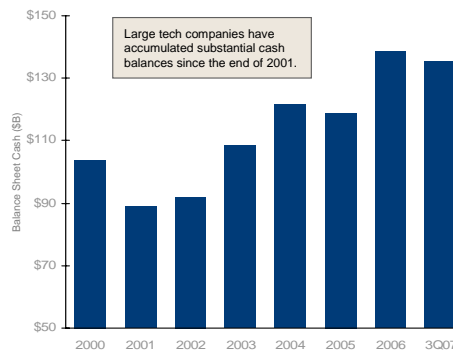


October – November 2007

Technology M&A: Carrying the Momentum into 2008

Fueled by the substantial amounts of cash on the balance sheets of large tech companies, the M&A market for venture-backed tech companies has come to life after several tepid years. Since the end of 2001, large tech companies have generally elected to accumulate large cash positions in lieu of pursuing acquisition opportunities. As evidence of this trend, constituents of the S&P 500 Technology Index had \$138.4 billion of cash on their balance sheets at the end of 2006, up from \$88.9 billion in 2001. As a result, venture-backed tech companies aiming to be acquired were forced to continue to grow on a stand-alone basis while waiting for the M&A tech market to revive.

After several years of solid earnings growth driven by strong worldwide IT spending, large tech companies now appear ready to put their cash to work, which has benefited venture-backed tech companies. In fact, during the third quarter of 2007, the total disclosed value of venture-backed tech M&A reached its highest levels since the first quarter of 2001. Furthermore, average deal size for the year-to-date period is at its highest level since 2000. Thus far in 2007, eight venture-backed tech companies have been acquired at valuations of \$500 million or more.

S&P 500 Technology Index Cash Reserves (2000 – Present)

Source: CapitalIQ, SEC Filings

Top Ten Venture-backed M&A Deals of 2007

Date	Target	Acquiror	Value (\$mm)
Aug-07	Worldspan Technologies	Travelport	\$ 1,400
Jun-07	IronPort Systems	Cisco	830
Jul-07	Right Media	Yahoo!	812
May-07	Tellme Networks	Microsoft	800
Sep-07	Postini	Google	625
Mar-07	Currenex	State Street	564
Jan-07	Good Technology	Motorola	550
Jun-07	OutlookSoft	SAP	500
Sep-07	Sling Media	EchoStar	380
Jul-07	ZANTAZ	Autonomy Corporation	375

Source: Thompson Venture Economics

With worldwide IT spending projected to grow at a slower pace in 2008 (5.5%) relative to the forecasted growth in 2007 (8.0%), we expect that large tech companies will increasingly turn to acquisitions to accelerate growth.¹ In fact, Steve Ballmer, CEO of Microsoft, announced last month that his company intends to acquire 20 companies per year over the next five years, with acquisition values expected to range from \$50 million to \$1 billion. We expect others to follow Microsoft's lead and anticipate a strong year of liquidity for tech-focused venture funds.

¹ Gartner, Inc.

PRIVATE CAPITAL

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Private Capital Team Expands With the Addition of Mike Pohlen

We are pleased to announce the addition of Mike Pohlen to our fund of funds team. Mike's day-to-day responsibilities include evaluating, implementing and monitoring LBO, VC and direct investment opportunities. Mike is a seasoned investment professional and brings a wealth of valuation expertise, investment experience and insights about private equity managers to our team. Prior to joining the fund of funds team, Mike was an officer for six years in Piper Jaffray's investment banking group, where he focused on mergers and acquisitions in the lower middle market. Previously, Mike was the founder and president of an investment fund focused on small-cap industrial and consumer companies and worked with TerraVest Income Fund, a private equity firm focused on acquiring lower middle market companies in Canada. Mike also was vice president and co-founder of the Small Cap Portfolio Group at Deephaven Capital Management, a multi-strategy hedge fund manager. He earned a BS in actuarial science and an MBA from the Carlson School of Management at the University of Minnesota.

Mike's skill set provides the perfect complement to our investment team and we are extremely excited about the depth and strength of our expanded fund of funds team.

Fundraising Update

We recently held the final close on Private Equity Partners III ("PEP III"), a fund focused on VC and LBO investments. As you may recall, we raised PEP III contemporaneously with CleanTech Ventures, our inaugural CleanTech-focused fund of funds. Together, these funds received over \$200 million of aggregate capital commitments from investors and have been fully committed (or reserved for investment) to a highly-selective subset of the top VC, LBO and CleanTech-focused private equity firms.

With the completion of our commitments on behalf of these funds, we are pleased to announce the formal introduction of **Private Equity Partners IV** ("PEP IV"), which will combine the strategies of PEP III and CleanTech Ventures. Investors in PEP IV will be able to allocate among a VC fund of funds, an LBO fund of funds, a CleanTech fund of funds and a direct investment vehicle. We have already received indications of interest from new and existing LPs for allocations to PEP IV and expect to hold a first close in the first quarter of 2008. If you would like more information on PEP IV, please contact Gretchen Postula at (612) 303-6331 or gretchen.s.postula@pic.com.

Upcoming Events

We are regular speakers and attendees at key industry conferences. We hope to see you at one of the upcoming conferences:

- **December 10, 2007:** Danny Zouber will be speaking at the GreenXchange Global Marketplace Conference in Los Angeles www.greenxchangexpo.com
- **January 23-25, 2008:** NACUBO Endowment Management Forum, New York www.nacubo.org
- **February 6-7, 2008:** 4th Annual Clean Edge Clean-Tech Investor Summit, Palm Springs, California www.cleantech.com

Piper Jaffray was established in 1895 and has grown to become a nationally and internationally recognized firm serving growth companies and growth company investors. We have a significant commitment to alternative assets through our series of fund of funds.