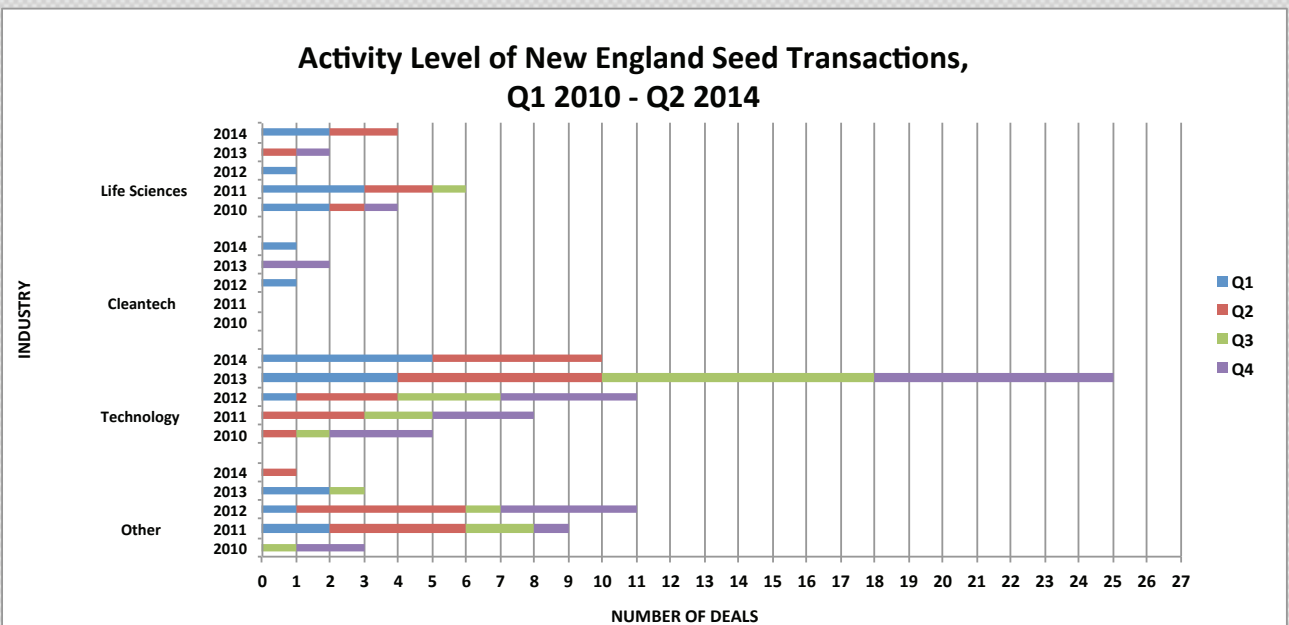
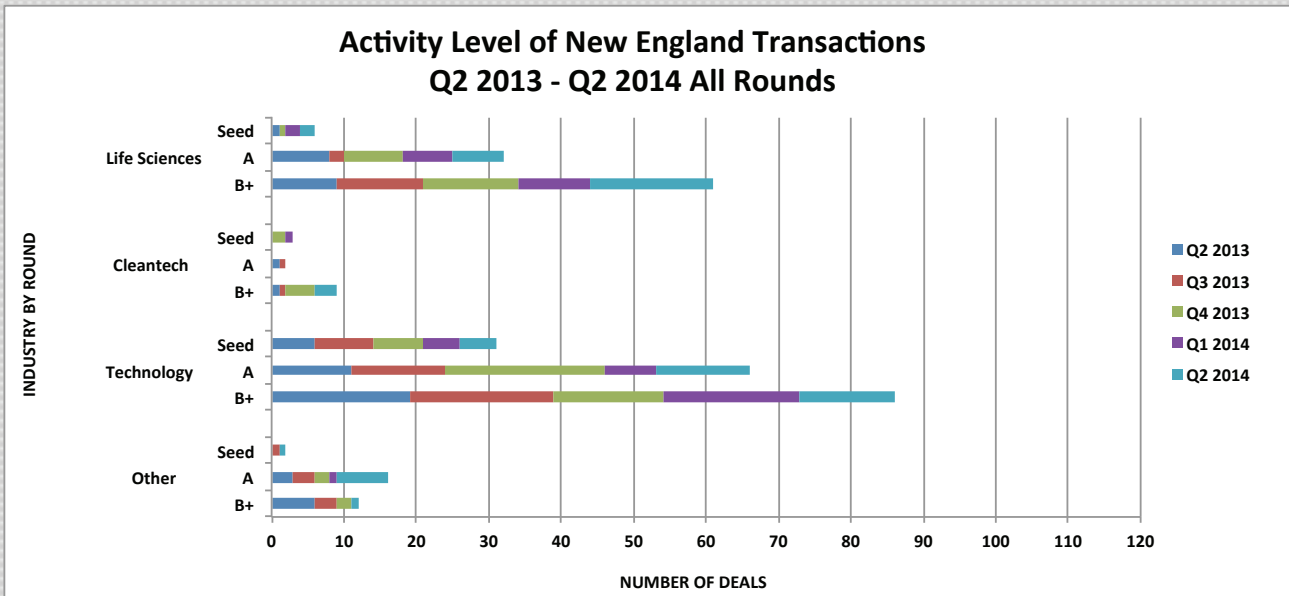


