

December 1, 2008

IPO MARKET ANALYSIS

WR HAMBRECHT + CO
www.wrhambrecht.com

IPO Market Still Frozen: One Deal Priced in November

<u>Quick Statistics</u>	<u>YTD '08</u>	<u>Nov '08</u>
Number of Priced IPOs⁽¹⁾	23	1
<i>Year Over Year Change</i>	<i>-85.4%</i>	<i>-95.0%</i>
Number of Priced Venture Backed IPOs	5	0
<i>Year Over Year Change</i>	<i>-90.2%</i>	<i>-100.0%</i>
Number of Filed IPOs	100	4
<i>Year Over Year Change</i>	<i>-63.0%</i>	<i>-66.7%</i>
Number of Withdrawn IPOs	83	8
<i>Year Over Year Change</i>	<i>29.7%</i>	<i>-46.7%</i>
Average First Day Return of IPOs	4.2%	-1.3%
Average Current Return of IPOs	-33.9%	23.7%

Note: IPO totals include common share offerings of greater than \$10 million traded on NYSE, NASDAQ or AMEX and excludes SPACs, Closed End Funds and Demutualizations

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Please see the
Important Disclosures
Section at the end of
this report.

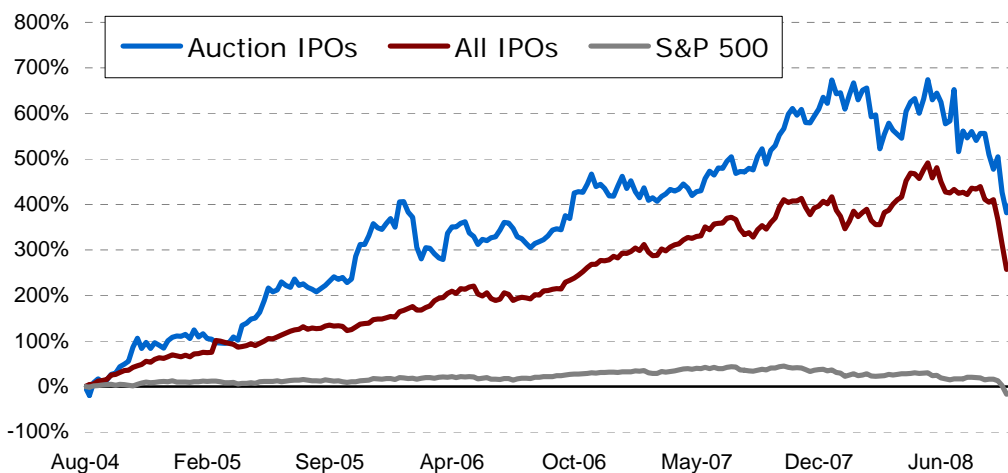
IPO Highlights

The IPO market remains largely closed. Grand Canyon Education (LOPE) was the sole IPO to price in the month of Nov. The IPO was originally filed with a range of \$18-\$20, but LOPE lowered the range and ultimately priced at \$12. Before LOPE, the last fully marketed IPO was Rackspace Hosting, which priced using a Dutch Auction in Aug. The YTD total of 23 IPOs sets a new low for IPOs priced by this point in the year, falling well below the 60 IPOs priced through Nov. '03. The eight withdrawn IPOs in Nov. is down slightly from the 12 pulled in Oct. Nov. was another poor month for IPO filings with only four deals filed. If we subtract the deals withdrawn this year and the deals priced after Q1'08 from all deals filed this year, we are left with only four deals in the approximated backlog of IPOs down from 10 deals in Oct.

