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JULY 2002

THE ANNUAL ENTREPRENEUR

VC100*

The Top
Venture Capital
Firms for
Entrepreneurs

*

As compiled by
PricewaterhouseCoopers,
Venture Economics,
NVCA and *Entrepreneur*



J-T Morrow

AFTER THE FLOOD

WITH THE FLOW OF VC FUNDING SLOWED TO A TRICKLE, LET OUR LIST OF THE TOP 100 VC FUNDS BE YOUR DIVINING ROD.

Now that the venture capital free-fall is ending, can you land the right VC to launch your company into the big time? True, overall venture capital investing last year was far below the dotcom bubble years of 1999 and 2000. But, at over \$36 billion, 2001 was still the third largest year in history, and 2002 looks like it will stabilize well above historical norms. That's good news for early-stage companies.

"During most of last year, venture capitalists spent the majority of their time working closely with their existing portfolio companies, leaving less time to make investments in new companies," says Mark Heesen, president of the National Venture Capital Association. "By the beginning of this year, the focus was beginning to shift back toward evaluating new opportunities."

The numbers bear that out. According to the PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree Survey, prepared exclusively for *Entrepreneur*, 800 start-up and early-stage companies received their first round of venture capital in 2001. All told, these companies got \$5.4 billion, or an average of \$6.8 million per company. It doesn't exactly sound like a dearth, does it? (For a list of firms that made the most first-round deals, see the listing on the next page.)

So what are VCs looking for in this New-New Economy? Joe Aragona, general partner at Austin Ventures, an Austin, Texas, firm with \$3.1 billion under management, explains it this way: "Most large VC firms have decided to invest through [business] cycles not in cycles. For early-stage investing, a premium is being placed on management, operations and execution instead of a slick PowerPoint presentation."

Jeffrey Harris, managing director of Warburg Pincus, a New York City firm with \$9.5 billion under management, agrees. "Both entrepreneurs' and venture capitalists' expectations have reverted to the norm," Harris says. "They're now expecting that it will take years to start a successful company, and they're pacing themselves accordingly with the appropriate burn rates, appropriate incentive plans, and the appropriate amount of capital to make sure the company is on solid footing."

All this hearkens a back-to-basics approach in the industry. An environment where shirt-sleeves experience and innovative thinking combined with venture capital create exciting, successful companies over time. And building sustainable value is what fuels America's economic growth.

—Tracy T. Lefteroff, global managing partner, Venture Capital Practice, PricewaterhouseCoopers

