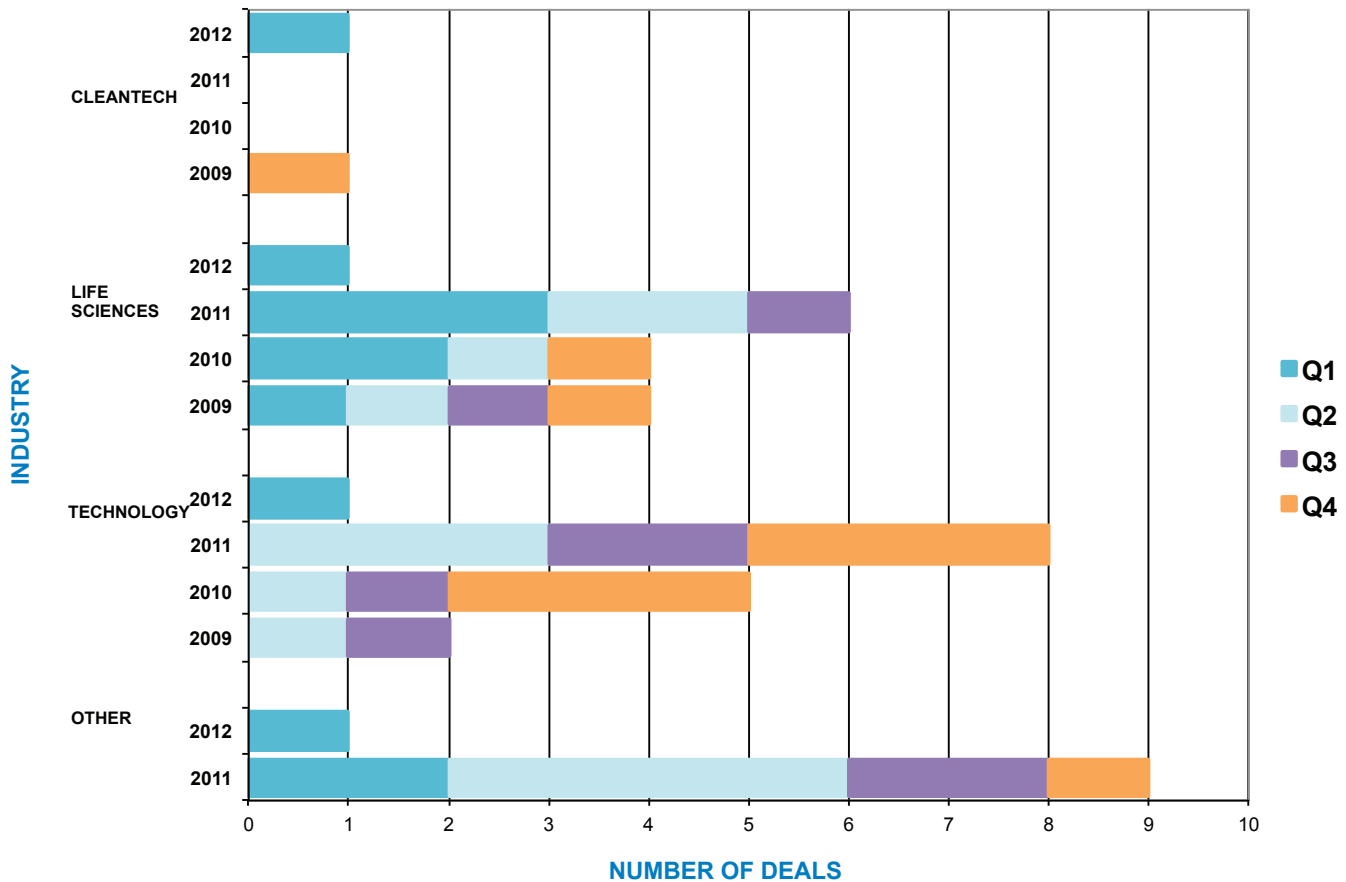


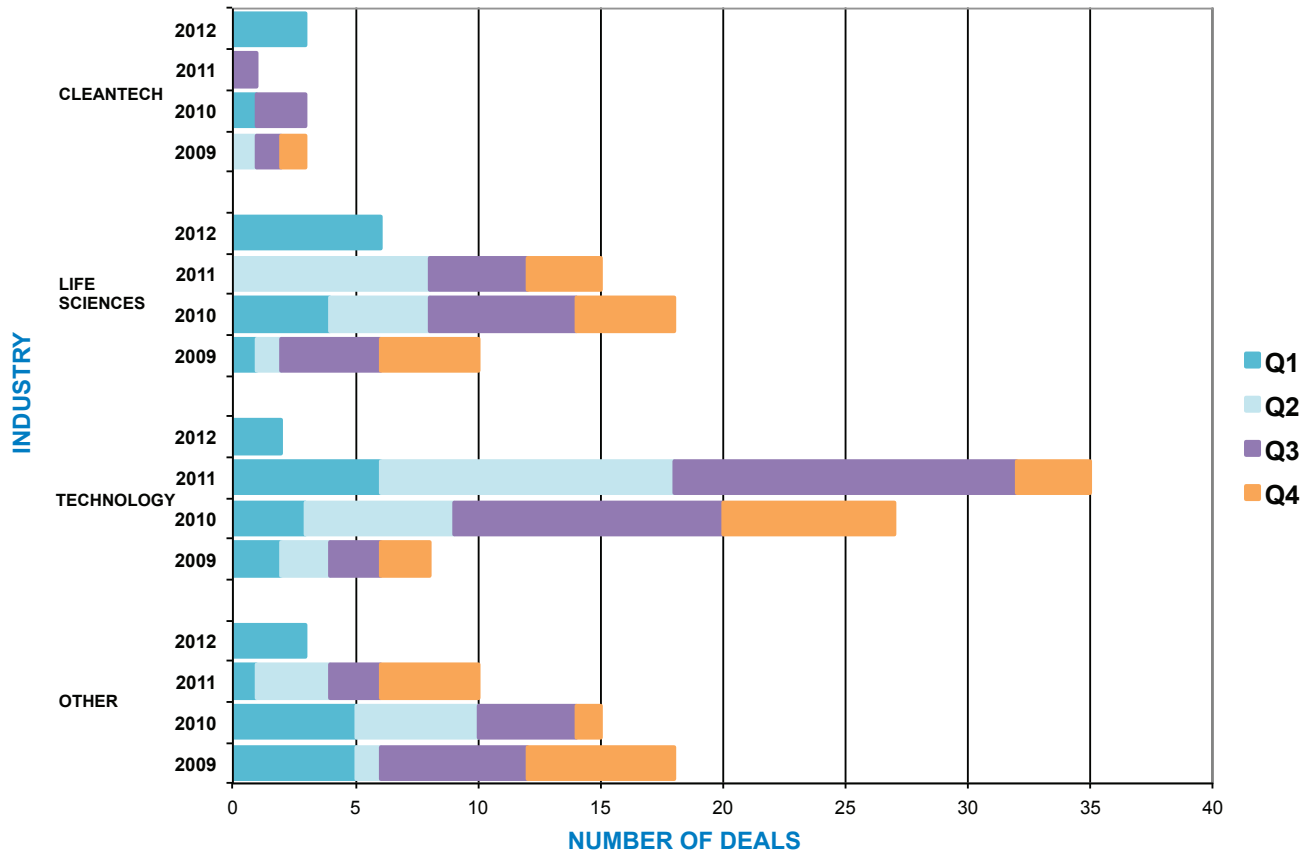


Quarterly Review of Seed, Series A and Series