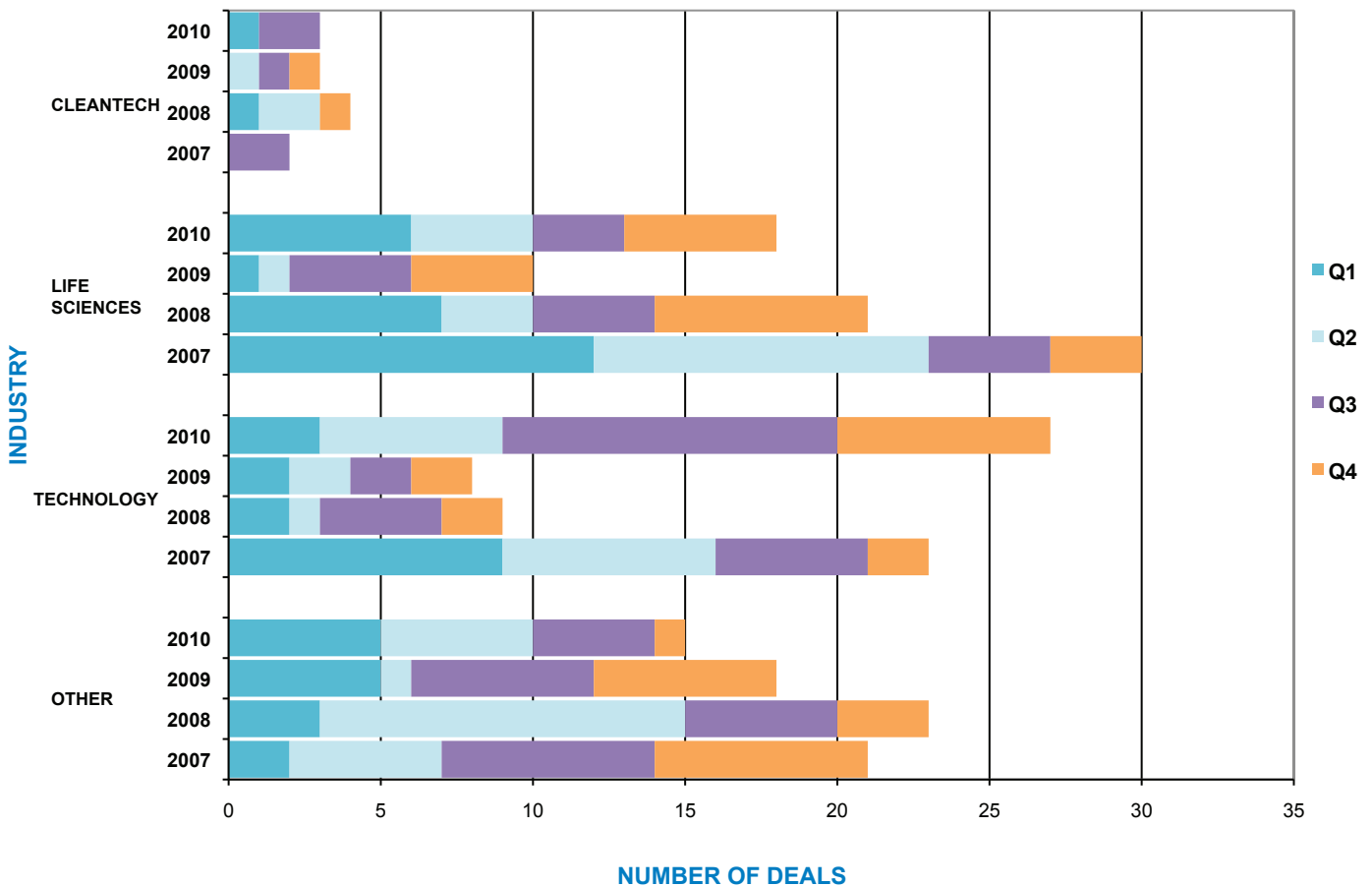


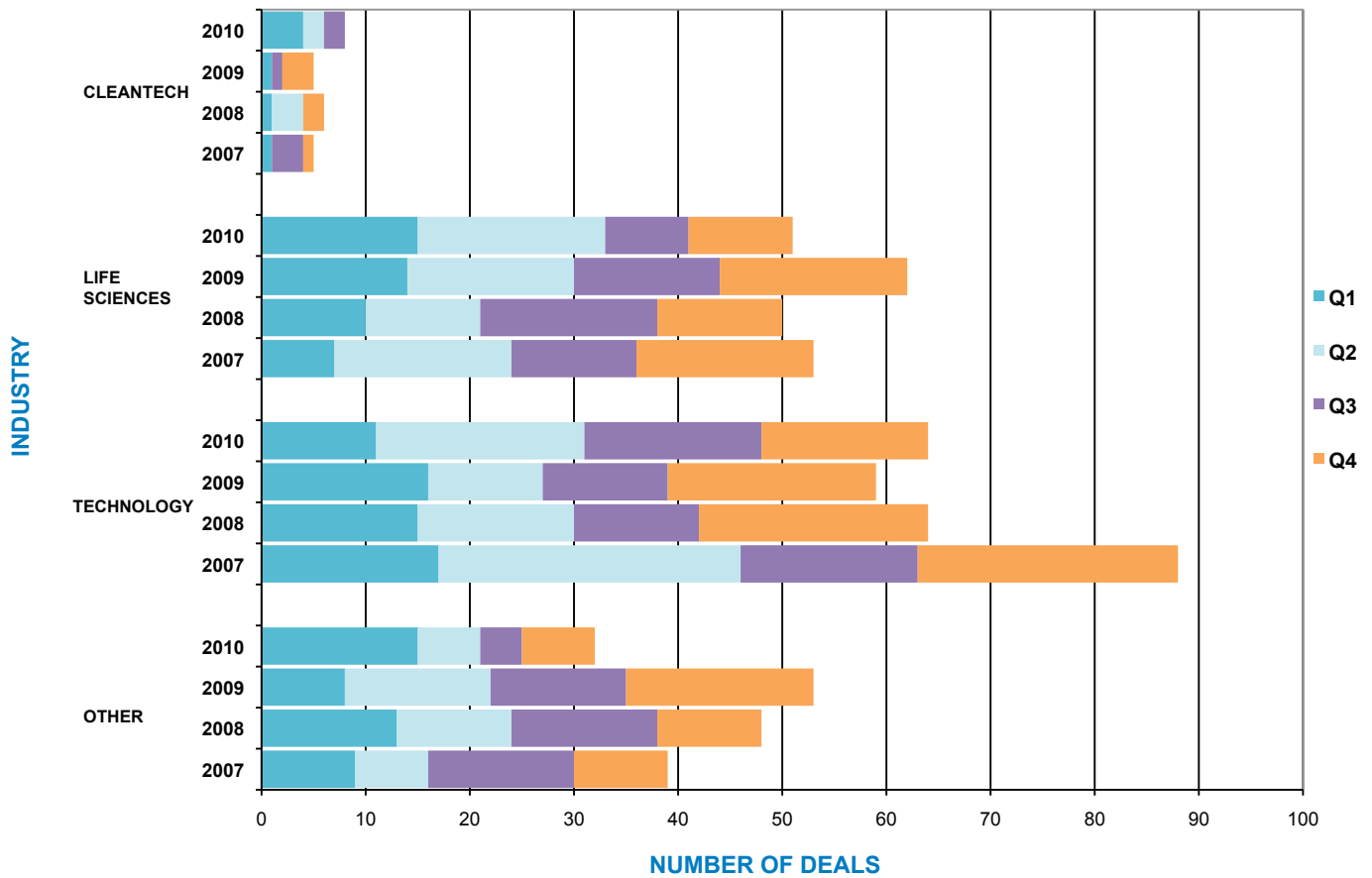


Quarterly and Annual Review of Series A and Series B/Later Round Financings: Q4 and Year 2010

