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# The Corporate Venturing REPORT

Putting Strategic Investors and Their Partners on the Cusp of Innovation

## Corporate Venture Capital Soars, As Funding Hits Record \$6.3 Billion

Corporate venturing exploded in 1999. Driven by the need to ensure long-term competitiveness, corporations last year announced the formation of venture capital programs totaling \$6.3 billion. That was up from \$1.7 billion in 1998, and \$1.3 billion in 1997.

But the rise in corporate venturing is even more significant than those numbers show. The \$6.3 billion represents the combined capital only of the 28 corporations that announced the sizes of their corporations.

Another 42 corporations began venturing programs last year, but did not disclose the sizes of their programs. In the latter category, for example, are **Chevron Corp.**, San Francisco; **Dell Computer Corp.**, Red Rock, Texas;

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## Venture Holdings May Boost Value Of Company Stock

When Wall Street analyst Alkesh Shah told clients last November that shares of **ADC Telecommunications Inc.** should trade at \$63, rather than his \$50 prior estimate, the revision wasn't for the usual reasons.

ADC hadn't announced a new product, an acquisition, or strong financial results. In fact, the Minnetonka, Minn., supplier of communication equipment hadn't done anything new at all.

But, ADC owned 8 percent of **Siara Systems Inc.**, a Mountain View, Calif., telecommunications start-up. And, that morning, publicly traded **Redback Networks Inc.** had agreed to acquire Siara for \$4.3 billion.

Suddenly, ADC's \$3 million corporate venturing investment in Siara was worth over \$400 million. And that, realized Mr. Shah, an analyst at Morgan Stanley Dean Witter & Co., boosted ADC's book value by \$1.80 a share.

It isn't yet common for stock analysts to price the venture capital holdings of corporations into

*Continued on page 22*

## Corporate Investors Flock to Financing For Internet Exchanges

When it comes to attracting corporate investors, **Equinix Inc.** appears to have the Midas touch.

In a second round equity financing, the Redwood City, Calif., company landed \$80 million from a syndicate featuring a dozen corporations, including **America Online Inc.**, Dulles, Va.; **Cisco Systems Inc.**, San Jose; **Dell Computer Corp.**, Round Rock, Texas; and **Microsoft Corp.**, Redmond, Wash.

Equinix, which also raised \$200 million in debt, is aiming to make electronic commerce more efficient by developing so-called Internet Business Exchanges

around the globe.

These "exchanges" essentially are strategically placed buildings in which telecommunication carriers, Internet service providers, content companies and Web servers can securely connect with one another.

"It's really a real estate play in the Internet space," says James P. Labe, a Menlo Park-based managing director of **Comdisco Ventures**, which invested in Equinix on behalf of its parent, **Comdisco Inc.**, Rosemont, Ill.

All of Equinix's corporate backers are well aware that the Internet's infrastructure has not kept pace with the medium's growth.

"The structure of the Internet needs to evolve if subscribers are to truly participate in the benefits of broadband," says

*Continued on page 21*

## AOL Time Warner Positioned To Become Major Venture Investor

In addition to forming a media behemoth, the proposed \$350 billion merger of **America Online Inc.** and **Time Warner Inc.** is likely to lead to the creation of a major corporate venturing operation.

AOL, the Dulles, Va., Internet service provider, already invests heavily in Internet-related companies, while Time Warner, the New York publishing and entertainment company, in December announced the formation of a \$500 million venture fund.

However, *The Corporate Venturing Report* has learned that the venture capital activities of the combined company—to be called AOL Time Warner Inc.—are among the items that a special four-person committee will consider in the coming months.

The committee consists of AOL President Robert W. Pittman, AOL Vice Chairman Kenneth J. Novak, Time Warner President Richard D. Parsons, and Richard J. Bressler, chairman and CEO of Time Warner Digital Media.

They, in turn, will make recommendations to Stephen M. Case and Gerald M. Levin, the respective chairmen and CEOs of AOL and Time Warner.

The president of AOL's venture arm, AOL Investments, is Lennert J. Leader, who previously was AOL's chief financial officer.

Robert Marcus, executive vice president, business development at Time Warner Digital Media, was picked in December to oversee Time Warner's venture capital fund.

Oddly enough, since October, AOL and Time Warner have co-invested in at least two start-up companies: **Bolt Inc.**, New York,

which operates a Web site for teens; and **OpenTV Inc.**, Mountain View, Calif., which develops software for digital interactive television.

OpenTV went public in November, and has a market capitalization of about \$3.6 billion. Bolt has filed to go public.

Assuming the merger is completed, AOL Time Warner would be extremely well-positioned to become a major corporate venture capital investor.

Formed in 1998, AOL Investments invested in at least 15 Internet-related companies in 1999, according to *The Corporate Venturing Directory & Yearbook*. In addition to OpenTV, two of those companies have gone public: China.com Inc., a provider of Internet content to Asia, and Tivo Inc., a developer of a personalized television service.

Another company backed in 1999, Sandpiper Networks Inc., a provider of content delivery services, was acquired by publicly traded Digital Island Inc.

Other companies backed recently by AOL include **e-SIM**, Jerusalem, Israel, which develops simulation technology for consumer electronics; **Loudeye Technologies Inc.**, Seattle, a creator of digital media solutions; **Respond.com Inc.**, Redwood City, Calif., a shopping service, and **Riffage.com Inc.**, Los Angeles, a Web site showcasing unsigned pop music bands.

Until the merger announcement, Time Warner was intending to increase its venture investing through the formation of the **Time Warner Digital Media Investment Fund**, which the company said would have "\$500 million in assets."

According to published re-

ports, those investment assets were to consist of \$250 million in cash and an equal amount in promotional time on Time Warner's media outlets.

The fund was to make investments of \$5 million to \$20 million to acquire non-controlling stakes in companies engaged in electronic commerce, vertical and interactive content, technology, infrastructure and other digital media-related activities.

The fund was intended to give Time Warner's venturing investing "a new degree of efficiency and strategic direction by taking a coordinated, portfolio approach to our digital media investments," according to a company statement in December.

In recent months, Time Warner also has made venture investments through its **CNN News Group** subsidiary in Atlanta.

### A Newsletter for the Times

Welcome to the premier issue of *The Corporate Venturing Report*—the latest newsletter from **Asset Alternatives Inc.**, Wellesley, Mass.

*The Corporate Venturing Report* each month will tell you which corporations are starting or expanding venturing programs, where they are investing, and how they are partnering with independent venture capital firms and other organizations.

You also will get useful insights, such as how corporations recruit and compensate their corporate venturing teams. And you will get unique analysis of how venturing programs are contributing to the corporate bottom line—both financially and strategically.

Whether you're the CEO or CFO of a Fortune 1000 company, an EVP of a newly public company, the head of a corporate venture group, an investment banker, analyst, or independent venture capitalist, *The Corporate Venturing Report* will bring you timely, useful and concise information that you can use.

*The Corporate Venturing Report* is a companion to *The Corporate Venturing Directory & Yearbook*, also published by Asset Alternatives. (Get details on the directory at [www.corporateventuring.com](http://www.corporateventuring.com).)

## NEWS BRIEFS

Continued

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## EDS Plans Fund Of \$1.5 Billion To Finance Clients

Electronic Data Systems Corp., the Plano, Texas, computer service company, plans to contribute as much as \$750 million over the next five years to an Internet-oriented venture fund that could be as large as \$1.5 billion.

Called **EDS-A.T. Kearney Ventures**, the fund will seek to take equity positions in EDS's Internet-related clients. A.T. Kearney is EDS's management consulting arm.

The remaining capital will come from EDS consultants and select private equity funds.

Co-heading the fund are Rick deNey, an EDS senior vice president of corporate strategy and development, and David Asper, an A.T. Kearney vice president.

So far, the fund has made two investments: **CoNext** and **Tradex Technologies Inc.**, both of which make software that allow businesses to buy supplies online.

Atlanta-based Tradex has agreed to be acquired by Ariba Inc., a publicly traded provider of business-to-business electronic commerce services.

In conjunction with the acquisition, EDS agreed to take part in a \$60 million financing of Tradex.

Others participating in the financing include **American Express Co.**, New York; **Chemdex Corp.**, Mountain View, Calif.; and **J.D. Edwards & Co.**, Denver.

If the \$1.5 billion figure is reached, the fund would become one of the largest investment vehicles established by a corporation. To invest the capital, EDS-A.T. Kearney will have offices in New York, London, Menlo Park and Plano.

Mr. Asper said the size of the fund "reflects the scale of the opportunities and the scale of EDS."

EDS is no stranger to the private equity industry. It made commitments between 1992 and 1997 to diversified buyout funds as part of its strategy to win information-systems consulting contracts from the firms' portfolio companies.

Early last year, EDS agreed to sell the 16 partnerships to **Crossroads Group**, a Dallas investment management company, for \$525 million.

Reach Mr. DeNey at (972) 605-9753 in Dallas, and Mr. Asper at (312) 223-6100 in Chicago.

## Consulting Firm Eyes Venture Profits To Keep Employees

**Cambridge Technology Partners Inc.** has come up with a new reason to back young companies: employee retention.

In an initiative worth watching, the Cambridge, Mass., management consulting firm is vowing to share up to 20 percent of the value created by a new incubator unit with its 4,400 employees worldwide.

Cambridge Technology currently has about \$100 million in cash and investments, which it can use to fund the incubator's activities, said company spokeswoman Fran Kelly.

Overseeing the fund will be Ralph Linsalata, formerly a senior vice president with Hill Holiday, a Boston advertising firm. Earlier, Mr. Linsalata was a partner of Weiss, Peck & Greer Venture Partners, San Francisco.

Cambridge Technology will target application service providers and electronic service companies, among other segments.

Cambridge Technology will consider backing startups created by its own employees, or by management teams from outside the company.

Employee retention is a big issue for Cambridge Technology, which suffered 20 percent turnover last year.

The company's profits have been dropping, and its share price is down approximately 50 percent in the past year.

Cambridge Technology isn't alone in trying to use its venture program to keep employees.

Two other companies that recently established venture programs, **Infospace.com Inc.**, Seattle, and **Breakaway Solutions Inc.**, Boston, also are evaluating how to use venture profits to reward employees.

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Though it is forming a new incubator, Cambridge Technology Partners will continue to work with its associated venture arm, **Cambridge Technology Capital Fund**, San Diego, said Ms. Kelly, the spokeswoman.

Cambridge Technology Capital, which invests in companies that can benefit from a partnership with Cambridge Technology Partners, is raising a fund with a target of \$75 million.

The venture affiliate raised a \$25 million fund in 1997, with \$6 million coming from Cambridge Technology Partners.

Cambridge Technology Capital has funded 18 companies so far, of which eight have gone public; a ninth is in registration.

Cambridge Technology Partners reported \$44 million capital gain from its venture investments in the third quarter.

Reach Mr. Linsalata at (617) 914-9800.

## Andersen Creates Venture Division With Internet Focus

**Andersen Consulting**, the \$8.3 billion technology consulting company, has formed a venture capital division, which is aiming to invest up to \$1 billion over the next five years to create new electronic businesses.

Called **Andersen Consulting Ventures**, the Palo Alto, Calif., division is receiving more than \$500 million from Andersen, plus access to intellectual property.

