

About AIM Advisers

AIM Advisers helps small and medium-sized, growth-oriented U.S. companies complete IPOs on the Alternative Investment Market (AIM) of the London Stock Exchange. AIM Advisers also provides a range of services to the 54 U.S.-based companies that are already listed on AIM.

Secondary Offering Activity – 2010

Highlights

- Secondary offering market remains strong
- £5.7 billion (\$9.1 billion) raised in secondary offerings during 2010
- ‘Operating companies’ capture 85% of secondary offering funds raised during 2010
- Average size of ‘operating company’ secondary offerings spiked by 80% during 2010
2008 - £5.15m (\$8.24m) 2009 - £4.56m (\$7.30m) 2010 - £8.22m (\$13.15m)
- Noticeable trend developing between secondaries raising < £5m and the £5 - £30m range

< £5m	2008 - 80%	2009 - 79%	2010 - 75%
£5 - £30m	2008 - 15%	2009 - 17%	2010 - 19%
- Relative number of AIM-listed companies completing secondary offerings stabilizes

2008 - 36%	2009 - 54%	2010 - 56%
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- Market has expelled the vast majority of the weak and is supporting those that remain

The success of the secondary offering market on AIM is indisputable, which is the defining characteristic of a mature market. Since 2008, secondary offering funds raised have outpaced IPO funds raised by more than 5:1. The expectation is that this ratio will cut in half over the next few years, in line with the macroeconomic healing process, as investors’ risk profiles gradually shift back towards IPOs. The early-stage growth profile and/or attractive valuations for companies that are ‘known quantities’ have been the main drivers of secondary offering activity.

When reviewing the “All Companies” tables below, one anomaly should be adjusted for in order to arrive at a fair comparison. During 2009, there were three large Placing & Open Offers which raised an aggregate of £1.1 billion for real estate investment, development and management companies. Historically, the vast majority of secondary offerings on AIM take the form of Placings and are much smaller in size. When the adjustments are made, the aggregate secondary offering funds raised during 2009 drops from £4.9 billion to £3.8 billion and the average drops from £6.38 million to £5.03 million.

All Companies	IPO Funds Raised (in £ millions)	Secondary Offering Funds Raised (in £ millions)
2008	918	3,214
2009	610*	4,861**
2010	1,017	5,738
Total	2,545	13,813

* Includes two large IPOs focused on acquiring distressed real estate and commercial businesses. If excluded, IPO funds raised drops to £248m.

** Includes three large Placing & Open Offers for real estate companies. If excluded, Secondary Offering funds raised drops to £3,814m.

'Operating Companies'*	IPO Funds Raised (in £ millions)	Secondary Offering Funds Raised (in £ millions)
2008	523	2,539
2009	16	3,113
2010	723	4,888
Total	1,262	10,540

* Generally excludes SPACs, Investing Companies and Investment and Real Estate Funds.

The key takeaways from the tables above are that secondary offering activity has remained strong and 83% of the funds raised over the last three years have been for 'operating companies', after adjusting for the previously mentioned anomaly during 2009.

All Companies	Number of Secondaries*	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2008	578	3,214	5.56
2009	762	4,861**	6.38**
2010	691	5,738	8.30
Total	2,031	13,813	6.80

* This is the number of discrete secondary offering transactions. Some companies completed more than one secondary offering per year.

** Includes three large Placing & Open Offers for real estate companies. If excluded, the gross and average drop to £3,814m and £5.03m.

'Operating Companies'*	Number of Secondaries**	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2008	493	2,539	5.15
2009	682	3,113	4.56
2010	595	4,888	8.22
Total	1,770	10,540	5.95

