

Entrepreneurial Confidence Index Analysis

First Quarter 2002
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With this report we initiate the analysis of entrepreneurial activity on a quarterly basis. In the past, this analysis was conducted monthly, but in an attempt to reduce the volatility of the results shown, and as more information is being gathered, the accuracy of this leading indicator is enhanced. Additionally, the variations are now analyzed on a weighted manner; therefore, any increase or decrease shown is the result of changes in the participation of a specific industry or sector within the overall universe. This new methodology should help to identify more solid trends in the market place regarding Entrepreneurial activity, one of the main drivers of economic growth.

Over 7,000 emerging companies, institutions and private investors participated in the survey during this three-month period through our portal, www.vfinance.com, which is considered the leading source of entrepreneurial financing in the US. Here are some of the most relevant findings:

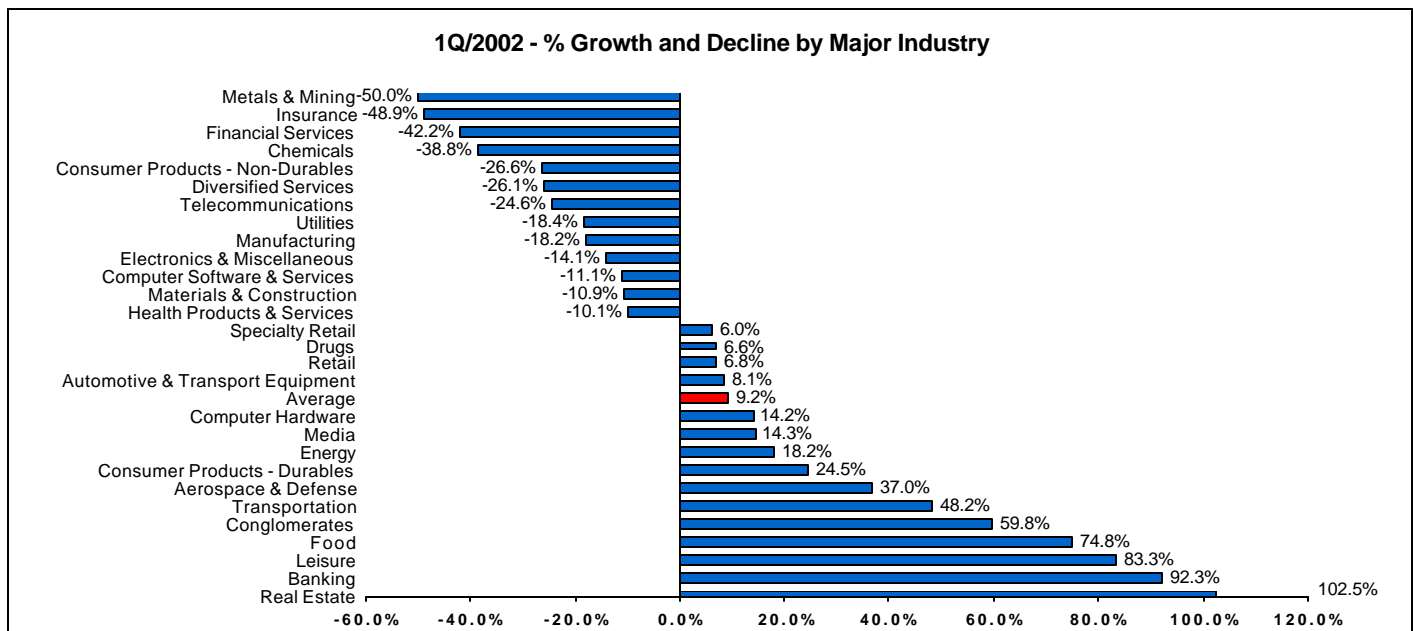
- During the first quarter of 2002 entrepreneurial activity **increased by 14% versus the prior quarter**, confirming a rebound of overall domestic economic activity.
- Surprisingly, the industries with the **largest percentage share increases in Q1** were Real Estate, Banking, Leisure, Food and Transportation. This can be partly explained by the extremely low interest rate environment, which motivates real estate investments, and the appetite for anti-cyclical industries (consumer oriented companies) which protect investors when the economy slows down, among other reasons.
- On the other hand, the Metals and Mining, Insurance, Financial Services, Chemicals, Consumer Products and Service Industries, experienced the largest declines in financing search activity, losing between 25 to 50% of their total audience share versus the previous quarter.
- We continue to identify an important trend being formed in the **Energy industry**, which captured 18.2% more of the overall audience than the previous quarter. Specifically, the **Alternative Energy sector** grew from .21% to .50% of the total audience, a 129% increase. This activity suggests that entrepreneurs continue focusing on this sector as a result of limited installed capacity, the need for cleaner and more efficient power-generation technologies and the expectation of positive regulatory changes in the legal framework. We expect to see new technologies evolving from this.
- The **Real Estate Industry** recorded the largest quarterly gain in overall share of entrepreneurial activity, surging from 3.6% to 7.4% of all respondents, a 102% gain. The **Leisure Industry** also enjoyed a spike in popularity, rising from 4.8% of all respondents to 8.8%, an 83% gain. We should monitor these sectors closely as new products will probably hit the market in the short-term, providing new investment opportunities.
- The most noteworthy laggard was **Computer Software and Services**, dropping from 20% to 17.5% of all respondents, an 11% overall decline from the previous quarter. This may be a result of the sector's highly competitive environment. Or, perhaps this industry may have reached capacity, with less funding available. Despite its drop, this perennial favorite remains the number one industry, twice as popular as the number two industry: Leisure.
- In other Q1 highlights, the **Food Industry** catapulted from 2.6% to 4.6% of the total universe, a 74% increase in popularity. Meanwhile, the **Telecommunications Industry** continued its widely reported slide, dropping to 4.9% of all respondents from 6.5% the previous quarter, a 24% decline.
- The specific sectors attracting the most entrepreneurial interest in Q1 2002 were: **Internet/Intranet Software & Services (4.5% of all respondents)**, **Miscellaneous Entertainment (2.8% of all respondents)** and **Real Estate Development (2.4% of all respondents)**. Among the least popular entrepreneurial sub-sectors in Q1: **Beverage Brewing, Commodities, and Accounting**. Specific insurance and mining related sectors which are all capital intensive, also attracted little interest from entrepreneurs.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