Heading the division will be Jackson L. Wilson, previously Andersen Consulting's managing partner, global markets. In that role, Mr. Wilson oversaw Andersen's strategic alliances, equity investments and e-commerce initiatives.

Andersen has made more than

## Recent Andersen Consulting Investments

- **Blue Martini Software** *San Mateo, Calif.*  
Provides e-commerce software  
*Size of round:* \$12.5 million (September 1999)  
*Co-investors:* U.S. Venture Partners; Matrix Partners
- **Calico Commerce Inc.** *San Jose*  
Develops e-commerce software  
*Size of investment:* Undisclosed (Sept. 1999)
- **ChemConnect Inc.** *San Francisco*  
Online chemical exchange  
*Size of investment:* Undisclosed (Sept. 1999)
- **Covation Inc.** *Brentwood, Tenn.*  
Producing electronic payment and information payment system for the health care industry.  
*Size of round:* Undisclosed (1999)  
*Co-investors:* Bank of America Corp.
- **Qpass Inc.** *Seattle*  
Online transaction and customer network  
*Size of round:* \$15 million (March 1999)  
*Co-investors:* RRE Investors; Integral Capital Partners; HNC Software; Venrock Associates; Oak Investment Partners; TTC Ventures

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## NEWS BRIEFS

Continued

140 investments and alliances with Internet companies. (See table on previous page for examples.)

Mr. Wilson will seek to establish relationships with venture capital firms, investment banks and e-commerce providers. The venture unit will invest in the U.S., Europe and Asia.

Reach Mr. Wilson at (650) 213.2000

### Intel Put Focus On Investments Outside U.S. in '99

**Intel Capital**, the venture capital arm of **Intel Corp.**, Santa Clara, Calif., put a strong emphasis on investing outside the United States in 1999.

The semiconductor maker invested about \$1 billion in venture investments last year, and about a

### ■ Corporate Venturing Briefs

• **Heidrick & Struggles International Inc.**, Chicago, created a venture unit, **H&S Capital**, which it expects to capitalize with \$25 million in corporate funds. H&S Capital will invest in early-stage technology companies for which its parent conducts executive searches. Details from Charles Polachi, a Heidrick & Struggles managing partner in Lexington, Mass., at (781) 862-3370

• **Central Newspapers Inc.**, publisher of the Arizona Republic, Indianapolis Star and other newspapers, created **CNI Ventures**. Heading the venture unit is Howard I. Finberg, director of technology & information strategy for the Phoenix publisher. CNI Ventures will invest in companies developing new methods of delivering news and other information. Reach Mr. Finberg at (602) 444-1100.

• **First Consulting Group Inc.**, Long Beach, Calif., a publicly traded provider of health care consulting and management services, established a \$15 million venture subsidiary. It will make investments of \$1 million to \$3 million in information technology companies serving health care service providers, drug and biotech companies, and medical device makers. Details from Managing Director Thomas A. Olenzak at (610) 989-7080 in Wayne, Penn.

third of it went overseas, said spokesman Robert Manetta.

That's up from as little as 5 percent just a few years ago, Mr. Manetta said.

Asia figured heavily in Intel's international strategy, particularly India and China. The company also invested in Europe and Australia.

A key goal of Intel's international investors is "to grow the Internet economy worldwide, and help speed the Internet's adaptation overseas," Mr. Manetta said.

In its first investment in Poland, for example, Intel backed **Wirtualna Polska**, which operates a Polish Internet portal.

Intel puts an investment team in each overseas market it wants to enter. Those dealmakers report to Stephen Nachtsheim and Leslie Vadasz, who oversee Intel's business development activities.

At year's end, Intel Capital valued its portfolio at \$8 billion, including \$7.1 billion in marketable securities.

Mr. Nachtsheim and Mr. Vadasz are at (408) 765-8080.

### Pillar Joins CBS To Be Point Man On Internet Deals

Keep an eye on **CBS Corp.**

With the hiring of Russ Pillar as president and CEO of **CBS Internet Group**, the New York broadcasting company for the first time has someone dedicated to Internet investing.

Until now, President and CEO Mel Karmazin and Chief Financial Officer Fredric Reynolds shared responsibility for the company's Internet investments.

Mr. Pillar, formerly president and CEO of Virgin Entertainment Group, will report to Mr. Reynolds.

Since 1997, CBS has gained stakes in 16 Internet-related com-

panies by trading nearly \$1 billion in advertising and promotional spots.

Last year alone, CBS struck deals with 14 companies, including three that have gone public.

Industry observers have speculated that CBS will follow the lead of NBC and create a separate, publicly traded Internet unit that would likely include the investments CBS has made.

A CBS spokesman would only say that the formation of such a unit is "a strong possibility."

Among the companies in which CBS recently has taken stakes are **MVP.com Inc.**, Chicago, an online seller of sporting goods, and **Loudeye Technologies Inc.**, Seattle., which is developing digital media applications.

Reach Mr. Pillar through CBS at (212) 975-4321.

### E\*Trade Prepares To Raise New Fund With Higher Target

**E\*Trade Group Inc.**, which quietly closed a \$100 million venture fund in October, will be back in the coming months to raise a new fund from outside investors.

Thomas A. Bevilacqua, chief corporate development and strategic investment officer of the online brokerage firm, said the size of the new partnership has not been determined, but that it is expected to be "substantially" larger than the first fund.

Menlo Park-based E\*Trade provided a quarter of the capital in the first investment pool, **E\*Trade E-Commerce Fund**.

The remainder came from institutional investors, including a "large media company and a large insurance company," Mr. Bevilacqua said.

E\*Trade assembled the fund to invest in e-commerce companies beyond the financial services area, Mr. Bevilacqua said.

Mr. Bevilacqua manages the fund, along with Christos M. Cotsakos, E\*Trade's chairman and CEO.

Through early January, the fund had invested in seven companies, including three that have gone public: WebVan Group Inc., an online grocery store; PlanetRx.com Inc., an online pharmacy; and Official Payments Corp., a provider of electronic payment options to government entities.

Two more investments are in the pipeline, Mr. Bevilacqua said. The fund is averaging investments of about \$6 million per company.

E\*Trade recently participated in a financing of **Equinix Inc.**, the Redwood City, operator of Internet business exchange facilities (see story on page 1); as well as of **Financial Engines Inc.**, Palo Alto, Calif., and **Loan City.com Inc.**, San Jose. (See page 15 of the *The Corporate Venturing Report Deals* section).

Mr. Bevilacqua said E\*Trade is searching for additional investment professionals to help manage the new fund.

Reach him at (650) 331-6027.

## InfoSpace Selects President to Run New Venture Fund

**InfoSpace.com Inc.**, the high-flying provider of Internet infrastructure services, has formed a venture capital fund and chosen its former president, Bernee D.L. Strom, to run it.

InfoSpace, Redmond, Wash., has contributed \$30 million initially to the investment vehicle, named **InfoSpace.com Venture Capital Fund**.

The fund will invest in Internet start-ups that complement InfoSpace's business.

InfoSpace provides technologies and Internet services to consumers and merchants. Its affiliate

network consists of more than 1,800 Web sites, including those of America Online Inc., Microsoft Corp., Lycos Inc. and Dow Jones & Co.

Ms. Strom said InfoSpace established the fund to formalize its investing activities.

Last month, for instance, the company invested \$9 million in publicly traded **e-Sim**, Jerusalem, Israel, along with InfoSpace CEO Naveen Jain and **America Online Inc.**, Dulles, Va.

The new fund will allow InfoSpace to boost its average investment to about \$5 million from the current maximum of \$1.5 million, Ms. Strom said.

Though Ms. Strom has relinquished her titles as president and chief operating officer, she will stay on InfoSpace's board.

Reach Ms. Strom at (425) 882-1602.

## Corporate Funds Queue Up to Finance Linux Companies

Like magnets to metal, corporate investors continue to be drawn to companies utilizing Linux.

An open-source computer operating system, Linux is seen as competition for Microsoft Windows and various versions of Unix.

Within the past month alone, corporations have invested in at least four Linux-related companies.

**Linuxcare Inc.**, a San Francisco provider of Linux services, attracted investments from **Dell Computer Corp.**, Red Rock, Texas; **Oracle Corp.**, Redwood Shores, Calif.; **Motorola Inc.**, Schaumburg, Ill.; and **Sun Microsystems Inc.**, Mountain View.

Linuxcare raised \$32 million in a round led by **Patricof & Co. Ventures Inc.**, New York. **Kleiner, Perkins, Caufield &**

**Byers**, Menlo Park, also participated.

**Caldera Systems Inc.**, an Orem, Utah, provider of Linux business solutions, received \$30 million from a group that included Sun Microsystems; **Novell Inc.**, Orem; **Citrix Systems Inc.**, Fort Lauderdale, Fla., a developer of application-server software; and **Santa Cruz Operation Inc.**, a Unix-based developer of open-system software.

In addition, **Corel Corp.**, the Ottawa, Ontario, business software developer, took one-third interests in both **LinuxForce**, a Philadelphia-based provider of Linux services, and **Newlix Corp.**, an Ontario-based Linux developer.

## Thomson Team Spins Out With Publisher's Blessing

**Thomson Corp.**, the Toronto publishing giant, has ceased making direct investments in young technology companies, and instead has become a limited partner of newly created venture firm **NeoCarta Ventures**.

Thomson made the change after D. Jarrett Collins and Karin Kissane, who ran **TTC Ventures**, Thomson's venture arm, left to form NeoCarta.

The venture firm, which has offices in Cambridge, Mass., and San Francisco, has raised a \$300 million fund, **NeoCarta Ventures, L.P.**

Mr. Collins, who started TTC Ventures in 1995, described the transition as amicable. He said he and Ms. Kissane wanted to be part of a program with "long-term stability." Corporate venture programs, he said, historically have had "short half-lives" for a variety of reasons, including corporate politics.

Also on NeoCarta's team are Thomas Naughton and Tony Pantuso, both formerly vice presidents of **GE Equity**, the investment arm of **General Electric Corp.**, Stamford, Conn.

NeoCarta intends to make investments of \$1 million to \$10 million in Internet commerce companies exclusively.

Mr. Collins and Mr. Naughton are in Cambridge at (617) 528-3820; Mr. Pantuso and Ms. Kissane are in San Francisco at (415) 217-8617.

# Strategic Partners Add to Battery's Clout

*Corporate Ties Help Firm Land Deals, Assist Portfolio Companies*

When **Battery Ventures** courts technology entrepreneurs, the firm's partners cite their strong track records, technology prowess and abundant investment capital—but so do many other successful venture capitalists.

Now, partners of the Wellesley, Mass., firm can advertise a stronger distinction: their ability to link young companies with potent corporate partners, like **Bell Atlantic Corp.**, New York; **Nortel Networks Corp.**, Brampton, Ontario, and **Novell Inc.**, Orem, Utah.

Recognizing that corporate partners can accelerate the growth of telecommunications and Internet startups, Battery last year raised a \$40 million venture fund exclusively from strategic limited partners.

**Convergence Fund, L.P.**, invests alongside the \$400 million institutional fund, **Battery Ventures V, L.P.**, that Battery formed last year.

