2000 *The IPO Report*

HALE AND DORR LLP

Boosted by a record number of IPOs by foreign companies, the overall market produced 446 IPOs with gross proceeds of $108.15 billion in 2000, compared to 537 IPOs raising $95.33 billion in 1999.

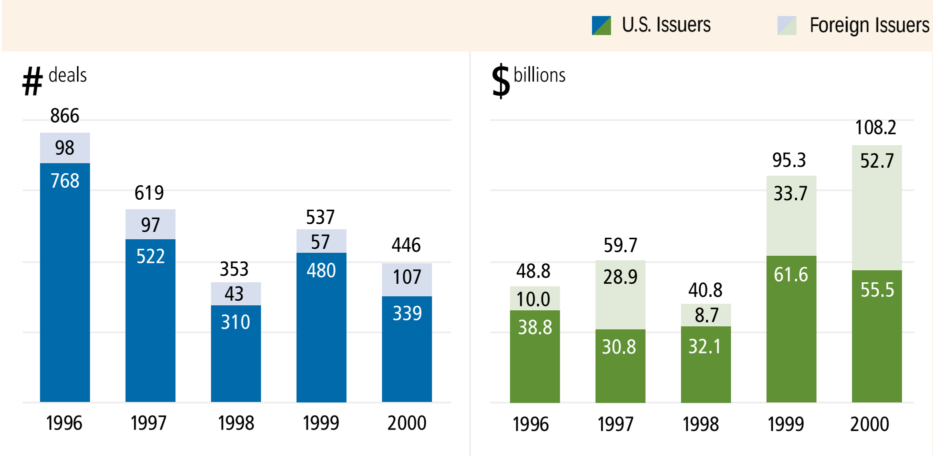
There were 339 IPOs by U.S. companies in 2000, a 29% decline from the 480 IPOs in 1999. However, aided by the largest IPO by a U.S. issuer in history – AT&T Wireless raised $10.62 billion in April – gross proceeds from U.S. issuer IPOs declined only 10% from $61.63 billion in 1999 to $55.46 billion in 2000, and average deal size increased from $128.4 million to $163.6 million.

The size and vitality of the IPO market in 2000 fluctuated widely throughout the year, mirroring the volatility in market conditions in general and for technology stocks in particular.

First Quarter
In the early part of the year, rosy growth projections and easily available capital led many fledgling technology companies to the IPO market. The first quarter saw 142 IPOs, with 21 IPOs tripling from their offer price on their first day and 52 IPOs doubling, as profitability and sound business plans were often cast aside. In the first quarter, the average IPO nearly doubled on its first trading day. The tech-laden Nasdaq reached its all-time high of 5,132 on March 10.

Second Quarter
April saw a sharp downturn in the stock markets, and market turbulence for technology and Internet stocks chilled the IPO market for most of the second quarter. The low point for the Nasdaq in the second quarter came on May 24, when it dropped to 3,043. The quarter included 104 IPOs, with the average IPO increasing only 35% on its first trading day. Even with suppressed valuations, the second quarter saw only five IPOs triple on their first day and 11 IPOs double.

U.S. IPOs – 1996 to 2000



Third Quarter
Helped by a summer rally that pushed the Nasdaq to 4,289 on July 17, the IPO market rebounded nicely in the third quarter. The 142 IPOs in the third quarter matched the first quarter total, and the average IPO increased 39% on its opening day. E-commerce IPOs remained largely unpalatable following the dot-com retrenchment that began earlier in the year, but fiber optic and Internet infrastructure companies were well received.

Fourth Quarter
With deteriorating capital markets and concerns about slowing economic growth, the IPO market ended the year on a down note. Only 58 IPOs priced in the fourth quarter – and a paltry nine IPOs in December – compared to 161 IPOs in the fourth quarter of 1999. Gross proceeds in the fourth quarter were $17.45 billion, or 63% less than the gross proceeds of $47.62 billion in the fourth quarter of 1999. The average IPO inched up only 14% on its first trading day in the fourth quarter. The Nasdaq dropped over 30% during the course of the fourth quarter and closed the year at 2,470, more than 50% below its all-time high.

