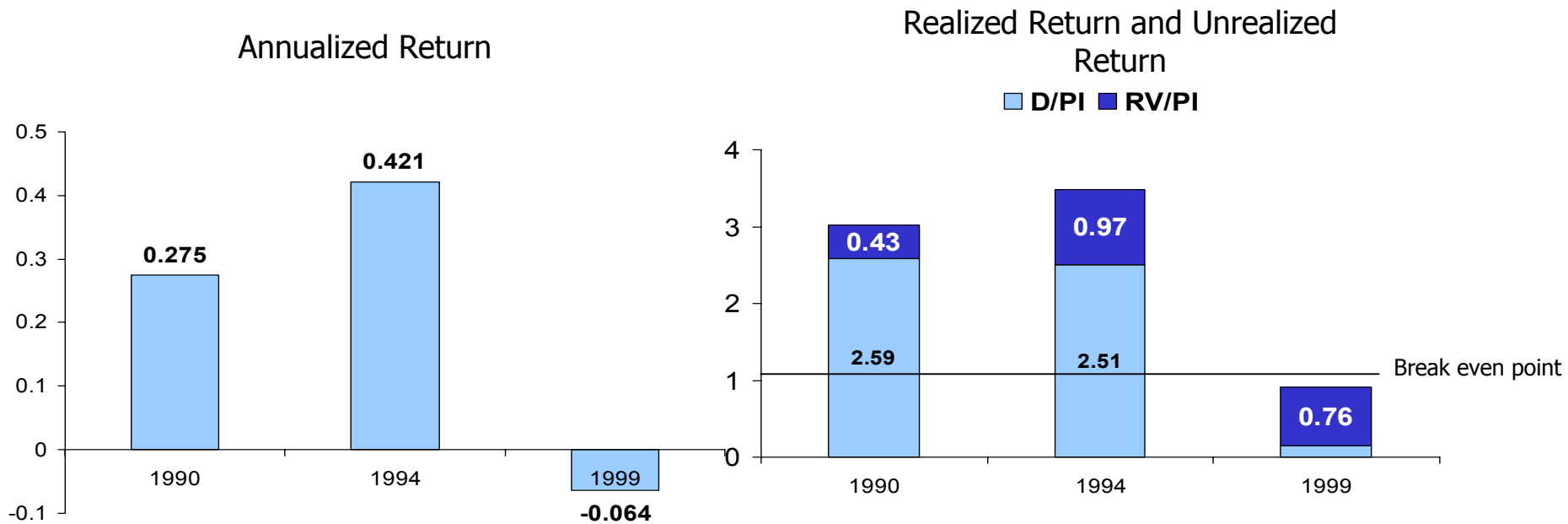
To reach performance target, VC funds should consider the the time of fundraising and investment, and the investment strategies.



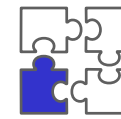
II. Performance Indicators and Metrics

Performance by vintage year for VC funds shows that young funds barely break even due to declining valuation and distribution since the end of FY 2000.

Vintage Year Performance Report for VC Funds
For Selected Years as of 9/30/2001

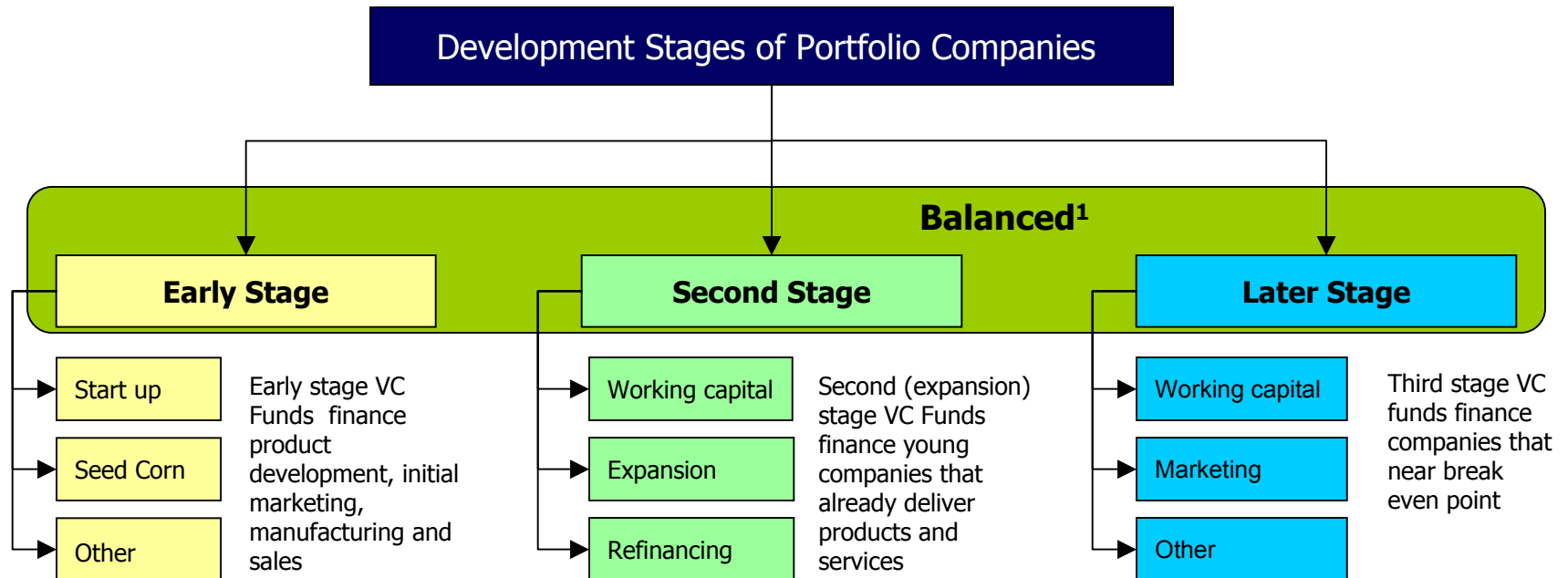


Performance by vintage year shows VC investments need long-term commitment to realize positive return (> 3 years on average). Under the current market conditions, locating long term investors is critical for raising new funds.



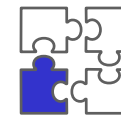
II. Performance Indicators and Metrics

Individual VC funds can be categorized by the development stage(s) of the portfolio companies in which they are invested.



A VC Fund's investment strategy should clearly identify the long-term focus on the targeted development stage(s) of its portfolio companies: Early Stage, Second Stage VC, Later Stage, or Balanced.

¹ Balance stage funds are comprised of portfolio companies from each of the three stages
Source: Brian Coule "venture capital & buyou" ; venture economics

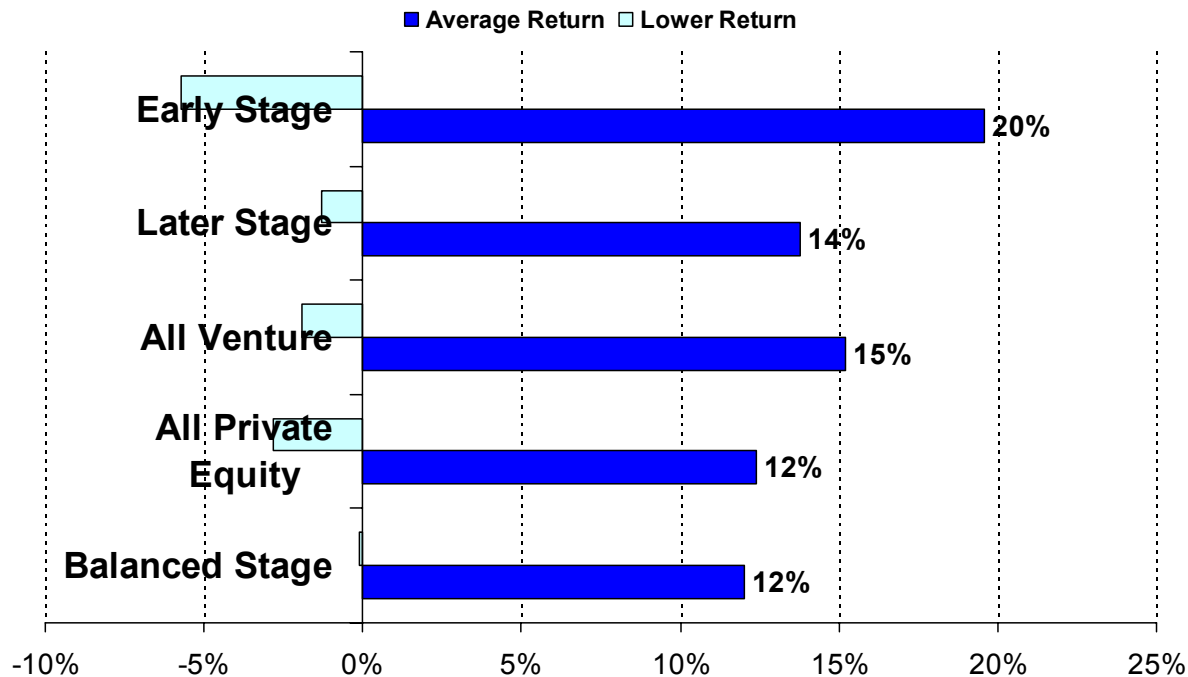


II. Performance Indicators and Metrics

VC funds performance by stage suggest that investment in Early Stage brings higher return and higher volatility.

VC Fund Performance by Stage of Development

Cumulative VC Funds Performance – IRR Metrics for Average Return and Return in the lower quartile
As of December 31, 2001 (%)

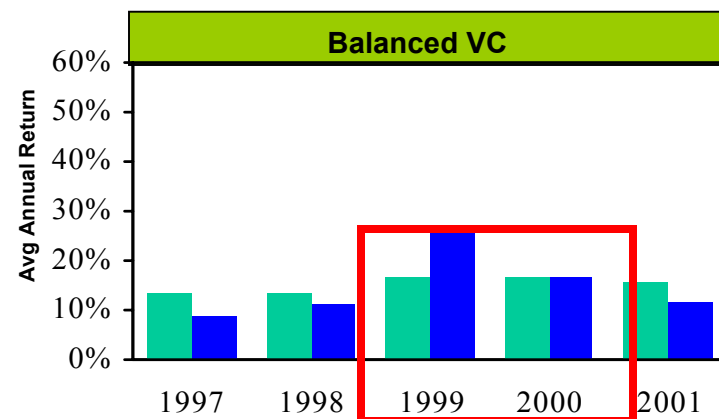
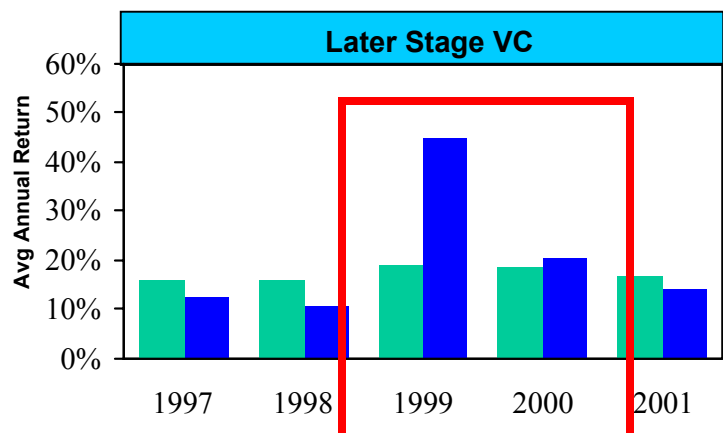
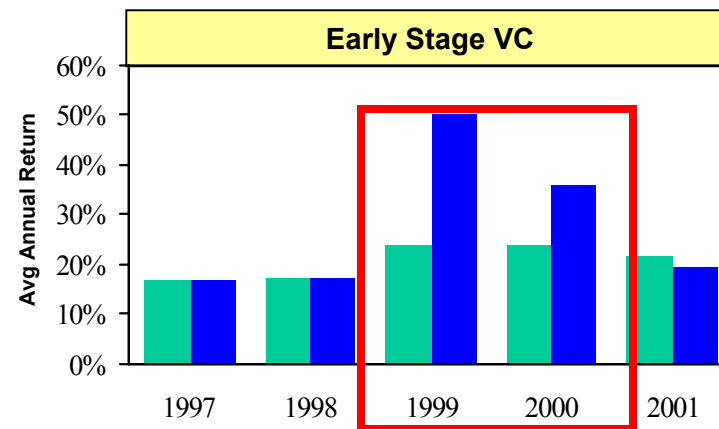
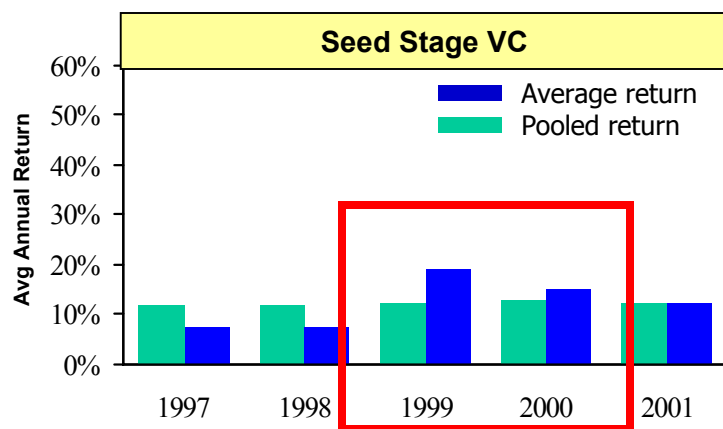