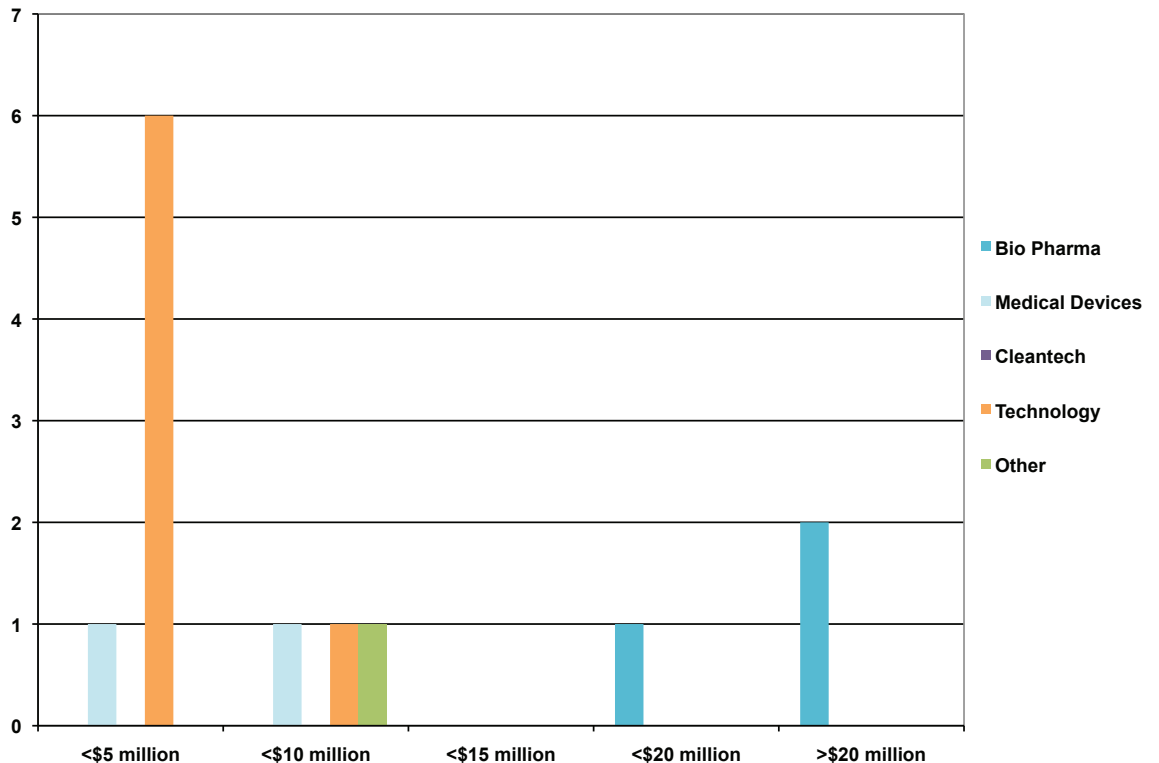
Activity Level of New England Series A Transactions



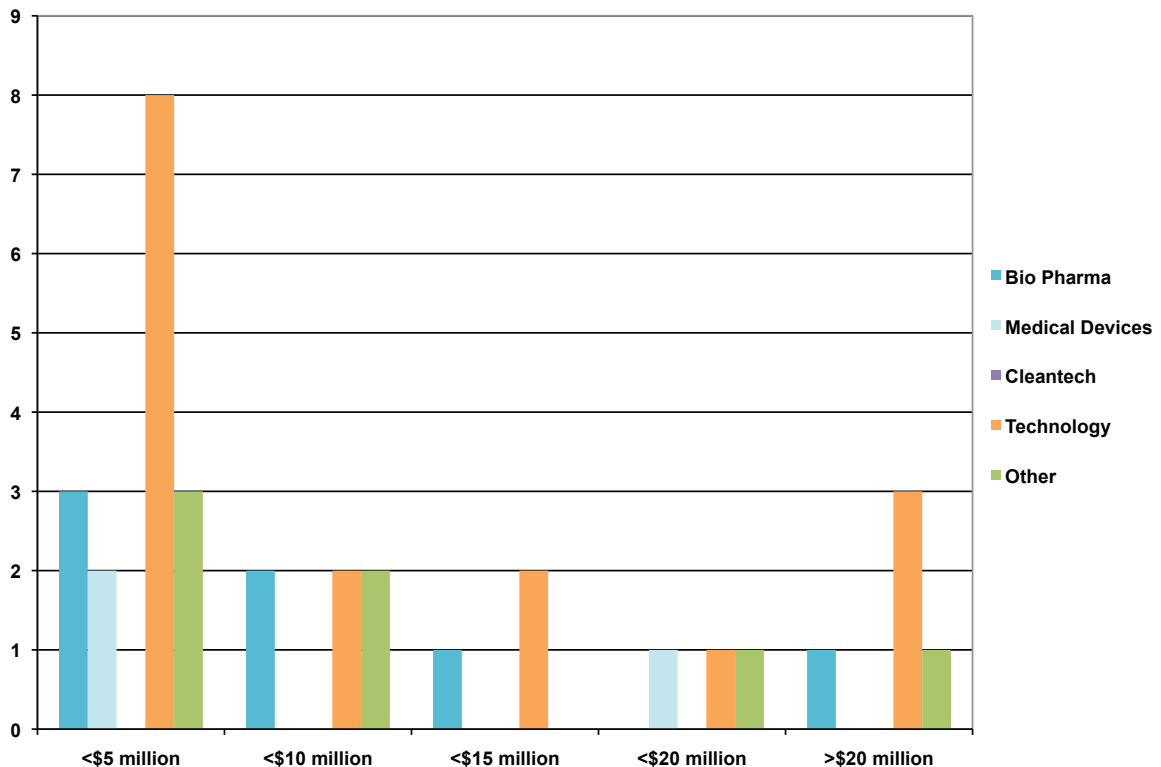
Activity Level of New England Series B and Later Round Transactions



