

# Exit Strategies In The Wake of The Demise of Wall Street: Is There A Chance For Resurrection

## Panelists:

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## Moderator:

### **Mike Selfridge**

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# Analysis of Venture-Backed IPO and M&A Activity

Date	Number of IPOs*	Total Venture-Backed Offering Size (\$M)	Average Venture-Backed Offering Size (\$M)	Number of Venture-backed M&A deals	Average M&A deal size**
2004	94	11,378.0	121.0	346	85.1
2005	57	4,485.0	78.7	352	104.9
2006	56	5,075.1	90.6	369	116.8
2007	86	10,326.3	120.1	373	177.0
2008 Q1	5	282.7	56.5	106	113.6
2008 Q2	0	0.0	0	84	126.7
2008 Q3	1	187.5	187.5	86	96.3
2008 Q4	0	0.0	0	61	140.3
2008	6	470.2	78.4	337	115.7
2009 Q1	0	0.0	0	56	49.6

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

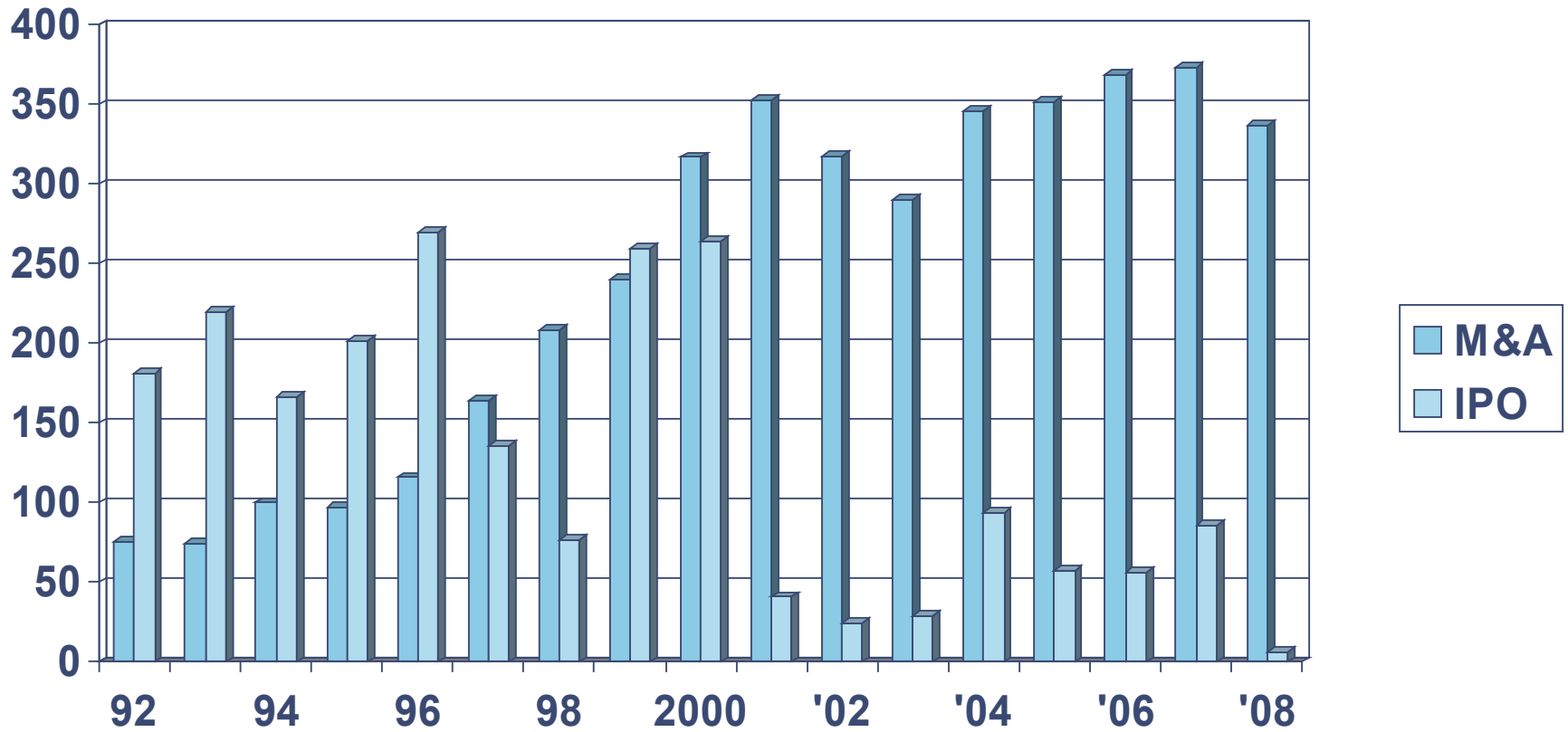
\*\*Only accounts for deals with disclosed values

