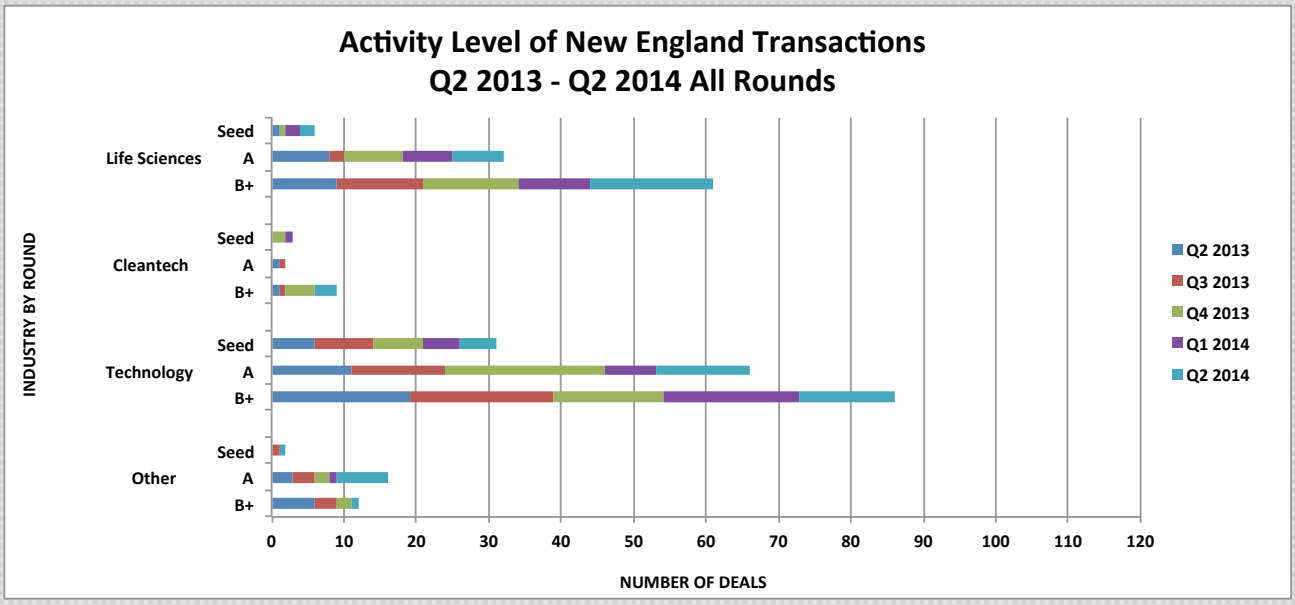