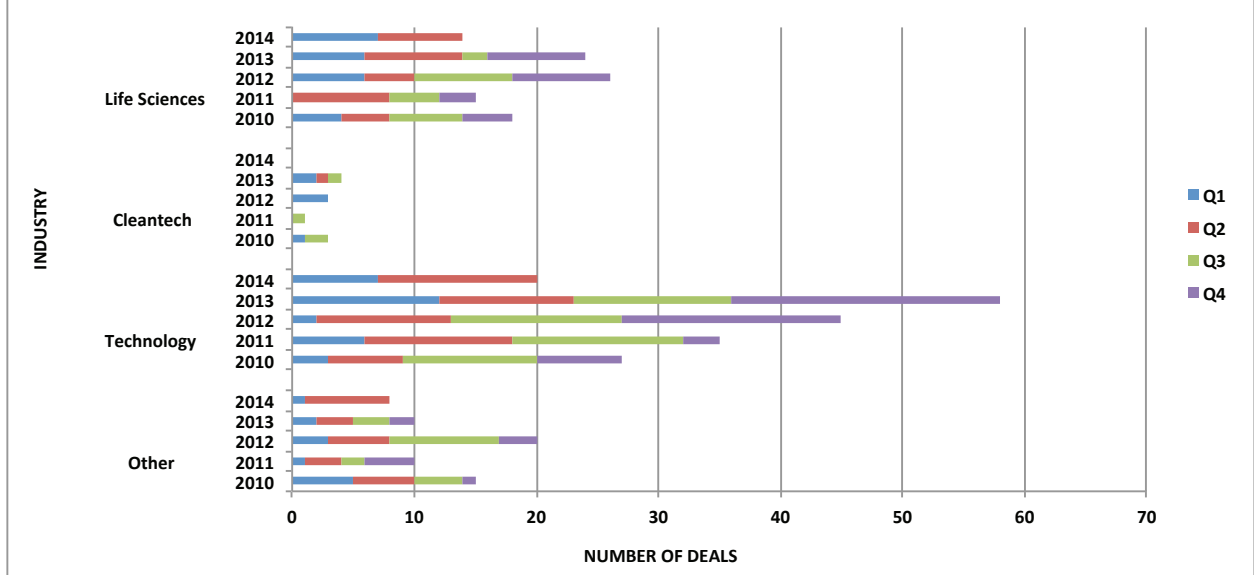


VENTURE PERSPECTIVES

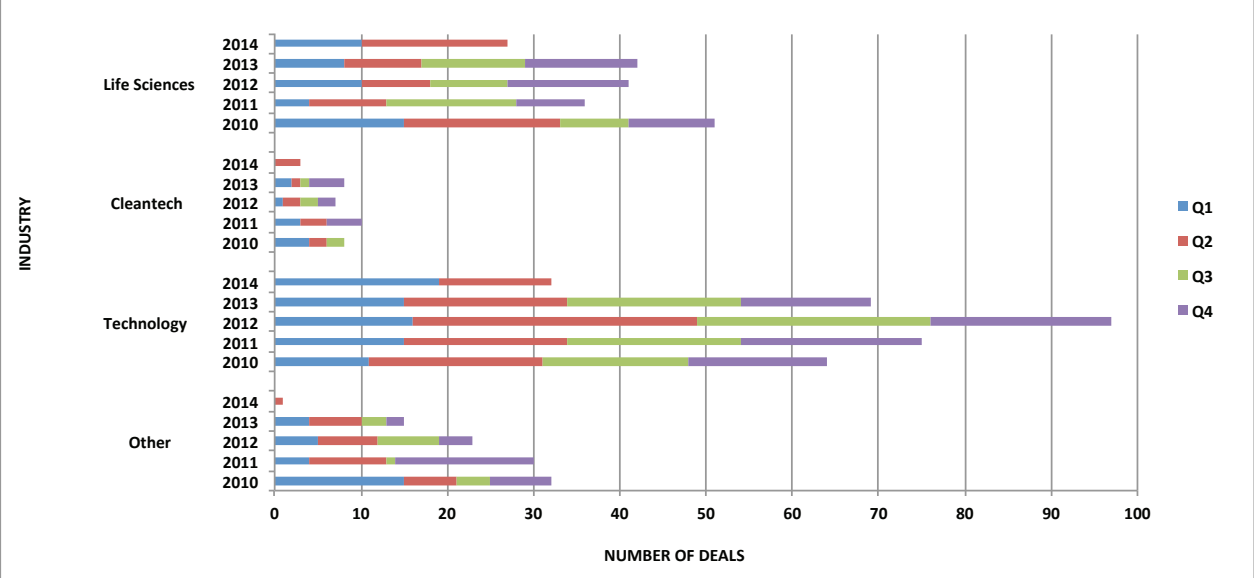
Quarterly Review of Seed, Series A and Series B/Later Round Financings: Second Quarter 2014