TOP 100 VENTURE CAPITAL FIRMS

VC	Location of VC	Number of early-stage deals in 2001*	Web site
New Enterprise Associates	BALTIMORE	16	www.nea.com
Bessemer Venture Partners	WELLESLEY HILLS, MA	11	www.bvp.com
Sequoia Capital	MENLO PARK, CA	10	www.sequoiacap.com
Sevin Rosen Funds	DALLAS	9	www.srfunds.com
Polaris Venture Partners	WALTHAM, MA	9	www.polarisventures.com
Cordova Ventures	ALPHARETTA, GA	9	www.cordovaventures.com
Versant Ventures	MENLO PARK, CA	9	www.versantventures.com
Austin Ventures	AUSTIN, TX	8	www.austinventures.com
Warburg Pincus	NEW YORK CITY	8	www.warburgpincus.com
Draper Fisher Jurvetson	REDWOOD CITY, CA	8	www.dfj.com
Intel Capital	CHANDLER, AZ	8	www.intel.com/capital/index.htm
Venrock Associates	NEW YORK CITY	7	www.venrock.com
MTDC Ventures	BOSTON	7	www.mtdc.com
CrossBow Ventures	WEST PALM BEACH, FL	7	www.cb-ventures.com
Morgenthaler Ventures	MENLO PARK, CA	7	www.morgenthaler.com
Sigma Partners	MENLO PARK, CA	7	www.sigmapartners.com
CW Group	NEW YORK CITY	6	www.cwventures.com
Hudson Venture Partners	NEW YORK CITY	6	www.hudsonptr.com
J.P. Morgan Partners (FKA: Chase Capital Partners)	NEW YORK CITY	6	www.jpmorganpartners.com
Pequot Capital Management	NEW YORK CITY	6	www.pequotcapital.com
St. Paul Venture Capital	EDEN PRAIRIE, MN	6	www.stpaulvc.com
Kodiak Venture Partners	CONCORD, MA	6	www.kodiakvp.com
Advantage Capital Partners	NEW ORLEANS	6	www.advantagecap.com
Mission Ventures	SAN DIEGO	6	www.missionventures.com
Storm Ventures	PALO ALTO, CA	6	www.stormventures.com
Mason Wells Private Equity	MILWAUKEE	5	www.masonwells.com
AV Labs	AUSTIN, TX	5	www.avlabs.com
Dali, Hook Partners	DALLAS	5	www.hookpartners.com
Domain Associates	PRINCETON, NJ	5	www.domainvc.com
Atlas Venture	BOSTON	5	www.atlasventure.com
North Bridge Venture Partners	WALTHAM, MA	5	www.nbvp.com
OneLiberty Ventures	CAMBRIDGE, MA	5	www.oneliberty.com
Benchmark Capital	MENLO PARK, CA	5	www.benchmark.com
Burrill & Co.	SAN FRANCISCO	5	www.burrillandco.com
Cisco Systems	SAN JOSE, CA	5	www.cisco.com
InterWest Partners	MENLO PARK, CA	5	www.interwest.com
Redpoint Ventures	MENLO PARK, CA	5	www.redpoint.com
Sutter Hill Ventures	PALO ALTO, CA	5	www.shv.com
U.S. Venture Partners	MENLO PARK, CA	5	www.usvp.com
Vanguard Ventures	PALO ALTO, CA	5	www.vanguardventures.com
Genesis Park	HOUSTON	4	www.genesis-park.com
EnerTech Capital	WAYNE, PA	4	www.enertechcapital.com
Lycos Ventures	PITTSBURGH	4	www.lycosventures.com
TL Ventures	WAYNE, PA	4	www.tlventures.com
Ascent/Meredith Asset Management	NEW YORK CITY	4	n/a
Baker Capital Corp.	NEW YORK CITY	4	www.bakercapital.com
Easton Hunt Capital Partners	NEW YORK CITY	4	www.eastoncapital.com
Alta Communications	BOSTON	4	www.altacomm.com
BancBoston Capital/BancBoston Ventures	BOSTON	4	www.bancbostoncapital.com
Boston Millennia Partners	BOSTON	4	www.millenniapartners.com
Charles River Ventures	WALTHAM, MA	4	www.crv.com
Oxford Bioscience Partners	BOSTON	4	www.oxbio.com
Stonehenge Capital	BATON ROUGE, LA	4	www.stonehengecapital.com
Gray Ventures	ATLANTA	4	www.grayventures.com
Noro Moseley Partners	ATLANTA	4	www.noro-moseley.com
Telecommunications Development Fund (TDF)	WASHINGTON, DC	4	www.tdfund.com
Canaan Partners	ROWAYTON, CT	4	www.canaan.com
Connecticut Innovations Inc.	ROCKY HILL, CT	4	www.ctinnovations.com
Accel Partners	PALO ALTO, CA	4	www.accel.com
Acer Technology Ventures	SANTA CLARA, CA	4	www.acervc.com
Alta Partners	SAN FRANCISCO	4	www.altapartners.com
Barksdale Group	MENLO PARK, CA	4	www.barksdalegroup.com
Bay Partners	CUPERTINO, CA	4	www.baypartners.com
DynaFund Ventures	TORRANCE, CA	4	www.dynafundventures.com
Forrest Binkley & Brown	NEWPORT BEACH, CA	4	www.fbbvc.com
Foundation Capital	MENLO PARK, CA	4	www.foundationcapital.com
Kleiner Perkins Caufield & Byers	MENLO PARK, CA	4	www.kpcb.com
Mayfield Fund	MENLO PARK, CA	4	www.mayfield.com
Mobius Venture Capital	MOUNTAIN VIEW, CA	4	www.mobiusvc.com

