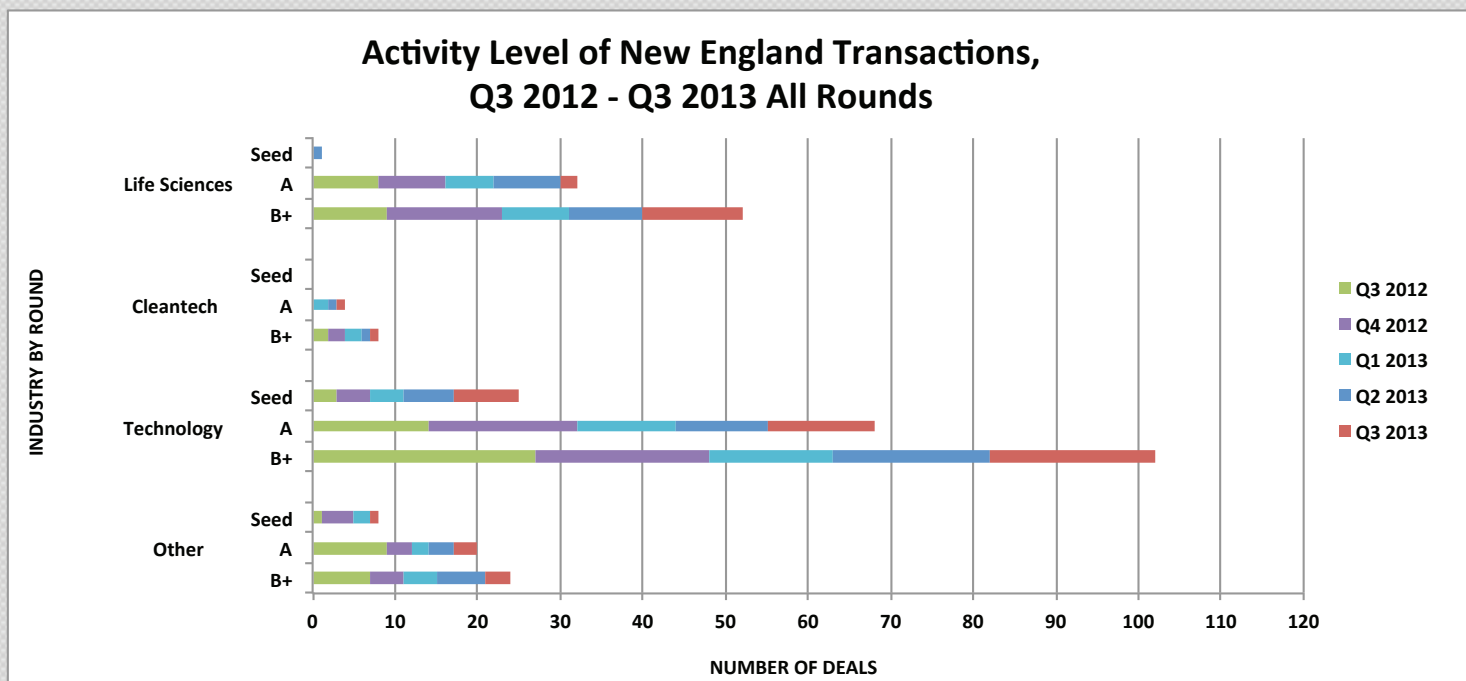




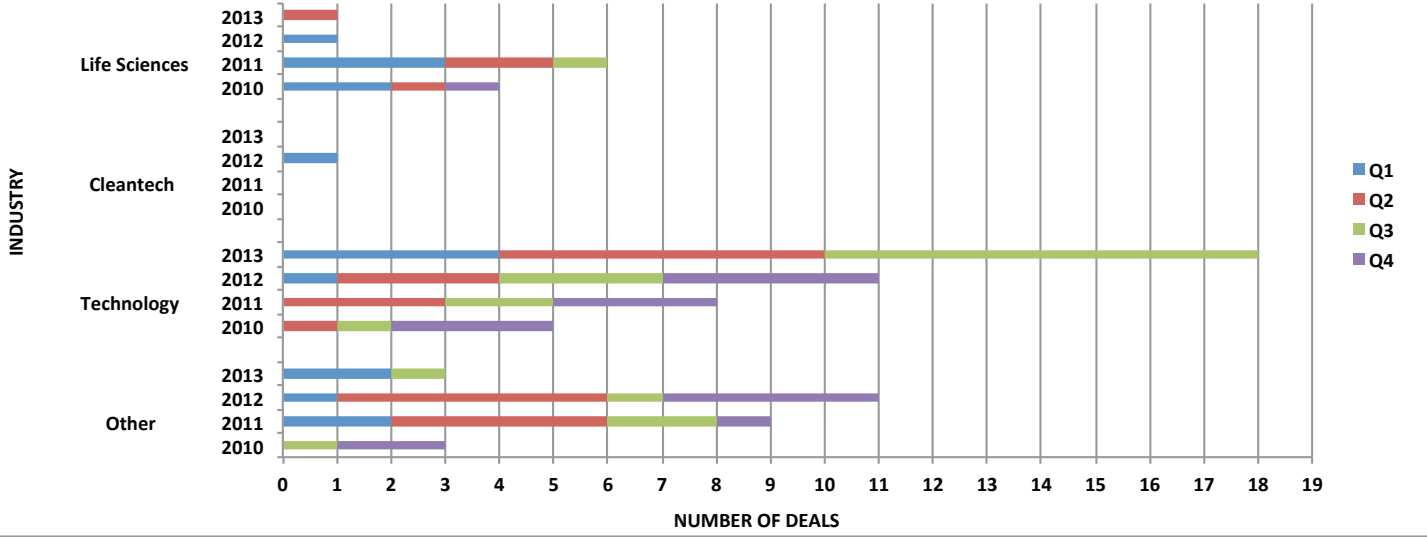
# VENTURE PERSPECTIVES

New England Outlook

