Berkeley Entrepreneurs Forum

Shaking the MoneyTree™

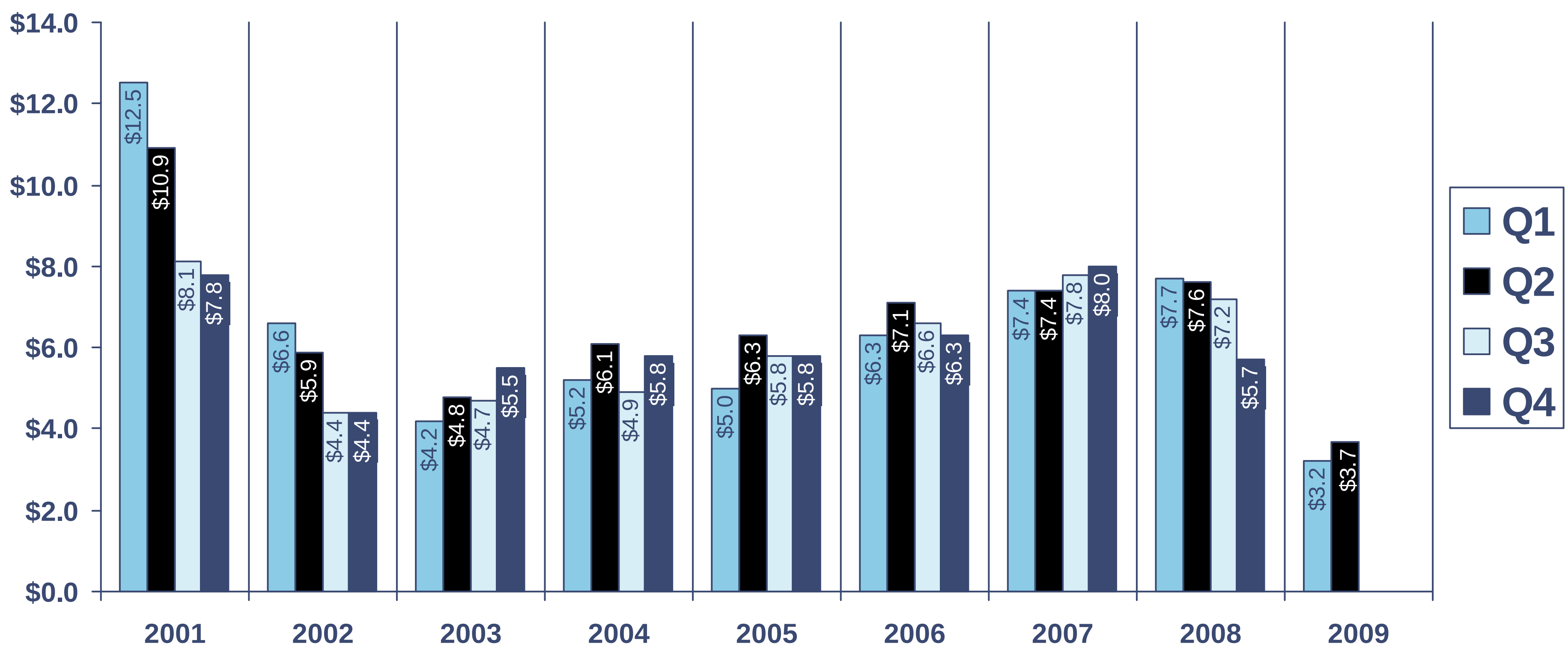
Steve Bengston
650 281 9843
Steve.bengston@us.pwc.com

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

PRICEWATERHOUSECOOPERS

MoneyTree Total Investments: Q1 2001 – Q2 2009

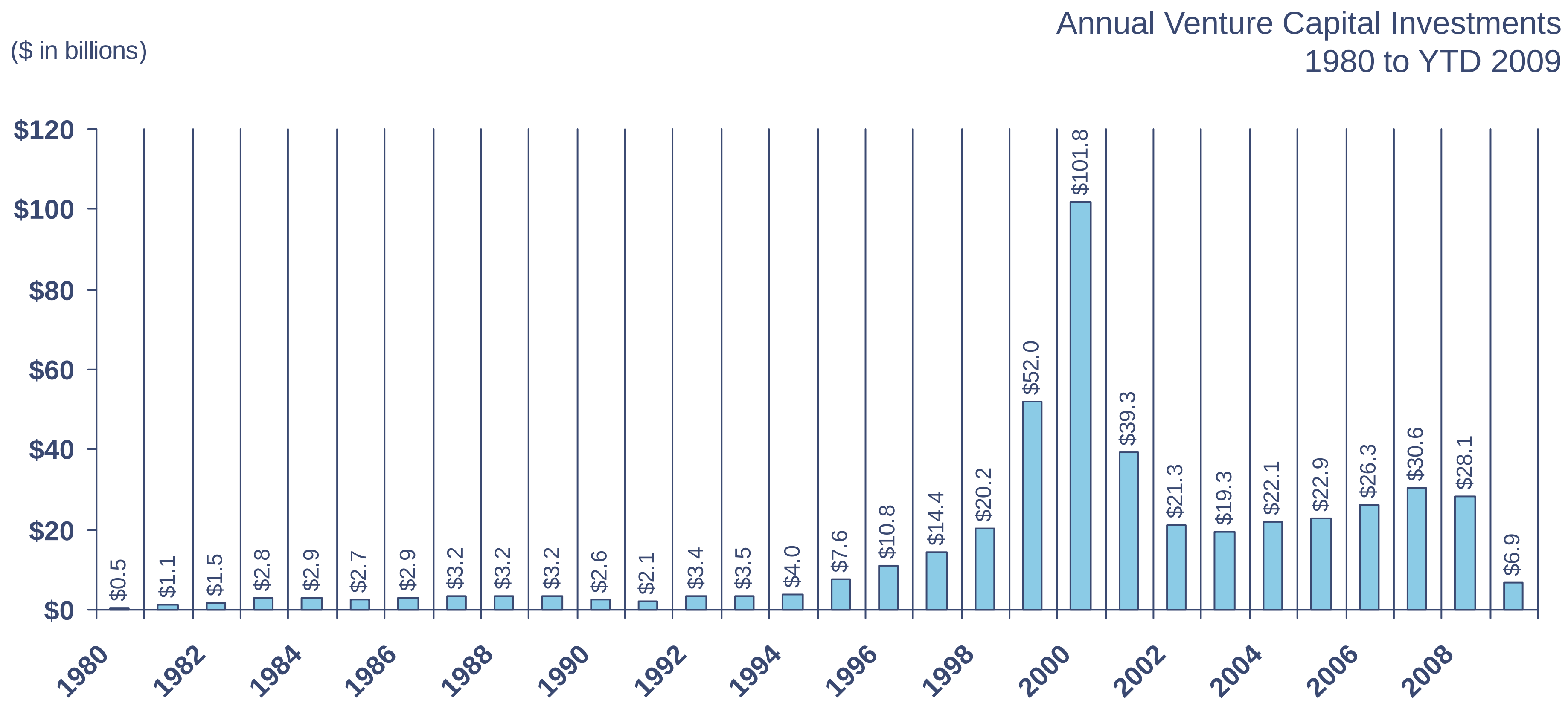
($ in billions)



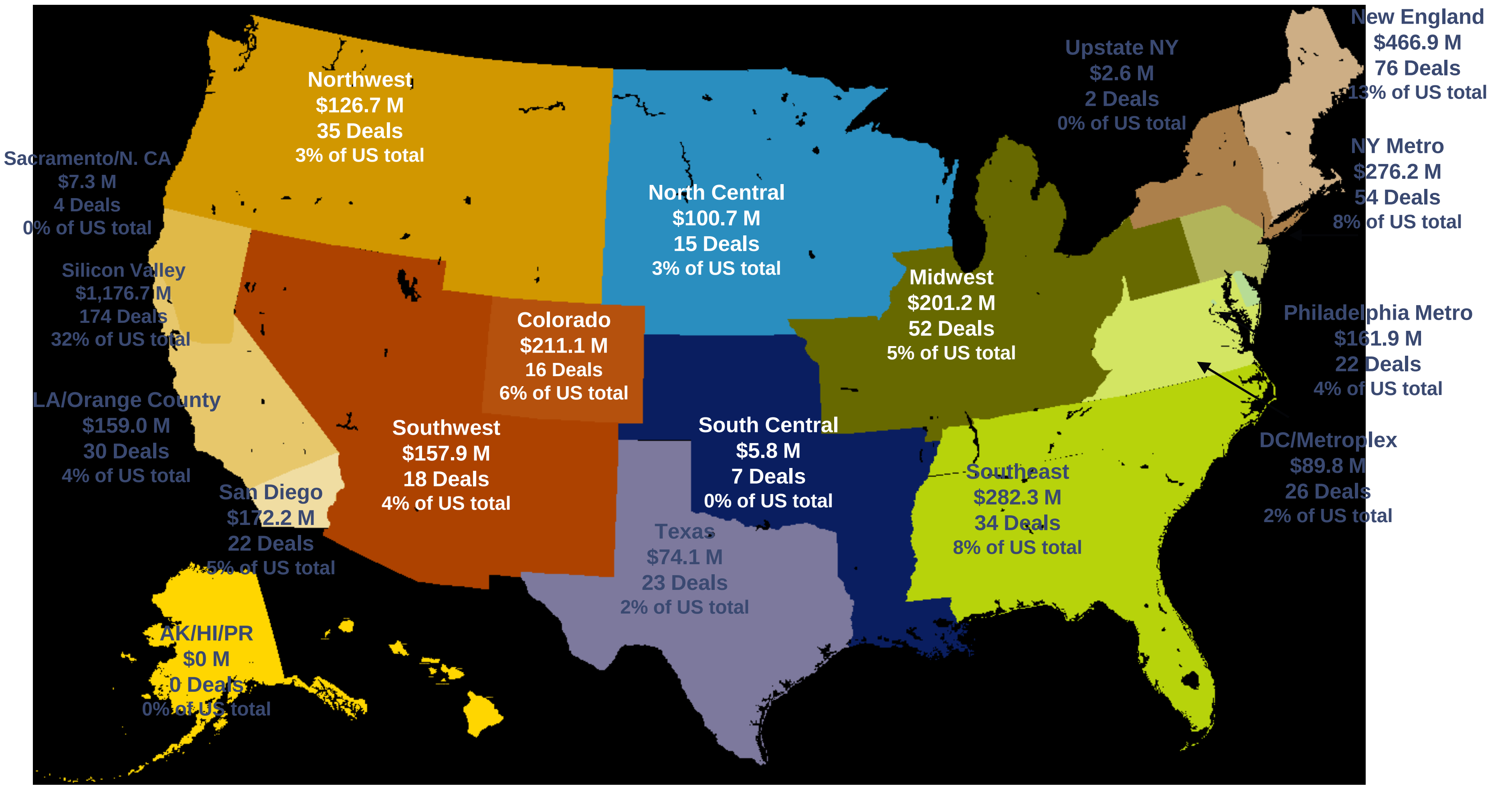
# of Deals	2001				2002				2003				2004				2005				2006				2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1282	1214	1005	982	841	850	692	722	704	742	719	787	716	852	694	842	732	829	791	815	880	962	911	952	867	1051	1002	1064	1006	1059	980	884	603	612		

