

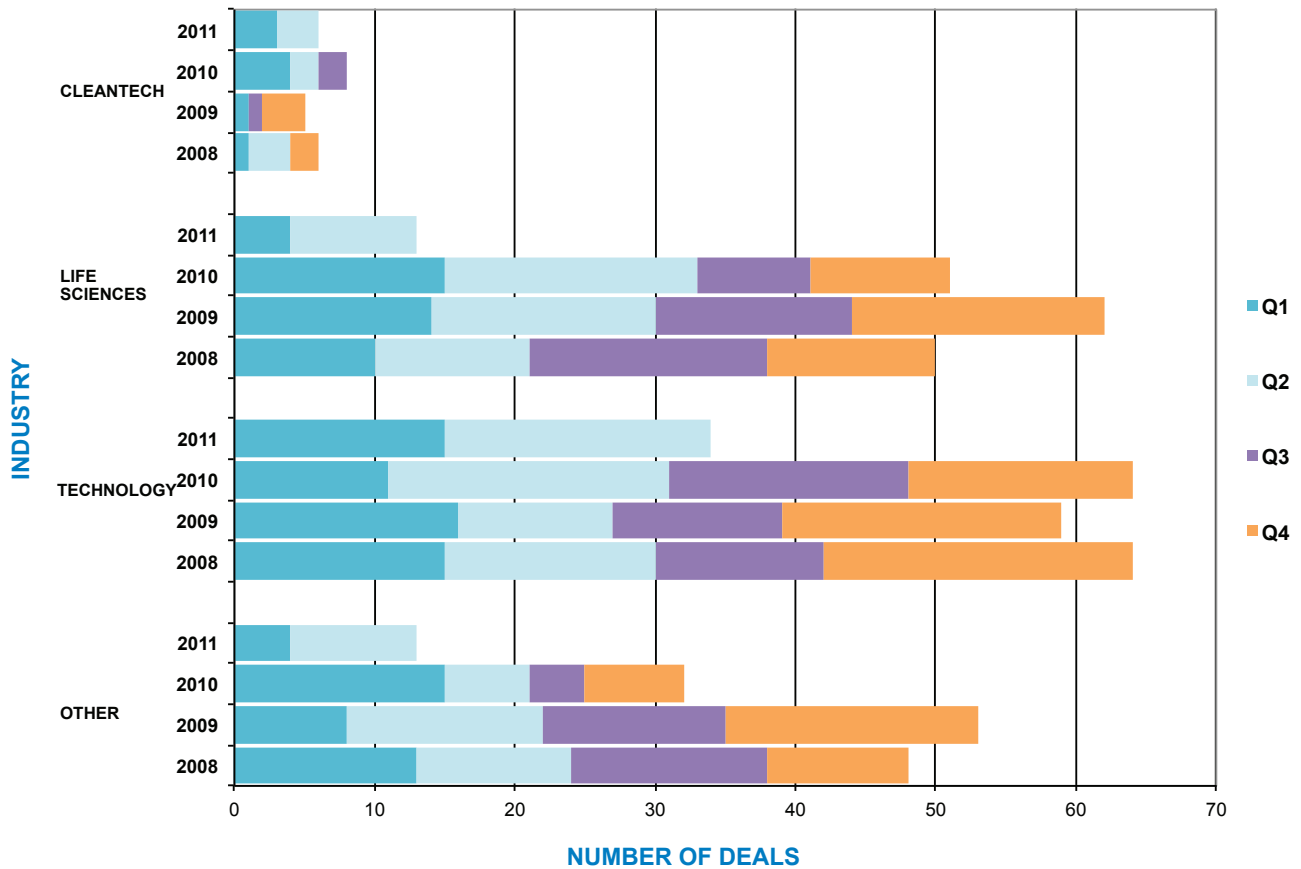


## Quarterly Review of Series A Financings and Series B and Later Round Financings: Second Quarter 2011

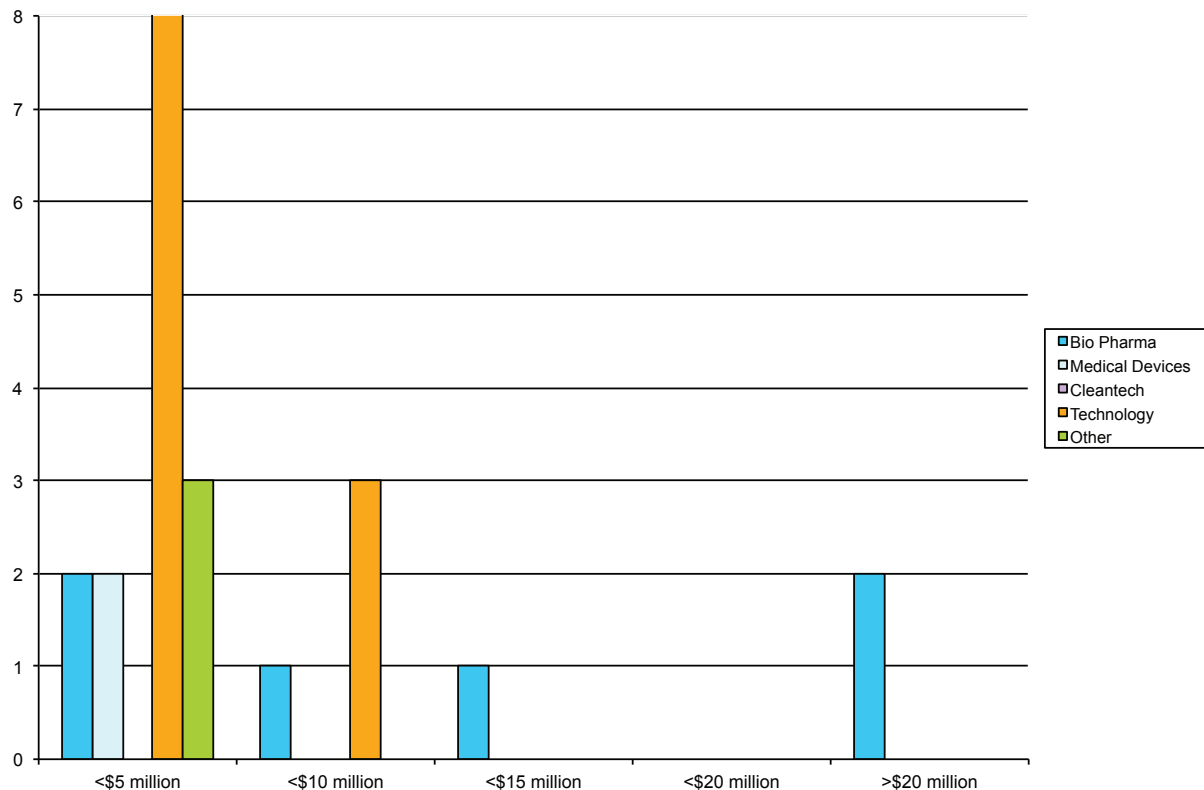