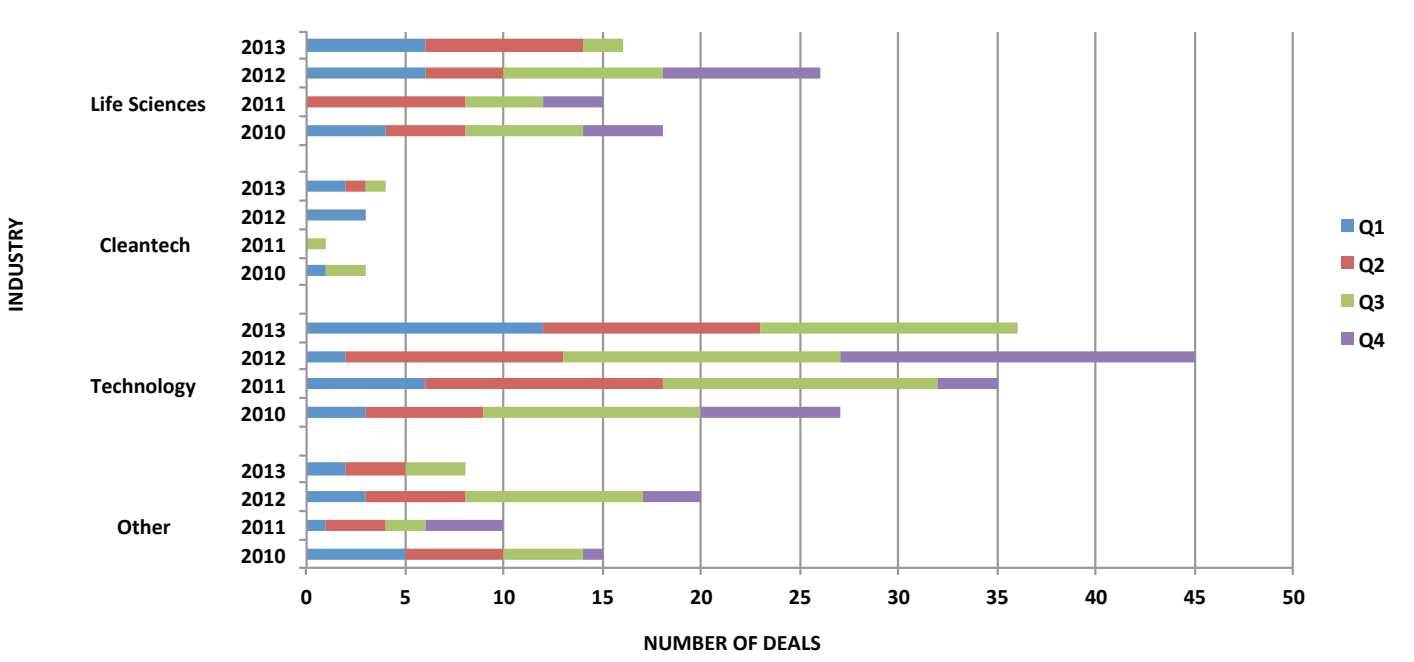
## Quarterly Review of Seed, Series A and Series B/Later Round Financings: Third Quarter 2013