To maximize return by investing in Early stage, a VC fund must target the right business plan and have enough capital strength for investment to offset the negative volatility (Refer To Appendix 1 for more details) .



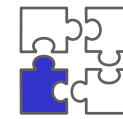
II. Performance Indicators and Metrics

A comparison of returns calculated on the same pool of VC Funds¹ suggests that the return has higher volatility when measured by average return versus pooled return.



➔ Small funds may have high return volatility and tend to outperform the industry performance (as measured by pooled return) in bull markets, or vice versa from FY 1999.

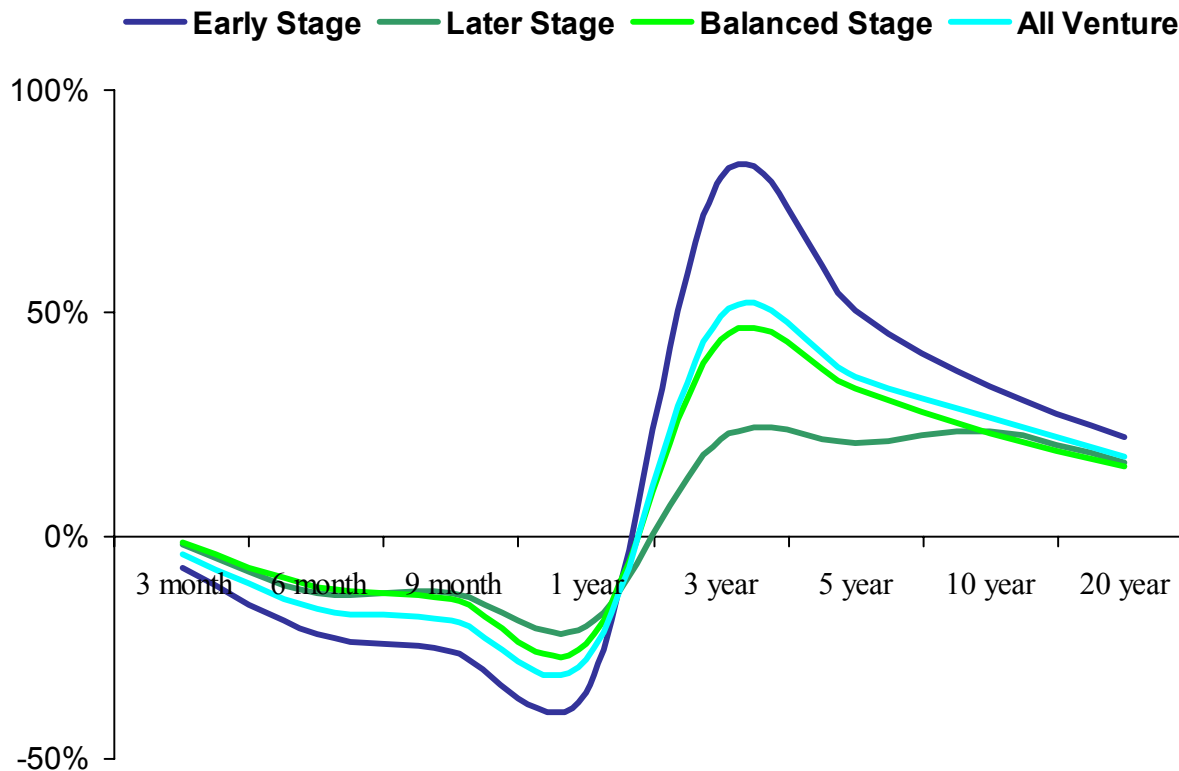
¹ Please see *VC Fund Performance by Stage of Development* Table on previous slide (page 18) for specific data.
Source: venture economics; National Venture Capital Association



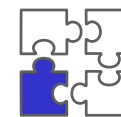
II. Performance Indicators and Metrics

The negative returns for short periods (< 1 year) indicate that VC investments need long-term holding period to realize positive return in the current market.

VC Funds Investment Horizon Performance By Stage of Development
As of December 31, 2001 (%)



➔ The discrepancy between returns of Early Stage Funds, Balanced Funds, and Later Stage Funds implies that investors' expectations of different types of VC funds may converge over long time.

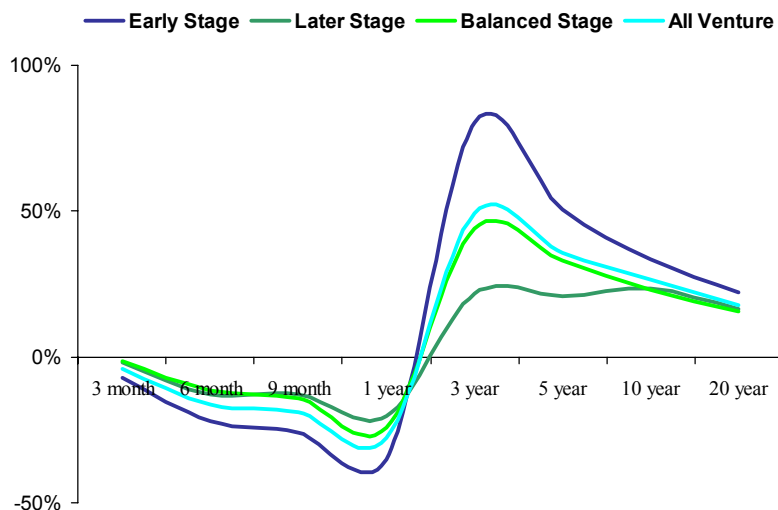


II. Performance Indicators and Metrics

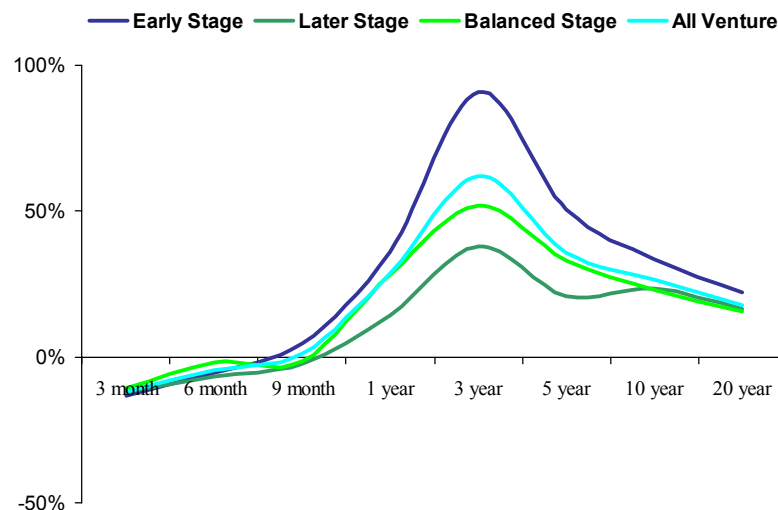
A comparison of VC Funds Investment Horizon Performance as of FY 2001 and FY 2000 suggests that VC funds investors will expect longer term to realize positive returns given the sluggish market.

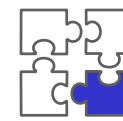
VC Funds Investment Horizon Performance by Stage of Development

As of December 31, 2001 (%)



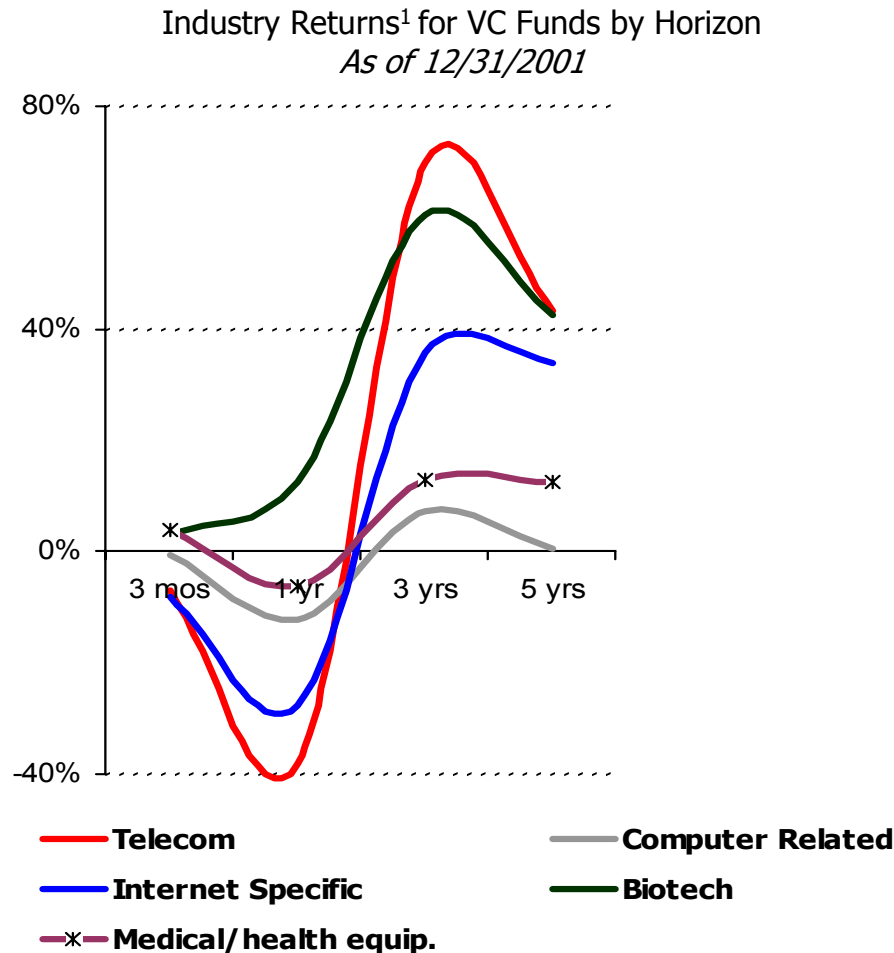
As of December 31, 2000 (%)





II. Performance Indicators and Metrics

VC Funds Performance by Industry



- Telecommunication, biotechnology and internet specific industry shows high return over the 3 and 5 year horizon
 - This is expected given the economy and dot-com craze in the late 1990s
- Biotech is the only industry that brings consecutive positive horizon return measured by FY 2001



VC funds need consider the investors' return expectation over time to make decisions for industry focus .
Young firms need to consider portfolios of industry focus to realize positive return in relative short time period.