FOR ENTREPRENEURS

VC	Location of VC	Number of early-stage deals in 2001*	Web site
Walden International	SAN FRANCISCO	4	www.waldenintl.com
Venture Investors Management	MADISON, WI	3	www.ventureinvestors.com
eFund LLC	KIRKLAND, WA	3	www.efundllc.com
Ignition Corp.	BELLEVUE, WA	3	www.ignitionpartners.com
Madrona Venture Group	SEATTLE	3	www.madrona.com
OVP Venture Partners	KIRKLAND, WA	3	www.ovp.com
Monumental Venture Partners	VIENNA, VA	3	www.mvpcfunds.com
NeuroVentures Capital	CHARLOTTESVILLE, VA	3	www.neuroventures.com
vSpring Capital	SALT LAKE CITY	3	www.vspring.com
G 51 Capital	AUSTIN, TX	3	www.g51.com
Gefinor Ventures	AUSTIN, TX	3	www.gefinorventures.com
Adams Capital Management	SEWICKLEY, PA	3	www.acm.com
SmartForest Ventures	PORTLAND, OR	3	www.smartforest.com
AIG Capital Partners	NEW YORK CITY	3	www.aig.com
Allen & Co.	NEW YORK CITY	3	n/a
Bluefish Ventures	NEW YORK CITY	3	www.bluefishventures.com
Evercore Partners	NEW YORK CITY	3	www.evercore.com
Insight Venture Partners	NEW YORK CITY	3	www.insightpartners.com
INVESCO Private Capital	NEW YORK CITY	3	www.privatecapital.invesco.com
Newtek Capital	NEW YORK CITY	3	www.newtekcapital.com
Zephyr Internet Partners	NEW YORK CITY	3	www.zephyrmanagement.com
BaseCamp Ventures	MOUNT LAUREL, NJ	3	www.basecampventures.com
Tyco Capital	LIVINGSTON, NJ	3	www.cit.com
Sustainable Jobs Fund	DURHAM, NC	3	www.sjfund.com
Brightstone Capital Ltd.	MINNEAPOLIS	3	n/a
Quatris Fund	MINNEAPOLIS	3	www.quatrisfund.com
U.S. Bancorp Piper Jaffray Ventures	MINNEAPOLIS	3	www.piperjaffrayventures.com
Ardesta	ANN ARBOR, MI	3	www.ardesta.com
Emerging Technology Partners	ROCKVILLE, MD	3	www.etpvc.com
Kinetic Ventures	CHEVY CHASE, MD	3	www.kineticventures.com
Walker Ventures	GLENWOOD, MD	3	www.walkerventures.com
Battery Ventures	WELLESLEY, MA	3	www.battery.com
Egan Managed Capital	BOSTON	3	www.egancapital.com
Megunticook Management	BOSTON	3	www.megunticook.com
Prism Venture Partners	WESTWOOD, MA	3	www.prismvventure.com
Essex Woodlands Health Ventures	CHICAGO	3	www.essexwoodlands.com
Alliance Technology Ventures	ALPHARETTA, GA	3	www.atv.com
HIG Capital Management	MIAMI	3	www.higcapital.com
Lovett Miller & Co.	JACKSONVILLE, FL	3	www.lovettmiller.com
Holden Capital	DENVER	3	n/a
iSherpa Capital	ENGLEWOOD, CO	3	www.isherpa.com
Acorn Ventures	DALY CITY, CA	3	www.acornventures.com
ComVentures	PALO ALTO, CA	3	www.comventures.com
Crescendo Venture Management	PALO ALTO, CA	3	www.crescendoventures.com
Enterprise Partners	LA JOLLA, CA	3	www.epvc.com
Fremont Ventures	SAN FRANCISCO	3	www.fremontgroup.com
Granite Ventures	SAN FRANCISCO	3	www.granitevc.com
idealab!	PASADENA, CA	3	www.idealab.com
ITU Ventures	BEVERLY HILLS, CA	3	www.itu.com
Leapfrog Ventures	MENLO PARK, CA	3	www.leapfrogventures.com
Menlo Ventures	MENLO PARK, CA	3	www.menloventures.com
Prospect Venture Partners	PALO ALTO, CA	3	n/a
RWI Group	PALO ALTO, CA	3	www.rwigroup.com
Thorner Ventures	LARKSPUR, CA	3	n/a
Three Arch Partners	MENLO PARK, CA	3	www.threearchpartners.com
Windward Ventures	SAN DIEGO	3	www.windwardventures.com
Paradigm Venture Partners	BIRMINGHAM, AL	3	www.etchpartners.com

