Millennium Technology Value Partners:

Facebook's Alternative Liquidity Transactions Helped Institutionalize the Secondary Market and Secured its Valuable Role in Venture Capital Today

Among Millennium's 2012 Forecasts:

** Robust IPO Market, Yet Many Leading Companies Will Stay Private Longer*

** Record Secondary Market Volume*

New York, NY, February 23, 2012— As investors and the media pore through Facebook's recent S-1 filing, there is a facet of Facebook's experience that is less well-known, yet deserves some reflection: Facebook played a pivotal role in validating the secondary market for private company shares. Facebook's experience also points to important future trends in the venture capital ecosystem, according to Millennium Technology Value Partners, a pioneer of alternative liquidity solutions over the last decade, and an active investor in growth equity and venture debt transactions.

Millennium's Managing Partners Sam Schwerin and Dan Burstein commented on Facebook's history of secondary transactions in connection with releasing Millennium's 2012 forecasts for the venture capital market. Millennium began pursuing opportunities to acquire Facebook shares through secondary transactions as early as 2007, and conducted a series of secondary share purchases involving Facebook in 2008.

Interestingly, more capital was invested in Facebook through secondary share purchases than was raised by the company in the form of traditional primary venture capital financings. Accessing the secondary market strategically allowed the company, and its investors and employees, to prosper during Facebook's tenure as a private company.

"Facebook solved one of the biggest problems facing emerging high-growth companies," says Millennium's Sam Schwerin. "Through the company's unprecedented use of secondary purchase programs that allowed stakeholders to achieve early liquidity, Facebook was able to develop its business model in the relative calm of private company status. The company was able to avoid the inevitable pressures to go public too soon."

Over time, Facebook developed ways of addressing some of the challenges and complexities of secondary market activity. Schwerin adds, "Facebook pioneered the trend of 'taking control' of the secondary process. Having learned from Facebook's experience, leading companies are now selecting institutional partners for liquidity transactions, using secondary liquidity to attract and retain key talent, and aligning secondary activity with strategic goals, rather than allowing it to become a random or distracting process."

Millennium's 2012 forecasts for the world of venture capital investing include:

- **2012 Will Be a Robust Year for IPOs...Yet Conditions Continue to Make It Difficult for Most Private Companies to Achieve Near-Term IPO Success –** The anticipated Facebook IPO presages a strong year in 2012 for technology company IPOs. According to the National Venture Capital Association, 60 venture-backed IPOs were on file at the end of 2011, approximately 50%

more than at the end of 2010. While many more will file, and some will attract new interest in Facebook's wake, few companies can match Facebook’s impressive numbers and history of value creation - from zero to $80 billion (or more) in just eight years.

Millennium predicts only a minority of those now on the IPO track will actually be able to achieve successful IPOs in 2012. The public markets remain uncertain and skeptical, the "IPO window" is not truly open, and becoming a successful public company remains a daunting process for most.

- **Many Venture-backed Companies will Choose to Stay Private Longer –** “There are some 500 private technology companies today that we expect will create a trillion dollars of public company value over the next five years,” observes Millennium's Dan Burstein. “But many of those companies will take a page from the Facebook story and choose to stay private longer, tapping the public markets at the optimal time in their own development and in the market cycle.”

  Schwerin continues, “Many of the technology companies we speak with recognize the need to perfect their business models with as little distraction as possible. These companies are increasingly able to stay private longer because of a strong secondary market that allows for cash liquidity as the company evolves.”

- **Volume in the 2012 Secondary Market will Set a Record** –The secondary market is likely to experience record dollar volume in 2012, with growth driven by its role as a genuine alternative to the IPO market. The need for liquidity in venture-backed private company capital structures is proliferating, as is the availability of capital for liquidity purposes from investors.

  Some have predicted that 2012 secondary volume will fall precipitously now that many of the companies with the most secondary volume – Facebook, Groupon, LinkedIn, Zynga – have gone public or filed for IPOs. However, Millennium believes that what the secondary market may lose in high volume from a handful of top companies will be more than balanced by the broader, more diverse range of companies seeking to access alternative liquidity solutions. “Secondary liquidity will be a factor in almost every important private technology company’s financing strategy in 2012,” says Schwerin.