¹ A VC Fund is defined to have a specific industry concentration if $\geq 60\%$ of its investments are concentrated in a particular industry.

² Includes Pharmaceutical firms.

Source: Venture Economics/National Venture Capital Association

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→ III. Fundraising and Investment

VC funds need to make investment decisions according to the sources of funding and expectations of investors

IV. Exit Strategies

V. Current Trends and Competitor Analysis

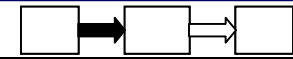
VI. Appendix

III. Fundraising and Investment

Fundraising and Investment of VC Funds



- Investors are the supplier of funding for VC funds.
- Fundraising is influenced by demand of entrepreneurs, VC funds performance and growth of IPO and M&A market.
- Investment strategy indicates the market focus of VC funds



III. Fundraising and Investment

More than 60% of funding for VC funds was raised in the past three years.

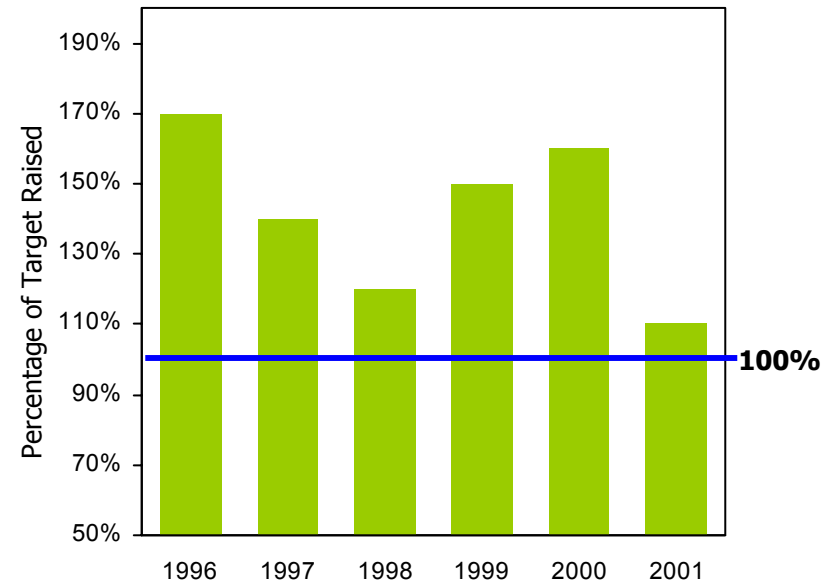
Commitment Per fund by Fund Raising Year
From January 01, 1996 To December 31, 2001

Fund Raising Year	Number of Funds	Total Target	Period Amount Raised (\$M)	Amount Raised to Date (\$M)
1996	285	\$10,061.0	\$17,467.7	\$116,491.4
1997	418	\$18,337.3	\$26,466.6	\$142,958.1
1998	543	\$36,795.0	\$42,743.0	\$185,701.3
1999	801	\$51,506.8	\$78,351.0	\$264,052.2
2000	1,391	\$96,902.1	\$156,734.6	\$420,843.9
2001	685	\$62,141.2	\$65,313.6	\$486,101.6



VC fund raising showed high growth in the past three years. But investors show cautious confidence in VC funds in 2001 as indicated by a decline in funds raised.

Period Amount Raised as a Percentage of Target



In recent years, the amount of capital raised exceeded the target amount by 41% on average. However, the target was only exceeded by 5% in FY 2001.



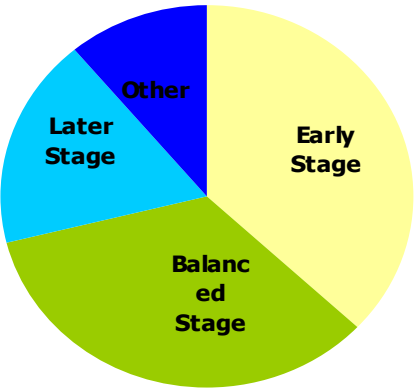
III. Fundraising and Investment

Balanced VC funds and Early Stage funds raised nearly 70% of total funding in recent years.

Commitment Per Fund By Investment Stage Focus
(From 01/01/1996 To 12/31/01)

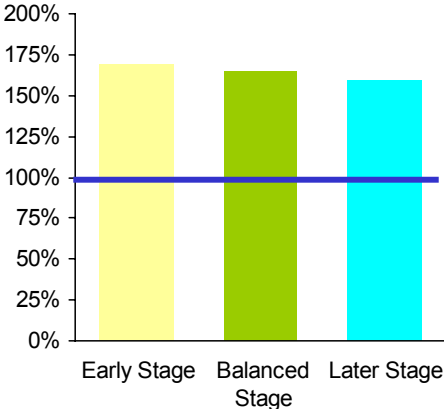
Fund Commitment by Investment Stage Focus	Number of Funds	Total Target (\$ Mill.)	Period Amount Raised (\$ Mill.)	Amount Raised to Date (\$ Mill.)
Balanced Stage	1,004	\$75,374	\$124,370	\$167,208
Early Stage	1,526	\$94,741	\$160,488	\$181,237
Expansion	162	\$5,174	\$12,041	\$15,132
Later Stage	442	\$39,954	\$63,577	\$87,708
TOTAL	3,673	\$226,266	\$387,077	\$486,183

Percentage of Funds Raised By Stage To Total Funding (1996 To 2001)



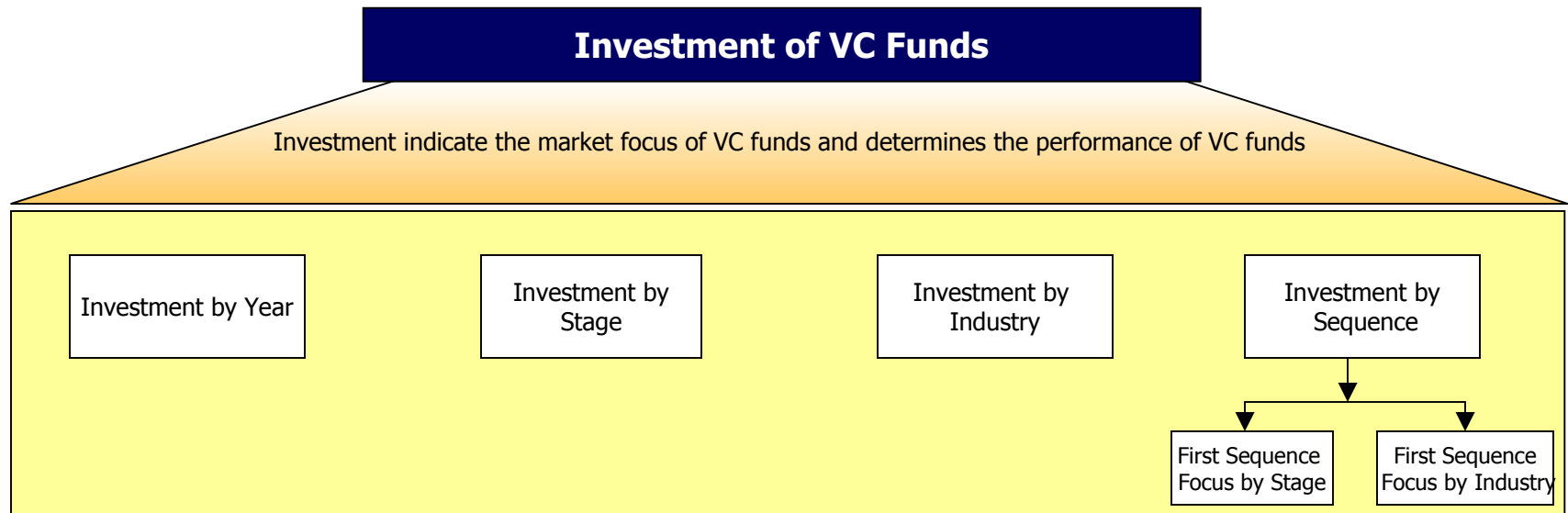
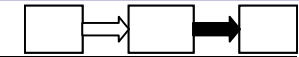
The majority of investors (nearly 70%) prefer Balanced VC funds and Early Stage funds in recent years.

Percentage of Funds Raised To Target (1996 To 2001)



Again, VC capital funding raised through the period well exceeded their target amount.

III. Fundraising and Investment



- . Investment by year indicates the investment trend by year.
- . Investment by stage and by industry indicates the focus of the investment strategy.
- . Investment by sequence indicates the commitment to new portfolio companies (by first sequence investment) and commitment to current portfolio companies (by other sequence investment).
- . First Sequence investment focus indicates the investment focus of the new VC investment.

