



Second Quarter 2000

Financial Report

June 2000



August 15, 2000

Dear Artemis Ventures Investors and Advisors:

Enclosed are the unaudited financials for the Artemis Ventures ("AV") Fund, LP for the second quarter of 2000.

AV Fund Statistics:

Since inception through 2Q00, AV has invested in 6 portfolio companies totaling \$8,749,417. This investment is currently valued at \$12,519,344. We have allocated \$5,743,975 for follow-on Series B investments (two are currently in process), \$4,000,000 for Series A and B investments in two additional companies (one is committed and one are currently in process), and \$5,000,000 for management fees over the life of the Fund. We expect that by 3Q00 the Fund will be fully committed.

In this time of venture fund write-downs, we are thrilled to report a sizeable increase in Fund value.

AV Investment Activity:

- In May, 2000 we invested \$1,000,000 in Clairvoyant Software's Series B. \$10 million was raised with a pre-money valuation of \$20 million. This represented a 4.76x valuation increase in the 12 months since Series A.
- In May, 2000 we did a \$100,000 bridge loan to Toolwire, which will convert to Series B.
- In June, 2000 we invested \$250,000 in a second close of Series C (A and B were angel financings) for Viewcentral ([www.viewcentral.com](http://www.viewcentral.com)). We opted to do a second closing on their financing when we saw the "stormy weather" of April. The company now has plenty of cash to last to their next financing.

AV Portfolio Company 2Q00 Highlights:

Again Technologies closed the largest sale in company history and rocked revenue numbers:

- Closed \$300k sale to Mitsubishi and continued quarter over quarter growth with \$500k revenue in Q2
- Promoted Ted Comfoltey, previously CFO, to COO, as the company gears up for rapid headcount and business growth
- Started build-up of sales with the hiring of the first sales rep – Max Davis in Atlanta

Clairvoyant Software recruited another key executive, started evaluations by high profile companies, and completed next release of product:

- Recruited Jasinder Gill, new VP Marketing –over 11 years of experience in marketing and engineering support systems for service provider and enterprise industry, including: Director Marketing, Inverse Networks, the leading provider of service level management and Internet measurement services for enterprises/service providers and Senior Product and Engineering Manager, CrossKeys Systems Corporation, a leading provider of network management products
- Initiated ForeCAST evaluations with leading service providers including Exodus and Sprin ForeCAST 2.0 released for general availability

ELetter continued quarterly doubling of revenue and customers and launched Corporate Network extranet service:

- Closed 2Q00 with over 1700 customers, \$863k revenue (exceeded forecast by \$38k)
- Progressed in strategic alliances with Pitney Bowes, Dell, Discover Card, Kinko's

- Launched the first ELetter Corporate Network customer, Re/Max, on June 28. The only way Re/Max's 56,000 agents can do online direct marketing is via the ELetter section of the Re/Max extranet.
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Toolwire signed key customers and partnerships and launched "powered by" business model:

- Signed strategic partnerships with HP and Sun, and several new customers including Alteon, Ciena, PictureTel, Cyras
- Signed deals to add additional key tools to the platform from Synopsys, Cadence, Mentor, Artesan
- Added the "powered by Toolwire" business model. Toolwire is now under contract to power the leading electronics design, distribution, media, training, CPC and OEM sites. Deals with Hello Brain (intellectual property exchange), Develop Online (Intel spin-off for electronics design), and more in the works.

View Central landed key accounts, exceeded revenue goals, staffed Sales team:

- Closed new customers including: Brio, Clarify, Pacific Gas & Electric, Peoplesoft, iBeam
- Closed Q2 with \$141k revenue (exceeded forecast by \$41k )
- Recruited Director of Channel Sales, Channel Sales Manager, Major Accounts Manager, Channel SE – channel sales are now ready to rock!

Voice Access hired 2 key executives, and moved 4 key accounts forward:

- Moved John Van Dyke, Chairman of the Board, to become CEO. John is a seasoned banking executive and highly successful angel investor. John owned and ran a chain of commercial banks in the Midwest that he sold to Norwest bank, is an active angel investors in infrastructure and e-commerce.
- Recruited Peter Olson as CTO. Peter was CTO/co-founder of: Octel Communications (sold to Lucent), Flycast (taken public then sold to CMGI), and Telocity (recently went public). We are thrilled to have both on board!
- Received verbal agreements and MOUs from Verizon, Alltel, Sprint, and Response Services. These deals represent over 70 million wireless and automotive subscribers.

