

Venture Capital M&A Quarterly

2nd Quarter, 2010 – United States

Prepared & Published by: [VentureDeal](#)

M&A Activity for Venture Capital-Backed Technology Companies

For Selected Industries

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**Biotechnology • Pharmaceutical
Medical Devices**

Summary Biotechnology, Pharmaceutical and Medical Device M&A activity dropped by 20%, with eight companies acquired during the second quarter versus ten companies acquired in the first quarter, 2010. Two companies each were acquired in Massachusetts, California and Washington. Pharmaceutical and Medical Device companies accounted for six of the acquisitions and two Biotechnology companies were acquired during the quarter.

Biotechnology [Signature Genomic Laboratories](#) was acquired by life science testing and analytics company [PerkinElmer](#). Signature said it was the first laboratory to provide microarray-based cytogenetic diagnostics services for chromosome analysis. The acquisition was an all-cash buy, but other terms of the deal such as the consideration paid were not disclosed. PerkinElmer said that the acquisition would strengthen its existing genetic testing service business while allowing it to expand into the molecular diagnostics testing market.

Arteriosclerosis testing company [diaDexus](#) entered into a definitive merger agreement with publicly held [VaxGen](#) (OTC BB: VXGN.OB) during the quarter. Originally announced with approximately \$28 million of cash and 61% of VaxGen stock going to diaDexus shareholders, the transaction was renegotiated as a stock for stock merger that resulted in diaDexus shareholders receiving approximately 38% of VaxGen common stock, no cash and Board Of Directors control. The combined company will be named diaDexus.

Pharmaceutical Three pharmaceutical companies changed hands this quarter, versus none last quarter. Cambridge, Massachusetts-based [Cequent Pharmaceuticals](#) was acquired by [MDRNA](#) (NASDAQ: MRNA), in an all-stock deal worth \$46 million. Cequent was developing RNA interference therapies to treat gastrointestinal diseases, including familial polyposis, inflammatory bowel disease and colon cancer.

In the respiratory space, [Oriel Therapeutics](#) was acquired by Novartis division [Sandoz](#) for an undisclosed amount. Oriel had developed dry powder delivery systems for medicines for asthma and COPD.

**Medical
Devices**

Three Medical Device companies were acquired during the quarter. COPD device company [Spiration](#) was purchased by Japanese [Olympus Medical](#) for an undisclosed amount. Spiration is in pivotal trial stage for its bronchial tube valve device, called the IBV Valve System. The devices are inserted into major bronchial tubes in order to redirect airflow toward healthy portions of the lungs.

Sunnyvale California-based FlowCardia was acquired by [C.R. Bard](#) (NYSE: BCR). FlowCardia provides endovascular tools to allow surgeons to cross chronic total occlusions allowing for subsequent and more definitive therapies such as atherectomy, stent implantation and balloon angioplasty. The amount of the acquisition consideration was not disclosed by the acquirer, although VentureWire reported it to be around \$80 million.

Table 1

Venture Capital M&A Activity – 2nd Quarter 2010

Biotechnology • Pharmaceutical • Medical Devices

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts <small>(2 of 8 Deals)</small>
Biotechnology	2	- 60 %	\$28 Million
Pharmaceutical	3	+ 300 %	\$46 Million
Medical Devices	3	- 40 %	Undisclosed
Total	8	- 20 %	\$74 Million

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Internet • Digital Media
eCommerce • Software

Summary Sector M&A activity dropped by 38%, with 31 companies purchased during the quarter versus 50 in Q1. Only 5 of the 31 transactions disclosed deal consideration totaling \$564 million, with one transaction accounting for \$325 million of that total.

Internet M&A activity in the Internet sector decreased by 37%, from 22 deals in Q1 to 14 deals in Q2. Nine of the 14 companies acquired were based in Silicon Valley. Large Internet companies based in Northern California were among the acquirers, with [Google](#), [Yahoo!](#), [Facebook](#), [Salesforce.com](#) and [Apple Computer](#) active during the quarter.

Business service provider Salesforce.com acquired [Jigsaw Data Corp.](#) for \$142 million in cash plus another \$14 million in potential earn outs. Jigsaw has created a large business contact database service that appears to be a strategic complement to Salesforce's business data application services.