B/Later Round Financings: First Quarter 2012

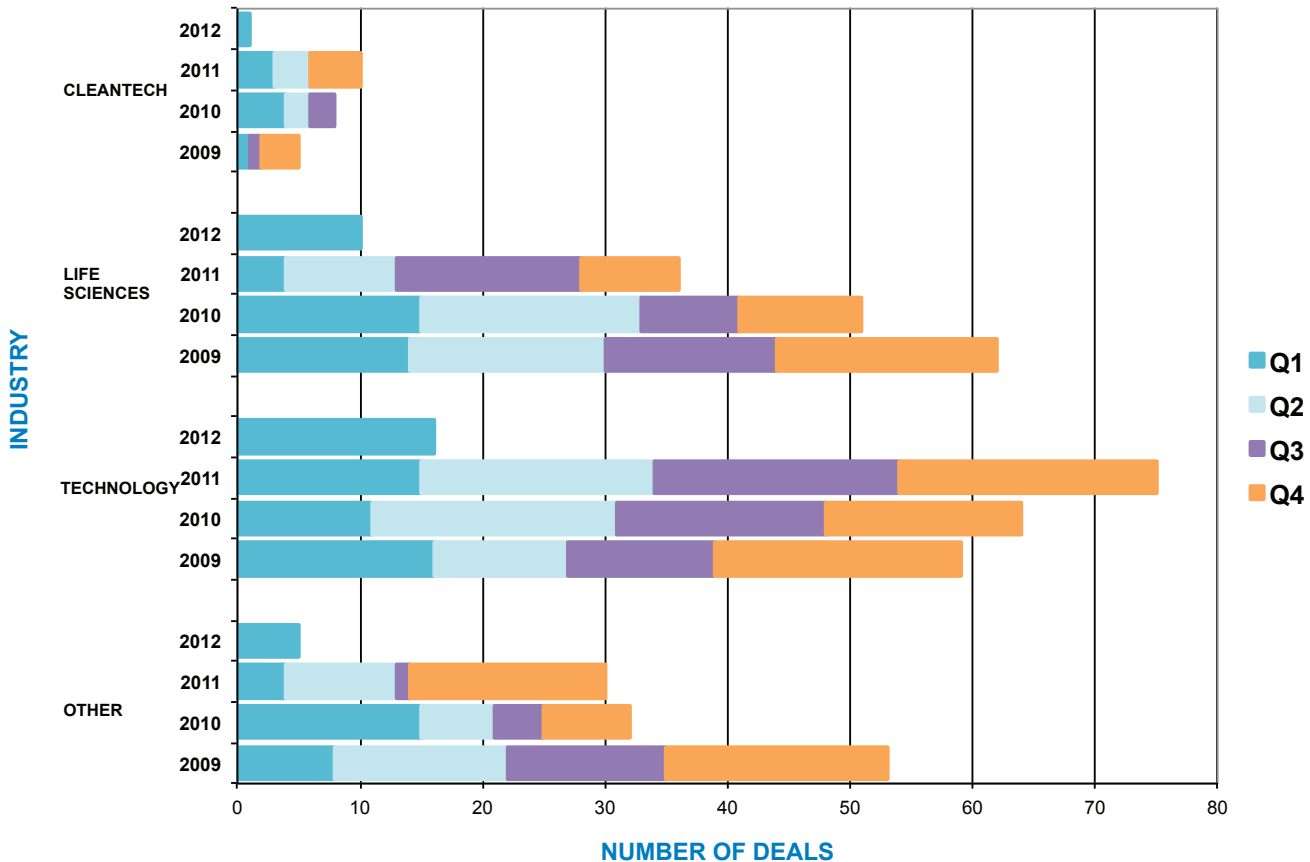
Activity Level of New England Seed Transactions