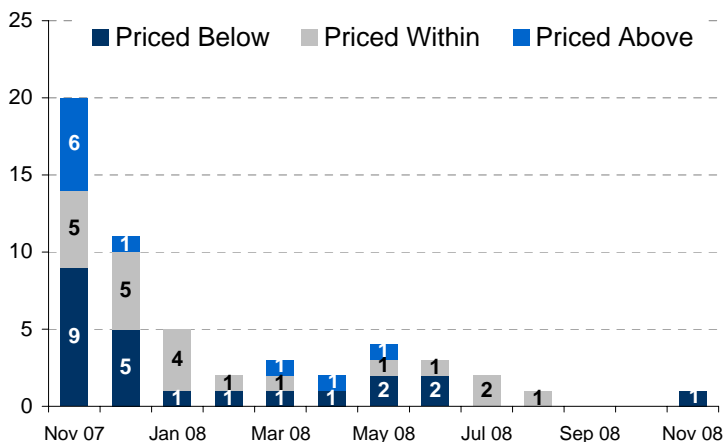
IPO Aftermarket Performance

IPO Indices

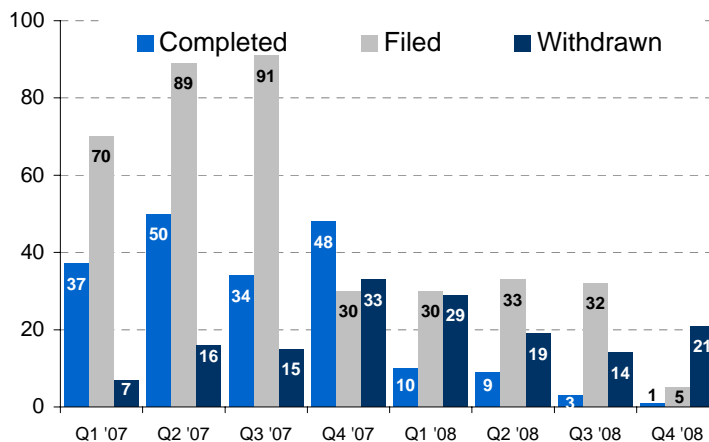
The All IPO Index reflects the return an investor would achieve by investing an equal percentage of assets in every IPO at its closing price on the first trading day and exiting each position after three years⁽¹⁾. The Auction IPO Index uses the same methodology as the IPO Index except that it only invests in IPOs priced using a Dutch Auction (see page 6 for details).



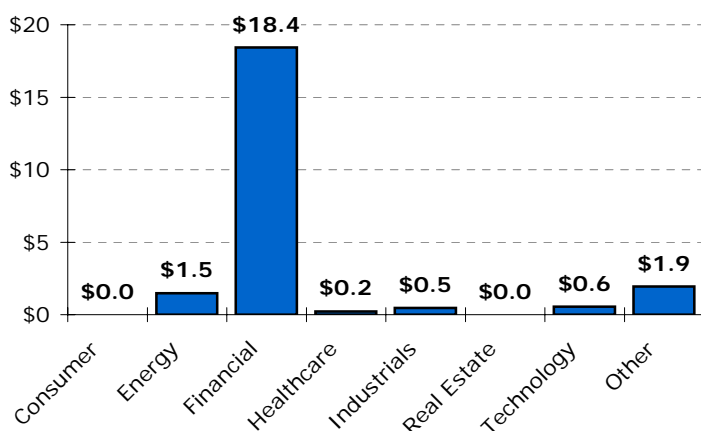
IPO Pricing Trends



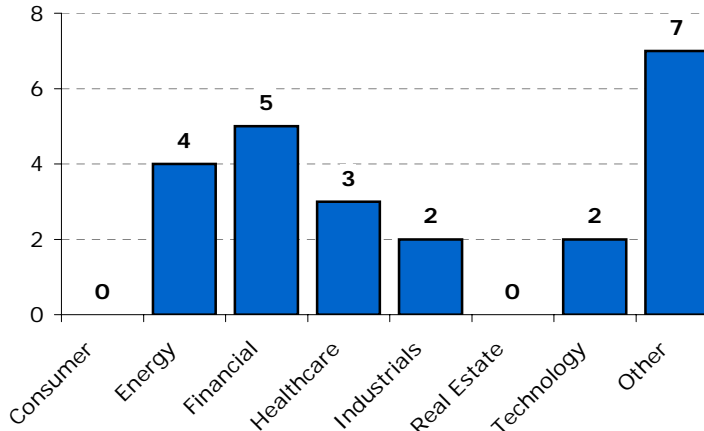
IPO Status Trends



Amount Raised YTD by Sector (Billions)