Size of New England Q4 2010 Series A Transactions by Industry



Size of New England Q4 2010 Series B 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

Q4 2010

During Q4 2010, the total number of New England Series A transactions dropped 35% from Q3 2010 and returned to the Q4 2009 level. The technology and life science sectors showed the strongest performance, with technology accounting for 54% of the Q4 2010 total and life science for 38%. The “other” sector accounted for 8% of the Q4 2010 total. There were no cleantech transactions.

The total number of New England Series B/Later Round transactions during Q4 2010 increased 6% over Q3 2010 but decreased 44% from Q4 2009. The technology and life science sectors showed the strongest performance, accounting for 48% and 30% of the Q4 2010 total, respectively. The “other” sector accounted for 21% of the Q4 2010 total. Again, there were no cleantech transactions.

At the national level, the reported Q4 2010 information presents a different picture from the quarterly New England information. Nationally, the total number of Series A transactions increased 50% over Q3 2010 (compared to a 35% decrease in New England) and increased 6% over Q4 2009 (compared to no change in New England). The total number of Series B/Later Round transactions declined 1.1% from Q4 2009 (compared to a 6% increase in New England) and increased 12% over Q4 2010 (compared to a 44% 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 transaction represented by each of the various sectors. 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.

2010 Year

For the year, the total number of New England Series A transactions increased 62% over 2009, and the total number of New England Series B/Later Round transactions decreased 13% over 2009. Overall, the total number of transactions remained flat in 2010 compared to 2009, but the split between Series A and Series B/Later Round transactions changed significantly. In 2009, Series A transactions represented 18% of the total and Series B/Later Round transactions represented 82%. In 2010, Series A transactions represented 29% of the total and Series B/Later Round transactions represented 71%.

In contrast, at the national level the total number of Series A transactions for the year increased 38% over 2009, and the total number of Series B/Later Round transactions increased 14% from 2009. Overall, the total number of transactions nationally in 2010 increased 20% over 2009, and the split between Series A and Series B/Later Round transactions remained roughly comparable. In 2009, Series A transactions represented 24% of the total and Series B/Later Round transactions represented 76%. In 2010, Series A transactions represented 28% of the total and Series B/Later Round transactions represented 72%.

Deal Size

Slightly more than half of the New England Series A transactions during Q4 2010 involved investments under \$5 million, with technology deals constituting all but one of the deals in this category. Three New England Series A round transactions during Q4 2010 topped \$15 million invested, all in the bio-pharma sector.

Slightly less than 50% of the New England Series B/Later Round transactions during Q4 2010 involved investments under \$5 million, with technology deals accounting for half the total in this category. Eight New England Series B/Later Round transactions during Q4 2010 topped \$15 million invested, half of which were in the technology sector.

Implied Pre-Money Valuations

Series A Round

The reported New England Series A information for Q4 2010 presents the usual varied picture both across and within industry sectors:

Cleantech: There were no cleantech transactions.

Life Sciences: There were five life science transactions, with implied pre-money valuations ranging from \$6.6 million to \$16.0 million.

Technology: In the seven technology transactions, the implied pre-money valuations ranged from \$2.6 million to \$18.6 million.

Other: There was one transaction in the “other” category, with an implied pre-money valuation of \$18.3 million.

Series B/Later Round

The reported New England Series B/Later Round information for Q4 2010 also presents a varied picture across and within industry sectors:

Cleantech: There were no cleantech transactions.