Yahoo! purchased user generated content company [Associated Content](#), based in Denver, Colorado, for an undisclosed sum. Under the leadership of Carol Bartz, Yahoo! appears to be changing its focus from a search company to a content company, and the Associated Content acquisition was seen by many to be a key component of Yahoo!'s evolution.

Digital Media Six digital media companies changed hands this quarter, a 25% decrease from the eight in Q1. For VentureDeal's purposes, digital media companies are generally either advertising networks or game developers.

Digital network [iCrossing](#) was acquired by the [Hearst Corporation](#) for \$325 million. iCrossing developed a digital marketing platform and suite of services for Fortune 500 companies. The acquisition gives Hearst a "extensive global digital marketing capabilities." iCrossing was backed by a number of top-tier private equity and venture capital firms.

eCommerce [Vendio](#) was the only eCommerce acquisition during the quarter and was purchased by [AliBaba](#) for an undisclosed amount. Vendio helps small website owners integrate their goods offerings into eBay and Amazon.com marketplaces, to enhance their sales opportunities.

Software Software M&A activity dropped by 50% compared to the previous quarter, with 10 companies being acquired. Seven of the 10 companies acquired were located in Silicon Valley.

[SuccessFactors](#) acquired [CubeTree](#) for a total consideration of \$50 million, comprised of \$20 million in stock and a contingent cash payment of \$30 million after three years. CubeTree developed an enterprise social collaboration software suite that helps businesses improve their operations and greater internal communications.

[ManageSoft](#) was acquired for an undisclosed sum by [Flexera Software](#). ManageSoft has developed software licensing management that assists organizations in tracking and managing their software licenses. The new capability will become part of Flexera's FlexNet Manager Suite.

Table 2

Venture Capital M&A Activity – 2nd Quarter 2010

Internet • Digital Media • eCommerce • Software

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (5 of 31 Deals)
Internet	14	- 37 %	\$142 Million
Digital Media	6	- 25 %	\$331 million
eCommerce	1	+ 100%	Undisclosed
Software	10	- 50 %	\$91 million
Total	31	- 38 %	\$564 million

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**Telecom • Wireless
Mobile • Communications**

Summary	M&A activity for Telecom, Wireless, Mobile and Communications companies dropped markedly from the previous quarter, with 54% fewer companies being acquired versus Q1. Google and Apple Computer were among the acquirers of Mobile companies. 50% of the acquired firms were located in California.
Telecom	Only one company was acquired during the quarter, Dynamic Broadband Corporation . KeyOn Communications Holdings (OTCBB: KEYO) acquired it for an undisclosed sum. Dynamic Broadband provides a range of business Internet and communications solutions to the Midwest market region. The acquisition increases KeyOn's network footprint in the state of Iowa and adds coverage in Minnesota, the 12th state that KeyOn has operations.
Wireless	Germantown, Maryland based Eka Systems was the only Wireless industry acquisition. It was acquired by Cooper Industries (NYSE: CBE) for an undisclosed amount. Eka has created a wireless sensor networking system for monitoring energy users in industrial, utility and commercial uses. It was backed by The Angeleno Group , Rockport Capital Partners and The Westly Group .
Mobile	Four Mobile companies were acquired during Q2 versus ten companies in Q1. GuardianEdge Technologies was acquired by Symantec Corp. for \$70 million in cash. The acquisition complements Symantec's existing endpoint security and data loss prevention solutions, especially for the mobile market. San Francisco, California-based Mob.ly was acquired by group purchasing site Groupon , for an undisclosed amount. Mob.ly had built a business of helping enterprises design and develop their mobile platform strategy. It is expected that Groupon will use the Mob.ly team and experience to build a better mobile application of its online service.

Communications There were no disclosed Communications M&A transactions during the quarter. The previous quarter showed only one transaction, so M&A activity in the sector remains at a low ebb.

Table 3

Venture Capital M&A Activity – 2nd Quarter 2010
 Telecom • Wireless • Mobile • Communications

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (1 of 6 Deals)
Telecom	1	--	Undisclosed
Wireless	1	+ 100 %	Undisclosed
Mobile	4	- 60 %	\$70 million
Communications	0	- 100 %	Undisclosed
Total	6	- 54 %	\$70 Million

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Notes

This report was prepared by the staff of VentureDeal, LLC.

The information source used was the VentureDeal.com database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal.

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