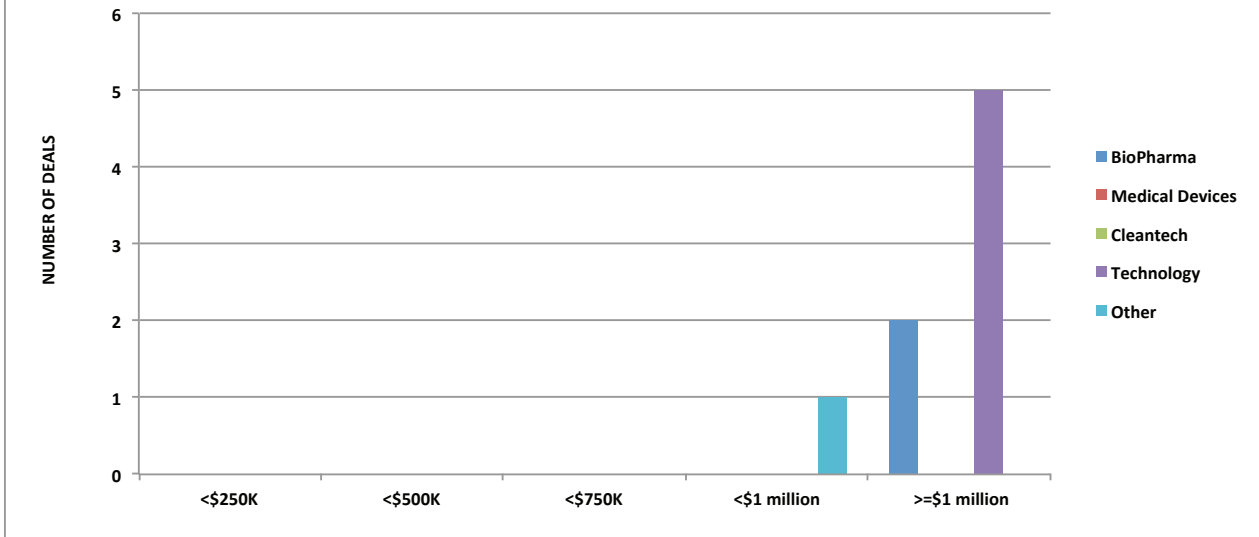
Activity Level of New England Series A Transactions, Q1 2010 - Q1 2014