### Activity Level of New England Series A Transactions



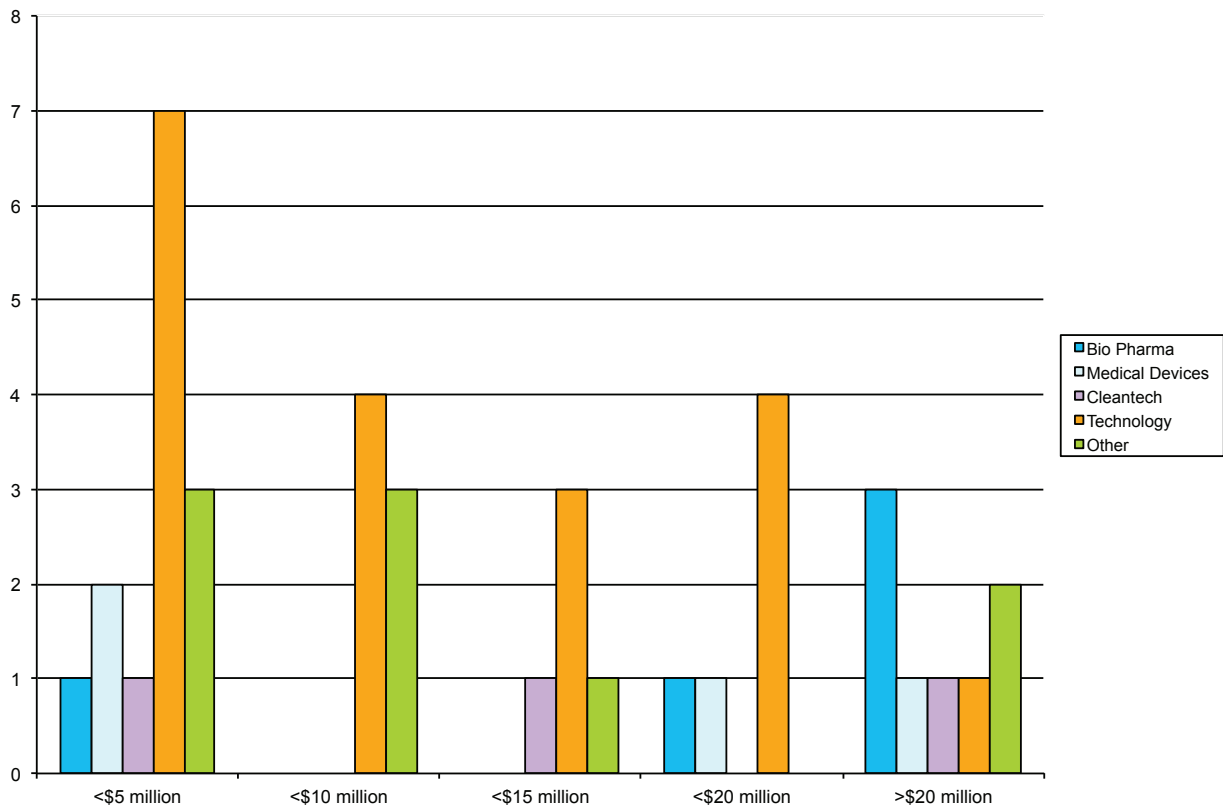
## Activity Level of New England Series B and Later Round Transactions