## Corporate Investors

Besides Bell Atlantic, Nortel and Novell, the corporate limited partners in the Convergence Fund include **Corning Inc.**, Corning, N.Y., which makes optical communications products; **Williams Communications Group**, Tulsa, Okla., which develops communication networks; **Ameritech Corp.**, the Chicago telecom company acquired last fall by SBC Communications Corp.; and **Pilot House Associates**, Boston, the investment firm of Amos B. Hostetter Jr., founder of Continental Cablevision.

The Convergence Fund was designed to invest exclusively in companies that are finding new ways to exploit telecom, data communications, media and Internet opportunities.

Battery expected such companies would constitute about 70 percent of its new portfolio holdings, says General Partner Todd A. Dages. Battery has become so focused on communications, however, that the Convergence Fund has invested in all 30 companies Battery has financed with Battery Ventures V, Mr. Dages says.

## More Than Money

As a result, the Convergence Fund has contributed about 9 percent of the capital that Battery has invested in new companies in the past year.

More than capital, though, the Convergence Fund gives Battery a structured way of helping portfolio companies gain product distribution.

Recently, for instance, in an event billed as "Battery Day at Bell Atlantic," seven portfolio companies presented to Bell Atlantic's technical and operations staff. After the meeting, Bell Atlantic decided to talk further with six of those companies, Mr. Dages says. (The telecom company already had a relationship with the seventh company.)

## Help With Due Diligence

Battery also occasionally calls on its corporate partners for help when doing due diligence on potential investments.

Battery's cooperation with corporations, however, extends beyond the investors in the Convergence Fund.

For example, as a backer of **Akamai Technologies Inc.**, Cambridge, Mass., Battery co-invested with **Apple Computer Corp.**, Cupertino, Calif.; **Cisco Systems Inc.**, San Jose; and **Microsoft Corp.**, Redmond, Wash.—none of which is in the Convergence Fund.

To be sure, Battery must be careful about managing relationships with its corporate partners to avoid conflicts.

For example, the corporate LPs in the Convergence Fund cannot invest individually in an initial financing round, though they can come in directly in subsequent rounds.

For the same reason, corporate investors in the fund cannot veto participation in a deal by any other corporation—even a competitor—that isn't a fund investor.

"Our first and last rule is that we have to do what's best for the portfolio company," Mr. Dages says. "That is the fiduciary responsibility we have to our (institutional) investors."

### AT A GLANCE

## Battery Ventures

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Web site: www.battery.com

#### Key Personnel

Todd A. Dages, General Partner  
Oliver D. Curme, General Partner

#### Capital

\$800 million

#### Industry Preferences

Communications,  
Telecommunication, Internet

Source: *Galante's Venture Capital & Private Equity Directory*

## Accel Taps Six Corporations For Fund Focused on Internet

Six technology and media corporations contributed a total of \$30 million to a \$120 million Internet fund formed by **Accel Partners**, Palo Alto.

The six are **Dell Computer Corp.**, **Microsoft Corp.**, **Nortel Networks Inc.**, **Novell Inc.**, **Sun Microsystems Inc.** and **Walt Disney Co.**

The remaining \$90 million of the fund came from executives and entrepreneurs.

Accel will invest the Internet fund alongside its latest institutional partnership, the \$480 million **Accel VII, L.P.**

Two years ago, Accel organized a \$35 million fund with capital from Microsoft, Nortel, **Compaq Computer Corp.**, **CSK Corp.** and **Lucent Technologies Inc.**

Last year, 11 of Accel's portfolio companies went public, creating \$40 billion of market value.

Reach Accel Managing General Partner James W. Breyer at (650) 614-4800.

## Excite@Home Takes Stake In Internet Incubator Firm

**Excite@Home Corp.**, boosting its corporate venturing activities, took a step toward getting an earlier look at promising young companies.

The Redwood City, Calif., Internet company took a minority stake in iBelay.com, a newly formed Internet accelerator firm.

Based in Boulder, Colo., iBelay was founded by Peter Estler, the founder and former CEO of MatchLogic Inc. Excite@Home acquired MatchLogic in 1998 for \$90 million.

iBelay has 32 technology, engineering and business specialists to assist Internet start-ups. The firm aims to help venture capital firms maximize their returns by reducing the time that it takes portfolio companies to bring products to market.

iBelay's own portfolio already includes **netLibrary Inc.**, also of Boulder, and **Epidemic Marketing Inc.**, Denver.

To nurture its Internet creations, iBelay is raising a \$100 million venture fund. It has closed on \$50 million so far, Mr. Estler said.

The size of Excite@Home's commitment was not disclosed. However, George Bell, the president and CEO of Excite@Home, will serve on iBelay's advisory board.

In a prepared statement, Mr. Bell said, "We anticipate iBelay.com to be a window for us into the world

of emerging companies, and a pulse for the industry on the future of Web-based direct marketing and e-commerce."

Excite@Home has made at least eight direct investments since May 1999. Two of those companies, E-Stamp Corp. and Quokka Sports Inc., have gone public, and a third, WebMD Inc., merged last year with publicly traded Healtheon Corp.

Excite@Home most recently participated in a \$100 million financing for **Vstream Corp.**, a Boulder, Colo., communications service provider. Other investors in the round included **Highland Capital Partners**, Boston, **Softbank Technology Venture**, San Jose; and **GE Equity**, Stamford, Conn.

Excite@Home was formed last year through the merger of Excite Corp. and @Home Corp.

Mark Stevens, Excite@Home's executive vice president of business development, oversees Excite's direct investing program. He is at (650) 569-5000.

## Media Technology Expands List of Corporate Investors

**Media Technology Ventures**, San Francisco, which raises capital solely from corporations, closed its third fund at \$165 million.

Corporations investing with MTV for the first time are **Best Buy Co., Inc.**, Eden Prairie, Minn.; **Rogers Communications Inc.**, Toronto; **Marks & Spencer plc** and **Diageo plc**, both of London; and **J.P. Morgan & Co.**, **Dow Jones & Co.** and **A&E Television Networks**, all of New York.

Returning investors are **Comcast Corp.**, Philadelphia; **Freedom Communications Inc.**, Irvine, Calif.; **Fujitsu Ltd.**, Tokyo; **GIMV**, the Netherlands; **Hallmark Cards Inc.**, Kansas City, Mo.; **Motorola Inc.**, Schaumburg, Ill.; **Sun Microsystems Inc.**, Palo Alto, Calif.; **WPP Group plc**, London; **Hearst New Media** and **NBC Corp.**, both of New York; and **GE Equity** and **GE Financial Assurance**, both units of General Electric Co., Stamford, Conn.

MTV will use the fund to make seed and early-stage investments, ranging from \$500,000 to \$4 million. The new fund has the same focus as MTV's \$71 million first limited partnership, formed in 1997.

The firm also manages a \$150 million fund for early- and mid-stage investments, which it raised last year and is still investing.

MTV's investments include Medscape Inc., Quokka Sports Inc. and Talk City Inc., all of which went public in 1999. The firm also was an investor in Sandpiper Networks Inc., which merged with publicly traded Digital Island Inc. last year.

Reach MTV General Partner Robert R. Ackerman Jr. at (415) 977-0500.

# Novell Directors Boost Venture Program

*Network Software Maker Uses Direct, Fund Investments to Further Strategic Goals*

The directors of **Novell Inc.** recently gave the software company's venture capital activities a big vote of confidence.

The board voted to nearly double Novell's allocation for direct and partnership venture investments to \$170 million from \$95 million.

The new allocation earmarks \$80 million for direct investments, which the Orem, Utah, company makes through its in-house venture arm, **Novell Ventures**, and \$90 million for investments in venture capital limited partnerships.

Novell Ventures was formed in 1997 with a \$50 million allocation. The firm invests primarily in companies that can strengthen demand for Novell's directory-based networking technology.

Novell, which currently has more than \$1 billion in cash on its books, has a market capitalization of approximately \$11.5 billion.

Through December, Novell Ventures had made direct investments in 15 companies. Among them is Red Hat Inc., the high-flying Linux company whose shares ended the year at around \$225 a share after going public last August at \$14.

On the partnership side, Novell is an investor in the funds of, among others, **Kleiner, Perkins, Caufield & Byers**, Menlo Park; **Oak Investment Partners**, Westport, Conn.; **Advent International Corp.**, Boston; **Hummer Winblad Venture Partners**, San Francisco; **Broadview**, Fort Lee, N.J.; and **Technology Crossover Ventures** and **Accel Partners**, both of Palo Alto, Calif.

Last December, Novell put \$20 million into **Redleaf Group LLC**, Saratoga, Calif., making Novell the second-largest shareholder of the newly formed Internet operating company.

Initially capitalized at \$150 million, Redleaf intends to develop business-to-business e-commerce companies, starting at the seed stage and nurturing

them until they become category leaders.

Novell uses its relationships with venture firms to identify direct investment opportunities, says Blake Modersitzki, the managing director of Novell Ventures. For instance, Novell Ventures invested alongside Kleiner, Perkins, Caufield & Byers in **Oblix Inc.**, a Mountain View, Calif., automation software company.

"In our mind, coupling a venture capital firm with a corporation is the right model," Mr. Modersitzki says.

Novell Ventures generally invests \$1 million to \$5 million per round, and prefers to keep its ownership stake below 20 percent, he says.

The venture unit, he says, prefers that financial investors—i.e., venture capitalists—determine the valuations of portfolio companies, rather than corporations, which tend to base their judgements on strategic value.

"I want to keep the product guys out of the discussion in determining the value of the company," Mr. Modersitzki says. "Like any other venture capitalist, I want the best price I can get."

## AT A GLANCE

### Novell Ventures

#### Main Office

1555 N. Technology Way  
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#### Key Personnel

Mr. Blake Modersitzki, Managing Director (bmodersitzki@novell.com)  
Ms. Stacy Kresge, Investment Coordinator (skresge@novell.com)

Source: *The Corporate Venturing Directory & Yearbook*

## Recent Novell Investments

- **Caldera Systems Inc.** *Orem, Utah*  
Develops Linux-based business solutions  
*Size of round:* \$30 million (January)  
*Co-investors:* Chicago Venture Partners; Citrix Systems Inc.; Egan-Managed Capital; Santa Cruz Operation Inc.; Sun Microsystems Inc.
- **Edgix Corp.** *New York*  
Internet content delivery  
*Size of round:* Undisclosed (June 1999)
- **Indus River Networks Inc.** *Acton, Mass.*  
Provides Internet access for employees to their office networks  
*Size of round:* \$14 million (July 1999)  
*Co-investors:* Ascent Venture Partners; Comdisco Ventures; MCI WorldCom Fund; New Enterprise Associates; OneLiberty Ventures
- **Oblix Inc.** *Mountain View, Calif.*  
Develops automation software  
*Size of round:* \$24 million (October 1999)  
*Co-investors:* CSK Venture Capital; Cisco Systems Inc.; Intel 64 Fund; Kleiner, Perkins, Caufield & Byers; Lehman Brothers; Patricof & Co. Ventures Inc.; Presidio Venture Partners; Robertson Stephens Bayview 99; Siemens Mustang Ventures; Sumitomo Corp.

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# Trans Cosmos Builds Bridges to Japan

*Tokyo Parent Gives U.S. Unit \$150 Million to Boost Internet Investing*

**T**rans Cosmos USA Inc., a Bellevue, Wash., subsidiary of Trans Cosmo Inc. of Tokyo, has stepped up its investment pace—welcome news for U.S. Internet companies seeking to do business in Japan.

