



2000 CED North Carolina Venture Report

OVERVIEW

The Council for Entrepreneurial Development (CED) identified a total of \$1.99 billion in venture investments in North Carolina companies in 2000, for an increase of 32% over the 1999 total. Investors completed 195 deals in 168 North Carolina companies, which included year-over-year increases of 44% and 42% respectively. Nationwide, the National Venture Capital Association (NVCA) reported \$103.8 billion in venture investments, up from \$59.3 billion in 1999 for a 75% increase.

NORTH CAROLINA'S LARGEST DEALS

In 2000, investments greater than \$10 million accounted for 82% of the total dollars invested statewide, compared to 81% in 1999. Seventy-five percent of the Triangle's deals were greater than \$10 million, compared to 83% in 1999. The Research Triangle and Charlotte areas combined to claim nine of the top ten and 17 of the top 20 deals in the State.

The year 2000 brought about a shift in the North Carolina venture investment landscape, including an increase in the number of deals throughout all regions. While the Research Triangle still accounted for the majority of venture investments both in terms of deals and dollars, deals of significant size and scope were completed in Charlotte, Wilmington, and the Triad as well.

2000 Top Twenty Fundraising Companies in North Carolina			
1	Carolina Broadband	Charlotte	\$402.00M
2	Interpath Communications	Research Triangle Park	\$100.00M
3	Fiderus	Cary	\$75.00M
4	Grapevine Television	Charlotte	\$53.45M
5	Mortgageramp	Davidson	\$50.00M
6	HomeDirector	Morrisville	\$45.00M
7	BOPS, Inc.	Chapel Hill	\$40.00M
8	Endeavor	Wilmington	\$36.06M
9	Digital Optics	Charlotte	\$35.00M
10	Undisclosed Company	Raleigh	\$33.00M
11	You Centric	Charlotte	\$30.50M
12	Targacept	Winston-Salem	\$30.40M
13	BioStratum	Durham	\$28.00M
14	HAHT Software	Raleigh	\$25.00M
15	SourceAlliance.com	Raleigh	\$25.00M
16	Hiddenmind	Cary	\$25.00M
17	a4 Health Systems	Cary	\$25.00M
18	Delta Pharmaceuticals	Research Triangle Park	\$25.00M
19	Visionair	Castle Hayne	\$24.00M
20	Click Tactics	Charlotte	\$23.00M

2000 SUMMARY STATISTICS

Total Investments

- NC: \$1.987 B
- Research Triangle: \$1.144 B

Average Investment

- NC: \$10.19 M
- Triangle: \$7.87 M

Investment Range

- NC: \$402 M to \$10 K
- Triangle: \$100 M to \$10 K

Median Investment

- NC: \$3.37 M
- Triangle: \$3.5 M

Total # of Investments

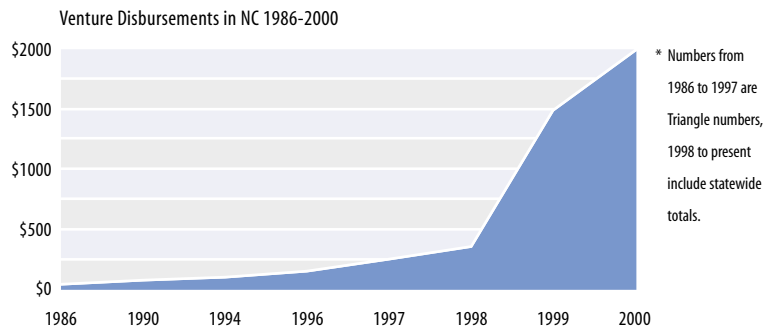
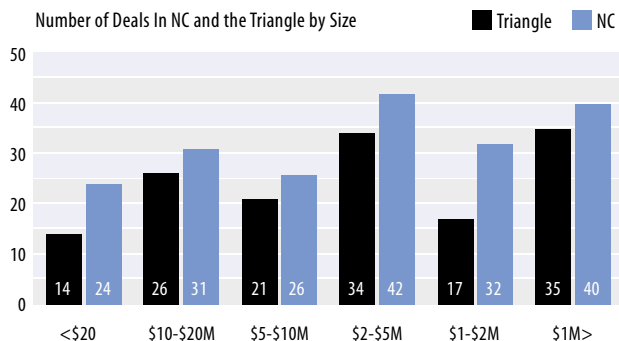
- NC: 195
- Triangle: 147