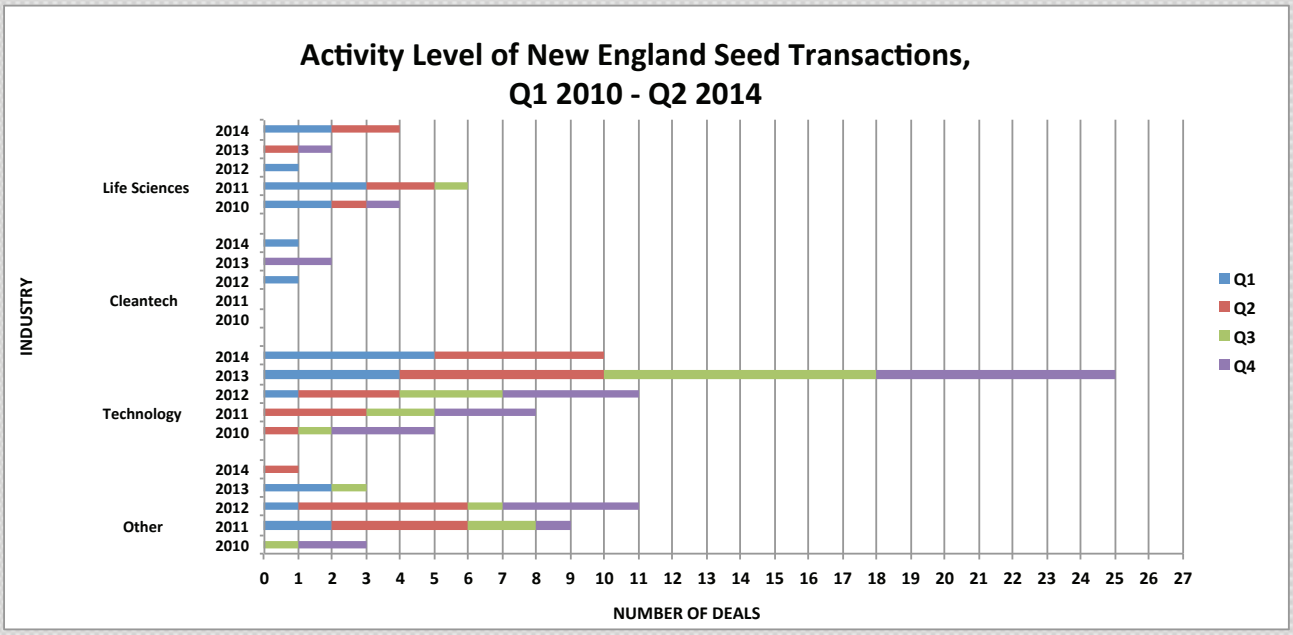
FOLEY HOAG LLP

