



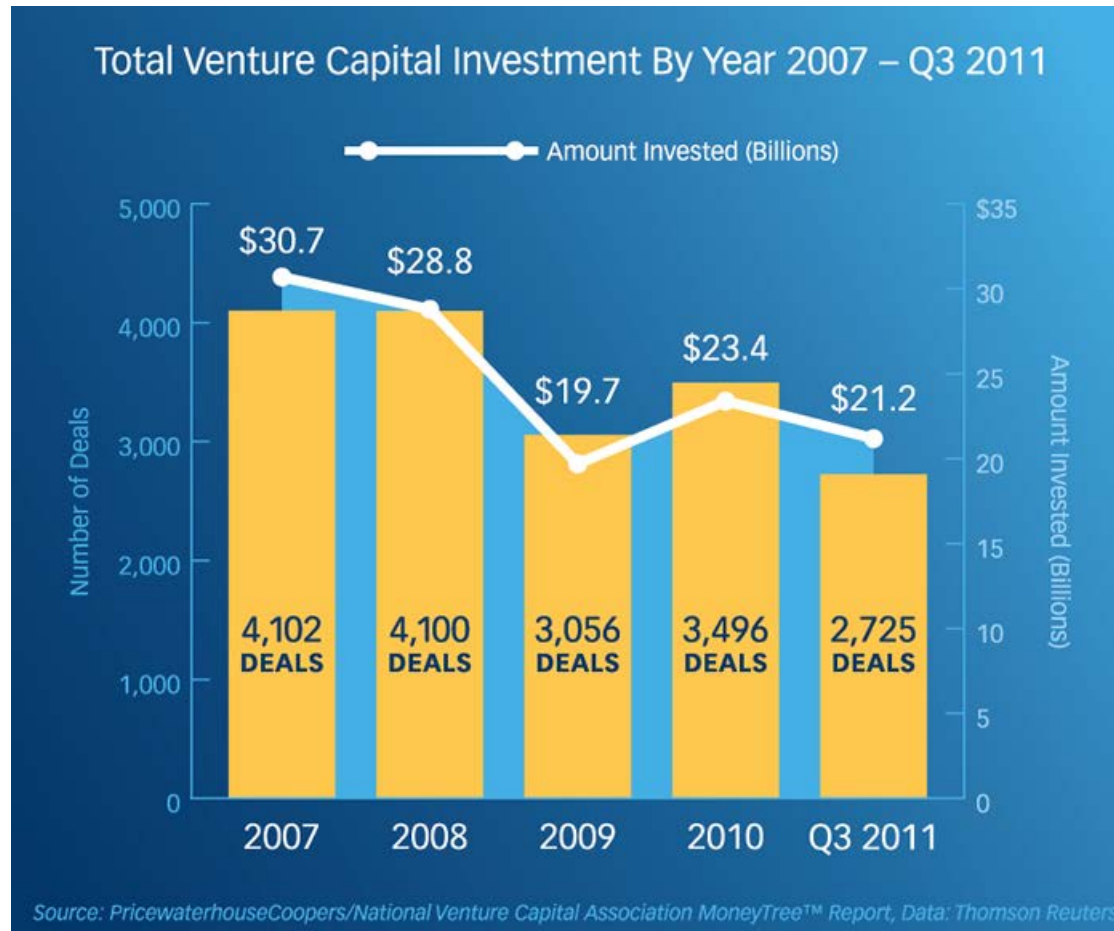
# Venture Capital Review: 2011

Presentation to MDG Entrepreneurial SIG

November 29, 2011

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Foley Hoag LLP

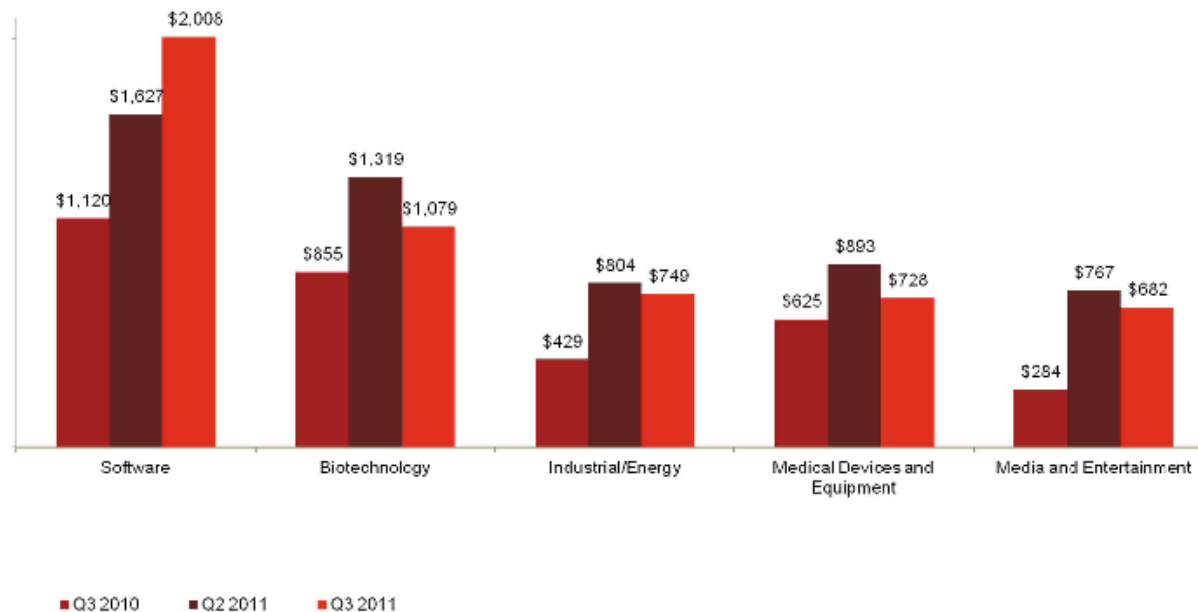
# Investment Activity



## Investment activity – Q3 2011 top industries

Q3 2010, Q2 2011, Q3 2011

Total amount invested (\$M)

