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NVCA
National Venture Capital Association

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VENTURE CAPITAL RETURNS BEGIN TO SHOW SIGNS OF IMPROVEMENT AS OF Q3 2010

January 26, 2011, Arlington VA – With the exception of the 10 and 15-year returns which declined slightly, venture capital performance improved across most time horizons as of the end of the third quarter of 2010, according to the Cambridge Associates U.S. Venture Capital Index®, the performance benchmark of the National Venture Capital Association. While the shifts were mild in both directions, the overall performance numbers indicated the first signs of recovery since the financial crisis of 2008. Venture capital performance also surpassed the public market indices for the 3-, 5-, 15- and 20-year time horizons.

US Venture Capital Index Returns for the Periods ending 9/30/2010, 6/30/2010 and 9/30/2009

For the period ending	Qtr.	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
September 30, 2010	3.7	8.2	-2.1	4.3	-4.6	36.9	25.6
June 30, 2010	0.4	6.4	-2.6	4.3	-4.1	38.1	24.3
September 30, 2009	2.1	-12.7	1.2	4.6	8.5	36.4	23.0
Other indices at September 30, 2010							
DJIA	11.1	14.1	-5.4	3.1	2.5	7.9	10.3
NASDAQ Composite	12.3	11.6	-4.3	1.9	-4.3	5.6	10.1
S&P 500	11.3	10.2	-7.2	0.6	-0.4	6.5	9.1

Sources: Cambridge Associates LLC, Dow Jones & Company, Inc., Standard and Poor's, and Thomson Datastream.

"The third quarter of 2010 brought a change of direction to a performance trend that has been pointed downwards for several quarters," said Mark Heesen, president of the NVCA. "An improved exit market helped boost the one year returns to positive territory while applying the brakes to the negative slide in the 3-, 5-, and 10-year horizons. Based on the current market dynamics, we would expect this positive reversal of fortune to continue into 2011 and bring the venture capital industry back into positive territory."

Theresa Sorrentino Hajer, research consultant at Cambridge Associates said: "Conditions in the venture capital industry have improved, reaching a more favorable risk-return balance. M&A activity was up over the prior year, and post-IPO performance has been relatively strong, in line with the steadily improving public markets. One would expect that the improved exit markets, reduced fundraising and moderated pre-money valuations and investment levels will bolster the long-term viability of the VC industry."

Vintage Year Return Ratios

The following chart illustrates the relationship between the dollars paid into venture capital funds by limited partners and the dollars distributed back to them by vintage year. The chart also incorporates the residual value of the portfolios at 9/30/10 for an overall ratio. For example, the 2004 vintage year funds have distributed cash of .21 times the amount of capital paid in by LPs. If you account for the current value of the existing portfolio of .92, the ratio increases to 1.14 times. However, it is important to note that the residual value is unrealized and will change as companies exit the portfolio, are revalued, or are written off.

The 1995 vintage year funds continue to have the most positive ratio, returning 6.14 times the cash contributed by LPs, a number which rises to 6.19 should those funds realize the value of what is currently in the portfolio. More recent vintage years have yet to return significant cash to LPs as most funds do not begin returning capital until after year five.

Vintage Year Multiples Analysis
Pooled Mean Net to Limited Partners
As of September 30, 2010

Vintage Year	Distribution to Paid in Capital (DPI)	Residual Value to Paid in Capital (RVPI)	Total Value to Paid in Capital (TVPI)
1981-1994	3.23	0.01	3.24
1995	6.14	0.05	6.19
1996	4.94	0.09	5.03
1997	3.00	0.07	3.06
1998	1.31	0.17	1.47
1999	0.67	0.25	0.92
2000	0.52	0.41	0.93
2001	0.46	0.57	1.02
2002	0.43	0.56	1.00
2003	0.38	0.77	1.15
2004	0.21	0.92	1.14
2005	0.14	0.87	1.01
2006	0.07	0.91	0.98
2007	0.05	0.96	1.01
2008	0.04	1.00	1.04
2009	0.00	1.01	1.01
Overall	**1.08**	**.45**	**1.53**

Source: Cambridge Associates

Additional Performance Benchmarks

To view the full, comprehensive report, which includes tables on additional time horizons, vintage years and industry returns, please visit the Cambridge Associates or NVCA websites.

Cambridge Associates derives its U.S. venture capital benchmarks from the financial information contained in its proprietary database of venture capital funds. As of September 30, 2010, the database is comprised of 1,290 venture funds formed from 1981 through 2010.

The **National Venture Capital Association (NVCA)** represents more than 400 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 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and $2.9 trillion in revenue in the U.S. 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.

Founded in 1973, **Cambridge Associates** delivers a range of services, including investment consulting, outsourced portfolio solutions, independent research, and performance monitoring and tools across all asset classes, to more than 800 institutional and private clients worldwide. The firm has advised clients on alternative assets since the 1970s and compiles the performance results for more than 2,000 private partnerships to publish the Cambridge Associates U.S. Venture Capital Index® and Cambridge Associates U.S. Private Equity Index®, which are widely considered to be the industry-standard benchmark statistics for those asset classes. In total, the firm has over 950 employees serving its client base globally and maintains offices in Arlington, VA; Boston; Dallas; Menlo Park, CA; London; Singapore, and Sydney, Australia. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.