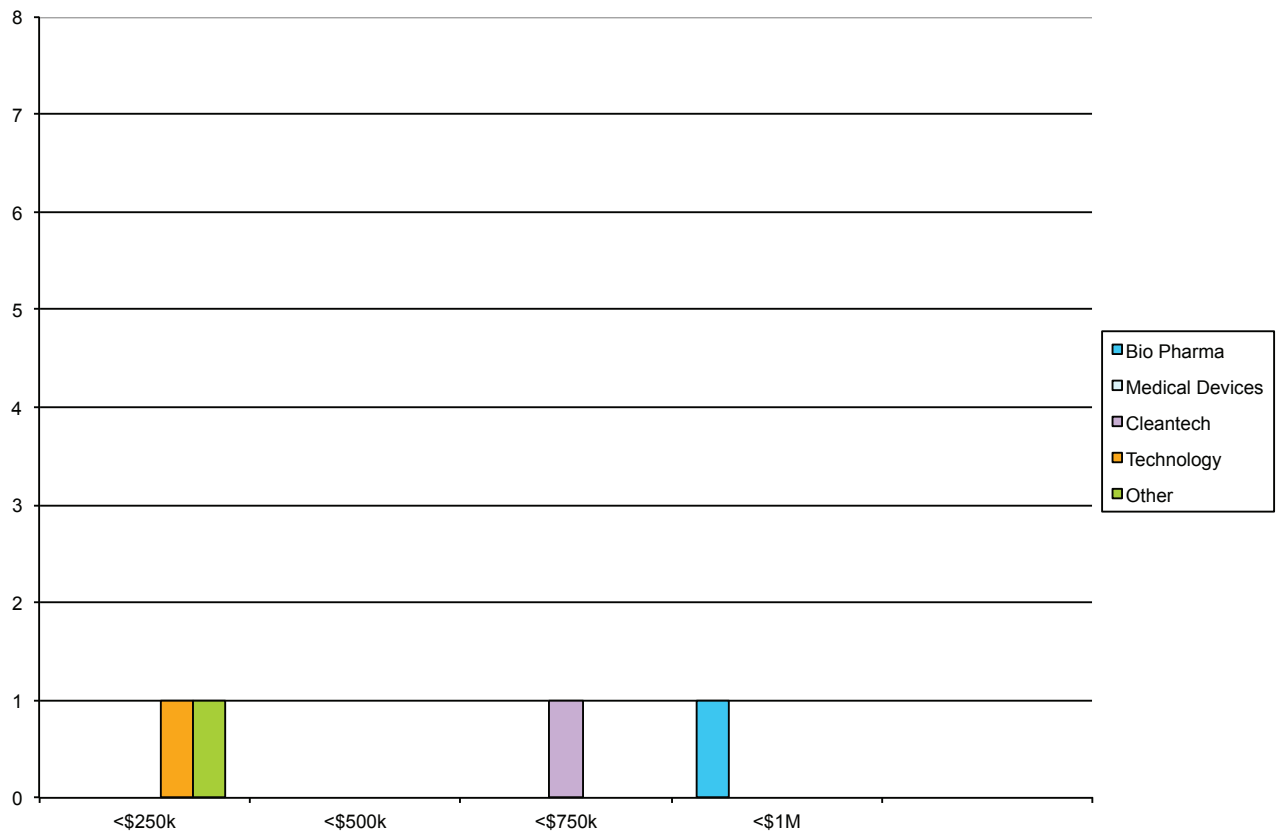
Activity Level of New England Series A Transactions



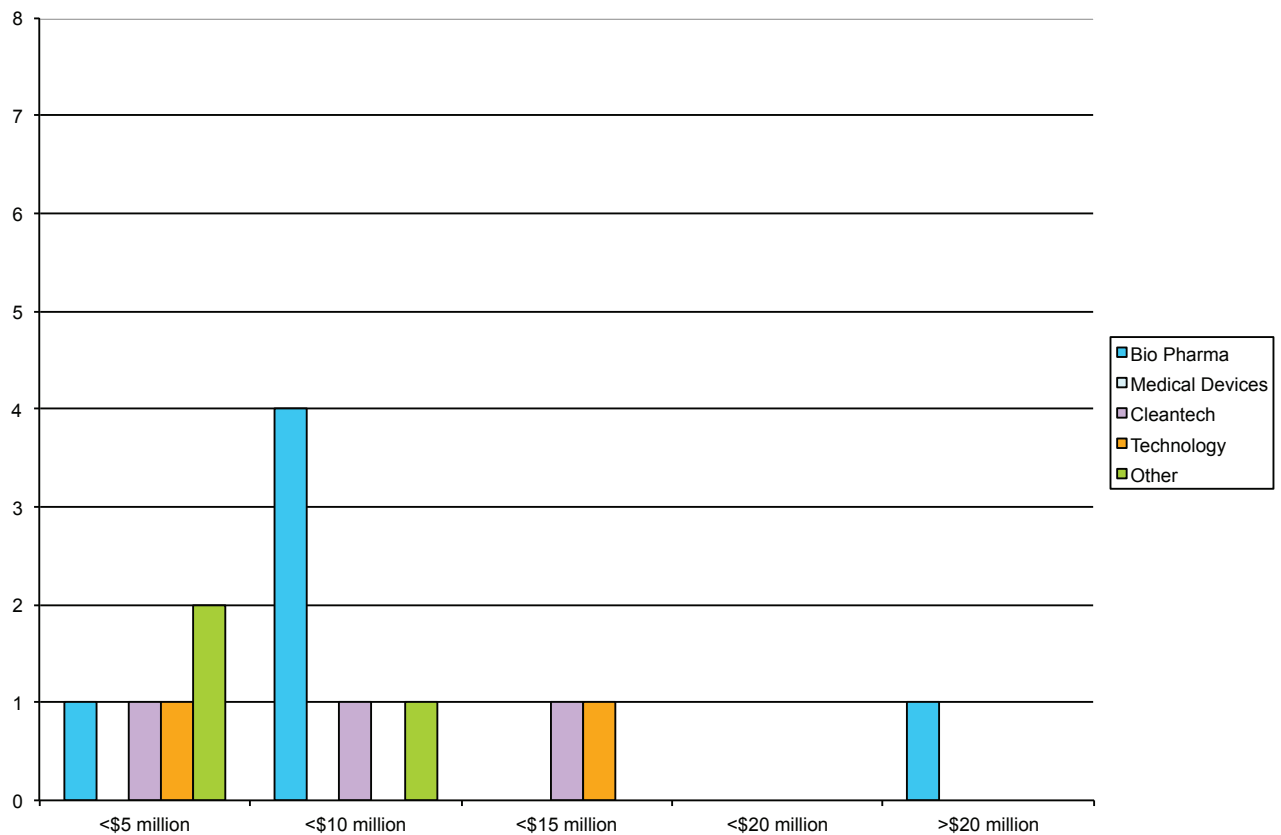
Activity Level of New England Series B/Later Round Transactions