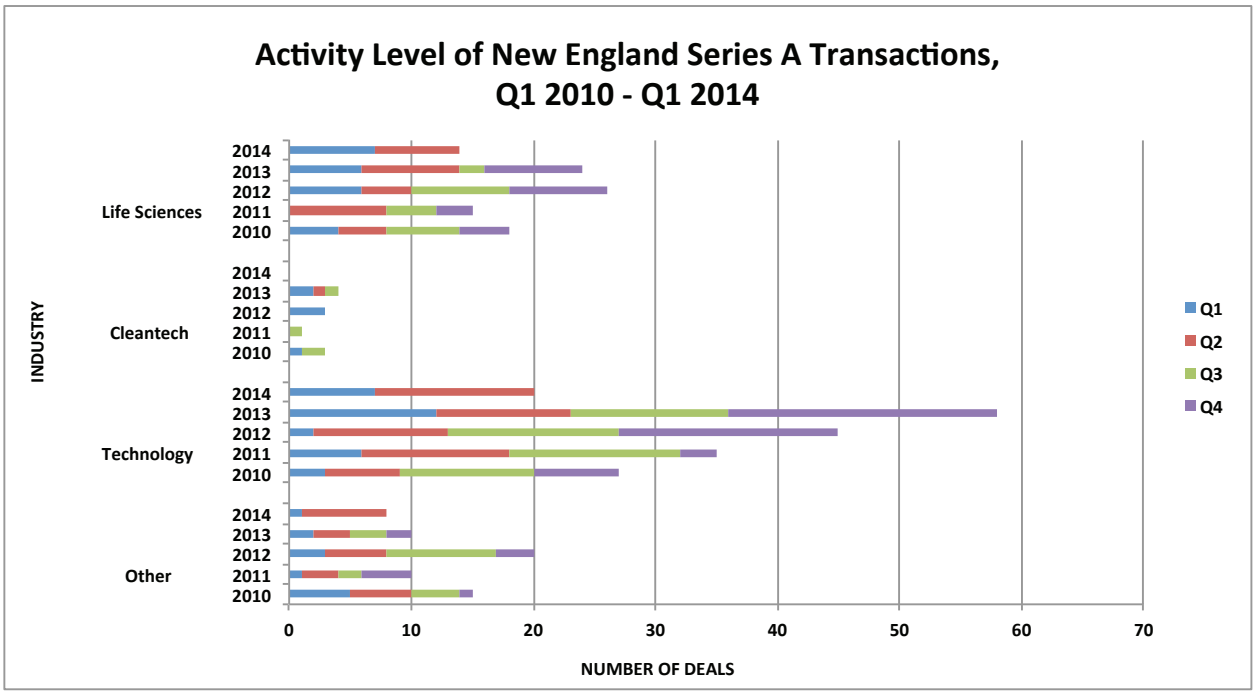
VENTURE PERSPECTIVES

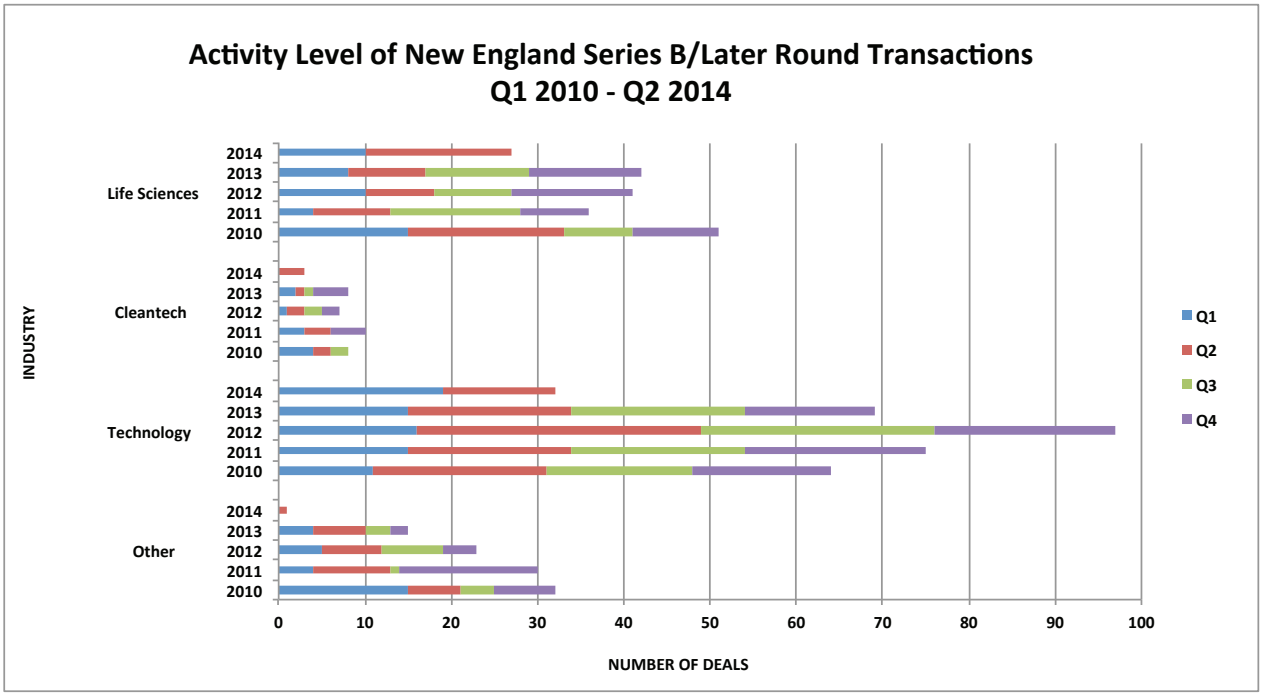
New England Outlook