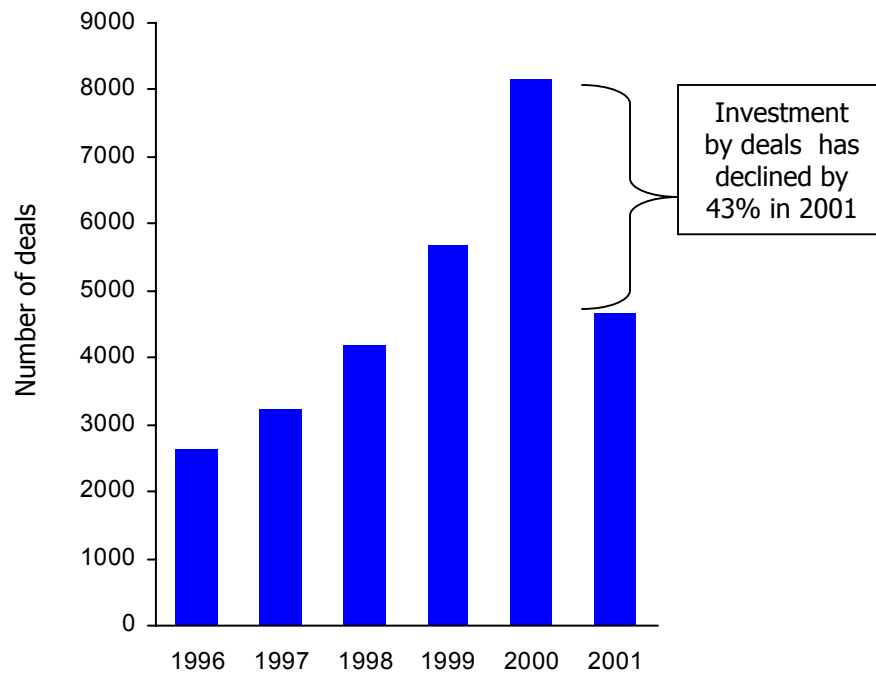


III. Fundraising and Investment

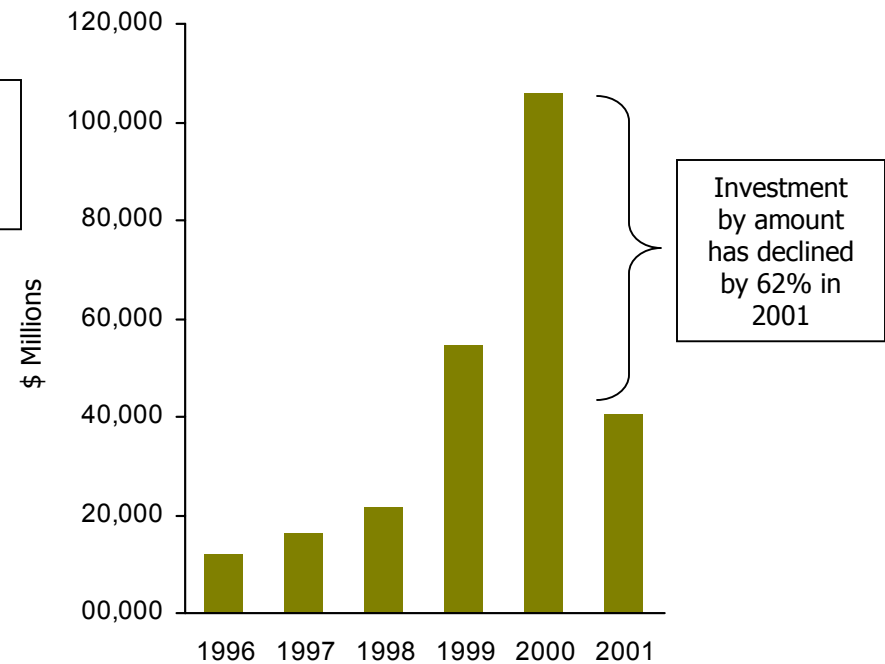
VC Funds Investment By Year

From 1996 To 2001

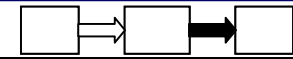
Investment By Year - Deals



Investment By Year- Amount



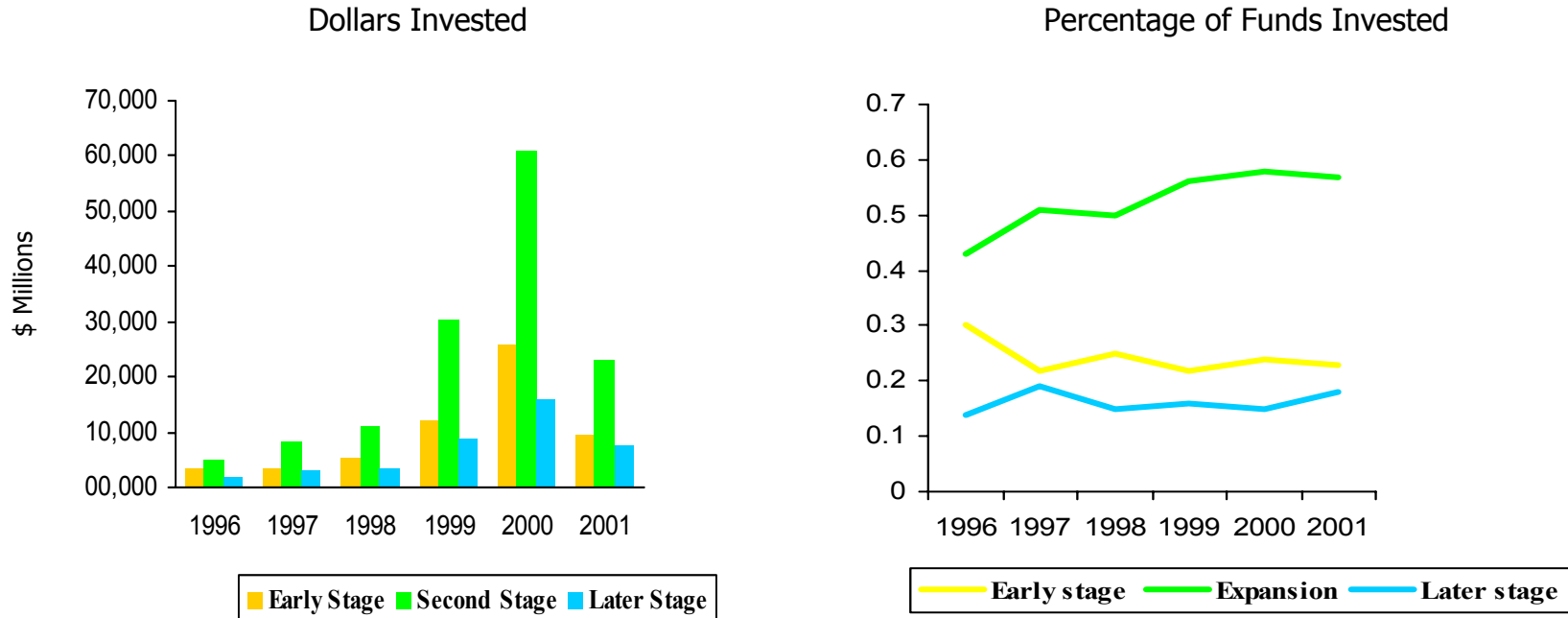
VC funds are increasing investment in recent years but are cautious in making their investment in the sluggish market of FY 2001



III. Fundraising and Investment

Investment in Expansion (Second) Stage Funds dominates the VC investment, followed by Early Stage and Later Stage Funds.

Investment By Stage of Development



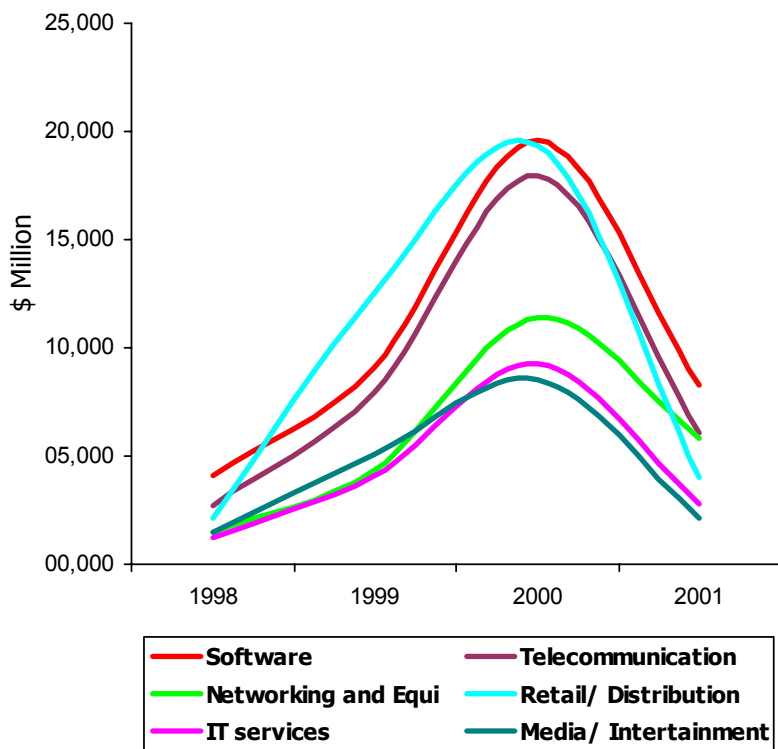
- ➔ High investment in Second Stage of portfolio companies may suggest that VC funds spend more than half of their investment to continuously support their current portfolio companies operations. This implies that:
- VC funds need to allocate enough funding to support current portfolio companies as well as to invest in new portfolio companies.
 - An appropriate exit strategy for Second (and Later) Stage portfolio companies can effectively increase the source of available funding for VC funds.



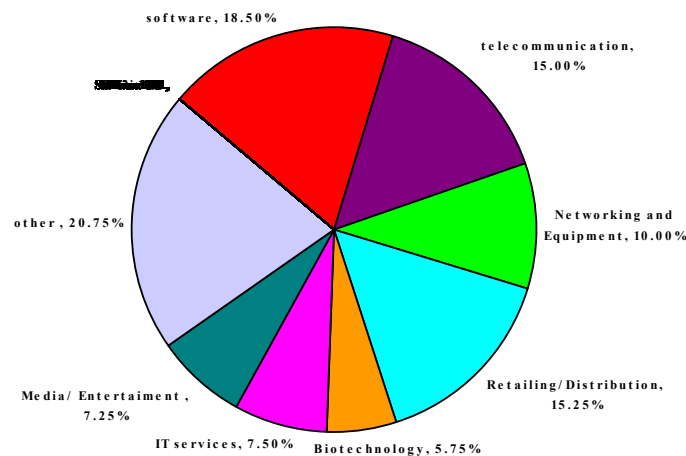
III. Fundraising and Investment

Investment of VC Funds by Industry

Investment of VC Funds by Industry
Amount



Investment of VC Funds by Industry
Average Percentage (1998-2001)



Selected industries shows the investment focus of VC funds in recent years, which corresponds with VC funds performance by industry. This also indicates possible high investment competition in these industries. (see Appendix 3 for detailed data).



III. Fundraising and Investment

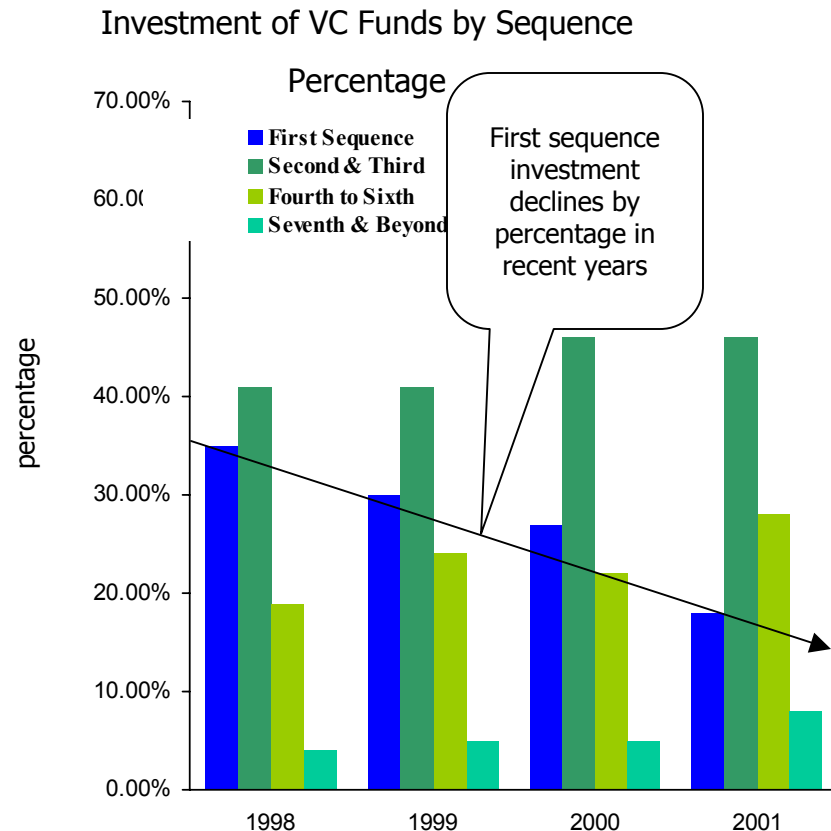
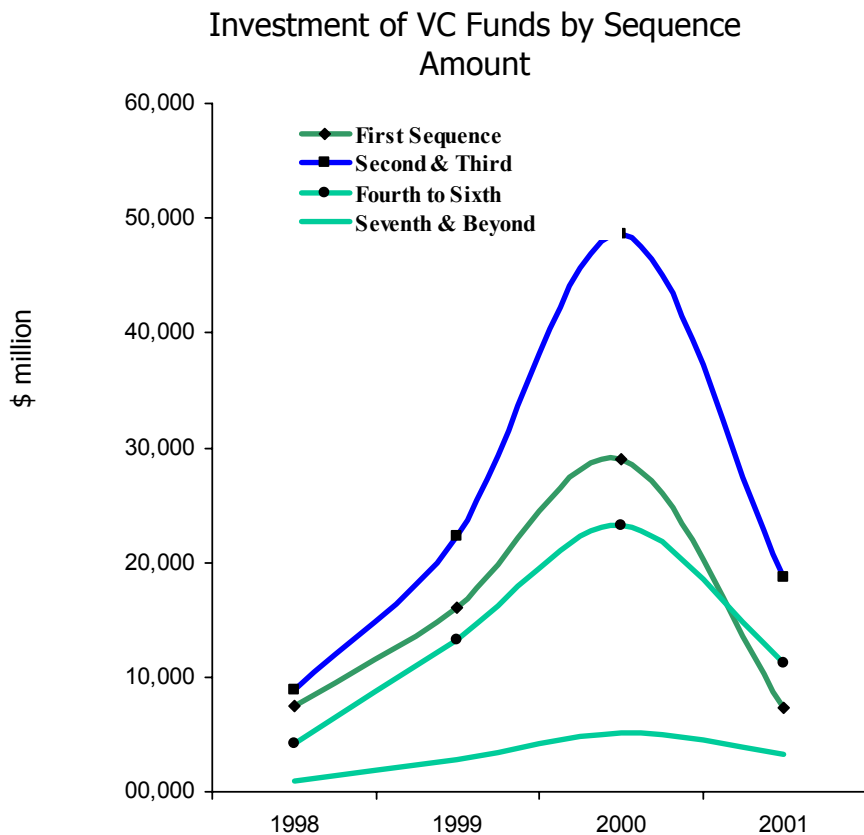
Investment of VC Funds By Industry (continued)

- Software, telecommunication remains the investment focus in the past 4 years
- Networking& Equipment is increasingly becomes the investment focus of VC funds
- IT service, Media&Entertainment become the new investment focus starting from1998 but declines in 2001, which shows the investors are becoming conservative about their expectation about these industries in the sluggish market
- Retail/Distribution industry begin to attract more attention from VC funds , which shows VC funds are beginning to emphasize this industry's stable operation, predictable good performance and perhaps possible e-business opportunities.
- Biotechnology is one of the investment focus in 1996 and 1997, followed by declines, and begin to attract investment attention again in the sluggish market of 2001, Possibly because of its relatively assured liquidity opportunities in the future.