## Size of New England Q2 2011 Series A Transactions by Industry



## Size of New England Q2 2011 Series B and 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 Q2 2011, the total number of New England Series A transactions increased 229% over Q1 2011 and 109% over Q2 2010. The Technology sector accounted for 52% of the Q2 2011 total, the Life Sciences sector for 35% and the "Other" sector for 13%. There were no Series A Cleantech transactions.

The total number of New England Series B and Later Round transactions during Q2 2011 increased 54% over Q1 2011 and decreased 13% from Q2 2010. The Technology sector showed the strongest performance, accounting for 48% of the Q2 2011 total. The Life Sciences and "Other" sectors each accounted for 23% of the Q2 2011 total, and the Cleantech sector accounted for less than 10%.

At the national level, the reported Q2 2011 information presents a somewhat different picture from the quarterly New England information. Nationally, the total number of Series A transactions increased only 22% over Q1 2011 (compared to a 229% increase in New England) and only 29% over Q2 2010 (compared to a 109% increase in New England). The total number of Series B and Later Round transactions at the national level increased only 17% over Q1 2011 (compared to a 54% increase in New England) and decreased only 7% from Q2 2010 (compared to a 13% decrease in New England). There was also considerable variation between the New England data and the national data with respect to the relative number of transactions represented by each of the various sectors for both Series A Round and Series B and Later Round

transactions. In New England, the sector with the greatest relative percentage of the reported transactions for the quarter was Technology, but nationally it was the "Other" category.

For the first half of 2011 compared to the first half of 2010, New England Series A activity was up 15%, national Series A activity was up 22%, New England Series B activity was down 27% and national Series B activity was down 2%.

### **Deal Size**

During Q2 2011, 70% of the New England Series A transactions involved investments under \$5 million, and 17% involved investments between \$5 million and \$10 million, 4% involved transactions between \$10 million and \$15 million, and 9% involved transactions over \$20 million. No Series A financings fell between \$15 million and \$20 million invested.

During Q2 2011, 35% of the New England Series B and Later Round transactions involved investments under \$5 million, 18% involved investments between \$5 million and \$10 million, 13% involved investments between \$10 million and \$15 million, 15% involved investments between \$15 million and \$20 million, and 20% involved investments greater than \$20 million.

### **Implied Pre-Money Valuations**

#### Series A Round

The Selected New England Series A Transactions information for Q2 2011 presents the usual varied picture both across and within industry sectors:

- *Cleantech*: There were no Cleantech transactions.
- *Life Sciences*: In the five reported Life Sciences transactions, the implied pre-money valuations ranged from \$12.6 million to \$107.5 million.
- *Technology*: In the eight Technology transactions, the implied pre-money valuations ranged from \$3.2 million to \$33.7 million.
- *Other*: In the three transactions in the "Other" category, the implied pre-money valuations were all under \$5 million.

