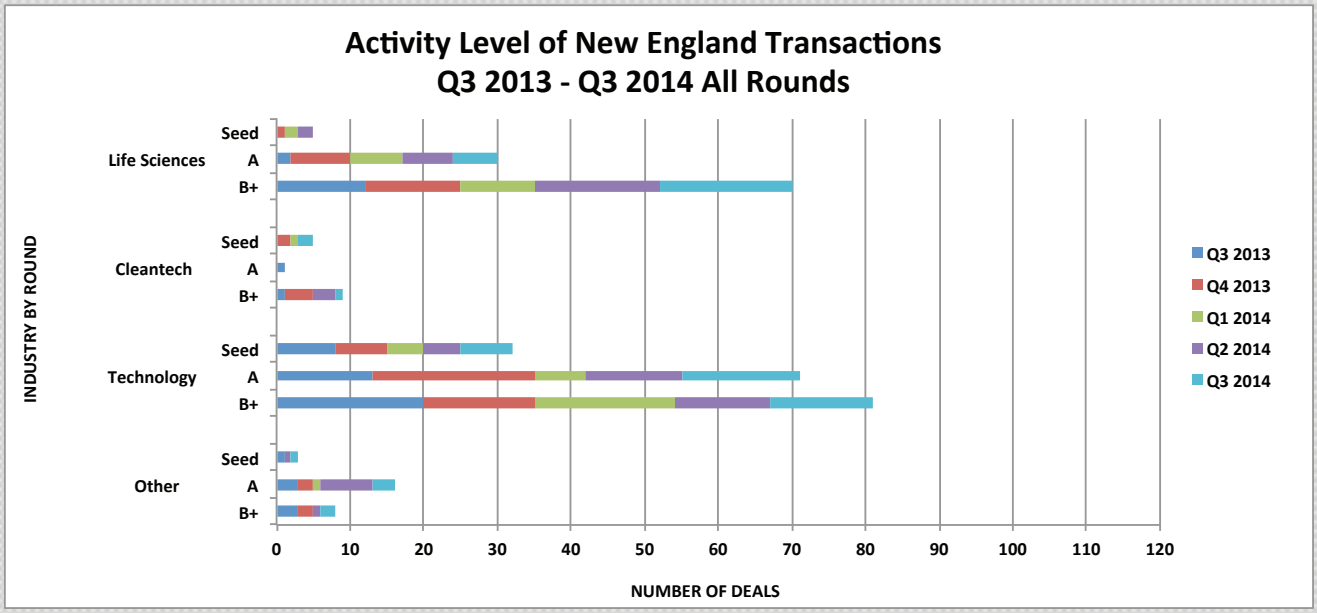
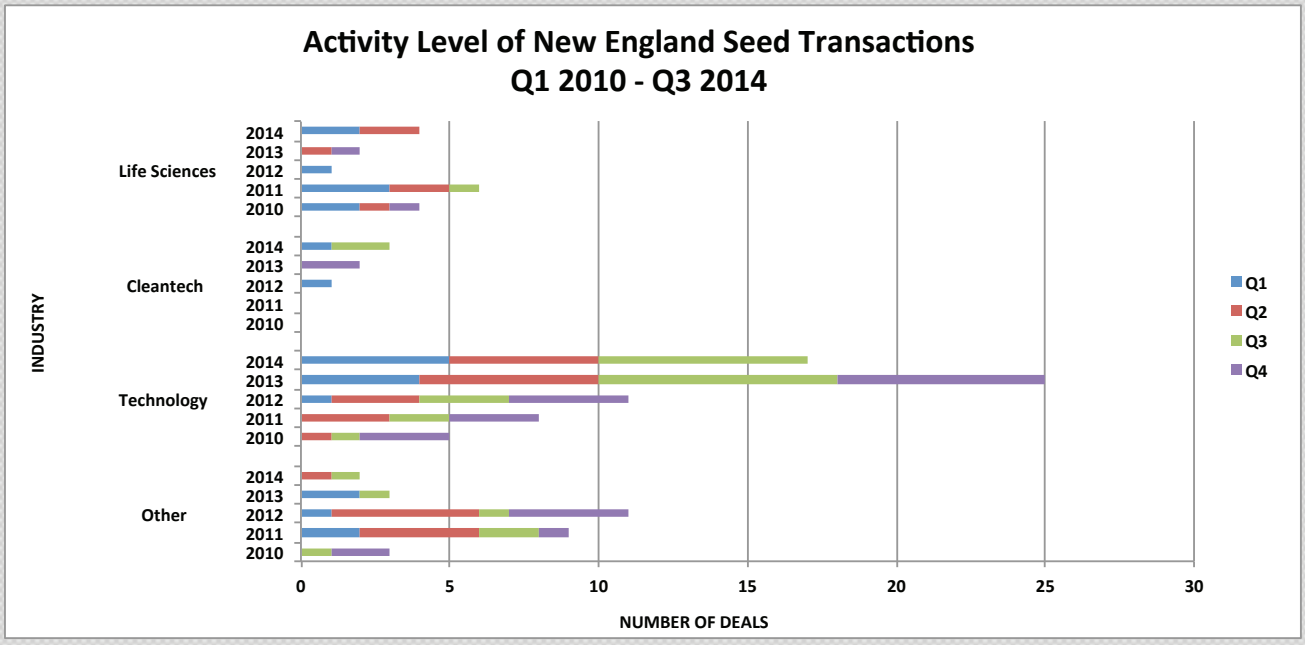