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

MoneyTree Total Investments: 1980 – YTD 2009



Investments by Region: Q2 2009

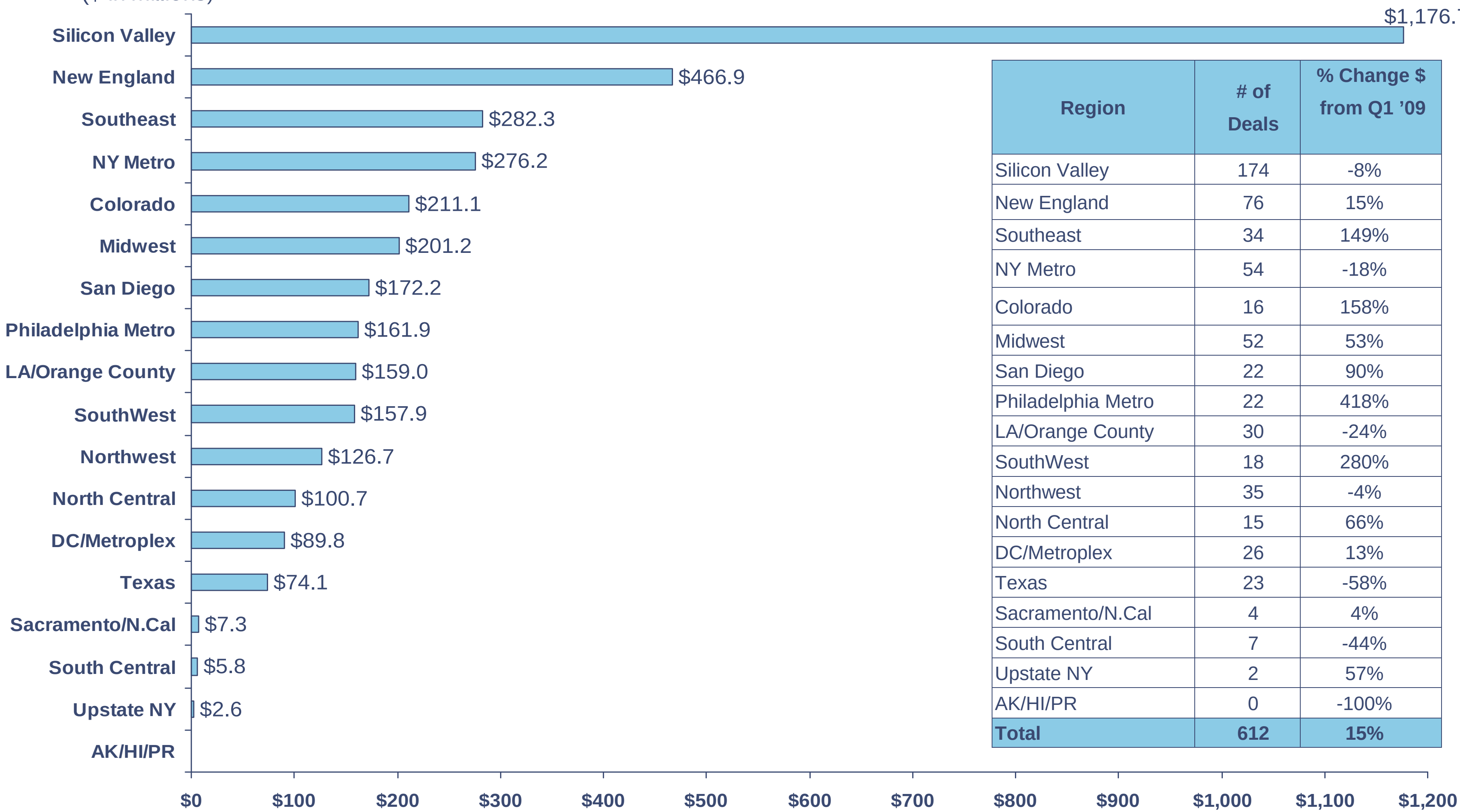


Q2 2009 Total Investments - $3,674.4 million in 612 deals

Unknown region totals are not included in the map

Investments by Region: Q2 2009

($ in millions)



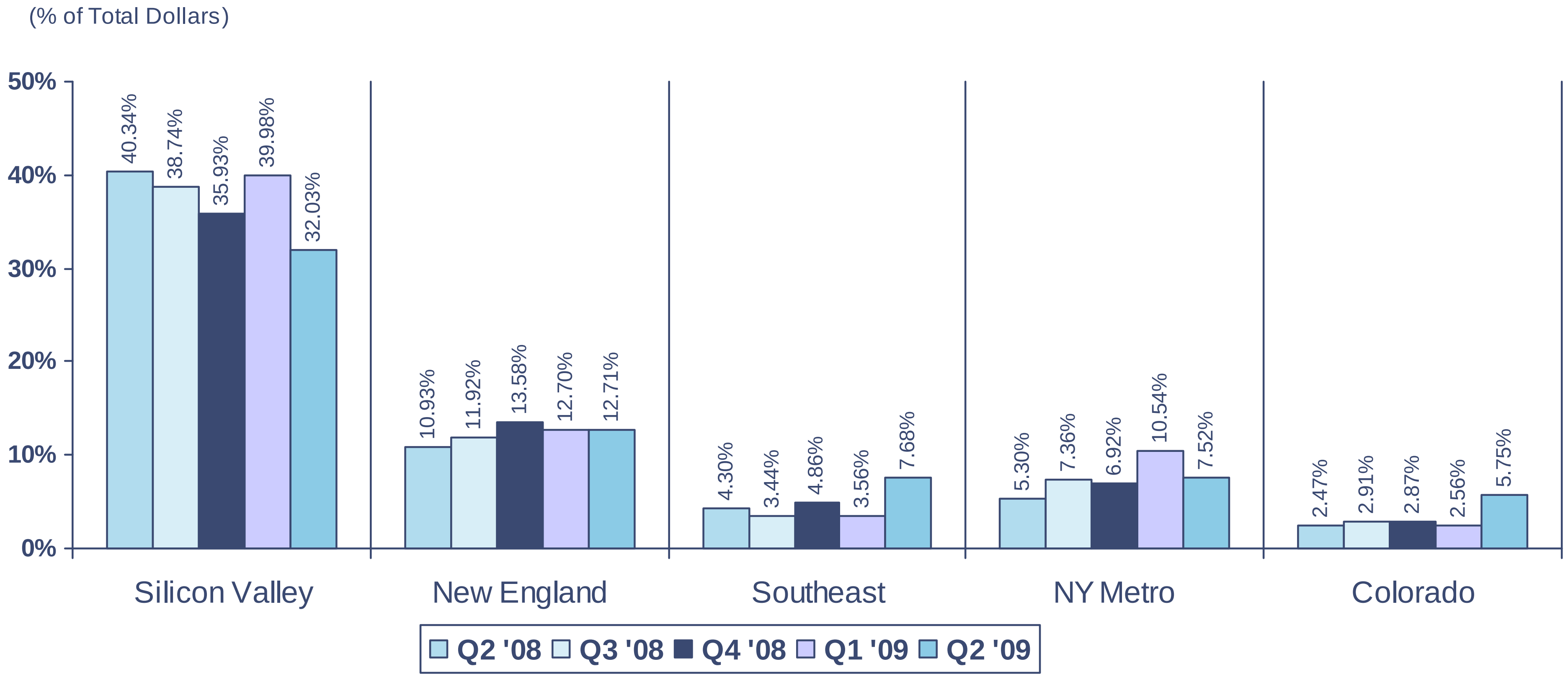
Region	# of Deals	% Change $ from Q1 '09
Silicon Valley	174	-8%
New England	76	15%
Southeast	34	149%
NY Metro	54	-18%
Colorado	16	158%
Midwest	52	53%
San Diego	22	90%
Philadelphia Metro	22	418%
LA/Orange County	30	-24%
SouthWest	18	280%
Northwest	35	-4%
North Central	15	66%
DC/Metroplex	26	13%
Texas	23	-58%
Sacramento/N.Cal	4	4%
South Central	7	-44%
Upstate NY	2	57%
AK/HI/PR	0	-100%
Total	**612**	**15%**