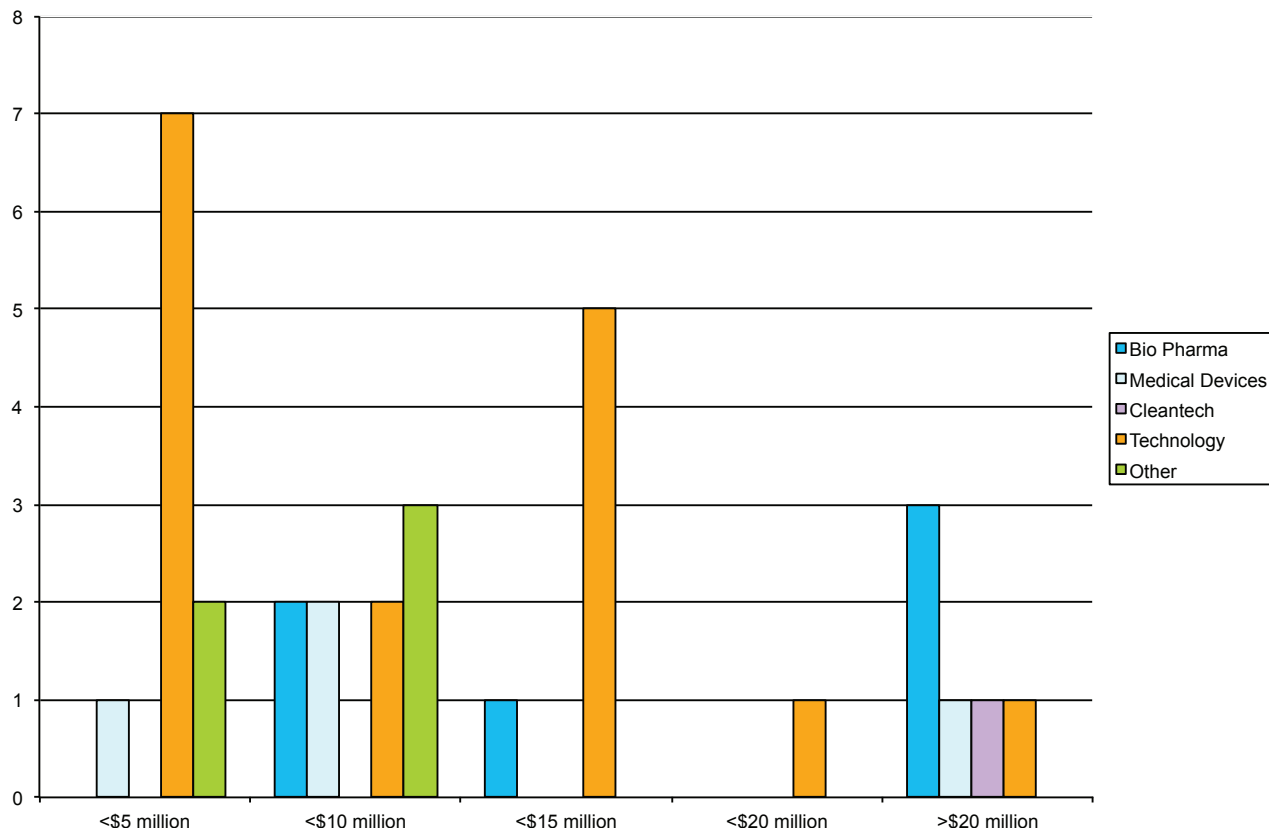
Size of New England Q1 2012 Seed Transactions by Industry



Size of New England Q1 2012 Series A Transactions by Industry



Size of New England Q1 2012 Series B/Later Round Transactions by Industry



The Numbers

Dave Pierson

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

Activity Levels

During Q1 2012, the total number of New England Seed transactions was flat compared with Q4 2011 and decreased 20% from Q1 2011. The life sciences, cleantech, technology and "other" sectors each represented 25% of the total Q1 2012 transactions.

Series A transactions during Q1 2012 increased 40% over Q4 2011 and 100% over Q1 2011. The life sciences sector showed the strongest performance, accounting for 43% of the Q1 2012 total. The cleantech, "other" and technology sectors lagged behind, representing 21%, 21% and 14%, respectively, of the Q1 2012 total.

The total number of New England Series B/Later Round transactions during Q1 2012 decreased 32% from Q4 2011 and increased 23% over Q1 2011. The technology sector showed the strongest performance, accounting for 50% of the Q1 2012. The life sciences, "other" and cleantech sectors accounted for 31%, 16% and 3%, respectively, of the Q1 2012 total.

At the national level, the reported Q1 2012 information presents a somewhat different picture from the quarterly New England information. The total number of Seed transactions nationally decreased 37% from Q4 2011 (compared to no change in New England) and 41% from Q1 2011 (compared to a 20% decrease in New England). The total number of Series A transactions nationally decreased 7% from Q4 2011 (compared to a 40% increase in New England) and increased 23% over Q1 2011 (compared to a 100% increase in New England). The total number of Series B/Later Round

transactions nationally decreased 12% from Q4 2011 (compared to a 32% decrease in New England) and decreased 4% from Q1 2011 (compared to a 23% increase in New England). There was also considerable variation between the national data and the New England data with respect to the relative number of transactions represented by each of the various sectors. Nationally, the sector with the greatest relative percentage of the reported transactions for the quarter was “other” by a relatively large margin, while in New England it was technology followed closely by life sciences.

Deal Size

Of the New England Seed transactions during Q1 2012, 50% involved investments under \$250,000 and one involved an investment of more than \$750,000.