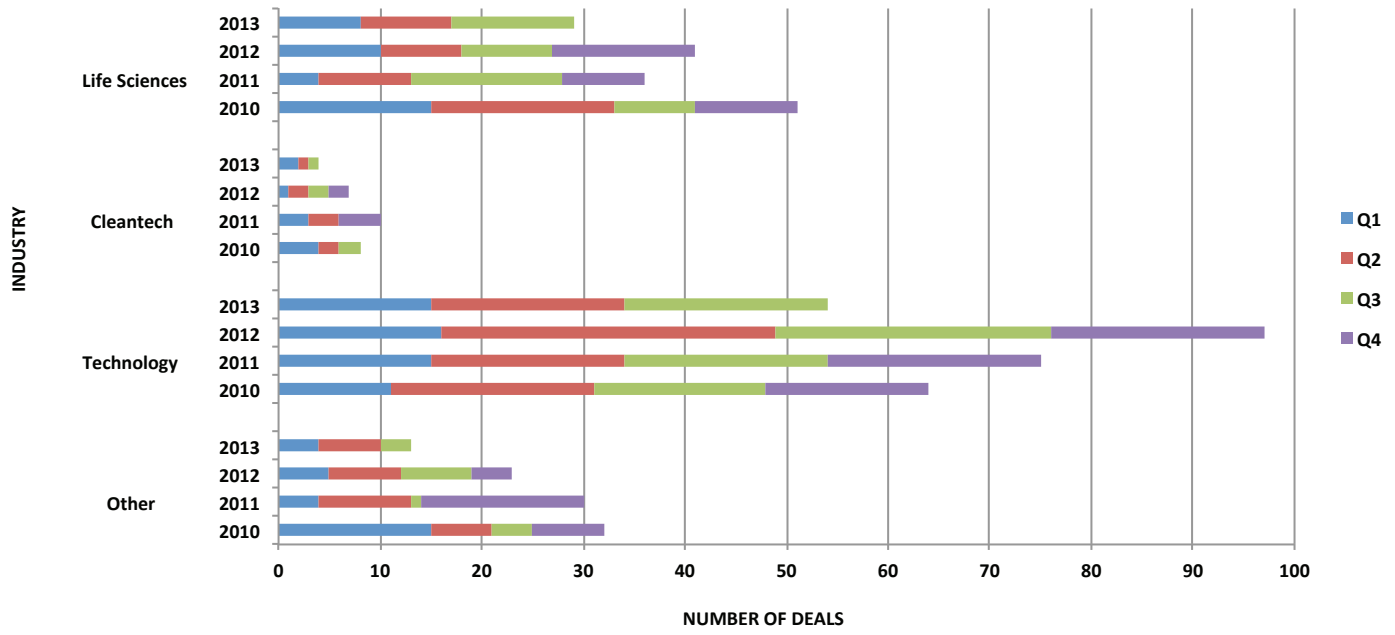
### Activity Level of New England Seed Transactions, Q1 2010 - Q3 2013



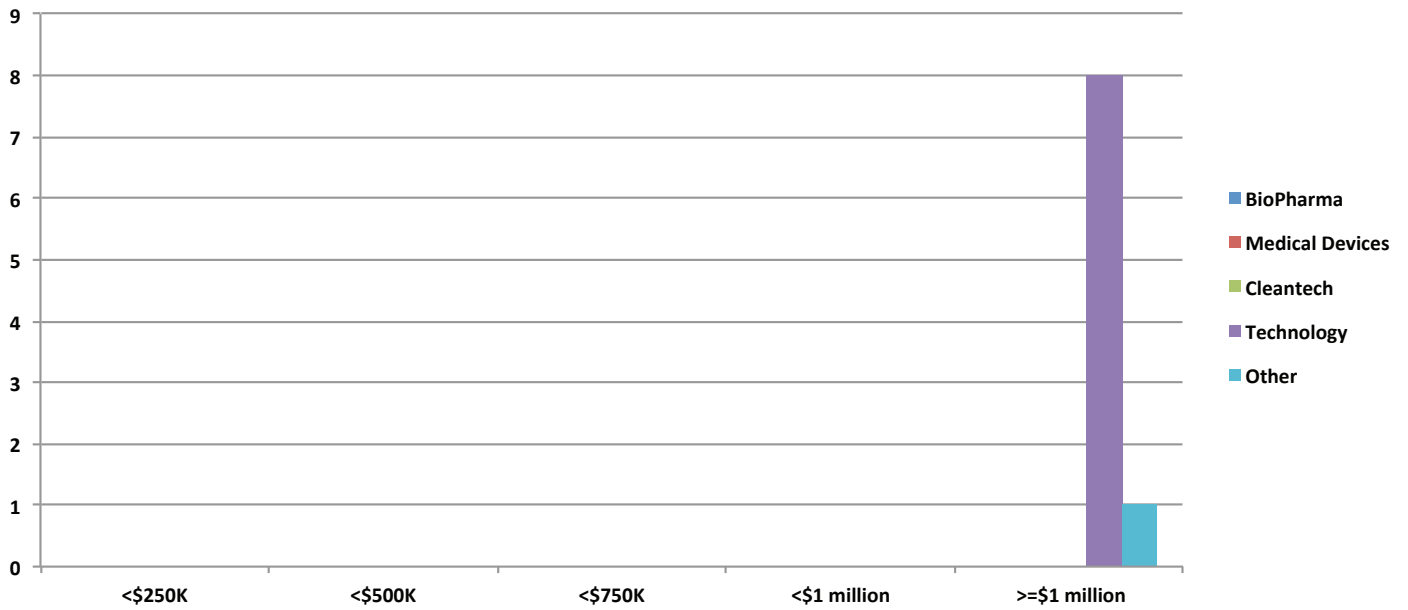
### Activity Level of New England Series A Transactions, Q1 2010 - Q3 2013