Q2 2009 Total: $3,674.4 million in 612 deals

Unknown region totals are not included in the chart

Investments by Region –
Quarterly Percent of Total U.S. Investments

Top U.S. Regions Q2 ‘08– Q2 ‘09

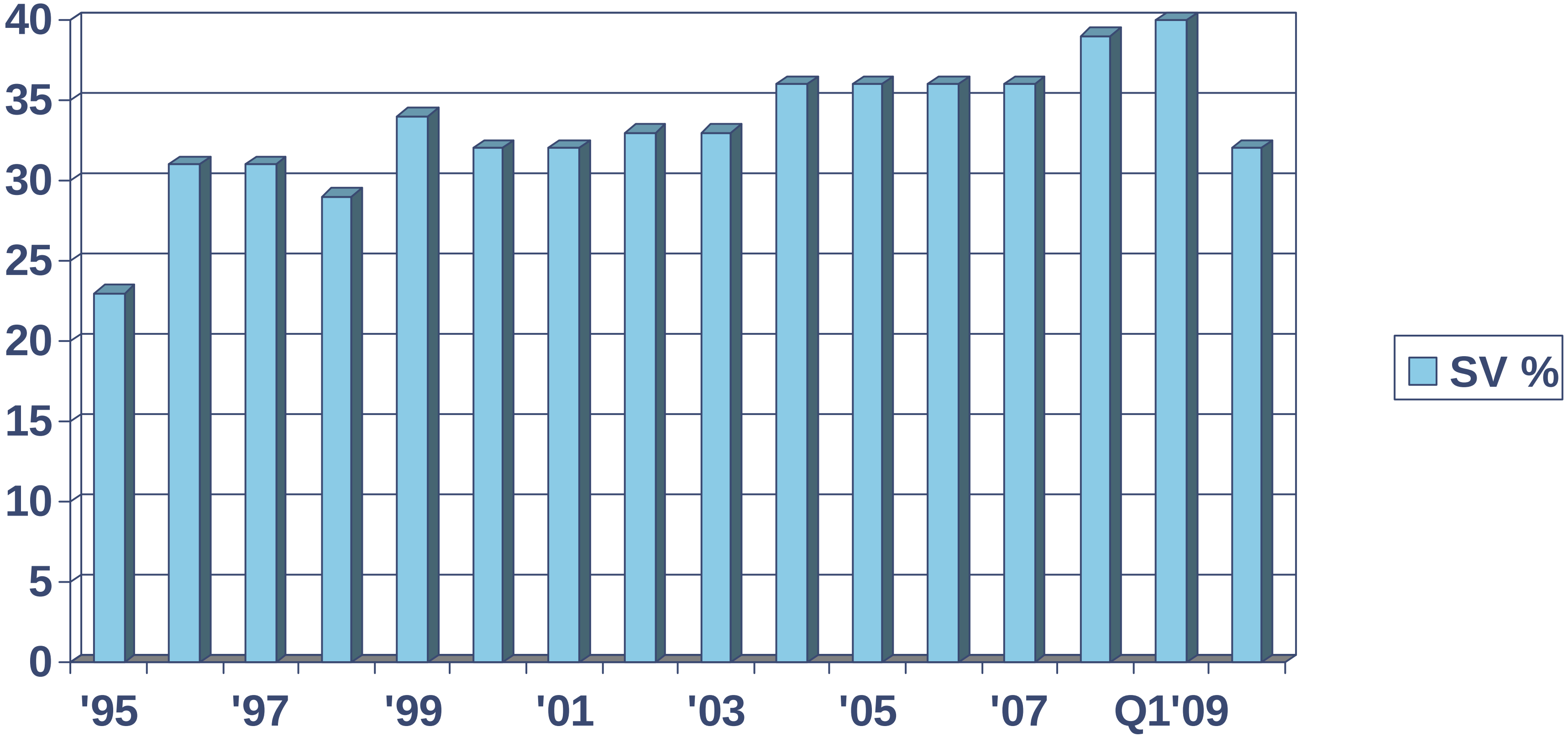


Companies funded by Region: 1970-2008

Silicon Valley	**6525**
New England	**3194**
NY Metro	**2370**
Southeast	**2218**
Midwest	**2035**
LA/Orange County	**1805**
Texas	**1684**
DC/Metroplex	**1416**
Northwest	**1117**
Philadelphia	**956**
North Central	**816**
San Diego	**777**
Colorado	**751**
SouthWest	**594**
South Central	**267**

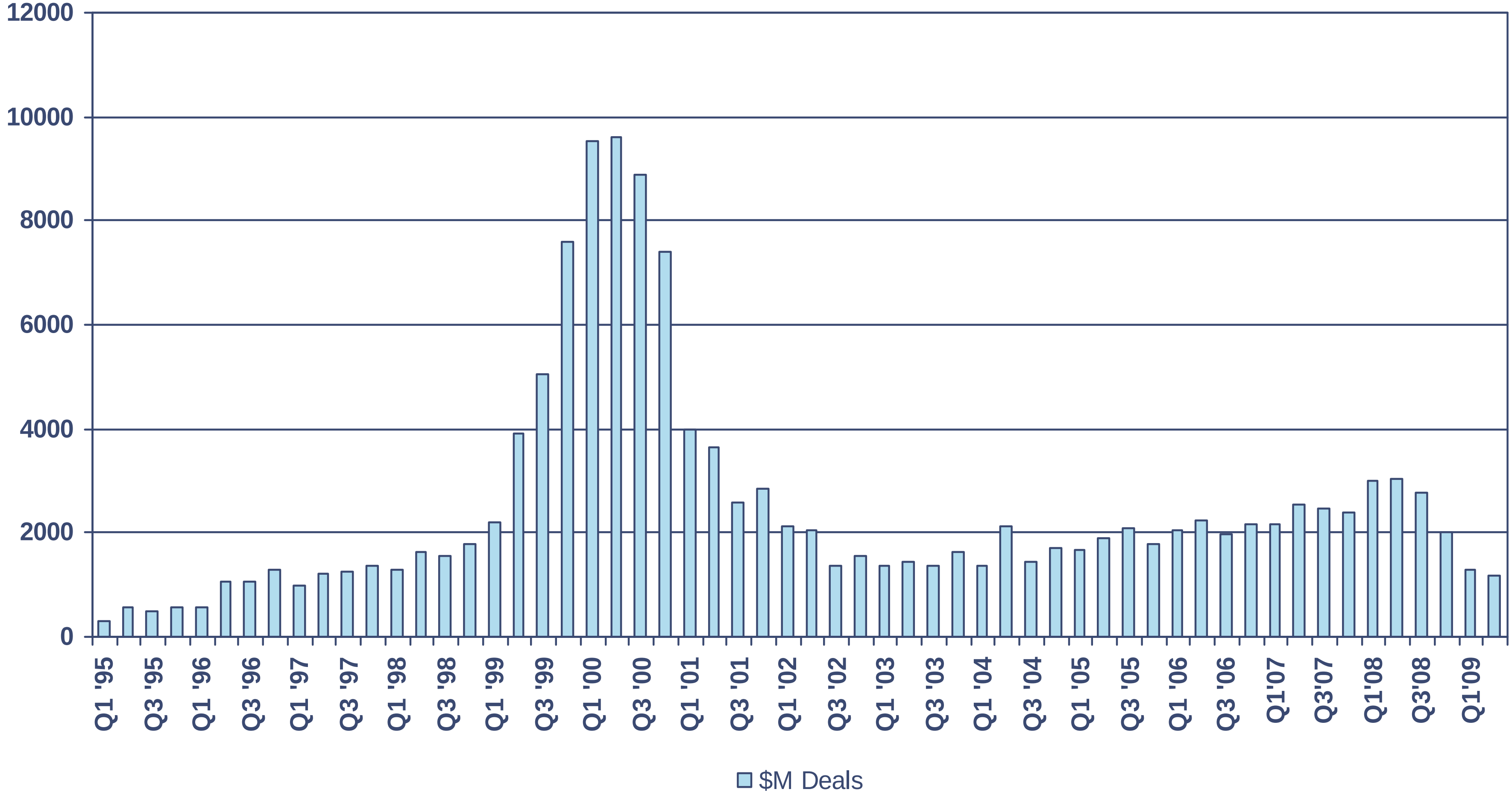
PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