Source: Thomson Reuters and National Venture Capital Association

Q1 2009

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# Venture Backed Exits: #M&A vs #IPO 1992-2008



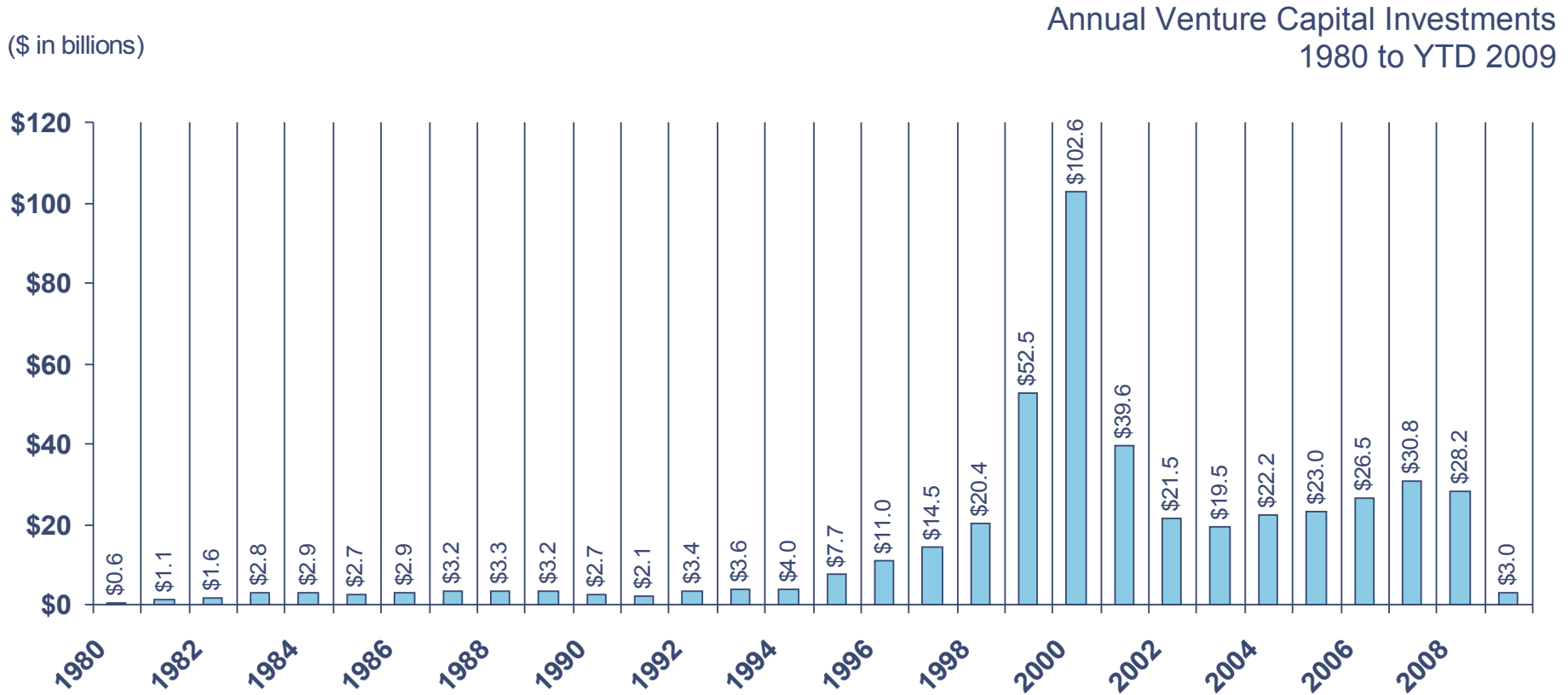
# Venture Capital Fundraising

Year	First Time Funds	Follow-On Funds	Total Number of Funds	VC Raised (\$M)
2004	55	156	211	19,156.0
2005	63	173	236	28,747.5
2006	55	184	239	31,866.0
2007	61	188	249	35,649.4
2008	47	167	214	28,278.5
Quarter				
Q1 '07	21	60	81	6,485.5
Q2 '07	17	68	85	8,660.6
Q3 '07	15	62	77	8,595.8
Q4 '07	26	59	85	11,907.5
Q1 '08	10	61	71	7,120.1
Q2 '08	23	55	78	9,246.7
Q3 '08	13	49	62	8,393.3
Q4 '08	11	36	47	3,518.4
Q1 '09	3	37	40	4,316.0