Life Sciences: There were eight life science transactions, of which five were up rounds, one was an even round and two were down rounds. The implied pre-money valuations ranged from a low of \$1.4 million in a Series B down round to a high of \$65.7 million in Series B even round.

Technology: There were thirteen technology transactions, of which nine were up rounds, one was an even round, and three were down rounds. The implied pre-money valuations ranged from a low of \$11.0 million in a Series C down round to a high of \$76.5 million in a Series C up round.

Other: There were six transactions in the "other" category, of which two were up rounds, two were even rounds and two were down rounds. The implied pre-money valuations ranged from a low of \$2.4 million in a Series B down round to a high of \$731.0 million in a Series G up round.

Terms

The bar graph relating to terms for selected New England Series A transactions shows the following trends in Q4 2010 as compared to the comparable prior year quarter and the immediately preceding quarter:

- no meaningful change in the percentage of transactions with cumulative dividends as compared to the comparable prior year quarter and a decrease as compared to the immediately preceding quarter (69% in Q4 2010 versus 70% in Q4 2009 and 76% in Q3 2010);
- an increase in the percentage of transactions with a participating liquidation preference (62% in Q4 2010 versus 46% in Q4 2009 and 38% in Q3 2010);
- an increase in the percentage of transactions with a redemption provision (77% in Q4 2010 versus 68% in Q4 2009 and 48% in Q3 2010); and
- an increase in the percentage of transactions with a pay to play provision (31% in Q4 2010 versus 9% in Q4 2009 and 24% in Q3 2010).

The bar graph relating to terms for selected New England Series B/Later Round transactions shows the following trends in Q4 2010 as compared to comparable prior year quarter and the immediately preceding quarter:

- no change in the percentage of transactions with cumulative dividends as compared to the comparable prior year quarter and a decrease as compared to the immediately preceding quarter (61% in Q4 2010 versus 61% in Q4 2009 and 76% in Q3 2010);
- a decrease in the percentage of transactions with a participating liquidation preference (45% in Q4 2010 versus 61% in Q4 2009 and 64% in Q3 2010);
- no meaningful change in the percentage of transactions with a redemption provision as compared to the comparable prior year quarter and a decrease as compared to the immediately preceding quarter (76% in Q4 2010 versus 75% in Q4 2009 and 94% in Q3 2010); and
- an increase in the percentage of transactions with a pay to play provision as compared to the comparable prior year quarter and a decrease as compared to the immediately preceding quarter (24% in Q4 2010 versus 19% in Q4 2009 and 43% in Q3 2010).

Conclusion

There are some significant positive signs for venture financing currently, particularly at the national level:

- During 2010 there was a significant uptick in deal activity nationally.
- Thomson Reuters and the National Venture Capital Association have reported that exit activity for venture-backed companies showed significant improvement in 2010. There were 420 venture-backed M&A exits in 2010 versus 273 in 2009, and 72 venture-backed IPOs in 2010 versus 12 in 2009. The M&A exit total for 2010 was the highest by number of deals since Thomson Reuters and the NVCA started keeping records in 1985. The IPO activity level in 2010 was the highest since 2007, and the number of IPOs in Q4 2010 was more than twice as many as in Q3 2010.
- According to Thomson Reuters and the National Venture Capital Association, venture-backed M&A exits with reported values greater than 4X the venture investment represented 45% of the 2010 total, while those with reported values less than 1X the venture investment represented 22% of the 2010 total.

The increased exit activity is a particularly welcome sign, since exits are a critical part of the venture capital funding cycle. However, the level of venture capital fundraising activity continues to be a source of concern. Capital commitments were down 6% in Q4 2010 compared to Q3 2010. In addition, Thomson Reuters and the National Venture Capital Association have reported that by dollars raised, 2010 marked the fourth consecutive year of declines and the slowest annual period for fundraising since 2003.