Silicon Valley Market Share of US VC $: 1995-2009



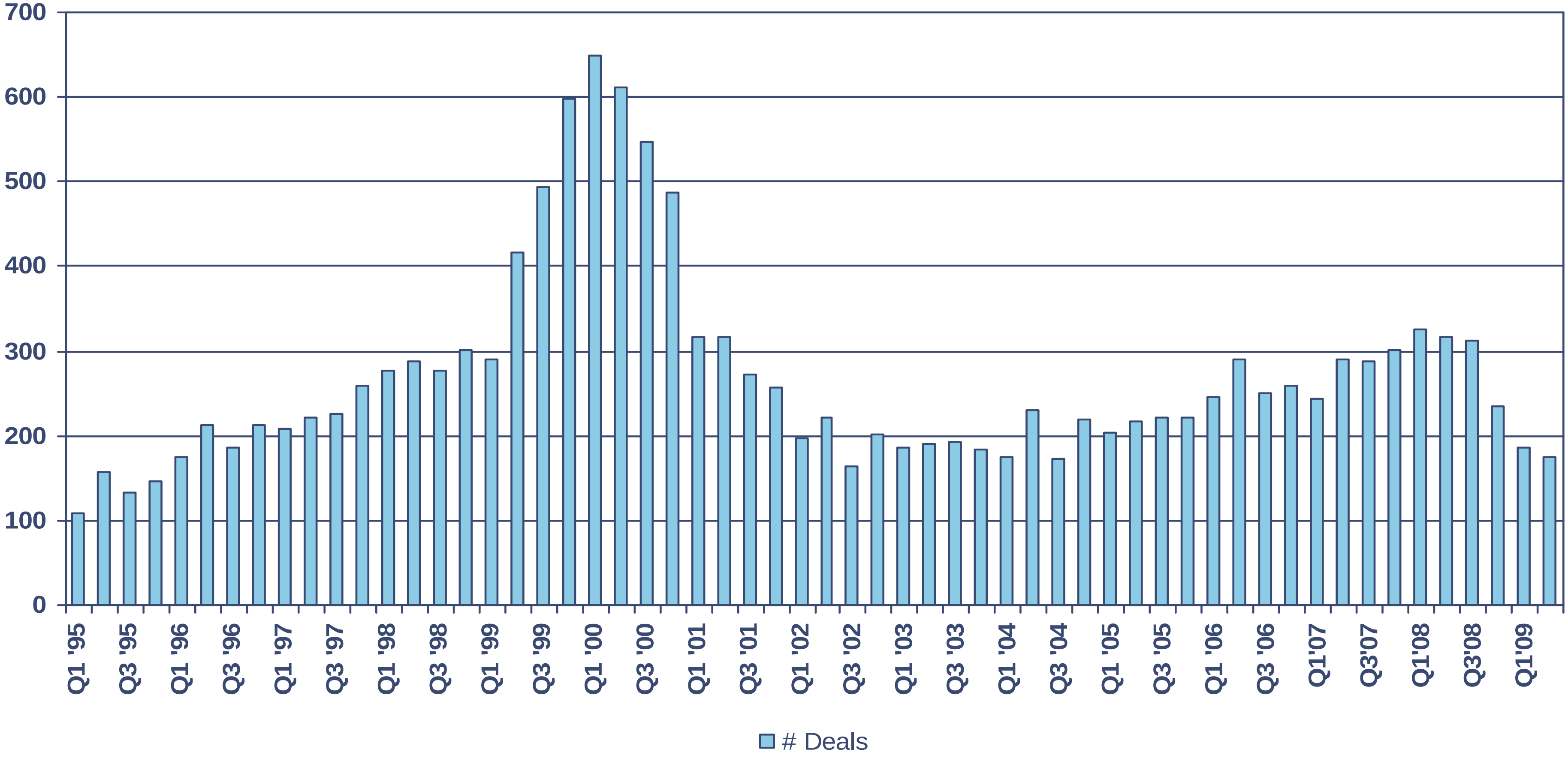
PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

All Deals ($M): Silicon Valley



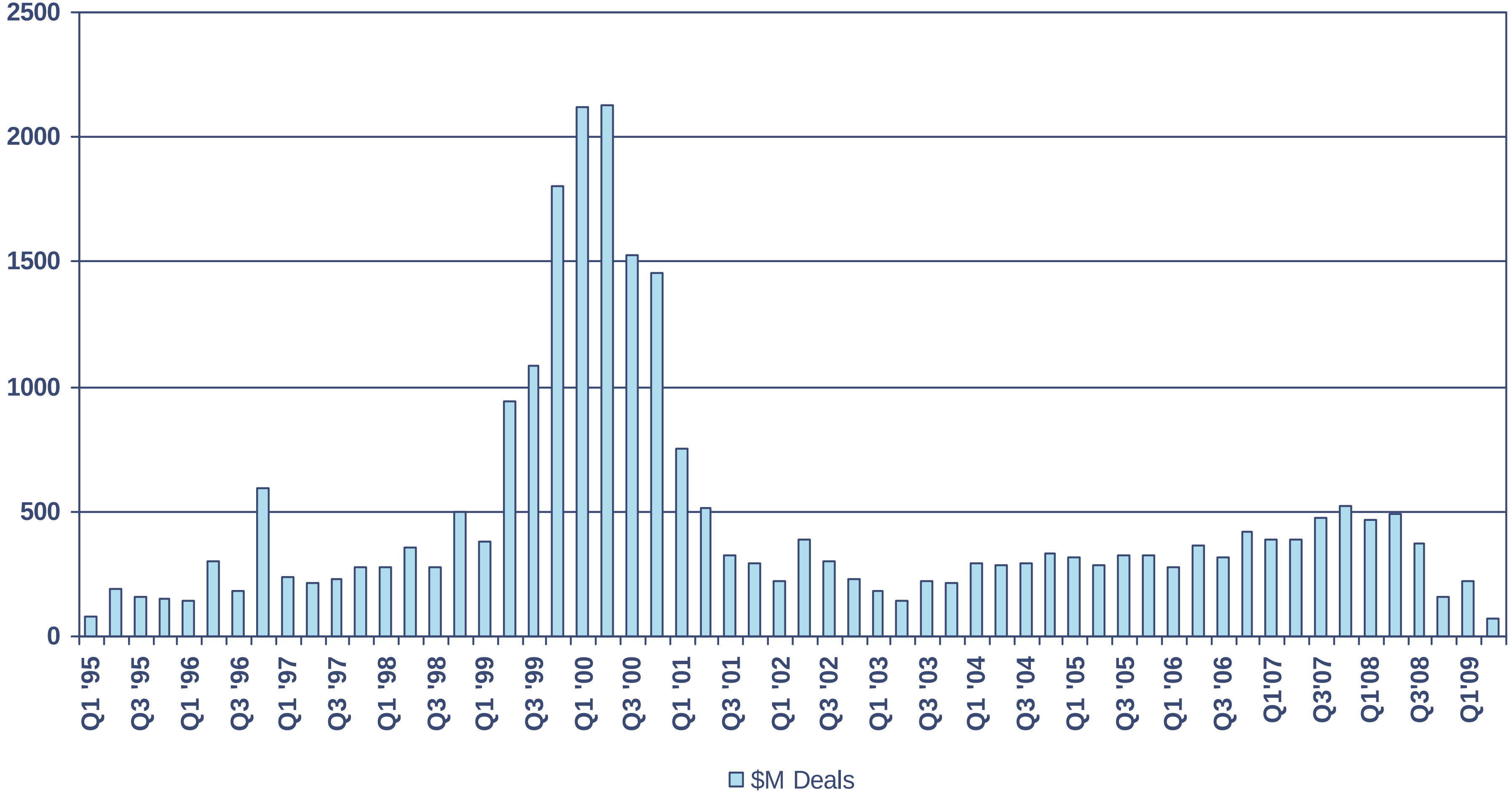
PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

All Deals (#): Silicon Valley



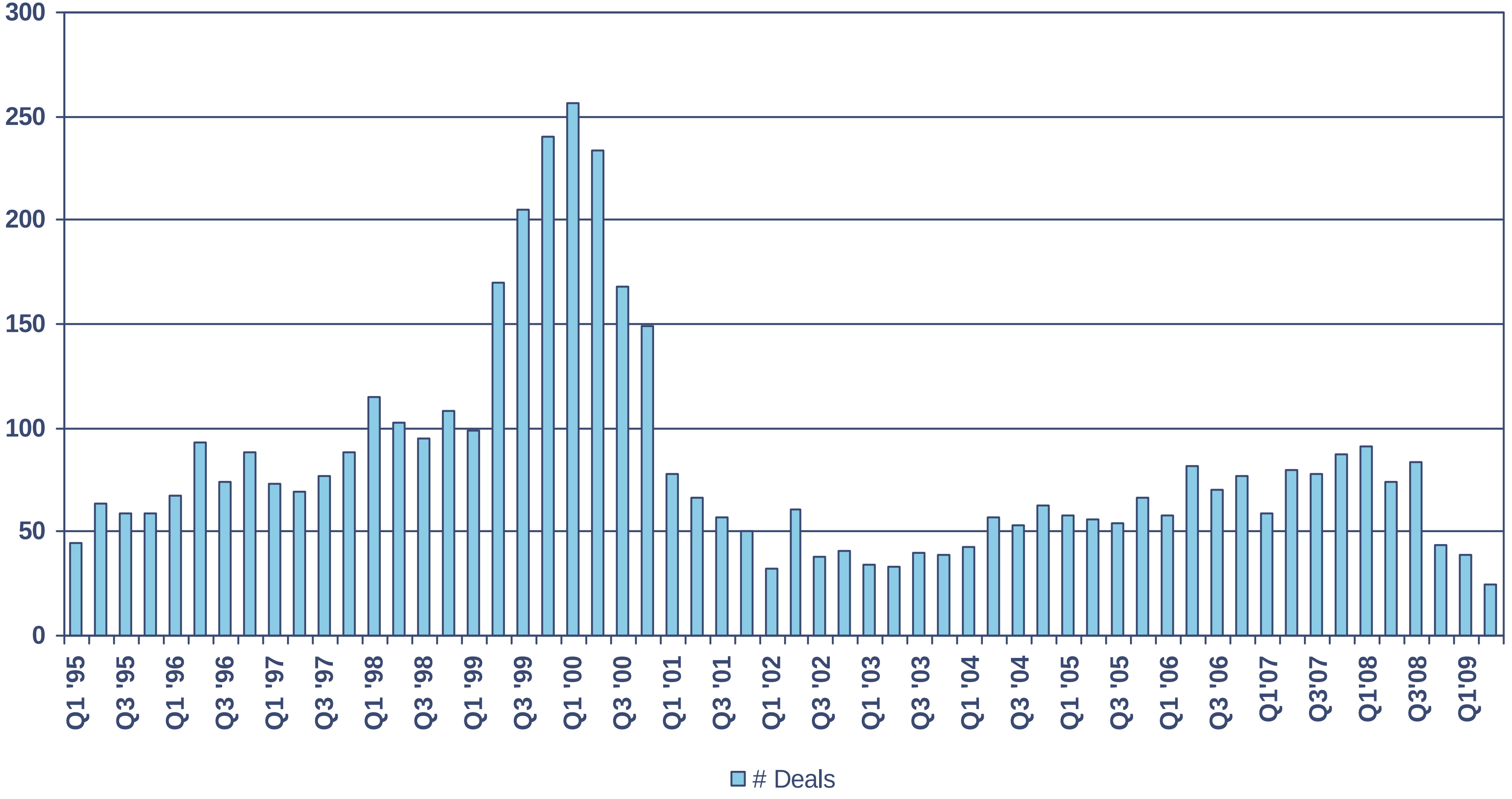
PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

