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Looking Back On A Very Good M&A Year: Public Companies Paid Off

It was a very good year for M&A for venture investors, partly because the prior years were so bad for venture-backed companies that went public in the second half of the last decade - acquisitions of publicly traded companies such as 3PAR Inc. and Isilon Systems provided big wins for VCs who held onto their stock.

As 2010 draws to a close, we look back on some of the notable acquisitions of the year. Size of the deal counted, but so did how investors made out. After all, a \$500 million exit doesn't look so hot if VCs poured \$300 million into the company over the course of a decade.

Here's our list of the 10 most notable deals announced in 2010. We welcome you to suggest other candidates.

3PAR Inc. – The data-storage company was acquired by Hewlett-Packard Corp. for \$2.35 billion after a bidding war with Dell Inc. The deal generated a return of more than \$800 million for venture firms Mayfield Fund, Menlo Ventures and Worldview Technology Partners, who held onto most or all of their shares after the company's 2007 IPO.

Isilon Systems Inc. – EMC Corp. agreed to acquire Isilon for \$2.3 billion. Atlas Venture, Madrona Group and Sequoia Capital all held significant stakes in this data-storage company, which went public in 2006 but then saw its stock price plunge. Atlas said it would reap \$473 million, 20 times its initial investment.

Netezza Corp. – International Business Machines Corp. said it would buy this data-analysis company for \$1.7 billion. Matrix Venture Partners, which first backed this company in 2000, still owned 10.2% it, having only sold half its stake since Netezza's 2007 IPO.

ArcSight Inc. – H-P generated a win for Kleiner Perkins Caufield & Byers when it agreed to buy this publicly traded maker of data-security software for \$1.5 billion. The venture firm had sold some of its stake in the company, which went public in early 2008 after raising about \$36 million from Kleiner Perkins and others, but it still held about \$151 million worth of stock.

Compellent Technologies Inc. – Dell agreed to buy this public company for \$820 million. Crescendo Ventures and El Dorado Ventures still owned 10% and 6.9% stakes, respectively, when the deal was announced in December. Compellent went public in 2007.

Ardian Inc. – Medtronic Inc. bought the medical device company for at least \$800 million after successful European trials of its catheter for treating drug-resistant hypertension. Morgenthaler Ventures, which made a seed investment in Ardian in 2003, said the exit was its largest-ever from a medical-device deal.

Playdom Inc. – Walt Disney Co. snapped up this social gaming company for \$563 million plus \$200 million in milestone payments less than a year after VCs first invested. "We made money and we made money fast," said Jeremy Liew, a partner in Lightspeed Venture Partners, one of several firms that contributed \$76 million to the company.

Quidsi Inc. – Amazon.com Inc. coughed up a reported \$500 million in cash to buy the parent company of Diapers.com and Soap.com. Investors who cleaned up included Accel Partners, Bessemer Venture Partners, MentorTech Ventures and New Enterprise Associates.

Ngmoco Inc. – Japan’s DeNA Co. said it would buy this developer of smartphone videogames for up to \$403 million. The deal was especially notable as the first exit for Kleiner Perkins’ mobile-oriented iFund, returning the \$100 million the venture firm initially committed to the fund. Kleiner later doubled the size of the fund.

Nimsoft Inc. – CA Inc. agreed to purchase the company, whose software helps manage cloud computing services, for \$350 million. Goldman Sachs & Co., JMI Equity and Northzone Ventures put about \$22 million into the company since December 2006.

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