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VENTURED-BACKED IPO ACTIVITY AT LOWEST LEVEL IN SEVEN QUARTERS; ACQUISITIONS CONTINUE TO SHOW STRENGTH AMIDST DIFFICULT ECONOMIC TIMES

New York, New York, October 3, 2011 – Slowed by stronger economic headwinds and market volatility, venture-backed Initial Public Offering (IPO) exit activity fell significantly in the third quarter, with only 5 companies going public, down 77 percent from the second quarter 2011 and 64 percent from the third quarter of last year, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). By dollars, the quarter marked the weakest three-month period for venture-backed IPOs since the fourth quarter of 2009. For the third quarter, 101 venture-backed M&A deals were reported, 35 which had an aggregate deal value of $6.3 billion, up 8% over the second quarter of 2011.

"While the IPO market screeched to a halt in the second half of the 3rd quarter, the acquisitions market continued to move forward, said Mark Heesen, president of the NVCA. "Quality acquisitions continue to get done which should help venture capital firms return money to limited partners and better position themselves to raise new funds. However, current economic instability could reduce the number of high return acquisitions while keeping new IPOs at a seriously low level for the remainder of the year. Federal policymakers must address this market uncertainty if they want to fulfill the stated goal of increasing long term employment as it is these emerging growth companies that hold the key to future job creation in the United States."

Venture-Backed Liquidity Events by Year/Quarter, 2005-2011

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)
2005	**350**	**163**	**17,324.7**	**106.3**	**57**	**4,482.4**	**78.6**
2006	**378**	**167**	**19,141.8**	**114.6**	**57**	**5,117.1**	**89.8**
2007	**382**	**170**	**29,556.6**	**173.9**	**86**	**10,326.3**	**120.1**
2008-1	109	42	4,983.2	118.7	5	282.7	56.6
2008-2	85	26	3,267.9	125.7	0	-	-
2008-3	89	33	3,235.2	98.0	1	187.5	187.5
2008-4	65	18	2,390.9	132.8	0	-	-
2008	**348**	**119**	**13,877.2**	**116.6**	**6**	**470.2**	**78.4**
2009-1	65	15	666.0	44.4	0	-	-
2009-2	65	13	2,550.1	196.2	5	720.7	144.1
2009-3	69	23	1,362.4	59.2	3	572.1	190.7
2009-4	74	41	8,614.7	210.1	4	349.3	87.3
2009	**273**	**92**	**13,193.3**	**143.4**	**12**	**1,642.1**	**136.8**
2010-1	122	31	5,586.6	180.2	10	1,110.3	111.0
2010-2	99	23	3,022.2	131.4	17	1,274.9	75.0
2010-3	113	30	4,022.7	134.1	14	1,249.1	89.2
2010-4	97	41	5,997.5	146.3	34	3,972.3	116.8
2010	**431**	**125**	**18,629.1**	**149.0**	**75**	**7,606.6**	**101.4**
2011-1	123	49	5,898.4	120.4	14	1,375.8	98.3
2011-2	86	38	5,861.7	154.3	22	5,454.2	247.9
2011-3	101	35	6,344.6	181.3	5	442.9	88.6
2011	**310**	**122**	**18,104.7**	**148.4**	**41**	**7,272.9**	**177.4**

Source: 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 5 venture-backed IPOs valued at $442.9 million in the third quarter of 2011, which represented a 92 percent drop in dollar value compared to the second quarter of 2011 and a 65 percent drop in dollar value from the same three months last year. Four of the five IPOs of the quarter were based in the United States, while Tudou.com (China) represented the only company based outside of the US to come to market.

Four of the five IPOs in the quarter represented the information technology (IT) sector which remains the most active sector having had fourteen of the 21 IPO exits for the second quarter as well. The only non-IT IPO of the quarter was from Skokie, IL-based Horizon Therapeutics, which raised $49.5 million July.

In the largest IPO of the quarter, Chinese Holding Company Tudou.com (TUDO) raised $174 Million on NASDAQ on August 17th.

Venture-Backed IPO Industry Breakdown

		Q3 2011	
	Industry	***Number of Venture-Backed IPO's in the U.S.**	**Total Venture-Backed Offering Size ($M)**
Information Technology	Internet Specific	2	243.2
	Computer Hardware	1	87.7
	Computer Software and Services	1	62.5
		4	**393.4**
Life Sciences	Biotechnology	1	49.5
		1	**49.5**
	Industrial/Energy	0	0.0
	Other Products	0	0.0
		0	**0.0**
	TOTAL	**5**	**442.9**

Source: Thomson Reuters & National Venture Capital Association

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

For the third quarter of 2011, all five companies listed on the NASDAQ stock exchange.

Three of the five IPOs in the third quarter, Zillow, Tangoe, and Carbonite are trading above their offering price as of September 29th, 2011. Sixty-four U.S. venture-backed companies are currently filed for an initial public offering with the SEC.

Mergers and Acquisitions Overview

As of September 30, 2011, 101 venture-backed M&A deals were reported for the third quarter, 35 which had an aggregate deal value of $6.3 billion. The average disclosed deal value was $181.3 million, up 17 percent from Q2 2011. By total disclosed deal value third quarter volume marks a 58 percent increase from the third quarter of 2010.

The information technology sector led the venture-backed M&A landscape with 86 of the 101 deals of the quarter and had a disclosed total dollar value of $3.66 billion. This was up over 33% from Q2 2011. Within this sector, Internet specific and Computer software and services accounted for the bulk of the targets with 37 and 34 transactions, respectively, across these sector subsets. For the first three quarters of 2011, venture-backed M&A activity is up 43 percent by disclosed value and down 7 percent by number of deals, compared to the first three quarters of 2010.

Venture-Backed M&A Industry Breakdown

		Q3 2011		
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	Computer Software and Services	34	13	2,420.8
	Internet Specific	37	9	811.1
	Computer Hardware	4	-	-
	Semiconductors/Other Elect.	5	2	323.0
	Communications and Media	6	1	104.9
		86	**25**	**3,659.7**
Life Sciences	Biotechnology	1	1	325.0
	Medical/Health	7	4	710.0
		8	**5**	**1,035.0**
Non-High Technology	Industrial/Energy	2	2	1,060.0
	Consumer Related	1	-	-
	Other Products	4	3	589.9
		7	**5**	**1,649.9**
	TOTAL	**101**	**35**	**6,344.6**

Source: Thomson Reuters & National Venture Capital Association

In the biggest venture-backed M&A deal of the quarter, Tulsa, OK-based Laredo Petroleum acquired Broad Oak Energy, a Dallas-based oil & gas exploration and production company, with significant operations within the Permian Basin for $1 billion.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 88 percent of the total disclosed transactions during third quarter 2011. Venture-backed M&A deals returning less than the amount invested accounted for 6 percent of the quarterly total.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q4 10 M&A **	Q1 11 M&A **	Q2 11 M&A **	Q3 11 M&A **
Deals where transaction value is less than total venture investment	6	9	9	2
Deals where transaction value is 1-4x total venture investment	15	16	12	8
Deals where transaction value is 4x-10x total venture investment	11	14	9	13
Deals where transaction value is greater than 10x venture investment	6	8	4	10
Total Disclosed Deals	**38**	**47**	**34**	**33**

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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