

November 4, 2008

IPO MARKET ANALYSIS

WR HAMBRECHT + CO
www.wrhambrecht.com

IPO Market Remains Closed

<u>Quick Statistics</u>	<u>YTD '08</u>	<u>Oct '08</u>
Number of Priced IPOs⁽¹⁾	22	0
<i>Year Over Year Change</i>	<i>-84.3%</i>	<i>-100.0%</i>
Number of Priced Venture Backed IPOs	5	0
<i>Year Over Year Change</i>	<i>-88.1%</i>	<i>-100.0%</i>
Number of Filed IPOs	96	1
<i>Year Over Year Change</i>	<i>-62.8%</i>	<i>-87.5%</i>
Number of Withdrawn IPOs	74	12
<i>Year Over Year Change</i>	<i>51.0%</i>	<i>9.1%</i>
Average First Day Return of IPOs	4.5%	NA
Average Current Return of IPOs	-32.3%	NA

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.

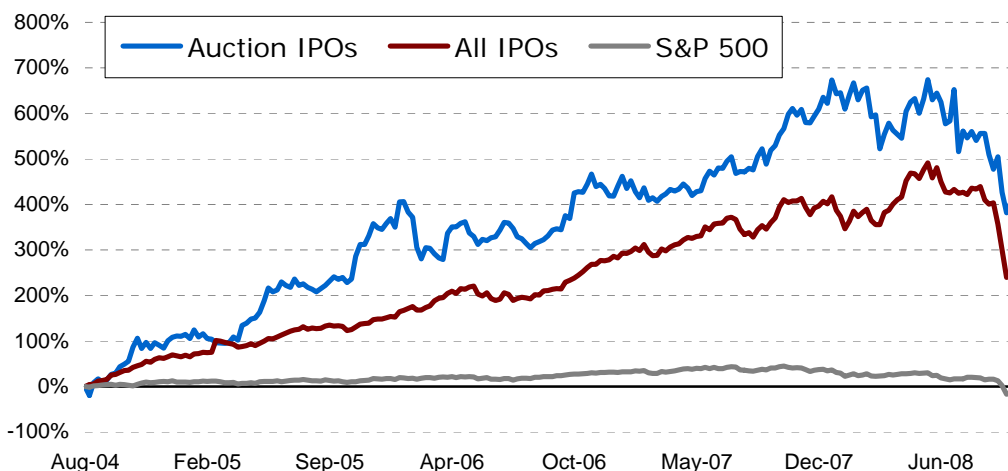
IPO Highlights

Zero IPOs priced in Oct. marking the second consecutive month without a fully marketed IPO. This represents the longest drought in IPOs recorded in our database, which dates back to '95. The last fully marketed IPO was Rackspace Hosting, which priced using a Dutch Auction in Aug. The YTD total of 22 IPOs sets a new low for IPOs priced by this point in the year, falling well below the 32 IPOs priced by Oct. '03. The 12 withdrawn IPOs in Oct. is twice the number in Sept. In addition, Oct. displayed a severe reduction in filings of IPOs with only one deal 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 If we subtract the deals withdrawn this year and the deals priced after Q1'08 from all deals filed this year, we are left with only 10 deals in the approximated backlog of IPOs.