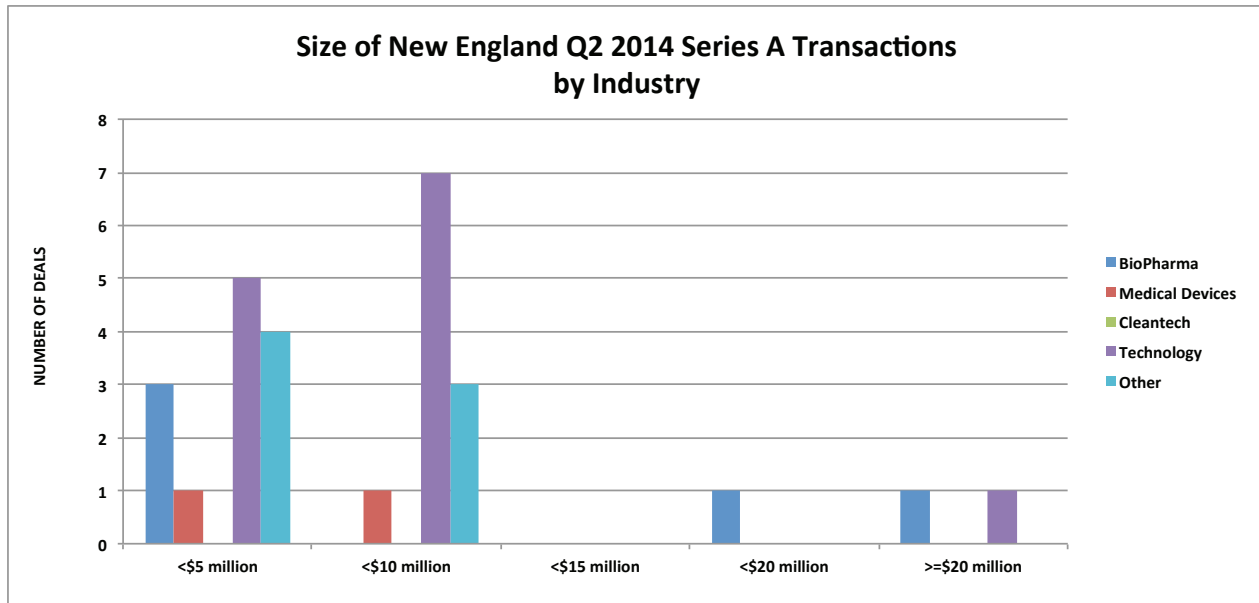
Activity Level of New England Series B/Later Round Transactions Q1 2010 - Q2 2014

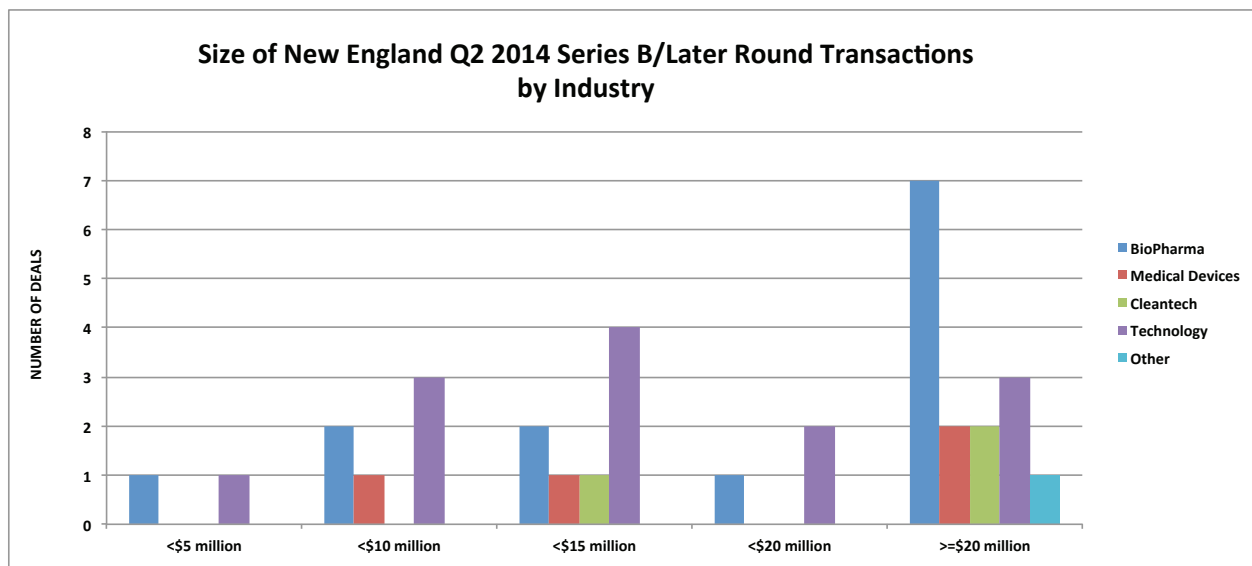


Size of New England Q2 2014 Seed Equity Transactions by Industry



Size of New England Q2 2014 Series A Transactions by Industry





The Numbers

Venture financing activity in New England increased in the second quarter of 2014. The total number of deals increased by 33% over Q1 2014, driven in part by an 80% increase in A round activity. B/Later rounds were also up 17% during Q2 2014, while Seed equity rounds were flat over the first two quarters of 2014. Life Sciences transactions accounted for half of all B/Later round deals during Q2 2014, whereas roughly half of all Seed and A rounds involved Technology companies over the same period.

Implied valuations generally increased during Q2 as well, with the median Series A valuation for Life Sciences deals coming in at \$13.2 million (up from \$9.7 million in Q1 2014), and the median Series A valuation for Technology deals rising to \$10.9 million (up from \$6.8 million in Q1 2014). Nearly half of all Series B/Later round transactions involved at least \$20 million of new money (again, driven primarily by Life Sciences deals), and more than half of Series A deals involved a raise of at least \$5 million. Of note, the vast majority (88%) of the Seed equity deals that we reviewed involved more than \$1 million of new money. This may be due to smaller Seed equity deals being underreported.