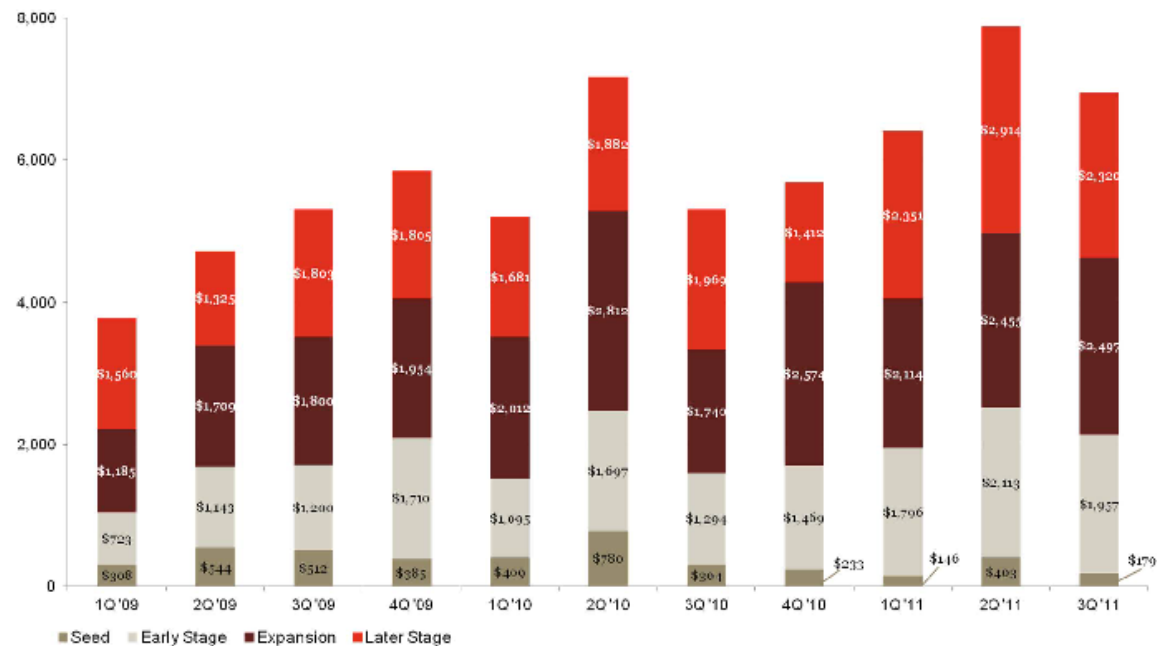


PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report  
based on data from Thomson Reuters

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## US Investments by stage– Quarterly Q1 2009-Q3 2011

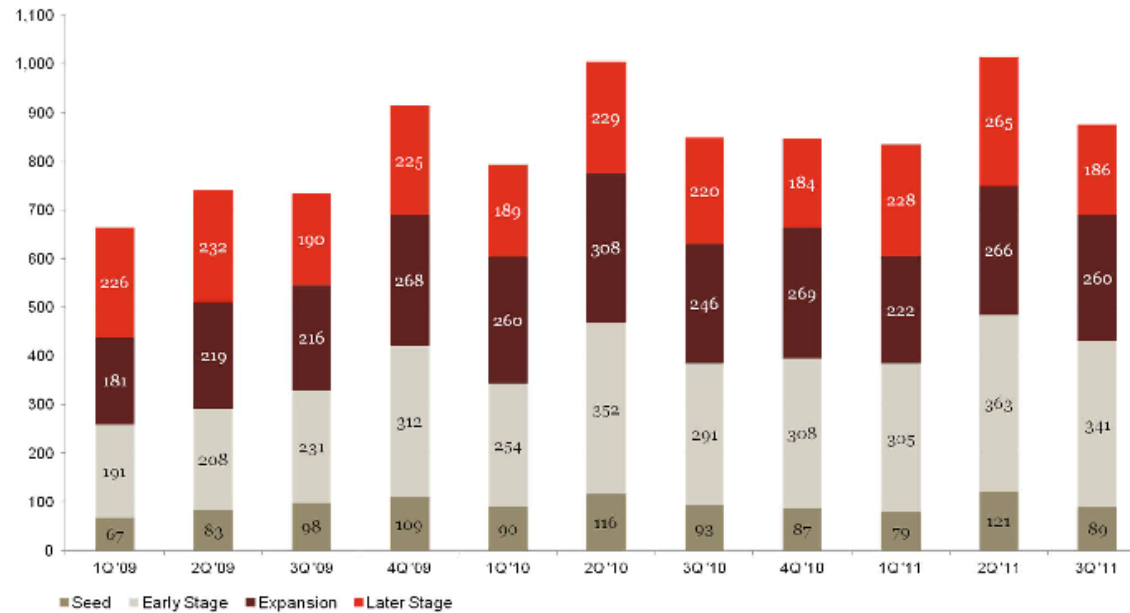
Amount Invested by Stage (\$M)



PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report  
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## US Investments by stage– Quarterly Q1 2009-Q3 2011