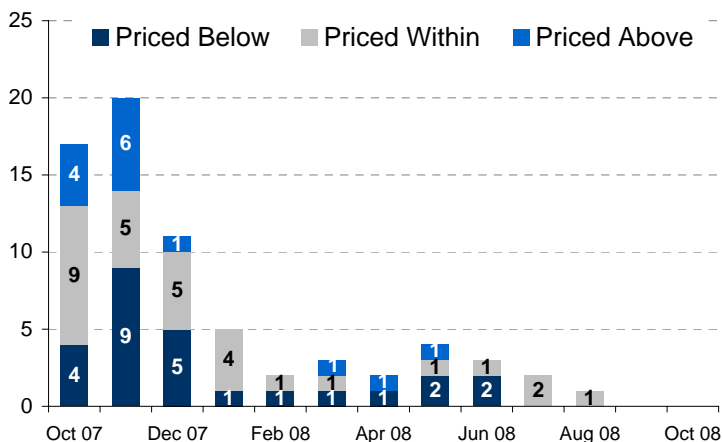
IPO Aftermarket Performance

IPO Indices

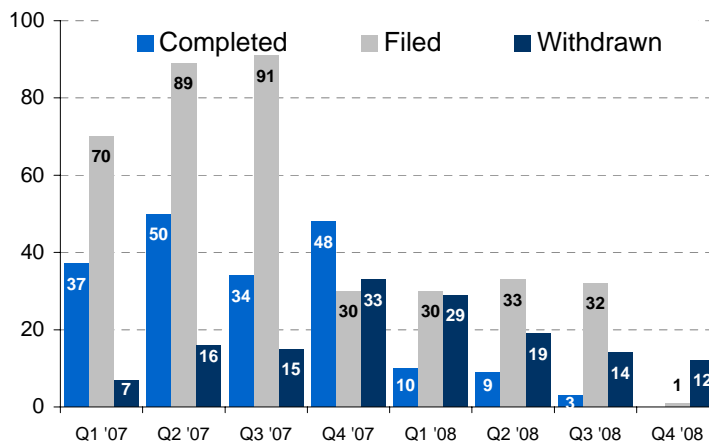
The All IPO Index reflects the return an investor would achieve by investing an equal percentage of assets in every IPO at its closing price on the first trading day and exiting each position after three years⁽¹⁾. The Auction IPO Index uses the same methodology as the IPO Index except that it only invests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



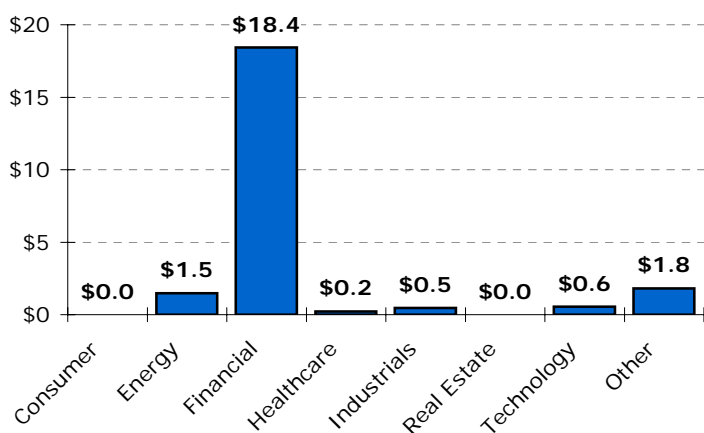
IPO Pricing Trends



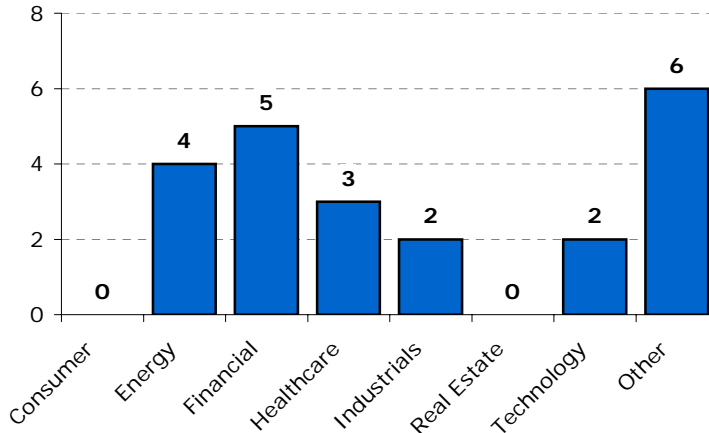
IPO Status Trends



Amount Raised YTD by Sector (Billions)



