



December 2009 - Fourth Quarter 2009 Statistical Review

Mid-Atlantic Deal Review

Editor's Note: The December edition consists only of a statistical review of 4th Quarter Mid-Atlantic capital markets activity with associated commentary.

Quick Stats from Chessiecap is *the most comprehensive and thoroughly researched presentation of Mid-Atlantic transaction data available*—**Private Placements, M&A and Public Offerings**. Mid-Atlantic is defined as **D.C., Virginia, Maryland and West Virginia**. **Private placements** include all private equity investment including venture capital, PIPEs, private investors and other forms of new investment. The **M&A** data are the first to capture true regional activity. 80% of all M&A transactions are “undisclosed,” resulting in almost meaningless analysis. **Chessiecap** reviews all reported regional transactions and uses its market knowledge to assign probable deal values and uncover secondary sources of deal values. The data below does not capture debt transactions, recapitalizations, non-corporate real estate financings (project financing) or purchases by local companies of companies outside this region. Your online edition is found at www.midatlanticdealreview.com.

Quick Stats¹: (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>Q4 2009</u>
Private Placement Volume	\$289.9	\$137.1	\$57.1	\$484.1
Private Placement # of Deals	28	25	22	75
Private Placement Adj Volume ²	\$286.8	\$132.4	\$54.5	\$473.6
Private Placement Adj # of Deals	19	15	13	47
Venture Capital Volume ³	\$269.4	\$94.7	\$18.4	\$382.6
Venture Capital # of Deals	15	14	11	40
M&A Volume ⁴	\$231.3	\$437.8	\$707.4	\$1,376.4
M&A # of Deals	13	14	21	48
M&A Adj Volume ²	\$229.4	\$435.8	\$704.2	\$1,369.4
M&A Adj # of Deals	8	8	16	32
IPO Volume	\$0.0	\$39.0	\$402.5	\$441.5
IPO # of Offerings	0	1	1	2
Follow-On/Secondary Volume	\$221.5	\$72.0	\$587.8	\$881.3
Follow-On/Secondary # of Offerings	2	3	4	9

¹ D.C., Maryland, Virginia & West Virginia

² Excluding transactions less than \$1 million

³ Institutional venture capital transactions

⁴ Including exclusive Chessiecap estimates

DEAL DATA:

Q4 2009

Mixed results in December cannot undo an anemic Fourth Quarter. Private Placements fell off the table in December, while M&A deals saw a typical year-end spike as companies and bankers push to meet a target that makes accounting easier and bonuses flow. The Public Offering data looks good for December, but there are so few data points that one or two deals create a wild swing. Across the quarter, there is nothing to get excited about and no trends to suggest (in retrospect) an economic recovery or revival of the deal world. In recent months, Maryland companies have been more in need of capital, so they have received the lion's share of new capital from private placements and public offerings. But Maryland investors and owners are harvesting less in the M&A market. Conversely, Virginia companies are harvesting more than they are attracting capital. The Biotech focus of Maryland versus the IT/Telecom concentration in Virginia coupled with the sorry state of overall investing explain this trend. Biotechs have to have capital---you cannot walk away from a multi-year research and testing regimen. But you can always trim back software development and sales. Finally, in troubled times, there are many non-standard types of transactions which muddy the data. For instance, publicly held companies (like many Biotechs) do not practically have access to the traditional public offering market, so you see many PIPES (Private Investment in Public Equity), which we classify as private placements. Nevertheless, traditional venture capital investment still captured almost 80% of the private placement market for the quarter, but less than 10% of that total was in new investments. In other words, the fourth quarter continued the trend of meager opportunity for entrepreneurs as venture investors concentrated on maintaining the health of their current portfolio companies.

