Venture Capital M&A Quarterly

3rd Quarter, 2010 – United States

Prepared & Published by: VentureDeal

M&A Activity for:

Venture Capital-Backed Technology Companies

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Biotechnology ● Pharmaceutical ● Medical Devices

Summary

Biotechnology, Pharmaceutical and Medical Device M&A activity increased by 63%, with 13 companies acquired during the third quarter versus eight companies acquired in the second quarter, 2010. Biotech and Pharmaceutical companies accounted for nine of the acquisitions and four Medical Device companies were acquired during the quarter.

Biotechnology

Zystor Therapeutics was acquired by publicly held BioMarin Pharmaceuticals (NASDAQ: BMRN) for a total consideration of $115 million. The consideration was composed of $22 million upfront cash and up to an additional $93 million earn-out based on the achievement of certain milestones. Zystor is developing therapeutics focused on patients who suffer from genetic disorders known as lysosomal storage diseases.

In the biotech informatics space, Sunnyvale, California-based BioImagene was acquired by pharmaceutical giant Roche for $100 million. BioImagene created technology that automates the analysis of images that span across gels, cells, tissues and whole body images. BioImage was backed by venture capital firms and strategic investors that included Siemens Venture Capital.

Pharmaceutical

Four pharmaceutical companies changed hands this quarter, versus three last quarter. Cambridge, Massachusetts-based FoldRx Pharmaceuticals was acquired by Pfizer (NYSE: PFE), for an undisclosed amount. FoldRx was developing what it called "disease modifying drug therapies for diseases of protein misfolding and amyloidosis." The company had raised in excess of $120 million of venture capital, strategic and private equity financing.

In the metabolic and inflammatory disease spaces, Alnara Pharmaceuticals was acquired by Eli Lilly & Co. (NYSE: LLY) for an undisclosed amount. Alnara develops non-systemic protein therapeutics for patient treatments.
Four Medical Device companies were acquired during the quarter versus three in the previous quarter. The largest disclosed acquisition price was $744 million that Alcon (NYSE: ACL) paid for LenSx Lasers. LenSx developed next-generation laser technology used in eye surgery applications. The purchase price was composed of $361.5 million in cash and up to $382.5 million in contingent earn-out. LenSx venture capital backers included InterWest Partners, SV Life Sciences and Versant Ventures.

Sunnyvale California-based Asthmatx was acquired by Boston Scientific Corp. (NYSE: BSX). Asthmatx developed an interventional medical device for the bronchoscopic treatment of patients with moderate to severe asthma. The purchase price was $443.5 million, composed of $193.5 million in cash plus up to $250 million based on revenue-based earnout.

Table 1

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Number of Transactions</th>
<th>% Change vs. Prior Quarter</th>
<th>Disclosed Transaction Amounts (10 of 13 Deals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotechnology</td>
<td>5</td>
<td>+150%</td>
<td>$1.05 billion</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>4</td>
<td>+33%</td>
<td>$132.5 million</td>
</tr>
<tr>
<td>Medical Devices</td>
<td>4</td>
<td>+33%</td>
<td>$1.67 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>+63%</strong></td>
<td><strong>$2.85 billion</strong></td>
</tr>
</tbody>
</table>
**Internet ● Digital Media ● eCommerce ● Software**

**Summary**

Sector M&A activity increased by 32%, with 41 companies purchased during the quarter versus 31 in Q2. Only 6 of the 31 transactions disclosed deal consideration, totaling $2.66 billion, with two transactions accounting for $2.26 billion of that total.

**Internet**

M&A activity in the Internet sector increased by 57%, from 14 deals in Q2 to 22 deals in Q3. 15 of the 22 companies acquired were based in Silicon Valley or San Francisco. 4 of the 22 companies acquired were based in New York or Massachusetts.
Business social network LinkedIn made two acquisitions during the quarter. On August 4, it acquired digital media company mSpoke for an undisclosed amount. mSpoke had developed what it called an "Adaptive Personalization Engine" that helps websites deliver relevant content based on implicit and explicit consumer feedback.

LinkedIn also acquired Internet company ChoiceVendor for an undisclosed amount. ChoiceVendor created technology that enables users to rate and review business service providers.

Internet portal AOL made three acquisitions late in the quarter: Web sharing company Thing Labs, influential tech blog TechCrunch and 5min, a short-form how-to video sharing website. Financial terms for all three transactions were not disclosed.