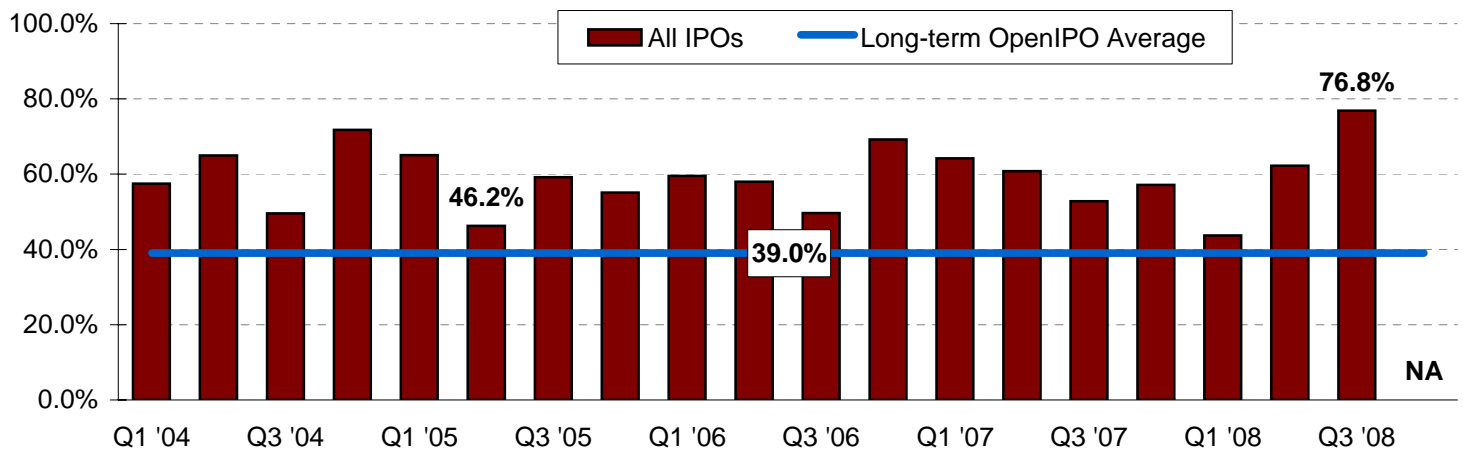
Number of Deals YTD by Sector



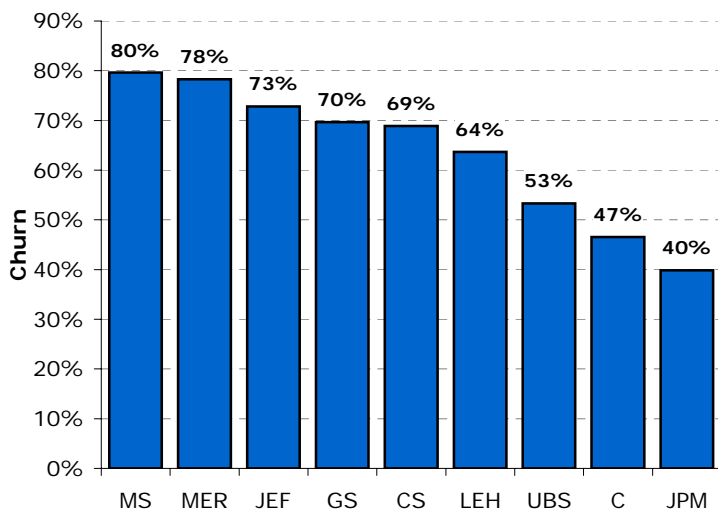
Recent Examples of Underpricing in the IPO Market ⁽⁴⁾