Total Recipient Companies

- NC: 168
- Triangle: 121

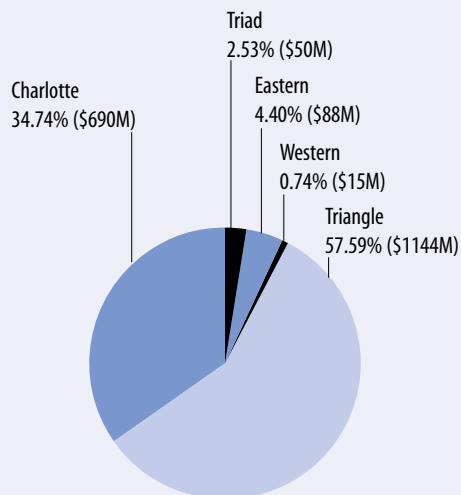
North Carolina's NVCA National Ranking

- Total dollars raised: 14th
- Total deals: 12th



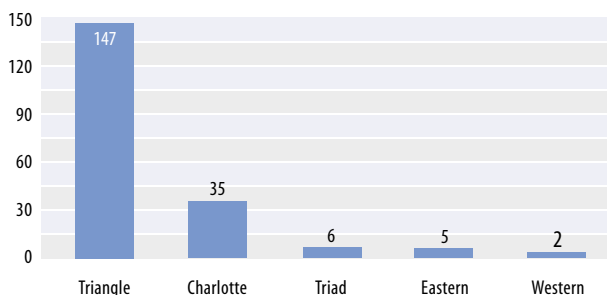
DEALS AND DOLLARS BY REGION: Triangle Leads – Charlotte Increases Stake

NC Dollars Raised by Region in 2000



Of the total amount invested in North Carolina companies in 2000, financing of Research Triangle companies accounted for \$1.14 billion, down 11.6% from 1999. However, the Charlotte metro area gained significant ground by posting \$690 million in venture investments compared to \$123 million in 1999 for a 461% increase. The two regions combined claimed more than 93% of the dollars raised statewide.

Number of Deals In NC by Region in 2000

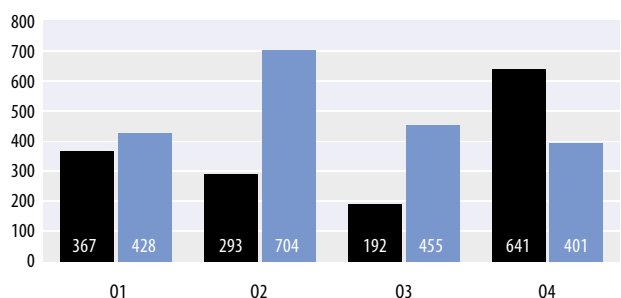


DEALS AND DOLLARS BY QUARTER: North Carolina and Triangle Show Consistent Deal Flow

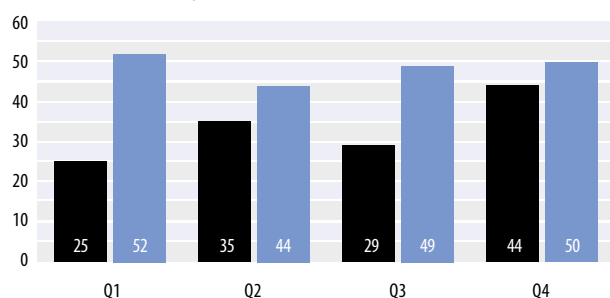
While regions throughout the U.S. experienced a slow-down in the fourth quarter of 2000 in terms of the number of deals, North Carolina and the Research Triangle showed relatively consistent quarterly deal flow throughout the year.

In North Carolina, more deals were done in each quarter of 2000 than in each comparison quarter in 1999. Statewide, the total venture investments by quarter exceeded 1999 figures in three of the four quarters.

1999 and 2000 NC Dollars Raised by Quarter (\$ in millions)



1999 and 2000 Deals by Quarter



1999 and 2000 Triangle Dollars Raised by Quarter (\$ in millions)

\$ RAISED	1999	2000
Q1	344	297
Q2	264	272
Q3	113	334
Q4	570	242
Total	\$1291	\$1145