Private Placements:

Q4 2009

1. Major transactions for the quarter include:
 - GP Strategies (Tech training & solutions)-\$20M PIPE
 - Motley Fool (Media)-\$25M in the first round since 2001
 - Millennial Media (Mobile advertising)-\$16M in a new round for a hot sector
 - United BioSource (Biotech/Pharma)-a huge round of \$125M by Berkshire Partners, Boston
 - Glyco Mimetics (Biotech)-two rounds totaling \$43M
 - Coastal Sunbelt (Food distribution)-\$20M in a new money recap or refinancing
 - TEOCO (Telecom solutions)-\$60M in a major investment by Boston's TA Associates
2. The pace of activity is approximately 25 deals per month, with 10 to 15 being traditional venture capital.
3. As mentioned, traditional venture investing captured almost 80% of the total private placement volume for the quarter, but less than 10% of that investing was in new opportunities.
4. Maryland outpaced Virginia with just over half the deals and almost 70% of the volume. The District of Columbia showed a credible 12% of deal activity with most being small fundings.
5. For the region, the capital thirsty Biotech sector took 46% of the private placement dollars with only 21% of the deals. Telecom, often another capital intensive industry, soaked up 18% of the dollars with 15% of the deals. After that, activity was spread across many Mid-Atlantic sectors such as IT, Media, Internet and Security.

Mid-Atlantic Private Placements by Type and Deal Size 4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
Private Placement Total Volume	\$289.9	\$137.1	\$57.1	\$484.1
Private Placement # of Deals	28	25	22	75
Private Placement Adj Volume ¹	\$286.8	\$132.4	\$54.5	\$473.6
Private Placement Adj # of Deals	19	15	13	47
Venture Capital Volume ²	\$269.4	\$94.7	\$18.4	\$382.6
Venture Capital # of Deals	15	14	11	40
Venture Vol as % Tot Vol	93.0%	69.1%	32.3%	79.0%
First Round Venture Volume	\$8.0	\$22.6	\$0.3	\$30.9
% Venture Capital Volume	3.0%	23.8%	1.6%	8.1%
First Round Venture # Deals	2	3	1	6
% Venture Capital # of Deals	13.3%	21.4%	9.1%	15.0%
Avg Deal Size	\$10.4	\$5.5	\$2.6	\$6.5
Avg Adjusted Deal Size ¹	\$15.1	\$8.8	\$4.2	\$10.1
Avg Venture Deal Size ²	\$18.0	\$6.8	\$1.7	\$9.6
Avg First Round Venture Deal Size	\$4.0	\$7.5	\$0.3	\$5.1

1= Adjusted to eliminate small placements under \$1million

2= Institutional venture fund investors only

Mid-Atlantic Private Placements by State 4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
MD Volume	\$202.6	\$97.9	\$32.4	\$332.9
% Total Placement Volume	69.9%	71.4%	56.7%	68.8%
MD # Deals	14	16	9	39
% Total # of Deals	50.0%	64.0%	40.9%	52.0%
VA Volume	\$85.4	\$35.9	\$13.5	\$134.8
% Total Placement Volume	29.5%	26.2%	23.7%	27.8%
VA # Deals	12	6	8	26
% Total # of Deals	42.9%	24.0%	36.4%	34.7%
DC Volume	\$1.9	\$3.3	\$8.2	\$13.4
% Total Placement Volume	0.7%	2.4%	14.4%	2.8%
DC # Deals	2	3	4	9
% Total # of Deals	7.1%	12.0%	18.2%	12.0%
WVA Volume	\$0.0	\$0.0	\$0.0	\$0.0
% Total Placement Volume	0.0%	0.0%	0.0%	0.0%
WVA # Deals	0	0	0	0
% Total # of Deals	0.0%	0.0%	0.0%	0.0%