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

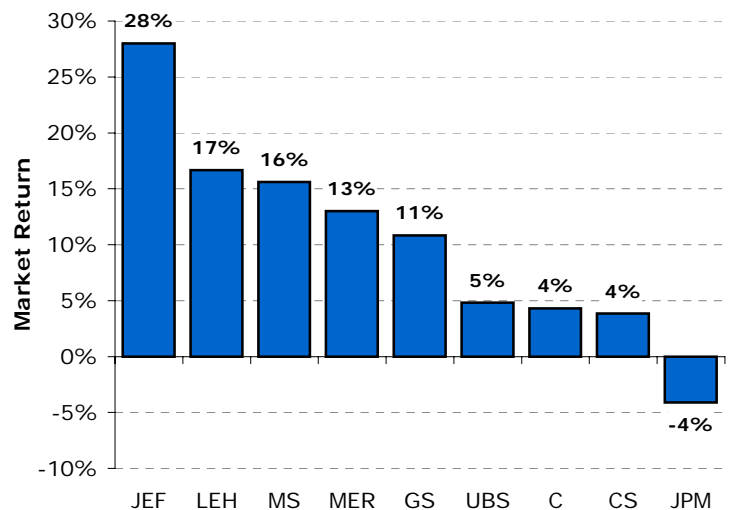
Average First Day Churn (First Day Volume / Number of Shares Offered)



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>
Rackspace Hosting Inc	RAX	8/7/08	Professional Services	\$187.5	\$1,443.1	-19.8%	-59.0%
GT Solar International Inc	SOLR	7/23/08	Computers & Electronics	500.0	2,349.4	-11.6%	-72.8%
Energy Recovery Inc	ERII	7/1/08	Machinery	119.0	406.8	15.6%	-35.2%
Britannia Bulk Holdings Inc	DWT	6/17/08	Transportation	125.0	404.7	-7.7%	-99.6%
RHI Entertainment Inc	RHIE	6/17/08	Telecommunications	189.0	327.6	-3.6%	-9.1%
Fifth Street Finance Corp	FSC	6/11/08	Finance	141.2	317.4	-14.2%	-53.6%
Safe Bulkers Inc	SB	5/28/08	Transportation	190.0	2,935.5	-0.5%	-74.7%
Verso Paper Corp	VRS	5/14/08	Forestry & Paper	168.0	624.6	-16.7%	-87.1%
Real Goods Solar Inc	RSOL	5/8/08	Utility & Energy	55.0	155.0	-12.0%	-67.5%
Colfax Corp	CFX	5/7/08	Machinery	337.5	742.1	16.7%	-52.7%

[Last 10 Filed IPOs](#)

<u>Company Name</u>	<u>TKR</u>	<u>Filing Date</u>	<u>Industry</u>
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
China Time Share Media Co Ltd	CTSM	9/9/08	Professional Services
TherOx Inc	THER	9/4/08	Healthcare
O'Gara Group Inc	OGAR	8/22/08	Professional Services
Avago Technologies	AVGO	8/21/08	Computers & Electronics

[Last 10 Withdrawn IPOs](#)

<u>Company Name</u>	<u>TKR</u>	<u>Withdrawn Date</u>	<u>Industry</u>
SS&C Technologies Holdings Inc	SSNC	10/29/08	Computers & Electronics
CyDex Pharmaceuticals Inc	CYDX	10/28/08	Healthcare
Xanodyne Pharmaceuticals Inc	XANO	10/24/08	Healthcare
Phenomix Corp	PHMX	10/23/08	Healthcare
Turner Investments Inc	TRNR	10/17/08	Finance
CapitalSource Healthcare REIT	CHR	10/15/08	Real Estate/Property
Synacor Inc	SYNC	10/14/08	Professional Services
SOI Holdings Inc	SOH	10/10/08	Professional Services
Symetra Financial Corp	SYA	10/10/08	Insurance
Value Financial Services Inc	VFSI	10/9/08	Retail

[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 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