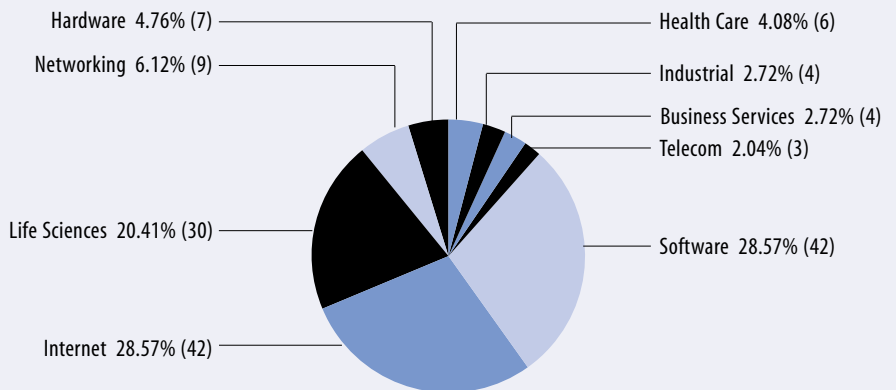
1999 and 2000 Triangle Deals by Quarter

DEALS	1999	2000
Q1	21	37
Q2	26	34
Q3	22	38
Q4	40	38
Total	109	147

DEALS AND DOLLARS BY INDUSTRY: Computer Software and Internet Sectors Lead in Triangle and NC

In the Triangle, Computer Software was the greatest industry sector gainer in 2000, with Business Services and Life Sciences also capturing a greater share of investment dollars compared to 1999. The largest sector decline in the Triangle was the Telecommunications industry, which went from 34% of the total dollars raised in 1999 to 2% of the dollars raised in 2000. Telecom was stronger statewide, capturing over 21% of the total state dollars, led by one \$402 million deal (*Carolina Broadband, Charlotte*).

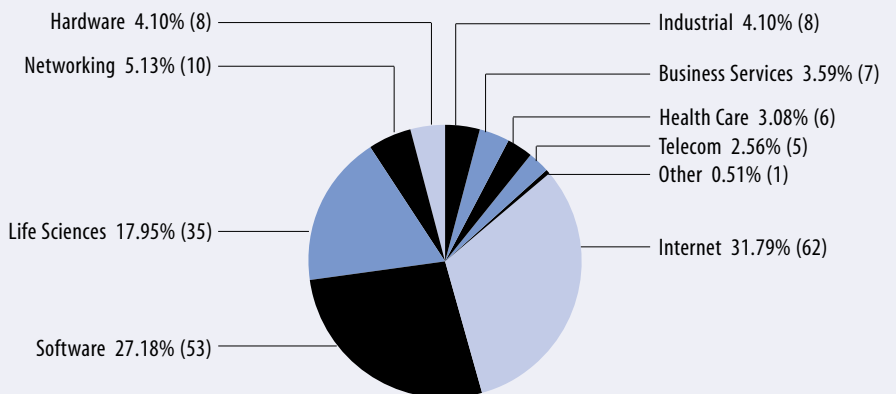
Percentage of 2000 Triangle Deals by Industry (# of Deals)



Total Dollars Raised by Industry in NC and the Triangle (\$ in millions)

	TRIANGLE \$	NC \$
Internet	319.46	451.51
Software	319.83	428.60
Telecom	18.83	422.53
Life Sciences	220.12	304.75
Industrial	60.77	106.28
Business Services	91.95	104.45
Hardware	67.13	68.73
Other	0.00	53.45
Networking	26.05	27.05
Health Care	20.51	20.51
Total	\$1144.64	\$1987.75

Percentage of 2000 NC Deals by Industry (# of Deals)



DEALS AND DOLLARS BY COMPANY STAGE: Seed/Early Pipeline Widens in 2000

In 2000, later stage Triangle companies (i.e., late and expansion stage companies) received a greater portion of the deals, but a smaller percentage of the dollars than in 1999. In contrast, in 1999 only 20% of Triangle investment dollars went to seed and early stage companies; in 2000 the portion rose to more than 32%.

	2000 Triangle and NC Dollars Raised by Company Stage (\$ in millions)		2000 Triangle and NC Deals by Company Stage	
	TRIANGLE \$ RAISED	NC \$ RAISED	TRIANGLE DEALS	NC DEALS
Seed	22.70	59.97	29	40
Early	348.12	820.29	52	73
Expansion	450.44	748.06	49	64
Late	323.38	359.44	17	18
Total	\$1144.64	\$1987.75	147	195

AMONG THE INVESTORS PARTICIPATING IN 2000 TOP TWENTY NC DEALS:

Advent Venture Partners	California State Teachers Retirement System	Emerson Electric EGS Group	J H Whitney & Co	Scudder Kemper Investments
Agilent Technologies	Carolinas Capital	Equity Resources Group	Kitty Hawk Capital	Southeast Interactive
Allied Capital	Carousel Capital	Euclid Venture Partners	Longleaf Venture Fund	Technology Funds
Aman Ventures	CIBC Capital Partners	Fannie Mae	McConnell Ventures	Siemens
America Mortgage Capital	CDC Innovation	First Union Capital Partners	MDC	Sinclair Ventures
A.M. Pappas	Chase Capital	Fleet Equity Partners	Mellon Holdings	Societe Generale Asset Management Finance
Applied Analytical	Chase H&Q	Franklin Street Partners	Morgan Stanley Dean Witter	Southwire
Auriga Ventures	GTCR Golder Rauner	GE Equity	Motorola	Spectrum Equity
Aurora Funds	Cisco Systems	Genavent	MP Bio hf	Spencer Trask Ventures
Bain Capital	Compaq Computer	Gentyle Thomas Group	Noro-Moseley Partners	Standard and Poors
Bank of Boston	Cooper Industries	Goldman Sachs	OSRAM	T.H. Lee Putnam Internet Partners
Bank of America Capital Investors	Cox Enterprises	HarbourVest Partners	Page Mill Capital	Thomas and Betts
Bank United	CP&L	HealthCap	Providence Equity Partners	VerticalNet
BankInvest	Deutsche Bank	Hoffman	Qualcomm	Vulcan Ventures
Barnard & Co.	Eaton's Cutler Hammer Group	Intel Capital	RF Micro Devices	Wakefield Group
BEA Systems	Elan Pharmaceuticals	Intersouth Partners	Robertson Stephens Bayview Fund	Warburg Pincus
Broadview Capital Partners		J & W Seligman	Schering	

KEY OBSERVATIONS

- North Carolina companies made a strong showing in the public markets in 2000, with six companies making initial public stock offerings – raising a total of more than \$698.8 million – versus three in 1999.
- The National Venture Capital Association (NVCA), reported that dollars raised by venture capital firms domiciled in North Carolina in 2000 was \$518 million versus \$192.6 million in 1999, a 169% increase.
- While venture investments nationally increased 75% in 2000 according to the NVCA, North Carolina as a whole maintained its slice of the venture capital pie indicating continued interest in the region as a technology stronghold. For the second year in a row, the NVCA ranked the state 14th in the nation in venture disbursements, with 1.73% of the overall total. The state ranked 12th in the number of deals with 2.14% of the U.S. total.
- In 2000, the NVCA reported more than \$1.79 billion in investments in the state of North Carolina, up from \$810 million in 1999, for an increase of 121%. CED's total for 2000 was \$1.99 billion versus \$1.4 billion in 1999. However, in order to improve the accuracy of venture investment numbers, CED and the NVCA reconciled available research throughout the year. Therefore, the larger increase in state numbers reported by the NVCA is likely attributable to more comprehensive data collection rather than solely due to increased activity.
- According to the NVCA, investments nationwide appear to have slowed down in the fourth quarter of 2000. However, the impact on the Triangle and North Carolina as a whole so far appears relatively minimal, likely due in part because of its diversity of technologies and strong biotech presence. According to the NVCA, life science investments nationwide in 2000 accounted for almost 4% of the total deals. According to CED numbers, life sciences companies in the Triangle accounted for 20% of the deals and 19% of the dollars raised for the year. While the significant presence of local biotech startups demonstrates the region's expansive diversity of technologies, venture investments in this sector often take a substantially longer time to mature. However, their existence has been and continues to be a significant reason why Triangle economic forecasts appear relatively stable for the foreseeable future.

North Carolina IPO'S in 2000		
COMPANY RAISED	OFFERING PRICE/SHARE	TOTAL
Inspire Pharmaceuticals	\$12	\$66M
Krispy Kreme, Inc.	\$21	\$63M
Lending Tree, Inc.	\$12	\$43.8M
Paradigm Genetics, Inc.	\$7	\$42M
POZEN, Inc.	\$15	\$75M
SpectraSite Communications	\$17	\$436M

Total 2000 U.S. Venture Disbursements Source: National Venture Capital Association		
RANK	STATE	% OF US TOTAL \$
1	California	40.71%
2	Massachusetts	9.17%
3	New York	6.47%
4	Texas	5.70%
5	Colorado	4.81%
6	New Jersey	3.40%
7	Virginia	2.70%
8	Washington	2.66%
9	Georgia	2.47%
10	Maryland	2.30%
11	Illinois	2.24%
12	Florida	2.14%
13	Pennsylvania	2.02%
14	North Carolina	1.73%
15	Connecticut	1.69%