Mid-Atlantic Private Placements by Industry

4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
Information Technology Volume	\$13.5	\$0.0	\$20.0	\$33.5
% Total Placement Volume	4.6%	0.0%	35.0%	6.9%
Information Technology Deals	2	0	1	3
% Total # of Deals	7.1%	0.0%	4.5%	4.0%
Government & Defense Volume	\$0.0	\$1.0	\$0.0	\$1.0
% Total Placement Volume	0.0%	0.7%	0.0%	0.2%
Government & Defense Deals	1	1	0	2
% Total # of Deals	3.6%	4.0%	0.0%	2.7%
Biotech/Pharma Volume	\$174.6	\$41.8	\$8.1	\$224.5
% Total Placement Volume	60.2%	30.5%	14.1%	46.4%
Biotech/Pharma Deals	6	7	3	16
% Total # of Deals	21.4%	28.0%	13.6%	21.3%
Telecom Volume	\$69.2	\$13.2	\$5.8	\$88.2
% Total Placement Volume	23.9%	9.6%	10.1%	18.2%
Telecom Deals	5	4	2	11
% Total # of Deals	17.9%	16.0%	9.1%	14.7%
Internet Apps & Structure Volume	\$13.9	\$1.6	\$7.6	\$23.1
% Total Placement Volume	4.8%	1.2%	13.3%	4.8%
Internet Apps & Structure Deals	3	2	4	9
% Total # of Deals	10.7%	8.0%	18.2%	12.0%
Healthcare Volume	\$6.4	\$8.5	\$0.1	\$15.0
% Total Placement Volume	2.2%	6.2%	0.2%	3.1%
Healthcare Deals	3	2	1	6
% Total # of Deals	10.7%	8.0%	4.5%	8.0%
Security Volume	\$0.5	\$0.5	\$0.4	\$1.4
% Total Placement Volume	0.2%	0.4%	0.6%	0.3%
Security Deals	1	1	1	3
% Total # of Deals	3.6%	4.0%	4.5%	4.0%
Software Volume	\$0.0	\$0.6	\$2.0	\$2.6
% Total Placement Volume	0.0%	0.4%	3.5%	0.5%
Software Deals	0	1	1	2
% Total # of Deals	0.0%	4.0%	4.5%	2.7%
Media Volume	\$5.0	\$42.5	\$0.0	\$47.5
% Total Placement Volume	1.7%	31.0%	0.0%	9.8%
Media Deals	1	3	0	4
% Total # of Deals	3.6%	12.0%	0.0%	5.3%
Education Volume	\$0.0	\$0.0	\$7.7	\$7.7

% Total Placement Volume	0.0%	0.0%	13.4%	1.6%
Education Deals	0	0	3	3
% Total # of Deals	0.0%	0.0%	13.6%	4.0%
Energy Volume	\$5.3	\$5.0	\$1.6	\$11.9
% Total Placement Volume	1.8%	3.6%	2.8%	2.5%
Energy Deals	4	1	2	7
% Total # of Deals	14.3%	4.0%	9.1%	9.3%
Business Services Volume	\$0.0	\$0.8	\$0.1	\$0.9
% Total Placement Volume	0.0%	0.6%	0.1%	0.2%
Business Services Deals	0	1	1	2
% Total # of Deals	0.0%	4.0%	4.5%	2.7%
Financial Services Volume	\$0.0	\$1.5	\$0.0	\$1.5
% Total Placement Volume	0.0%	1.1%	0.0%	0.3%
Financial Services Deals	0	1	0	1
% Total # of Deals	0.0%	4.0%	0.0%	1.3%
Retail & Consumer Volume	\$0.0	\$20.1	\$0.8	\$20.9
% Total Placement Volume	0.0%	14.6%	1.5%	4.3%
Retail & Consumer Deals	0	1	1	2
% Total # of Deals	0.0%	4.0%	4.5%	2.7%
Industrial & Manufacturing Volume	\$1.3	\$0.0	\$0.3	\$1.6
% Total Placement Volume	0.5%	0.0%	0.5%	0.3%
Industrial & Manufacturing Deals	1	0	1	2
% Total # of Deals	3.6%	0.0%	4.5%	2.7%
Real Estate Volume	\$0.0	\$0.0	\$2.7	\$2.7
% Total Placement Volume	0.0%	0.0%	4.7%	0.6%
Real Estate Deals	0	0	1	1
% Total # of Deals	0.0%	0.0%	4.5%	1.3%
Other Volume	\$0.2	\$0.0	\$0.0	\$0.2
% Total Placement Volume	0.1%	0.0%	0.0%	0.0%
Other Deals	1	0	0	1
% Total # of Deals	3.6%	0.0%	0.0%	1.3%