As the market soured on technology companies, the mix of companies completing IPOs shifted throughout the year. Technology IPOs, which hovered around 70% of all IPOs for the first three quarters, fell to 48% of IPOs in the fourth quarter. Proceeds from tech IPOs fell even more sharply, declining from 68% of IPO proceeds in the second quarter to 37% in the third quarter and to 15% in the fourth quarter. Internet-related IPOs followed a similar trend, declining from 61% of IPOs in the first quarter to 34% in the fourth quarter.

The “irrational exuberance” of 1999 and early 2000 created an unsustainable number of technology start-ups turned IPO. In order to compete against established rivals with well-known brand names and existing data and product distribution networks, many of these companies had strategies calling for huge capital outlays to create brand awareness or build new networks. The fourth quarter technology rout, following April’s pummeling of tech stocks, left these companies with little or no access to new capital. As a result, many of these once high-flying stars are now experiencing massive layoffs, distressed sales or bankruptcies.

During 1999 and the first quarter of 2000, an unprecedented number of companies went from start-up to IPO in two years or less. The ebullient IPO market and venture capital investors eager for quick returns led many companies to go public with untested business plans. Despite last year's sharp decline in market valuations throughout the technology sector, technology will remain a driver of future economic growth.

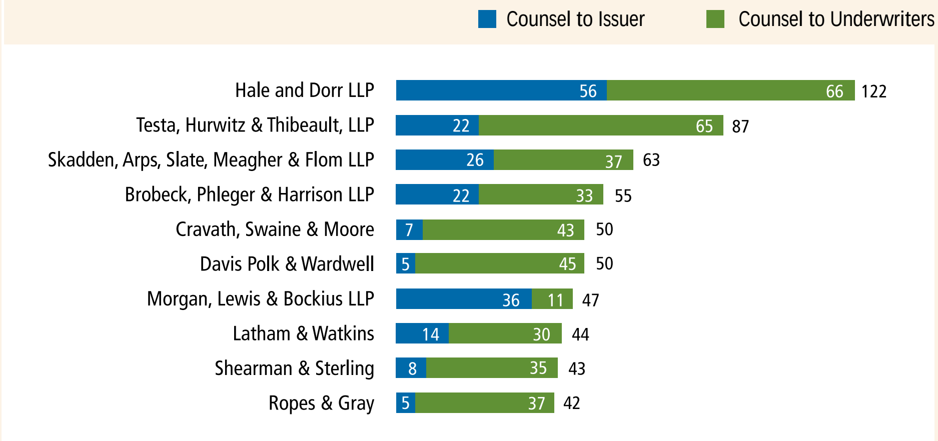
Given the huge levels of venture capital investment in recent years, there will be no shortage of venture-backed companies hoping for liquidity in 2001. Companies with experienced management teams, strong market positions and profitable business models should be able to go public. But for many others lacking the right stuff in a selective market, deferred IPOs, acquisitions or business failures will be the order of the day.

The 2001 IPO market is likely to be populated by more mature companies. According to VentureOne, in the third quarter of 2000, U.S. venture firms largely eschewed early-stage investing and allocated 75% of their overall funding to companies that had already received at least two rounds of funding. The IPO life cycle is likely to extend, although it will probably not return to historical levels of four to six years. IPO candidates in 2001 will need to focus on creating sustainable, and profitable, business models.

The performance of the IPO market in 2001 will depend on many factors, including the following:

Market Conditions
Nine months after the Nasdaq Composite Index reached a record high, investors have been plunged into gloom by a market correction that has wiped out most of 1999's record 86% gain. By the end of 2000, the Nasdaq had fallen more than half from its March high and, after a summer rally, 45% since September 1. The Dow declined only 6% during 2000 but also had increased only 25% in 1999.