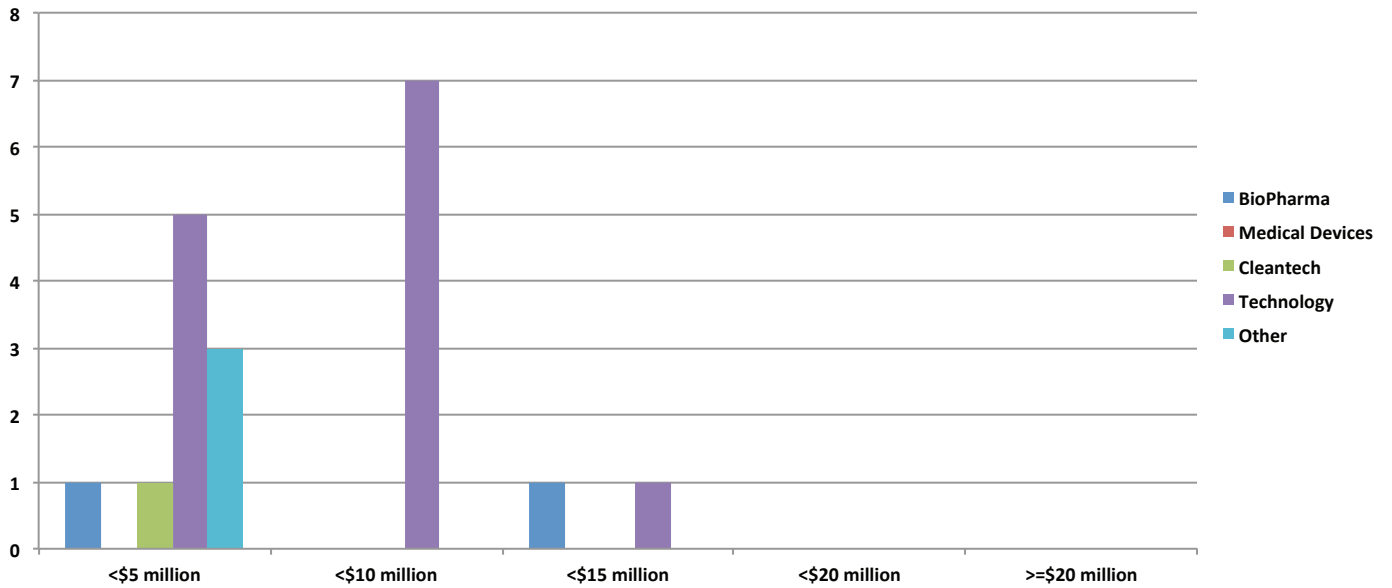
### Activity Level of New England Series B/Later Round Transactions, Q1 2010- Q3 2013