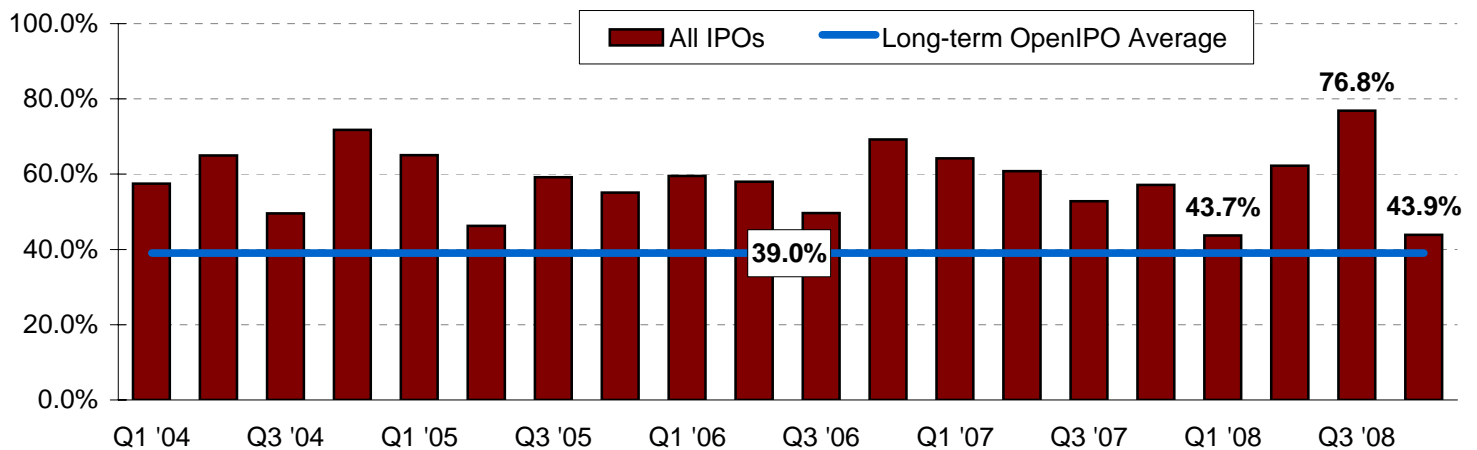
Number of Deals YTD by Sector



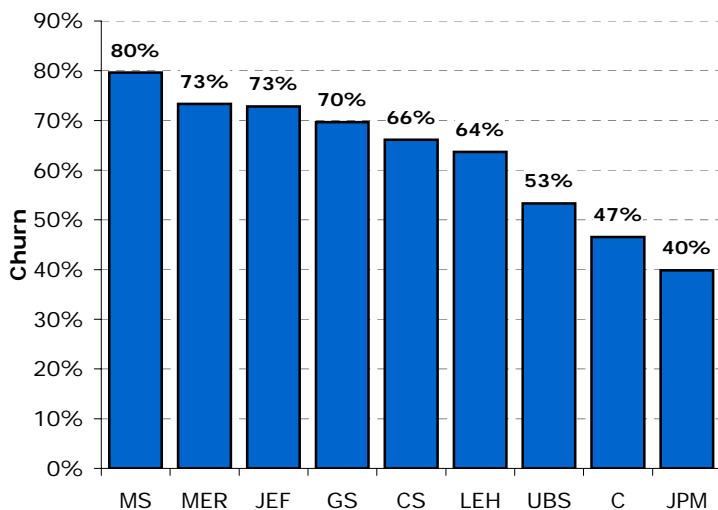
Recent Examples of Underpricing in the IPO Market ⁽⁴⁾

Date	Issuer	1st Day Trading Gain	Potential Proceeds "Left on the Table" (\$M)	Lead Managers
3/18/2008	Visa Inc.	28.4%	\$5,582	JPM, GS, BAC, C, HSBC, MER, UBS
11/18/2007	American Public Education Inc.	79.6%	86	William Blair, PJC
10/16/2007	TranS1 Inc.	60.0%	50	LEH, PJC
10/9/2007	Compellent Technologies Inc.	79.2%	74	MS
10/3/2007	Constant Contact Inc.	72.8%	78	CIBC, TWP
9/19/2007	athenahealth Inc.	97.2%	110	GS, MER
8/13/2007	VMware Inc.	75.9%	726	C, JPM, LEH, CS, MER, DB
7/24/2007	Bladologic Inc.	47.5%	46	MS, MER
6/26/2007	Data Domain Inc.	66.3%	85	GS, MS
6/7/2007	Limelight Networks Inc.	47.9%	132	GS, MS
6/6/2007	Infinera Corp.	51.6%	108	GS
5/16/2007	China Sunergy Co.	50.5%	54	MER