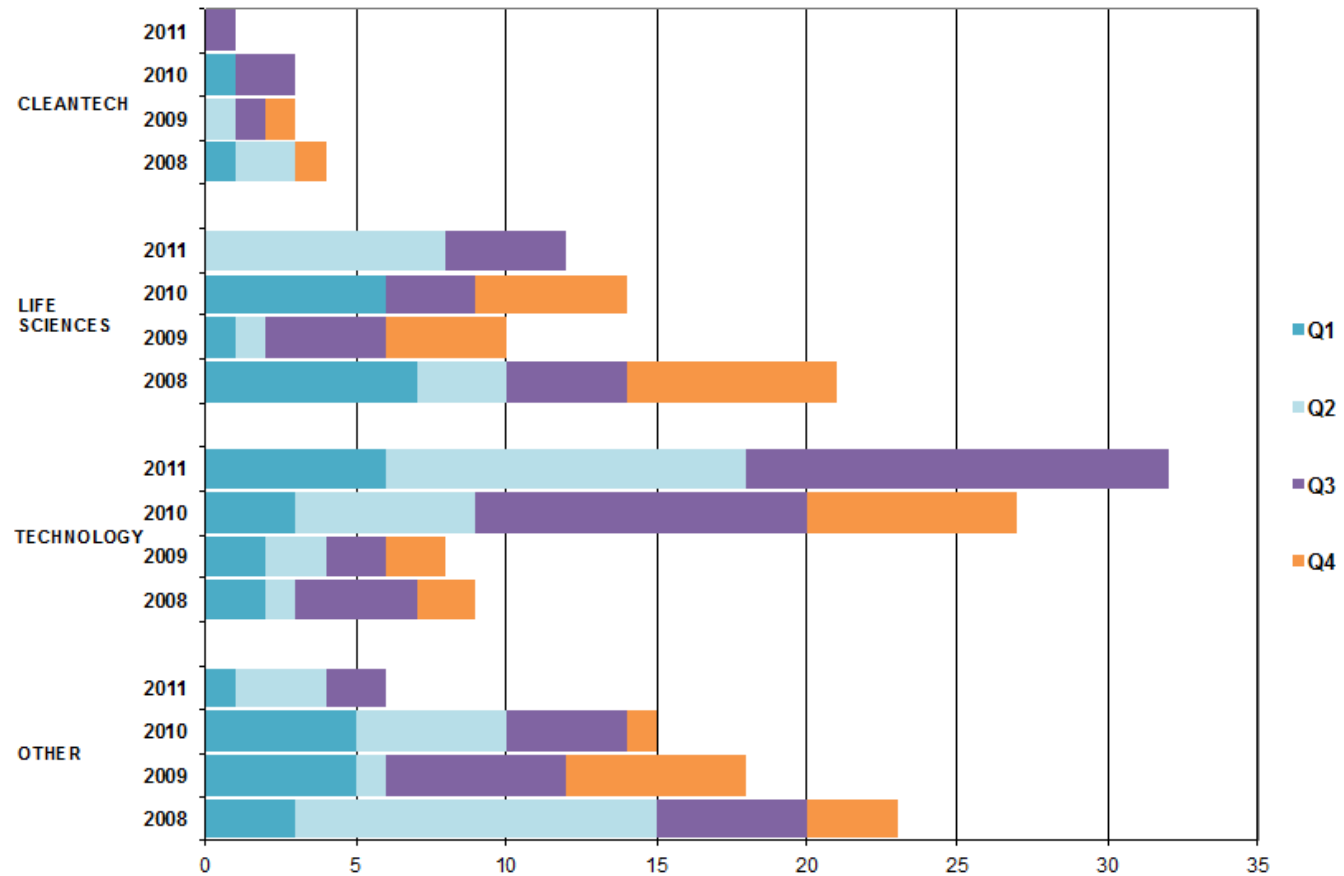
Number of Deals by Stage



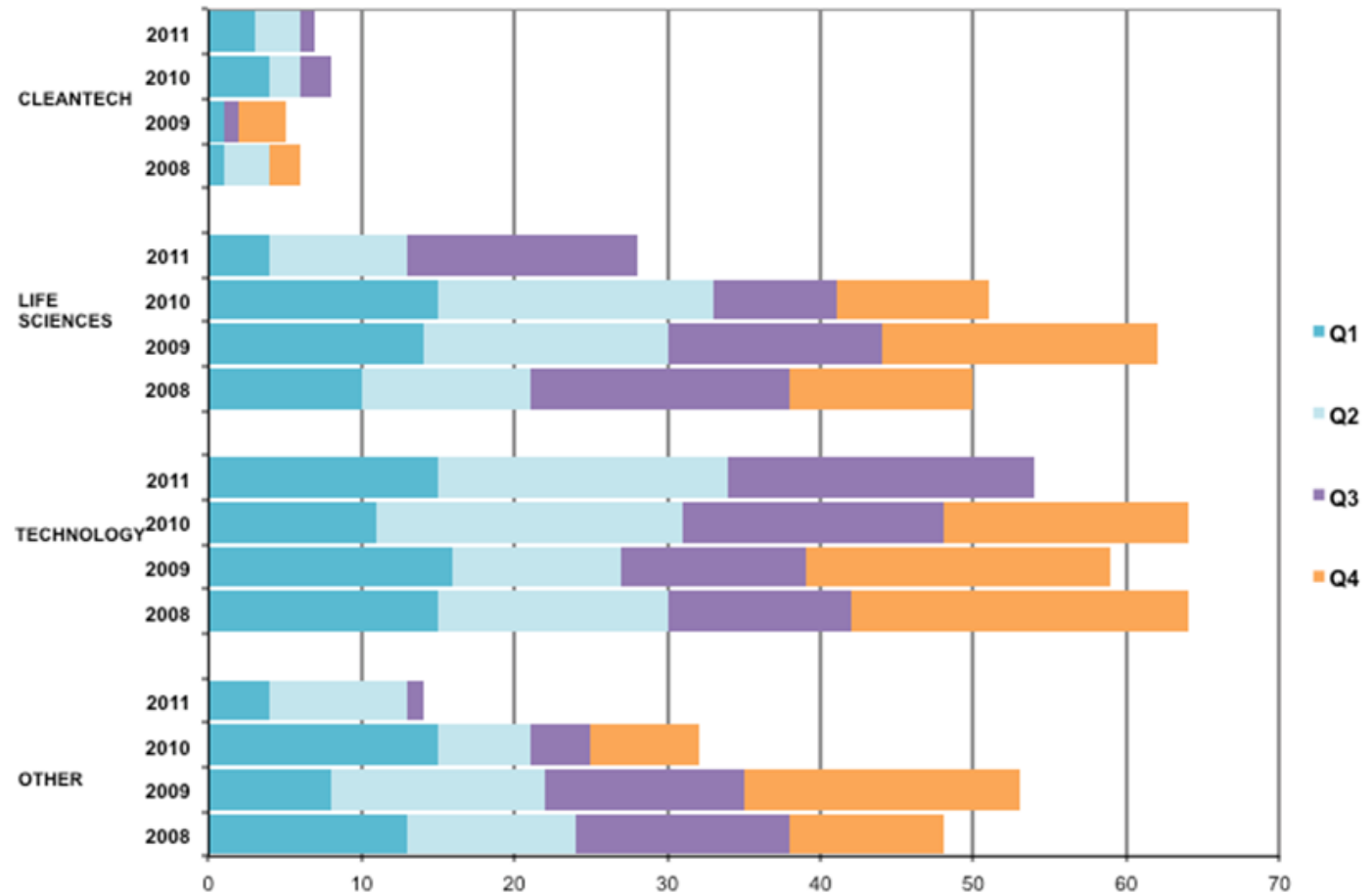
