



AV Fund I
Financial Report
For the Quarter Ending
December 31, 2002

February 28, 2003

Dear Artemis Ventures Fund I Limited Partners and Advisors:

Attached you will find Artemis Ventures ("AV") Fund, LP audited financials, your Schedule K-1 to file with your tax return, the capital account schedule, and summaries of our portfolio companies for the year ending December 31, 2002. We chose to delay our quarterly update in order to provide you with all of these items at the same time.

Fund Statistics

AV has invested in six currently active portfolio companies totaling \$14,141,932.¹ The Current Value² of the Fund is \$5,960,570.

The Current Value of the portfolio decreased \$5,169,620 from the third quarter to the fourth quarter. This decrease was the result of:

- A write-down of approximately \$791,529 on the value of Motiva. Motiva approved the sale and closing of up to \$7.5M in unsecured convertible promissory notes from existing investors Interwest Partners, Palomar Ventures, and Sierra Ventures. The conversion price of the Notes, at a \$14 million pre-money valuation, is less than the price paid at the most recent round. In order to present the most conservative estimate of the value of Motiva, the Fund is choosing to take the write-down prior to the conversion of the Notes.
- A write-down of approximately \$17,100 on the value of PowerUp Networks, Inc. (formerly Clairvoyant Software, Inc.) due to a more conservative approach on the transaction. As you will recall from our previous update, PowerUp Networks purchased Clairvoyant through an asset sale that included an earn-out agreement. The current estimated value of this earn-out is no longer reflected in the Statement of net assets or the Schedule of Portfolio investments.
- A write-down of approximately \$3,003,538 on the value of Taviz. The Company signed a definitive agreement to combine with Insevo, Inc. in January 2003. As part of this combination, Novus Ventures, Rocket Ventures, 3i, and other investors agreed to invest an additional \$2.5M in the combined Company. The Fund's depreciated holdings reflect the terms of this deal, which is expected to close in 1Q03. Although this transaction will be completed in the first quarter of 2003, we found it most conservative to take the loss now.
- A write-down of approximately \$885,150 on the Series A value of Toolwire. Due to the uncertainty in the marketplace, the Fund finds it most prudent to write down the Series A share value to cost. An unrealized gain on the Series A shares was previously reported due to the increase in share value of the Series B financing. Please note the Fund believes the value of Series B remains at cost because it holds a liquidation preference over the Series A preferred stock.
- A write-down of approximately \$472,303 on the value of Voice Access. The Company closed additional Series C preferred stock financing at a share price significantly lower than our original purchase price.

¹The Schedule of Portfolio Investments reflects only the cost amounts from companies currently held as investments. This presentation is consistent with the actual accounting method previously used - gain or loss on disposed portfolio company investments are reflected in the Statement of Operations and neither their cost or fair market are presented on the Statement of Net Assets.

² The "Current Value" includes the cost value of the investments and unrealized appreciation or depreciation and any realized gains and losses. The valuation principles used for securities whose fair values have been estimated by the General Partner are appropriate and have been consistently applied and documented. These methods are described in note two, to the Partnership's audited financial statements. The methods and assumptions used result in a fair value appropriate for financial statement measurement and disclosure purposes.

In all cases, the Fund has had an opportunity to invest its pro rata share of additional financing. Where it was both beneficial to the Fund, and we could justify the additional capital outlay, we participated. Please keep in mind that all of the write-downs above are unrealized. These companies still have a chance to increase their share value over time. The fact that six of the original eight companies are still in business in this most difficult of times is a tribute to their management teams, technology potential, and cost-conscious business practices.

Investment Activity

- This quarter we invested \$30,653.00 in a Bridge round for Taviz Technologies. The purpose of the Bridge was to provide incremental financing to cover bare necessities until the merger with Insevo was completed.

Portfolio Company Outlook

ViewCentral exceeded its sales forecast again this quarter, as well as realized its first revenue from the reseller agreement with Placeware. Although Placeware is in the process of acquisition by Microsoft, we have received commitment from the Placeware executive team to continue the reseller relationship, which is highly beneficial to Placeware (and now Microsoft). We are encouraged that this company will yield returns to our Fund.

Toolwire has been in active conversations with a private company short on cash and long on technology. The proposal on the table is for Toolwire to acquire the company and thus have a low-end, faster-selling product line added to the high-end, longer sales cycle of the Toolwire offering. We are encouraged that this company will yield returns to our Fund.

Motiva closed the year with approximately 50% increase in sales from 2001. The team has been reduced to stretch cash, and the company continues to beat their competitors in sales competitions. We are encouraged that this company will yield returns to our Fund.

Taviz is in the process of merging with private company Insevo and the result will be a new combined entity. The Taviz management team will prevail. We are hopeful that this company will yield a small return to our Fund.

PowerUp Networks (acquirer of Clairvoyant Software) fourth quarter bookings were approximately \$400k, with $\frac{3}{4}$ of the dollars from the Clairvoyant product. The pipeline for the Clairvoyant product is ramping and looks encouraging. We are hopeful that this company will yield a small return to our Fund.

Voice Access closed an additional \$1M in financing in 4Q02, allowing the company to continue operations through 1Q03. The Holmes pilot has already processed over 120,000 calls on the voice access platform. Aon Insurance is also close to signing a pilot with Voice Access. We are hopeful that this company will yield a small return to our Fund.