With regard to deal terms, Q2 observed nearly a doubling in Series A transactions carrying redemption terms (from 27% in Q1 to 52% in Q2), reflecting a return to the proportion of non-Seed deals that we have typically observed carrying these terms. Moreover, the proportion of B/Later round deals carrying “pay to play” terms nearly doubled from Q1 to Q2 (17% to 32%), while a greater than 50% decrease was observed for these terms in Series A deals (27% to 11%).

Set forth below are analysis and commentary regarding the information reported in the various tables throughout this issue of *Venture Perspectives*.

Activity Levels

During Q2 2014, the total number of reviewed New England Seed equity transactions increased 33% over Q1 2014 and increased 14% over Q2 2013, although the modest overall size of this sample (8 transactions) tempers the significance of this particular trend. The Technology sector represented the majority of these Seed transactions (5 of 8); 2 transactions involved Life Sciences companies; and 1 involved a company outside of these industries.

As noted above, reviewed Series A transactions in New England during Q2 2014 were up 80% from Q1 2014 and up 17% from Q2 2013. Technology companies accounted for 48% of Q2 2014 Series A deals, with Life Sciences companies and “Other” companies each representing 26% of these deals. For the third consecutive quarter, we did not review any Cleantech Series A transactions.

The total number of New England Series B/Later Round transactions increased 17% from Q1 to Q2 2014 and was even with activity during Q2 2013. Half of all Series B/Later round transactions reviewed during Q2 involved Life Sciences companies, with Technology (38%), Cleantech (9%), and “Other” (3%), rounding out our four industry categories. Overall, the strong quarter for Life Sciences companies is noteworthy, as this category accounted for only 34% of transactions in Q1 2014, and nearly half this level in Q2 2013 (26%).

At the national level, the total number of Seed (equity and non-equity) transactions decreased by more than 50% from Q1 2014 (compared to a 33% increase in Seed equity transactions in New England) and decreased by a similar margin over Q2 2013 (compared to a 14% increase in New England). The total number of Series A transactions nationally increased 5% over Q1 2014 (compared to an 80% increase in New England) and increased 18% over Q2 2013 (compared to a 17% increase in New England). The total number of Series B/Later Round transactions nationally increased 23% over Q1 2014 (compared to a 17% increase in New England) and increased 51% over Q2 2013 (compared to no change in New England over the same period).

Deal Size

Of the New England Seed equity transactions we reviewed during Q2 2014, 7 of 8 (88%) involved investments of more than \$1 million.

Of the New England Series A transactions we reviewed during Q2 2014, 52% involved investments greater than \$5 million, 41% of which fell between \$5 million and \$10 million.

Of the New England Series B/Later Round transactions we reviewed during Q2 2014, 24% involved investments under \$10 million and 44% involved investments over \$20 million.

Implied Pre-Money Valuations

Seed Round. In the eight selected New England Seed equity transactions we reviewed for Q2 2014, the implied pre-money valuations ranged from \$2.8 million to \$8.9 million, with a median of \$7.3 million. The results by industry sector were as follows:

- *Life Sciences:* There were two Life Sciences transactions, with implied pre-money valuations of \$2.8 million and \$5.1 million.
- *Cleantech:* There were no transactions reported.
- *Technology:* There were five Technology transactions, with implied pre-money valuations ranging from \$6.5 million to \$8.9 million, with a median of \$7.7 million.
- *Other:* There was one “Other” transaction, with an implied pre-money valuation of \$8.3 million.

Series A Round. In the twenty-seven selected New England Series A transactions we reviewed for Q2 2014, the implied pre-money valuations ranged from \$3.2 million to \$184 million, with a median of \$10.9 million. The results by industry sector were as follows:

- *Life Sciences:* There were seven Life Sciences transactions, with implied pre-money valuations ranging from \$3.2 million to \$29 million, with a median of \$13.2 million.
- *Cleantech:* There were no cleantech transactions.
- *Technology:* There were thirteen Technology transactions, with implied pre-money valuations ranging from \$3.8 million to \$184 million, with a median of \$10.9 million.
- *Other:* There were seven transactions in the “Other” category, with implied pre-money valuations ranging from of \$4.9 million to \$18.1 million, with a median of \$8.2 million.