#### Series B and Later Round

The Selected New England Series B and Later Round Transactions information for Q2 2011 also presents a varied picture across and within industry sectors:

- *Cleantech*: Of the three reported Cleantech transactions, two were large Series B up rounds and one was a small Series "B+" even round. The implied pre-money valuations ranged from \$82.2 million in the even round to \$264.8 million in the larger up round.
- *Life Sciences*: Of the seven reported Life Sciences transactions, six were up rounds and one was an even round. The implied pre-money valuations ranged from a low of \$30.3 million in a Series C up round to a high of \$892.5 million in a Series F up round.
- *Technology*: There were 16 reported Technology transactions, of which seven were up rounds and nine were down rounds. The implied pre-money valuations ranged from a low of \$7.7 million in a Series B down round to a high of \$162.8 million in a Series G up round.
- *Other*: There were eight reported transactions in the "Other" category, which included seven up rounds and one down round. The implied pre-money valuations ranged from a low of \$20.2 million to a high of \$81.6 million, both in Series B up rounds.

## Terms

The bar graph relating to Terms for Selected New England Series A Transactions shows the following trends in Q2 2011 as compared to the comparable prior year quarter and the immediately preceding quarter:

- an increase in the percentage of transactions with cumulative dividends (53% in Q2 2011 versus 43% in both Q2 2010 and Q1 2011);
- no change in the percentage of transactions with a participating liquidation preference compared to the prior year quarter and a decrease compared to the immediately preceding quarter (29% in both Q2 2011 and Q2 2010 and 43% in Q1 2011);
- an increase in the percentage of transactions with a redemption provision compared to the prior year quarter and a decrease compared to the immediately preceding quarter (65% in Q2 2011 versus 57% in Q2 2010 and 86% in Q1 2011); and
- an increase in the percentage of transactions with a pay to play provision (18% in Q2 2011 versus 7% in Q2 2010 and 14% in Q1 2011).

The bar graph relating to Terms for Selected New England Series B and Later Round transactions shows the following trends in Q2 2011 as compared to comparable prior year quarter and the immediately preceding quarter:

- a decrease in the percentage of transactions with cumulative dividends (49% in Q2 2011 versus 54% in Q2 2010 and 53% in Q1 2011);
- a decrease in the percentage of transactions with a participating liquidation preference compared to the prior year quarter and an increase compared to the immediately preceding quarter (40% in Q2 2011 versus 70% in Q2 2010 and 35% in Q1 2011);
- an increase in the percentage of transactions with a redemption provision compared to the prior year quarter and a decrease compared to the immediately preceding quarter (69% in Q2 2011 versus 65% in Q2 2010 and 82% in Q1 2011); and
- essentially no change in the percentage of transactions with a pay to play provision compared to the prior year quarter and a decreased compared to the immediately preceding quarter (23% in Q2 2011 versus 24% in Q2 2010 and 41% in Q1 2011).

## Conclusion

There were positive trends in Q2 2011. New England Series A activity levels were up significantly, both for the quarter and for the first half of 2011. Thomson Reuters and the National Venture Capital Association reported continuing improvement in venture-backed exit activity for the quarter, with the dollar volume of IPOs being the highest quarterly total since 2000 and M&A exits attaining 2009 levels.

There were also negative trends in the quarter. The primary area of concern continues to be the level of venture capital fundraising activity. As many have noted, the venture industry can not continue to invest more than it raises. Of particular concern is the dwindling number of funds able to obtain capital commitments. According to Thomson Reuters and the National Venture Capital Association, the number of venture capital funds obtaining commitments during the second quarter and first half of 2011 decreased compared to the comparable prior year periods, and the number of funds receiving commitments during the first half of 2011 was the lowest since the first half of 1995. Moreover, again according to Thomson Reuters and the National Venture Capital Association, approximately 50% of the fundraising total for Q2 2011 was represented by two funds in the same fund family. This contraction in the venture capital industry may bode well for the funds that survive and the returns that they will be able to achieve. It is not likely to have such a beneficial effect on the companies seeking venture financing. Fewer and larger funds is likely to mean that outside the industry de jour, financing will become even harder to obtain, particularly for new entrepreneurs and for Series A rounds.