Eastern U.S. IPO Law Firm Ranking – 1996 to 2000



Slowing Economic Growth
The U.S. economy, fueled by the tech sector, has enjoyed unparalleled growth in recent years, but the signs of weakening are now unmistakable. In late December, the government revised downwards its estimate of overall economic growth in the third quarter to an annual rate of 2.4% from the 2.7% reported a month earlier. Third quarter growth was less than half the second quarter's rate of expansion and was the most sluggish in four years. In recent weeks, both investments in capital equipment by corporate America and U.S. consumer confidence have shown early signs of deterioration. Rising energy prices are also a concern. It remains to be seen whether the Fed's surprise interest rate cut in early January or President Bush's proposed tax cut can jump-start economic growth or at least engineer a smooth landing to the longest-running economic expansion in U.S. history.

Corporate Earnings
A spate of earnings warnings at the end of the fourth quarter roiled the markets. In addition to the renewed emphasis on profitability for all companies pursuing IPOs, slowing earnings particularly hit technology companies, whose valuations depend on very high rates of expected earnings growth. Upcoming fourth quarter earnings announcements should help set the tone for the IPO market in 2001.

PC Sales
Slowing growth in PC sales has the potential to affect all computer-related technology companies. The fourth quarter saw a string of profit warnings from Apple, Compaq, Intel and Microsoft, among others. PC sales in the commercial sector have been sluggish with Windows 2000 failing to boost corporate PC buying. The consumer PC market has begun shifting from a growth to a replacement market, curtailing the high-velocity growth of PC makers.

Internet Growth
In the wake of the e-commerce carnage of 2000, serious questions have emerged over the sustainability of single-category online retailers. With early returns suggesting that online sales in the 2000 holiday season fell short of expectations, a further shakeout among pure-play e-commerce companies can be expected. Nonetheless, some observers are betting cautiously on Internet infrastructure companies, because many of the builders of the Internet are profitable and almost no one doubts that demand for their products will rise in the long run.

Supply and Demand
The supply of IPOs in the pipeline has declined in recent months with IPO withdrawals exceeding new filings in the fourth quarter of 2000. However, many IPO investors, burned by the Class of 2000, have far less appetite for new issues than they've had for several years.

– January 2001

ArrowPoint Communications
$195,500,000
Counsel to Issuer
March 2000

networkengines
$127,075,000
Counsel to Issuer
July 2000

Bookham Technology
$306,468,800
Counsel to Issuer
April 2000
London Stock Exchange; Nasdaq

StorageNetworks
$279,450,000
Counsel to Issuer
June 2000

INRANGE
$141,680,000
Counsel to Underwriters
September 2000

CAMINUS
$80,444,800
Counsel to Issuer
January 2000

SpeechWorks
$109,250,000
Counsel to Underwriters
July 2000

LYCOS Lycos Europe N.V.
€672,000,000
Counsel to Lycos
March 2000
Neuer Markt

Infineon technologies
$5,884,272,000
Counsel to Underwriters
March 2000
Frankfurt Stock Exchange; NYSE

OPNET
$59,800,000
Counsel to Issuer
August 2000

Firepond
$126,500,000
Counsel to Underwriters
February 2000

imany
$77,625,000
Counsel to Issuer
July 2000

letsbuyit.com
€62,300,000
Counsel to Underwriters*
July 2000
Neuer Markt

MatrixOne
$143,750,000
Counsel to Underwriters
March 2000

The Medicines Company
$110,400,000
Counsel to Issuer
August 2000

brainpower
€34,100,000
Counsel to Underwriters*
September 2000
Neuer Markt

Proton Energy Systems
$136,850,000
Counsel to Issuer
September 2000

$10,000,000,000

If you're going public, go with the IPO leader.

nCipher
£108,448,582
Counsel to Issuer*
October 2000
London Stock Exchange

WEB.DE
€224,250,000
Counsel to Underwriters*
February 2000
Neuer Markt

Aspect Medical Systems
$60,375,000
Counsel to Issuer
January 2000

Interactive Investor International plc
$151,818,600
Counsel to Underwriters*
February 2000
London Stock Exchange; Nasdaq

Scandinavia Online
SEK 1,005,100,000
Counsel to Issuer*
June 2000
OM Stockholm Exchange; Oslo Stock Exchange