III. Fundraising and Investment

Investment of VC Funds by Sequence

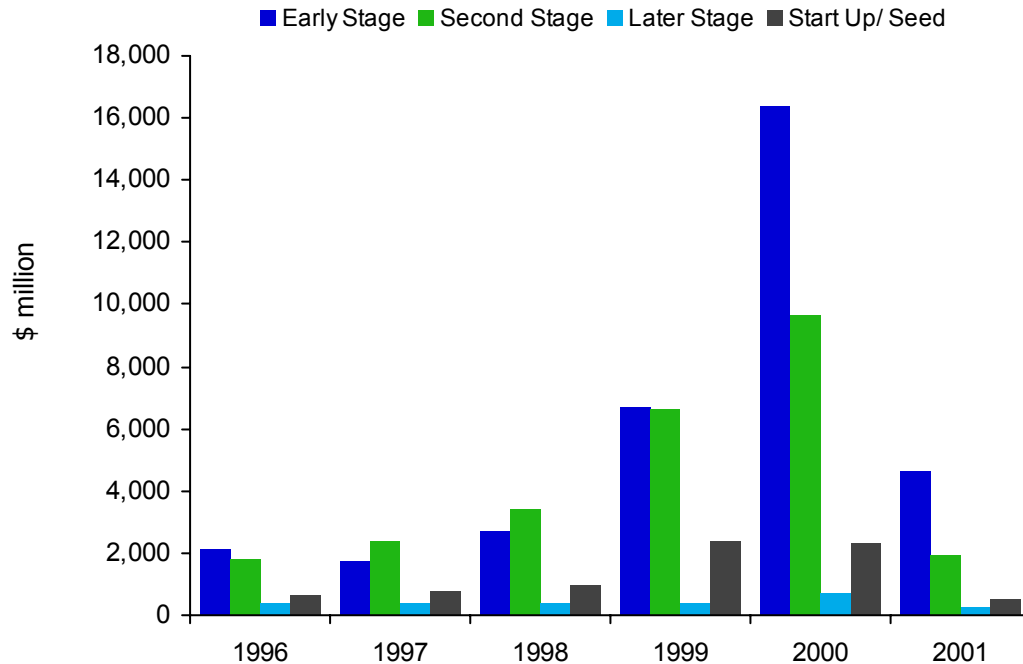


VC funds invest about 30% of funding for first sequence financing, the rest of the funding will focus on their current portfolio companies. The sluggish market of 2001 forced VC funds to focus more on their current portfolio companies. To compete in the sluggish market, New VC funds need enough funding for subsequent investment. (Refer to Appendix 4 for detailed data)



III. Fundraising and Investment

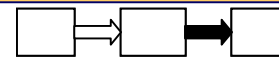
First Sequence VC Funds Investment By Stage Of Development



First Sequence financing indicates the focus of the new VC investment.



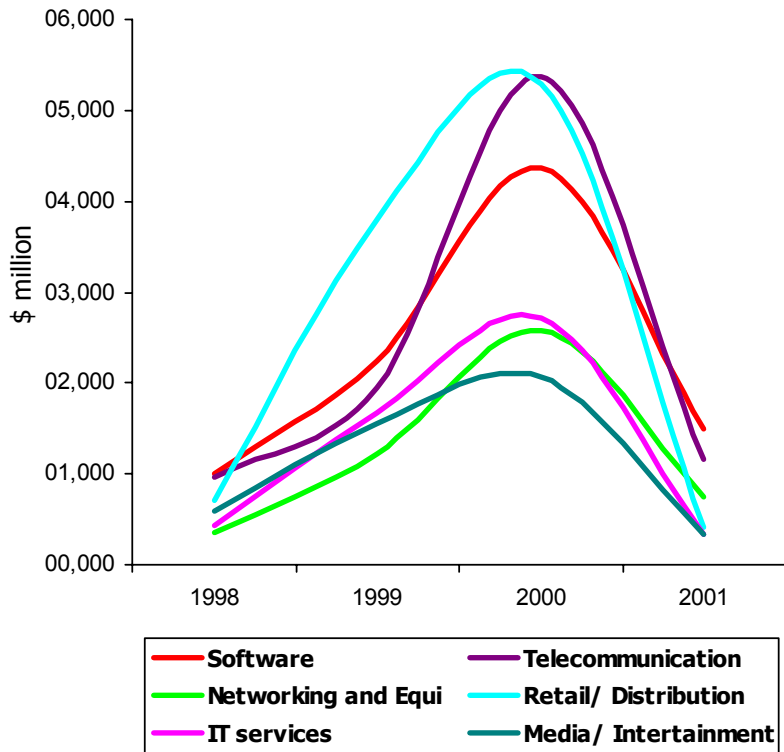
In the sluggish market of FY 2001, Early Stage Funds were still the focus of new VC funds investment, which may imply that VC market needs more funding for subsequent financing.



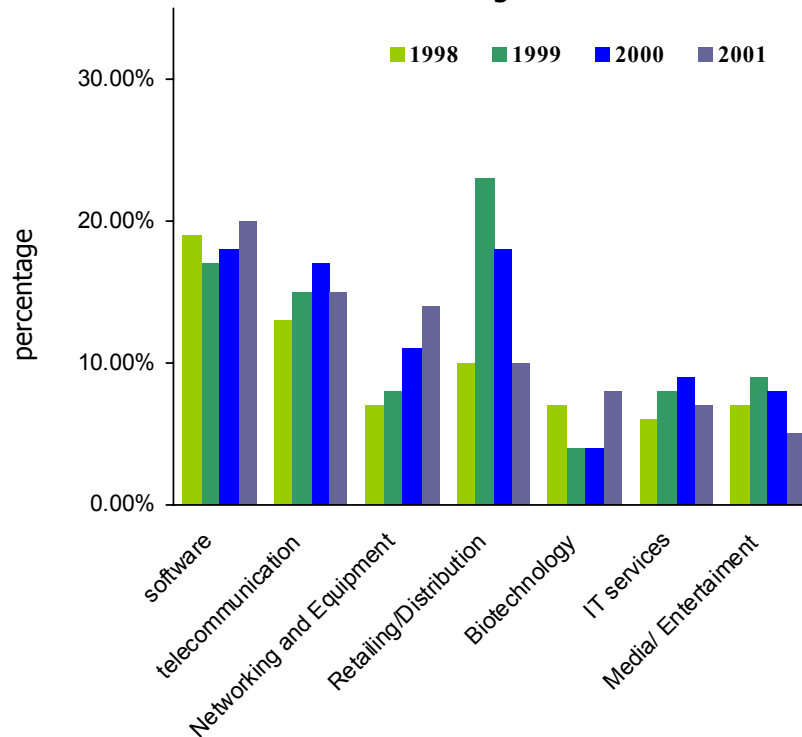
III. Fundraising and Investment

Investment of VC Funds by Sequence

First Sequence of VC Funds Investment by Industry Amount



First Sequence of VC Funds Investment by Industry Percentage

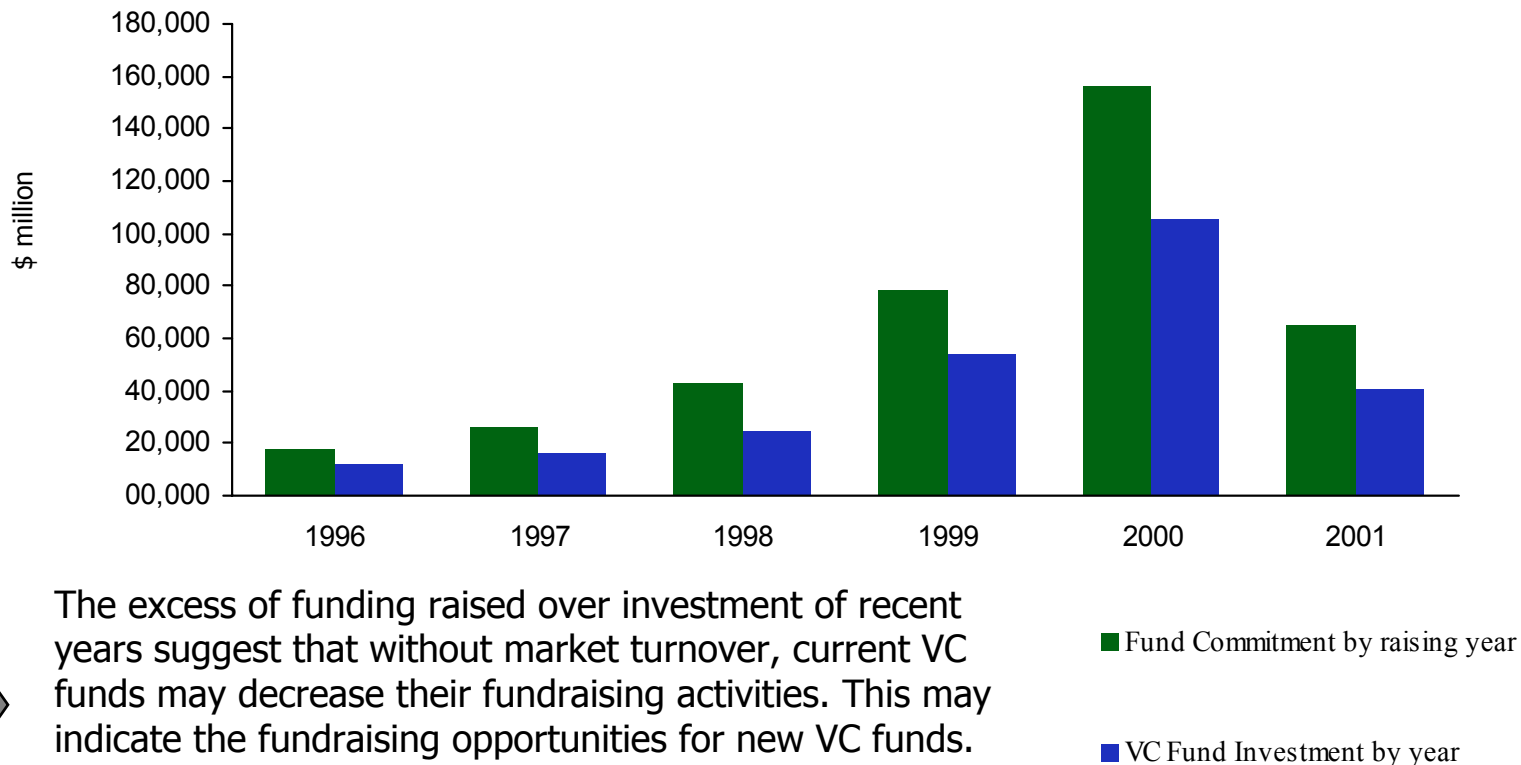


➔ New VC investment focus by industry is in consistent with overall VC investment focus. Which indicates that new VC investment follow the general trend for investment in industry. (Refer to Appendix 5 for detailed data)



III. Fundraising and Investment

**Comparison Of Funding Raised And Investment Of VC Funds
1996-2001**



The excess of funding raised over investment of recent years suggest that without market turnover, current VC funds may decrease their fundraising activities. This may indicate the fundraising opportunities for new VC funds.