After investing just \$15 million in 17 transactions in 1997 and 1998, Trans Cosmos USA put about \$45 million into 35 companies in 1999. This year, the firm expects to invest between \$100 million and \$300 million in perhaps as many as 60 companies, says Steve Clemons, a Trans Cosmos USA managing director.

Trans Cosmos USA recently received \$150 million in fresh investment capital from its Japanese parent, which specializes in information systems consulting. That is half of the \$300 million that the parent raised in a secondary stock offering in October.

(The Tokyo parent is using another \$50 million from the offering to create an early-stage venture capital fund in Japan, in partnership with Nikko Securities Corp., Tokyo.)

Formed in 1966, Trans Cosmos is Japan's oldest and largest provider of outsourced customer service and information technology support solutions. The company set up shop in the U.S. in 1989, initially to identify technology that it could apply in Japan.

As Internet technology advanced in the 1990s,

however, Trans Cosmos USA evolved into a strategic investment arm of the parent company. It has funded its investments with periodic infusions of capital from its parent, and by recycling gains from prior investments.

The technology-transfer aspect of its original mission is still evident in the way Trans Cosmos USA invests, however. Its core strategy is to back Internet startups in the U.S. that it can help obtain business in Japan by using the contacts of its Tokyo parent.

## International Focus

"We are very focused on international expansion," Mr. Clemons says. "You cannot be a dominant player without world leadership. And, with the Internet, that has become even more important."

For example, after investing in Seattle software maker Primus Knowledge Solutions Inc., Trans Cosmos USA introduced Primus' Internet-based customer support systems into Japan. Now, Japan accounts for a quarter of Primus' sales, a point that stock market analysts haven't missed.

Trans Cosmos USA's portfolio also includes such high-flyers as DoubleClick Inc., New York, and RealNetworks Inc., Seattle.

RealNetworks, which develops products and services to enable the delivery of so-called "streaming media" over the Internet, boasts a market capitalization of approximately \$9 billion.

Trans Cosmos USA invests primarily in young companies involved in customer service, e-commerce, Internet marketing and new media—the same four areas that its parent pursues in Japan.

## Shifting to Late-Stage Deals

With its new capital, Trans Cosmos USA intends to pursue more late-stage opportunities than it has in the past.

The company is making the switch, Mr. Clemons says, partly because it is easier to take late-stage such companies to Japan.

Additionally, Mr. Clemons says, he and the firm's two other managing directors, James J. Geddes Jr. and Mark Kalow, are reaching their practical limits for taking board seats.

However, Trans Cosmos USA is recruiting more investment professionals, Mr. Clemons says, so the capacity constraint may be only temporary.

Reach Mr. Clemons at (425) 468-3930, Mr. Kalow at (650) 631-0051, or Mr. Geddes at (703) 698-0080. The web address is [www.transcosmos.com](http://www.transcosmos.com).

## Recent Trans Cosmos USA Investments

- **Acadio** *Seattle*  
Online site for professional education  
*Size of round:* \$3 million (November 1999)  
*Co-investors:* Founder Steven Sperry and individuals
- **AtomFilms** *Seattle*  
Focused on creating mass market for short films, animations and digital media  
*Size of round:* \$20 million (December 1999)  
*Co-investors:* Chase Capital Entertainment Partners, Chase Capital Partners, Arts Alliance, Intel Corp.
- **Riffage.com** *Los Angeles*  
Web site showcasing unsigned bands  
*Size of round:* \$21 million (December 1999)  
*Co-investors:* America Online Inc.; BMG, Bertelsmann Ventures; Mayfield Fund
- **Total Sports Inc.** *Raleigh, N.C.*  
Online provider of sports coverage  
*Size of round:* \$35.5 million (November 1999)  
*Co-investors:* Technology Crossover Ventures; Zilkha Capital Partners; EGL Holdings; Sycamore Venture; Access Technology; WinStar New Media; InterBrew/Labatt; Asdale Ltd.

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# Corporate Venturing Deals

## ■ ADC Telecommunications Inc.

The Minnetonka, Minn., supplier of communication systems and supplies invests in **Ensemble Communications Inc.**, San Diego. (See item under *Digital Microwave Corp.* for details.)

## ■ Adobe Systems Inc.

The San Jose software company, through its venture arm **Adobe Ventures**, makes new investments in:

■ **Cascade Systems Inc.**, Acton, Mass., which provides electronic merchandising services enabling business to create targeted advertising campaigns. **Tudor Investment**, San Francisco, leads the \$12 million round, with participation from **H&Q Venture Associates LLC**, San Francisco.

■ **Covalent Technologies Inc.**, Lincoln, Neb., which provides Apache Web server e-commerce solutions. Other investors in the \$5 million first-round financing are **H&Q Venture Associates LLC** and **TI Ventures**, both of San Francisco.

■ **Virage Inc.**, San Mateo, Calif. (See item under *Reuters Group plc* for details.)

## ■ America Online Inc.

The Dulles, Va., Internet company adds three companies to its corporate venture capital portfolio:

■ **Bolt Inc.**, New York, which operates an online site for teens ([www.bolt.com](http://www.bolt.com)). Bolt raises more than \$40 million in the round, and immediately files to go public. Other investors include **Comcast Interactive Capital Group**, Philadelphia; **Ford Motor Co.**, Dearborn, Mich.; **Entercom Communications Corp.**, Bala Cynwyd, Penn.; **Bechtel Enterprises**, San Francisco; **Highland Capital Partners**, Boston; **Oak Investment Partners**, Westport, Conn.; and **Moore Capital**, **Sandler Capital Management** and **Time Warner Inc.**, all of New York.

■ **Loudeye Technologies Inc.**, Seattle, which is developing digital media applications. The company raises \$48 million, and then files to go public. Also investing in the round are **Barksdale Group**, Menlo Park; **Creative Artist Associates**, Los Angeles; **Intel Corp.**, Santa Clara, Calif.; **Encompass Group** and **Olympic Venture Partners**, both of Kirkland, Wash.; entities affiliated with **Hambrecht & Quist** and **Robertson Stephens**, both of San Francisco; and **RRE Venture Partners**, **CBS Corp.**, **NBC Corp.**, **Wasserstein Adelson Ventures**, **Allen & Co.** and **Waterview Partners**, all of New York.

■ **Riffage.com Inc.**, Los Angeles, which operates a Web site showcasing unsigned bands. Others

investing in the \$21 million round include **Bertelsmann Ventures**, Santa Barbara, Calif.; **Mayfield Fund**, Menlo Park; **Trans Cosmos USA**, Kirkland, Wash.; and **BMG Entertainment**, New York.

## ■ American Express Co.

The New York financial services company adds two companies to its portfolio:

■ **Paytrust.com Inc.**, Princeton, N.J., which provides an online service for receiving and paying bills. Joining Amex in the \$30 million round are **Softbank Venture Capital**, San Jose; **GE Equity**, Stamford, Conn.; **Goldman Sachs Group Inc.**, New York; and **Thomas Weisel Partners**, San Francisco.

■ **Tradex Technologies Inc.**, Atlanta. (See item under *Chemdex Corp.* for details.)

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# Corporate Deals *Continued*

## ■ American International Group

The New York insurance company invests in **Financial Engines Inc.**, Palo Alto, Calif. (See item under *E\*Trade Group Inc.* for details.)

## ■ BMG Entertainment

The New York record company, which is owned by **Bertelsmann AG**, invests in **Riffage.com Inc.**, Los Angeles. (See item under *America Online* for details.)

## ■ Bechtel Group

Through its financing arm, Bechtel Enterprises Holdings Inc., the San Francisco engineering company invests in:

- **Bolt Inc.**, New York. (See item under *America Online Inc.* for details.)

- **iAsiaWorks**, San Mateo, Calif., which is working to provide Internet solutions in Asia. The \$85 million round also includes **Enterprise Partners**, San Diego; **Institutional Venture Partners**, Menlo Park; **Samsung Corp.**, Seoul, Korea; **BT/Alex Brown** and **New Enterprise Associates**, both of Baltimore; **Newbridge Asia**, **Walden Group of Funds** and **Hambrecht & Quist LLC**, all of San Francisco; and **Sprout Group**, **Salomon Brothers** and **Morgan Stanley Dean Witter Venture Partners**, all of New York.

## ■ Bertelsmann AG

Through **Bertelsmann Ventures**, its venture arm, the German publishing and music company provides financing for:

- **Expertcity.com Inc.**, Santa Barbara, Calif. (See item under *Sun Microsystems Inc.* for details.)

- **Riffage.com Inc.**, Los Angeles. (See item under *America Online Inc.* for details.)

## ■ CBS Corp.

The New York broadcasting company adds the following companies to its portfolio:

- **Loudeye Technologies Inc.**, Seattle. (See item under *America Online Inc.* for details.)

- **MVP.com Inc.**, Chicago, which sells sporting goods online. CBS receives a stake of undisclosed size in exchange for providing \$85 million in advertising time and other considerations over the next four years. (**SportsLine.com Inc.**, Ft. Lauderdale, Fla., also strikes an equity-for-marketing exchange.) Joining CBS are **Benchmark Capital**, Menlo Park, and **Freeman Spogli & Co.**, Los Angeles, which invest \$65 million in MVP.com.

## ■ CNET Inc.

The San Francisco computer information company adds three holdings to its portfolio:

- **FloNetwork Inc.**, Greenwich, Conn., which raises \$15 million from a group that includes **Sycamore Ventures**, Lawrenceville, N.J.; **Ontario Teachers Pension Fund**, North York, Ontario; **Bank of Montreal Capital Corp.**, Montreal; **McLean Watson Capital Inc.**, Toronto; and **Ventures West Management Inc.**, Vancouver, British Columbia. FloNetwork, formerly known as Media Synergy, provides e-mail marketing and delivery services.

- **Multitude Inc.**, South San Francisco, Calif., which is developing products for delivering voice communication over the Internet. Investors in the \$35 million financing include **VantagePoint Venture Partners**, San Bruno, Calif.; **Amerindo Investment Advisors**, San Francisco; **Essex Investment Management**, Boston; and **iTurf Inc.** and **J&W Seligman**, New York.

- **Niku Corp.**, Redwood City, Calif., which provides software and business portals that enable businesses to manage and deliver professional services using the Internet. CNET contributes \$5 million to a \$40 million round in a group that includes **Amerindo Investment Advisors Inc.**, San Francisco; **Charter Growth Capital**, Palo Alto; **Essex Investment Management**, Boston; **TATA Consulting**, India; **J.H. Whitney & Co.**, Stamford, Conn.; and **Venrock Associates**, New York.

## ■ Chemdex Corp.

The Mountain View, Calif., company, which sells laboratory supplies online, invests \$10 million in **Tradex Technologies Inc.**, Atlanta. Tradex, set to be acquired by publicly traded Ariba Inc., provides a platform for buyers and sellers to exchange goods, services and information in online trading communities. Other investors in the \$60 million financing are **American Express Co.**, New York; **Electronic Data Systems Corp.**, Plano, Texas; and **J.D. Edwards & Co.**, Denver.