SkillSoft
$49,910,000
Counsel to Issuer
January 2000

VarsityBooks.com
$41,100,000
Counsel to Underwriters
February 2000

Switchboard
$94,875,000
Counsel to Issuer
March 2000

eyretel
£129,600,000
Counsel to Issuer*
April 2000
London Stock Exchange

Emerge Interactive
$120,000,000
Counsel to Underwriters
February 2000

ARC International plc
£181,125,000
Counsel to Issuer*
September 2000
London Stock Exchange

otg
$109,250,000
Counsel to Issuer
March 2000

Centra
$80,500,000
Counsel to Underwriters
February 2000

ReGen Therapeutics Plc
£5,000,000
Counsel to Issuer*
March 2000
AIM

TR Systems
$34,500,000
Counsel to Underwriters
January 2000

Prime Response
$72,450,000
Counsel to Issuer
March 2000

parthus
$188,370,000
Counsel to Issuer
May 2000
London Stock Exchange; Nasdaq

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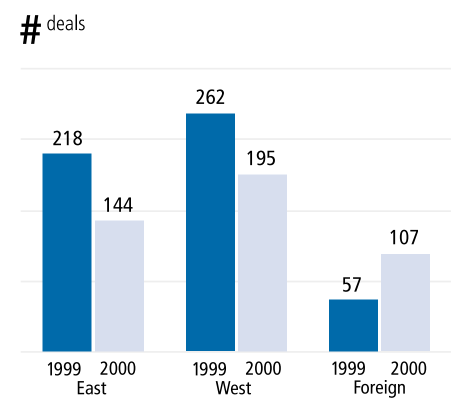
* handled through our international joint venture law firm

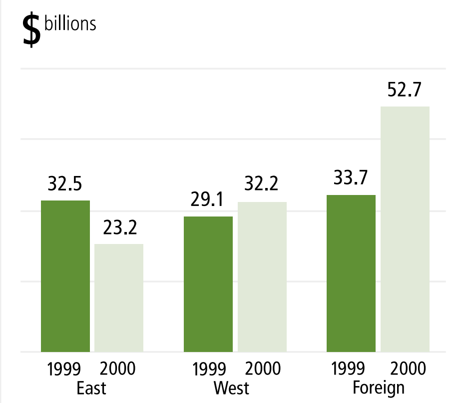
HALE AND DORR LLP

IPOs by companies based in California and foreign countries dominated the overall IPO market in 2000. Of the 446 IPOs in 2000, 131 were by companies based in California and 107 were by foreign companies. Massachusetts-based companies produced 33 IPOs – the second most from any state and the highest per capita rate of IPOs for any state in the country. Next in the 2000 IPO state rankings were Texas (17 IPOs), New York (14 IPOs) and Florida (13 IPOs).

In 2000, 144 IPOs (32% of the total) were by companies based in the eastern U.S. (east of the Mississippi River), 195 IPOs (44%) were by companies based in the western U.S. and the remaining 107 IPOs (24%) were by foreign companies. Eastern U.S. IPOs raised $23.23 billion (21% of the total), western U.S. IPOs raised $32.23 billion (30%) and foreign IPOs raised $52.68 billion (49%).