- Within the Transportation Industry, we also saw notable increases in entrepreneurial activity in the airline, trucking, shipping, buses and auto-equipment sectors. This may stem from the fact that many of these companies have experienced a significant decline in revenues as a result of the economic slowdown, most of them are highly leveraged and therefore in need of short-term financing. It is also possible that this might be an early indication of further consolidation within the sector.
- The Entrepreneurial Confidence Index (ECI) also measures both Entrepreneur and investor confidence in the private equity markets nationwide. This quarter's results show that over 71% of the Entrepreneurs seeking financing are "very confident" they will get funded, which is an improvement versus the 64% registered in the previous quarter. Entrepreneurs are more optimistic.
- Investors remain similarly motivated; with 71% of institutional and wealthy private investor respondents indicating they will fund more than 2 deals this year, while 78% prefer start-up and early stage deals.

Major Growth and Decline: by Major Industry

The table below reveals Major Industry Classes experiencing significant growth and decline over previous quarter:



Sources: vFinance website: www.vfinance.com

The table below reveals specific sectors experiencing significant growth and decline over the previous quarter:

Specific Sector	4Q vs 1Q % Increase
Sporting Activities	74%
Real Estate Development	70%
Miscellaneous Food Products	60%
Property Investment & Management	54%
Miscellaneous Entertainment	52%
Medical Instruments & Supplies	48%
Media - Major Diversified	41%
Entertainment & Games Software	37%
Miscellaneous End-User Communications Se	33%
Biotechnology - Medicine	26%
Marketing & Public Relations Services	26%
Multimedia Production	16%
Lodging	15%
Miscellaneous Non-Durable Consumer Good	15%
Miscellaneous Retail	14%
Corporate	14%
Music Production & Publishing	12%
Diversified Software	8%

Sources: vFinance website: www.vfinance.com

Note: Only considers sectors with more than 20 responses.

