

DIGITAL



BRIDGES

The Internet: More Than a Tool for VC?

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Transparency and Hyper-Competition

- Industry transparency
 - Facilitates information flow
 - Communication between entrepreneurs and investors
 - Easier to conduct market research
 - Does little to help unqualified entrepreneurs
 - Auction environment created by strong entrepreneurs
- Hyper-competition
 - Artificial inflation of company valuation
 - Un-economical funding decisions result
 - Exacerbated by capital overhang (\$68 billion)

Transparency and Capital Friction

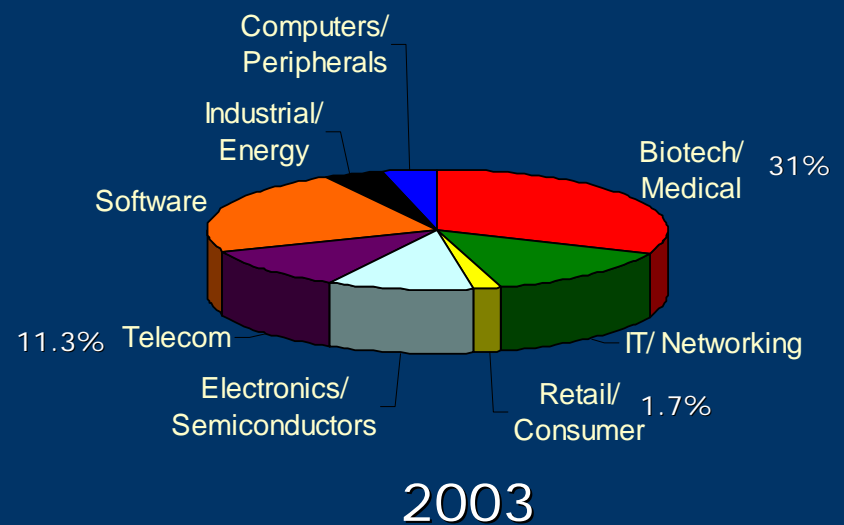
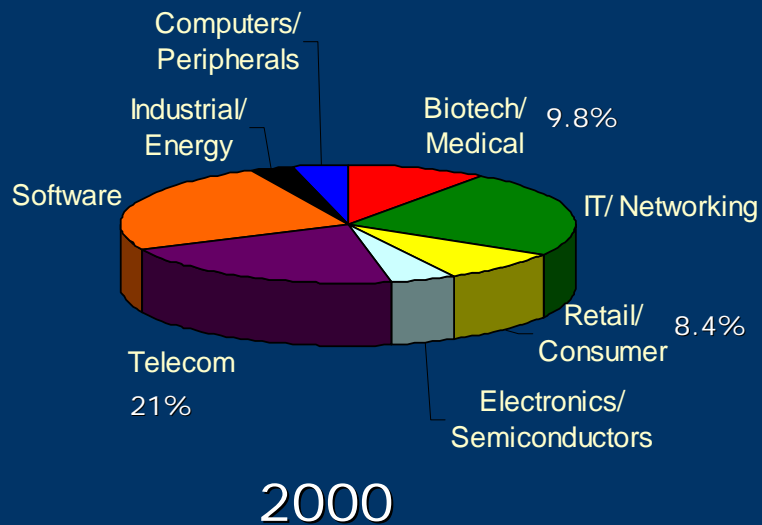
- Reduced capital friction
 - Timeframe of deals reduced
 - Easier to research entrepreneurs and potential competitors
- Raising the ‘bar’
 - Shift towards companies with highly credentialed management teams
 - Reconciling hyper-competition and the raised bar?
- Increased presence of second-tier funds
 - 973 total funds in 1994, grown to 1,842 in 2004
 - Has this hurt top firms ability to succeed

No Impact: Areas Unaffected by the Internet

- Unsolicited business plans
 - Most VCs delete unwanted business plans
- Geography
 - Preference for face-to-face interaction
- Response
 - Increase in the number of VCs
 - Village Ventures
 - Office in rural areas
 - Locating ‘diamond in the rough’

Industry Trends

- The relative funding of various industries has changed since the Bust; healthcare has seen a strong rise.



Our Panelists

- John Ward '87
 - Senior Partner, M/C Venture Partners
 - Focus in Telecom
- Jeffrey Schutz '74
 - Managing Partner, Centennial Ventures
 - Focus in Telecom
- Pieter Schiller '60
 - General Partner, Advanced Technology Venture
 - Focus in HealthCare