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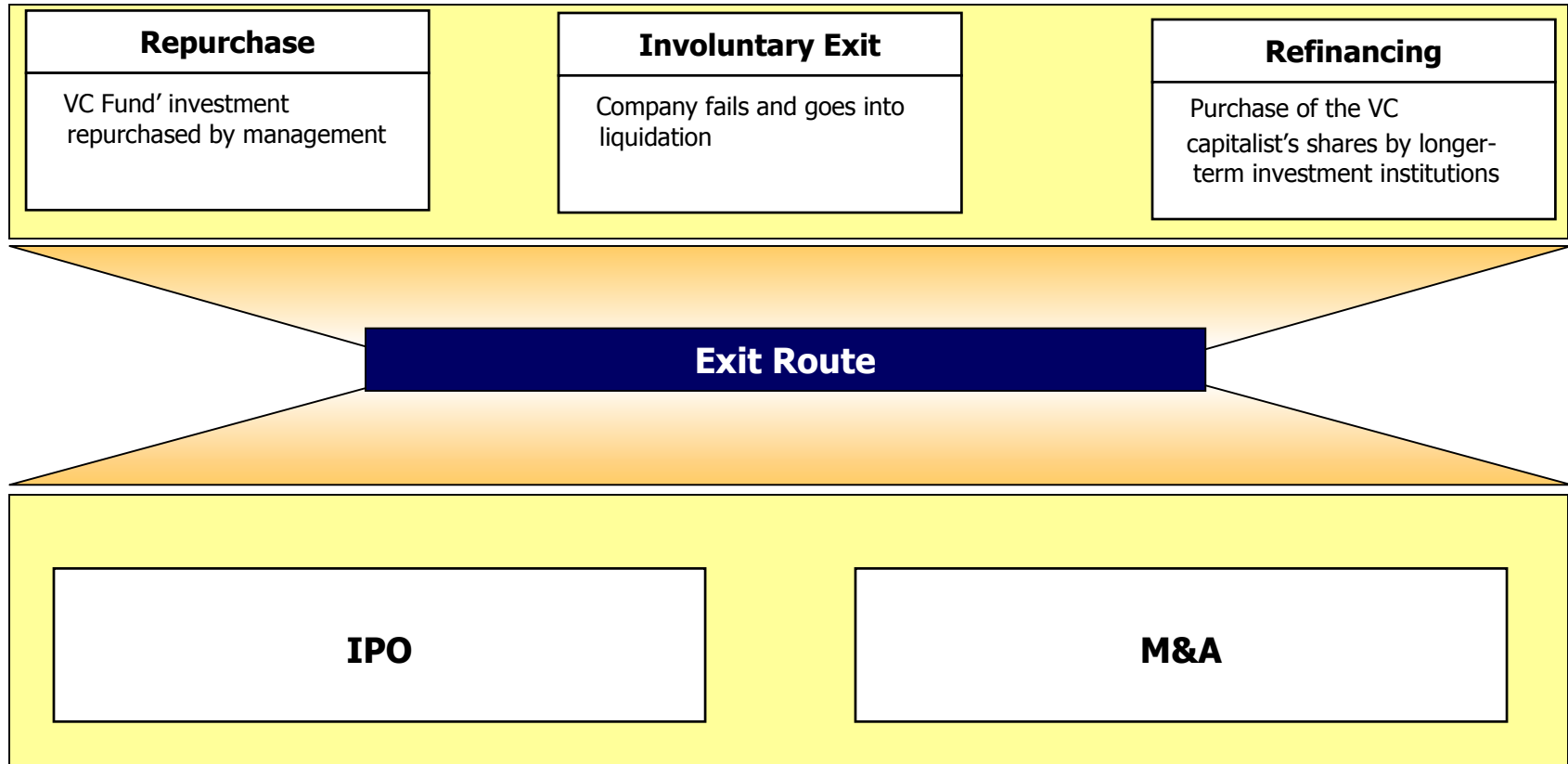
→ IV. Exit Strategies

VC funds need strategically locate exit route to realize return for investment

V. Current Trends and Competitor Analysis

VI. Appendix

IV. Exit Strategies

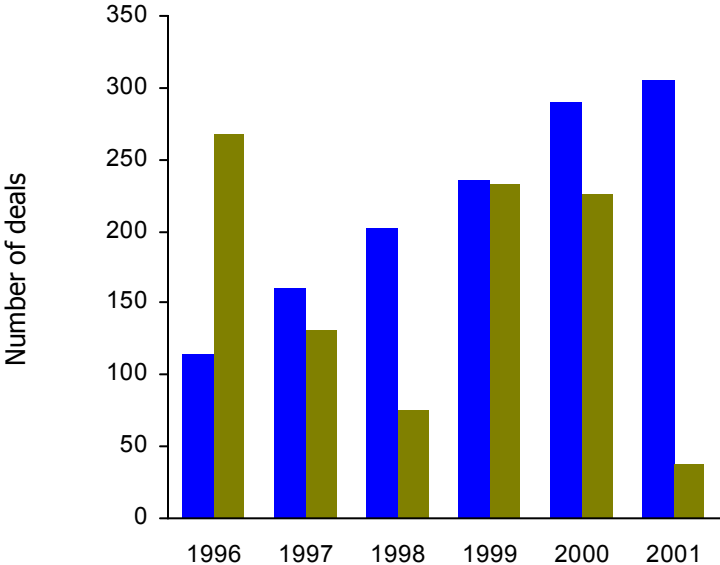


➔ Among the different exit route, IPO and M&A are the preferable exit strategies for VC Funds since IPO and M&A give the higher valuation for portfolio companies comparably.

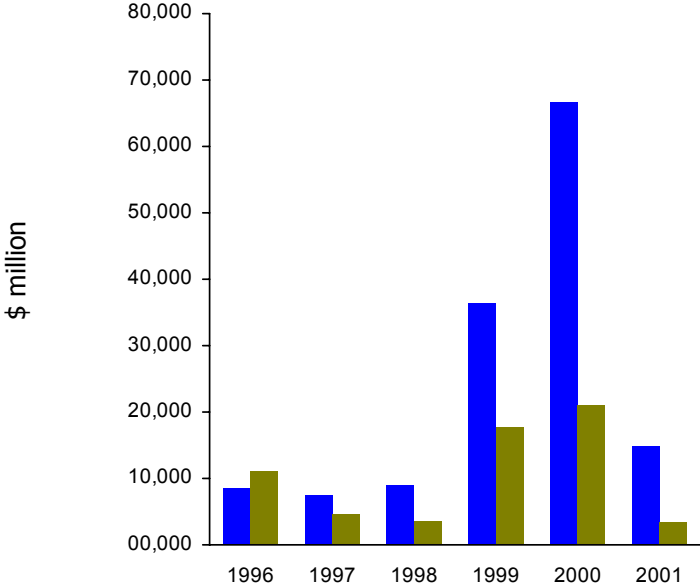
IV. Exit Strategies

Comparison of Venture Backed IPO and M&A

Comparison of Venture Backed IPO and M&A - Deals



Comparison of Venture backed IPO and M&A - Offer Size



■ M&A ■ IPO



Data suggest M&A and IPO are both sensitive to volatile market, while M&A remains the dominant exit route in terms of both number of deals and size, which indicates that forming strategic relationship with potential acquirer for portfolio companies will facilitate future exit through M&A.

IV. Exit Strategies

Data indicate that the venture-backed IPO underwent a sharp decline in deals, offer size and in proportion to total IPO in 2001.

Recent Year's IPO (1996-2001)

Year	Number of US IPO	Number of US venture-backed IPO	Total venture-backed offer size (\$ million)	Average venture-backed offer size (\$ million)	Total venture-backed post-offer value (\$ million)	Average venture-backed post-offer value (\$ million)
1996	771	268	11,605	43.1	56,123	208.6
1997	519	131	4,704	35.9	20,838	159.1
1998	337	75	3,623	48.3	16,837	224.5
1999	508	233	17,804	76.4	114,864	493
2000	351	226	21,077	93.3	106,324	470.5
2001	110	37	3,230	87.3	15,078	407.5

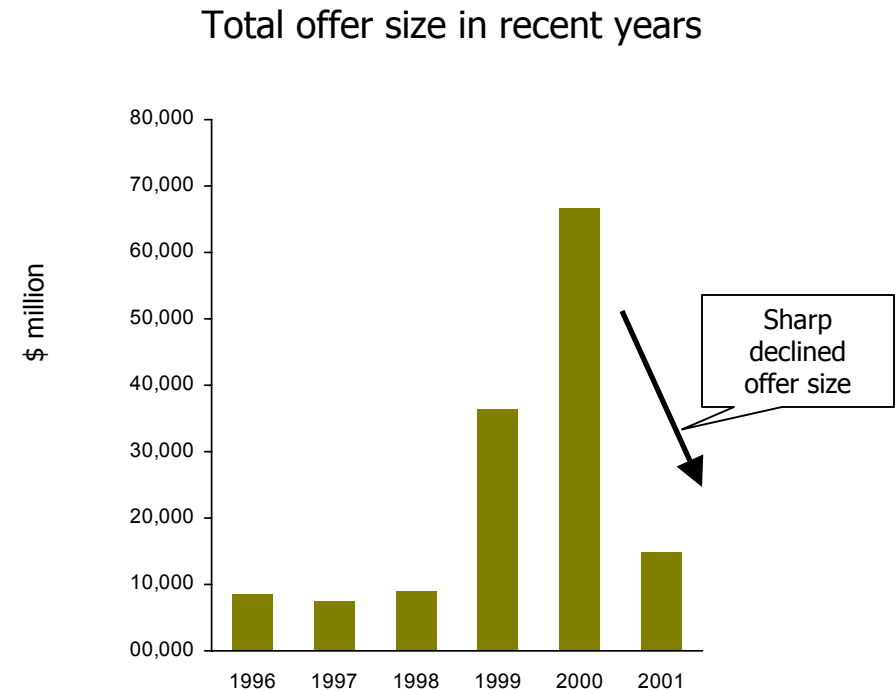
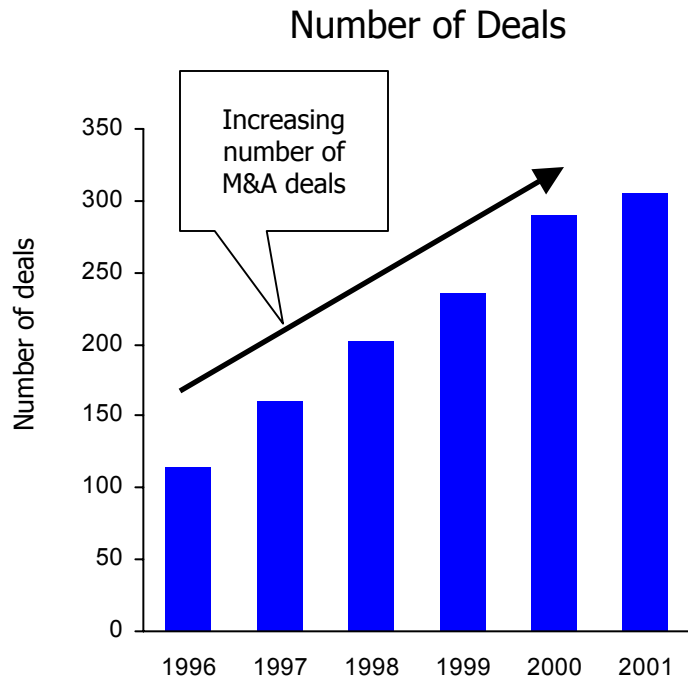


VC funds will expect a long time period to realize value through IPO, which means investors will expect longer holding period in the current portfolio companies.