Series B/Later Round. In the thirty-four selected New England Series B/Later Round transactions we reviewed for Q2 2014, the implied pre-money valuations ranged from \$5.2 million to \$846 million, with a median of \$48.6 million. 26 of these (76%) were “up” rounds; 6 (18%) were “down” rounds; and 2 (6%) were “even” rounds. The results by industry sector were as follows:

- *Life Sciences:* There were seventeen Life Sciences transactions, of which eleven were “up” rounds, four were “down” rounds and two were “even” rounds. The implied pre-money valuations ranged from a low of \$11.6 million in a Series B round to a high of \$177.2 million in a Series E round, with a median of \$48.6 million.

- *Cleantech*: There were three Cleantech transactions, all of which were “up” rounds. The implied pre-money valuations were as follows: \$86.4 million for a Series C round; \$114 million for a Series B round; and \$134 million for a Series D round.
- *Technology*: There were thirteen Technology transactions, eleven of which were “up” rounds and two of which were “down” rounds. The implied pre-money valuations ranged from a low of \$5.2 million in a Series C “down” round to a high of \$896 million in a Series F “up” round, with a median of \$44.2 million.
- *Other*: There was one transaction in the “Other” sector, which was an “up” Series C round, with an implied pre-money valuation of \$150 million.

Terms

Terms for selected New England Seed equity transactions showed the following trends in Q2 2014 as compared to Q1 2014 and Q2 2013:

- A decrease in the percentage of transactions with cumulative dividends as compared to Q1 2014 (13% to 0%) and no change as compared to Q2 2013 (0% in both quarters);
- No change in the percentage of transactions with a participating liquidation preference as compared to Q1 2014 (13% in both quarters) and an increase as compared to Q2 2013 (0% to 13%);
- A decrease in the number of deals with redemption provisions as compared to Q1 2014 (25% to 0%) and no change as compared to Q2 2013 (0% in both quarters);
- We have not observed any Seed equity transactions that included pay to play provisions in any issue of Venture Perspectives to date.

Terms for selected New England Series A transactions showed the following trends in Q2 2014 as compared to Q1 2014 and Q2 2013:

- No change in the percentage of transactions with cumulative dividends as compared to Q1 2014 (33% in both quarters) and a decrease as compared to Q2 2013 (43% to 33%);
- A slight increase in the percentage of transactions with a participating liquidation preference as compared to Q1 2014 (33% to 41%), and an even greater increase as compared to Q2 2013 (22% to 41%);
- A nearly 2X increase in the percentage of transactions with redemption provisions as compared to Q1 2014 (27% to 52%) and no change as compared to Q2 2013 (52% in both quarters);
- A decrease in the percentage of transactions with pay to play provisions as compared to Q1 2014 (27% to 11%), and a small increase as compared to Q2 2013 (4% to 11%).

Terms for selected New England Series B/Later Round transactions showed the following trends in Q2 2014 as compared to Q1 2014 and Q2 2013:

- Essentially no change in the percentage of transactions with cumulative dividends as compared to Q1 2014 (45% to 44%) and a slight decrease as compared to Q2 2013 (51% to 44%);
- Essentially no change in the percentage of transactions with a participating liquidation preference as compared to Q1 2014 (52% to 53%) and an increase as compared to Q2 2013 (43% to 53%);
- A decrease in the percentage of transactions with redemption provisions as compared to Q1 2014 (59% to 53%) and an even larger decrease as compared to Q2 2013 (80% to 53%);
- An increase in the percentage of transactions with pay to play provisions as compared to Q1 2014 (17% to 32%) and a similar increase as compared to Q2 2013 (20% to 32%).

The National Activity Level Summary

National Seed Transactions by Industry*

Industry	2013				2014				Quarter ended June 30, 2013	Quarter ended June 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	2	1	1	2	3	2			1	2
Medical Device	2	1	3	2	2	2			1	2
Cleantech	3	1	0	0	1	0			1	0
Technology	25	23	25	22	3	13			23	13
Other	29	42	41	56	69	20			42	20
Total	61	68	70	82	78	37			68	37