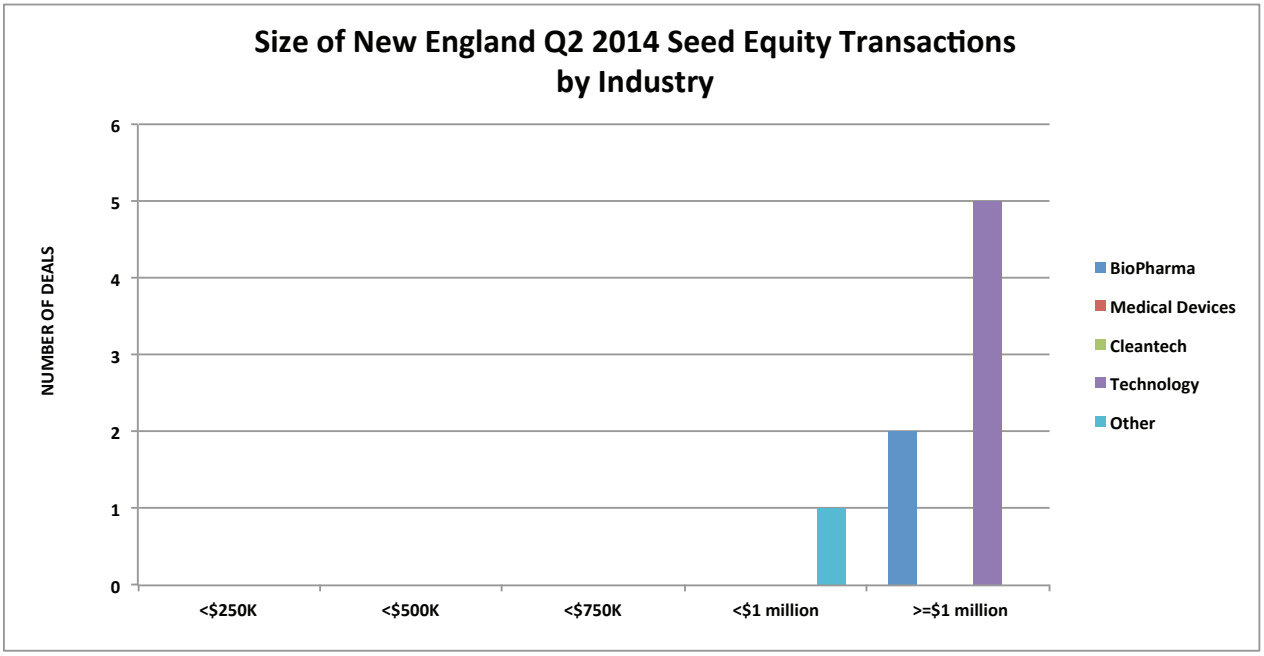
Quarterly Review of Seed, Series A and Series B/Later Round Financings: Second Quarter 2014