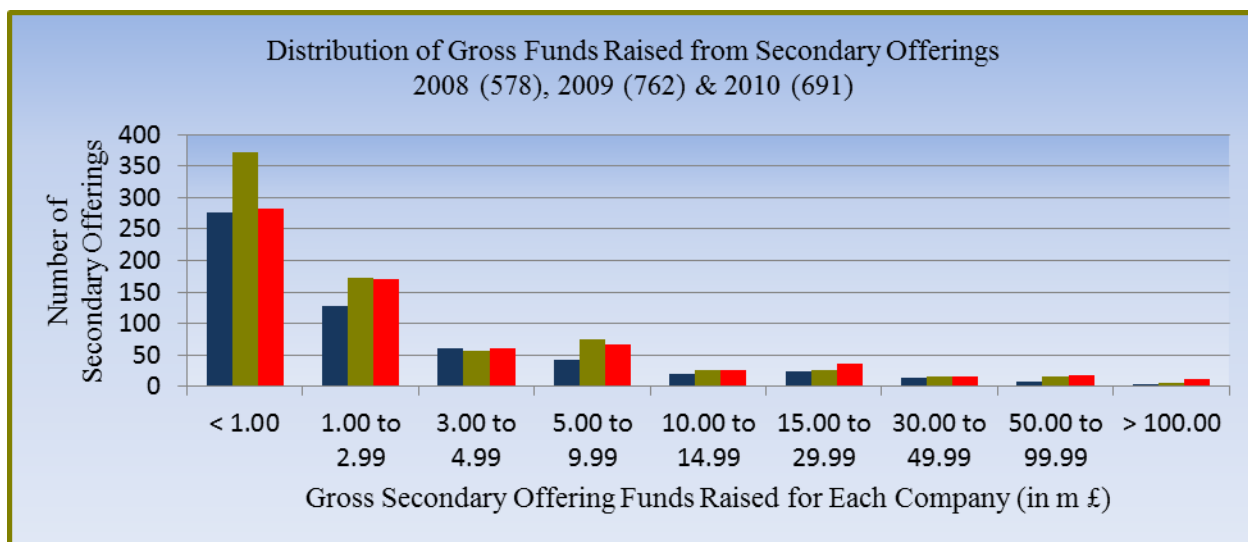
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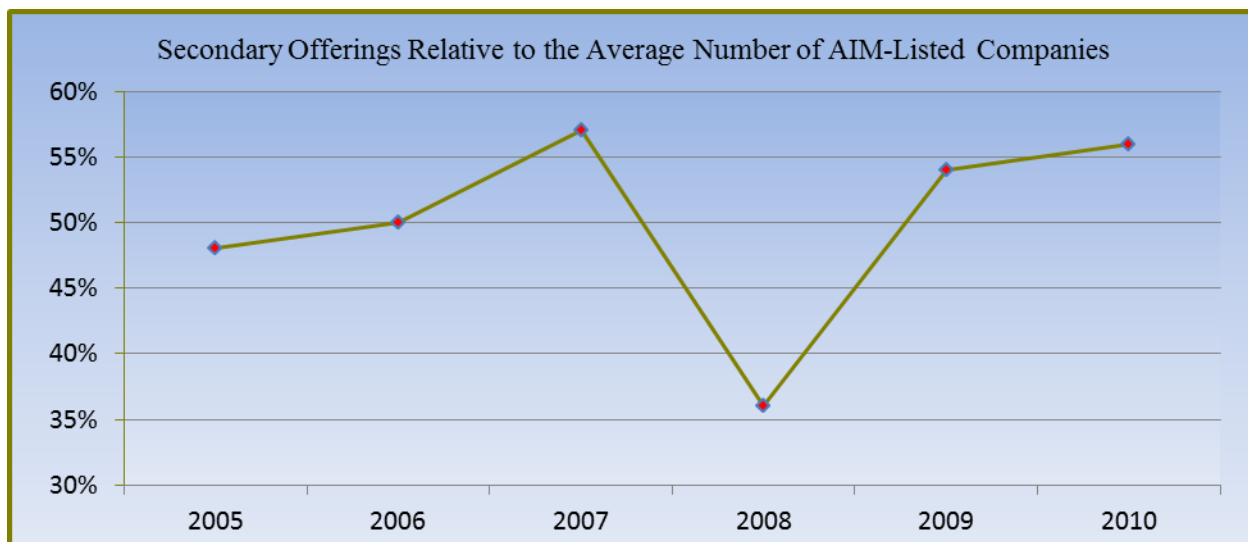
The key takeaway from the tables above is that the average size of secondary offerings spiked from 2009 to 2010; 65% for the market as a whole, after adjusting for the previously mentioned anomaly during 2009, and 80% for the 'operating companies', from £4.56 million (\$7.30 million) to £8.22 million (\$13.15 million).

Consistent with the above (see chart on next page), there is a slight, but noticeable, secondary offering trend developing with the breakpoint being £5 million (\$8 million). The *relative number* of secondary offerings raising less than this amount has decreased during 2008, 2009 and 2010 from 80%, 79% and 75%, respectively, whereas the *relative number* raising between £5 million (\$8 million) and £30 million (\$48 million) has increased during 2008, 2009 and 2010 from 15%, 17% and 19%, respectively.

This trend has developed because, during 2008 and 2009, investors were willing to deploy relatively small amounts of capital to continue to assess the viability of certain companies, whereas in 2010 capital was being deployed for executing on organic and/or acquisitive growth opportunities.



The relative number of companies that were able to complete secondary offerings during 2010 stabilized at 56%. The chart below illustrates the ‘crash’ of 2008 and a wave of relatively small ‘rescue financings’ during 2009. The best evidence of the health and stability of the secondary offering market is the fact that the average secondary offering raised £8.30 million (\$13.28 million) during 2010 with the average secondary offering during 2005 - 2007 raising a very similar amount, £7.85 million (\$12.56 million). As previously mentioned, the breadth and depth of secondary offering activity is the defining characteristic of a mature market.



The vast majority of weak companies were expelled from AIM during 2008 - 2010 as investors selected those that would remain by providing access to secondary offering funds.