Series A Deals ($M): Silicon Valley

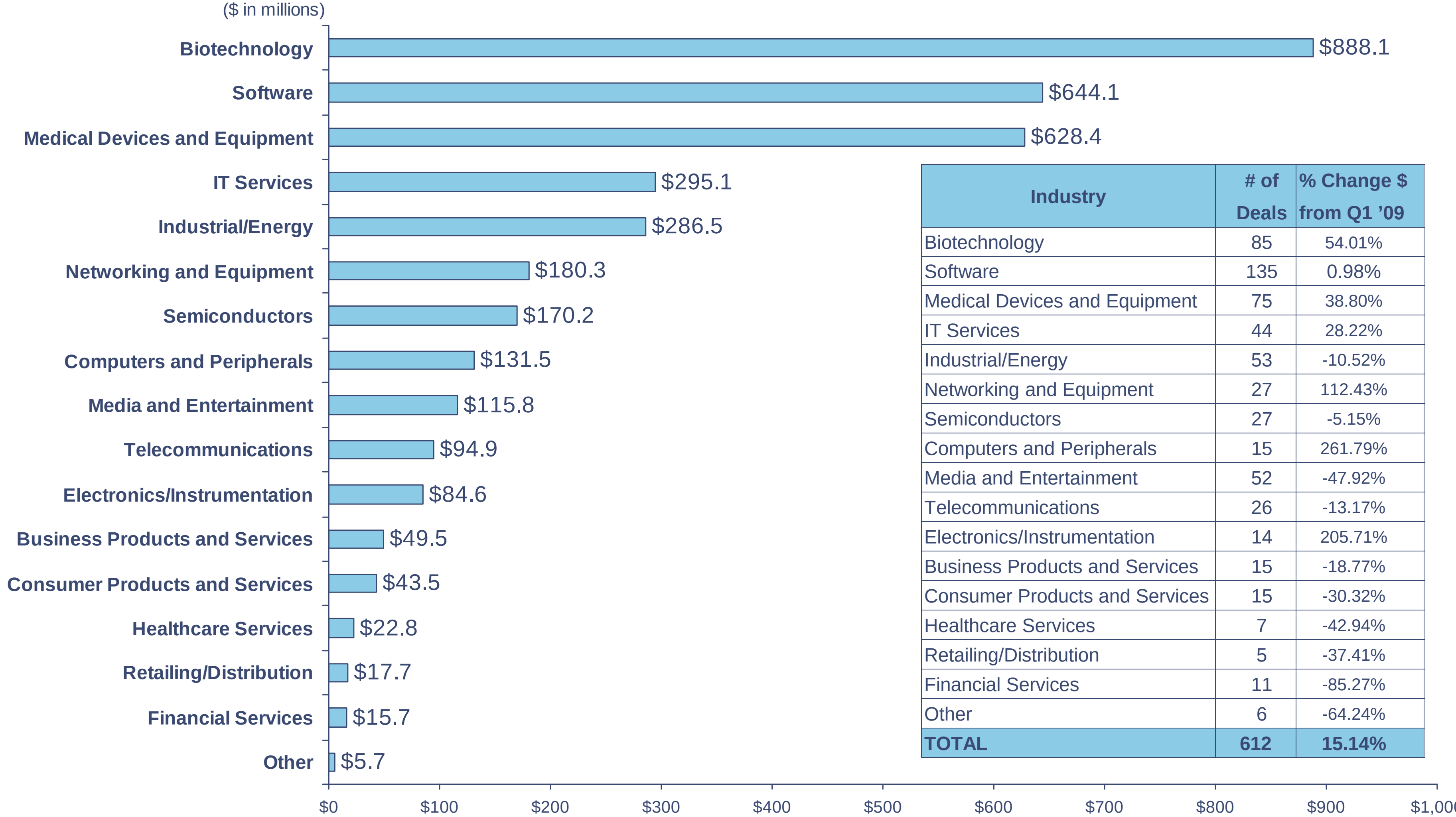


PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

Series A Deals (#): Silicon Valley



Investments by Industry: Q2 2009

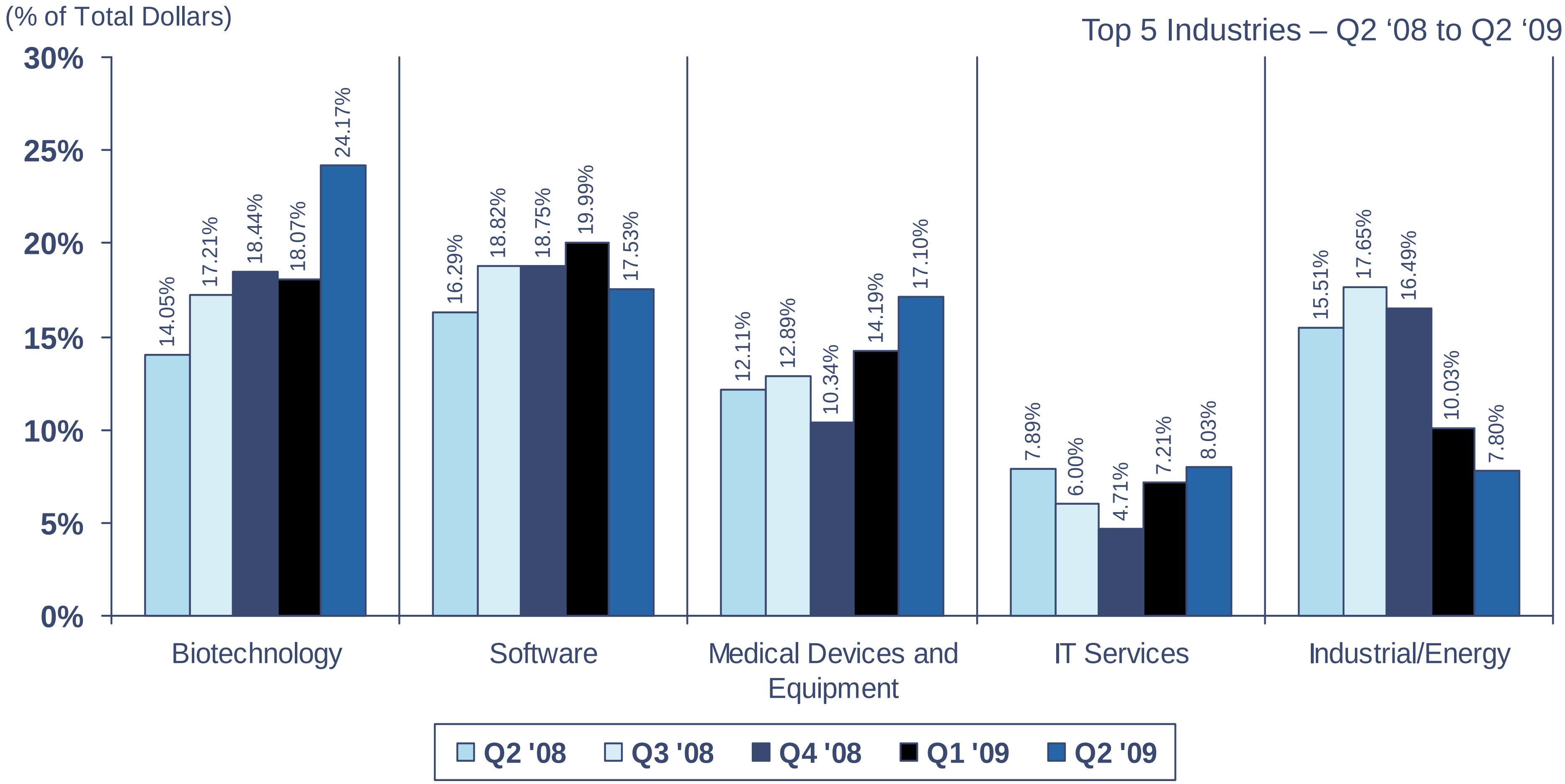


Industry	# of Deals	% Change $ from Q1 '09
Biotechnology	85	54.01%
Software	135	0.98%
Medical Devices and Equipment	75	38.80%
IT Services	44	28.22%
Industrial/Energy	53	-10.52%
Networking and Equipment	27	112.43%
Semiconductors	27	-5.15%
Computers and Peripherals	15	261.79%
Media and Entertainment	52	-47.92%
Telecommunications	26	-13.17%
Electronics/Instrumentation	14	205.71%
Business Products and Services	15	-18.77%
Consumer Products and Services	15	-30.32%
Healthcare Services	7	-42.94%
Retailing/Distribution	5	-37.41%
Financial Services	11	-85.27%
Other	6	-64.24%
TOTAL	**612**	**15.14%**