Selected New England Series A Round Transactions

Fourth Quarter 2010

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
LIFE SCIENCES				
Corregidor Therapeutics, Inc.	\$23,500,000	64%	\$13,500,000	\$37,000,000
Daktari Diagnostics, Inc.	\$1,800,000	22%	\$6,600,000	\$8,400,000
Karyopharm Therapeutics Inc.	\$20,900,000	60%	\$14,100,000	\$35,000,000
Solx, Inc.	\$7,200,000	37%	\$16,000,000	\$23,200,000
Verastem, Inc.	\$16,000,000	53%	\$14,000,000	\$30,000,000
TECHNOLOGY				
Cloud Bees, Inc.	\$4,300,000	28%	\$11,300,000	\$15,600,000
Cquotient, Inc.	\$3,000,000	29%	\$7,200,000	\$10,200,000
Envista Corporation	\$4,100,000	57%	\$4,900,000	\$9,000,000
Fluent Mobile, Inc.	\$5,500,000	23%	\$18,600,000	\$24,100,000
Krush, Inc.	\$2,000,000	25%	\$6,000,000	\$8,000,000
NimbusDB, Inc.	\$2,000,000	45%	\$2,600,000	\$4,600,000
SepSensor Inc.	\$2,600,000	23%	\$8,500,000	\$11,100,000
OTHER				
Moobella, Inc.	\$9,000,000	33%	\$18,300,000	\$27,300,000

Selected New England Series B and Later Round Transactions

Fourth Quarter 2010

Implied Pre-Money and Post-Money Valuations*

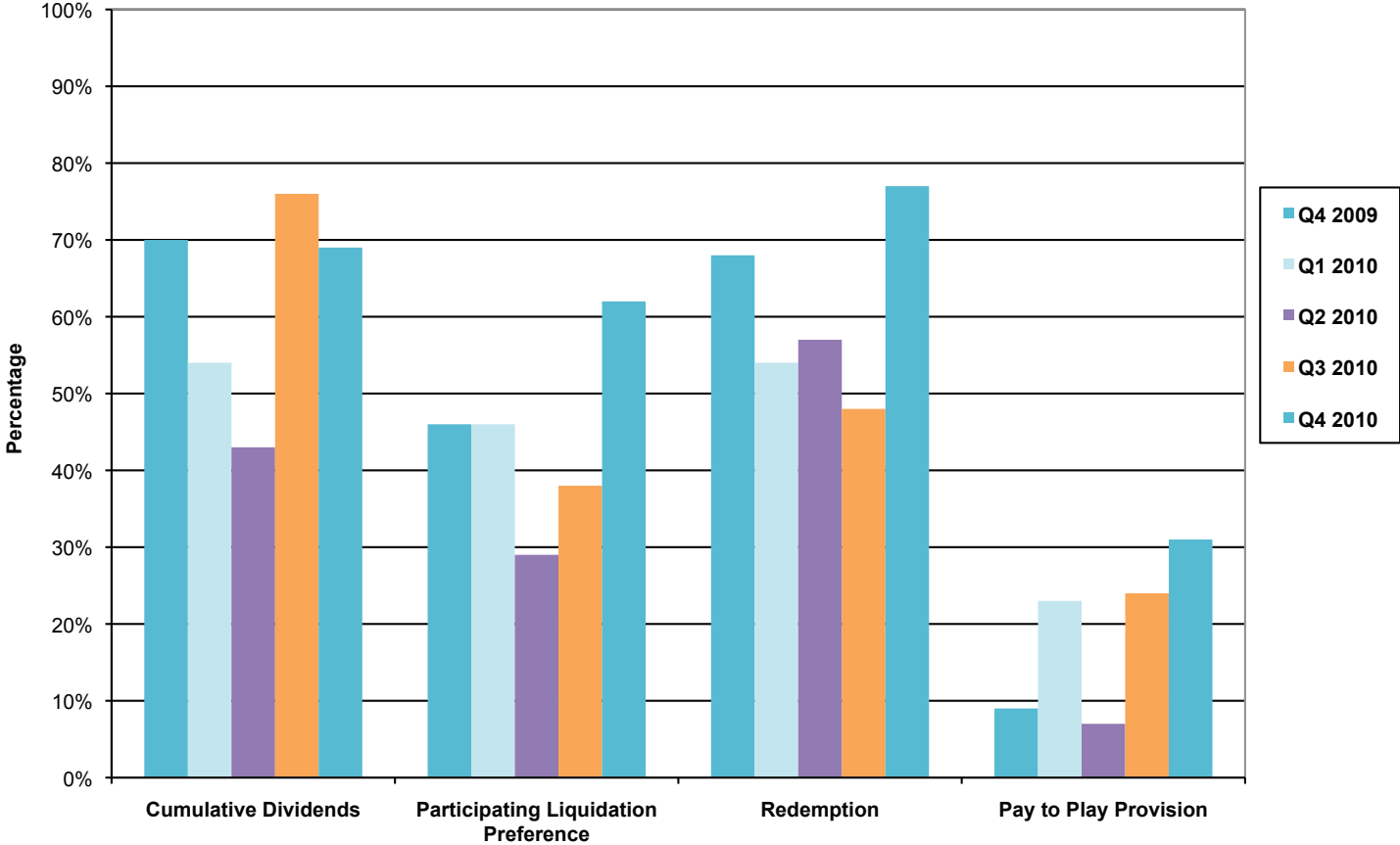
Company	Most recent round of preferred stock	Amount raised	Percentage of Company owned by most recent round of preferred investors	Pre-money valuation of Company	Post-money valuation of Company	Up or Down Round
LIFE SCIENCES						
Beech Tree Labs, Inc.	B	\$1,800,000	3%	\$65,700,000	\$67,500,000	Even
Exogenesis Corporation	B	\$3,200,000	8%	\$37,300,000	\$40,500,000	Up
Follica, Incorporated	B-1	\$13,200,000	38%	\$21,200,000	\$34,400,000	Up