#### AV Observations and Comments:

##### ***What exactly is Infrastructure?***

If you ask Robertson Stephens, it's nearly everything. The recent *Virtual Bricks 2: Internet Infrastructure* report names three broad layers of infrastructure: Access, Hosting, and Outsourced eCommerce Applications. The Access layer includes Local Connectivity, Long-Haul Transport, and Network Services Providers. The Hosting layer includes Shared or Dedicated Hosting, Complex Hosting Services Providers (e.g. Exodus), and Application Infrastructure Providers. The Outsourced eCommerce layer includes Application Service Providers, eCommerce (e.g. Content Delivery, Load Balancing, Community Management), and eMessaging (e.g. email, Collaboration, Voice Over IP, XML, Calendaring, Secure email). Our investments thus far fit into the Hosting and Outsourced eCommerce Applications layers.

##### ***AV Expanded Team***

Helen MacKenzie, member of our Advisory Board and former CFO of Softbank, has joined AV as our part-time CFO/COO (our fund is too small to require a full-time role). Helen is helping with Fund 1 as well as our strategy for Fund 2. As AV now has one Managing Director, we thought it might make everyone more comfortable knowing that in the event of my death or disability, Avram Miller, member of our Advisory Board and former Intel VC, has

Investor Letter  
August 15, 2000  
Page 3

agreed to manage the AV LLC (management company) and the portfolio. We are thrilled to have one of the top CFOs and one of the top VCs in the Valley on board at AV. Both Helen's and Avram's abbreviated bios can be found at [www.artemisventures.com/ourteam.html](http://www.artemisventures.com/ourteam.html).

We are currently recruiting an Associate or Principal (a senior Associate) and a Venture Partner. Our aim is to provide senior team members with a trial period before becoming full-fledged Partners. This trial period will give us an opportunity to ensure we have the right fit.

### ***Portfolio Company Resources***

We have created a password-protected section of our web site for portfolio company resources. This section includes a list of service providers and contacts for help with sales, marketing, business development, technology, recruiting, VC conferences, key members of the press, etc as well as board reporting tips, lists of VCs and their preferences, and details of our strategic alliances with Cisco, IBM, Microsoft and Sun. You may find it helpful too -- here is how to access it.

1. Go to <http://www.artemisventures.com/resources.html>. Click on the leaf in the upper left named "Portfolio Resources".
2. Enter username [investor] and password [avportfolio]. Simply enter the words without the brackets.
3. Drill down on the items listed -- more coming soon!

### Late Breaking News

Again Technologies just closed their Series B. Again achieved a 3.9x valuation increase in 15 months. Toolwire is in the final stages of closing their Series B. More news on this upon final closure. Congrats to both!

Thank you for your confidence and trust,



Christine Comaford

**Artemis Ventures Fund, L.P. (a California limited partnership)  
(a California limited partnership)**

**Statement of Net Assets**

**June 30, 2000**

**(Unaudited)**

**Assets**

Investments in securities, at fair value (cost \$8,749,455)	\$ 12,519,456
Cash and cash equivalents	12,763,843
Prepaid management fee	282,412
Prepaid insurance	<u>73,800</u>
Total assets	<u>\$ 25,639,511</u>

**Net Assets Represented by Partners' Capital**

Contributed capital	\$ 22,342,914
Syndication costs	(31,127)
Net investment loss	(92,763)
Retained earnings	(349,514)
Net unrealized appreciation on investments	<u>3,770,001</u>
Total partners' capital	<u>\$ 25,639,511</u>

**Artemis Ventures Fund, L.P. (a California limited partnership)**  
**Schedule of Portfolio Investments**  
**June 30, 2000**  
**(Unaudited)**