Q2 2009 Total: $3,674.4 million in 612 deals

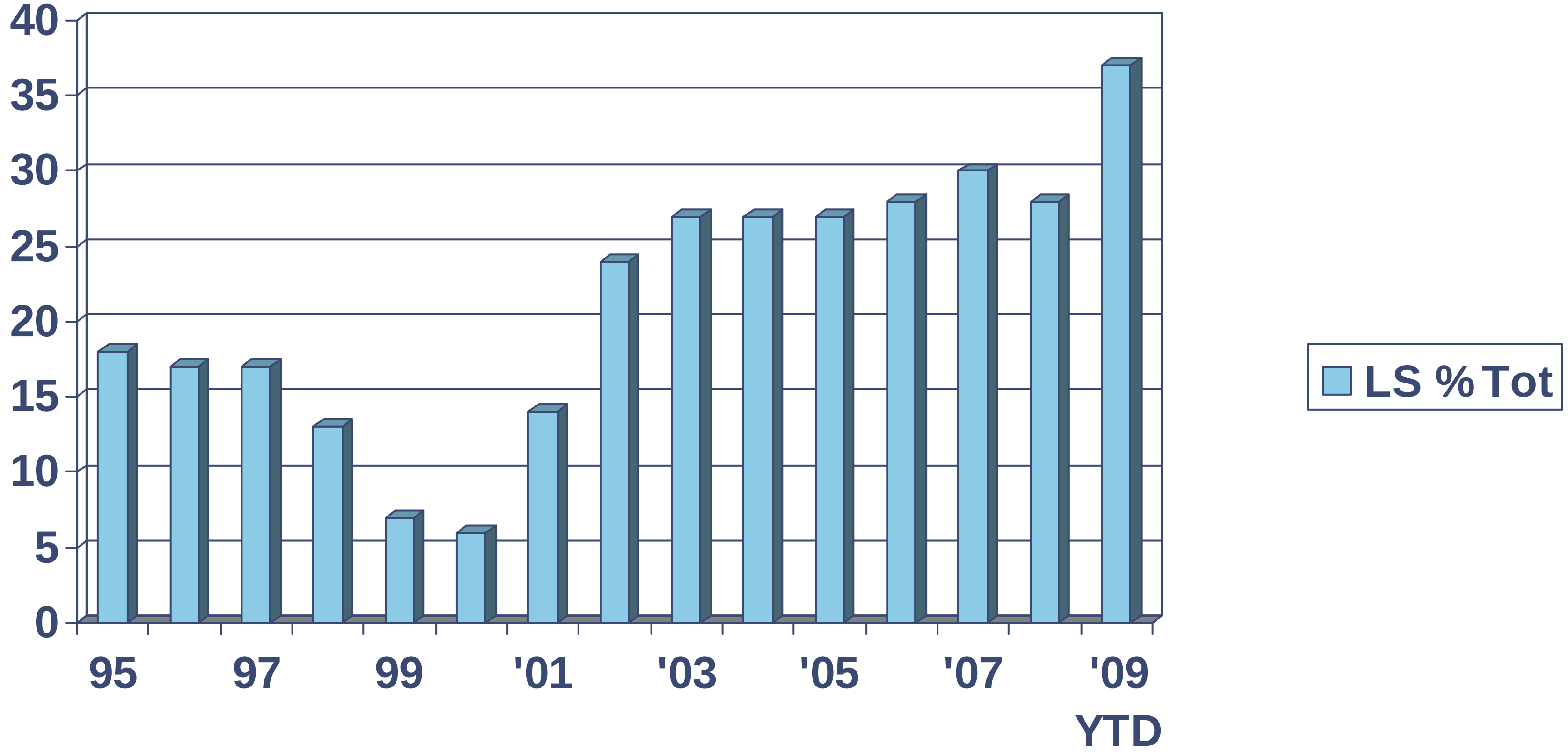
Visit www.pwcmoneytree.com for Industry definitions

Investments by Industry – Quarterly Percent of Total U.S. Investments



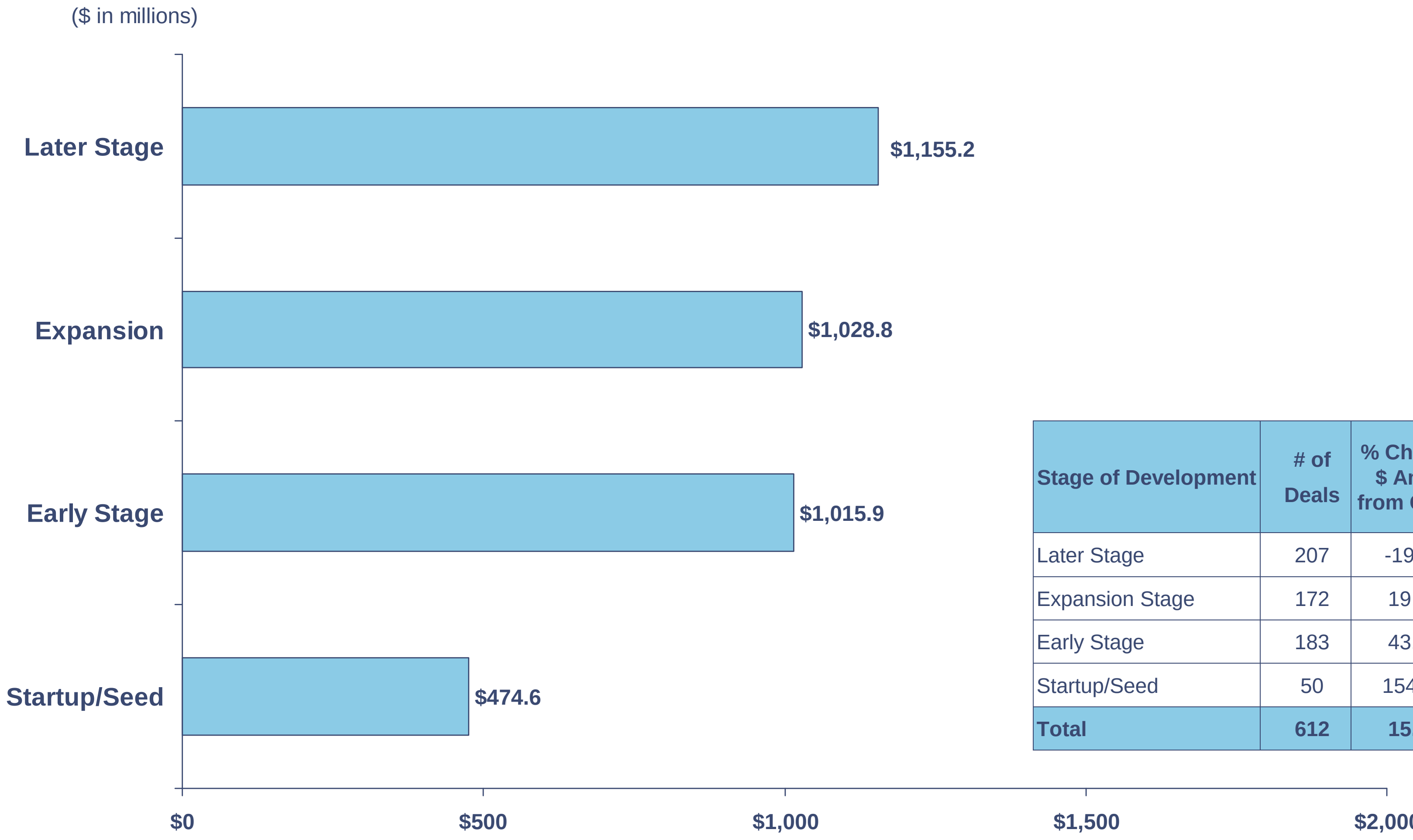
PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
based on data from Thomson Reuters