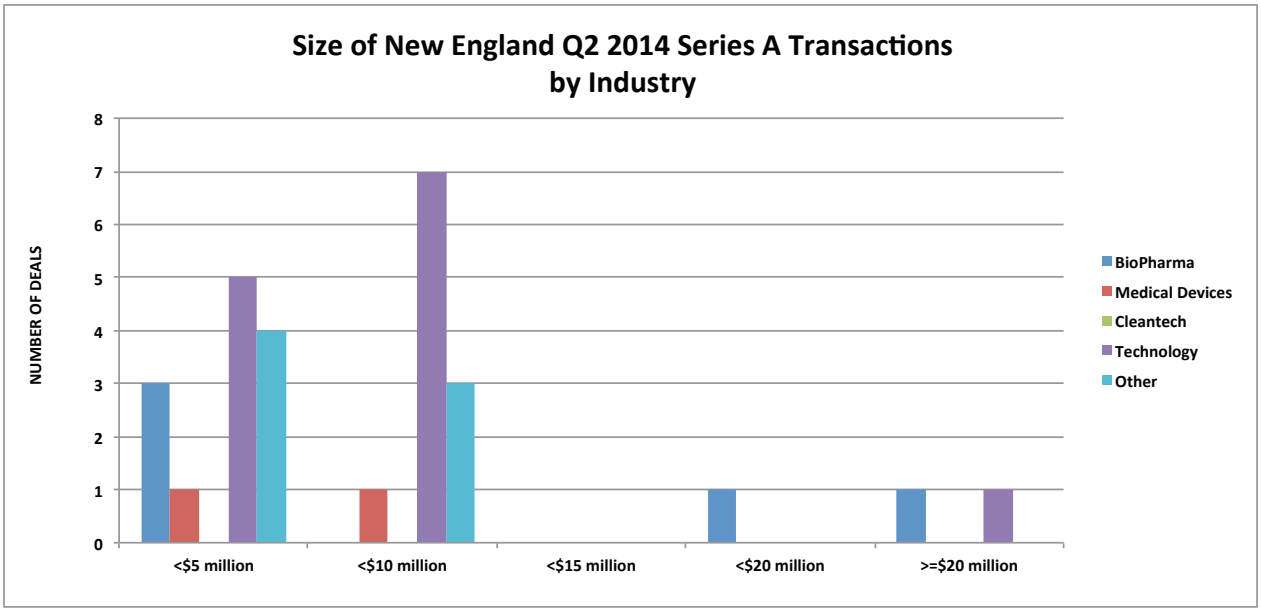


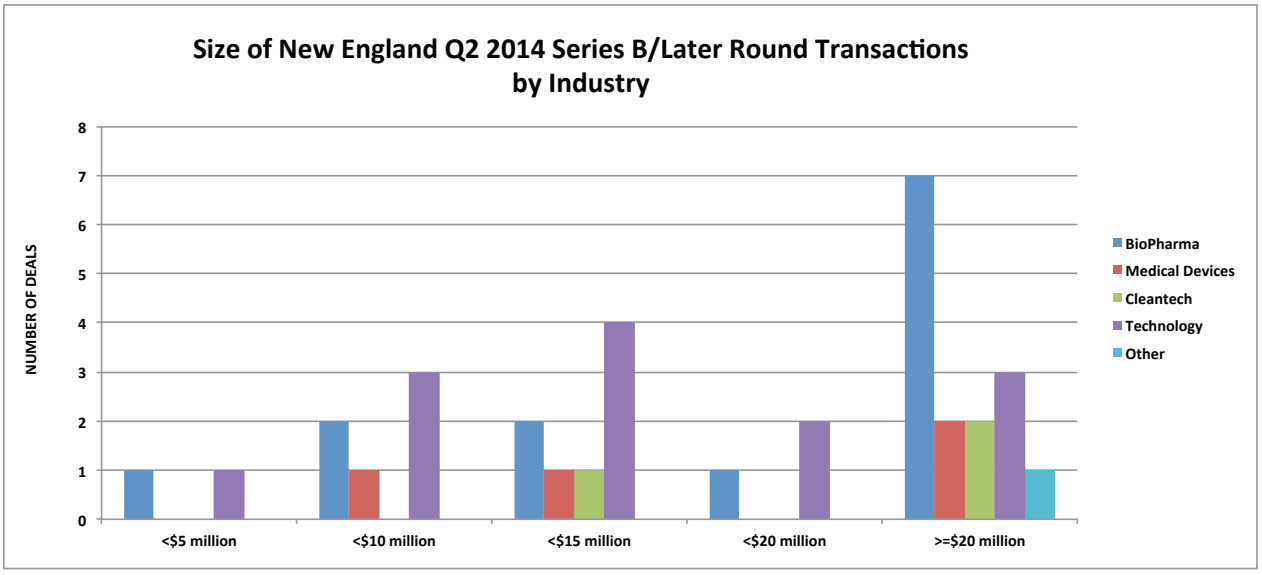



Activity Level of New England Series A Transactions,
Q1 2010 - Q1 2014
INDUSTRY
Life Sciences
Cleantech
Technology
Other
2014
2013
2012
2011
2010
0
10
20
30
40
50
60
70
NUMBER OF DEALS
Q1
Q2
Q3
Q4