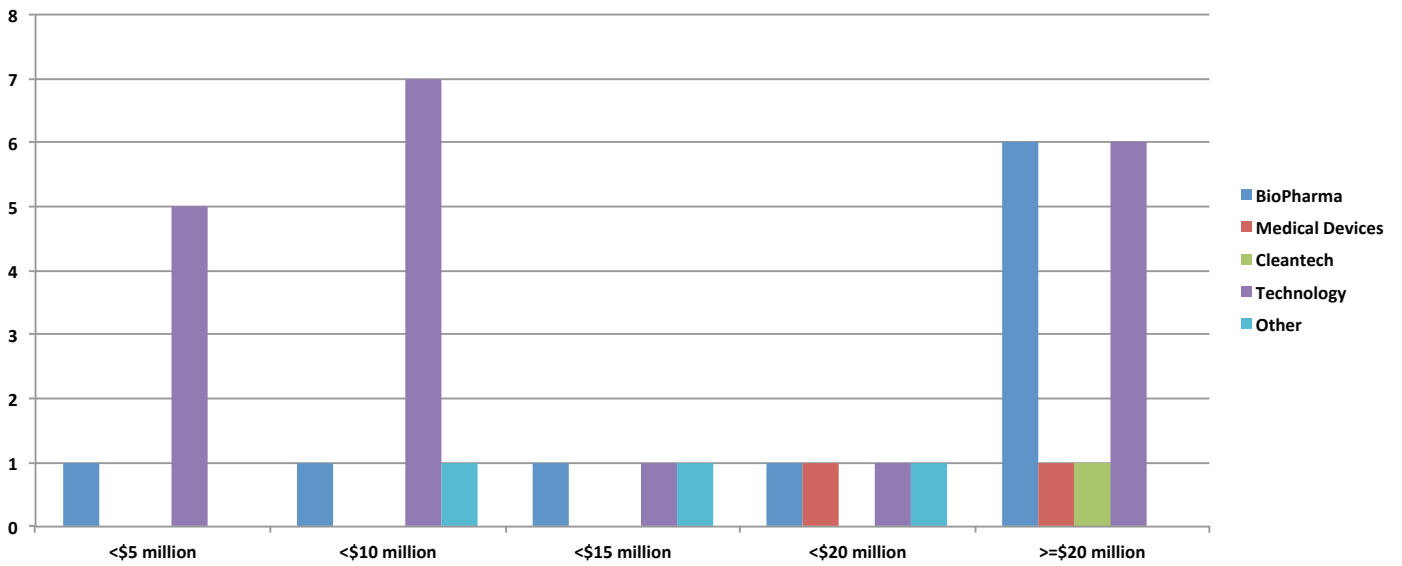
### Size of New England Q3 2013 Series Seed Transactions by Industry



Size of New England Q3 2013 Series A Transactions by Industry



Size of New England Q3 2013 Series B/Later Round Transactions by Industry



## The Numbers

Venture financing activity in New England was about flat in the third quarter of 2013. The total number of deals remained at about the level of the second quarter, with activity accelerating in the technology sector and decelerating in the life sciences sector. The size of Series A deals decreased from the previous quarter, while the deal sizes for other rounds remained relatively consistent. Implied pre-money valuations generally declined across Series A and Series B/Later Rounds from the second quarter, while increasing for Seed rounds from the second quarter. Although there was some fluctuation in the frequency of key deal terms, there was no discernible aggregate loosening or tightening of terms.

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 2013, the total number of New England Seed transactions increased 29% from Q2 2013 and increased 125% from Q3 2012. The technology sector represented 89% of the total Q3 2013 transactions and the "other" sector accounted for the balance. There were no transactions in the life sciences or cleantech sectors.

Series A transactions during Q3 2013 decreased 17% from Q2 2013 and decreased 39% from Q3 2012. The technology sector represented 68% of the Q3 2013 total, with the life sciences, "other" and cleantech sectors representing 11%, 16% and 5%, respectively, of the Q3 2013 total. This distribution is more heavily weighted towards the technology sector and less heavily weighted towards the life sciences sector than Q2 2013, during which the technology, life sciences, "other," and cleantech sectors represented 48%, 35%, 13%, and 4%, respectively, of the total and Q3 2012, during which the technology, life sciences, "other," and cleantech sectors represented 45%, 26%, 29% and 0%, respectively, of the total.

The total number of New England Series B/Later Round transactions during Q3 2013 increased 3% from Q2 2013 and increased 13% from Q3 2012. The technology sector accounted for 56% of the Q3 2013 total compared to 33%, 8% and 3% for the life sciences, "other" and cleantech sectors. This distribution is more heavily weighted towards the life sciences sector and less heavily weighted towards the "other" sector than Q2 2013, during which the technology, life sciences, "other," and cleantech sectors represented 54%, 26%, 17% and 3%, respectively, of the total, and more heavily weighted toward the life sciences sector and less heavily weighted towards the technology sector than Q3 2012, during which the technology, life sciences, "other," and cleantech sectors represented 63%, 28%, 3% and 6%, respectively, of the total.

At the national level, the total number of Seed transactions increased 3% from Q2 2013 (compared to a 29% increase in New England) and decreased 1% over Q3 2012 (compared to a 125% increase in New England). The total number of Series A transactions increased 6% over Q2 2013 (compared to a 17% decrease in New England) and decreased 1% over Q3 2012 (compared to a 39% decrease in New England). The total number of Series B/Later Round transactions nationally remained flat from Q2 2013 (compared to a 3% increase in New England) and increased 11% over Q3 2012 (compared to a 13% increase in New England).