* Source: Dow Jones VentureSource

National Series A Transactions by Industry*

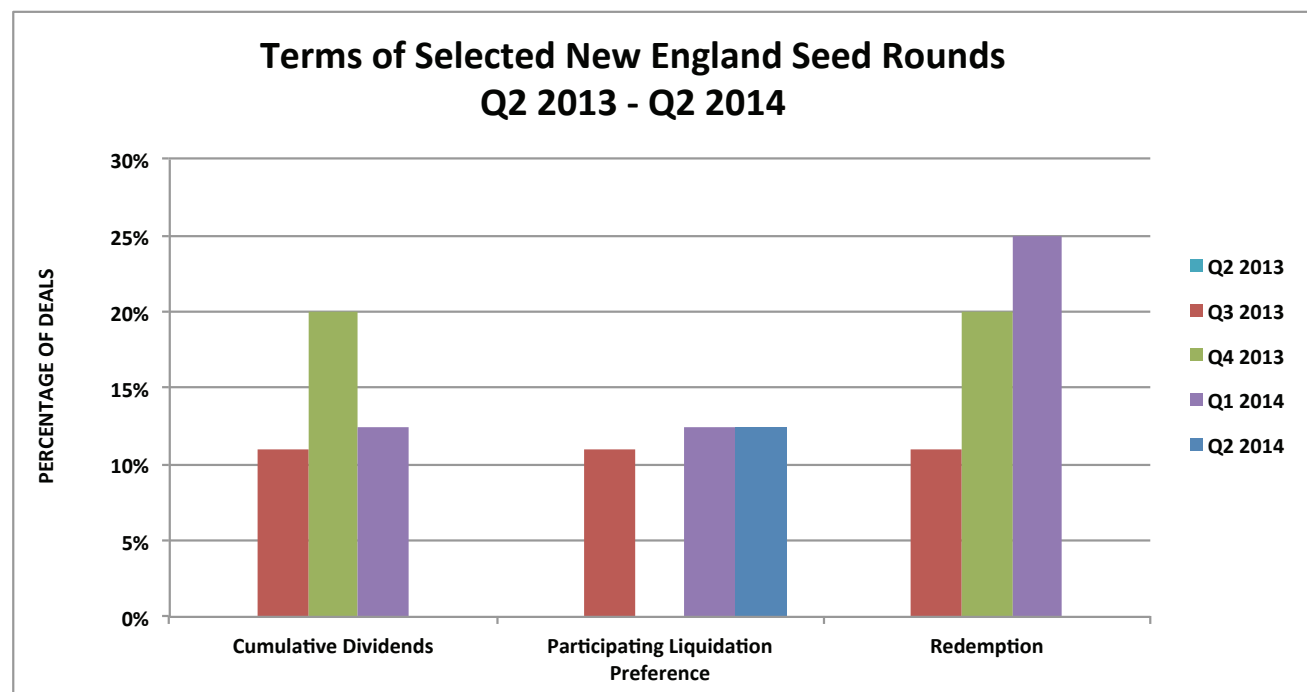
Industry	2013				2014				Quarter ended June 30, 2013	Quarter ended June 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	10	13	15	20	12	13			13	13
Medical Device	13	15	7	14	21	9			15	9
Cleantech	4	6	2	5	0	2			6	2
Technology	112	79	99	97	77	88			79	88
Other	116	142	148	158	176	189			142	189
Total	255	255	271	294	286	301			255	301

* Source: Dow Jones VentureSource

National Series B/ Later Round Transactions by Industry*

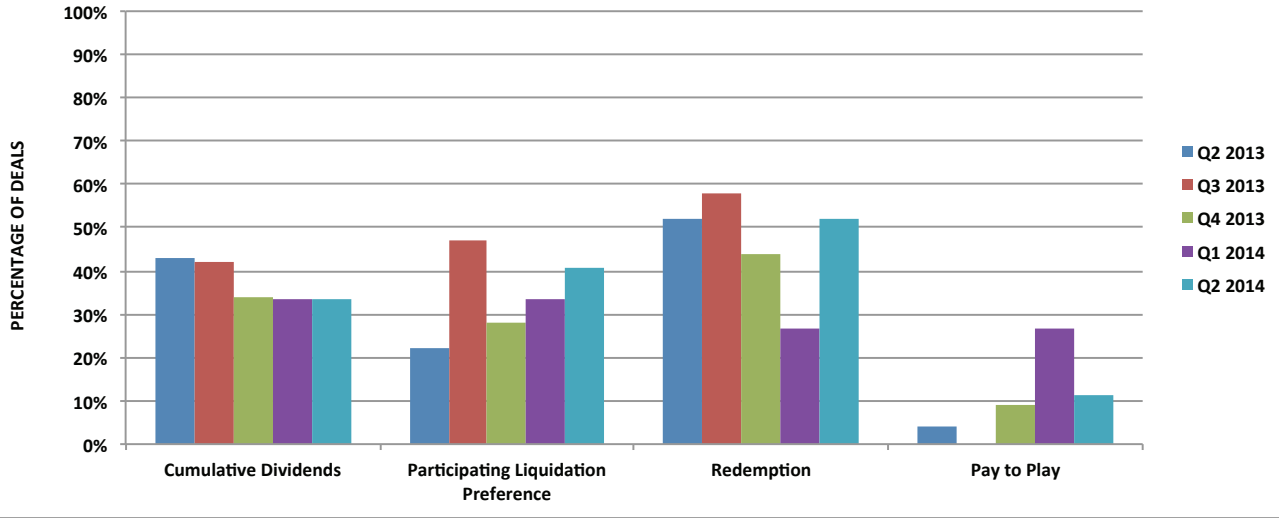
Industry	2013				2014				Quarter ended June 30, 2013	Quarter ended June 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	40	43	47	48	41	57			43	57
Medical Device	46	37	30	50	38	56			37	56
Cleantech	12	14	5	11	10	9			14	9
Technology	104	136	125	121	127	147			136	147
Other	170	218	241	240	239	292			218	292
Total	372	448	448	470	455	561			448	561