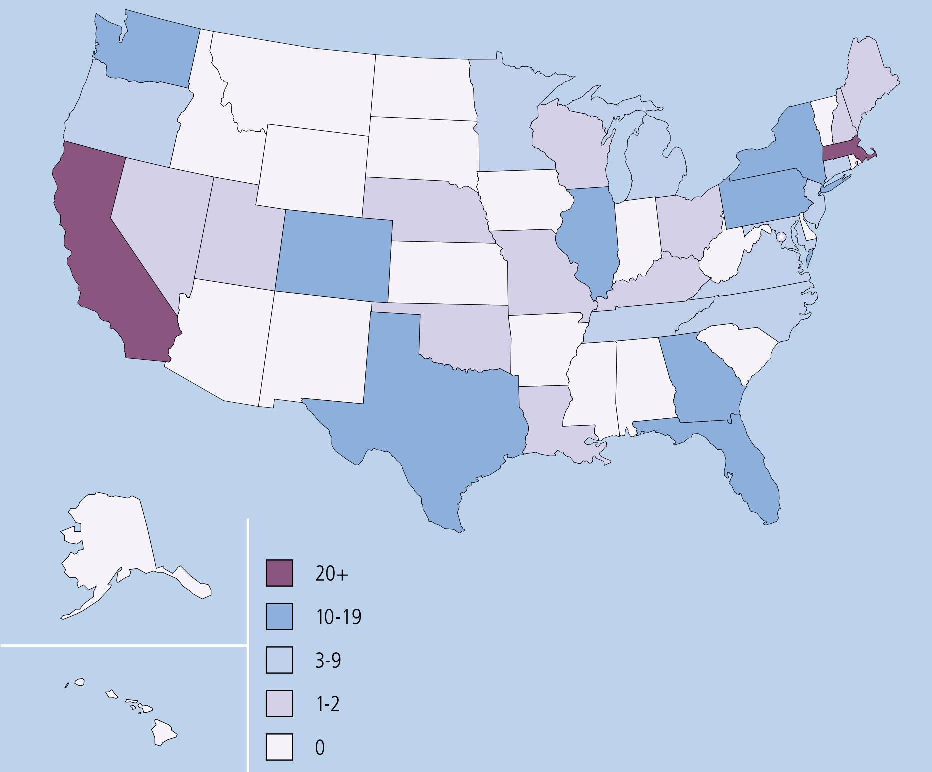
East, West and Foreign IPOs



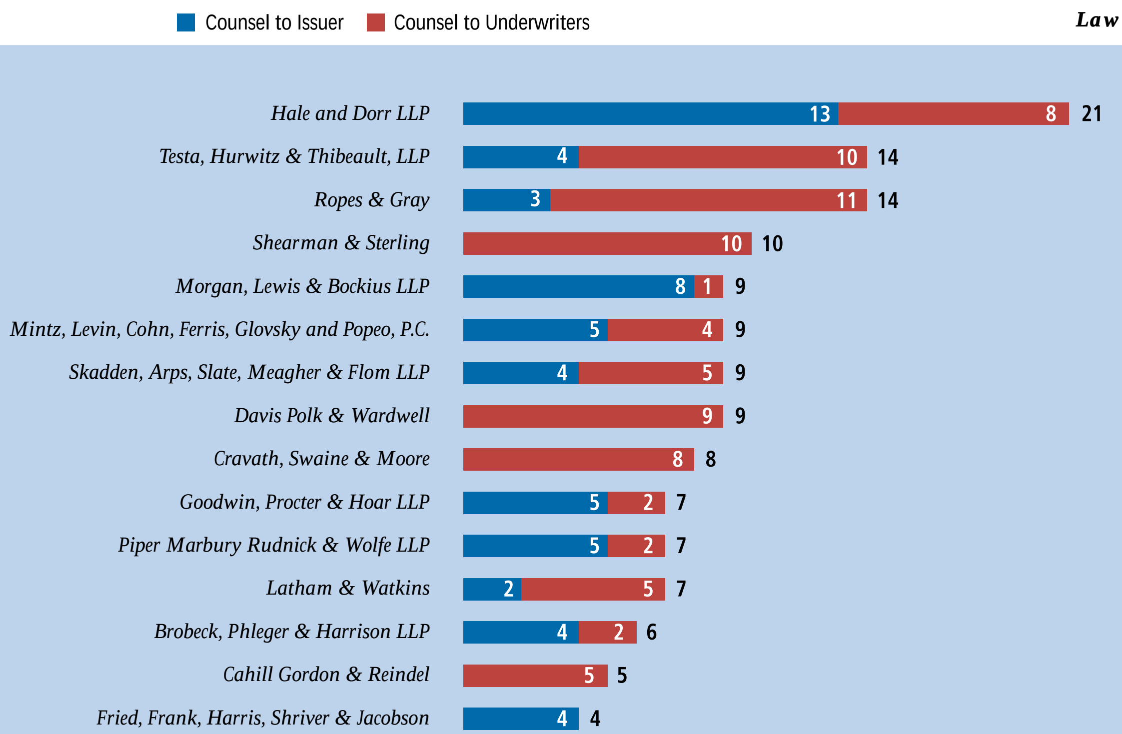


2000 IPOs by State

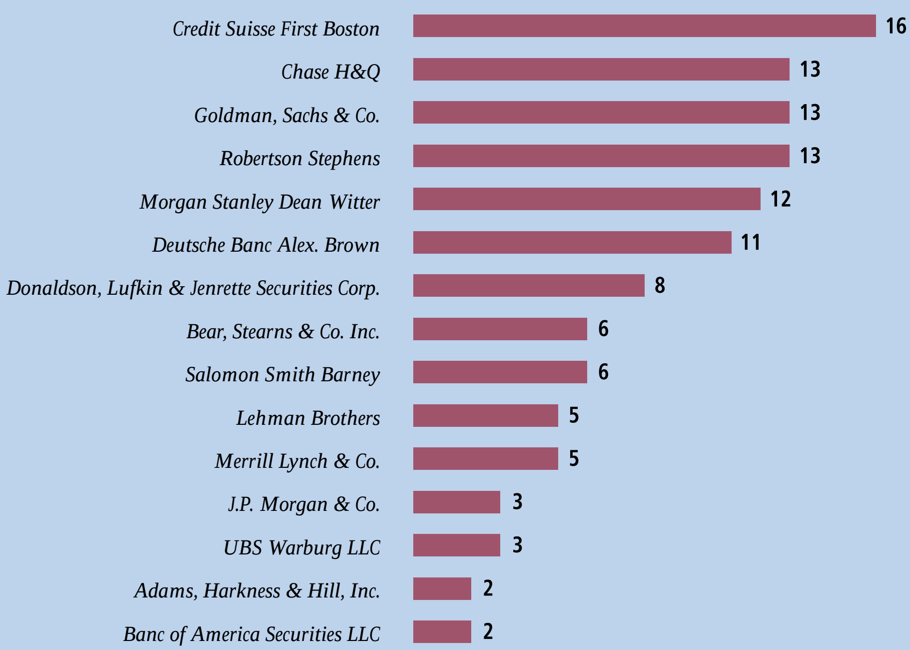
State	#	$ millions	State	#	$ millions
AK	0	0.0	MT	0	0.0
AL	0	0.0	NC	5	289.8
AR	0	0.0	ND	0	0.0
AZ	5	699.5	NE	1	67.2
CA	131	12,895.5	NH	1	43.4
CO	12	1,364.4	NJ	7	536.3
CT	6	897.8	NM	0	0.0
DC	2	92.8	NV	1	11.7
DE	0	0.0	NY	14	4,203.1
FL	13	1,226.8	OH	1	75.0
GA	11	1,935.0	OK	2	556.0
HI	0	0.0	OR	3	142.0
IA	0	0.0	PA	11	686.7
ID	0	0.0	RI	0	0.0
IL	11	1,444.6	SC	0	0.0
IN	0	0.0	SD	0	0.0
KS	0	0.0	TN	3	332.0
KY	1	136.0	TX	17	2,023.4
LA	2	174.3	UT	2	120.4
MA	33	7,033.9	VA	8	1,332.8
MD	9	2,101.4	VT	0	0.0
ME	1	67.5	WA	12	12,145.9
MI	3	245.0	WI	1	71.5
MN	8	887.4	WV	0	0.0
MO	2	1,624.0	WY	0	0.0
MS	0	0.0			



Law Firm Ranking



Lead Underwriter Ranking



Weathering market volatility and uncertainty not seen in recent years, New England companies completed 41 IPOs with gross proceeds of $8.04 billion in 2000. This represents an 11% decrease in the number of offerings but a 121% increase in dollar volume from the 46 IPOs which raised $3.64 billion in 1999.

Boosted by the multi-billion dollar offerings of John Hancock Financial Services and Genuity, average deal size in New England jumped to $196.2 million in 2000 – 20% above the national average of $163.7 million and an increase of 148% from the 1999 average of $79.2 million.