## Selected New England Series A Round Transactions

Second Quarter 2011

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
<b>LIFE SCIENCES</b>				
<b>Blueprint Medicines Corporation</b>	\$40,000,000	76%	\$12,600,000	\$52,600,000
<b>Civitas Therapeutics, Inc.</b>	\$4,300,000	10%	\$37,700,000	\$42,000,000
<b>Essentient, Inc.</b>	\$10,800,000	32%	\$23,400,000	\$34,200,000
<b>Lumicell Diagnostics, Inc.</b>	\$2,700,000	12%	\$19,400,000	\$22,100,000
<b>Proteostasis Therapeutics, Inc.</b>	\$70,600,000	40%	\$107,500,000	\$178,100,000
<b>TECHNOLOGY</b>				
<b>Apriori Technologies, Inc.</b>	\$4,900,000	13%	\$33,700,000	\$38,600,000
<b>OpenExchange, Inc.</b>	\$1,400,000	28%	\$3,600,000	\$5,000,000
<b>SBR Health, Inc.</b>	\$1,700,000	22%	\$6,000,000	\$7,700,000
<b>session M, Inc.</b>	\$6,500,000	43%	\$8,700,000	\$15,200,000
<b>Smarterer Inc.</b>	\$1,300,000	18%	\$5,500,000	\$6,800,000
<b>Streetwise Media, Inc.</b>	\$1,300,000	16%	\$6,700,000	\$8,000,000
<b>Wikets, Inc.</b>	\$1,500,000	16%	\$7,800,000	\$9,300,000
<b>Ziptr, Inc.</b>	\$6,800,000	68%	\$3,200,000	\$10,000,000
<b>OTHER</b>				
<b>Boundless Learning, Inc.</b>	\$1,700,000	36%	\$3,100,000	\$4,800,000
<b>CampusLIVE, Inc.</b>	\$3,100,000	39%	\$4,900,000	\$8,000,000
<b>Us Trendy, Inc.</b>	\$1,000,000	41%	\$1,400,000	\$2,400,000