*First sequence financing in start-up/seed or early-stage companies.

Note: Due to a 56-way tie for No. 71, there are actually 126 firms in our listing.

online exclusive

To find out how first-time VC financing fared in the first quarter of this year, visit us online at www.entrepreneur.com/listings/vc100.

DOING THE NUMBERS: Rankings are based on the number of first-time fundings to companies in the start-up and early stages of development made by venture capital firms and similar entities in calendar year 2001 as measured by the "PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree Survey" (www.pwcmoneytree.com).

Companies in the start-up stage of development may have been in business for only a few months. Companies in the early stage of development have generally been in operation less than 24 months. At minimum, all companies have a fully developed business plan, a dedicated management team and extraordinary potential for rapid growth.

These fundings represent the first time a company receives financing from a professional venture capital firm in exchange for equity. Prior to obtaining venture capital, a company generally has received financing from the owners, employees, friends, family or incubator or angel investors, and may have taken on debt.

REALITY CHECK

With the slide in overall investing in first quarter 2002, it would be easy to conclude that companies looking for their first round of venture financing are hit hardest as venture capital firms focus on companies in which they have already invested. That's simply not the case.

The number of companies receiving venture capital for the first time did drop in the first quarter. (See chart below.) But, as a percentage of the total number of deals, first-time financings accounted for around 24%—about the same as past quarters. Further, companies that did get funding, got more of it. The average amount per company has been steadily increasing over the past three quarters.

Of course, it helps to be in the right industry. Venture capital tends to be tech-centric, and Software remains the most popu-

lar industry by far. On the other hand, Networking has stalled, Telecommunications has fallen out of favor, and Information Technology Services is nearly non-existent. More traditional industries like Consumer Products, Business Products and Retailing have settled down around typical historical levels.

It's a demanding environment for the entrepreneur. But, those that succeed are rewarded with more funding and fewer market competitors than the conventional wisdom proffers.

Kirk Walden
Director, Venture Capital Research
PricewaterhouseCoopers

First-Time Financings by Industry Number of Deals - Q3 2001, Q4 2001, Q1 2002

Industry	2001		2002
	Qtr 3	Qtr 4	Qtr 1
Software	62	54	48
Biotechnology	27	24	24
Telecommunications	35	23	15
Industrial/Energy	18	14	14
Media and Entertainment	7	7	13
Networking and Equipment	10	17	12
Medical Devices and Equipment	12	16	11
Retailing/Distribution	15	10	8
Business Products and Services	8	10	5
Computers and Peripherals	6	6	5
Financial Services	4	3	5
Semiconductors	12	10	5
Consumer Products and Services	8	9	4
IT Services	20	6	4
Electronics/Instrumentation	3	4	3
Healthcare Services	2	2	2
Other	5	9	14
Grand Total Deals	254	224	192
Grand Total Amount	\$1,251,155,200	\$1,239,033,800	\$1,267,205,800
Average Deal Size	\$4,925,808	\$5,531,401	\$6,600,030

Source: PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey

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