Of the New England Series A transactions during Q1 2012, 36% involved investments under \$5 million and 7% involved investments over \$20 million.

Of the New England Series B/Later Round transactions during Q1 2012, 31% involved investments under \$5 million and 19% involved investments over \$20 million.

Implied Pre-Money Valuations

Seed Round

There were two reported New England Seed transactions in Q1 2012, with implied pre-money valuations of \$500,000 and \$3.8 million.

Series A Round

There were twelve reported New England Series A transactions in Q1 2012, with implied pre-money valuations ranging from \$1.8 million to \$29.0 million. The results by industry sector were as follows:

- *Cleantech*: There was one cleantech transaction, with an implied pre-money valuation of \$18.5 million.
- *Life Sciences*: There were six life sciences transactions, with implied pre-money valuations ranging from \$1.8 million to \$29.0 million.
- *Technology*: There were two technology transactions, with implied pre-money valuations of \$1.9 million and \$18.9 million.
- *Other*: There were three transactions in the “other” category, with implied pre-money valuations ranging from \$8.6 million to \$14.5 million.

Series B/Later Round

There were twenty-four reported New England Series B/Later Round transactions in Q1 2012, with implied pre-money valuations ranging from \$0.9 million to \$326.1 million. The results by industry sector were as follows:

- *Cleantech*: There was one cleantech transaction, a Series D up round with an implied pre-money valuation of \$326.1 million.
- *Life Sciences*: There were seven life sciences transactions, of which five were up rounds, one was an even round and one was a down round. The implied pre-money valuations ranged from a low of \$8.5 million in a Series B up round to a high of \$99.5 million in Series F down round.
- *Technology*: There were eleven technology transactions, of which seven were up rounds, one was an even round, and three were down rounds. The implied pre-money valuations ranged from a low of \$0.9 million in a Series D down round to a high of \$103.2 million in a Series B up round.
- *Other*: There were five transactions in the “other” category, of which four were up rounds and one was a down round. The implied pre-money valuations ranged from a low of \$6.0 million in a Series B up round to a high of \$49.4 million in a Series E up round.

Terms

The bar graph relating to terms for New England Series A transactions shows the following trends in Q1 2012 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a decrease in the percentage of transactions with cumulative dividends as compared to the immediately preceding quarter and no change as compared to the comparable prior year quarter (43% in Q1 2012 versus 47% in Q4 2011 and 43% in Q1 2011);

- an increase in the percentage of transactions with a participating liquidation preference (50% in Q1 2012 versus 47% in Q4 2011 and 43% in Q1 2011);
- an increase in the percentage of transactions with a redemption provision as compared to the immediately preceding quarter and a decrease as compared to the comparable prior year quarter (57% in Q1 2012 versus 41% in Q4 2011 and 86% in Q1 2011); and
- a decrease in the percentage of transactions with a pay to play provision as compared to the immediately preceding quarter and no change as compared to the comparable prior year quarter (14% in Q1 2012 versus 18% in Q4 2011 and 14% in Q1 2011).

The bar graph relating to terms for New England Series B/Later Round transactions shows the following trends in Q1 2012 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a decrease in the percentage of transactions with cumulative dividends (25% in Q1 2012 versus 69% in Q4 2011 and 53% in Q1 2011);
- an increase in the percentage of transactions with a participating liquidation preference (63% in Q1 2012 versus 25% in Q4 2011 and 35% in Q1 2011);
- a decrease in the percentage of transactions with a redemption provision (72% in Q1 2012 versus 78% in Q4 2011 and 82% in Q1 2011); and
- an increase in the percentage of transactions with a pay to play provision as compared to the immediately preceding quarter and a decrease as compared to the comparable prior year quarter (34% in Q1 2012 versus 17% in Q4 2011 and 41% in Q1 2011).

Conclusion

Like recent quarters, Q1 2012 presents a mixed picture, with some encouraging signs and some not so encouraging signs.

On the positive front, Series A and Series B/Later Round financing activity in New England was up, with increases in each category compared to both the previous quarter and the comparable prior year quarter. Nationally, venture-backed IPOs had their strongest quarter in five years, and exit multiples for M&A transactions with reported values showed improvement.

On the negative side, venture financing activity at the national level was down, as was M&A deal volume. Perhaps most significantly, fundraising by venture capital firms was also down. According to data published by Thomson Reuters and the National Venture Capital Association, the number of funds receiving capital commitments in Q1 2012 was at the lowest level since Q3 2009, and the top five funds accounted for close to 75% of the total funds raised.

Many think that 2012 will be a critical year for the industry. A significant number of venture firms have been waiting for the environment to improve before attempting to raise new funds. For a variety of reasons, 2012 is likely to be the year that they go back into the market. How successful they are in these efforts will have much to say about whether the recent contraction and consolidation in the industry will continue.

Selected New England Seed Round Transactions

First Quarter 2012

Pre-Money and Post-Money Valuations

Company	Amount Raised	Seed preferred stock as a percentage of authorized common stock	Implied Pre-Money Valuation	Implied Post-Money Valuation
TECHNOLOGY				
Black-I Robotics, Inc.	\$200,000	5%	\$3,800,000	\$4,000,000
OTHER				
Neurovance, Inc.	\$200,000	28%	\$500,000	\$700,000