Activity Level of New England Series B/Later Round Transactions
Q1 2010 - Q2 2014
INDUSTRY
Life Sciences
Cleantech
Technology
Other
2014
2013
2012
2011
2010
0
10
20
30
40
50
60
70
80
90
100
NUMBER OF DEALS
Q1
Q2
Q3
Q4


Size of New England Q2 2014 Seed Equity Transactions by Industry
NUMBER OF DEALS
0
1
2
3
4
5
6
<$250K
<$500K
<$750K
<$1 million
>=$1 million
BioPharma
Medical Devices
Cleantech
Technology
Other


Size of New England Q2 2014 Series A Transactions by Industry
NUMBER OF DEALS
0
1
2
3
4
5
6
7
8
<$5 million
<$10 million
<$15 million
<$20 million
>=$20 million
BioPharma
Medical Devices
Cleantech
Technology
Other



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*

	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended June 30, 2013**	**Quarter ended June 30, 2014**
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*

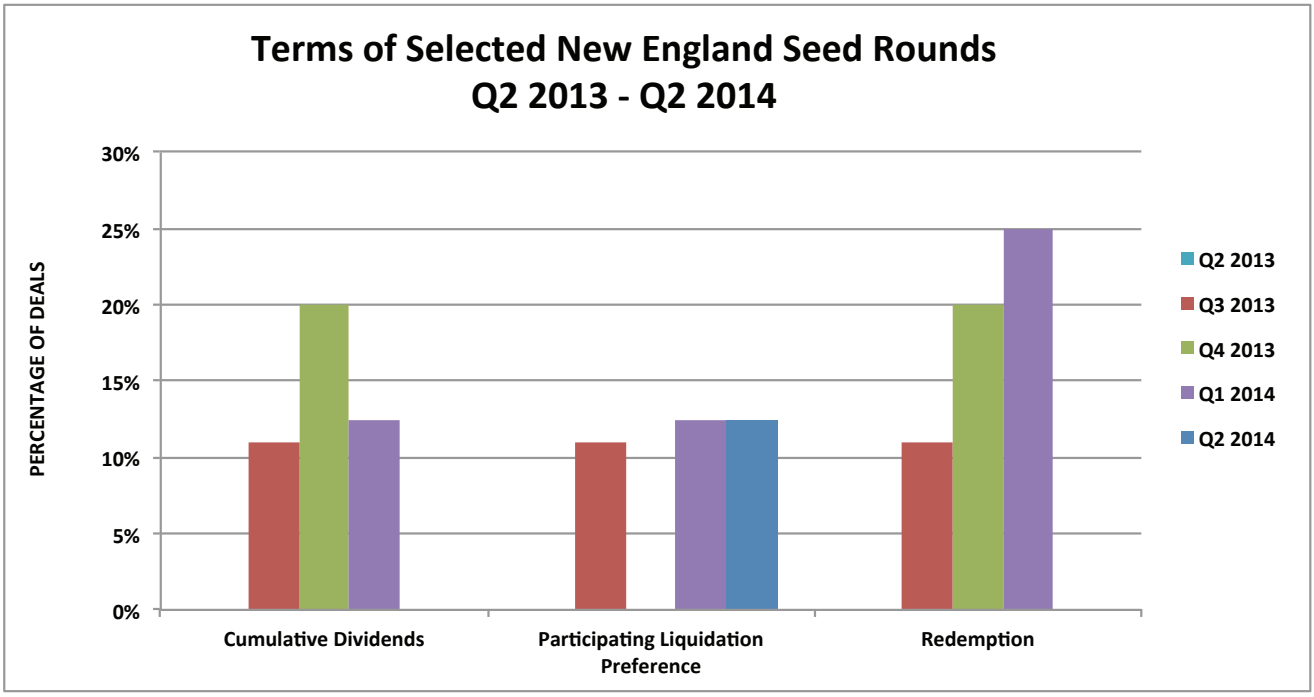
	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended June 30, 2013**	**Quarter ended June 30, 2014**
Life Sciences										
Biopharma	10	13	15	20	12	13			**13**	**13**
Medical Device	13	15	7	14	21	9			**15**	**9**
Cleantech	4	6	2	5	0	2			**6**	**2**
Technology	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