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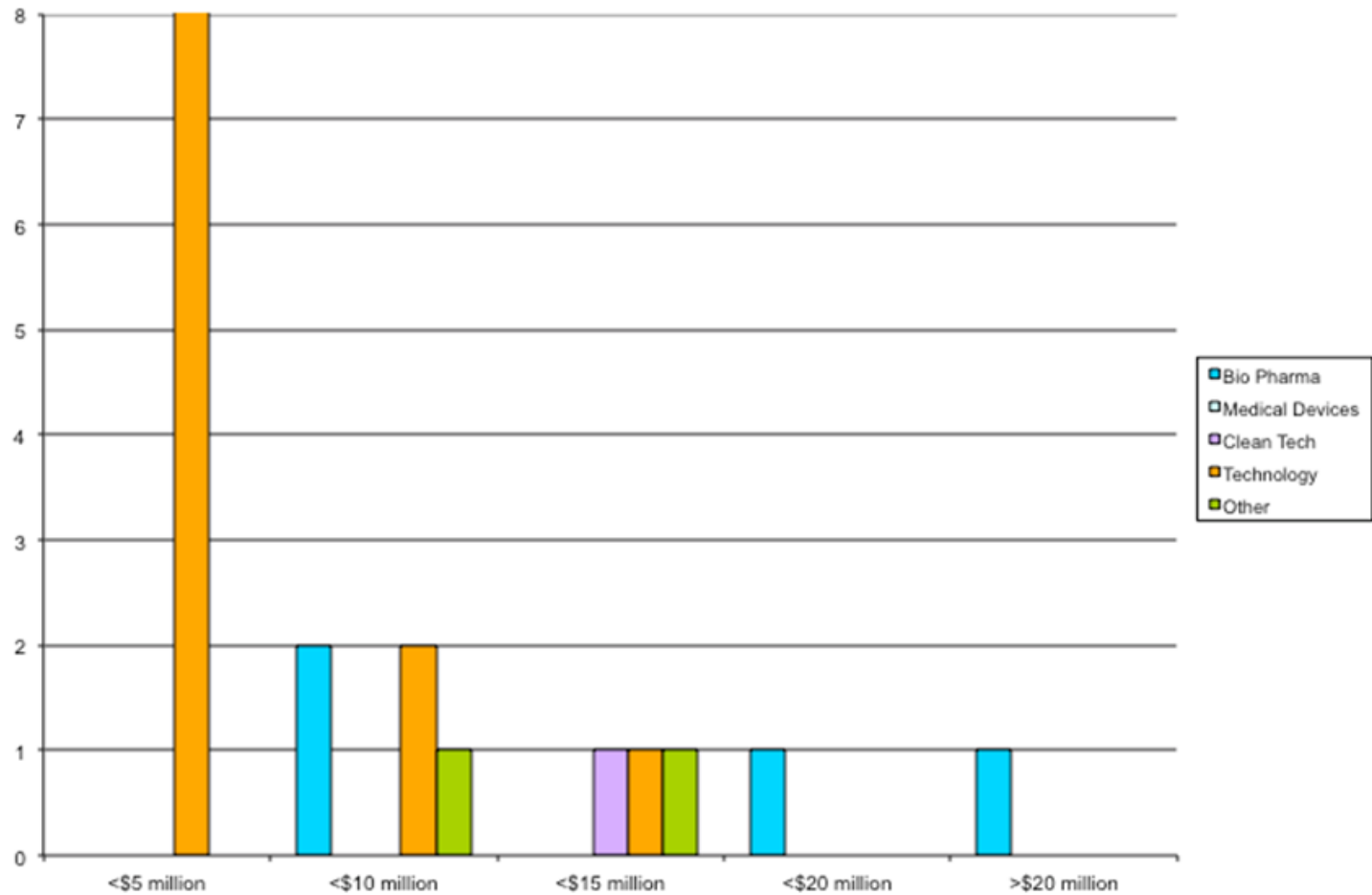
## Activity Level of New England Series A Transactions