		Preferred Stock & Promissory Notes					Totals	
	Number of Shares	Price Per Share	Total Dollars Invested	Current Value	# of Months Between Fundings	% of Total Portfolio	Appreciation (Depreciation)	
<b>Again Technologies, Inc.:</b>								
11-May-99	Series A Preferred	\$ 0.5571	\$ 674,952	\$ 674,952			\$ -	
14-Nov-99	Convertible Promissory note at 5.57% matures May 19, 2000	\$	\$ 100,000	\$ 100,000			\$ -	
17-Dec-99	Convertible Promissory note at 5.57% matures June 17, 2000	\$	\$ 150,000	\$ 150,000			\$ -	
25-Jan-00	Convertible Promissory note at 5.57% matures July 25, 2000	\$	\$ 250,000	\$ 250,000			\$ -	
22-Feb-00	Convertible Promissory note at 5.57% matures August 22, 2000	\$	\$ 100,000	\$ 100,000		10%	\$ -	
<b>Clairvoyant Software, Inc.:</b>								
28-May-99	Series A Preferred	\$ 0.7500	\$ 850,000	\$ 2,164,666			\$ 1,314,666	
05-May-00	Series B Preferred	\$ 1.9100	\$ 1,000,000	\$ 1,000,000	12	25%	\$ -	
<b>ELetter:</b>								
03-May-99	Series A Preferred	\$ 0.5167	\$ 500,033	\$ 2,955,294			\$ 2,455,261	
01-Nov-99	Series B Preferred	\$ 3.0538	\$ 1,599,977	\$ 1,599,977	5	36%	\$ -	
<b>Toolwire, Inc.:</b>								
21-Sep-99	Series A Preferred	\$ 1.3330	\$ 599,850	\$ 599,850			\$ -	
25-May-00	Convertible Promissory note at 9.00% matures May 25, 2001	\$	\$ 100,000	\$ 100,000		6%	\$ -	
<b>ViewCentral:</b>								
28-Feb-00	Convertible Promissory note at 8.00 % matures April 28, 2000	\$	\$ 200,000	\$ -			\$ -	
06-Mar-00	Series C Preferred	\$ 0.8000	\$ 1,200,000	\$ 1,200,000			\$ -	
06-Mar-00	Conversion of Promissory Note to Series C dated Feb. 28th	\$ 0.8000	\$	\$ 200,000			\$ 200,000	
12-Jun-00	Series C Preferred - 2 <sup>nd</sup> Close	\$ 0.8000	\$ 250,000	\$ 250,000		13%	\$ -	

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Artemis Ventures Fund, L.P. (a California limited partnership)  
 Schedule of Portfolio Investments Continued  
 June 30, 2000  
 (Unaudited)

Voice Access Technologies, Inc.:									
28-Jan-00	Series A Preferred	958,862	\$ 1,2250	\$ 1,174,606	\$ 1,174,606		9%	\$	-
<b>Total Portfolio Investment</b>				\$ 8,749,417	\$ 12,519,344		100%	\$	3,969,927

143%

**Artemis Ventures Fund, L.P.**  
**(a California limited partnership)**  
**Statement of Operations**  
**For the six months ended June 30, 2000**  
**(Unaudited)**

Interest Income	\$ 231,560
Expenses	
Management fee	282,412
Organization costs	<u>41,911</u>
Total expenses	324,323
Net investment loss	(92,763)
Unrealized appreciation on investments	
Beginning of period	2,455,335
End of period	<u>3,770,001</u>
Net change in unrealized appreciation	<u>(1,314,666)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 1,221,903</u>



**Statement of Changes in Partner' Capital****For the period from March 12, 1999 (date of inception) to June 30, 2000**

(Unaudited)

	<b>General Partner</b>	<b>Limited Partner</b>	<b>Unrealized Appreciation</b>	<b>Total</b>
Capital contributions	\$225,929	\$22,116,985		\$22,342,914
Syndication costs	(315)	(30,813)		(31,127)
Net investment loss	(938)	(91,825)		(92,763)
Retained earnings	(3,534)	(345,980)		(349,514)
Net change in unrealized appreciation	<u>                    </u>	<u>                    </u>	<u>3,770,001</u>	<u>3,770,001</u>
Balances, June 30, 2000	<u>\$221,142</u>	<u>\$21,648,368</u>	<u>\$ 3,770,001</u>	<u>\$25,639,511</u>

**Artemis Ventures Fund, L.P.**  
**(a California limited partnership)**  
**Statement of Cash Flows**  
**For the six months ended June 30, 2000**  
(Unaudited)

**Cash flows from operating activities**

Net increase in net assets resulting from operations	\$ 1,221,903
Changes in assets and liabilities:	
Prepaid management fee	282,412
Accounts payable	<u>(22,846)</u>
Net cash used in operating activities	<u>1,481,469</u>

**Cash flows from investing activities**

Purchase of investments	<u>(5,339,271)</u>
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**Cash flows from financing activities**

Contributions from partners	<u>8,629,304</u>
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Net increase (decrease) in cash and cash equivalents 4,771,502

Cash and cash equivalents, beginning of period 163,169

Cash and cash equivalents, end of period \$ 4,934,671