### Digital Media

Seven digital media companies changed hands this quarter, a 17% increase from the six in Q2. For VentureDeal's purposes, digital media companies are generally either advertising networks or game developers.

The largest transaction during the quarter was the acquisition of game maker Playdom by the Walt Disney Co. Playdom created the number one most popular game on MySpace - Mobsters. The company also created popular games on Facebook. Playdom was acquired for $763.2 million, of which $563.2 million was cash and $200 million was a performance-based earn-out.

### eCommerce

There were two eCommerce acquisitions during the quarter. By far the largest was the acquisition of Arcot Systems by CA Technologies for $200 million in an all cash transaction. Arcot provides multilayer transaction authentication between banks, online merchants and customers.

### Software

Software M&A activity remained the same compared to the previous quarter, with 10 companies being acquired. Four of the ten companies acquired were located in Silicon Valley, with the remainder located in Massachusetts (2), Washington (1), Texas (1) and Colorado (2).

By far the largest acquisition during the quarter was that of managed security company ArcSight by HP. ArcSight had developed a blue-chip customer base of over 350 enterprises, agencies and security service providers. HP paid an all cash consideration of $1.5 billion. ArcSight
was backed by such venture capital firms as Kleiner Perkins Caufield & Byers and Integral Capital Partners.

San Mateo, California-based business intelligence database company Greenplum was acquired for an undisclosed all cash sum by EMC Corporation. Greenplum was backed by a large syndicate of both venture capital and strategic investors.

Table 2

Venture Capital M&A Activity – 3rd Quarter 2010
Internet ● Digital Media ● eCommerce ● Software

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Number of Transactions</th>
<th>% Change vs. Prior Quarter</th>
<th>Disclosed Transaction Amounts (6 of 41 Deals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>22</td>
<td>+57%</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Digital Media</td>
<td>7</td>
<td>+17%</td>
<td>$763 million</td>
</tr>
<tr>
<td>eCommerce</td>
<td>2</td>
<td>+ 100%</td>
<td>$209 million</td>
</tr>
<tr>
<td>Software</td>
<td>10</td>
<td>--</td>
<td>$1.69 billion</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>+32%</td>
<td>$2.66 billion</td>
</tr>
</tbody>
</table>
Chart 2

**Venture Capital M&A Activity – YTD 2010**
Internet ● Digital Media ● eCommerce ● Software

# of VC-backed Companies Acquired - U.S.

**Telecom ● Wireless ● Mobile ● Communications**

**Summary**
Aggregate M&A activity for Telecom, Wireless, Mobile and Communications companies remained unchanged from the previous quarter, with six companies being acquired versus Q2. All of the acquisition activity was in the Mobile sector, with four acquired companies based in California and two in New York.

**Telecom**
There were no venture capital-backed companies acquired during the quarter in the Telecom sector. This is compared to the previous quarter where only one company was acquired.
There were no Wireless sector companies acquired during the quarter. There was only one company acquired in the wireless sector in the previous quarter, so activity remains at a very low ebb.

Six Mobile companies were acquired in Q3 versus four in Q2 and 10 in Q1.

**FusionOne** was acquired by **Synchronoss Technologies** for $75 million. The purchase price was composed of an upfront payment of $32 million in cash and $8 million in stock, plus up to $35 million in earn-outs. FusionOne had created a suite of services that enable mobile phone users to enhance their productivity.

New York-based mobile commerce company **Transfer To** was acquired by France-based eCommerce company **Ingenico** for $38 million. Transfer To developed technology that enable "small value transfers through mobile phones."

There were no disclosed Communications M&A transactions during the quarter. The previous quarter also showed no transactions, so M&A activity in the sector remains nonexistent.

Table 3 and Chart 3 on Following Pages
## Table 3

### Venture Capital M&A Activity – 3rd Quarter 2010
Telecom ● Wireless ● Mobile ● Communications

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Number of Transactions</th>
<th>% Change vs. Prior Quarter</th>
<th>Disclosed Transaction Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>0</td>
<td>-100%</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Wireless</td>
<td>0</td>
<td>-100%</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Mobile</td>
<td>6</td>
<td>+50%</td>
<td>$113 million</td>
</tr>
<tr>
<td>Communications</td>
<td>0</td>
<td>-100 %</td>
<td>Undisclosed</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>--</strong></td>
<td><strong>$113 million</strong></td>
</tr>
</tbody>
</table>
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Notes

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