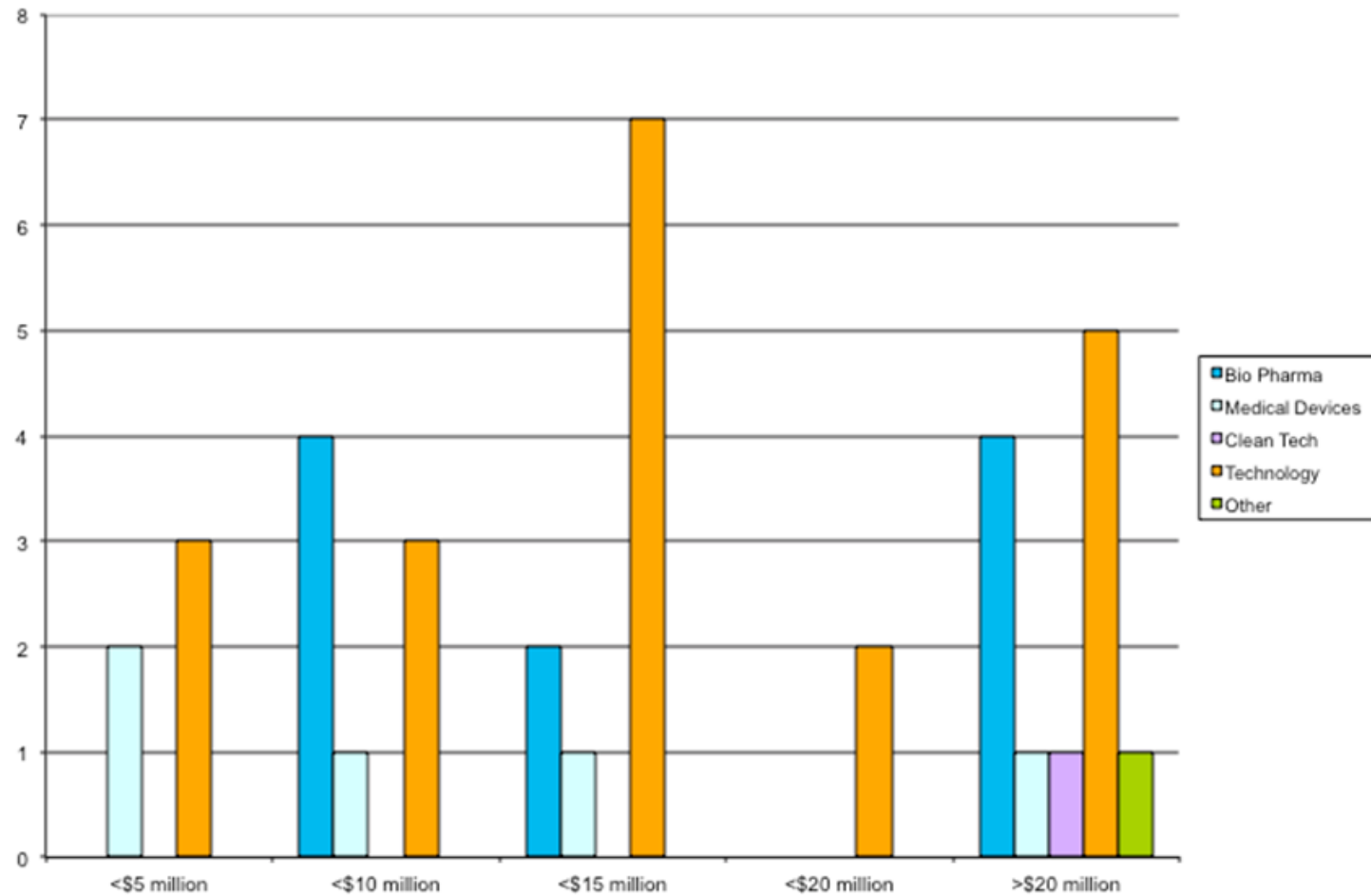
Activity Level of New England Series B and Later Round Transactions