Mergers & Acquisitions:

Q4 2009

1. Major transactions for the quarter include:
 - Phoenix Consulting (Government IT) to Dyncorp-\$51M
 - IXI Corp (Info & Research) to Equifax-\$124M
 - SunEdison (Solar projects) to MEMC-\$340M
 - Ellicott Dredge (Manufacturing) to Markel Corp-\$60M estimate
 - Datatel (Software for Education) to Hellman & Friedman/JMI-over \$300M estimate
2. M&A activity in the region is just low, averaging around 15 deals per month, with only 10 of those above \$1 million in transaction value. Average deal size is quite high, ranging from \$30M to \$40M, influenced greatly by the lack of deals and the subsequent dominance of large ones.
3. Virginia outpaces Maryland in M&A, with 56% of the volume and 60% of the number of deals. Maryland has 40% of the volume with only 27% of the number of deals. D.C. fills in the rest.
4. Despite the dominance of a couple of large transactions in Energy and Information, the rest of the transactions were spread across a variety of regional industries such as software, media, finance, health care, government and more.

M&A Deals by Type and Size

4th Quarter 2009 (\$M)

	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>2009 Q4</u>
M&A Volume	\$231.3	\$437.8	\$707.4	\$1,376.4
M&A # Deals	13	14	21	48
M&A Adj Volume ¹	\$229.4	\$435.8	\$704.2	\$1,369.4
M&A Adj # Deals	8	8	16	32
Avg Deal Size	\$17.8	\$31.3	\$33.7	\$28.7
Avg Adjusted Deal Size ¹	\$28.7	\$54.5	\$44.0	\$42.8

¹=Adjusted to eliminate small transactions under \$1M

M&A Deals by State

4th Quarter 2009 (\$M)

M&A STATS (\$M)	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>2009 Q4</u>
MD Volume	\$20.2	\$367.0	\$169.6	\$556.8
% Total M&A Volume	8.7%	83.8%	24.0%	40.5%
MD # Deals	3	2	8	13
% Total # of Deals	23.1%	14.3%	38.1%	27.1%
VA Volume	\$200.2	\$65.2	\$508.3	\$773.6
% Total M&A Volume	86.6%	14.9%	71.9%	56.2%
VA # Deals	9	9	11	29
% Total # of Deals	69.2%	64.3%	52.4%	60.4%
DC Volume	\$10.9	\$5.7	\$29.5	\$46.1
% Total M&A Volume	4.7%	1.3%	4.2%	3.3%
DC # Deals	1	3	2	6
% Total # of Deals	7.7%	21.4%	9.5%	12.5%
WVA Volume	\$0.0	\$0.0	\$0.0	\$0.0
% Total M&A Volume	0.0%	0.0%	0.0%	0.0%
WVA # Deals	0	0	0	0
% Total # of Deals	0.0%	0.0%	0.0%	0.0%

M&A Deals by Industry
4th Quarter 2009 (\$M)