Life Science $ Invested as % Total: 1995-2009 YTD



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

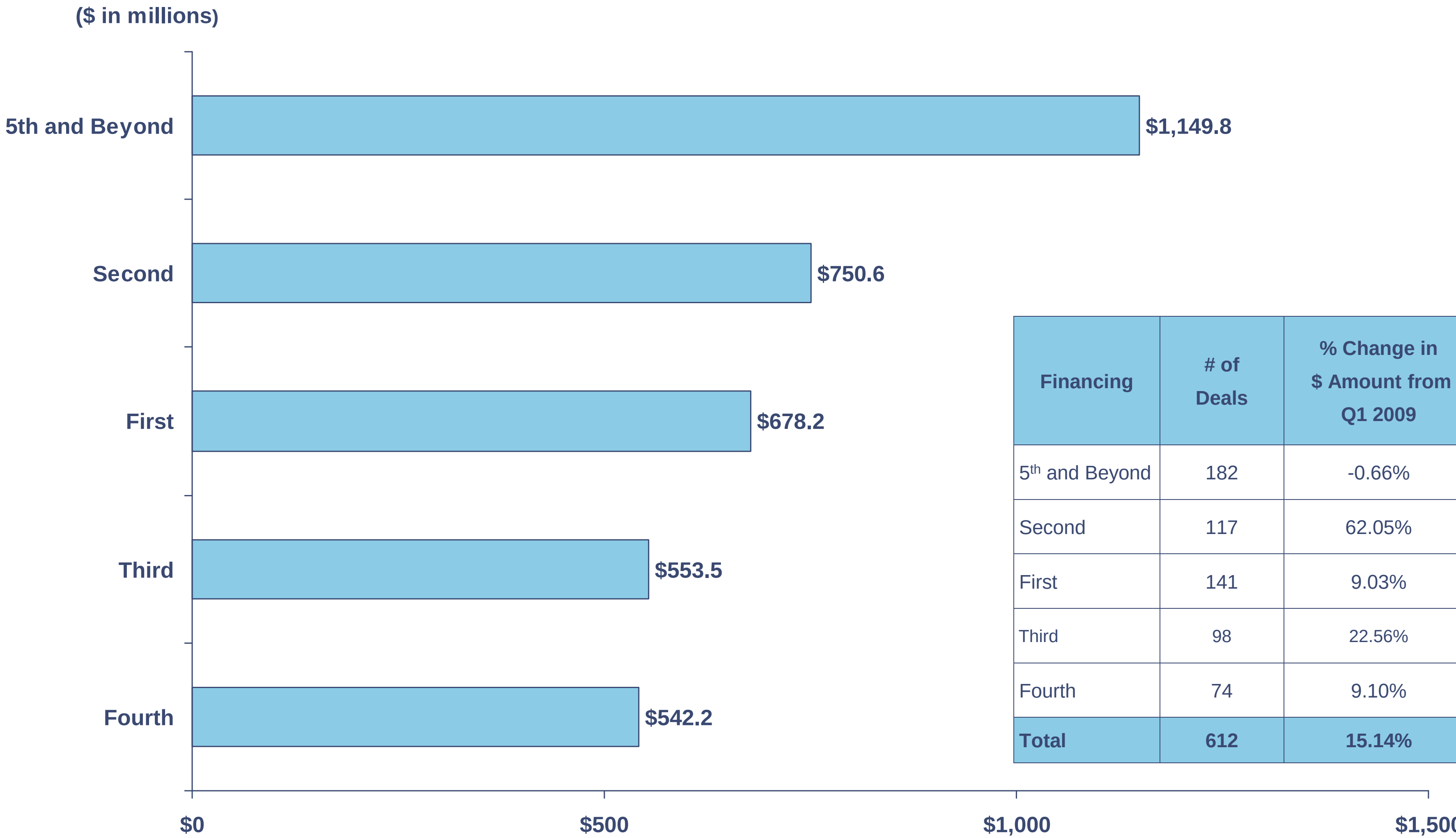
Investments by Stage of Development: Q2 2009



Stage of Development	# of Deals	% Change in $ Amount from Q1 2009
Later Stage	207	-19.62%
Expansion Stage	172	19.44%
Early Stage	183	43.83%
Startup/Seed	50	154.50%
Total	**612**	**15.14%**

Q2 2009 Total: $3674.4 million in 612 deals

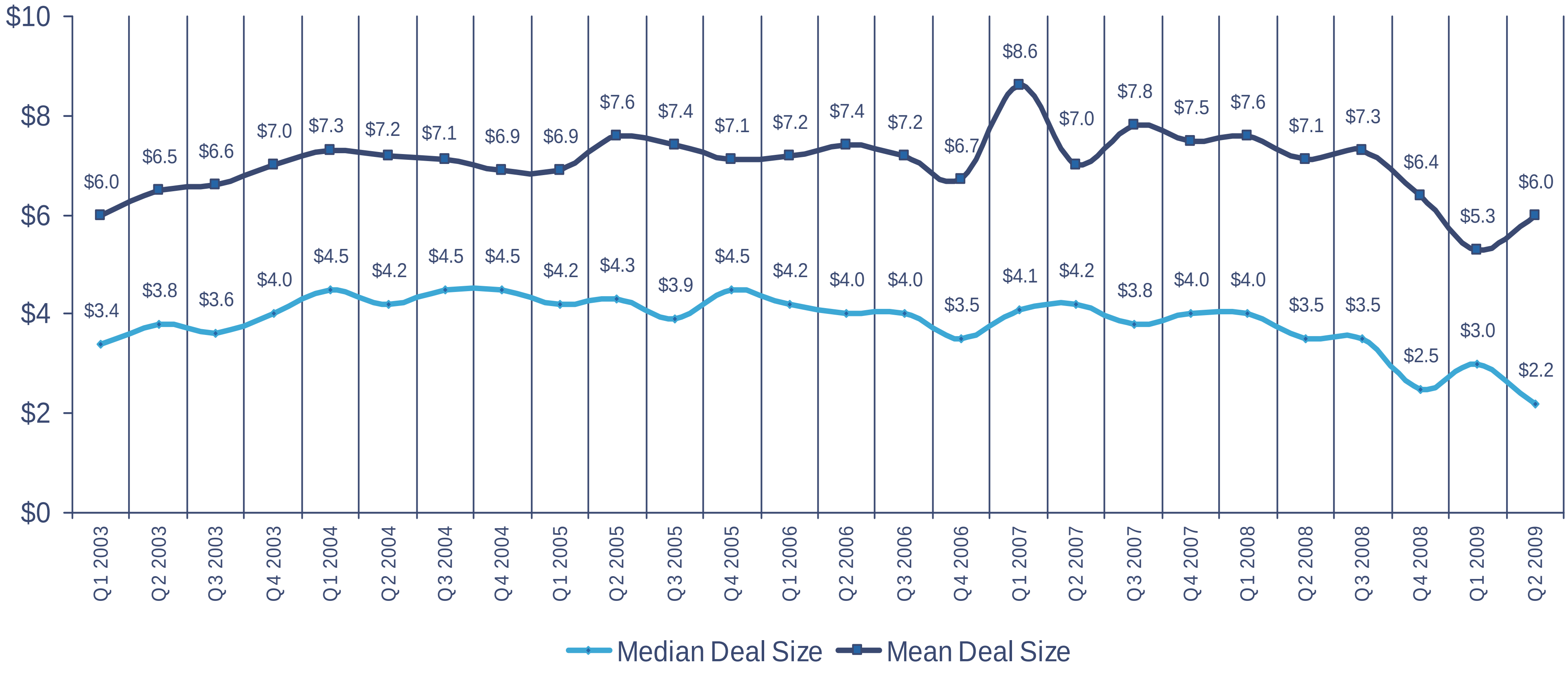
Investments by Sequence of Financing: Q2 2009



Financing	# of Deals	% Change in $ Amount from Q1 2009
5th and Beyond	182	-0.66%
Second	117	62.05%
First	141	9.03%
Third	98	22.56%
Fourth	74	9.10%
Total	**612**	**15.14%**

Q2 2009 Total: $3,674.4 million in 612 deals

Median Deal Size vs. Mean Deal Size – Quarterly Total U.S. Investments



Top 10 Deals : Q4 2008 ($ Millions)

Solyndra	Silicon Valley	Cleantech	$219
Pocket Communications	San Antonio	Telco	100
Silver Spring Networks	Silicon Valley	Cleantech	75
Biolex Therapeutics	North Carolina	Biotech	60
i/o Data Centers	Phoenix	IT Services	56
Boston Power	Boston	Cleantech	55
Pacira Pharma	New Jersey	Biotech	55
Bayhill Therapeutics	Silicon Valley	Biotech	54
Kosmos Energy	Dallas	Cleantech	54
Calisolar	Silicon Valley	Cleantech	52

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

Top 10 Deals : Q1 2009 ($ Millions)

Anacor Pharmaceuticals	Silicon Valley	Biotech	$ 50
Ardian	Silicon Valley	Med Device	47
SFJ Pharma	Silicon Valley	Biotech	45
Pathway Medical	Seattle	Med Device	40
BioVex	Boston	Biotech	40
Green Bullions	Miami	Industrial/Energy	40
Kosmos Energy	Dallas	Cleantech	39
Obopay	Silicon Valley	Financial Services	35
Twitter	Silicon Valley	Software	35
Quadriserv	NY	Software	34

Top 10 Deals : Q2 2009 ($ Millions)

Clovis Oncology	Boulder	Biotech	$146
Workday	Silicon Valley	Software	75
ExactTarget	Indianapolis	IT Services	70
Hyperion Therapeutics	Silicon Valley	Biotech	60
PhotoThera	Carlsbad	Med Device	50
Phoenix Services	Unionville, PA	Cleantech	50
Fusion-io	Salt Lake City	Comp & Peripherals	48
Cempra Pharma	Chapel Hill, NC	Biotech	46
Revolution Money	Saint Petersburg	Software	42
LifeLock	Tempe	IT Services	40