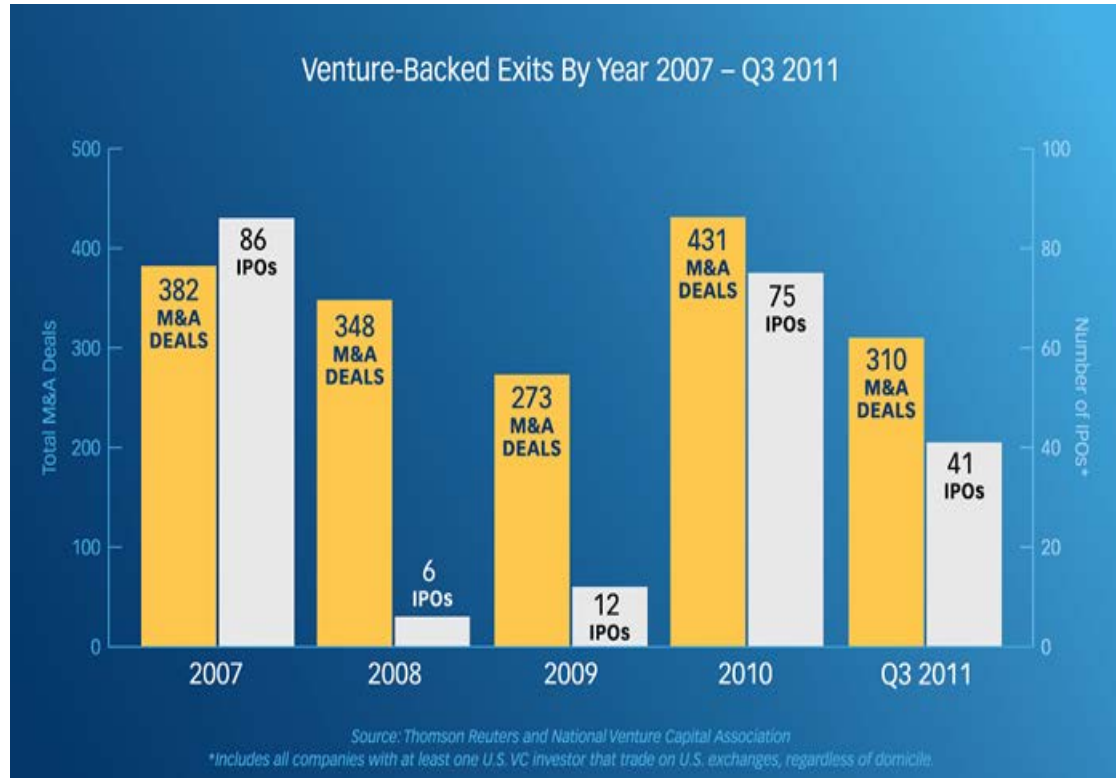
### Size of New England Q2 2011 Series A Transactions by Industry



### Size of New England Q2 2011 Series B Transactions by Industry



# Exits



**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.

■ Q3

### 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
		<b>4</b>	<b>393.4</b>
Life Sciences	Biotechnology	1	49.5
		<b>1</b>	<b>49.5</b>
	Industrial/Energy	0	0.0
	Other Products	0	0.0
		<b>0</b>	<b>0.0</b>
<b>TOTAL</b>		<b>5</b>	<b>442.9</b>

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

**Venture-Backed M&A Industry Breakdown**

		Q3 2011		
		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)
Industry				
<b>Information Technology</b>	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
		<b>86</b>	<b>25</b>	<b>3,659.7</b>
<b>Life Sciences</b>	Biotechnology	1	1	325.0
	Medical/Health	7	4	710.0
		<b>8</b>	<b>5</b>	<b>1,035.0</b>
<b>Non-High Technology</b>	Industrial/Energy	2	2	1,060.0
	Consumer Related	1	-	-
	Other Products	4	3	589.9
		<b>7</b>	<b>5</b>	<b>1,649.9</b>
<b>TOTAL</b>		<b>101</b>	<b>35</b>	<b>6,344.6</b>

Source: Thomson Reuters & National Venture Capital Association

### 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
<b>Total Disclosed Deals</b>	<b>38</b>	<b>47</b>	<b>34</b>	<b>33</b>

Source: Thomson Reuters & National Venture Capital Association

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

■ Q2

## Venture-Backed IPO Industry Breakdown

		Q2 2011	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
<b>Information Technology</b>	Internet Specific	11	3,491.9
	Computer Hardware	1	233.7
	Computer Software and Services	1	89.1
	Communications and Media	1	77.0
		<b>14</b>	<b>3,891.7</b>
<b>Life Sciences</b>	Biotechnology	3	343.6
		<b>3</b>	<b>343.6</b>
	Industrial/Energy	2	744.0
	Other Products	3	474.9
		<b>5</b>	<b>1,218.9</b>
<b>TOTAL</b>		<b>22</b>	<b>5,454.2</b>

**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

**Venture-Backed M&A Industry Breakdown**

		Q2 2011		
		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)
Industry				
Information Technology	Computer Software and Services	20	5	1,020.0
	Internet Specific	21	10	591.7
	Computer Hardware	4	2	517.0
	Semiconductors/Other Elect.	4	3	353.5
	Communications and Media	7	5	240.8
		<b>56</b>	<b>25</b>	<b>2,723.0</b>
Life Sciences	Biotechnology	7	6	2,061.5
	Medical/Health	10	5	625.8
		<b>17</b>	<b>11</b>	<b>2,687.3</b>
Non-High Technology	Industrial/Energy	2	-	-
	Other Products	4	-	-
		<b>6</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>79</b>	<b>36</b>	<b>5,410.3</b>

Source: Thomson Reuters & National Venture Capital Association

### 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 **
Deals where transaction value is less than total venture investment	6	9	9
Deals where transaction value is 1-4x total venture investment	15	16	12
Deals where transaction value is 4x-10x total venture investment	11	14	9
Deals where transaction value is greater than 10x venture investment	6	8	4
<b>Total Disclosed Deals</b>	<b>38</b>	<b>47</b>	<b>34</b>

**Source: Thomson Reuters & National Venture Capital Association**

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

■ Q1

### Venture-Backed IPO Industry Breakdown

		Q1 2011	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
<b>Information Technology</b>	Computer Software and Services	2	312.1
	Communications and Media	1	264.9
	Internet Specific	1	151.3
	Semiconductors	2	145.5
	Computer Hardware	1	85.8
		<b>7</b>	<b>959.6</b>
<b>Life Sciences</b>	Biotechnology	4	292.3
	Medical/Health	2	82.0
		<b>6</b>	<b>374.3</b>
	Consumer Related	1	42.0
		<b>1</b>	<b>42.0</b>
<b>TOTAL</b>		<b>14</b>	<b>1,375.8</b>