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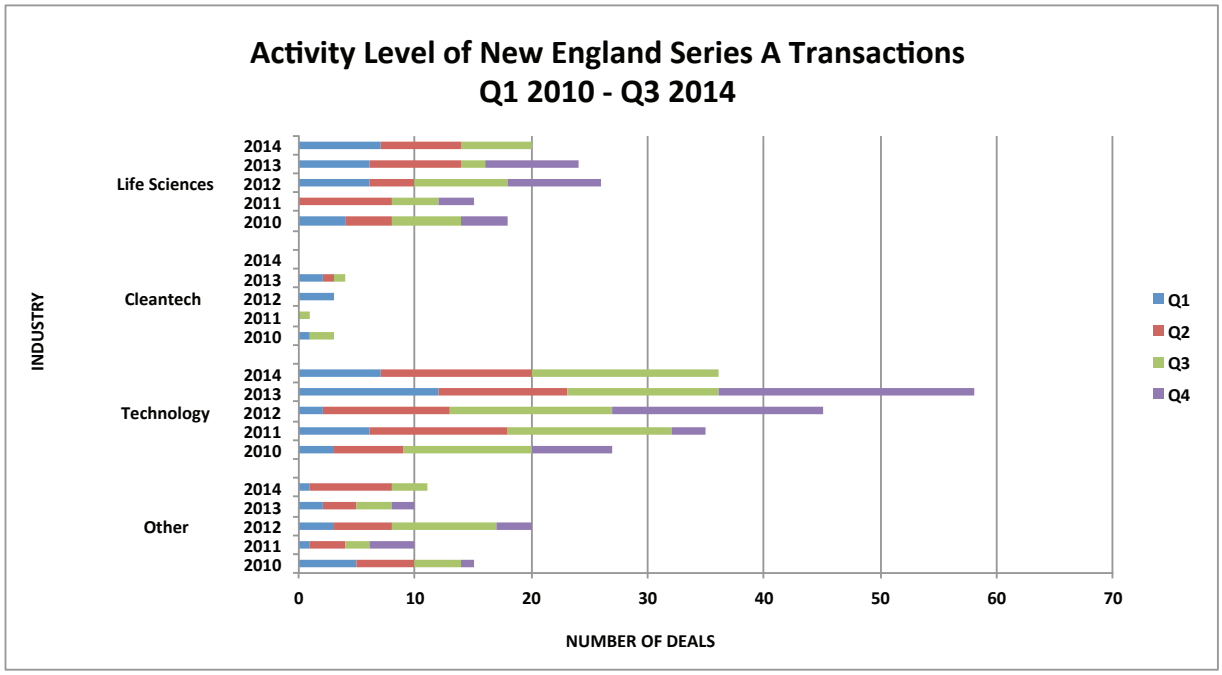
VENTURE PERSPECTIVES