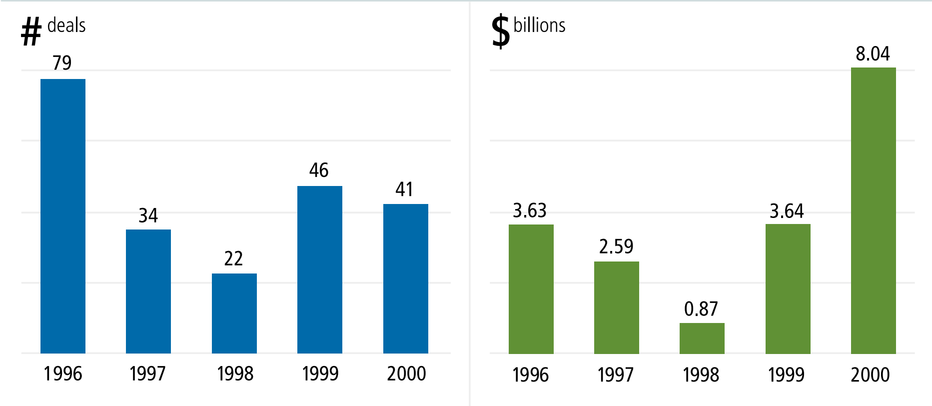
New England's share of the national IPO market increased for the third year in a row, reaching 10.5% in 2000 compared to 9.6% in 1999 and 7.1% in 1998. Massachusetts saw 33 IPOs in 2000, 80% of the New England total, and trailed only California in the IPO state rankings.

The average first day gain for New England IPOs was 81%, aided by an average first day gain of 117% for IPOs in the first quarter. By year end, the average New England IPO was trading 7% below its offer price, better than the average decline of 19% for all IPOs in 2000. First quarter New England IPOs were the hardest hit, ending the year on average almost 45% below their offer prices.

New England hosted some of the most successful IPOs of 2000. Four companies ended the year more than double their offer price, led by Sonus Networks at 229% above its offer price. However, the most successful New England IPO of the year was ArrowPoint Communications, which went public in March and was acquired in June by Cisco Systems for $5.7 billion, representing nearly a four-fold gain from its IPO price.

Despite the recent slowdown in offerings, the large number of promising privately-held companies in the region and the continued influx of venture capital investment should leave the New England IPO market well positioned once overall market conditions improve for new issues.

New England IPOs – 1996 to 2000



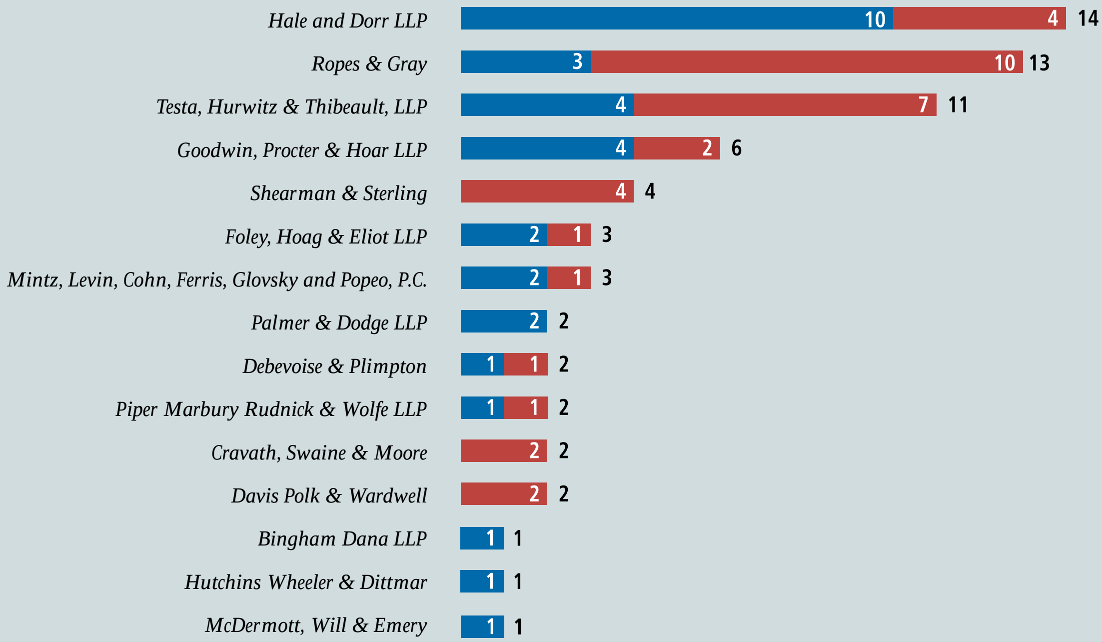
New England IPOs by State

of deals
$ volume (in millions)