### Deal Size

Of the New England Seed transactions during Q3 2013, all involved investments of more than \$1 million.

Of the New England Series A transactions during Q3 2013, 53% involved investments under \$5 million and none involved investments over \$15 million.

Of the New England Series B/Later Round transactions during Q3 2013, 17% involved investments under \$5 million and 39% involved investments over \$20 million.

### Implied Pre-Money Valuations

**Seed Round.** Q3 2013 New England Seed transactions had a median implied pre-money valuation of \$6.3 million, with a median implied pre-money valuation of \$5.4 million in the technology sector, which comprised the majority of the Q3 2013 New England Seed transactions.

**Series A Round.** Q3 2013 New England Series A transactions had a median implied pre-money valuation of \$7.3 million, with the highest median pre-money valuation of \$12.3 million in the cleantech sector and the lowest median pre-money valuations of \$5.95 million in the life sciences sector and \$5.8 million in the “other” sector.

**Series B/Later Round.** Q3 2013 New England Series B/Later Round transactions had a median implied pre-money valuation of \$34.2 million, with the highest median pre-money valuation of \$127.5 million in the cleantech sector and the lowest median pre-money valuation of \$18.8 million in the “other” sector.

## Terms

The bar graph relating to terms for selected New England Series A transactions shows the following trends in Q3 2013 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a slight decrease in the percentage of transactions with cumulative dividends (42% in Q3 2013 versus 43% in Q2 2013 and 45% in Q3 2012);
- an increase in the percentage of transactions with a participating liquidation preference (47% in Q3 2013 versus 22% in Q2 2013 and 35% in Q3 2012);
- an increase in the percentage of transactions with a redemption provision compared to the immediately preceding quarter and no change in the percentage of transactions with a redemption provision as compared to the comparable prior year quarter (58% in Q3 2013 versus 52% in Q2 2013 and 58% in Q3 2012); and
- a decrease in the percentage of transactions with a pay to play provision (0% in Q3 2013 versus 4% in Q2 2013 and 6% in Q3 2012).

The bar graph relating to terms for selected New England Series B/Later Round transactions shows the following trends in Q3 2013 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a slight decrease in the percentage of transactions with cumulative dividends (50% in Q3 2013 versus 51% in Q2 2013 and in Q3 2012);
- an increase in the percentage of transactions with a participating liquidation preference as compared to the immediately preceding quarter and a decrease in the percentage of transactions with a participating liquidation preference as compared to the comparable prior year quarter (47% in Q3 2013 versus 43% in Q2 2013 and 62% in Q3 2012);
- a decrease in the percentage of transactions with a redemption provision as compared to the immediately preceding quarter and an increase in the percentage of transactions with a redemption provision as compared to the comparable prior year quarter (64% in Q3 2013 versus 80% in Q2 2013 and 60% in Q3 2012); and
- an increase in the percentage of transactions with a pay to play provision (25% in Q3 2013 versus 20% in Q2 2013 and 11% in Q3 2012).

## The National Activity Level Summary

### National Seed Transactions by Industry\*

Industry	2012				2013				Quarter ended September 30, 2012	Quarter ended September 30, 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Life Sciences</b>										
Biopharma	1	1	2	2	2	1	1		2	1
Medical Device	6	2	6	3	2	1	3		6	3
Cleantech	2	1	0	2	3	1	0		0	0
Technology	18	28	29	20	25	23	25		29	25
Other	17	42	34	27	29	42	41		34	41
<b>Total</b>	44	74	71	54	61	68	70		71	70