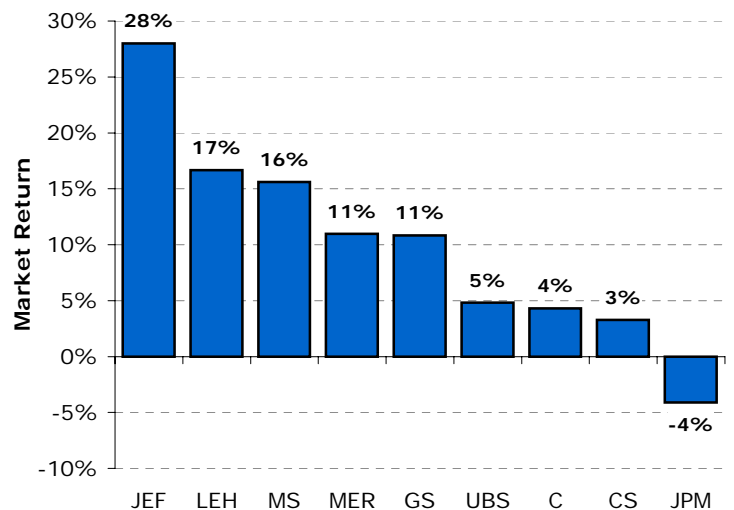
Average First Day Churn (First Day Volume / Number of Shares Offered)



Avg. Churn in IPOs Led by Major Banks (YTD)



Avg. 1st Day Pop in IPOs Led by Major Banks (YTD)



[Last 10 Priced IPOs](#)

<u>Company Name</u>	<u>TKR</u>	<u>Pricing Date</u>	<u>Industry</u>	<u>Deal Size</u>	<u>Market Cap</u>	<u>1st Day Return</u>	<u>Current Return</u>
Grand Canyon Education Inc	LOPE	11/19/08	Professional Services	\$126.0	\$524.8	-1.3%	23.7%
Rackspace Hosting Inc	RAX	8/7/08	Professional Services	187.5	1,443.1	-19.8%	-44.8%
GT Solar International Inc	SOLR	7/23/08	Computers & Electronics	500.0	2,349.4	-11.6%	-78.7%
Energy Recovery Inc	ERII	7/1/08	Machinery	119.0	406.8	15.6%	-17.5%
Britannia Bulk Holdings Inc	DWT	6/17/08	Transportation	125.0	404.7	-7.7%	-100.0%
RHI Entertainment Inc	RHIE	6/17/08	Telecommunications	189.0	327.6	-3.6%	-70.8%
Fifth Street Finance Corp	FSC	6/11/08	Finance	141.2	317.4	-14.2%	-48.1%
Safe Bulkers Inc	SB	5/28/08	Transportation	190.0	2,935.5	-0.5%	-78.2%
Verso Paper Corp	VRS	5/14/08	Forestry & Paper	168.0	624.6	-16.7%	-89.3%
Real Goods Solar Inc	RSOL	5/8/08	Utility & Energy	55.0	155.0	-12.0%	-49.8%

[Last 10 Filed IPOs](#)

<u>Company Name</u>	<u>TKR</u>	<u>Filing Date</u>	<u>Industry</u>
Yinlips Technology Inc	YTI	11/28/08	Computers & Electronics
Alon Brands Inc	ABO	11/12/08	Retail
Compressco Partners LP	GSJK	11/10/08	Oil & Gas
Trident Resources Corp	TZ	11/10/08	Oil & Gas
Spheric Technologies Inc	SPT	10/15/08	Professional Services
Edgen Murray Ltd	EMY	9/24/08	Metal & Steel
Rosetta Stone Inc	RST	9/23/08	Computers & Electronics
Bradford Bancorp Inc	BRAD	9/19/08	Finance
Mead Johnson Nutrition Co	MJN	9/15/08	Food & Beverage
Emdeon Corp	-	9/12/08	Computers & Electronics