## ■ Cisco Systems Inc.

The San Jose networking company invests in the following companies:

- **Asera Inc.**, Redwood City, Calif., which develops targeted internal corporate Web sites. Leading the \$47.4 million financing is **Bowman Capital Management**, San Mateo, Calif. Other investors include **Intel Corp.**, Santa Clara, Calif.; **General Electric Capital Services**, Stamford, Conn.; **Hambrecht & Quist LLC**, San Francisco; **Crescendo Venture Management**, Minneapolis; **Itochu Corp.**, Tokyo; and **Kleiner, Perkins, Caufield & Byers** and **Integral Capital Partners**, both of Menlo Park.

■ **Belle Systems A/S**, Holbaek, Denmark, which produces software for advanced information processing management systems. Cisco is a return investor in the \$36 million round, which is led by **General Atlantic Partners**, Greenwich, Conn. Other investors include **Index Ventures**, Geneva, Switzerland, and **Vertex Management Inc.**, Redwood City, Calif.

■ **Enterprise Networking Systems Inc.**, Redwood City, Calif., which provides network consulting and professional services. Cisco leads the \$90 million round, which includes participation from returning investors **Benchmark Capital** and **Trinity Ventures**, both of Menlo Park.

### ■ **Columbia/HCA Healthcare Corp.**

The Nashville, Tenn., owner and operator of hospitals commits up to \$40 million to **empactHealth.com Inc.**, also of Nashville. Using the Internet to link health care providers and suppliers, empactHealth.com aims to lower purchasing costs for health care companies.

### ■ **Comcast Corp.**

The Philadelphia operator of broadband cable networks invests through its Comcast Interactive Capital Group in:

■ **Bolt Inc.**, New York (See item under *America Online Inc.* for details.)

■ **PlanSoft Corp.**, Cleveland, an Internet-based business-to-business solution provider for the meeting and convention industry. Comcast Interactive co-leads the \$24 million round with **Cornerstone Equity Investors**, New York. Other investors are **Patricof & Co. Ventures Inc.** and **Wasserstein Adelson Ventures**, both of New York; **IDG Ventures**, San Francisco; **Key Mezzanine Capital**, Cleveland; **Pacific Equity Partners**, M.H.M & Co. and **Primus Venture Partners**, all of Cleveland.

### ■ **Comdisco Inc.**

Through its venture arm, **Comdisco Ventures**, this Rosemont, Ill., provider of technology management provides equity financing for **Telocity Inc.**, Cupertino, Calif. (See item under *NBC Corp.* for details.)

### ■ **Digital Microwave Corp.**

The San Jose supplier of radio equipment leads a \$25 million round for **Ensemble Communications Inc.**, San Diego, which supplies next-generation broadband wireless access equipment. Others investing include **Intel Corp.**, Santa Clara, Calif.; **Korea Telecom Bank Venture Capital**; **Enterprise Partners**, San Diego; **ADC Telecommunications Inc.**, Minnetonka, Minn.; **Crescendo Ventures**, Minneapolis; and **Trinity Ventures** and **Institutional Venture Partners**, both of Menlo Park.

### ■ **E.I. Dupont De Nemours & Co.**

The Wilmington, Del., science company participates in a \$66 million financing of **E-Steel Corp.**, which operates an online business-to-business exchange for the metals industry. **Goldman Sachs Group Inc.**, New York, leads the financing. Other investors include **Bessemer Venture Partners**, Wellesley Hills, Mass.; **Kleiner, Perkins, Caufield & Byers**, Menlo Park; **Greylock Management Corp.**, Boston; **Vulcan Ventures**, Bellevue, Wash.; **GE Equity**, Stamford, Conn.; **Amerindo Investment Advisors**, San Francisco; **Mitsubishi Corp.**, Tokyo; and **MSD Capital, Mitsui & Co. USA** and **Generation Partners**, all of New York.

### ■ **E\*Trade Group Inc.**

The Menlo Park, Calif., online personal finance company invests in:

■ **Financial Engines Inc.**, Palo Alto, Calif., which provides online investment advice for individual investors and Fortune 500 companies. **Oak Hill Partners**, New York, leads the \$85 million round. Other investors are **Intel Corp.**, Santa Clara, Calif.; **State Street Global Advisors**, Boston; **New Enterprise Associates**, Baltimore; **Foundation Capital**, Menlo Park; **Charter Venture Capital**, Palo Alto; **Thomas Weisel Partners** and **Hambrecht & Quist LLC**, both of San Francisco; and **American International Group Inc.**, **Chase Manhattan Corp.**, **Goldman Sachs Group Inc.** and **Merrill Lynch & Co.**, all of New York.

■ **LoanCity.com Inc.**, San Jose, an online source of residential mortgage loans. Joining in the \$38.4 million round are **Century Capital Management Inc.**, Boston; **InterWest Partners**, Menlo Park; **New Enterprise Associates**, Baltimore; **Robertson Stephens**, San Francisco; **Marsh & McLennan Capital Inc.**, Greenwich, Conn.; and **Insight Capital Partners** and **Morgan Stanley Dean Witter Equity Funding Inc.**, New York. Tom Bevilacqua, E\*Trade's executive vice president for corporate development, joins LoanCity's board.

### ■ **Electronic Arts Inc.**

The Redwood City, Calif., game developer makes a minority investment in **Bottle Rocket Inc.**, New York, which develops and distributes online interactive entertainment.

### ■ **Excite@Home Corp.**

The Redwood City, Calif., provider of Internet services invests in **Vstream Inc.**, Boulder, Colo. (See item under *General Electric Co.* for details.)

## Corporate Deals *Continued*

### ■ Ford Motor Co.

The Dearborn, Mich. auto maker invests in **Bolt Inc.**, New York. (See item under *America Online* for details.)

### ■ General Instrument Corp..

The Horsham, Pa., provider of broadband access solutions invests \$7 million in **Diva Inc.**, Los Angeles, which develops video-on-demand products for the cable television industry.

### ■ General Electric Co.

The Stamford, Conn., diversified service, technology and manufacturing company invests through its venture arm, **GE Equity**, in:

- **E-Steel Corp.**, New York. (See item under *E.I. DuPont de Nemours & Co.* for details.)

- **Evoke Software Corp.**, San Francisco, which provides data profiling and mapping services to reduce the time required for information technology projects. Other investors include **Axiom Venture Partners**, Hartford, Conn., and **Wheatley Partners** and **RRE Investors**, both of New York.

- **InfoLibria Inc.**, Waltham, Mass., which provides Internet content delivery and management systems. **Sandler Capital Management**, New York, leads the \$50 million equity financing. Others taking part in the financing include **Madison Dearborn Partners**, Chicago; **Boston Millennium Partners**, Boston; **Adams Capital Management Inc.**, Sewickley, Pa.; **TeleSoft Partners**, San Francisco; **NTT Communications Corp.**, Tokyo; **PSINet Inc.**, Herndon, Va.; and **Patricof & Co. Ventures Inc.** and **CIBC Capital Partners**, both of New York.

- **Paytrust.com**, Princeton, N.J. (See item under *American Express Co.* for details.)

- **Pink Dot Inc.**, Camarillo, Calif. (See item under *St. Paul Companies Inc.* for details.)

- **Telocity Inc.**, Cupertino, Calif. (See item under *NBC Corp.* for details.)

- **Vstream**, Boulder, Colo., which provides communication services. Other investors in the \$100 million round include **Excite@Home Corp.**, Redwood City, Calif.; **Nexus Group LLC**, San Francisco; **Softbank Venture Capital**, San Jose; **Highland Capital Partners**, Boston; **Centennial Funds**, Denver; **Matsushita Electric Industrial Co. Ltd.**, Osaka, Japan; **Viventures Capital**, San Mateo, Calif.; and **Pequot Capital**, Westport, Conn.

### ■ Global Crossing Ltd.

Through its venture arm, **Global Crossing Ventures**, the Bermuda telecommunications company invests in **Sonus Networks Inc.**, Westford, Mass., which provides carrier-class packet telephony equipment and services. Other investors in the \$23 million round include **Williams Communications**, Tulsa, OK.; **Bedrock Ventures**, San Francisco; **Bessemer Venture Partners**, Wellesley Hills, Mass.; **Samsung Corp.**, Seoul, South Korea; **Mitsubishi Corp.** and **Nissho Electronics Corp.**, both of Tokyo; and **Charles River Ventures**, **Matrix Partners** and **North Bridge Venture Partners**, all of Waltham, Mass.

### ■ Hikari Tsushin Inc.

The Tokyo information and telecommunication service distributor invests in:

- **Medsite.com Inc.**, New York. (See item under *Reuters Group plc* for details.)

- **Global Sight Corp.**, San Jose, which provides e-commerce services. Others participating in the \$12.9 million round include **J.H. Whitney**, Stamford, Conn.; **Draper Fisher Jurvetson**, Redwood City, Calif.; and **3i Group plc**, London.

### ■ Inktomi Corp.

The Foster City, Calif., developer of Internet software invests \$6 million in **Digital Island Inc.**, San Francisco. (See item under *Sun Microsystems Inc.* for details.)

### ■ Itochu Corp.

The Tokyo manufacturer invests in **Asera Inc.**, Redwood City, Calif. (See item under *Cisco Systems Inc.* for details.)

### ■ Intel Corp.

The Santa Clara, Calif., semiconductor company has added the following companies to its portfolio:

- **Asera Inc.**, Redwood City, Calif. (See item under *Cisco Systems Inc.* for details.)

- **Colorado MicroDisplay Inc.**, Boulder, Co., which manufactures and supplies microdisplays. **3i Technology Partners**, Palo Alto, Calif., co-invests in the \$5 million financing.

- **Connected Corp.**, Framingham, Mass., which uses the Internet to deliver automatic repairs and recovery solutions to PCs. Investors in the \$23.5 million round are **Fidelity Ventures**, Boston; **Hambrecht & Quist LLC**, San Francisco; **Softbank Technology Ventures**, San Jose; **Baker Capital Corp.**, New York; and **Applied Technology**, Lexington, Mass.

- **CopperCom Inc.**, Santa Clara, Calif., which

is developing equipment to carry voice and high-speed data over DSL lines. CopperCom raises \$30 million from a group that includes **Technology Cross-over Ventures**, Palo Alto, Calif.; **Crescendo Ventures**, Minneapolis; **Hambrecht & Quist LLC**, San Francisco; **Advent International Corp.**, Boston; **Morgan Stanley Dean Witter Venture Partners**, C.E. Unterberg Tobin and **Patricof & Co. Ventures Inc.**, all of New York; and **JK&B Capital** and **Kettle Partners**, both of Chicago.

■ **Cronos Integrated Microsystems Inc.**, Research Triangle, N.C., which designs and fabricates so-called MEMS components. MEMS, which stands for micro-electro-mechanical systems, uses established semiconductor fabrication techniques to build mechanical structures on the surface of a microchip. **SpaceVest Management Group Inc.**, Reston, Va., leads the \$8 million round, which includes **Knickerbocker LLC**, Gladstone, N.J.

■ **Cyber India Online Ltd.**, Bangalore, India, which operates a Web site providing news and information for information technology professionals. The amount was not disclosed.

■ **Ensemble Communications Inc.**, San Diego. (See item under *Digital Microwave Corp.* for details.)