## Selected New England Series B and Later Round Transactions

Second Quarter 2011

Implied Pre-Money and Post-Money Valuations\*

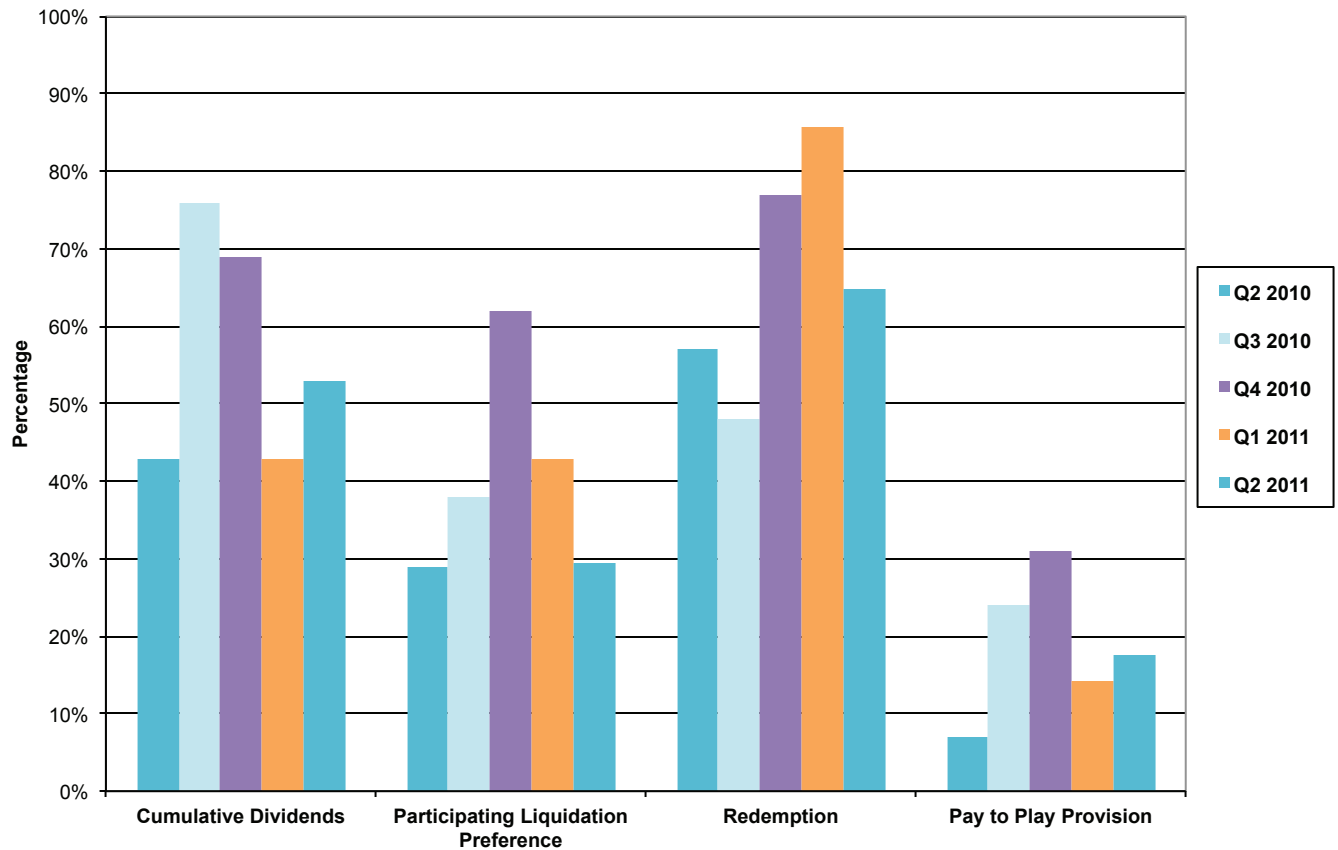
Company	Most recent round of preferred stock	Amount Raised	Percentage of Company owned by most recent round of preferred investors	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
<b>CLEANTECH</b>						
Agrivida Inc.	B+	\$2,000,000	2%	\$82,800,000	\$84,800,000	Even
General Compression, Inc.	B	\$54,000,000	17%	\$264,800,000	\$318,800,000	Up
WiTricity Corp.	D	\$12,000,000	11%	\$101,000,000	\$113,000,000	Up
<b>LIFE SCIENCES</b>						
Avedro, Inc.	D	\$25,500,000	39%	\$39,700,000	\$65,200,000	Up
Merrimack Pharmaceuticals, Inc.	F	\$77,000,000	8%	\$892,500,000	\$969,500,000	Up
NuOrtho Surgical, Inc.	C	\$1,700,000	4%	\$41,300,000	\$43,000,000	Up
Springleaf Therapeutics, Inc.	C	\$15,000,000	33%	\$30,300,000	\$45,300,000	Up
Tepha, Inc.	C	\$5,000,000	7%	\$62,500,000	\$67,500,000	Even
Tesaro, Inc.	B	\$101,000,000	30%	\$232,600,000	\$333,600,000	Up
Zafgen, Inc.	C	\$33,000,000	37%	\$56,700,000	\$89,700,000	Up
<b>TECHNOLOGY</b>						
AutoVirt, Inc.	B	\$5,000,000	39%	\$7,700,000	\$12,700,000	Down
Aylus, Inc.	D	\$16,200,000	28%	\$41,000,000	\$57,200,000	Down
Bit9, Inc.	B	\$12,500,000	25%	\$36,600,000	\$49,100,000	Up
Blue Cod Technologies, Inc.	C	\$3,000,000	14%	\$18,700,000	\$21,700,000	Down
Crimson Hexagon, Inc.	D	\$5,500,000	13%	\$37,200,000	\$42,700,000	Up
GreenBytes, Inc.	B	\$1,000,000	5%	\$18,100,000	\$19,100,000	Down
Lilliputian Systems, Inc.	B	\$11,100,000	14%	\$68,600,000	\$79,800,000	Down
MC10, Inc.	B	\$12,800,000	42%	\$17,800,000	\$30,600,000	Up
MedVentive, Inc.	C	\$1,500,000	8%	\$18,500,000	\$20,000,000	Down
PlumChoice, Inc.	G	\$15,500,000	9%	\$162,800,000	\$178,400,000	Up
QD Vision, Inc.	E	\$22,000,000	26%	\$61,700,000	\$83,700,000	Up
Qaltre, Inc.	B1	\$10,000,000	34%	\$19,300,000	\$29,300,000	Down
Silverrail Technologies, Inc.	B	\$5,000,000	38%	\$8,100,000	\$13,100,000	Down
Verdasys, Inc.	C	\$15,000,000	18%	\$67,900,000	\$82,900,000	Down
Vgo Communications, Inc.	B	\$4,300,000	14%	\$25,200,000	\$29,400,000	Up
Visible Measures Corp.	D	\$7,700,000	6%	\$120,600,000	\$128,300,000	Up