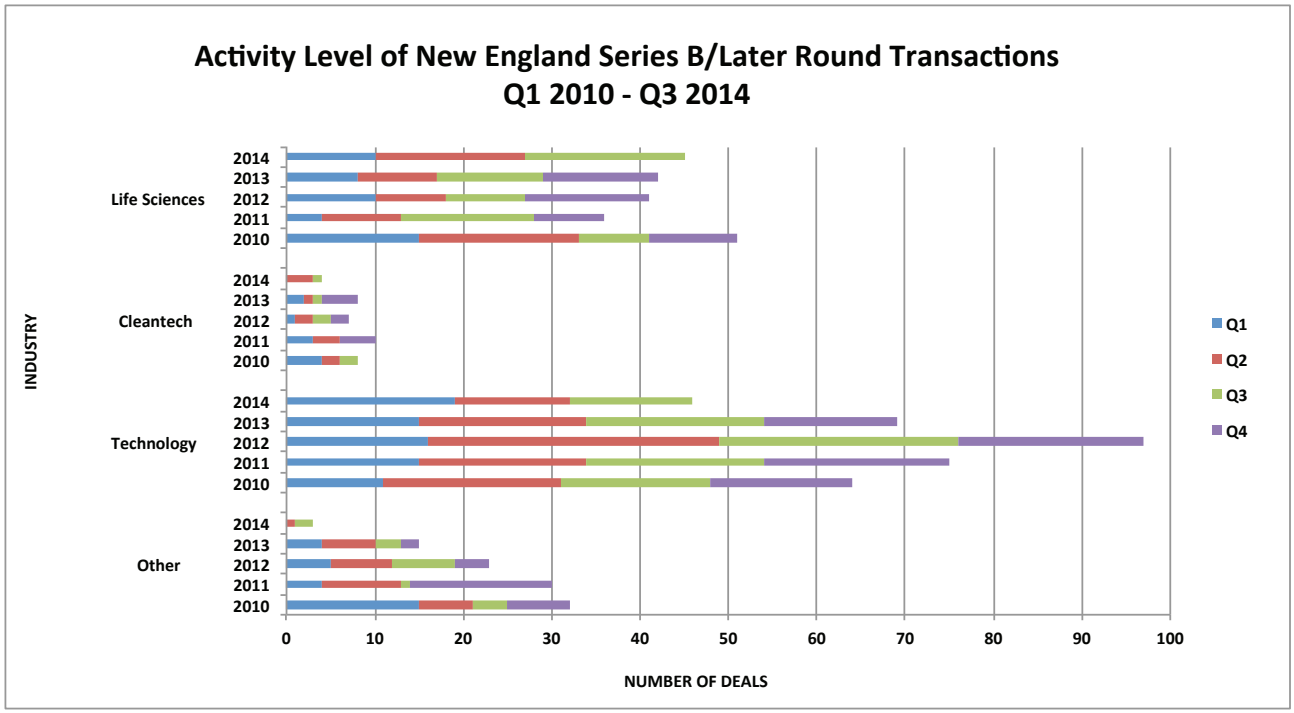
New England Outlook

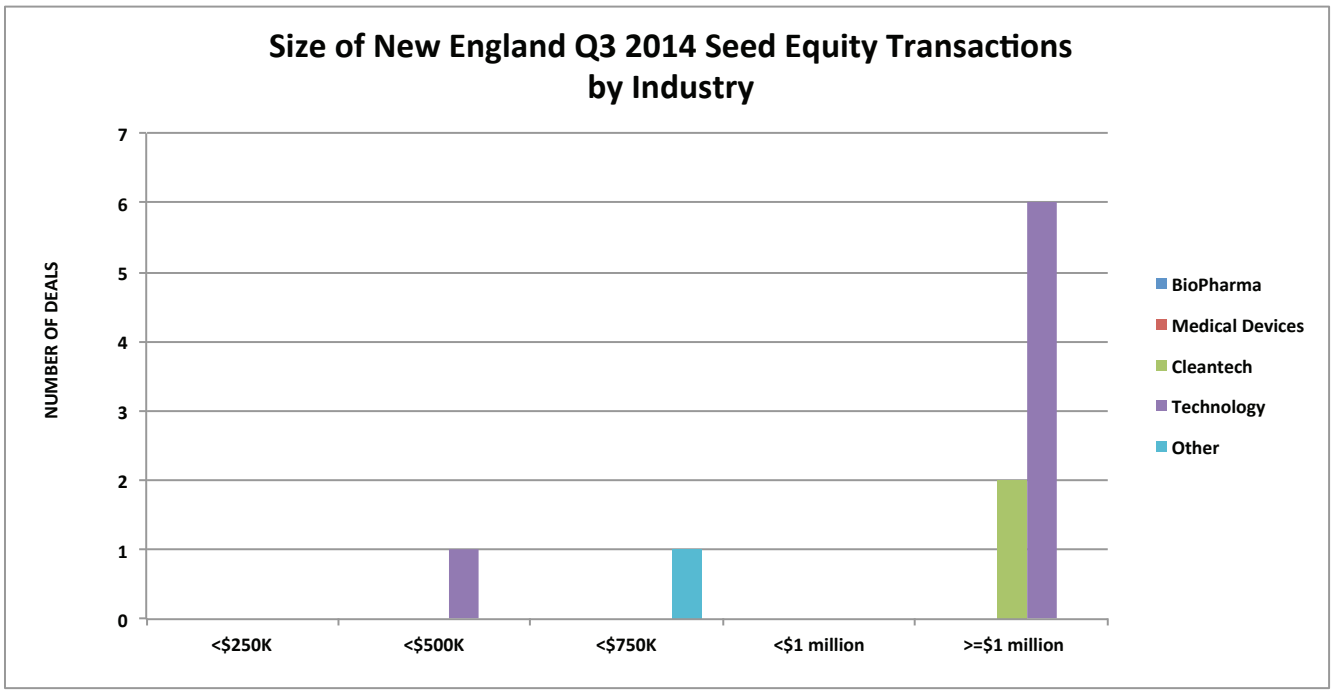
Quarterly Review of Seed, Series A and Series B/Later Round Financings: Third Quarter 2014