■ **Financial Engines Inc.**, Palo Alto, Calif. (See item under *E\*Trade Group Inc.* for details.)

■ **Giganet Inc.**, Concord, Mass., which develops and markets switching equipment that links servers and allows the capacity of server farms to be increased as needed. Investors in the \$19 million round include **Hambrecht & Quist Ventures**, San Francisco, **Merrill Lynch & Co.**, New York, and **Telesystem Software Ventures**, Montreal, Quebec.

■ **iPass Inc.**, Mountain View, Calif., which provides remote Internet access. iPass raised \$21 million from a group that includes **Crosspoint Venture Partners**, Woodside, Calif., and **Accel Partners** and **Meritech**, both of Palo Alto.

■ **Loudeye Technologies Inc.**, Seattle. (See item under *America Online Inc.* for details.)

■ **Microcosm Technologies Inc.**, Cary, N.C., which provides MEMS development solutions for automotive, telecommunication, biomedical and consumer electronic products. Financial terms were not disclosed.

■ **mySimon Inc.**, Santa Clara, Calif., which operates an e-commerce hub for comparison shopping. The e-Citi unit of **Citigroup** also invests in the round. The size of the financing was not disclosed.

■ **Orchestream**, London, which develops policy-based service management software.

■ **PacketVideo Corp.**, San Diego. (See item under *Reuters Group plc* for details.)

■ **STSN**, Salt Lake City, which provides high-speed technology and services for vertical markets. The company raised \$55 million in debt and equity

from a group that includes **APV Technology Partners**, Menlo Park; **VantagePoint Venture Partners**, Palo Alto; **Marriott International Inc.**, Washington, D.C.; and **Third Coast Capital** and **BankOne Corp.**, Chicago.

## ■ International Data Group

Through its venture arm, **IDG Ventures**, the Framingham, Mass., information company invests in **PlanSoft Corp.**, Cleveland. (See item under *Comcast Corp.* for details.)

## ■ ITurf Inc.

The New York provider of online sites for people aged 10 to 24 invests in **Multitude Inc.**, South San Francisco, Calif. (See item under *CNET* for details.)

## ■ J.D. Edwards & Co.

The Denver software company invests in **Tradex Technologies Inc.**, Atlanta. (See item under *Chemdex Corp.* for details.)

## ■ Kingston Technology Corp.

The Fountain Valley, Calif., manufacturer of memory products invests in **Amplify.net Inc.**, Fremont, Calif. (See item under *3Com Corp.* for details.)

## ■ LVMH Moët Hennessy Louis Vuitton

The Paris seller of luxury goods teams up with **Europ@web**, also of Paris, to put \$122 million into **Oxygen Media Inc.**, New York, which is developing brand content for women on the Internet and cable television. Europ@web was established by Group Arnault, the private holding company that controls LVMH.

## ■ Mapinfo Corp.

The Troy, N.Y., provider of business intelligence solutions invests in **NearMe**, also of Troy, N.Y., which uses MapInfo technology to help consumers find goods, services and events near them.

## ■ Marriott International Inc.

The Washington, D.C., hospitality company takes part in the funding of **STSN**, Salt Lake City. (See item under *Intel Corp.* for details.)

## ■ Microsoft Corp.

The Redmond, Wash., software company invests in **Loudeye Technologies Inc.**, Seattle. (See item under *America Online Inc.* for details.)

## Corporate Deals *Continued*

### ■ Mitsubishi Corp.

The Tokyo trading company invests in:

- **E-steel Corp.**, New York. (See item under *DuPont* for details.)

- **Kinzan.com**, Carlsbad, Calif., which provides e-commerce services for deploying and managing very large networks of Web sites. The \$15.5 million, mezzanine round is led by **Menlo Ventures**, Menlo Park, and includes participation from **Vital Processing Services**, Tempe, Ariz.; **Pulsar Internacional** group of companies, Mexico; and **ARES International**, Taiwan.

- **Sonus Networks Inc.**, Westford, Mass. (See item under *Global Crossing Ltd.* for details.)

### ■ Mitsui & Co.

The Tokyo trading company, through its U.S. affiliate, **Mitsui & Co. USA**, invests in **E-Steel Corp.**, New York. (See item under *DuPont* for details.)

### ■ NBC Corp.

The New York broadcasting company invests in:

- **Loudeye Technologies Inc.**, Seattle. (See item under *America Online Inc.* for details.)

- **Telocity Inc.**, Cupertino, Calif., which provides high-velocity broadband Internet services for residential markets. The company raises \$127.5 million in a funding that includes **GE Equity**, Stamford, Conn.; **ValueVision International Inc.**, Eden Prairie, Minn.; **Bessemer Venture Partners**, Wellesley Hills, Mass.; **Comdisco Inc.**, Rosemont, Ill.; **Stanford University**, Stanford, Calif.; **August Capital** and **Mohr, Davidow Ventures**, both of Menlo Park; and **RRE Investors**, **Bessemer Holdings, L.P.** and **Soros Private Equity Partners LLC**, all of New York.

### ■ Nissho Electronics Corp.

The Tokyo technology company invests in **Sonus Networks Inc.**, Westford, Mass. (See item under *Global Crossing Ltd.* for details.)

### ■ Nokia Corp.

The Finnish mobile communication company through its venture arm, **Nokia Ventures**, invests in:

- **Informative Inc.**, South San Francisco, Calif. which provides online information services. The size of the financing is not disclosed.

- **NetSanity Inc.**, Redwood City, Calif., which creates software to deliver, notify and manage Web-

based information. Peter Buhl, a partner with Nokia Ventures, joins NetSanity's board.

### ■ NTT Communications Corp.

The Tokyo phone carrier invests in **InfoLibria Inc.**, Waltham, Mass. (See item under *General Electric Co.* for details.)

### ■ Office Depot Inc.

The Delray Beach, Fla., office product retailer participates in the \$32 million financing of **DigitalWork.com Inc.**, Chicago, an online agency geared toward assisting the small office/home office market. **Attractor Investment Management**, Burlingame, Calif., leads the round. Other investors include **Draper Fisher Jurvetson**, Redwood City, Calif.; **TL Ventures**, Wayne, Pa.; **Information Technology Ventures**, Menlo Park; **Mail Boxes Etc.**, San Diego; **PurchasePro.com Inc.**, Las Vegas; and **Reckson Service Industries**, New York.

### ■ Pacific Century Cyberworks

The Hong Kong provider of broadband Internet services invests in **NetCel360 Ltd.**, Hong Kong. (See item under *United Parcel Service of America Inc.* for details.)

### ■ PSINet Inc.

The Herndon, Va., provider of Internet access invests in **InfoLibria Inc.**, Waltham, Mass. (See item under *General Electric Co.* for details.)

### ■ Purchasepro.Com Inc.

The Las Vegas provider of business-to-business e-commerce services participates in the financing of **DigitalWork.com Inc.**, Chicago. (See item under *Office Depot Inc.* for details.)

### ■ Qualcomm Inc.

The San Diego developer of products for wireless systems invests in **PacketVideo**, San Diego. (See item under *Reuters Group plc* for details.)

### ■ Reckson Service Industries

The New York business service provider invests in **DigitalWorks.com Inc.**, Chicago. (See item under *Office Depot Inc.* for details.)

### ■ Reuters Group plc

Through its venture arm, **Reuters Greenhouse Fund**, the London-based provider of information invests in:

- **Medsite.com Inc.**, New York, which sell medi-

cal books, journals and supplies, as well as provides medical news and physician credentialing. Other investors in the \$55.7 million round include **Goldman Sachs Group Inc.**; **Morgan Stanley Dean Witter Venture Partners**; **Chase Capital Partners** and **Weiss, Peck & Greer LLC**, all of New York; **Bain Capital Inc.**, Boston; **Tenet Healthcare Corp.**, Santa Barbara, Calif.; and **Hikari Tsushin Inc.**, Tokyo.

■ **PacketVideo Corp.**, San Diego, which develops wireless multimedia software and services for multiple applications. Other investors in the \$21 million round are **Credit Suisse First Boston** and **Sony Corp. of America**, both of New York; **Intel Corp.** and **Siemens Mustang Ventures**, both of Santa Clara, Calif.; **Nexus Group LLC**, San Francisco; and **Qualcomm Inc.**, San Diego.

■ **Virage Inc.**, San Mateo, Calif., which has developed an Internet video search engine. Reuters leads the \$20 million round, which includes **Weston Presidio Capital**, Boston; **Adobe Ventures**, San Francisco; **Neocarta Ventures**, Cambridge, Mass.; **Media Technology Ventures**, Los Altos, Calif.; and **Sutter Hill Ventures** and **Trinity Ventures**, both of Menlo Park.

## ■ SAP AG

Through **SAP Ventures**, the Walldorf, Germany, software company makes equity investments in:

■ **BlindGift.com Inc.**, San Francisco, an online gift service. The round totals \$2.5 million.

■ **iD2 Technologies**, Stockholm, Sweden, which develops and sells products to increase security on the Internet.

■ **Sequencia Corp.**, Phoenix, which develops automation and integration solutions for manufacturers.

## ■ Samsung Corp.

The Seoul, South Korea, electronics conglomerate takes stakes in:

■ **iAsiaWorks**, San Mateo, Calif. (See item under *Bechtel Group* for details.)

■ **Sonus Networks Inc.**, Westford, Mass. (See item under *Global Crossing Ltd.* for details.)

## ■ Sara Lee Corp.

The Chicago manufacturer and marketer of consumer products takes part in a \$12 million round raised by **MadeToOrder.com Inc.**, Redwood City, Calif., an online source of logo merchandise. Other investors in the round are **Alloy Ventures**, Palo Alto, Calif., and **Alpine Technology Ventures**, Cupertino, Calif.

## ■ Siemens AG

Through its venture arm, **Siemens Mustang Ventures**, the German electronics company invests in

**PacketVideo Corp.**, San Diego. (See item under *Reuters Group plc* for details.)

## ■ Singapore Technologies Group

Through its venture arm, **Vertex Management Inc.**, the conglomerate invests in **Belle Systems A/S**, Holbaek, Denmark. (See item under *Cisco Systems Inc.* for details.)

## ■ Sony Corp. of America

The entertainment company invests in **PacketVideo Corp.**, San Diego. (See item under *Reuters Group plc* for details.)

## ■ St. Paul Companies Inc.

Through its venture arm, **St. Paul Venture Capital Inc.**, the Minneapolis insurer invests in:

■ **Adaytum Software**, Minneapolis, which supplies business planning applications. St. Paul Venture Capital leads the \$6.1 million round, with additional participation from **Hambrecht & Quist LLC**, San Francisco.

■ **OfficeClick.com Inc.**, Palo Alto, which has developed an online workcenter for office administrative professionals. Others participating in the \$30.5 million round are **Spectrum Equity Investors**, Palo Alto; **Forrest Binkley & Brown**, Newport Beach, Calif.; and **Doll Capital Management**, **InterWest Partners** and **Sigma Partners**, all of Menlo Park.

■ **Pink Dot Inc.**, Camarillo, Calif., which provides grocery and prepared food delivery service. Others involved in the \$20 million financing include **GE Equity**, Stamford, Conn.; **William Blair Capital Partners**, Chicago; **Graystone Venture Partners**, Northfield, Ill.; **Brand Equity Ventures**, Greenwich, Conn.; and **Corber Corp.**, Wayne, N.J.