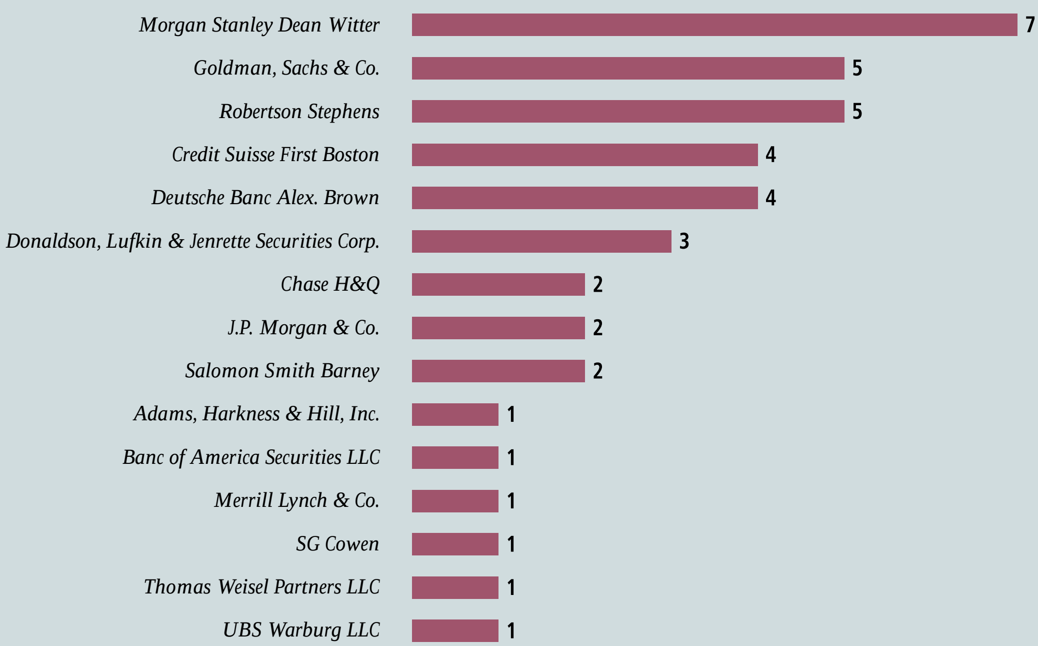
	1996	1997	1998	1999	2000	Total
MA	52 1,828.1	16 687.5	14 615.8	35 2,618.7	33 7,033.9	150 12,784.0
CT	17 1,407.0	13 1,447.6	6 195.1	7 542.4	6 897.8	49 4,489.9
NH	4 198.9	1 36.0	1 54.7	2 89.2	1 43.4	9 422.2
ME	1 18.0	2 289.3	1 7.7	1 370.0	1 67.5	6 752.5
RI	5 179.0	0 0.0	0 0.0	1 22.0	0 0.0	6 201.0
VT	0 0.0	2 131.7	0 0.0	0 0.0	0 0.0	2 131.7

Law Firm Ranking

Counsel to Issuer Counsel to Underwriters



Lead Underwriter Ranking



Acknowledgements

This report was written by David Westenberg and Tim Gallagher of Hale and Dorr LLP and designed by the Hale and Dorr Visual Communications Group.

Notes on Data

Hale and Dorr LLP compiled all data in this report unless otherwise noted. Offerings by REITs, bank conversions and closed-end investment trusts are excluded. Offering proceeds exclude proceeds from exercise of underwriters' over-allotment options, if applicable. The data is collected from various sources, including IPO.com, IPOCentral.com, SEC filings and the Washington Service Bureau. Any questions should be directed to Tim Gallagher at timothy.gallagher@haledorr.com or 617-526-5605.

Internet Availability

An electronic version of this report along with a searchable database of the data that appears in this report can be found at www.ipoleader.com.

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