Top Holders of Q1 '08 IPOs

<u>Institution Name</u>	<u># of IPOs Held</u>	<u>Value of IPOs Held</u>
1 Fidelity Management & Research	6	\$43,693,043
2 Aberdeen Asset Management, Inc.	5	56,210,462
3 Goldman Sachs & Co.	4	843,288
4 Spark LP	4	637,676
5 Delaware Investment Advisers	3	335,639,264
6 Friess Associates LLC	3	102,965,428
7 BAMCO, Inc.	3	70,966,551
8 Mazama Capital Management, Inc.	3	40,057,278
9 Federated Investment Management Co.	3	24,629,218
10 Invesco AIM Management Group, Inc.	3	23,662,926
11 Gilder, Gagnon, Howe & Co. LLC	3	21,307,331
12 Ohio Public Employees Retirement System	3	13,426,873
13 J. & W. Seligman & Co., Inc.	3	12,557,671
14 RS Investment Management Co. LLC	3	11,642,664
15 Barclays Global Investors NA (California)	3	9,076,719

All IPOs

Monthly IPOs Priced

5-Year Average	14
3-Year Average	11
1-Year Average	4

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

October 2008 0

Venture Backed IPOs

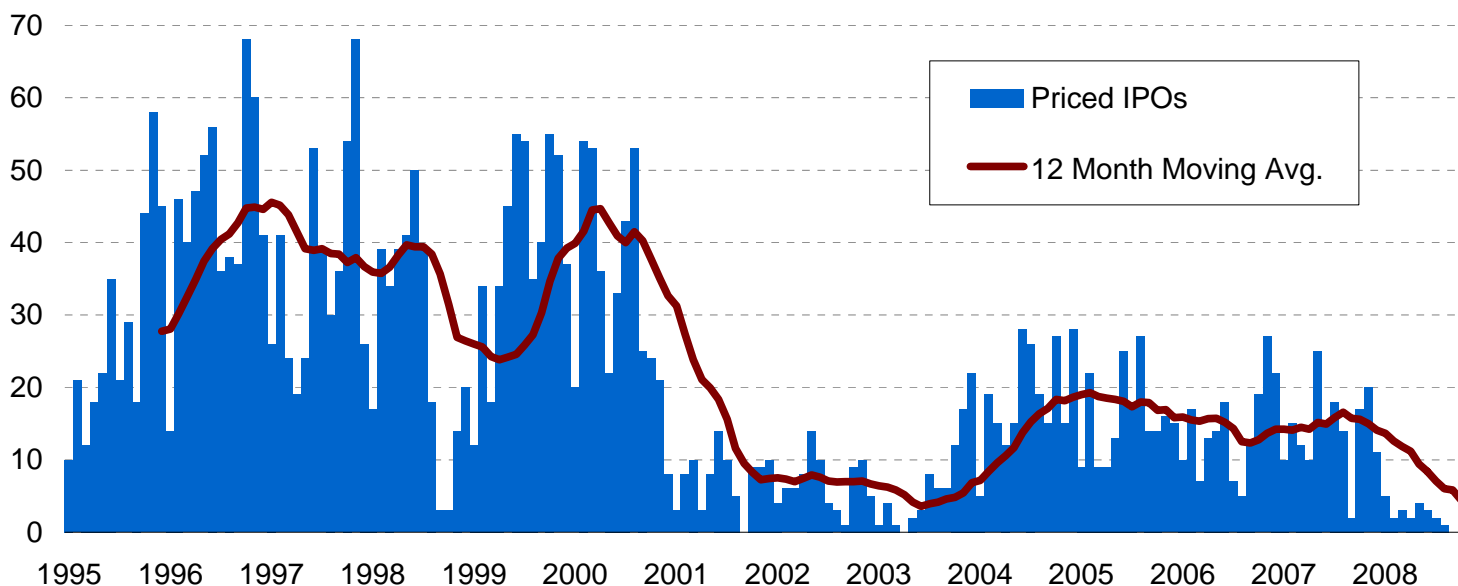
Monthly IPOs Priced