[Last 10 Withdrawn IPOs](#)

<u>Company Name</u>	<u>TKR</u>	<u>Withdrawn Date</u>	<u>Industry</u>
US Power Generating Co	UPR	11/25/08	Utility & Energy
Calvert Street Capital Corp	CMEZ	11/18/08	Finance
BlueArc Corp	-	11/17/08	Computers & Electronics
Venture Financial Group Inc	VNBK	11/17/08	Finance
ChemoCentryx Inc	CCXI	11/14/08	Healthcare
Local Matters Inc	-	11/14/08	Computers & Electronics
Metastorm Inc	MSTM	11/13/08	Computers & Electronics
Cardiovascular Systems Inc	CSII	11/4/08	Healthcare
AMC Entertainment Holdings Inc	AC	10/31/08	Leisure & Recreation
SS&C Technologies Holdings Inc	SSNC	10/29/08	Computers & Electronics

IPO Investor Analysis Methodology

Information on who bought into IPOs at the time of an offering is proprietary to the deal's bookrunners and the issuing company. The two tables below were compiled using 13-F forms that listed ownership of the companies that went public in Q1 '08 and Q2 '08. Although there is no certainty that these lists represent the exact buyers of IPOs, it is a reasonable estimation of the major buyers in the IPO market.

Top Holders of Q3 '08 IPOs

<u>Institution Name</u>	<u># of IPOs Held</u>	<u>Value of IPOs Held</u>
1 T. Rowe Price Associates, Inc.	3	\$11,689,206
2 Barclays Global Investors NA (California)	3	7,850,375
3 Vanguard Group, Inc.	3	1,167,084
4 Oxford Asset Management LLP	3	1,097,225
5 Citigroup Global Markets (United States)	3	963,807
6 Deutsche Bank Securities, Inc.	3	827,520
7 Morgan Stanley & Co., Inc.	3	821,201
8 Bank of New York Mellon Asset Management	3	773,524
9 Credit Suisse (United States)	3	646,033
10 Northern Trust Investments	3	366,095
11 State Teachers Retirement System of Ohio	3	339,545
12 Merrill Lynch, Pierce, Fenner & Smith, Inc.	3	304,610
13 BlackRock Advisors, Inc.	3	298,735
14 Mellon Capital Management	3	208,742
15 TimesSquare Capital Management LLC	2	14,671,834

Top Holders of Q2 '08 IPOs

<u>Institution Name</u>	<u># of IPOs Held</u>	<u>Value of IPOs Held</u>
1 Fidelity Management & Research	5	\$85,369,162
2 BlackRock Advisors, Inc.	5	18,248,081
3 Goldman Sachs & Co.	5	11,196,556
4 Credit Suisse (United States)	5	11,134,929
5 Morgan Stanley & Co., Inc.	5	8,057,158
6 Merrill Lynch, Pierce, Fenner & Smith, Inc.	5	5,662,610
7 FAF Advisors	5	1,052,871
8 ING Investment Management Co.	5	159,901
9 Mazama Capital Management, Inc.	4	50,461,916
10 Barclays Global Investors NA (California)	4	42,473,580
11 American Century Investment Management, Inc.	4	34,504,574
12 TIAA-CREF Asset Management LLC	4	29,172,668
13 OppenheimerFunds, Inc.	4	27,778,787
14 State Street Global Advisors	4	23,634,075
15 Lehman Brothers Asset Management LLC	4	18,341,495

All IPOs

Monthly IPOs Priced

5-Year Average	13
3-Year Average	11
1-Year Average	3

Most Priced (Last 5 Years)	Dec '04	28
Fewest Priced (Last 5 Years)	Apr '03	0

November 2008	1
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Venture Backed IPOs