\* Source: Dow Jones VentureSource

### National Series A Transactions by Industry\*

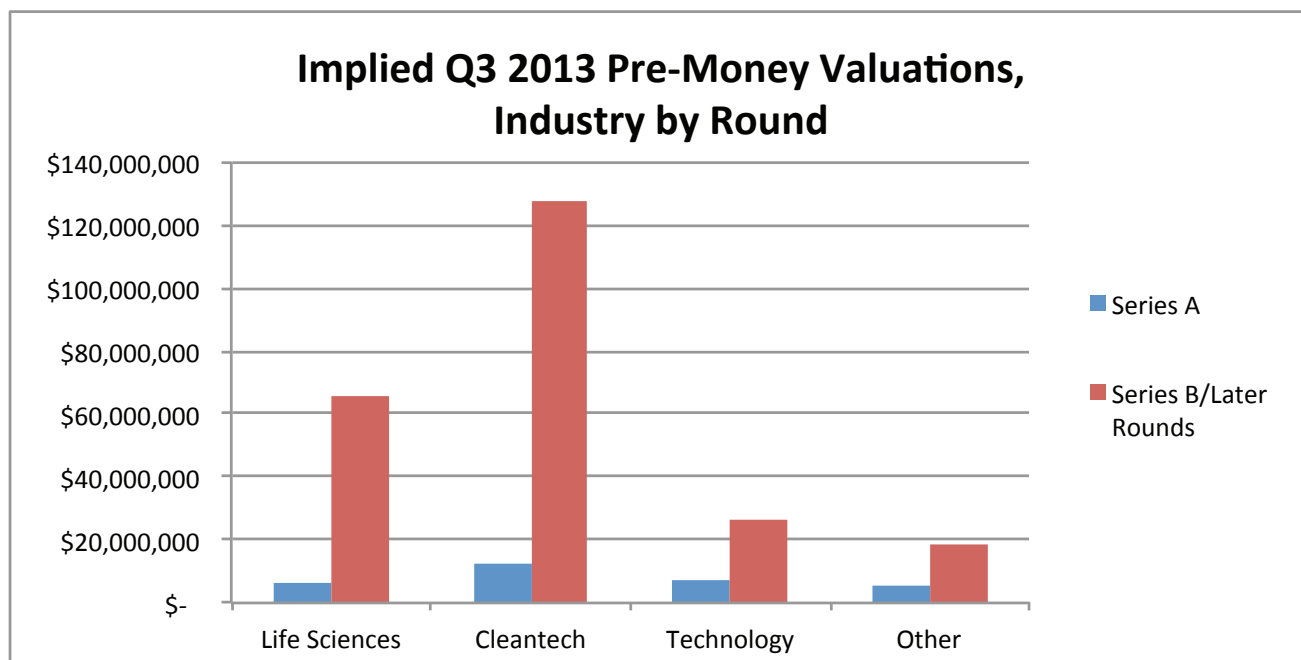
Industry	2012				2013				Quarter ended September 30, 2012	Quarter ended September 30, 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Life Sciences</b>										
Biopharma	9	12	18	22	10	13	15		18	15
Medical Device	15	17	13	11	13	15	7		13	7
Cleantech	7	4	0	3	4	6	2		0	2
Technology	82	76	102	79	112	79	99		102	99
Other	110	162	142	103	116	142	148		142	148
<b>Total</b>	223	271	275	218	255	255	271		275	271

\* Source: Dow Jones VentureSource

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

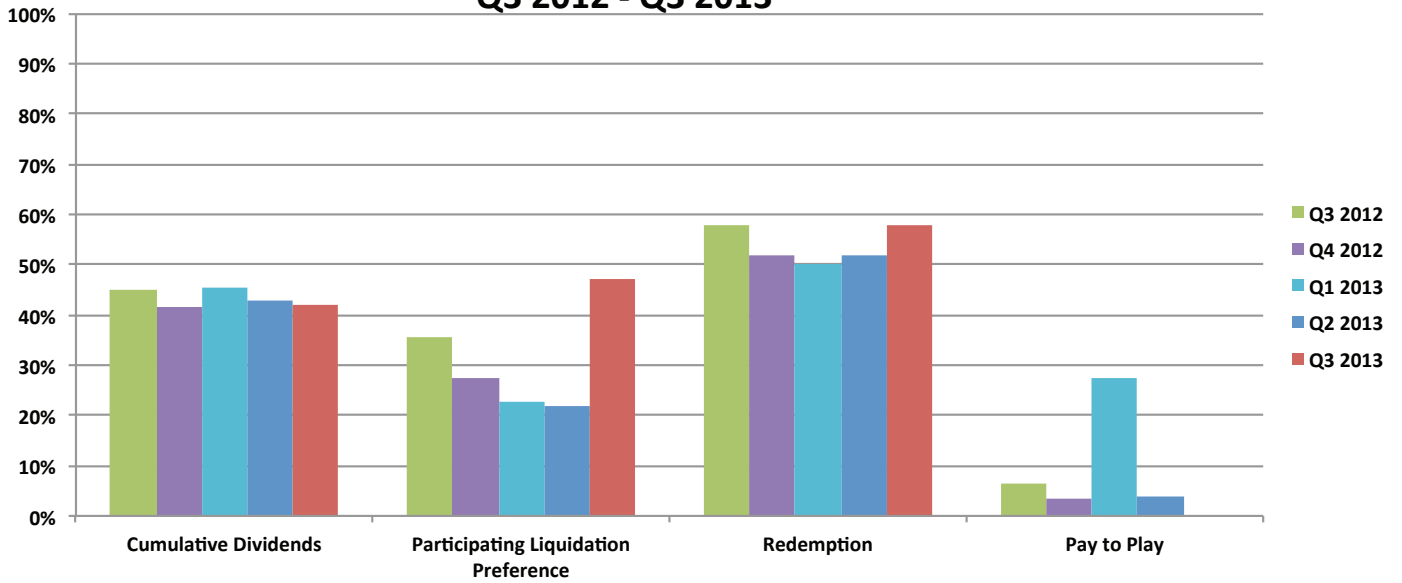
Industry	2012				2013				Quarter ended September 30, 2012	Quarter ended September 30, 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Life Sciences</b>										
Biopharma	43	35	43	48	40	43	47		<b>43</b>	<b>47</b>
Medical Device	52	45	39	39	46	37	30		<b>39</b>	<b>30</b>
<b>Cleantech</b>	15	11	11	9	12	14	5		<b>11</b>	<b>5</b>
<b>Technology</b>	115	147	131	119	104	136	125		<b>131</b>	<b>125</b>
<b>Other</b>	143	209	178	152	170	218	241		<b>178</b>	<b>241</b>
<b>Total</b>	<b>368</b>	<b>447</b>	<b>402</b>	<b>367</b>	<b>372</b>	<b>448</b>	<b>448</b>		<b>402</b>	<b>448</b>