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
<b>OTHER</b>						
<b>FRX Polymers, Inc.</b>	B	\$6,400,000	7%	\$81,600,000	\$88,100,000	Up
<b>Helium, Inc.</b>	C	\$10,000,000	13%	\$65,300,000	\$75,300,000	Up
<b>Humedica, Inc.</b>	C	\$20,000,000	21%	\$75,800,000	\$95,800,000	Up
<b>IdeaPaint, Inc.</b>	D	\$5,000,000	13%	\$34,900,000	\$39,900,000	Up
<b>Perkstreet Financial, Inc.</b>	B	\$9,000,000	31%	\$20,200,000	\$29,200,000	Up
<b>PolyRemedy, Inc.</b>	C	\$20,000,000	43%	\$26,800,000	\$46,800,000	Down
<b>SavingStar, Inc.</b>	B	\$7,000,000	24%	\$22,600,000	\$29,600,000	Up
<b>Urban Interactions, Inc.</b>	B	\$1,600,000	7%	\$22,300,000	\$23,900,000	Up

*\*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.*

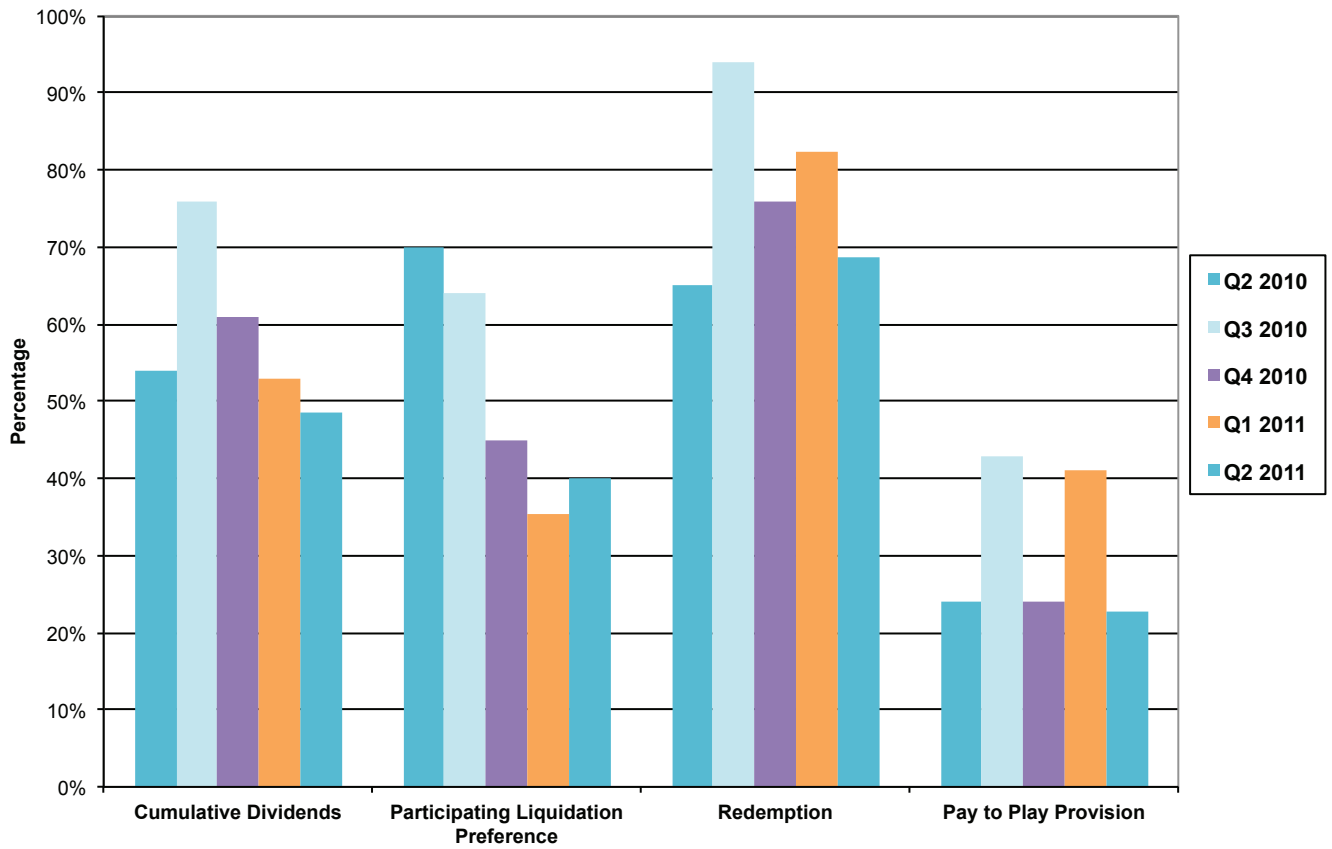
We can prepare a similar analysis across any group of transactions that our clients are interested in. For example, we could prepare analysis for a group of competitive companies so you can see what the implied valuations of your competitors are. If you would like additional information on this service,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