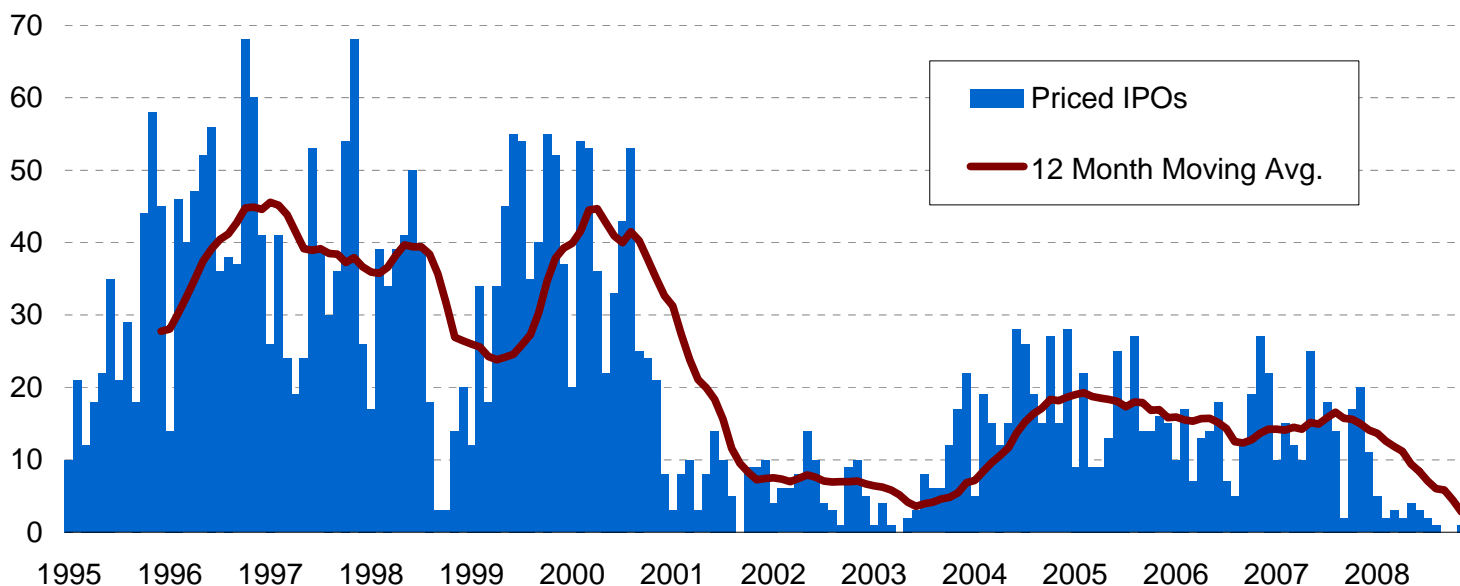
Monthly IPOs Priced

5-Year Average	3
3-Year Average	3
1-Year Average	0

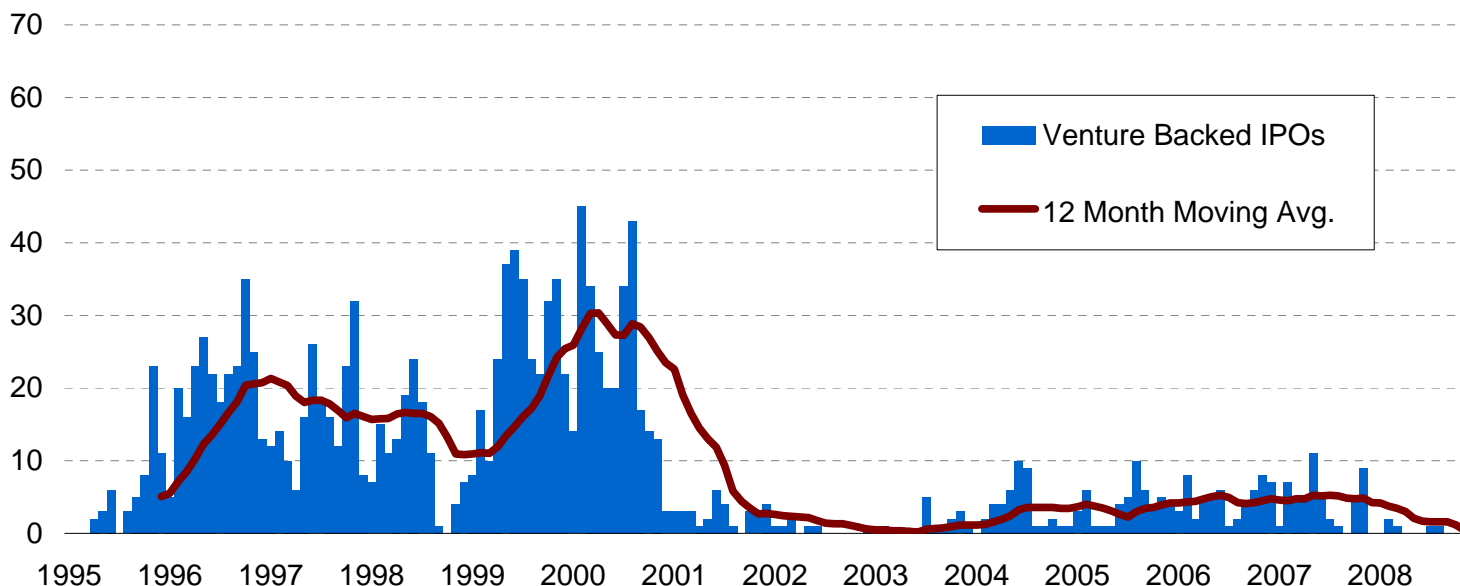
Most Priced (Last 5 Years)	May '07	11
Fewest Priced (Last 5 Years)	Jun '08	0