## ■ Starbucks Coffee Co.

The Seattle coffee retailer takes a stake of undisclosed size in **Cooking.com Inc.**, Santa Monica, Calif., an online seller of cookware and specialty foods.

## ■ Sun Microsystems Inc.

The Palo Alto, Calif., technology company invests in:

■ **Digital Island Inc.**, a publicly traded, San Francisco-based provider of Internet hosting services. Sun invests \$20 million, while **Inktomi Corp.**, Foster City, Calif., puts in \$6 million.

■ **ExpertCity.com Inc.**, Santa Barbara, Calif., which has developed an online marketplace for expert-assisted help and learning. Sun co-leads the \$30 million financing with **ZDNet**, San Francisco. Other investors include **Bertelsmann Ventures**, Santa Barbara, Calif., and **Dawntreader, L.P.**, New York.

## Corporate Deals *Continued*

### ■ Tenet Healthcare Corp.

The Santa Barbara, Calif., hospital company invests in **Medsite.com Inc.**, New York. (See item under *Reuters Group plc* for details.)

### ■ Texas Instruments Inc.

The Dallas semiconductor company, through its venture arm, **TI Ventures**, invests in **Covalent Technologies Inc.**, Lincoln, Neb. (See item under *Adobe Systems Inc.* for details.)

### ■ 3com Corp.

The Santa Clara, Calif., networking company, through its venture arm, **3Com Ventures Inc.**, invests in:

■ **Amplify.net Inc.**, Fremont, Calif., which develops broadband access enabling services. Co-investors in the \$6.1 million round include **Wi-LAN Inc.**, Calgary, Alberta; **Kingston Technology Corp.**, Fountain Valley, Calif.; **Alpine Technology Ventures**, Cupertino, Calif.; and **Aspen Ventures**, Los Altos, Calif.

■ **Coactive Networks Inc.**, Sausalito, Calif., which connects open control systems to Internet technologies. Other investors in the \$14 million financing are **Chase Capital Partners**, New York; **Charter Venture Capital**, Palo Alto, Calif.; and **Techfarm**, Mountain View, Calif. Janice Roberts, senior vice president of business development at 3Com and president of 3Com Ventures, joins Coactive's board.

### ■ Time Warner Inc.

The New York cable TV operator and publisher invests in **Bolt Inc.** (See item under *America Online Inc.* for details.)

### ■ United Parcel Service of America Inc.

Through its **Strategic Enterprise Fund**, the Atlanta package delivery company takes an equity position in **NetCel360 Ltd.**, Hong Kong, which provides Internet-based e-commerce outsourcing solutions. Pacific Century CyberWorks Ltd., Hong Kong, also invests.

### ■ U.S. Office Products Co.

The Washington, D.C., seller of office and educational products invests, through subsidiary Mail Boxes Etc., in **DigitalWork.com Inc.**, Chicago. (See item under *Office Depot Inc.* for details.)

### ■ Valuevision International Inc.

The Eden Prairie, Minn., operator of a home shopping network invests in **Telocity Inc.**, Cupertino, Calif. (See item under *NBC Corp.* for details.)

### ■ Williams Communications

The Tulsa, Okla., telecommunications company invests in **Sonus Networks Inc.**, Westford, Mass. (See item under *Global Crossing Ltd.* for details.)

### ■ Wi-LAN Inc.

The Calgary, Alberta, developer of wireless networking technologies invests in **Amplify.net Inc.**, Fremont, Calif. (See item under *3Com Corp.* for details.)

### ■ ZDNet

The San Francisco provider of technology information to online users co-leads a \$30 million round for **ExpertCity.com Inc.**, Santa Barbara. (See item under *Sun Microsystems Inc.* for details.)

## XL Ventures to Stay Active After Big Flower Buyout

**Big Flower Holdings Inc.**, the New York advertising and marketing company, may no longer be publicly traded, but its venture subsidiary, **XL Ventures**, will remain in full bloom.

Big Flower, formerly traded on the New York Stock Exchange, was taken private in December in a \$1.9 billion acquisition by its chairman, R. Theodore Ammon, and buyout firms Thomas H. Lee Co., Boston, and Evercore Partners L.P., New York.

The three parties will seek to "aggressively grow" all aspects of the company's business, including XL Ventures, said Anthony J. DiNovi, a managing director with Thomas H. Lee Co.

However, Mr. DiNovi said, XL now will get its capital from the new shareholders, rather than from Big Flower, to eliminate the impact on cash flow.

Since its formation in 1998, XL Ventures has invested approximately \$40 million in companies that use the Internet to provide advertising, marketing and business-to-business services.

XL invests at all stages, and uses its parent's company expertise to help portfolio companies with advertising and marketing issues.

Reach XL Ventures Managing Director Kristopher A. Wood at (212) 521-1600.

## Investors Flock to Equinix

*Continued from page 1*

Michael Malaga, chairman and CEO of **NorthPoint Communications Inc.**, a San Francisco local exchange carrier that invested in the latest round.

Indeed, it is still common for Internet users to suffer long waits as information winds its way to their computers from servers thousands of miles away. Along the route—both coming and going—the data passes through dozens of so-called network access points, which are key connection points that often turn into bottlenecks.

By allowing Internet companies to cluster their servers and data at points closer to end-users, Equinix intends to speed the flow of data. But such an effort takes money and connections—two things that corporations possess in abundance.

“We wanted to form partnerships around the world that would catapult our business,” says Albert M. Avery IV, Equinix’s CEO and president.

### Capital and Connections

The other corporate investors in the round included **Artemis S.A.**, a French holding company that, among other things, owns auction house Christie’s International plc; **E\*Trade Group Inc.**, Menlo Park; **Enron Corp.**, the Houston energy and communications company; **News Corp.**, Sydney, Australia; **Pacific Century CyberWorks Ltd.**, a Hong Kong-based Internet company; and **Reuters Group plc**, London.

“The company did a superb job of getting out in front of the corporate investors and making their value proposition and name known,” says Tom Bevilacqua, E\*Trade’s executive vice president for corporate development.

Also participating in the financing were Marc Andreessen, the co-founder of Netscape Communications Corp., which is now part of America Online; **Carlyle Group**, the Washington, D.C., private equity firm; **Benchmark Capital**, the Menlo Park venture firm; and **Temasek Holdings**, a Singapore institutional investor.

### ‘Neutral’ Meeting Place

According to Cambridge, Mass.-based **Forrester Research**, revenue from Internet-related hosting and co-location services will jump to an estimated \$14.7 billion by 2003 from \$875 million in 1998. And, while Equinix is not the only company building such centers, it does have an edge over telecommunication carriers and Internet service providers in that it is providing a “neutral” meeting place.

“For content or service providers such as ourselves, they allow us to connect to the Internet in such a way that it minimizes or eliminates the number of

road blocks that could otherwise restrict our ability to rapidly address our customer needs,” says E\*Trade’s Mr. Bevilacqua.

“In terms of our goals for speed and reliability, they are aligned with us from a philosophical standpoint,” he says. “And from a financial standpoint, they are already being well received, so it made enormous sense” for E\*Trade to invest.

A second plus was that the company’s founders—Mr. Avery and Jay S. Adelson—were responsible for designing, building and operating the Palo Alto Internet Exchange, which quickly became an active Internet traffic exchange point.

All told, Equinix now has raised \$315 million since its founding in June 1998, making it one of the most heavily financed Internet infrastructure companies ever.

### Additional Capital Needed

According to documents filed with the Securities and Exchange Commission, Equinix expects to be able to build a total of eight Internet Business Exchanges with the capital it has raised so far. However, it expects to need another \$750 million over the next four years to carry out its plan of building 30 exchanges.

The company currently has two exchanges, one in Ashburn, Va., near Washington, D.C., and another in Newark, N.J. By April, it intends to open exchanges in San Jose and Los Angeles.

Equinix will generate revenue by leasing cabinet space and by making direct interconnections between customers. In addition, the company intends to offer a variety of services, including equipment installation and maintenance.

## Times Mirror Becomes LP In Fund of Former Team

**Times Mirror Co.**’s direct-investment team has left the Los Angeles publishing giant to manage a \$550 million independent private equity fund backed by Times Mirror and the **Chandler Trusts**.

The Chandler Trusts are the biggest shareholders in Times Mirror, which publishes the Los Angeles Times, the Baltimore Sun and other newspapers.

TMCT is managed by **Rustic Canyon Group**, also of Los Angeles. The managing general partner is Tom Unterman, who until last month was Times Mirror’s chief financial officer.

TMCT intends to make investments of \$3 million to \$10 million in information technology and business services companies related to telecommunications, IT infrastructure and the Internet in Southern California.

Reach TMCT at (213) 237-3881.

# Venture Holdings Can Boost Valuations

Continued from page 1

their share-price estimates. But that might be about to change. A growing number of corporations hold venture portfolios with potentially eye-popping valuations. And more and more of them are considering ways to call those holdings to Wall Street's attention. Consider the following:

- **Comdisco Inc.**, the Rosemont, Ill., provider of technology services, plans to create a so-called "tracking stock" for its venture capital unit, **Comdisco Ventures**.

- **CBS Corp.**, the New York broadcasting company, has discussed setting up a separate, publicly traded company that would include its Internet assets, including its direct investments. (See story on page 6.)

- **Tredegar Corp.**, the Richmond, Va., manufacturer, is evaluating the spin-off of two of its business units and its venture arm, Tredegar Investments, into an independent company.

- **Apple Computer Inc.**, Cupertino, Calif., holds a stake worth nearly \$1 billion in newly public **Akamai Technology Inc.**, Cambridge, Mass. Apple, which posted net income of \$601 million on revenue of \$6.1 billion in its last fiscal year, paid \$15 million for the Akamai stake.

- **Advanced Digital Information Corp.**, a Redmond, Wash., developer of networking products, owns a stake in publicly traded **Crossroads Systems Inc.** valued at nearly \$200 million. ADIC, which paid

\$4.1 million for the stake in the Austin, Texas, provider of networking routers, itself earned just \$15 million on revenue of \$223 million in the fiscal year ended last October.

Corporate executives, with some justification, see a precedent for trying to unlock the value of their venture holdings in publicly traded venture capital companies like CMGI Inc. and Internet Capital Group Inc. The shares of those companies have soared as stock market investors conclude they offer a novel way to play the venture capital market, from which they normally are excluded.

"Two things are converging," says Steve M. Johnson, president of Seattle-based Tredegar Investments. "The first is that there are a lot of [corporations investing]. And, if you do it long enough, there is value" in the portfolio.

"The other thing," Mr. Johnson says, "is that there are individual investors who can't play effectively in the institutional venture arena, but who are interested in venture capital."

## Twin Benefits

As a result, he says, corporations can benefit from their venture investments not just strategically, but financially as well. The key, he says, is that they "must communicate effectively what they are doing."

That is clearly Comdisco's goal in moving to establish a tracking stock for Comdisco Ventures. Formed in 1987, the venture subsidiary has committed over \$1.7 billion to nearly 700 young companies.

Last year alone, Comdisco Ventures generated \$71 million in pre-tax earnings and \$229 million in revenue. At year-end, the publicly traded securities in Comdisco Ventures' portfolio were worth more than \$400 million.

