

Selected Highlights of Media Coverage

April, 2010

Millennium Technology Value Partners II, L.P.

Closes on \$280 Million for New Fund

Including excerpts from Private Equity Online, peHub, VentureWire, and AltAssets

From Private Equity Online



Millennium Hits \$280 Million Hard-Cap; the direct VC secondaries investor had \$400m of interest from investors for its second fund.

Private Equity Online – April 26, 2010

By Amanda Janis

Millennium Technology Ventures has hit the \$280 million hard-cap for its second "Millennium Technology Value Partners" fund. The fund attracted \$400 million of interest from investors. Its predecessor, which employed the same direct venture secondaries strategy, closed on \$130 million in 2006.

The firm's approach "gives companies control about how, when and why liquidity is provided, and gives shareholders a chance of getting liquidity that's customized to their needs", managing partner Sam Schwerin told PEO. Limited partners' appetite for the fund has vindicated the firm's approach, he said. "What we found in the fundraising process was that institutional investors were increasingly sophisticated as it related to secondary investing."

The firm began marketing Fund II in 2009, holding a first close in the first quarter of last year. Its limited partners include the DuPont Testamentary Trust, the Los Angeles Fire and Police Pensions, Fairview Capital Partners, Grove Street Advisors, AMP Capital Investors and Siemens Global Innovation Partners. Roughly two-thirds of the LPs are from North America.

Millennium, which used its prior fund to invest in companies including online shoe retailer Zappos, dating site eHarmony and social networking giant Facebook, averages roughly 16 individual investments per portfolio company. Schwerin declined to comment specifically on investments being made for Fund II, but said a number have already been warehoused.

"Whether it was the tech bust of 2001-2, or the boom of 2006-7, or the recent financial crisis, we have seen that shareholders of private companies need and appreciate the opportunity for liquidity in all phases of the market," managing partner Dan Burstein said in a statement. "TVP II now represents the largest dedicated pool of capital focused on the direct secondary strategy."

Adapted from **peHUB** coverage



Q&A On Millennium's Oversubscribed Fund

This article is a summary of an interview with Samuel Schwerin, a co-founder and Managing Partner of Millennium Technology Value Partners.

peHub – April 26th, 2010

By Erin Griffith



Millennium's Schwerin

Millennium Technology Ventures, a VC secondaries fund, today announced an oversubscribed final close on its latest fund.

As first reported by peHUB on April 7, Millennium topped its and \$250 million hard cap by \$30 million. The firm closed Millennium Technology Value Partners II LP with \$280 million in commitments.

The fund itself was around two times oversubscribed, making it the largest-ever vehicle focused solely on direct secondary liquidity. Its initial target of \$200 million was stretched to accommodate as many investors as possible, but ultimately some had to be turned away. The \$280 million sum does not include the firm's GP commitment.

Millennium's last fund was a 2006 vintage with \$130 million in commitments. In total, Millennium has done around 300 transactions in eight years. Millennium differentiates itself by working directly with companies to provide various forms of liquidity to shareholders. The firm has used this unique strategy to make investments at brand name startups like Facebook, Zappos, eHarmony, iPass and LiveOps.

I spoke with Samuel Schwerin, a managing partner with Millennium, on the fundraise.

peHUB: How was raising this fund different from past funds?

Schwerin: There's a great degree of sophistication in the institutional investment market regarding secondary investing.

In part because of the economy, in part because of the lack of liquidity in most of private equity and venture investing in the last few years, those increasingly sophisticated LPs appreciate strategies that can generate early and regular liquidity. We found that investors really spent time and energy diligencing the secondary market overall and the various components of it. We were very encouraged by their appreciation of direct secondary as a strategy in general, and Millennium's approach in particular. The part of our strategy that I think they found most interesting was the partnerships we create with companies over time. While some other secondary investors are doing one-off, opportunistic deals, we are focused on become a trusted liquidity provider to companies. The LPs we met in the fundraising process were quite discriminating and did their work very thoroughly. We felt validated by the quality of investor that came into our most recent fund.