Data current as of January 10, 2009

Source: Thomson Reuters & National Venture Capital Association

# MoneyTree Total Investments: 1980 – YTD 2009



# Thomson Reuters' US Private Equity Performance Index\* (PEPI)

(Investment Horizon Performance through 12/31/2008)

Fund Type	1 Year	3 Year	5 Year	10 Year	20 Year
Early/Seed VC	-20.6	1.7	3.7	36.0	21.8
Balanced VC	-26.9	4.6	8.4	13.5	14.5
Later Stage VC	-6.8	9.5	8.7	7.5	14.5
All Venture (through 09/30/08)	-2.1	6.3	8.4	17.1	17.0
All Venture (through 12/31/07)	20.1	9.5	8.6	18.1	16.7
NASDAQ	-38.1	-10.3	-4.6	-3.2	7.3
S&P 500	-36.1	-10.0	-4.0	-3.0	6.1

Source: Thomson Reuters/National Venture Capital Association

*\*The Private Equity Performance Index is based on the latest quarterly statistics from Thomson Reuters' Private Equity Performance Database analyzing the cashflows and returns for over 1266 US venture capital partnerships with a capitalization of \$224 billion. Sources are financial documents and schedules from Limited Partner investors and General Partners. All returns are calculated by Thomson Reuters from the underlying financial cashflows. Returns are net to investor after management fees and carried interest.*

# Summary: Q1'09

- IPO mkt weak
  - 6 vc backed IPO's in US in '08, lowest since 1977, raised \$0.5B vs \$10.3B in '07
  - 1990-2000: 1776 IPO's, 56% all exits
  - 2001-2008: 392 IPO's, 13% all exits
- \$3.0B invested in Q1'09 lowest since Q1'97, 62% drop vs Q1'08, 44% drop vs Q4'08
- Cleantech hit hard, down 75% vs Q4'08
- Lowest 1<sup>st</sup> time financings since 1994
- M&A weak
  - 260 deals (down 27%), \$13.9B (down 51%) in '08 vs. '07
  - Q1'09: 56 deals, down 47% vs Q1'08, lowest # in decade
  - Median M&A about \$25M in Q1'09
  - Fewer Acquirers due to Consolidation
- \$4 Trillion mkt cap lost on US exchanges in last 12 months, e.g.
  - Citigroup: \$130B gone, AIG: \$150B, Fannie Mae/Freddie Mac: \$105B (\$1B left)
- US Homeowners lost \$6 Trillion equity last 3 years
  - 12 Million homes worth less than mortgage
- Employment down 2 million jobs in '08, US unemployment at 26 year high
- US economy shrank at 6.2% rate at end '08, largest drop in 26 years
- US govt recently borrowed 10% of budget, 45% of budget in '09
- Angel investing down 26% to \$19B in '08 per Center for Venture Research at Univ. of New Hampshire

# Summary/Predictions VC Market: Men Behaving Badly

- VC's stop funding many portfolio companies, major triage
- More layoffs/cost cutting, unemployment up
- New Deals must be perfect
- All Deals Series A, lots of down rounds
- Fewer Deals per fund, higher reserves
- VC syndicate quality more important, mainly inside rounds
- VC's fear capital calls produce LP defaults
- VC Fundraising problematic
- More Government regulation

# Globalization Marches On

- China VC\$ : \$4.2B '08, 2.5B '07, 1.3B '04 , 34% CAGR
- China VC\$ raised \$7.3B '08
- India VC\$: \$3.0B '08 , 0.6B '04, 50% CAGR
- Japan VC\$: \$1.9B '08, 1.5B '04, 6% CAGR
- Israel VC\$: \$1.4B '08, \$1.2B in '07 & '06
- % Int'l: 70% PC, 86% Internet, 92% Mobile
- China surpass US for most Internet users in '08, 67% under 29
- China as new IMF for US
  - Balanced budget, devalued currency, higher interest rates, relaxed Regulation, tax cuts
- Australian commentator: Need Communists to save Capitalism
- Czech Pres. Topolanek, Pres. EU: US trillion \$ deficit “road to hell”
- India population surpass China by 2020