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

### Venture-Backed M&A Industry Breakdown

		Q1 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)
<b>Information Technology</b>	Internet Specific	28	12	2265.3
	Computer Software and Services	35	7	820.3
	Communications and Media	4	1	95.0
	Semiconductors/Other Elect.	3	1	75.0
	Computer Hardware	4	2	52.2
		<b>74</b>	<b>23</b>	<b>3,307.8</b>
<b>Life Sciences</b>	Medical/Health	17	12	1,524.9
	Biotechnology	6	5	650.5
		<b>23</b>	<b>17</b>	<b>2,175.3</b>
<b>Non-High Technology</b>	Consumer Related	3	2	248.0
	Other Products	5	1	115.0
	Industrial/Energy	4	2	45.0
		<b>12</b>	<b>5</b>	<b>408.0</b>
<b>TOTAL</b>		<b>109</b>	<b>45</b>	<b>5,891.2</b>

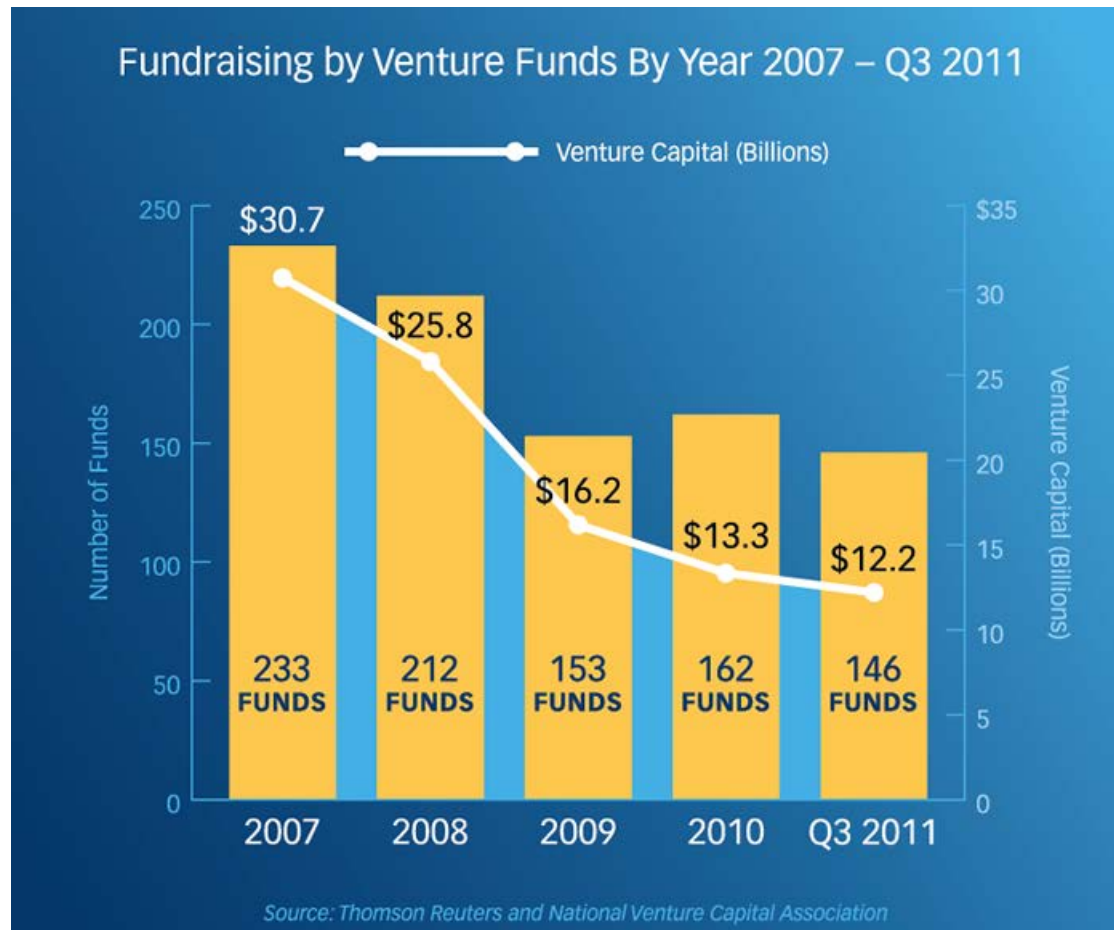
Source: Thomson Reuters & National Venture Capital Association

	Q4 10 M&A **	Q1 11 M&A **
<b>Relationship between transaction value and investment</b>		
<b>Deals where transaction value is less than total venture investment</b>	6	6
<b>Deals where transaction value is 1-4x total venture investment</b>	15	17
<b>Deals where transaction value is 4x-10x total venture investment</b>	11	13
<b>Deals where transaction value is greater than 10x venture investment</b>	6	7
<b>Total Disclosed Deals</b>	<b>38</b>	<b>43</b>