IV. Exit Strategies

As offer size declines sharply in the current market, M&A Increases in deals.

Recent Year's M&A (1996-2001)



The increasing deals and sharp declining offer size of M&A may indicate either sharp decline in the valuation of targeted portfolio companies or that M&A is occurring at much smaller portfolio companies in 2001

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The market segmentation implies the potential competition within VC industry

VI. Appendix

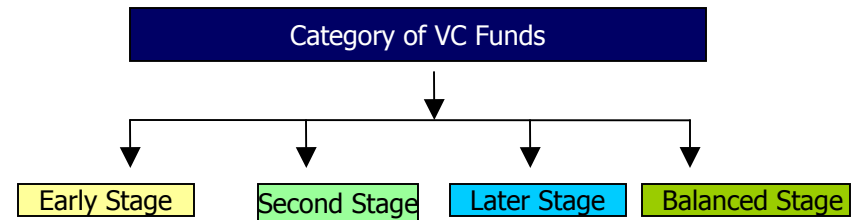
V. Current Trends and Competitor Analysis

- **Competitor Analysis:** Segmentation of current VC Funds
- New trend in the VC industry

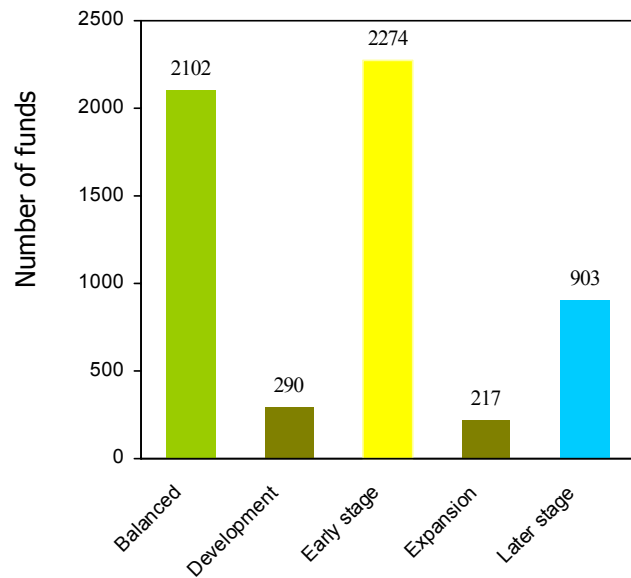
V. Current Trends and Competitor Analysis

Competitor Analysis:

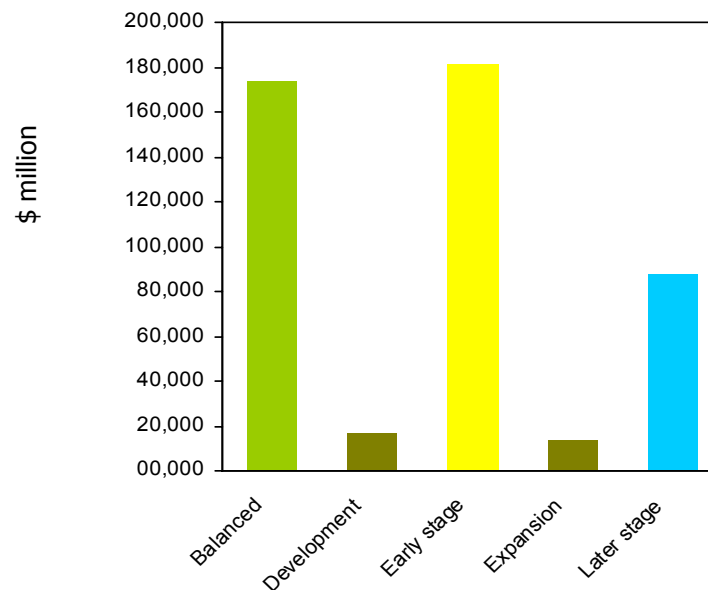
Segmentation of VC funds by investment stage



VC Funds Segmentation By Investment Stage (number of funds)



VC Funds Segmentation By Investment stage (Capitalization)



➔ The current market segmentation shows that the competitors concentrate on three market segments: early stage VC, balanced VC and later stage VC (in terms of number of funds and capitalization).

V.Current Trends and Competitor Analysis

Segmentation of VC Funds by Fund year

(1996 –2001)

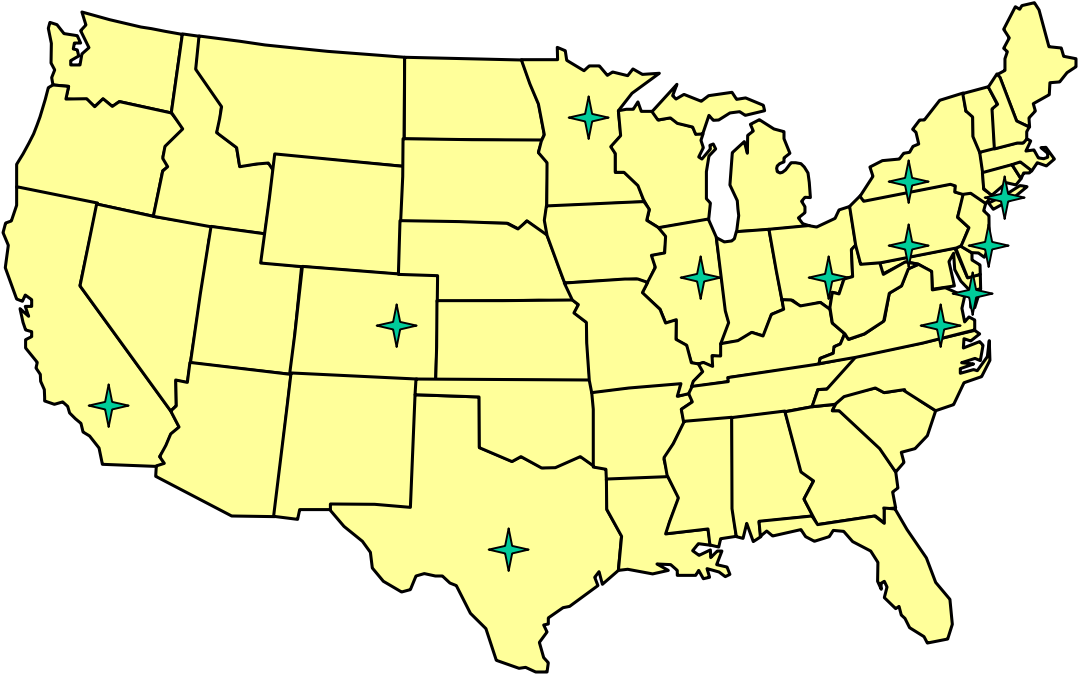
fund year	number of funds	PCT	Sum of Capitalization	PCT	AVG CAP	MED CAP	MAX CAP	MIN CAP
1996	284	4.5	17551.7	3.6	61.8	106.8	1013.0	.0
1997	422	6.7	32231.1	6.6	76.4	208.5	1700.0	.0
1998	522	8.3	45119.3	9.2	86.4	64.5	5000.0	.0
1999	801	12.7	80902.9	16.5	101.0	33.2	3000.0	.0
2000	1319	20.9	148983.3	30.4	113.0	400.0	6400.6	.0
2001	577	9.2	54617.7	11.2	94.7	.0	3669.6	.0
total funds since 1960	6297	100.0	489772.3	100.0				



Data suggests that more than 40% of competitors in the VC funds are young funds since 1999, nearly 60% of capitalization are formed since 1999. Considering the fact that young funds are barely break even as of 9/30/2001 (slide 16), it is estimated that there will be high competition in liquidity market in the coming years.

V. Current Trends and Competitor Analysis

Segmentation of VC Funds by Region



Highlighted areas represent the major regions that VC funding concentrate. This regions may have more fundraising and investment opportunities, and more competitors (Refer to appendix 6 for details.)

V. Current Trends and Competitor Analysis

VC Funds - a fast growing and volatile industry, any new trend?

Fund of Funds

- ➔ Become a popular vehicle for investors, thus fund of funds is becoming an important source of fundraising.

Investment advisors

- ➔ Advises about 1/3 pension funds, advises about 1/5 of the funding raised by new funds, thus they are becoming an important source of fundraising.

New product in this industry

- . Venture leasing
- . Venture factoring
- ➔ Relatively new product in this industry, may indicate new investment opportunities.

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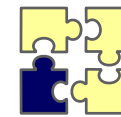
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Appendix 1

VC Fund Performance by Stage of Development

Cumulative VC Funds Performance – IRR Metrics
As of December 31, 2001 (%)

FUND TYPE	NUM	AVG	CAPWT	POOLED	MAX	UPPER	MEDIAN	LOWER	MIN
Early/Seed VC	457	18.00	3.70	21.20	726.20	22.50	7.60	-4.40	-99.80
Seed Stage VC	60	7.90	8.20	12.30	76.10	17.80	8.30	1.10	-92.90
Early Stage VC	397	19.60	3.40	22.00	726.20	24.50	7.50	-5.70	-99.80
Balanced VC	392	12.00	6.90	15.70	263.60	17.10	7.50	-.10	-83.20
Later Stage VC	185	13.80	3.30	16.60	211.80	19.80	7.20	-1.30	-61.90
All Venture	1037	15.20	4.70	17.60	726.20	19.80	7.50	-1.90	-99.80
All Private Equity	1529	12.40	1.00	16.20	726.20	19.00	7.10	-2.80	-100.00



Appendix 2

VC Funds Investment Horizon Performance *As of December 31, 2001 (%)*

FUND TYPE	3MO	6MO	9MO	1YR	3YR	5YR	10YR	20YR
Early/Seed VC	-7.0	-21.2	-25.0	-33.9	77.0	49.2	32.1	21.1
Seed Stage VC	.0	-1.5	-.5	-1.5	15.5	14.9	18.3	12.3
Early Stage VC	-7.3	-22.0	-25.9	-35.0	80.2	50.8	33.4	22.0
Balanced VC	-1.4	-11.7	-14.2	-24.0	44.0	33.1	22.9	15.7
Later Stage VC	-1.7	-12.9	-12.8	-20.3	21.9	20.7	23.6	16.6
All Venture	-3.9	-16.2	-18.8	-27.7	49.1	35.8	26.4	17.7
All Priv Equity	-2.8	-12.0	-12.2	-18.1	13.4	15.0	17.4	16.2

As of December 31, 2000 (%)

FUND TYPE	3MO	6MO	9MO	1YR	3YR	5YR	10YR	20YR
Early/Seed VC	-13.0	-5.2	4.8	36.2	88.4	63.3	35.1	23.4
Seed Stage VC	5.9	5.7	13.9	30.8	26.2	31.7	19.7	13.0
Early Stage VC	-13.4	-5.4	4.5	36.3	90.6	64.7	36.6	24.3
Balanced VC	-10.6	-2.1	-1.3	28.1	51.8	38.6	24.6	17.1
Later Stage VC	-11.9	-6.6	-2.2	14.1	37.8	32.8	27.9	18.8
All Venture	-12.0	-4.4	1.2	28.6	61.9	46.1	29.0	19.6
All Priv Equity	-7.7	-4.9	-3.0	12.4	27.7	26.6	21.4	18.9