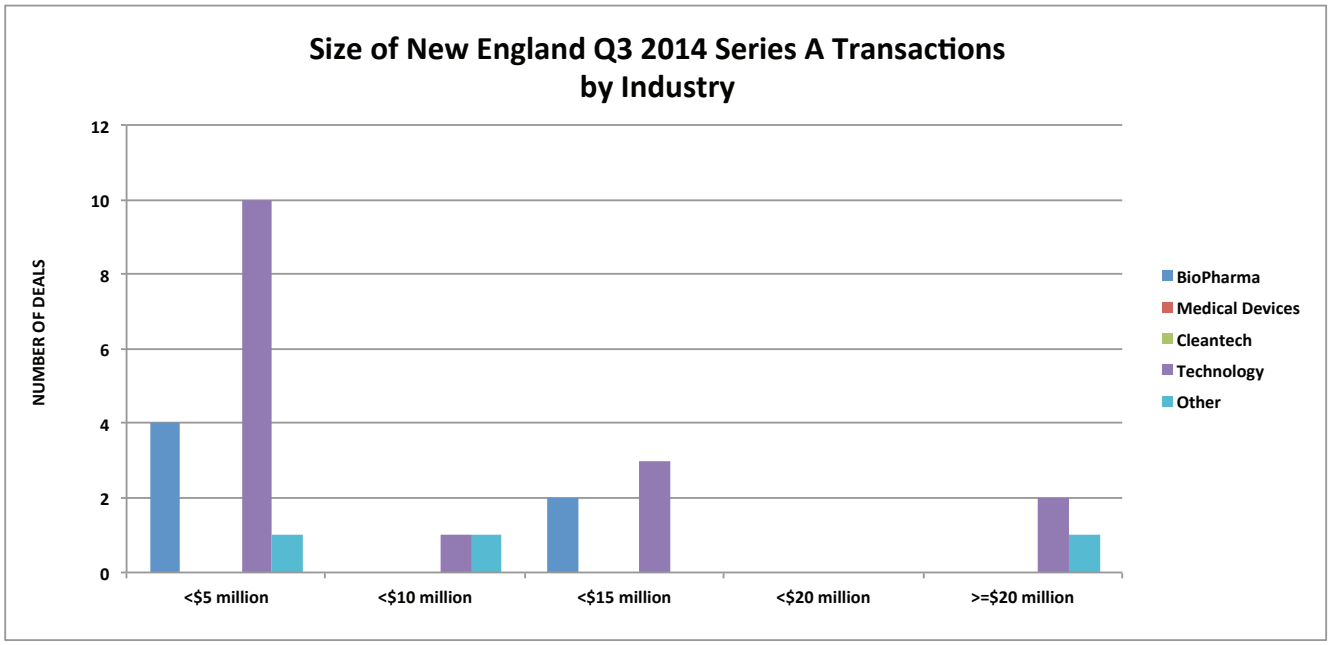


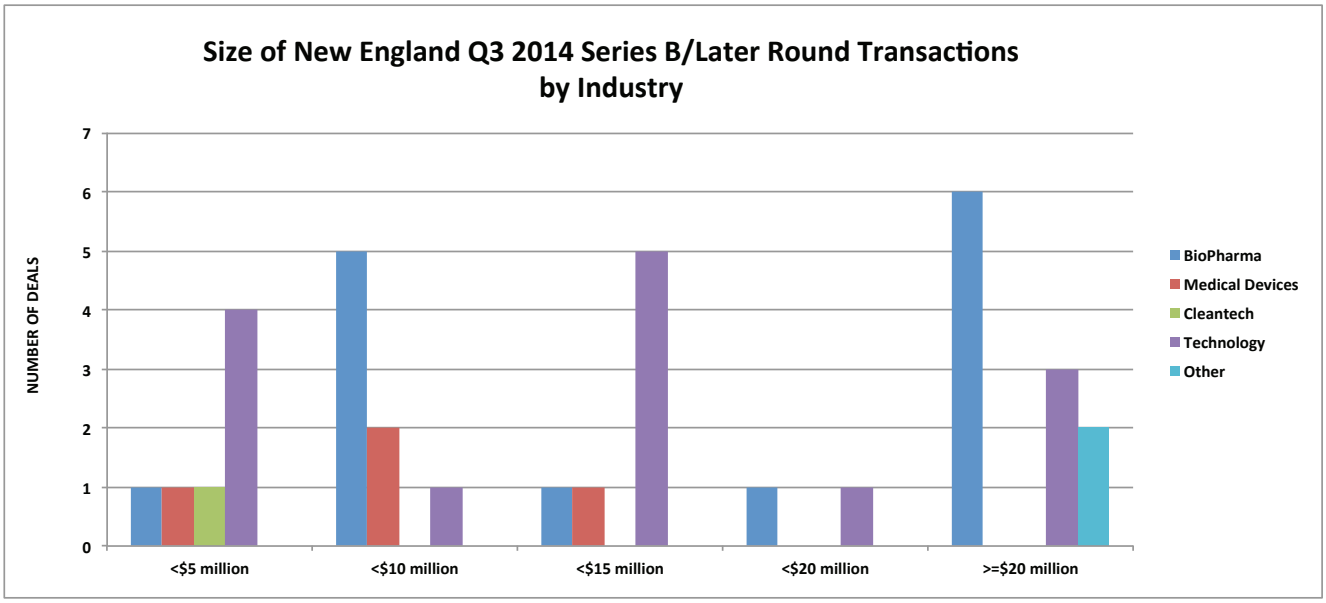



Activity Level of New England Series A Transactions
Q1 2010 - Q3 2014
INDUSTRY
Life Sciences
Cleantech
Technology
Other
2014
2013
2012
2011
2010
0
10
20
30
40
50
60
70
NUMBER OF DEALS
Q1
Q2
Q3
Q4


Activity Level of New England Series B/Later Round Transactions
Q1 2010 - Q3 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 Q3 2014 Seed Equity Transactions by Industry
NUMBER OF DEALS
0
1
2
3
4
5
6
7
<$250K
<$500K
<$750K
<$1 million
>=$1 million
BioPharma
Medical Devices
Cleantech
Technology
Other


Size of New England Q3 2014 Series A Transactions by Industry
NUMBER OF DEALS
0
2
4
6
8
10
12
<$5 million
<$10 million
<$15 million
<$20 million
>=$20 million
BioPharma
Medical Devices
Cleantech
Technology
Other



The Numbers

Venture financing activity in New England was essentially flat in the third quarter of 2014, with A and B/Later round activity showing activity levels consistent with Q2 2014 (7% decrease in A rounds; 3% increase in B/Later rounds) and Seed rounds increasing by 25% over Q2. As in the previous quarter, Life Sciences transactions accounted for half of all B/Later round deals during Q3 2014, and once again, more than half of all Seed and A rounds involved Technology companies over the same period.

Implied valuations were flat during Q3 as well, with the median valuation for B/Later round Life Sciences deals coming in at $45.4 million (as compared to $48.6 million in Q2 2014), and the median Series A valuation for Technology deals rising slightly to $13.3 million (up from $10.9 million in Q2 2014). Similar to Q2, nearly half of all Series A deals involved a raise of at least $5 million, and eight of the ten Seed equity deals that we reviewed involved more than $1 million of new money, likely due in large part to smaller Seed equity deals being underreported.

With regard to deal terms, Q3 observed a decrease in the percentage of Series A deals carrying each of three investor-friendly provisions: cumulative dividends (28%, down from 33% in Q2), participating liquidation preferences (28%, down from 41% in Q2), and redemption provisions (32%, down from 52% in Q2). Moreover, Q3 observed a decrease in the percentage of deals carrying participating liquidation preferences across all categories of financings: Seed deals (13% to 10%); Series A deals (41% to 28%); and Series B/Later round deals (53% to 31%), suggesting that this particular term is becoming less common across all stages of venture financing in New England.