Source: Thomson Reuters & National Venture Capital Association

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

# Fundraising



### Fundraising by Venture Funds

Year/Quarter	Number of Funds	Venture Capital (\$M)
2007	233	30,739.7
2008	212	25,814.7
2009	153	16,191.9
2010	162	13,346.3
<b>2011</b>	<b>147</b>	<b>12,249.7</b>
1Q'09	58	4,945.9
2Q'09	39	4,844.2
3Q'09	34	2,332.0
4Q'09	47	4,069.8
1Q'10	45	4,033.8
2Q'10	48	2,098.4
3Q'10	53	3,593.8
4Q'10	45	3,620.3
1Q'11	46	7,634.2
2Q'11	49	2,895.7
<b>3Q'11</b>	<b>52</b>	<b>1,719.7</b>

Source: Thomson Reuters and National Venture Capital Association

### VC Funds: New vs. Follow-On

	No. of New	No. of Follow-on	Total
2007	64	169	233
2008	58	154	212
2009	39	114	153
2010	49	113	162
<b>2011</b>	<b>46</b>	<b>101</b>	<b>147</b>
1Q'09	10	48	58
2Q'09	12	27	39
3Q'09	12	22	34
4Q'09	12	35	47
1Q'10	14	31	45
2Q'10	16	32	48
3Q'10	19	34	53
4Q'10	13	32	45
1Q'11	13	33	46
2Q'11	14	35	49
<b>3Q'11</b>	<b>19</b>	<b>33</b>	<b>52</b>

Source: Thomson Reuters and National Venture Capital Association

# Investment Returns

**Vintage Year Multiples Analysis  
Pooled Mean Net to Limited Partners  
As of June 30, 2011**

<b>Vintage Year</b>	<b>Distribution to Paid in Capital (DPI)</b>	<b>Residual Value to Paid in Capital (RVPI)</b>	<b>Total Value to Paid in Capital (TVPI)</b>
1981-1995	3.52	0.01	3.53
1996	4.97	0.07	5.03
1997	3.05	0.04	3.01
1998	1.37	0.13	1.50
1999	0.75	0.20	0.95
2000	0.60	0.38	0.98
2001	0.53	0.57	1.10
2002	0.51	0.54	1.06
2003	0.42	0.85	1.27
2004	0.30	1.14	1.44
2005	0.22	0.93	1.16
2006	0.13	1.04	1.17
2007	0.13	1.18	1.31
2008	0.06	1.20	1.26
1981-2010	<b>1.08</b>	<b>0.52</b>	<b>1.60</b>

Source: Cambridge Associates LLC

**U.S. VENTURE CAPITAL**  
**Fund Index Summary**  
**End-to-End Pooled Return, Net to Limited Partners**  
**As of June 30, 2011**

<u>Index</u>	<u>1-Quarter</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>15-Year</u>	<u>20-Year</u>	<u>25-Year</u>
Cambridge Associates LLC U.S. Venture Capital Index® <sup>1</sup>	7.02	12.25	26.34	4.31	7.37	1.25	30.89	27.35	19.26
U.S. Venture Capital - Early Stage Index <sup>1</sup>	7.46	13.24	27.60	3.76	6.87	(0.44)	41.23	31.44	21.09
U.S. Venture Capital - Late & Expansion Stage Index <sup>1</sup>	5.33	10.73	32.73	11.21	13.15	4.99	13.53	21.71	16.01
U.S. Venture Capital - Multi-Stage Index <sup>1</sup>	7.03	11.35	22.06	2.54	5.88	3.25	28.56	24.60	18.36
Barclays Capital Gov't/Credit Bond Index	2.32	2.61	3.68	6.17	6.35	5.74	6.28	6.83	7.13
Dow Jones Industrials Average	1.42	8.59	30.37	6.09	4.97	4.20	7.73	10.08	10.66
Dow Jones U.S. Small Cap Index	(0.81)	7.50	38.33	8.78	5.78	7.97	9.02	NA	NA
Dow Jones U.S. TopCap Index	0.16	6.28	31.93	3.68	3.42	3.12	6.62	NA	NA
Nasdaq Composite*	(0.27)	4.55	31.49	6.55	5.01	2.53	5.83	9.21	7.99
Russell 1000®	0.12	6.37	31.93	3.68	3.30	3.21	6.78	9.03	9.41
Russell 2000®	(1.61)	6.21	37.41	7.77	4.08	6.27	7.37	9.82	8.58
S&P 500	0.10	6.02	30.69	3.34	2.94	2.72	6.50	8.73	9.36
Wilshire 5000 Total Market	(0.09)	6.08	31.98	3.96	3.44	3.73	6.75	9.01	9.26

The Cambridge Associates LLC U.S. Venture Capital Index® is an end-to-end calculation based on data compiled from 1,319 U.S. venture capital funds (870 early stage, 172 late & expansion stage, 274 multi-stage and 3 venture debt funds), including fully liquidated partnerships, formed between 1981 and 2011.

<sup>1</sup> Pooled end-to-end return, net of fees, expenses, and carried interest.

Sources: Barclays Capital, Bloomberg L.P., Cambridge Associates LLC U.S. Venture Capital Index®, Frank Russell Company, Standard & Poor's, Thomson Datastream, The Wall Street Journal, and Wilshire Associates, Inc.

\*Capital change only.

FOLEY  
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David is a partner at the law firm Foley Hoag LLP. He is a member of the firm's Business Department and chairs its Venture Capital/Emerging Companies Practice Group. David represents a broad range of emerging companies, including companies in the software and technology, life sciences, medical device, and other industries. David also represents U.S. and foreign venture capital firms in connection with their investments throughout the U.S. His work involves advising public and private companies in corporate finance, securities, mergers and acquisitions and general corporate and contract matters, including entity formation, founder arrangements, angel and venture capital financings, equity incentive plans, strategic transactions, and technology licensing and distribution arrangements.