## Terms of Selected New England Series A Round Transactions 2010-2011



The chart above summarizes publicly available information about various terms included in the Certificates of Incorporation for Series A financings for companies headquartered in New England. For the purposes of this table we have focused solely on transactions that appeared to us, from the public filings, to be identifiable as Series A financings. We have excluded transactions that appeared to us to involve considerations and concerns different from those applicable in a typical Series A round, such as might occur, for example, in the case of a recapitalization. For this reason, the set of transactions described above may vary somewhat from the set of transactions described in the tables elsewhere in this publication. 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. Information included in the table above is based on information made publicly available by participants in the relevant transactions and is not comprehensive.

## Terms of Selected New England Series B and Later Round Transactions 2010-2011



The chart above summarizes publicly available information about various terms included in the Certificates of Incorporation for Series B and later round financings for companies headquartered in New England. For the purposes of this table we have focused solely on transactions that appeared to us, from the public filings, to be identifiable as Series B and later round financings. We have excluded transactions that appeared to us to involve considerations and concerns different from those applicable in a typical Series B or later round, such as might occur, for example, in the case of a recapitalization. For this reason, the set of transactions described above may vary somewhat from the set of transactions described in the tables elsewhere in this publication. We have selected terms to report on that we believe will be of particular interest to entrepreneurs. A definition of each of these terms can be found on our website. 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 Series A Transactions by Industry\*

Industry	2010				2011		Quarter ended June 30, 2010	Quarter ended June 30, 2011
	Q1	Q2	Q3	Q4	Q1	Q2		
Life Sciences								
Biopharma	13	16	8	15	13	26	16	26
Medical Device	12	10	13	18	11	21	10	21
Cleantech	6	4	2	7	9	2	4	2
Technology	34	34	47	62	53	61	34	61
Other	85	97	65	101	85	98	97	98
<b>Total</b>	150	161	135	203	171	208	161	208

\* Source: Dow Jones VentureSource

### National Series B and Later Round Transactions by Industry\*

Industry	2010				2011		Quarter ended June 30, 2010	Quarter ended June 30, 2011
	Q1	Q2	Q3	Q4	Q1	Q2		
Life Sciences								
Biopharma	41	66	56	59	36	43	41	43
Medical Device	47	58	46	51	45	53	47	53
Cleantech	24	29	18	25	21	25	24	25
Technology	22+	146	121	132	93	108	116	108
Other	137	180	152	172	188	219	137	219
<b>Total</b>	365	479	393	439	383	448	365	448

\* 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:



**Gil Arie**  
Partner  
garie@foleyhoag.com  
617 832 1781



**Dave Broadwin**  
Partner  
dbroadwin@foleyhoag.com  
781 895 5905



**Hemmie Chang**  
Partner  
hchang@foleyhoag.com  
617 832 1175



**Matt Eckert**  
Associate  
meckert@foleyhoag.com  
617 832 3057



**Mark Haddad**  
Partner  
mhaddad@foleyhoag.com  
617 832 1724



**Kanasha Herbert**  
Associate  
kherbert@foleyhoag.com  
617 832 1173



**Pia Owens**  
Associate  
powens@foleyhoag.com  
617 832 1739



**Dave Pierson**  
Partner  
dpierson@foleyhoag.com  
617 832 1146



**Paul Sweeney**  
Partner  
psweeney@foleyhoag.com  
617 832 1296



**Prithvi Tanwar**  
Associate  
ptanwar@foleyhoag.com  
617 832 3045



**Amanda Vendig**  
Associate  
avendig@foleyhoag.com  
781 895 5960



**Bob Warren**  
Associate  
rwarren@foleyhoag.com  
617 832 3075

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