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

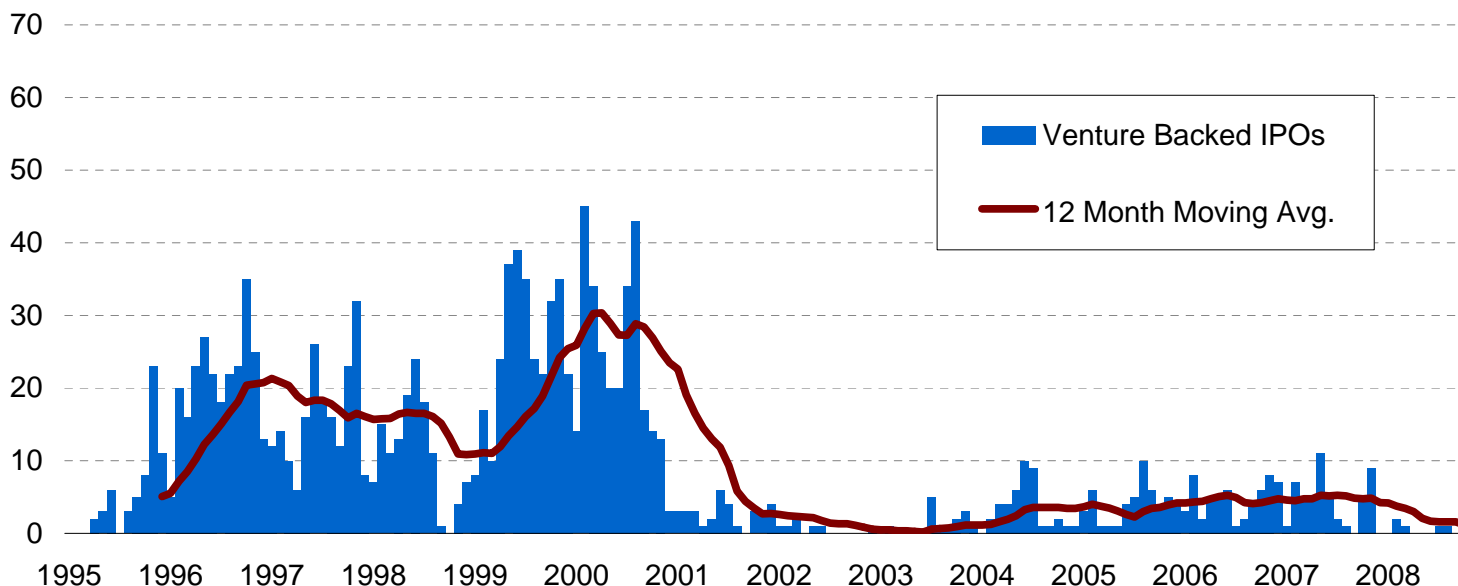
Most Priced (Last 5 Years)	May '07	11
Fewest Priced (Last 5 Years)	Jun '08	0

October 2008 0

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	-59.0%
Netsuite	N	161.2	36.5%	0.5%	NA	-62.3%
Clean Energy Fuels Corp	CLNE	138.0	0.3%	4.7%	16.5%	-37.7%
Interactive Brokers Group Inc	IBKR	1,200.4	4.3%	-11.6%	7.4%	-29.9%
Fortunet Inc	FNET	25.9	0.6%	5.6%	-10.2%	-55.6%
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%	-81.8%
Avalon Pharmaceuticals	AVRX	28.9	-9.6%	-48.2%	-74.5%	-96.2%
CryoCor Inc	CRYO	40.8	-1.2%	-12.6%	-86.1%	-87.3%
Morningstar Inc	MORN	140.8	8.4%	12.3%	126.9%	96.3%
Bofl Holding Inc	BOFI	35.1	0.0%	0.2%	-37.0%	-62.0%
Google	GOOG	1,916.4	18.0%	24.7%	229.4%	324.7%
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%	153.2%
Straight Average		\$309.7	2.7%	-4.5%	43.5%	107.8%

(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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