	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>2009 Q4</u>
Information Technology Volume	\$129.0	\$11.3	\$7.8	\$148.1
% Total M&A Volume	55.8%	2.6%	1.1%	10.8%
Information Technology Deals	3	1	3	7
% Total # of Deals	23.1%	7.1%	14.3%	14.6%
Government & Defense Volume	\$78.9	\$5.4	\$95.2	\$179.5
% Total M&A Volume	34.1%	1.2%	13.5%	13.0%
Government & Defense Deals	5	2	4	11
% Total # of Deals	38.5%	14.3%	19.0%	22.9%
Biotech/Pharma Volume	\$2.0	\$0.0	\$0.0	\$2.0
% Total M&A Volume	0.9%	0.0%	0.0%	0.1%
Biotech/Pharma Deals	1	0	0	1
% Total # of Deals	7.7%	0.0%	0.0%	2.1%
Internet Apps & Structure Volume	\$0.0	\$0.0	\$6.8	\$6.8
% Total M&A Volume	0.0%	0.0%	1.0%	0.5%
Internet Apps & Structure Deals	0	0	1	1
% Total # of Deals	0.0%	0.0%	4.8%	2.1%
Healthcare Volume	\$0.0	\$2.5	\$0.0	\$2.5
% Total M&A Volume	0.0%	0.6%	0.0%	0.2%
Healthcare Deals	0	4	0	4
% Total # of Deals	0.0%	28.6%	0.0%	8.3%
Security Volume	\$0.5	\$27.0	\$0.0	\$27.5
% Total M&A Volume	0.2%	6.2%	0.0%	2.0%
Security Deals	2	1	0	3
% Total # of Deals	15.4%	7.1%	0.0%	6.3%
Software Volume	\$0.0	\$0.2	\$390.0	\$390.2
% Total M&A Volume	0.0%	0.0%	55.1%	28.3%
Software Deals	0	1	1	2
% Total # of Deals	0.0%	7.1%	4.8%	4.2%
Hardware Volume	\$0.0	\$0.0	\$2.7	\$2.7
% Total M&A Volume	0.0%	0.0%	0.4%	0.2%
Hardware Deals	0	0	1	1
% Total # of Deals	0.0%	0.0%	4.8%	2.1%
Media Volume	\$0.0	\$0.3	\$29.5	\$29.8
% Total M&A Volume	0.0%	0.1%	4.2%	2.2%
Media Deals	0	1	2	3
% Total # of Deals	0.0%	7.1%	9.5%	6.3%
Energy Volume	\$0.0	\$346.0	\$0.0	\$346.0
% Total M&A Volume	0.0%	79.0%	0.0%	25.1%
Energy Deals	0	2	0	2

% Total # of Deals	0.0%	14.3%	0.0%	4.2%
Business Services Volume	\$0.0	\$0.0	\$46.0	\$46.0
% Total M&A Volume	0.0%	0.0%	6.5%	3.3%
Business Services Deals	0	0	2	2
% Total # of Deals	0.0%	0.0%	9.5%	4.2%
Financial Services Volume	\$20.9	\$0.0	\$10.8	\$31.7
% Total M&A Volume	9.0%	0.0%	1.5%	2.3%
Financial Services Deals	2	0	2	4
% Total # of Deals	15.4%	0.0%	9.5%	8.3%
Retail & Consumer Volume	\$0.0	\$45.2	\$10.9	\$56.1
% Total M&A Volume	0.0%	10.3%	1.5%	4.1%
Retail & Consumer Deals	0	2	2	4
% Total # of Deals	0.0%	14.3%	9.5%	8.3%
Industrial & Manufacturing Volume	\$0.0	\$0.0	\$64.0	\$64.0
% Total M&A Volume	0.0%	0.0%	9.0%	4.6%
Industrial & Manufacturing Deals	0	0	2	2
% Total # of Deals	0.0%	0.0%	9.5%	4.2%
Real Estate Volume	\$0.0	\$0.0	\$43.6	\$43.6
% Total M&A Volume	0.0%	0.0%	6.2%	3.2%
Real Estate Deals	0	0	1	1
% Total # of Deals	0.0%	0.0%	4.8%	2.1%

Public Offerings:

Q4 2009

1. The moribund public markets showed a flicker of life locally. Primary transactions were:
 - FBR Capital Markets (Finance) eliminating its major institutional shareholder-\$89M Secondary
 - American Capital Agency (REIT)-\$133M Follow-on
 - Global Defense Technology & Systems (Government IT)-\$60M IPO and Secondary
 - Human Genome Sciences (Biotech)-\$477M Follow-on
 - Pebblebrook Hotel Trust (REIT)-\$403M IPO
 - ICF International (Government IT)-\$88M Follow-on
2. In a poor market for public offerings, 11 deals in the region is not chump change. But they are certainly all the usual suspects—REITs, Biotech, Government IT, and a couple of struggling small commercial banks.
3. Hurray for the Government IT sector in getting out one IPO and one secondary. My understanding is that the market still was not easy for these companies.
4. Virginia and Maryland almost split the number of deals, but Maryland volume was 5X that of Virginia, paced by hungry REITs and Biotech.

Public Offerings by Type and Size
4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
IPO Volume	\$0.0	\$39.0	\$402.5	\$441.5
IPO # Offerings	0	1	1	2
Follow-On Vol	\$221.5	\$72.0	\$587.8	\$881.3
Follow-On #	2	3	4	9
TOTAL OFFERING VOLUME	\$221.5	\$111.0	\$990.3	\$1,322.8
Avg IPO Size	\$0.0	\$39.0	\$402.5	\$220.8
Avg Follow-On Size	\$110.8	\$24.0	\$146.9	\$97.9

Public Offerings by State
4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
MD Tot Public Offering Volume	\$133.0	\$22.4	\$882.7	\$1,038.2
% Total Public Offering Volume	60.0%	20.2%	89.1%	78.5%
MD # Public Offering Deals	1	1	3	5
% Total # of Deals	50.0%	25.0%	60.0%	45.5%
VA Tot Public Offering Volume	\$88.5	\$88.5	\$107.6	\$284.6
% Total Public Offering Volume	40.0%	79.8%	10.9%	21.5%
VA # Public Offering Deals	1	3	2	6
% Total # of Deals	50.0%	75.0%	40.0%	54.5%
DC Tot Public Offering Volume	\$0.0	\$0.0	\$0.0	\$0.0
% Total Public Offering Volume	0.0%	0.0%	0.0%	0.0%
DC # Public Offering Deals	0	0	0	0
% Total # of Deals	0.0%	0.0%	0.0%	0.0%
WVa Tot Public Offering Volume	\$0.0	\$0.0	\$0.0	\$0.0
% Total Public Offering Volume	0.0%	0.0%	0.0%	0.0%
WVa # Public Offering Deals	0	0	0	0
% Total # of Deals	0.0%	0.0%	0.0%	0.0%

Public Offerings by Industry
4th Quarter 2009 (\$M)

	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>	<u>2009 Q4</u>
Government & Defense Volume	\$0.0	\$59.8	\$87.6	\$147.4
% Total Offering Volume	0.0%	53.9%	8.8%	11.1%
Government & Defense Deals	0	2	1	3
% Total # of Deals	0.0%	50.0%	20.0%	27.3%
Biotech/Pharma Volume	\$0.0	\$22.4	\$476.8	\$499.3
% Total Offering Volume	0.0%	20.2%	48.1%	37.7%
Biotech/Pharma Deals	0	1	1	2
% Total # of Deals	0.0%	25.0%	20.0%	18.2%
Financial Services Volume	\$88.5	\$28.7	\$20.0	\$137.3
% Total Offering Volume	40.0%	25.9%	2.0%	10.4%
Financial Services Deals	1	1	1	3
% Total # of Deals	50.0%	25.0%	20.0%	27.3%
Real Estate Volume	\$133.0	\$0.0	\$405.9	\$538.9
% Total Offering Volume	60.0%	0.0%	41.0%	40.7%
Real Estate Deals	1	0	2	3
% Total # of Deals	50.0%	0.0%	40.0%	27.3%

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