So you had to do less educating of the market?

It was very different from 2006, when most LPs were not deeply aware of or focused on the direct secondary market for venture. This time it was more about the different styles of investing in secondaries. You have approaches out there in the secondary market that range from buying LP stakes to making large portfolio purchases. We view these as primarily financial investments, versus our style of working with a given company and providing liquidity to stakeholders in a partnership with the company, where the company gets to decide when, where, and how liquidity is provided. We're more of a strategic secondary investor.

What is the deal market like for you? Are startups dying for liquidity?

The demand for liquidity has never been as high as it currently is. What we see happening is an increased understanding and acknowledgement that secondary liquidity can play a strong role in the growth of technology companies. We're being pulled into many interesting conversations with these companies because we've been at it so long, so people want to leverage our experience. And even though we've seen some

semblance of IPO liquidity returning, because the lack of liquidity is structural to the venture capital system, any rebound in the IPO market won't solve the problem of the lack of liquidity in what we call the "venture-backed company ecosystem." We've seen the need for liquidity grow continuously over the last several cycles we've been investing through. Even if we got back to 2007 levels, there were only 76 venture-backed IPOs, compared to a universe of 12,000 venture companies.

Has the emergence of other liquidity methods made a difference?

We just try to be a solution provider. The smartest companies are going to think proactively about what their objectives are and what their choices are for liquidity. We have our approach, which is to work with the company and give them control of how the liquidity works. We give the underlying shareholders control of how much liquidity they want and how they want to achieve it, because we work with them over time. On average, we do 16 liquidity events per company.

Also, the venture capital industry chooses carefully who gets into the best companies. The boards have choice over who gets into the capital structure. Working with us, a company gets an institutional investor coming in. There are fundamental differences, and there's room for a variety of approaches. If we look at the quality of companies who have allowed investments from Millennium, we think that's good validation. We think the amount of work our institutional limited partners did before choosing us is another good validation. 83% of all sellers come back to Millennium.

You held a prior closing in February. Have you deployed any of the fund yet?

We've been warehousing investments. There are deals ready to go but we haven't closed on them yet.

From VentureWire (Dow Jones)



Millennium Doubles Down On Secondary Market With Soph Fund

VentureWire – April 26, 2010

By Christopher Zinsli

Millennium Technology Ventures said it has held a \$280 million final close on its sophomore direct-secondary fund, betting big that the roots of venture capital's liquidity crisis go deeper than the recent economic downturn.

The New York firm, led by managing partners Sam Schwerin and Dan Burstein, said it began raising the new fund, Millennium Technology Value Partners II LP, last year with a \$200 million target and easily surpassed it thanks to investors' growing interest in secondary deals.

The secondary market has received a great deal of attention during the recession, with new players and strategies emerging to claim a piece of the action expected from private stockholders who are desperate for liquidity. Secondary marketplaces and new investment firms have materialized with plans to ease shareholders' burdens - and gain entree to companies that would otherwise be off-limits.

"The investors that we talked to were remarkably sophisticated about the secondary market," Burstein said. "Many of them had drawn the conclusion that they didn't wish to have additional exposure to primary venture capital investments anymore, but they were still looking for a way to get the benefits of venture capital investment strategies."

While the recession has focused investors' attention on strategies to satisfy venture capital's need for liquidity, Millennium believes the crisis won't dissipate as the economy improves. The lengthening time-to-exit horizon for venture investments and the sheer number of companies whose investors are looking for the door makes it unlikely that traditional exit routes will be able to meet demand, the firm contends.

"There's no reason to believe we're going to have any significant portion of companies going public in any one year," Burstein said. "If 100 went out, that would be great, but it won't reduce the need for secondary liquidity in gross."

More than half of the latest fund came from new investors, Burstein said. The firm also gained greater exposure to Europe and broadened its base to include new classes of investors, he said. Millennium was especially happy to welcome state and municipal retirement funds because of their relative stability, he added.