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

Activity Levels

During Q3 2014, the total number of reviewed New England Seed equity transactions increased 25% over Q2 2014 and increased 11% over Q3 2013, although the typically modest size of this sample (10 transactions in Q3) tempers the significance of this particular trend. Technology companies received investment in 7 of these transactions; 2 transactions involved Cleantech companies; and 1 involved a company outside of our four industry categories (no Life Sciences Seed equity financings were reported during Q3).

As noted above, reviewed Series A transactions in New England during Q3 2014 were generally flat as compared to Q2 2014 (7% decrease) and up as compared to Q3 2013 (32% increase). Technology companies accounted for 64% of Q3 2014 Series A deals, with Life Sciences companies representing 24%, and "Other" companies representing 12% of these deals. For the fourth consecutive quarter, we did not review any Cleantech Series A transactions.

The total number of New England Series B/Later Round transactions during Q3 2014 was roughly flat as compared to Q2 2014 (3% increase) and Q3 2013 (3% decrease). More than half (51%) of all Series B/Later round transactions reviewed during Q3 involved Life Sciences companies, with Technology (40%), Other (6%), and Cleantech (3%), rounding out our four industry categories. As was the case in Q2 2014, Q3 observed a continued upward trend with respect to B/Later round Life Sciences transactions, which have increased in 5 of the previous 6 quarters, and have more than doubled since Q1 2013.

At the national level[1], the total number of Seed (equity and non-equity) transactions in Q3 increased by approximately 50% from Q2 2014 (compared to a 25% increase in Seed equity transactions in New England, as reported above) and decreased by about 20% over Q3 2013 (compared to an 11% increase in New England). The total number of Series A transactions nationally increased 6% over Q2 2014 (compared to a 7% decrease in New England) and increased 18% over Q3 2013 (compared to a 17% increase in New England). The total number of Series B/Later Round transactions nationally decreased 17% over Q2 2014 (compared to a 3% increase in New England) and increased 4% over Q3 2013 (compared to a 3% decrease in New England over the same period).