Observations and Comments

The extremely difficult business climate continues to make it tough for large companies to purchase products and services. The ripple effect on technology companies more resembles a ten-foot wave. However, our startups continue to forge ahead, some with up quarters, some with down quarters, but all with plans to make it through the storm and continually adapt to the ever-changing business and economic climate. That said, one or more of our companies could cease operations in the coming quarters if they are unable to secure sufficient customer orders or financing.

Team News

Please note our new mailing address. Please direct future correspondence to:

Artemis Ventures Fund, LP
401-F Miller Avenue #140
Mill Valley, CA 94941

Our phone number remains 415-289-2500.

Annual Meeting

Since many of the Fund's investors are also Novus Ventures Fund II investors, henceforth we will be scheduling our Annual Meeting to coincide with the Novus Ventures Annual Meeting. This will take place sometime between July-September. We will notify you once a date has been set.

Investor Section on Website

For electronic copies of the following information, please access our password-protected Investor Relations page on the AV website.

- Annual Investors Meeting Binders - a complete PDF file for viewing or downloading.
- Quarterly Investor Letters
- Updates on the current status for the Portfolio Companies.
- FAQ (frequently asked questions)
- AV Team Contact Information

To access the Investor Section, click on the Investor Relations link on the top right hand corner of the AV site home page (www.artemisventures.com). Then click on the AV Fund I link and enter:

Username: avinvestor
Password: relations

Thank you for your confidence and trust,



Christine Comaford Lynch
Managing Director



Henry Wong
Director

AV FUND I PORTFOLIO COMPANY 4Q02 STATUS REPORT



4Q02 Update: The Company closed key accounts Clorox, First Tennessee, First Horizon, and Group 1, and ended the year with over \$3M in new bookings. The Company also announced management team additions with the appointments of Stephen Leal as Vice President of Worldwide Sales and Farrell Griswold as Vice President of Business Development. Leal will be responsible for expanding worldwide sales operations to support the company's aggressive direct and channel sales growth plans, and Griswold will be responsible for developing the company's relationships with its business partner ecosystem. Prior to joining Motiva, Leal was a vice president of sales at Marimba, where he grew sales by more than 800 percent in less than one year. Prior to joining Motiva, Griswold served as a global alliance executive for Vignette, a leading provider of content management solutions.



4Q02 Update: Following the acquisition of Clairvoyant, PowerUp has sold over \$750,000 of Forecast Manager (a legacy product from Clairvoyant). In fact, the pipeline for Forecast Manager is now over \$1.5M, and PowerUp has added another sales representative to help sell the product. In addition, PowerUp continues to build its team by appointing enterprise management veteran Michael Bunyard to the position of Vice President of Marketing. Prior to joining PowerUp Networks, Bunyard served as Vice President of the Enterprise Communication Management group at MetaSolv Software, Inc.



4Q02 Update: Taviz had a difficult year in 2002, ending the year with revenues of \$3 million. The new management team, led by CEO, Brad Solso, took control of the company in April, and made early progress in reducing expenses and repositioning the company's product strategy, but had difficulty in achieving revenue growth. The Taviz Board recently concluded that the best strategy for achieving success with the Taviz product and technology was to sell the company's assets to Insevo, a young company of similar size and with compatible/complimentary adaptor products. The companies signed Letters of Intent in January 2003 to combine the companies in a purchase to be executed in February 2003. The new combined company will be led by Brad Solso as CEO and will operate with approximately 27 of the 60 combined employee headcount of the two companies prior to the merger. The new company will be named Insevo and has a sales pipeline that appears to support the company's \$7 million revenue projection for 2003.



4Q02 Update: The Company continues to explore partnering opportunities with a few select companies which have significant product or customer synergies. CEO John Valencia continues to reposition the Company horizontally into categories outside of the electronic design space. Early signs of validation occurred when Wily Technologies became the Company's first non-EDA customer in 4Q02. The Company's 4Q accounts also included Mentor and Xilinx. The forecast for 1Q03 looks promising with over \$500,000 in new opportunities. Meanwhile, the Company continues to look for ways to slash costs and increase productivity.



4Q02 Update: The Company was encouraged by the announcement of Microsoft's intentions to acquire PlaceWare, Inc. In November 2002 ViewCentral and PlaceWare partnered to develop and deliver PlaceWare's RegistrationPro Solution Suite. The Company views the acquisition of PlaceWare as validation of the future of the collaboration market space. Surrounding collaborative events are an ever-increasing number of resources and processes that need to be captured, tracked and coordinated. ViewCentral allows the collaborative enterprise to automate and manage these complex processes such as marketing, registration, payment and follow-up for each event. In customer news, ACCPAC International, Inc., a subsidiary of Computer Associates International, Inc. (NYSE: CA), selected ViewCentral's Blended Training Suite to manage training courses as well as testing and certification for their resellers and consultants worldwide. The Company beat its revenue plan and booked approximately \$700,000 in 2002.



4Q02 Update: The Company held a first closing of its Series C financing, managing to raise approximately \$1M from new investors. The new funds will provide the Company enough runway to see through its pilot programs and validate the market. Nonetheless, the Company will continue to operate on a razor thin budget until sufficient long term financing can be secured. The Company has now processed over 120,000 calls to date for their Holmes pilot with their custom built application. AON Insurance has verbally agreed to become the second pilot customer for Voice Access. Despite some positive news, the General Partner believes the Company may cease operations in 2Q02 if it is not successful in raising additional Series C financing.