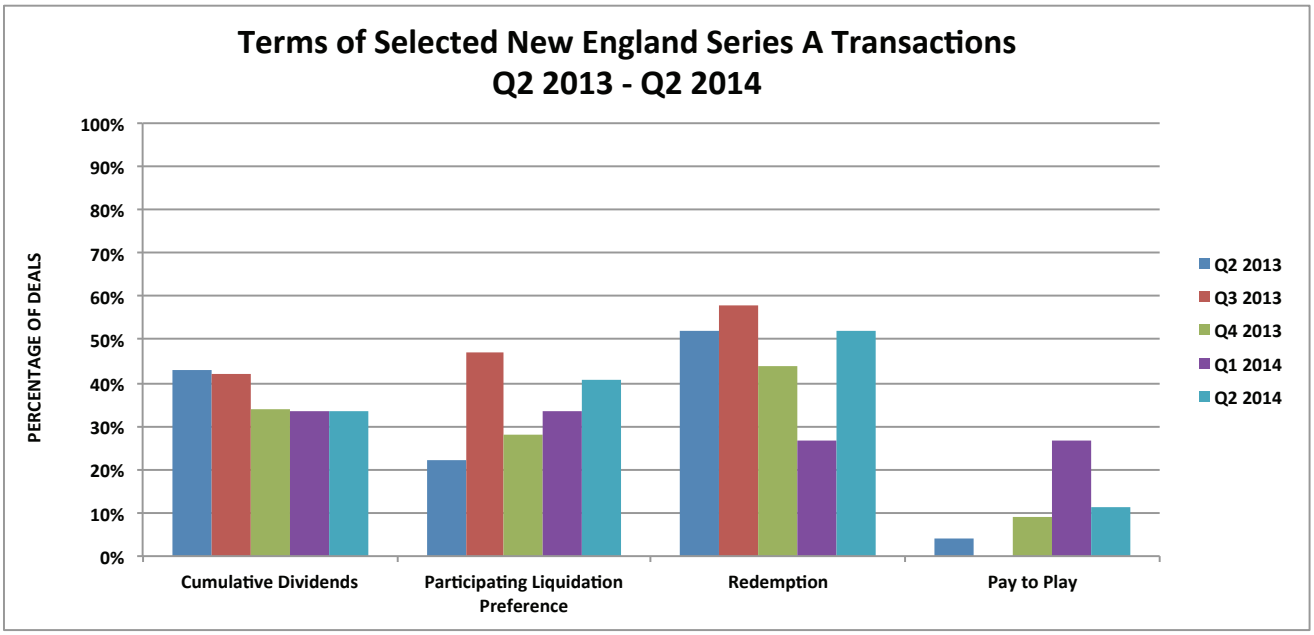
National Series B/ Later Round Transactions by Industry*