Company	Most recent round of preferred stock	Amount raised	Percentage of Company owned by most recent round of preferred investors	Pre-money valuation of Company	Post-money valuation of Company	Up or Down Round
iWalk, Inc.	C	\$15,500,000	24%	\$49,300,000	\$64,800,000	Up
Neograft Technologies, Inc.	B	\$3,000,000	12%	\$21,800,000	\$24,800,000	Up
Semprus Biosciences Corp	B	\$9,000,000	22%	\$31,700,000	\$40,700,000	Down
Setpoint Medical Corporation	B	\$5,000,000	12%	\$37,300,000	\$42,300,000	Up
Pathogenetix, Inc.	B	\$1,500,000	52%	\$1,400,000	\$2,900,000	Down
TECHNOLOGY						
8D World, Inc.	B	\$5,200,000	26%	\$15,100,000	\$20,300,000	Even
Acquia Inc.	C	\$9,500,000	13%	\$65,900,000	\$75,400,000	Up
Care.com, Inc.	C	\$20,000,000	21%	\$76,500,000	\$96,500,000	Up
dynaTrace Software, Inc.	C	\$4,000,000	6%	\$59,100,000	\$63,100,000	Up
MyPerfectGig, Inc.	C	\$3,500,000	24%	\$11,000,000	\$14,500,000	Down
Nasuni Corporation	B	\$15,000,000	27%	\$40,600,000	\$55,600,000	Up
QuantumID Technologies, Inc.	C	\$700,000	2%	\$42,800,000	\$43,500,000	Up
Quick Hit, Inc.	C	\$2,500,000	9%	\$25,600,000	\$28,100,000	Up
Rave Wireless, Inc.	E	\$4,000,000	17%	\$19,900,000	\$23,900,000	Up
Rive Technology, Inc.	C	\$25,000,000	31%	\$56,100,000	\$81,100,000	Up
Sensorlogic, Inc.	E	\$4,900,000	33%	\$9,800,000	\$14,700,000	Down
Sonian Inc.	B	\$4,000,000	19%	\$17,300,000	\$21,300,000	Up
Zeo, Inc.	D	\$12,300,000	18%	\$57,100,000	\$69,400,000	Down
OTHER						
AutoVirt, Inc.	B	\$3,800,000	61%	\$2,400,000	\$6,200,000	Down
ConnectEdu, Inc.	E	\$7,100,000	9%	\$68,800,000	\$75,900,000	Even
Healthcaresource HR, Inc.	C	\$3,200,000	3%	\$108,000,000	\$111,200,000	Up
NetProspex Inc.	D	\$5,500,000	35%	\$10,200,000	\$15,700,000	Down
Skyworld Inc.	B	\$1,800,000	12%	\$13,600,000	\$15,400,000	Even
Zipcar, Inc.	G	\$30,000,000	4%	\$731,000,000	\$761,000,000	Up