November 2008	0
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All IPOs Priced per Month Since 1995



Venture Backed IPOs Priced per Month Since 1995



Sources: Dealogic and Factset

(1) All IPO totals include common share offerings of greater than \$10 million traded on NYSE, NASDAQ or AMEX and excludes SPACs and Closed End Funds

Table of WR Hambrecht + Co Auction IPOs (Constituents of Auction IPO Index)

Company Name	Ticker	Deal Value (in millions)	Percent Change from Offer to			
			1 Day	1 Month	1 Year	Current
Rackspace	RAX	\$187.5	-19.8%	-13.20%	NA	-44.8%
Netsuite	N	161.2	36.5%	0.5%	NA	-66.7%
Clean Energy Fuels Corp	CLNE	138.0	0.3%	4.7%	16.5%	-59.6%
Interactive Brokers Group Inc	IBKR	1,200.4	4.3%	-11.6%	7.4%	-39.2%
Fortunet Inc	FNET	25.9	0.6%	5.6%	-10.2%	-77.8%
Traffic.com Inc ⁽²⁾	TRFC	90.4	1.3%	-0.6%	-35.8%	52.8%
Dover Saddlery	DOVR	27.5	2.5%	0.0%	-12.2%	-88.0%
Avalon Pharmaceuticals	AVRX	28.9	-9.6%	-48.2%	-74.5%	-97.1%
CryoCor Inc	CRYO	40.8	-1.2%	-12.6%	-86.1%	-87.3%
Morningstar Inc	MORN	140.8	8.4%	12.3%	126.9%	74.1%
Bofl Holding Inc	BOFI	35.1	0.0%	0.2%	-37.0%	-65.3%
Google	GOOG	1,916.4	18.0%	24.7%	229.4%	244.7%
New River Pharmaceuticals Inc ⁽³⁾	NRPH	33.6	-6.3%	-20.0%	354.5%	1500.0%
Weighted Average by Deal Size		NA	10.6%	7.7%	116.7%	111.0%
Straight Average		\$309.7	2.7%	-4.5%	43.5%	95.8%

(2) Traffic.com was purchased by Navteq in a cash and stock transaction on 3/06/07. Each share of TRFC could be exchanged for 0.235 shares of NVT stock. Based on the conversion rate and the \$78.00 acquisition price of NVT by Nokia, Traffic.com shares are now worth \$18.33.

(3) New River Pharmaceuticals was acquired by Shire plc on 4/19/07 for \$128.00 adjusted for a 2:1 stock split on 12/5/05

(4) The calculation for "Potential Proceeds 'Left on the Table'" is equal to:

$[(\text{Closing price on first day}) \times (\text{Shares offered})] - [(\text{Offer Price}) \times (\text{Shares offered})]$.

This calculation assumes that the first day pop was the result of underpricing the IPO, and therefore, the issuer could have raised more capital had the offer price been set to reflect market demand.

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