Deal Size

Of the New England Seed equity transactions we reviewed during Q3 2014, 80% involved investments of more than $1 million.

Of the New England Series A transactions we reviewed during Q3 2014, 60% involved investments of less than $5 million, and 12% involved investments of more than $20 million.

Of the New England Series B/Later Round transactions we reviewed during Q3 2014, 43% involved investments of less than $10 million and 31% involved investments of more than $20 million.

Implied Pre-Money Valuations

Seed Round. In the ten selected New England Seed equity transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from $600,000 to $21 million, with a median of $5.8 million. The results by industry sector were as follows:

- *Life Sciences:* There were no transactions reported.
- *Cleantech:* There were two transactions reported, with implied pre-money valuations of $1.5 million and $8.2 million, respectively.
- *Technology:* There were seven Technology transactions, with implied pre-money valuations ranging from $600,000 to $21.1 million, with a median of $6.5 million.
- *Other:* There was one "Other" transaction, with an implied pre-money valuation of $8.3 million.

Series A Round. In the twenty-five selected New England Series A transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from $2.6 million to $257 million, with a median of $12.5 million. The results by industry sector were as follows:

- *Life Sciences:* There were six Life Sciences transactions, with implied pre-money valuations ranging from $2.6 million to $47.7 million, with a median of $9.8 million.
- *Cleantech:* There were no transactions reported.
- *Technology:* There were sixteen Technology transactions, with implied pre-money valuations ranging from $7 million to $257 million, with a median of $13.3 million.
- *Other:* There were three transactions in the "Other" category, with implied pre-money valuations ranging from of $7.2 million to $30.6 million, with a median of $17.1 million.

Series B/Later Round. In the thirty-five selected New England Series B/Later Round transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from $9.1 million to $514 million, with a median of $42.8 million. 28 of these (80%) were "up" rounds; 4 (11%) were "down" rounds; and 3 (9%) were "even" rounds. The results by industry sector were as follows:

- *Life Sciences:* There were eighteen Life Sciences transactions, of which fourteen were "up" rounds, two were

[1]National data as reported in Dow Jones VentureSource.

"down" rounds and two were "even" rounds. The implied pre-money valuations ranged from a low of $9.1 million in a Series B round to a high of $289 million in a Series G round, with a median valuation of $45.4 million.

- *Cleantech:* There was one Cleantech transaction, which was an "up" Series C round with an implied pre-money valuation of $24.6 million.
- *Technology:* There were fourteen Technology transactions, eleven of which were "up" rounds, two of which were "down" rounds, and one of which was an "even" round. The implied pre-money valuations ranged from a low of $13.3 million in a Series B "down" round to a high of $514 million in a Series H "up" round, with a median valuation of $34.9 million.
- *Other:* There were two transactions in the "Other" sector, both of which were "up" Series C rounds, with implied pre-money valuations of $25.5 million and $133.9 million, respectively.

Terms

Terms for selected New England Seed equity transactions showed the following trends in Q3 2014 as compared to Q2 2014 and Q3 2013:

- An increase in the percentage of transactions with cumulative dividends as compared to Q2 2014 (0% to 30%) and an increase as compared to Q3 2013 (11% to 30%);
- A small decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (13% to 10%) and a similar decrease as compared to Q3 2013 (11% to 10%);
- An significant increase in the number of deals with redemption provisions as compared to Q2 2014 (0% to 40%) and a similar increase as compared to Q3 2013 (11% to 40%);
- 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 Q3 2014 as compared to Q2 2014 and Q3 2013:

- A decrease in the percentage of transactions with cumulative dividends as compared to Q2 2014 (33% to 28%) and a decrease as compared to Q3 2013 (42% to 28%);
- A decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (41% to 28%), and an even greater decrease as compared to Q3 2013 (47% to 28%);
- A significant decrease in the percentage of transactions with redemption provisions as compared to Q2 2014 (52% to 32%) and an even greater decrease as compared to Q3 2013 (58% to 32%);
- A slight increase in the percentage of transactions with pay to play provisions as compared to Q2 2014 (11% to 12%), and a relatively larger increase as compared to Q3 2013 (0% to 12%).

Terms for selected New England Series B/Later Round transactions showed the following trends in Q3 2014 as compared to Q2 2014 and Q3 2013:

- An increase in the percentage of transactions with cumulative dividends as compared to Q2 2014 (44% to 54%) and a more modest increase as compared to Q3 2013 (50% to 54%);
- A significant decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (53% to 31%) and a similar decrease as compared to Q3 2013 (47% to 31%);
- A slight increase in the percentage of transactions with redemption provisions as compared to Q2 2014 (53% to 54%) and a decrease as compared to Q3 2013 (64% to 54%);
- A decrease in the percentage of transactions with pay to play provisions as compared to Q2 2014 (32% to 9%) and a similar decrease as compared to Q3 2013 (25% to 9%).