* Source: Dow Jones VentureSource

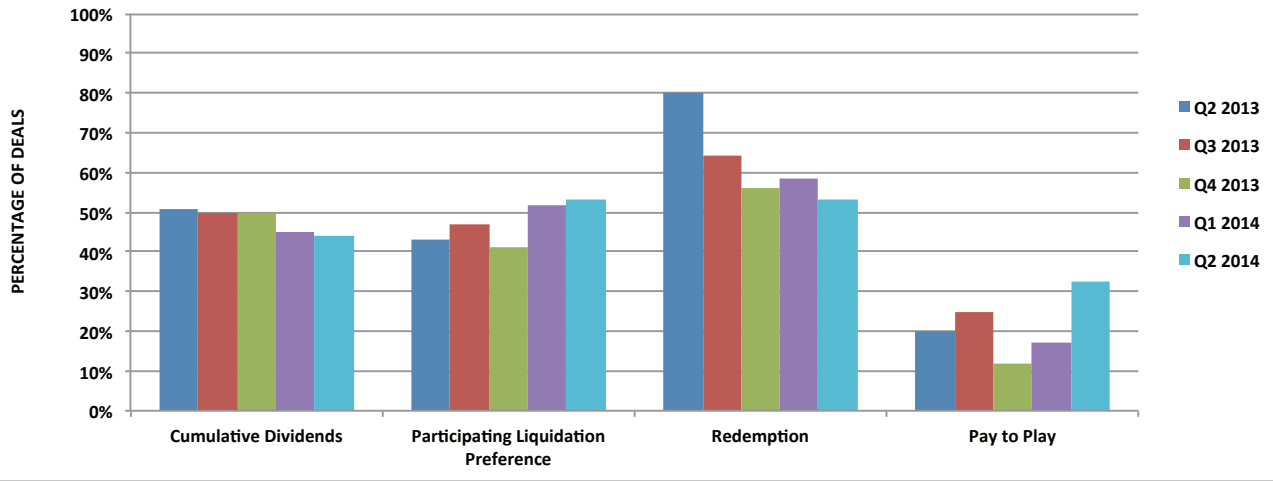


Note: No Pay to Play provisions in any quarter shown.

Terms of Selected New England Series A Transactions Q2 2013 - Q2 2014



Terms of Selected New England Series B/Later Rounds Q2 2013 - Q2 2014



If you have any questions about this publication or about how we can help your entrepreneurial venture, please feel free to contact any of the following members of the Foley Hoag legal team:



Gil Arie
Partner
garie@foleyhoag.com
617 832 1781



Dave Broadwin
Partner
dbroadwin@foleyhoag.com
617 832 1259



Hemie Chang
Partner
hchang@foleyhoag.com
617 832 1175



Matt Eckert
Partner
meckert@foleyhoag.com
617 832 3057



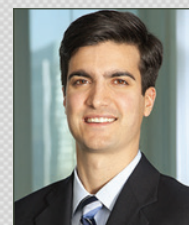
Mark Haddad
Partner
mhaddad@foleyhoag.com
617 832 1724



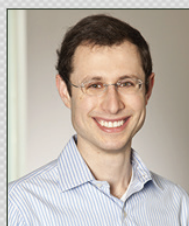
Sara Mattern
Associate
smattern@foleyhoag.com
617 832 1280



Dave Pierson
Partner
dpierson@foleyhoag.com
617 832 1146



Jonathan Romiti
Associate
jromiti@foleyhoag.com
617 832 1721



Jason Steinman
Associate
jsteinman@foleyhoag.com
617 832 1707



Paul Sweeney
Partner
psweeney@foleyhoag.com
617 832 1296



Prithvi Tanwar
Associate
ptanwar@foleyhoag.com
617 832 3045



Amanda Vendig
Associate
avendig@foleyhoag.com
617 832 3091

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