Appendix 3

Investment of VC Funds by Industry (1996-2001)

Industry	1996 Total	PCT	1997 Total	PCT	1998 Total	PCT	1999 Total	PCT	2000 Total	PCT	2001 Total	PCT
Biotechnology	1,472,477,600	0.12	2,133,357,300	0.13	1,534,020,500	0.07	2,193,276,500	0.04	4,203,624,400	0.04	3,418,590,300	0.08
Business Products and Services	704,697,300	0.06	257,335,400	0.02	346,801,000	0.02	1,381,097,200	0.03	2,060,725,400	0.02	406,121,000	0.01
Computers and Peripherals	425,467,300	0.04	519,223,900	0.03	520,292,800	0.02	1,212,683,900	0.02	2,583,518,100	0.02	1,043,914,000	0.03
Consumer Products and Services	415,007,400	0.03	557,612,000	0.03	542,848,900	0.03	637,708,400	0.01	1,053,046,600	0.01	374,793,500	0.01
Electronics/Instrumentation	257,500,700	0.02	389,793,300	0.02	300,975,800	0.01	364,148,300	0.01	943,917,600	0.01	411,773,800	0.01
Financial Services	269,539,000	0.02	338,367,000	0.02	942,448,300	0.04	627,312,800	0.01	673,600,400	0.01	466,198,900	0.01
Healthcare Services	617,512,300	0.05	1,167,679,100	0.07	801,314,300	0.04	618,652,700	0.01	452,271,900	0.00	348,299,300	0.01
Industrial/Energy	520,083,700	0.04	877,677,500	0.05	1,357,732,700	0.06	1,351,415,400	0.02	1,897,644,000	0.02	1,044,314,800	0.03
IT Services	450,737,400	0.04	685,743,800	0.04	1,254,998,400	0.06	4,089,939,500	0.08	9,289,668,400	0.09	2,811,422,800	0.07
Media and Entertainment	892,086,900	0.07	890,463,600	0.06	1,486,566,800	0.07	5,120,789,300	0.09	8,513,508,100	0.08	2,133,588,400	0.05
Medical Devices and Equipment	684,235,200	0.06	1,018,906,900	0.06	1,241,899,500	0.06	1,539,539,900	0.03	2,637,044,000	0.02	1,975,110,500	0.05
Networking and Equipment	633,638,700	0.05	1,014,256,400	0.06	1,488,966,500	0.07	4,325,318,600	0.08	11,354,212,800	0.11	5,831,705,200	0.14
Other	11,478,000	0.00	31,425,000	0.00	127,521,900	0.01	211,491,600	0.00	280,328,200	0.00	160,931,000	0.00
Retailing/Distribution	811,830,000	0.07	854,638,700	0.05	2,092,627,100	0.10	12,508,189,800	0.23	19,333,753,400	0.18	4,002,856,100	0.10
Semiconductors	232,017,700	0.02	476,693,400	0.03	608,509,100	0.03	1,194,094,000	0.02	3,110,654,800	0.03	1,778,251,300	0.04
Software	2,298,651,500	0.19	3,219,072,300	0.20	4,118,361,800	0.19	9,095,378,000	0.17	19,558,855,000	0.18	8,238,109,000	0.20
Telecommunications	1,206,327,200	0.10	1,631,116,000	0.10	2,694,650,300	0.13	7,966,591,900	0.15	17,963,401,100	0.17	6,172,790,900	0.15
Grand Total	11,903,287,900	1.00	16,063,361,600	1.00	21,460,535,700	1.00	54,437,627,800	1.00	105,909,774,200	1.00	40,618,770,800	1.00

Appendix 4

Investment of VC Funds By Sequence (1996-1999)

Sequence of Financing	1996 Total		1997 Total		1998 Total		1999 Total		2000 Total		2001 Total	
First	4,950,878,000	0.42	5,305,377,300	0.33	7,555,539,200	0.35	16,069,448,800	0.30	29,025,143,100	0.27	7,383,036,700	0.18
Second & Third	4,707,297,000	0.40	5,974,900,400	0.37	8,817,131,400	0.41	22,222,891,500	0.41	48,551,328,900	0.46	18,685,203,600	0.46
Fourth to Sixth	1,643,638,200	0.14	3,794,221,900	0.24	4,151,576,000	0.19	13,312,332,900	0.24	23,230,360,700	0.22	11,277,320,200	0.28
Seventh and Beyond	601,474,700	0.05	988,862,000	0.06	936,289,100	0.04	2,832,954,600	0.05	5,102,941,500	0.05	3,273,210,300	0.08
Grand Total	11,903,287,900	1.00	16,063,361,600	1.00	21,460,535,700	1.00	54,437,627,800	1.00	105,909,774,200	1.00	40,618,770,800	1.00

Appendix 5

First Sequence of VC Investment by Sequence

Industry	1996 Total	PCT	1997 Total	PCT	1998 Total	PCT	1999 Total	PCT	2000 Total	PCT	2001 Total	PCT
Biotechnology	538,823,300	0.11	330,188,800	0.06	335,114,300	0.04	391,887,200	0.02	814,943,200	0.03	754,088,300	0.10
Business Products and Services	611,744,000	0.12	149,159,500	0.03	225,763,200	0.03	558,255,900	0.03	1,193,217,700	0.04	151,781,100	0.02
Computers and Peripherals	163,735,400	0.03	154,909,100	0.03	148,571,000	0.02	324,561,900	0.02	929,493,700	0.03	272,194,200	0.04
Consumer Products and Services	177,772,900	0.04	193,301,200	0.04	252,352,900	0.03	288,890,000	0.02	445,664,000	0.02	139,961,000	0.02
Electronics/Instrumentation	116,619,000	0.02	120,983,100	0.02	73,969,100	0.01	128,030,100	0.01	235,460,600	0.01	95,569,000	0.01
Financial Services	242,010,900	0.05	248,099,100	0.05	731,265,400	0.10	244,610,800	0.02	342,147,200	0.01	185,568,100	0.03
Healthcare Services	272,930,000	0.06	642,355,200	0.12	215,966,000	0.03	104,106,000	0.01	189,153,000	0.01	31,274,000	0.00
Industrial/Energy	306,510,000	0.06	468,235,100	0.09	909,782,400	0.12	939,480,900	0.06	1,036,647,000	0.04	496,867,800	0.07
IT Services	261,889,000	0.05	280,363,100	0.05	432,791,100	0.06	1,674,847,600	0.10	2,710,485,300	0.09	326,521,900	0.04
Media and Entertainment	313,880,000	0.06	395,910,500	0.07	588,596,300	0.08	1,547,108,700	0.10	2,072,626,900	0.07	326,436,200	0.04
Medical Devices and Equipment	222,383,100	0.04	282,344,000	0.05	278,295,000	0.04	328,794,000	0.02	324,715,200	0.01	265,854,100	0.04
Networking and Equipment	133,891,000	0.03	232,008,700	0.04	350,130,200	0.05	1,226,739,400	0.08	2,585,604,400	0.09	754,148,000	0.10
Other	1,551,000	0.00	21,425,000	0.00	95,220,900	0.01	128,888,700	0.01	236,432,200	0.01	119,771,000	0.02
Retailing/Distribution	308,330,000	0.06	282,474,700	0.05	717,463,200	0.09	3,791,970,500	0.24	5,285,419,300	0.18	414,794,200	0.06
Semiconductors	78,019,800	0.02	151,681,100	0.03	227,936,700	0.03	209,491,300	0.01	898,276,800	0.03	396,335,900	0.05
Software	852,266,500	0.17	978,245,300	0.18	1,003,993,100	0.13	2,233,901,800	0.14	4,361,648,800	0.15	1,495,268,100	0.20
Telecommunications	348,522,100	0.07	373,693,800	0.07	968,328,400	0.13	1,947,884,000	0.12	5,363,207,800	0.18	1,156,603,800	0.16
Grand Total	4,950,878,000	1.00	5,305,377,300	1.00	7,555,539,200	1.00	16,069,448,800	1.00	29,025,143,100	1.00	7,383,036,700	1.00

Appendix 6 : Segmentation of Funds by Region

Fund State	Num of Fund	Total Target (\$ MIL)	Period amount raised (\$ MIL)	Amount raised to date (\$ MIL)
Alberta,(CA)	3	.0	618.0	679.9
Alabama	3	100.0	110.0	260.0
Arkansas	3	15.0	132.0	132.0
Arizona	3	60.0	50.2	134.8
British Columbia,(CA)	6	200.0	311.9	934.3
California	609	68289.9	108228.7	127839.9
Colorado	40	2344.0	3757.1	4545.9
Connecticut	67	8985.1	13863.0	17299.9
D. of Columbia	30	3825.0	5404.4	6087.4
Delaware	2	50.0	391.0	454.7
Florida	20	510.0	1261.4	1890.9
Georgia	21	1145.0	1655.7	1934.7
Hawaii	1	25.0	10.0	13.7
Iowa	4	175.0	32.9	244.5
Illinois	62	5650.0	5434.1	8801.8
Indiana	6	100.0	313.9	442.4
Kansas	2	.0	30.0	33.2
Kentucky	2	.0	177.0	204.8
Louisiana	11	215.0	345.3	612.7
Massachusetts	197	27550.6	38008.3	47070.9
Manitoba,(CA)	1	.0	29.2	31.9
Maryland	36	4824.7	7084.8	8588.6
Maine	3	60.0	203.0	1234.4
Michigan	13	511.6	561.7	750.0
Minnesota	27	1780.0	4421.1	6647.2
Missouri	11	142.5	346.9	1179.7
Mississippi	1	.0	30.0	42.0
North Carolina	32	1529.0	1460.4	1682.0
Nebraska	2	60.0	76.6	187.6
New Hampshire	1	.0	50.0	206.0
New Jersey	50	4509.0	5716.7	8392.9
Nova Scotia,(CA)	2	.0	26.6	26.6
Nevada	1	.0	25.0	79.3
New South Wales,(AU)	67	1688.0	2879.7	3369.7
New York	215	26023.5	41204.6	56845.2
Ohio	24	1515.0	1927.8	2461.4
Oklahoma	5	55.0	148.6	235.7
Ontario,(CA)	33	366.6	2012.2	2468.9
Oregon	2	15.0	35.5	117.5
Pennsylvania	51	3337.1	4792.9	5797.6
Prince Edward Island,(CA)	1	.0	1.0	1.0
Queensland,(AU)	5	.0	83.8	83.8
Quebec,(CA)	11	200.0	949.6	1447.5
Rhode Island	1	15.0	14.0	221.0
South Carolina	1	100.0	70.0	103.4
South Dakota	3	.0	179.0	179.0
Tasmania,(AU)	1	.0	18.8	18.8
Tennessee	15	797.5	950.5	1370.1
Texas	80	5196.5	10189.4	12837.4
Unknown	1	.0	23.5	423.8
Utah	5	225.0	300.5	331.8
Virginia	40	2067.7	4073.0	4210.0
Victoria,(AU)	16	202.7	667.1	849.8
Vermont	7	.0	44.7	44.7
Washington	39	2247.0	3257.0	4806.7
Wisconsin	4	120.0	125.3	256.3
Western Australia,(AU)	3	49.0	61.5	80.9
West Virginia	1	15.0	9.5	9.5
Wyoming	1	25.0	26.0	26.0
Non-US	1775	48639.4	112949.6	138454.2
TOTAL	3681	225556.4	387162.0	485766.5