



# Rallying Around the National Venture Capital Association's 4-Pillar Plan

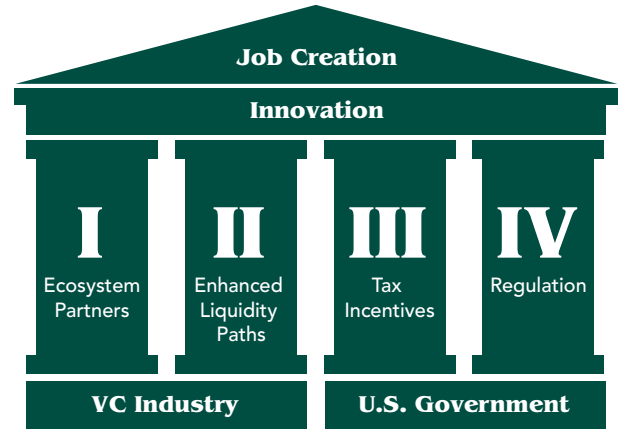


The National Venture Capital Association recently published a 4-pillar plan to restore liquidity to the U.S. venture capital industry. The four pillars in the plan are: Ecosystem Partners, Enhanced Liquidity Paths, Tax Incentives and Regulation.

And while we support not only the framework but also most of the specific plan recommendations, it is abundantly clear that the unintended consequences of regulation (Sarbanes-Oxley, Regulation FD, and the Spitzer "global settlement" on research) have brought small IPOs to a grinding halt. Indeed, the NVCA called for nothing less than a "full SEC review of recent laws to streamline [the] small company IPO process."

The charts below really capture the story in a nutshell: While 46% of VC respondents to a survey preferred an IPO exit route, only 19% believed that an IPO was a likely path (with 81% indicating that M&A was the more likely route). And of the top three barriers to going public identified, it should come as no surprise that compliance requirements (i.e. Sarbanes-Oxley) was #1 on the list.

Venture capital has enabled the United States to support its entrepreneurial talent and appetite by turning ideas and basic science into products and services that are the envy of the world. While the death of the small cap IPO translates into lower returns for venture capitalists, it has more profound

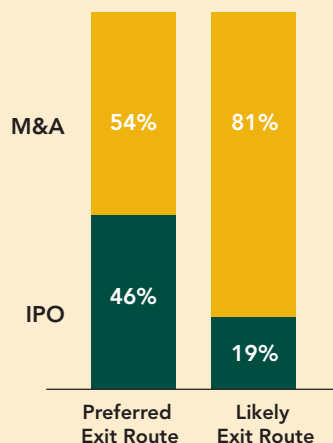


Source: NVCA, "NVCA 4-Pillar Plan to Restore Liquidity in the U.S. Venture Capital Industry," April 2009

downstream implications for the economy at large. Specifically, it ultimately results in less innovation, less company creation and less job growth in the United States.

In the context of such a convoluted and disgraceful federal tax code, it's hard to put much hope that tinkering around the edges of something that is so fundamentally broken would have much real impact. Of the four pillars in the NVCA's plan, regulation is really the game changer. We believe that the number of ecosystem partners would expand naturally and that enhanced liquidity paths would be less important if the small IPO market were allowed to "re-open" by means of a rational regulatory framework. We echo the NVCA's call for a full SEC review of the recent laws that have done so much damage to small business capital formation.

**Exit Route Preference and Expectation**  
(n=108)



**Top 3 Barriers to Going Public**  
# of Responses Answered as a Top 3 Issue  
(Participants = 108)