**Figures shown in the Amount Raised, Pre-Money Valuation and 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.*

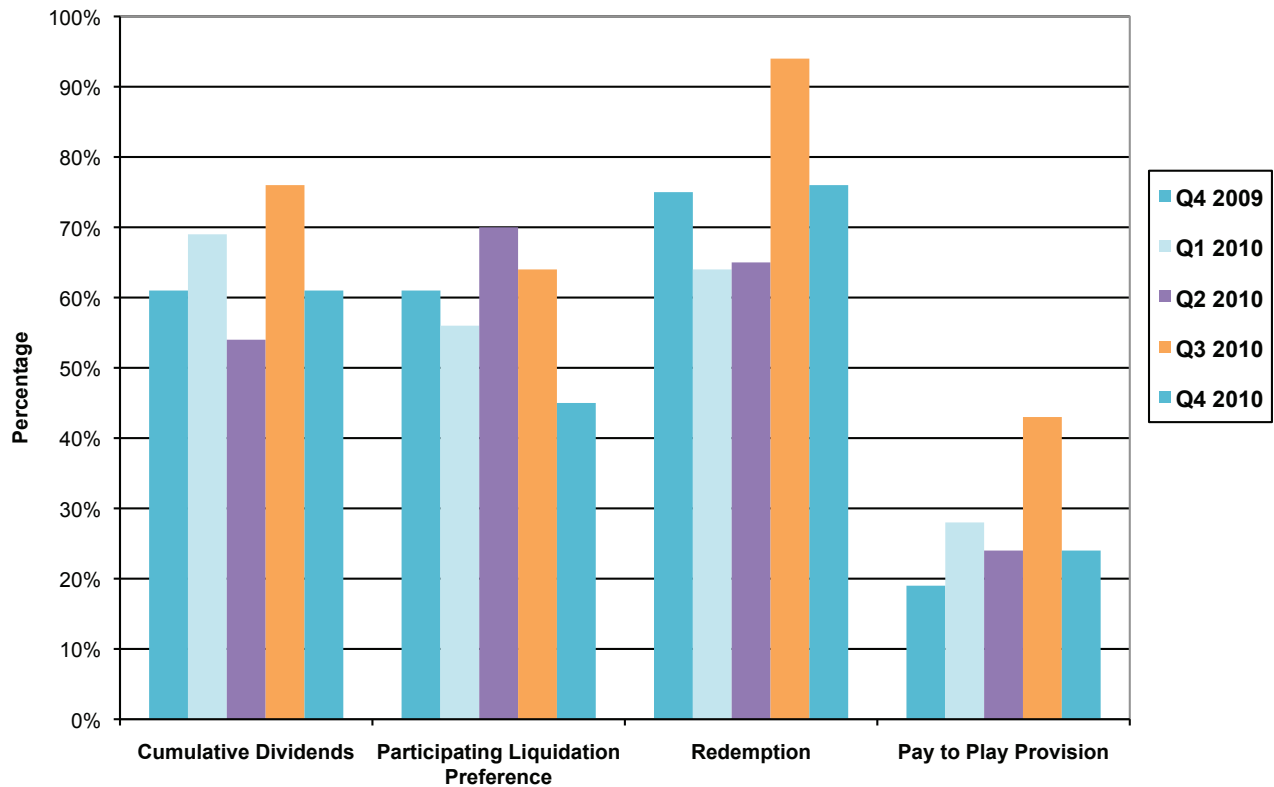
We can prepare a similar analysis across any group of transactions that our clients are interested in. For example, we could prepare analysis for a group of competitive companies so you can see what the implied valuations of your competitors are. If you would like additional information on this service, 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 Rounds 2009-2010



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. Each of these terms is linked to a description of that term 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 Rounds 2009-2010



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. Each of these terms is linked to a description of that term 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	2009				2010				Year ended December 30, 2009	Year ended December 30, 2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	9	4	17	19	13	16	8	15	49	52
Medical Device	4	7	17	15	12	10	13	18	43	53
Cleantech	3	5	7	14	6	4	2	7	29	19
Technology	22	13	30	49	34	34	47	62	114	177
Other	45	16	79	95	85	97	65	101	235	348
Total	83	45	150	192	150	161	135	203	470	649

* Source: Dow Jones VentureSource

National Series B and Later Round Transactions by Industry*

Industry	2009				2010				Year ended December 30, 2009	Year ended December 30, 2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	39	40	51	54	41	66	56	59	184	222
Medical Device	31	55	52	61	47	58	46	51	199	202
Cleantech	11	18	17	18	24	29	18	25	64	96
Technology	107	100	104	140	116	146	121	132	451	515
Other	112	125	160	171	137	180	152	172	568	641
Total	300	338	384	444	365	479	393	439	1466	1676

* 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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