\* Source: Dow Jones VentureSource

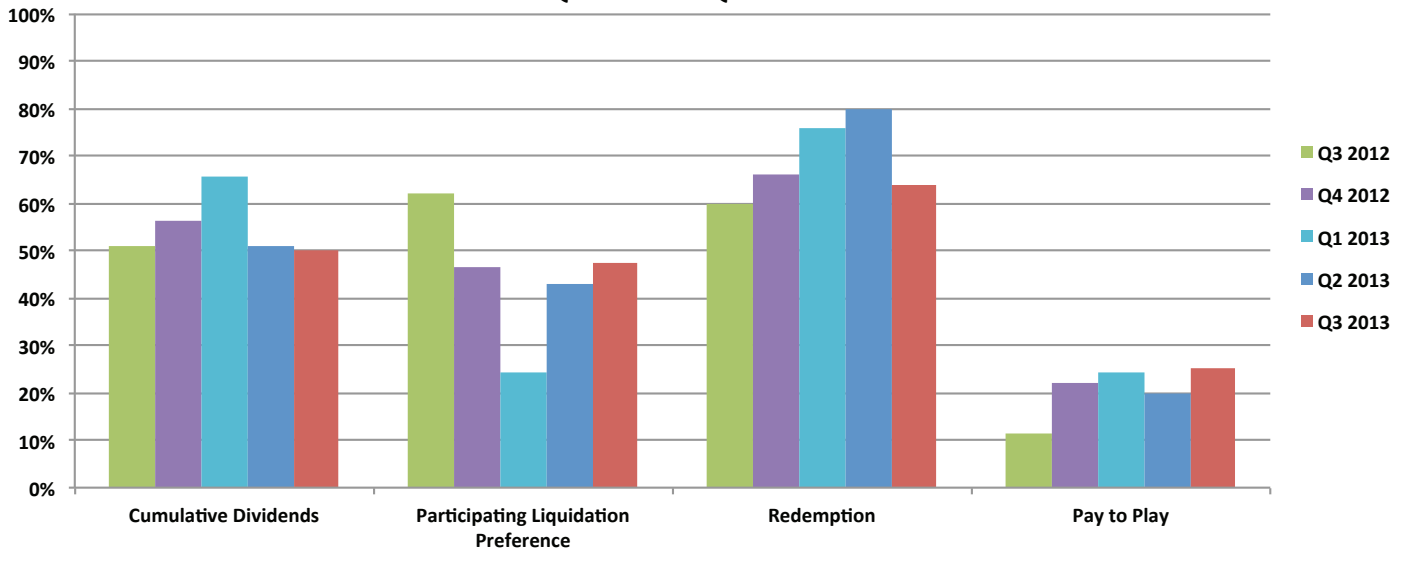




### Terms of Selected New England Series A Rounds, Q3 2012 - Q3 2013



### Terms of Selected New England Series B/Later Rounds, Q3 2012 - Q3 2013



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:



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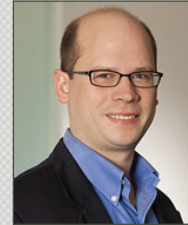
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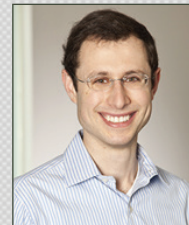
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