Specific Sector	4Q vs 1Q % Decline
Miscellaneous Computer Services	-24%
Professional & Financial Software	-25%
Wireless Communications Services	-26%
Consumer Services	-27%
Outsourcing & Other Human Resources	-27%
Manufacturing & Industrial Software	-28%
Data Processing Software & Services	-32%
Specialty Contracting & Industrial Maintenance	-32%
Networking & Connectivity Software	-36%
Information Technology Consulting Services	-36%
Tour Operators & Other Travel Services	-37%
Specialty Chemicals	-39%
Medical Laboratories & Research	-40%
Miscellaneous Financial Services	-40%
Investment Banking & Brokerage	-42%
Communications Software	-43%
Management Consulting Services	-53%
Personal Services	-60%

Sectors with the Highest Growth – 1Q/2002

Industry	Sector	Q1 % Growth vs Q4
Materials & Construction	Plumbing & HVAC Equipment	988.17%
Specialty Retail	Video	897.98%
Banking	Banking - West	625.45%
Transportation	Shipping	515.80%
Leisure	Professional Sports Teams & Organizations	316.45%
Real Estate	Residential Construction	302.00%
Insurance	Property & Casualty Insurance	242.11%
Food	Meat Products	229.69%
Real Estate	REIT - Hotel/Motel	198.28%
Metals & Mining	Gold & Silver & Other Precious Metals	190.75%
Materials & Construction	Diversified Building Materials	190.45%
Energy	Oil & Gas Exploration & Production	164.02%
Energy	Oil & Gas Services	151.85%
Media	Movie Theaters	141.82%
Drugs	Drug Delivery Systems	132.68%
Utilities	Alternative Energy Sources	129.35%
Health Products & Services	Long-Term Care Facilities	123.01%
Media	Movie	121.69%
Leisure	Gaming Activities	121.00%
Retail	Convenience Stores & Gas Stations	120.38%
Real Estate	Miscellaneous Real Estate Services	111.85%
Automotive & Transport	Buses & Other Vehicles	96.80%
Transportation	Trucking	94.84%
Transportation	Airlines	87.75%
Health Products & Services	Home Health Care	85.27%
Real Estate	REIT - Mortgage Investment	77.66%
Leisure	Sporting Activities	73.74%
Real Estate	Real Estate Development	70.24%
Financial Services	Investment Firms	61.62%
Food	Miscellaneous Food Products	59.63%
Manufacturing	Diversified Machinery	58.16%
Leisure	Adult Entertainment	56.17%
Real Estate	Property Investment & Management	54.11%
Retail	Department Stores	53.49%
Food	Sugar & Confectionery	52.25%
Leisure	Miscellaneous Entertainment	52.21%
Food	Breads & Cereals	51.54%
Health Products & Services	Medical Appliances & Equipment	49.92%
Retail	Health & Beauty Product Retailing	48.43%
Health Products & Services	Medical Instruments & Supplies	48.01%
Real Estate	REIT - Diversified & Miscellaneous	45.30%
Food	Food Wholesale - to Grocers	45.09%
Utilities	Electric Utilities	43.57%
Transportation	Air Services	42.32%
Automotive & Transport	Trucks	41.42%
Media	Media - Major Diversified	41.18%
Computer Software & Services	Entertainment & Games Software	37.33%
Financial Services	Mortgage Banking & Related Services	35.39%
Aerospace & Defense	Aerospace/Defense - Products	33.92%
Telecommunications	Miscellaneous End-User Communications Services	33.03%
Media	TV Broadcasting	29.59%
Drugs	Biotechnology - Medicine	26.28%
Diversified Services	Marketing & Public Relations Services	25.67%
Transportation	Other	23.69%
Materials & Construction	Engineering & Architectural Services	20.34%
Food	Beverages - Soft Drinks	19.85%
Computer Software & Services	Document Management Software	18.68%
Materials & Construction	Waste Management & Recycling	18.32%
Computer Software & Services	Graphics & Publishing Software	17.58%
Computer Hardware	Miscellaneous Computer-Based Systems	16.24%
Computer Software & Services	Multimedia Production	16.19%
Leisure	Lodging	15.30%
Consumer Products - Non-Food	Miscellaneous Non-Durable Consumer Goods	14.88%
Food	Beverage & Tobacco	14.61%
Specialty Retail	Miscellaneous Retail	14.41%
Computer Software & Services	Corporate	13.94%
Electronics & Miscellaneous	Semiconductor -Integrated Circuits	13.14%
Media	Music Production & Publishing	12.41%
Transportation	Logistics & Other Transportation Services	11.54%
Computer Hardware	Computer Peripherals	11.06%

Only considers sectors with more than 10 responses in 1Q/2002 and quarterly growth above 10%

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