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

Q2 2009 – Most Active Venture Investors

Venture Capital Firm	Location	Total Deals
Canaan Partners	Westport, Connecticut	18
Innovation Works, Inc.	Pittsburgh, Pennslyvania	17
Kleiner Perkins Caufield & Byers	Menlo Park, California	16
New Enterprise Associates	Baltimore, Maryland	16
Polaris Venture Partners	Waltham, Massachusetts	13
Duff Ackerman & Goodrich LLC	San Fransisco, California	11
First Round Capital	West Conshokocken, Pennslyvania	11
U.S. Venture Partners	Menlo Park, California	11
Draper Fisher Jurvetson	Menlo Park, California	10
Alta Partners	San Fransisco, California	9
ARCH Venture Partners	Chicago, Illinois	9
Highland Capital Partners LLC	Lexington, Massachusetts	9
Novak Biddle Venture Partners, L.P.	Bethesda, Maryland	9
Venrock Associates	Palo Alto, California	9
OVP Venture Partners	Kirkland, Washington	8
Redpoint Ventures	Menlo Park, California	8

Q1 2009 Venture Capital Performance

US Venture Capital Index Returns for the Periods ending 3/31/2009, 12/21/2008 and 3/31/2008

For the period ending	1st Qtr.	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
March 31, 2009	-2.9	-17.5	1.3	5.8	26.2	34.2	22.5
December 31, 2008	-12.5	-16.5	4.1	7.1	35.0	33.7	22.3
March 31, 2008	-1.8	11.7	14.1	11.6	32.8	32.9	21.8
Other indices at March 31, 2009							
DIJA	-12.5	-35.9	-9.5	-3.6	-0.4	7.4	8.8
SDAQ Composite	-3.1	-32.9	-13.2	-5.2	-4.7	4.9	6.8
S&P 500	-11.0	-38.1	-13.1	-4.8	-3.0	5.9	7.4

Source: Cambridge Associates LLC
Note: Because the US Venture Capital index is cap weighted, the largest vintage years mainly drive the index's performance.

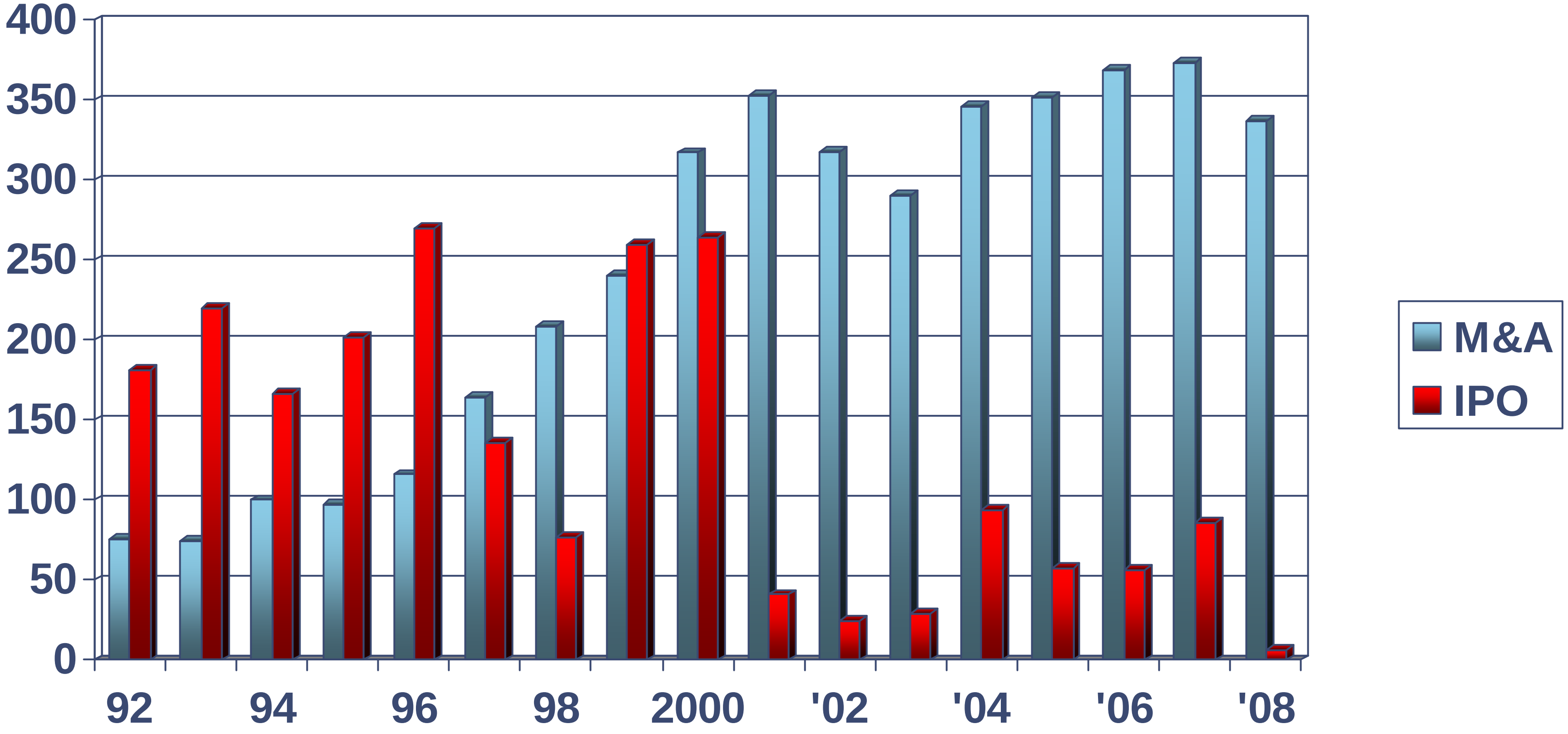
Analysis of Venture-Backed IPO and M&A Activity

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	85.3
2005	57	4,485.0	78.7	350	105.8
2006	57	5,117.1	89.8	371	116.6
2007	86	10,326.3	120.1	375	176.5
2008 Q1	5	282.7	56.6	108	116.3
2008 Q2	0	0.0	0.0	84	126.7
2008 Q3	1	187.5	187.5	88	96.3
2008 Q4	0	0.0	0.0	62	140.4
2008	6	470.2	78.4	342	116.6
2009 Q1	0	0.0	0.0	62	47.0
2009 Q2	5	720.7	144.1	59	197.7

Source: Thomson Reuters and National Venture Capital Association

* 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

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



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

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	64	175	239	28,767.4
2006	56	185	241	31,925.0
2007	62	189	251	36,064.9
2008	48	173	221	28,395.9
Quarter				
Q2 ’07	17	69	86	8,661.1
Q3 ’07	15	62	77	8,595.8
Q4 ’07	27	59	86	12,322.5
Q1 ’08	10	62	72	7,123.4
Q2 ’08	23	59	82	9,284.5
Q3 ’08	13	49	62	8,393.3
Q4 ’08	12	37	49	3,594.7
Q1 ’09	3	46	49	4,610.9
Q2 ’09	8	17	25	1,701.9

Source: Thomson Reuters & National Venture Capital Association

Data current as of July 13, 2009

Summary: Good News

Full Year 2008 \$28 B, 5th biggest ever

Worldwide Cleantech Investments (Innovas Solutions)

- US 21%, China 14%, Japan & India 6%,

Advertising \$ to Internet/Mobile just begun (7%)

- Worldwide Ad Spending \$600B
- 21% media time Internet/Mobile

Big Trends still exist

-Cleantech
-Cloud Computing
-Virtualization
-Demographic/Geographic shifts
-Analytics: Extracting signal from noise
-Advertising to Internet/Mobile

Cisco acquiring again…	
Actona	\$ 82m
Airespace	450m
Arroyo Video Solutions	92M
Dynamicsoft	55m
FineGround Networks	70m
IronPort Systems	830m
Linksys	500m
Meetinghouse	44m
Navini Networks	330m
NetSolve	128m
Orative	31m
P-Cube	200m
Perfigo	74m
Post path	215m
Pure Digital	590M
Pure Networks	120m
Protego Networks	65m
Reactivity	135m
Scientific Atlanta	6900m
Securent	100m
Sheer Networks	97M
SignalWorks	14m
Tidal Software	105m
Topspin	250M

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

Summary: Not So Good News

- IPO mkt weak
  - 6 vc backed IPO's in US in '08, lowest since 1977, raised $0.5B vs $10.3B in '07
  - 5 vc backed IPO's 1st half '09
  - 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
- M&A weak
  - Q1'09: 56 deals, down 47% vs Q1'08, lowest # in decade
  - Q2'09: 67 deals for $2.8 B, down 60% vs Q2'08, 80% vs Q2'07
  - Median M&A about $22M in Q1'09 & Q2'09, $16M in ave. Q2 deal
- $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
  - Silicon Valley unemployment 11.8% June '09 vs. 6% June '08
- US household net worth shrank to $50 trillion in '09 vs $62 trillion in '07
- US govt recently borrowed 10% of budget, 45% of budget in '09

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, lots inside rounds (57% Q1)
- VC's fear capital calls produce LP defaults
- VC Fundraising problematic: \$6.3B in 1st half '09, 62% drop vs '08
- 97% vc profits from 15 companies annually, per Andy Rachleff
- More Government regulation

Globalization Marches On

- China VC$: 4.2B ’08, 2.5B ’07, 1.3B ’04
- China VC$ raised $7.3B ’08
- India VC$: $3.0B ’08 , 0.6B ’04
- Japan VC$: $1.9B ’08, 1.5B ’04
- Israel VC$: $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
- Asia 43% of Internet users by 2013
- China as new IMF for US
  - Balanced budget, devalued currency, higher interest rates, relaxed Regulation, tax cuts
- Australian commentator: Need Communists to save Capitalism
- China 2nd largest economy by 2025
- India population surpass China by 2020

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

Steve Bengston
650-281-9843
steve.bengston@us.pwc.com