Selected New England Series A Round Transactions

First Quarter 2012

Implied Pre-Money and Post-Money Valuations

Company	Amount Raised	Series A preferred stock as a percentage of authorized common stock	Implied Pre-Money Valuation	Implied Post-Money Valuation
CLEANTECH				
Eye-R Systems, Inc.	\$11,000,000	37%	\$18,500,000	\$29,500,000
LIFE SCIENCES				
4s3 Bioscience, Inc.	\$20,300,000	46%	\$23,600,000	\$43,900,000
GNS Healthcare, Inc.	\$5,000,000	15%	\$29,000,000	\$34,000,000
Kala Pharmaceuticals, Inc.	\$7,200,000	48%	\$7,700,000	\$14,900,000
Medminder Systems, Inc.	\$900,000	7%	\$11,300,000	\$12,200,000
Mnemosyne Pharmaceuticals, Inc.	\$5,400,000	75%	\$1,800,000	\$7,200,000
Synchroneuron Inc.	\$6,000,000	39%	\$9,500,000	\$15,500,000
TECHNOLOGY				
Amberwave, Inc.	\$1,500,000	45%	\$1,900,000	\$3,400,000
Firstfuel Software, Inc.	\$10,000,000	35%	\$18,900,000	\$28,900,000
OTHER				
Boundless Learning Inc.	\$8,000,000	36%	\$14,500,000	\$22,500,000
Innoveer Solutions, Inc.	\$1,900,000	15%	\$10,900,000	\$12,800,000
Talkto, Inc.	\$3,000,000	26%	\$8,600,000	\$11,600,000

Selected New England Series B/Later Round Transactions

First Quarter 2012

Implied Pre-Money and Post-Money Valuations

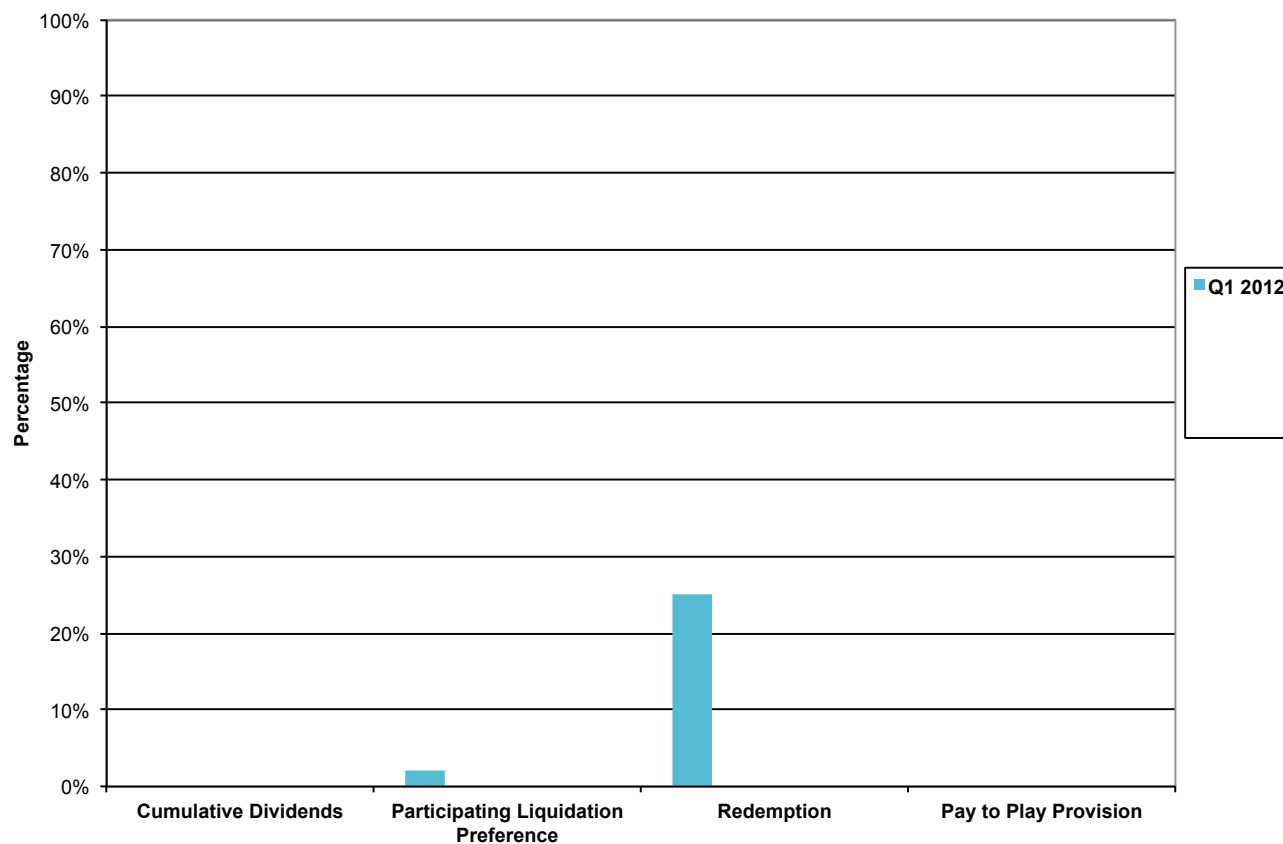
Company	Most recent round of preferred stock	Amount Raised	Percentage of Company owned by most recent round of preferred investors	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
CLEANTECH						
Harvest Power, Inc.	D	\$110,000,000	25%	\$326,100,000	\$436,100,000	Up
LIFE SCIENCES						
BioScale, Inc.	D	\$5,300,000	17%	\$25,800,000	\$31,100,000	Up
Mevion Medical Systems, Inc.	F	\$45,000,000	31%	\$99,500,000	\$144,500,000	Down
Neurophage Pharmaceuticals, Inc.	C	\$9,000,000	17%	\$42,800,000	\$51,800,000	Up
OvaScience, Inc.	B	\$37,200,000	29%	\$89,300,000	\$126,500,000	Up
Solace Therapeutics, Inc.	C	\$7,000,000	32%	\$14,900,000	\$21,900,000	Even
Solx, Inc.	B	\$3,300,000	28%	\$8,500,000	\$11,800,000	Up
Stegment, Inc.	D	\$8,800,000	17%	\$44,500,000	\$53,300,000	Up
TECHNOLOGY						
Acacia Communications, Inc.	C	\$10,500,000	13%	\$68,700,000	\$79,200,000	Up
Blue Cod Technologies, Inc.	D	\$1,800,000	66%	\$900,000	\$2,700,000	Down
BlueSpec, Inc.	C	\$1,500,000	10%	\$13,800,000	15,300,000	Down
Exinda Inc.	B	\$12,000,000	10%	\$103,200,000	\$115,200,000	Up
FirstBest Systems, Inc.	D	\$10,600,000	22%	\$37,300,000	\$47,900,000	Up
Persimmon Technologies Corporation	B	\$2,000,000	11%	\$16,600,000	\$18,600,000	Up
Polatis, Inc.	D	\$2,700,000	19%	\$11,800,000	\$14,500,000	Even
Roam Data, Inc.	A	\$48,700,000	43%	\$65,000,000	\$113,700,000	Down
SilverRail Technologies, Inc.	C	\$15,000,000	33%	\$30,100,000	\$45,100,000	Up
Tap 'N Tap, Inc.	C	\$2,400,000	27%	\$6,500,000	\$8,900,000	Up
Velobit, Inc.	B	\$1,900,000	15%	\$10,600,000	\$12,500,000	Up
OTHER						
Courion Corporation	E	\$6,200,000	11%	\$49,400,000	\$55,600,000	Up
Currensee, Inc.	C	\$8,000,000	25%	\$24,300,000	\$32,300,000	Up
English Helper, Inc.	B	\$600,000	9%	\$6,000,000	\$6,600,000	Up
OPTAROS, INC.	D	\$4,000,000	16%	\$20,300,000	\$24,300,000	Down

