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Venture-Backed Exit Market Shows Signs of Life in Second Quarter

Five IPOs Brought to Market for the First Time Since First Quarter 2008

New York, New York, July 1, 2009 – Venture-backed company exit activity showed mild improvement in the second quarter of 2009 but still fell far short of historical norms, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). There were five venture-backed IPOs for the quarter, the highest number since the first quarter of 2008. The tally of M&A exits as of the last day of the quarter was 59 totaling $2.6 billion, similar to the level of activity across the two prior quarters but considerably higher in average disclosed value.

"The fact that several venture-backed companies successfully entered the public markets and performed well is encouraging," said Mark Heesen, president of NVCA. "However, we remain concerned about the extremely thin pipeline of companies in registration as it indicates that it will be some time before we can even be in a position to return to healthy IPO activity levels."

Venture-Backed Liquidity Events by Year/Quarter, 2003-2009ytd

Quarter/Year	Total M&A Deals	M&A Deals with Disclosed Values	*Total Disclosed M&A Value ($M)	*Average M&A Deal Size ($M)	**Number of IPO's	Total Offer Amount ($M)	Average IPO Offer Amount ($M)
2003	**284**	**119**	**7,496.1**	**63.0**	**29**	**2,022.7**	**69.8**
2004	**346**	**188**	**16,043.8**	**85.3**	**94**	**11,378.0**	**121.0**
2005	**350**	**164**	**17,342.5**	**105.8**	**57**	**4,485.0**	**78.7**
2006-1	107	52	5,607.5	107.8	10	540.8	54.1
2006-2	107	40	4,018.5	100.5	19	2,011.0	105.8
2006-3	94	43	3,512.0	81.7	8	934.2	116.8
2006-4	63	26	5,630.8	216.6	20	1,631.1	81.6
2006	**371**	**161**	**18,768.8**	**116.6**	**57**	**5,117.1**	**89.8**
2007-1	88	31	4,640.3	149.7	18	2,190.6	121.7
2007-2	88	36	3,910.3	108.6	25	4,146.8	165.9
2007-3	106	54	11,203.7	207.5	12	945.2	78.8
2007-4	93	46	9,725.8	211.4	31	3,043.8	98.2
2007	**375**	**167**	**29,480.2**	**176.5**	**86**	**10,326.3**	**120.1**
2008-1	108	42	4,885.2	116.3	5	282.7	56.6
2008-2	84	26	3,293.4	126.7	0	0.0	0.0
2008-3	88	32	3,080.2	96.3	1	187.5	187.5
2008-4	62	17	2,385.9	140.4	0	0.0	0.0
2008	**342**	**117**	**13,644.7**	**116.6**	**6**	**470.2**	**78.4**
2009-1	62	14	657.3	47.0	0	0.0	0.0
2009-2	59	13	2,570.1	197.7	5	720.7	144.1
2009	**121**	**27**	**3,227.4**	**119.5**	**5**	**720.7**	**144.1**

Thomson Reuters & National Venture Capital Association

*Only accounts for deals with disclosed values

**Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile.

IPO Activity Overview

There were five venture-backed IPOs valued at $720.7 million in the second quarter of 2009, the most offerings since the first quarter of 2008 (also five) and the highest dollar volume since the fourth quarter of 2007 ($3.0 billion).

Four of the five IPO exits for the quarter were in the information technology sector, accounting for $579.0 million. Within this sector, computer software and services

companies garnered the most deals, with two, while the largest dollar volume was associated with the communications and media related-transaction worth $279.3 million. There was one non-high technology deal by a consumer related venture-backed company for $141.8 million.

Venture-Backed IPO Industry Breakdown

		Q2 2009	
	Industry	*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size ($M)
Information Technology	Computer Software and Services	2	239.7
	Communications and Media	1	279.3
	Computer Hardware	1	60.0
	TOTAL	**4**	**579.0**
Non-High Technology	Consumer Related	1	141.8
	TOTAL	**1**	**141.8**
	TOTAL	**5**	**720.7**

*Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile

The largest transactions of the quarter were a $279.3 million issue from Colorado-based earth imaging company DigitalGlobe in May followed by a $151.5 million offering from Texas-based network management company SolarWinds in the same month.

In addition to domestic activity, there was one offering by a US venture-backed company on a foreign exchange in the second quarter. California-based information retrieval services company Array Networks went public on the Taiwan stock exchange in May.

Of the five IPOs in the second quarter, all were trading at or above their offering prices as of 6/30/2009. Only ten venture-backed companies are currently filed for an initial public offering with the SEC.

Mergers and Acquisitions Overview

As of June 30, 2009, 59 venture-backed M&A deals were reported for the first quarter, 13 of which had an aggregate deal value of $2.6 billion. The average disclosed deal value was $197.7 million, the highest level since the fourth quarter of 2007.

The information technology sector led the venture-backed M&A landscape, with 46 deals and a disclosed total dollar value of $215.6 million. Within this sector, internet specific and computer software and services companies accounted for the bulk of the targets, with 17 and 13 transactions, respectively, across these sector subsets. Life sciences saw the next highest level of activity with seven deals and a combined disclosed value of $1.4 billion.

Finally, non-high technology deals accounted for six exits with $990.0 million in disclosed values.

Venture-Backed M&A Industry Breakdown

		Q2 2009		
	Industry	**Number of Venture-Backed M&A deals**	**Number of Venture-Backed M&A deals with a disclosed value**	**Total Disclosed Venture-Backed Deal Value ($M)**
Information Technology	Communications and Media	6	-	-
	Internet Specific	17	1	22.8
	Computer Software and Services	13	4	156.5
	Semiconductors/Other Elect.	7	1	21.0
	Computer Hardware	3	1	15.4
	TOTAL	**46**	**7**	**215.6**
Life Sciences	Biotechnology	2	2	514.5
	Medical/Health	5	2	850.0
	TOTAL	**7**	**4**	**1364.5**
Non-High Technology	Other Products	3	-	-
	Consumer Related	2	1	590.0
	Industrial/Energy	1	1	400.0
	TOTAL	**6**	**2**	**990.0**
	TOTAL	**59**	**13**	**2,570.1**

Source: Thomson Reuters & National Venture Capital Association

The largest transaction of the quarter was the acquisition of surgical instrumentation and equipment provider Corevalve by Medtronic, also a medical equipment concern, for $700 million.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 42 percent of the total in the second quarter of 2009, significantly better than in the first quarter of 2009 when these deals accounted for 21 percent. Those deals returning less than the amount invested also accounted for 42 percent of the quarter's total, compared to 57 percent of the total in the previous quarter.

"The improved quality of acquisitions was driven by a number of favorable deals in the second quarter; we are hopeful this will continue," said Heesen. "We would like to see the volume of acquisitions rise over the next several quarters to realign with historical norms. Hopefully, the improved stability in the market in the last month should send a signal to corporate acquirers that now is the time to ramp up their acquisition activity."

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q109 M&A**	Q209 M&A**
Deals where transaction value is less than total venture investment	8	5
Deals where transaction value is 1-4x total venture investment	3	2
Deals where transaction value is 4x-10x total venture investment	3	3
Deals where transaction value is greater than 10x venture investment	0	2
Total Disclosed Deals	**14**	**12**

Source: Thomson Reuters & National Venture Capital Association

** Disclosed deals that do not have a disclosed total investment amount are not included.

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The National Venture Capital Association (NVCA) represents approximately 460 venture capital firms in the United States. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy and support entrepreneurial activity and innovation. According to a 2008 Global Insight study, venture-backed companies accounted for 12.1 million jobs and $2.9 trillion in revenue in the United States in 2008. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.