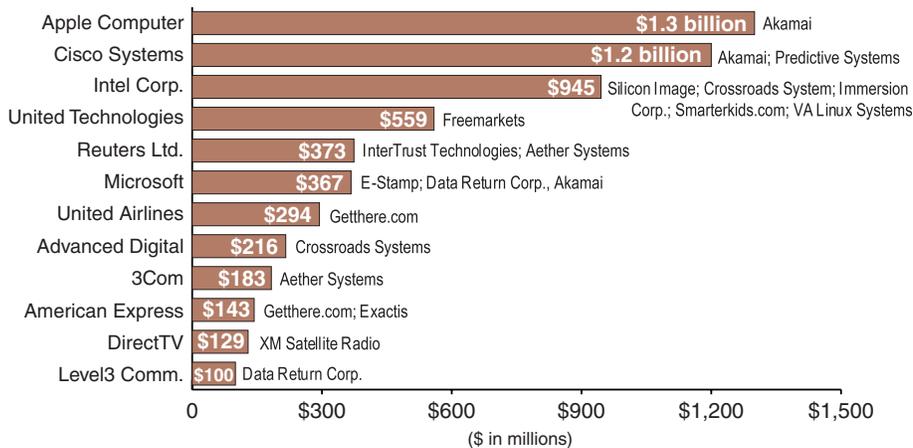
"We didn't think Wall Street or the investing world was identifying the value of the venture division in the stock price of Comdisco," says James P. Labe, a managing director with Comdisco Ventures. "This seemed to be a great way to unlock that value."

Analysts who follow Comdisco endorse the tracking stock idea. "It's the right move," says Mark C. Jordan, a vice president at A.G. Edwards & Co. "There is tremendous value there."

The tracking stock IPO process will be "educational" for analysts, Mr. Jordan says, because it will help them understand the value in the portfolio.

The process is likely to be educa-

## Value Generated by Corporations Through 4th Quarter IPOs



Based on value of shares held by corporations minus original equity investment. Calculated using SEC filings and share price of company as of 12/31/99. Does not include stakes that corporations acquired through spinoffs or transfers of technology or assets.

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tional as well for other corporations, some of which may choose to follow Comdisco's lead.

## Others Follow Lead

Already, **Creative Technology Ltd.**, a Singapore multimedia firm, is considering a separate listing for its venture capital firm, according to published statements by Chairman Sim Wong Hoo. Creative, which allocated \$100 million to its venture unit in 1999, has scored big with an investment in MediaRing.com Inc.

Likewise, **Trans Cosmos Inc.**, a Tokyo information system consulting firm, is giving thought to a tracking stock for its venture capital unit, says Steve Clemons, a managing director of TransCosmos USA Inc. in Bellevue, Wash.

One company that probably could issue a tracking stock for its venture holdings quite successfully is **Intel Corp.**, Santa Clara, Calif.

Last year alone, the semiconductor producer made more than \$1 billion in venture investments. At year's end, Intel's 350-company venture portfolio had a value of \$8 billion. Intel recognized \$327 million in gains on the sale of securities in the fourth quarter, when it reported record revenue of \$8.1 billion.

Yet, spokesman Robert Manetta says Intel has "no current plans" to set up a tracking stock for its venture activity. "We aren't looking for financial returns," Mr. Manetta says. "Our key goals are to be a strategic investor, and to make investments in a lot of different areas."

Indeed, the long-held view of Wall Street is that the strategic value realized from corporate venturing is far more important than any financial gains. Additionally, analysts consider such gains as meaningless until they are realized. And then, they are considered non-recurring items.

However, tracking stocks are not the only tools corporations are considering to unlock the value of their venture investments. Some companies, such as CBS and Tredegar, are evaluating whether to spin off their venture investments into entirely separate companies.

## Convincing the Skeptics

Tredegar's Mr. Johnson says the company is considering such a move because analysts, in examining the company's performance, all but ignore the venture portfolio.

"There is a 'show-me' mentality," he says. "They say, 'Prove to me you can generate liquidity. Prove you can do it on a regular basis.'"

Tredegar is seeking greater recognition for its venture holdings because many of the portfolio companies are nearing an IPO or trade sale.

Last year, Tredegar Investments committed about \$80 million to 18 companies.

To be sure, some corporations are seeking to gain

## Corporations with Multiple IPOs in Fourth Quarter

**AT&T Corp.:** E-Stamp Corp., Triton PCS Holdings Inc., Tritel Inc.

**America Online Inc.:** The Knot, E-Stamp Corp.

**American Express Co.:** GetThere.com Inc., Exactis.com Inc.

**Cisco Systems Inc.:** Akamai Technologies Inc., Predictive Systems Inc.

**Comdisco Inc.:** Be Free Inc., Virata Corp.

**Compaq Computer Corp.:** Data Return Corp., E-Stamp Corp.

**Dell Computer Corp.:** Calico Commerce Inc., NaviSite Inc., ZapMe! Corp.

**E\*Trade Group Inc.:** Official Payments Corp., PlanetRx.com Inc., WebVan Group Inc.

**Excite@Home Corp.:** E-Stamp Corp., Harris Interactive Inc., Tickets.com Inc.

**Intel Corp.:** Crossroads System Inc., FogDog Inc., Immersion Corp., Silicon Image Inc., Smarterkids.com Inc., VA Linux Systems Inc.

**MediaOne Group Inc.:** eCollege.com Inc., Women.com Networks Inc.

**Microsoft Corp.:** Akamai Technologies Inc., Data Return Corp., E-Stamp Corp., Expedia Inc., NaviSite Inc.

**Oracle Corp.:** C-Bridge Internet, Virata Corp.

**Reuters Ltd.:** Aether Systems Inc., InterTrust Technologies Corp.

**Singapore Technologies Inc.:** Chartered Semiconductor Manufacturing Inc., FogDog Inc., Gric Communications Inc., QuickLogic Corp.

**Yahoo! Inc.:** Deltathree.com Inc., WebVan Group Inc.

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credit for their venture holdings just by calling them to analysts' attention, usually in quarterly statements but also in conference calls.

## Akamai Polishes Apple

Apple did so in its last annual report, trumpeting its holdings in Akamai, which provides services for accelerating the delivery of Internet content. The holdings are particularly significant because they represent close to 10 percent of Apple's enterprise value, says Robert Chen, an analyst at ABN AMRO, San Francisco.

Likewise, analysts took note when Advanced Digital Information drew attention in its latest quarterly financial statements to its stake in Crossroads Systems.

The Crosspoint stake effectively boosts the value of Advanced Digital's stock by as much as 10 percent, says Bill Lewis, an analyst with Chase H&Q, San Francisco. The stock recently was trading at \$61.88, close to its 52-week high.

Mr. Lewis says he and other analysts will have to look more closely at the investment portfolios of the companies they cover.

"The reason to get into a company is for strategic benefits," he says. "But, if along the way, you can get something that adds \$200 million, that's not too bad."

*By David G. Barry*

# Corporate Venture Capital Soars

Continued from page 1

and **EMC Corp.**, Hopkinton, Mass. When the investment pools of all such companies are included, the total amount of money dedicated to new corporate venture capital programs last year is likely to approach or exceed \$10 billion.

Indeed, corporate venturing is no longer a novelty but a necessity, according to some observers.

"It is part of the ticket to the dance these days," says Samuel Schwartz, a managing director at **Comcast Interactive Capital Group**, the venture arm of **Comcast Corp.**, Philadelphia. "You need to continually understand product cycles and what's happening with the Internet. A lot of companies are realizing that it's a basic part of doing business."

In many respects, 1999 likely will be viewed as a watershed year for corporate venturing.

For starters, the sizes of new corporate venturing programs grew noticeably. Of the 28 corporations that disclosed their fund sizes last year, 19 were committing at least \$100 million. A year earlier, only five of the 13 announced programs had such heft.

Indeed, 1999 saw **Andersen Consulting** and **Electronic Data Systems Corp.** become the first corporations to announce they intend to invest at least \$1 billion in venture transactions. (See stories on pages 5 and 4.) **MCI WorldCom Ltd.**, Clinton, Miss., announced a \$500 million program—a big fund by any measure.

Two other new corporate venturing trends also emerged in 1999.

Rather than simply looking for technology access or similar strategic benefits, more corporations are using their venturing programs to promote their own services and products.

For example, both Andersen Consulting and EDS intend to invest in clients that use their systems integration consulting services. **Oracle Corp.**, Red-

wood Shores, Calif., formed a \$100 million venture fund to invest primarily in companies that use Oracle's software.

The second notable trend is that long-established corporate venture investors are seeking to leverage their expertise by raising capital from outside investors.

For example, **Intel Corp.**, Santa Clara, Calif., put \$50 million of its own capital into the \$250 million **Intel 64 Fund LLC**. Intel raised the balance from Dell; **Ford Motor Co.**, Dearborn, Mich.; **Compaq Computer Corp.**, Houston; **General Electric Co.**, Stamford, Conn., and other corporations.

This latter trend appears to be accelerating. This year, corporations that will court outside capital for their venture capital funds will include EDS; E\*Trade; **S.R. One Ltd.**, the venture arm of **Smith Kline Beecham Corp.**, and the venture arm of **Comdisco Inc.**

By David G. Barry

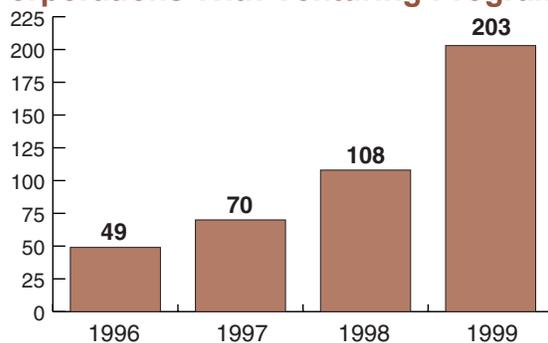
## Corporate Venturing Funds Formed in 1999

Corporation	Size (\$ millions)
Electronic Data Systems Corp.	\$1,500
Andersen Consulting	\$1,000
Time Warner Inc.	\$500
Intel Corp.	\$450*
Hikari Tsushin	\$332
News Corp.	\$300
ValueVision International	\$300
Comcast Corp.	\$250
PECO Energy Co.	\$225
Inktomi Corp.	\$200
Sun Microsystems Inc.	\$200
TransCosmos Inc.	\$150
Cambridge Technology Partners Inc.	\$100
Duchossois Enterprise Group	\$100
E*Trade Group Inc.	\$100
Global Crossing Ltd.	\$100
Oracle Corp.	\$100
Readers Digest Association	\$100
Rare Medium Group Inc.	\$87
Lycos Inc.	\$72
InfoSpace.com Inc.	\$30
Seagate Technology Inc.	\$25
Broadvision Inc.	\$10
Cognex Corp.	\$10
Freedom Communications Inc.	\$10
Venture Catalyst.com Inc.	\$10
Fujisawa Pharmaceutical Co.	\$5
<b>Total Announced:</b>	<b>\$6,259</b>

\* Includes \$250 million for Intel 64 Fund LLC and \$200 million for Intel Communications Fund, which are separately managed.

Source: *The Corporate Venturing Directory & Yearbook*

## Corporations With Venturing Programs



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