The National Activity Level Summary

National Seed Transactions by Industry*

	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended September 30, 2013**	**Quarter ended September 30, 2014**
Life Sciences										
Biopharma	2	1	1	2	3	2	1		**1**	**1**
Medical Device	2	1	3	2	2	2	5		**3**	**5**
Cleantech	3	1	0	0	1	0	0		**0**	**0**
Technology	25	23	25	22	3	13	19		**25**	**19**
Other	29	42	41	56	69	20	30		**41**	**30**
Total	61	68	70	82	78	37	55		**70**	**55**

* Source: Dow Jones VentureSource

National Series A Transactions by Industry*

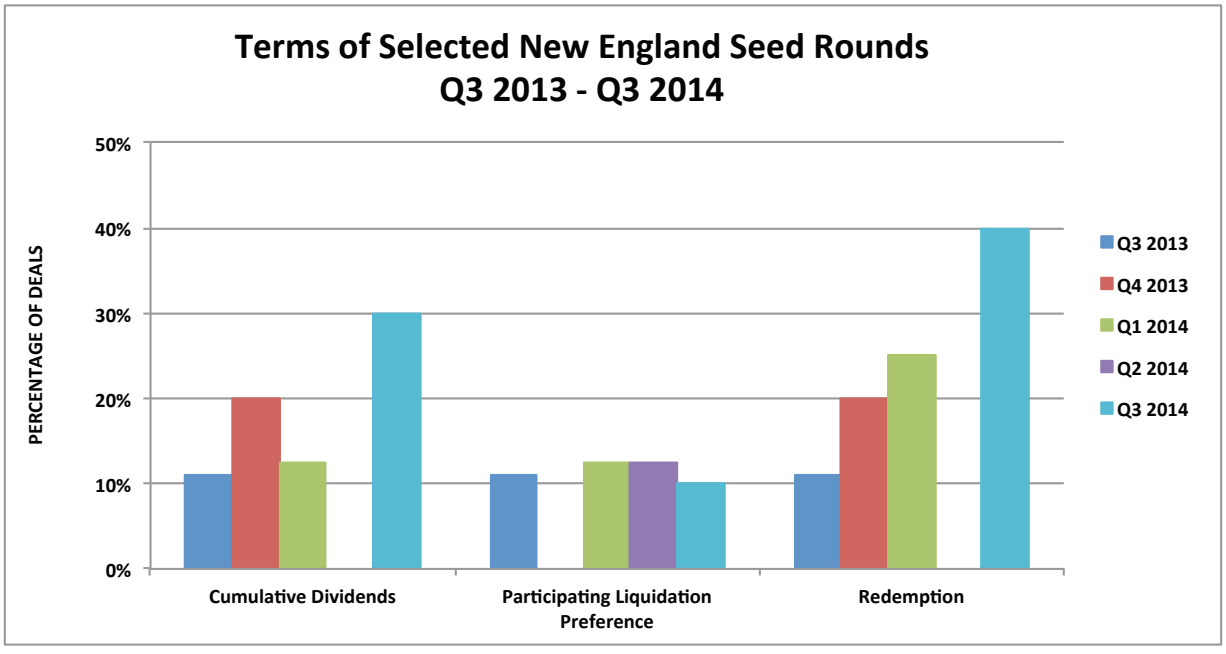
	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended September 30, 2013**	**Quarter ended September 30, 2014**
Life Sciences										
Biopharma	10	13	15	20	12	13	24		**15**	**24**
Medical Device	13	15	7	14	21	9	16		**7**	**16**
Cleantech	4	6	2	5	0	2	1		**2**	**1**
Technology	112	79	99	97	77	88	87		**99**	**87**
Other	116	142	148	158	176	189	191		**148**	**191**
Total	255	255	271	294	286	301	319		**271**	**319**