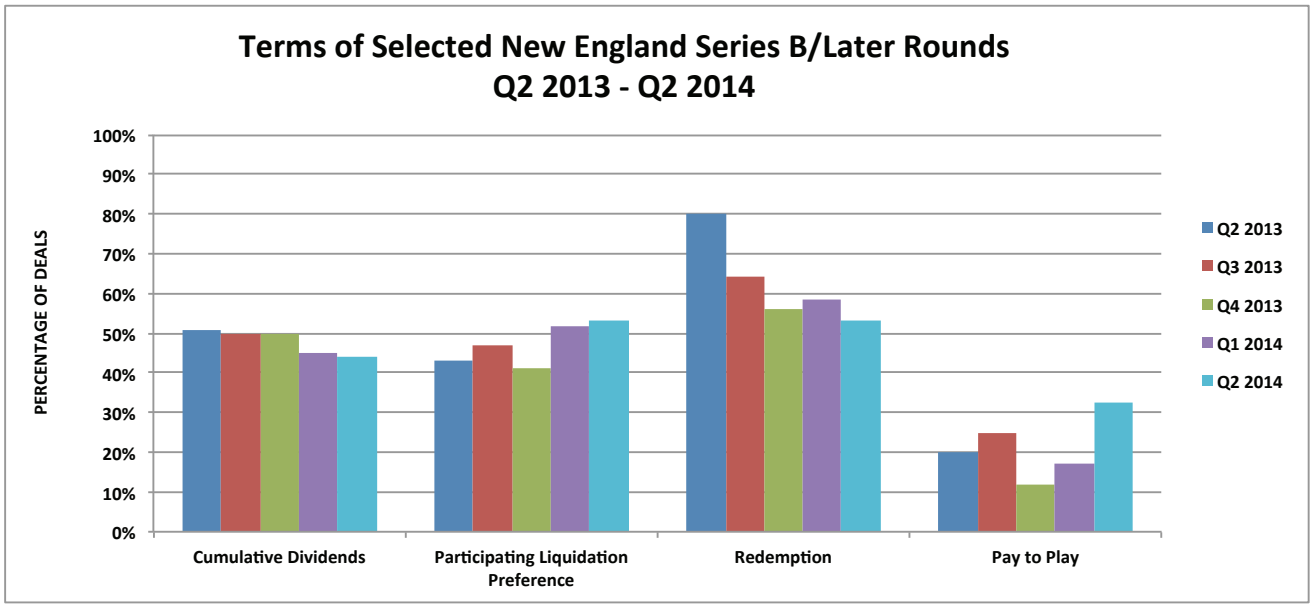
	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended June 30, 2013**	**Quarter ended June 30, 2014**
Life Sciences										
Biopharma	40	43	47	48	41	57			**43**	**57**
Medical Device	46	37	30	50	38	56			**37**	**56**
Cleantech	12	14	5	11	10	9			**14**	**9**
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
PERCENTAGE OF DEALS
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Cumulative Dividends
Participating Liquidation Preference
Redemption
Pay to Play
Q2 2013
Q3 2013
Q4 2013
Q1 2014
Q2 2014


Terms of Selected New England Series B/Later Rounds
Q2 2013 - Q2 2014
PERCENTAGE OF DEALS
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Cumulative Dividends
Participating Liquidation Preference
Redemption
Pay to Play
Q2 2013
Q3 2013
Q4 2013
Q1 2014
Q2 2014

FOLEY HOAG LLP

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



Hemmie 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

Lawyers driven to help you succeed

Foley Hoag is a dynamic law firm that represents public and private clients in a wide range of disputes and transactions worldwide. We have expertise in industries such as life sciences and healthcare, technology, energy and renewables, investment management, and professional services. We also offer our clients market-leading international litigation and arbitration and corporate social responsibility services. From our offices in Boston, Washington, D.C. and Paris, we provide strategic legal advice that is tailored to each of our clients' unique goals. Foley Hoag combines powerful regional, national and international practices that share a common emphasis on client service. We are focused on what we do best: helping our clients succeed through the delivery of exceptional legal service. For more information, visit www.foleyhoag.com.

This publication is for information purposes only and should not be construed as legal advice or legal opinion on any specific facts or circumstances. You are urged to consult your own lawyer concerning your own situation and any specific legal questions you may have. United States Treasury Regulations require us to disclose the following: Any tax advice included in this publication and its attachments is not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer.

This communication is intended for general information purposes and as a service to clients and friends of Foley Hoag LLP. This communication should not be construed as legal advice or a legal opinion on any specific facts or circumstances, and does not create an attorney-client relationship.

Attorney advertising. Prior results do not guarantee a similar outcome. © 2015 Foley Hoag LLP. All rights reserved.