Company	Most recent round of preferred stock	Amount Raised	Percentage of Company owned by most recent round of preferred investors	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
SavingStar, Inc.	C	\$9,000,000	20%	\$36,200,000	\$45,200,000	Up

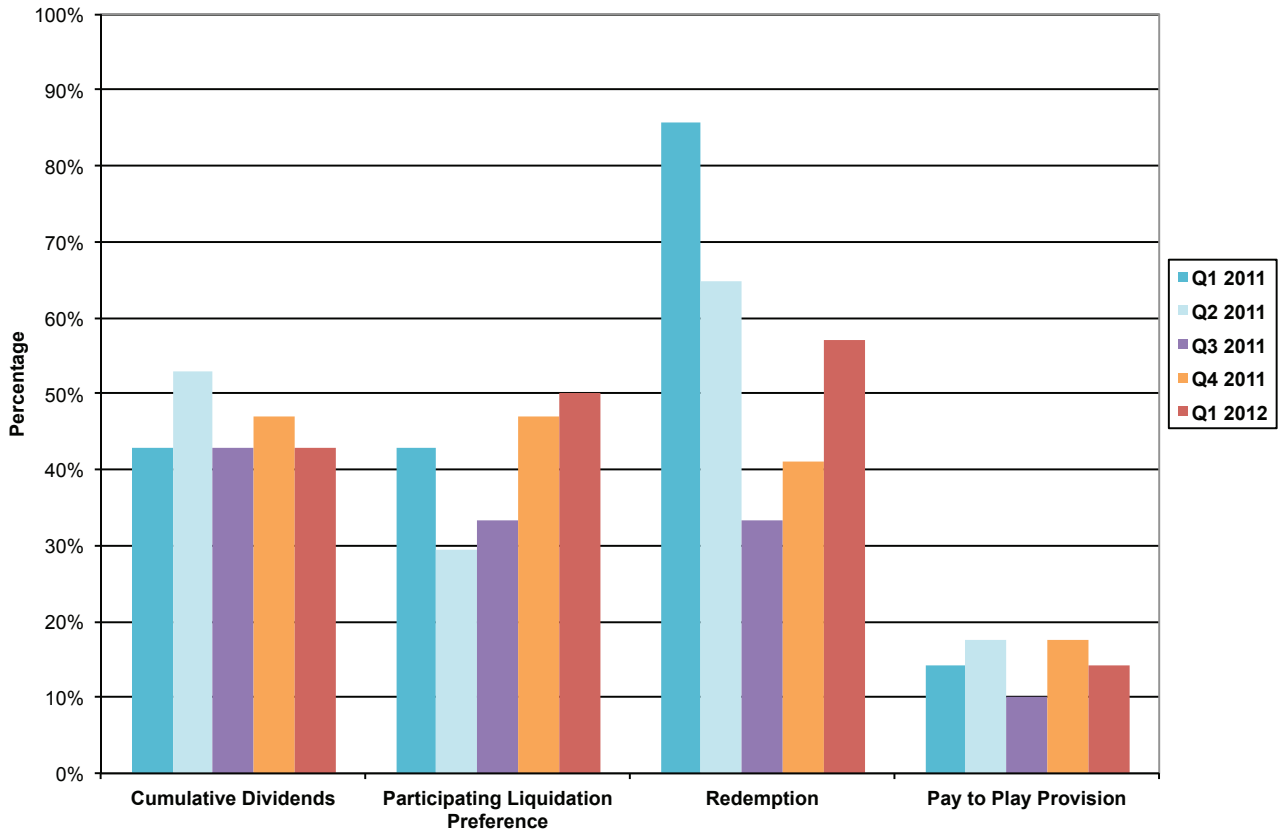
In the three tables above, figures shown in the Amount Raised, Implied Pre-Money Valuation and Implied Post-Money Valuation columns have been rounded to the nearest hundred thousand. This analysis is inherently imprecise and is based on a number of general assumptions which may or may not be accurate. Among other things, the analysis depends in part on the relationship between the number of authorized shares of stock for the company receiving the financing and the number of shares of its stock that are outstanding. For example, if the number of authorized shares of common stock significantly exceeds the number of fully diluted shares, the implied pre-money and post-money valuations would be overstated and the percentage of the company owned by the preferred stock investors would be understated. In a typical situation however, we believe that our analysis yields an approximation of the valuation placed on the company at the time of financing, and therefore may be of interest to our readers.

We can prepare a similar analysis across any group of transactions that our clients are interested in. For example, we could prepare analysis for a group of competitive companies so you can see what the implied valuations of your competitors are. If you would like additional information on this service, please contact your lawyer at Foley Hoag or one of our Emerging Enterprise Center lawyers listed at the end of this publication.