* Source: Dow Jones VentureSource

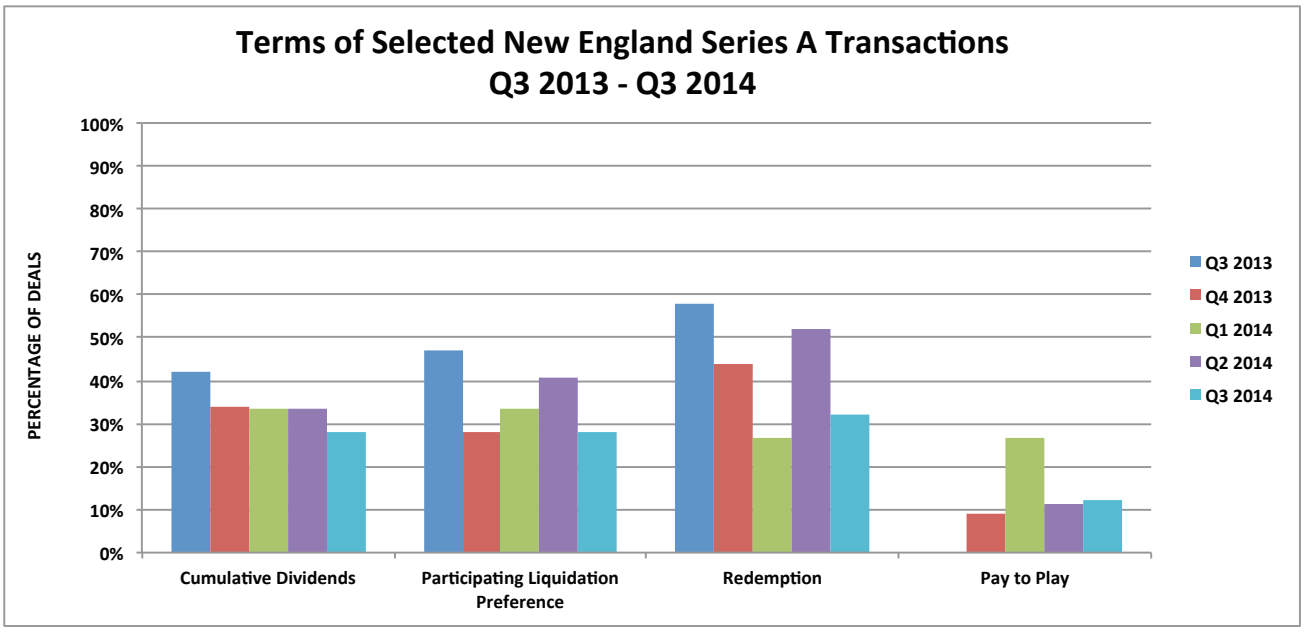
National Series B/ Later Round Transactions by Industry*

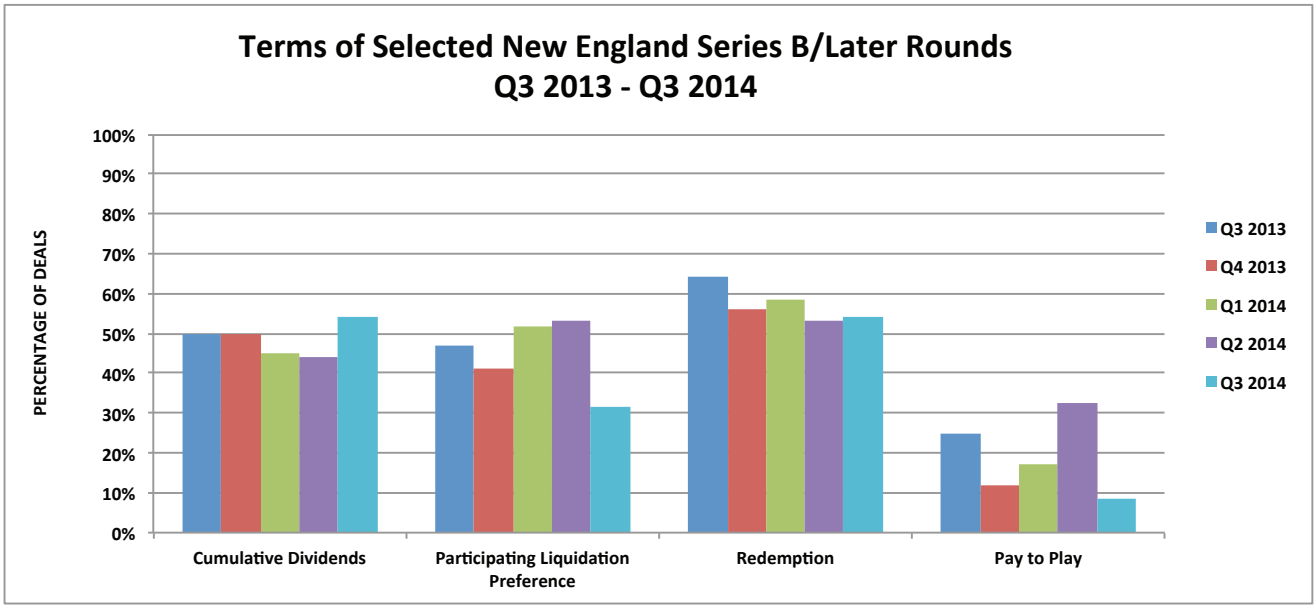
	2013				2014					
Industry	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarter ended September 30, 2013**	**Quarter ended September 30, 2014**
Life Sciences										
Biopharma	40	43	47	48	41	57	35		**47**	**35**
Medical Device	46	37	30	50	38	56	50		**30**	**50**
Cleantech	12	14	5	11	10	9	10		**5**	**10**
Technology	104	136	125	121	127	147	135		**125**	**135**
Other	170	218	241	240	239	292	236		**241**	**236**
Total	372	448	448	470	455	561	466		**448**	**466**

* Source: Dow Jones VentureSource



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


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


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

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