Disclosed investors in TVP II include Alfred I. duPont Testamentary Trust, AMP Capital Investors, Fairview Capital Partners, Grove Street Advisors, Los Angeles Fire and Police Pensions, the Nemours Foundation, Public Safety Personnel Retirement System of the State of Arizona and Siemens Global Innovation Partners I GmbH.

Schwerin and Burstein head up Millennium's team of seven full-time professionals and coordinate with a baker's dozen of advisory partners, but with the larger fund the firm plans to hire new staff with experience in both entrepreneurship and finance. The current team includes principals Max C. Chee and Daniel Borok, Chief Financial Officer Jonathan Glass, and associates Joseph Kao and Brian Waterhouse.

Millennium deploys a variety of strategies in its investments, sometimes purchasing an institutional investor's full stake in a company, other times buying a small portion of the stock held by an early investor or former employee. In most cases, it builds from there, gradually taking a larger share of a company through several - and in some cases more than a dozen - separate deals.

It also increasingly is turning to company-wide stock tender programs that enable employees and investors to cash out a portion of their stock. Such deals have garnered attention recently thanks to Digital Sky Technologies, the Russian investment firm that has used similar programs to invest in companies such as Facebook Inc. - already a Millennium holding - and Groupon Inc.

Because Millennium waits until a company is well-established before making a deal - its typical portfolio company is eight years old before the firm first invests - it only has to wait 16 months on average to realize an investment, Burstein said.

Sometimes things happen even faster. Millennium exited Zappos Inc. when the online retailer was acquired by Amazon.com Inc. just four months after the firm invested.

Such results enabled Millennium to sell itself to prospective investors as a less-risky way of getting a stake in quality companies even if those companies aren't planning to raise funding, Burstein said.

"These companies are not typically raising capital. You couldn't invest in them if you just wanted to participate in the next round of financing, because there isn't going to be a next round of financing," Burstein said.

No great strategy changes are planned with the new vehicle, but the firm has developed new initiatives on financial technology and marketplaces, e-health and health information, and data centers and managed services, Burstein said.

The firm's previous fund, TVP I, closed at \$130 million in 2006 and is "still very active," Burstein said.

TVP I has realized 13 of its roughly 30 investments and already has returned 55% of its called capital to investors, according to a person familiar with the firm. The fund is expected to generate a 3x return overall, this person said. Returns for individual investments have included 3x when TellMe Networks Inc. was bought by Microsoft Corp., 3.66x through Wayport Inc.'s sale to AT&T Corp., and more than 4x with Zappos' purchase by Amazon, the person said.

Companies remaining in TVP I include Facebook, eHarmony Inc. and LiveOps Inc.

From AltAssets



Millennium Technology Ventures surpasses target with \$280m

AltAssets – April 26, 2010



Millennium Technology Ventures, a secondaries buyer of venture-backed technology companies, has held a final close of its second fund on \$280m, trouncing its \$200m target and finishing at its hard cap.

Investors include Alfred I. du Pont Testamentary Trust, Public Safety Personnel Retirement System of the State of Arizona, Los Angeles Fire and Police Pensions, Fairview

Capital Partners, Grove Street Advisors, AMP Capital Investors, Siemens Global Innovation Partners I and the Nemours Foundation.

Millennium believes that with limited exit routes due to subdued IPO and M&A markets, there is a significant opportunity for buying tech investments from venture capital investors.

Sam Schwerin, managing partner at Millennium, said, "We are addressing a major challenge within the venture capital ecosystem: the systemic lack of liquidity in this asset class. Some of the world's most sophisticated institutional investors have similarly recognised this opportunity and invested with us in TVP II."

Millennium's prior fund, TVP I, held its final closing in April 2006 with \$130m in limited partner commitments.

Over the last four years, TVP I has deployed cash into liquidity programmes for high-profile technology businesses such as Facebook, Zappos, Tellme Networks, eHarmony, iPass and others.