- **New Sellers will be Active in the Secondary Market** – The secondary market has fully emerged as a structural force in the venture capital ecosystem. In 2011, secondary volume was up 109% over 2010, and up more than 1,000% over a decade ago. Direct secondary volume has historically been driven largely by founders, management, and employees. While these sellers will remain active, they will be joined by new groups looking for liquidity, seeking to rebalance their portfolios, and to access all the other advantages of the secondary process. More angel investors, venture capital funds, and other institutional investors will begin accessing the alternative liquidity market in 2012 and for years to come.

- **Secondary Transactions will become More Institutionalized** – Secondary transactions will become more programmatic in nature and more integrated into primary financings and other capital-related events in the development of private company capital structures. “Based on the acceleration of value creation in companies today, we expect to see a continued melding of traditional venture capital fundraising rounds, secondary programs, and other types of financing into strategic 'capital events,' rather than the old way of doing successive capital raises and then eventually trying to go public,” notes Schwerin.

  At the same time, the companies themselves – their management teams and boards – will move to take more control over the secondary process, and use secondary to accomplish key goals and "play offense," particularly related to retaining and motivating key employees. Companies will also choose institutional partners for liquidity transactions, to ensure an efficient process, add strength and optionality to their future financing alternatives, and minimize the liabilities that may come with non-institutional or random investors.

- **The Role of Secondary Investing is Undergoing Significant Change** – The broader acceptance of secondary transactions also indicates an important change in the venture capital ecosystem. On average, it takes almost a decade for a successful start up company to go from first institutional financing to IPO or sale. In the intervening time, founder and investor interests change. A robust secondary market, however, now provides a way for earlier-stage investors to be replaced in whole or in part by later-stage investors, as companies mature and the risk and return dynamics evolve. Angel investors, for example, now have the ability to exit from a portion of their holdings as future financings occur, and to redeploy some of those gains into other promising start up investments.

- **Venture Capital Investing will Blaze Innovative Trails** – Growth financings, secondary transactions, tender programs, acquisition financings, and debt are less distinct than they were a few years ago. The landscape is set to change further as Congress and the SEC consider shifts in laws and policy. All of these trends will lead to a new generation of innovative investment firms with the flexibility to meet the needs of high-growth technology companies at all stages of development.

  "Every important venture-backed company today is considering how best to integrate primary financings and secondary liquidity with their overall goals for growth and profitability," observes Schwerin. "Increasingly, the best CEOs and CFOs are looking to investment firms that can offer a full suite of capital tools and solutions."

About Millennium Technology Value Partners

Over the last decade, Millennium has been a pioneer, innovator, and leader in developing institutional-quality alternative liquidity programs for companies and shareholders in the venture capital ecosystem, partnering with the world's leading technology companies to design investment structures that foster long-term growth. The firm has close to $1 billion in assets under management, and has completed more than 300 investments that include Facebook, Twitter, Zappos (AMZN), Chegg, Green Dot (GDOT), Tellme (MSFT), RigNet (RNET), eHarmony, Good Technology, BeachMint, HauteLook (JWN), Tumblr, ETF Securities, Tremor, LegalZoom, Wayport (T), NetSpend (NTSP), Epocrates (EPOC), iPass (IPAS), Airvana (acquired by SAC Capital), HootSuite, Rearden Commerce, LiveOps, MarkLogic, ID Analytics, Acronis, ArcSight (HPQ), PlaySpan (V), and many others.

Millennium's most recent fund, Millennium Technology Value Partners II, is the largest fund focused on providing alternative liquidity solutions to shareholders of venture-backed companies. In addition to its leadership in secondary investing, Millennium also provides primary growth capital, venture debt, and flexible capital solutions to high-growth companies. Based in New York, Millennium is led by its founding partners Sam Schwerin and Dan Burstein, who were recently named to AlwaysOn's "Power Player" list for venture capital leaders in the New York City area.