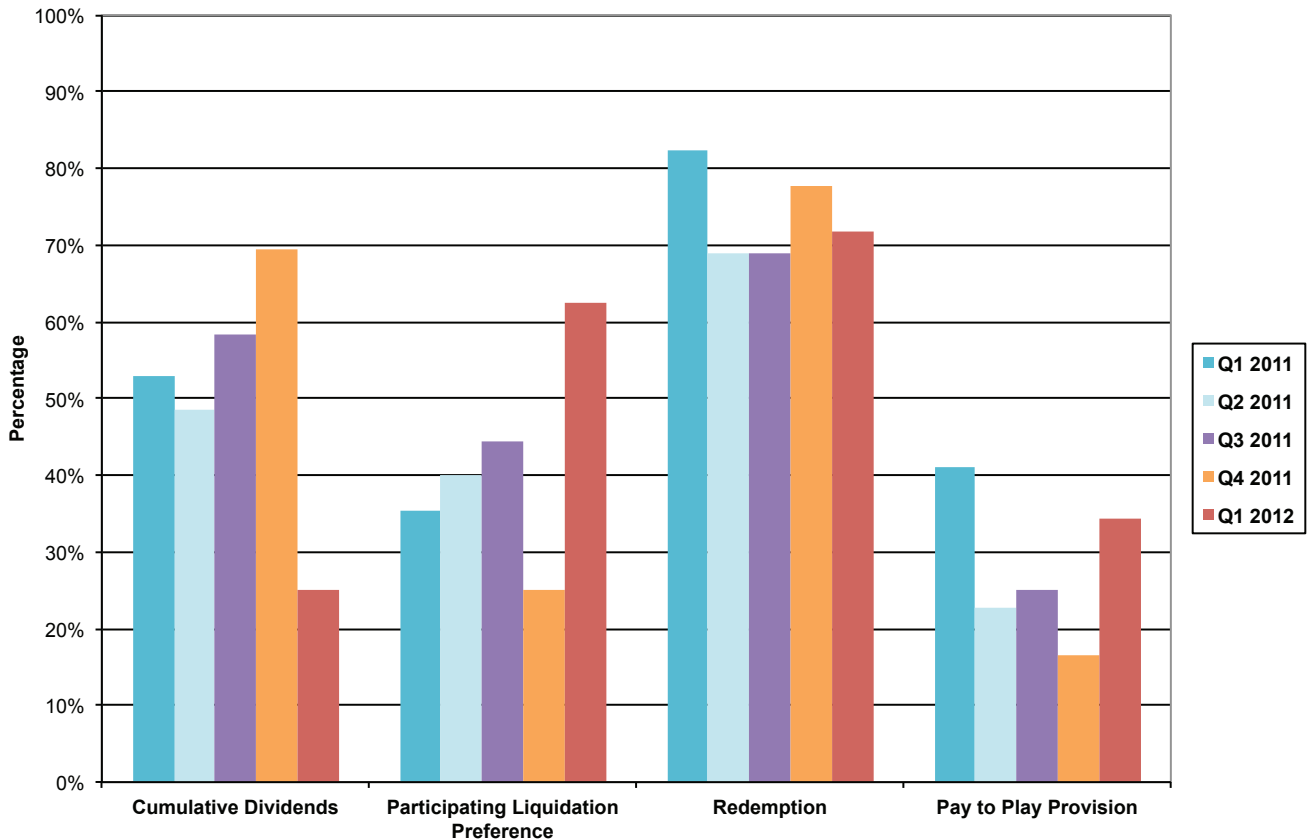
Terms of New England Seed Rounds 2012



Terms of New England Series A Rounds 2011-2012



Terms of New England Series B/Later Rounds 2011-2012



The three charts above summarize publicly available information about various terms included in the Certificates of Incorporation for Seed, Series A and Series B/Later Round financings for companies headquartered in New England. We have selected terms to report on that we believe will be of particular interest to entrepreneurs. A definition of each of these terms may be found on our website, www.emergingenterprise.com. Information included in the table above is based on information made publicly available by participants in the relevant transactions and is not comprehensive.

We can prepare a similar analysis across any group of transactions that our clients are interested in. For example we could prepare analysis by industry so you can see what terms are prevalent in your industry. If you would like additional information on this service, please contact your lawyer at Foley Hoag or one of our Emerging Enterprise Center lawyers listed at the end of this publication.

The National Activity Level Summary

National Seed Transactions by Industry*

Industry	2011				2012				Quarter ended March 31, 2011	Quarter ended March 31, 2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	5	4	6	4	1				5	1
Medical Device	2	3	4	4	6				2	6
Cleantech	0	0	0	0	2				0	2
Technology	30	34	18	23	18				23	18
Other	38	27	39	39	17				39	17
Total	75	68	67	70	44				75	44

* Source: Dow Jones VentureSource

National Series A Transactions by Industry*

Industry	2011				2012				Quarter ended March 31, 2011	Quarter ended March 31, 2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	13	26	24	20	9				13	9
Medical Device	11	21	13	14	15				11	15
Cleantech	9	2	6	6	7				9	7
Technology	53	61	69	76	82				53	82
Other	85	98	123	124	110				85	110
Total	171	208	235	240	223				171	223

* Source: Dow Jones VentureSource

National Series B/Later Round Transactions by Industry*

Industry	2011				2012				Quarter ended March 31, 2011	Quarter ended March 31, 2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	36	43	40	55	43				36	43
Medical Device	45	53	49	43	52				45	52
Cleantech	21	25	30	21	15				21	15
Technology	93	108	131	120	115				93	115
Other	188	219	169	181	143				188	143
Total	383	448	419	420	368				383	368

* Source: Dow Jones VentureSource

If you have any questions about this publication or about the Emerging Enterprise Center at Foley Hoag and how we can help your entrepreneurial venture, please feel free to contact any of the following key members of the Foley Hoag legal team resident at the EEC:



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