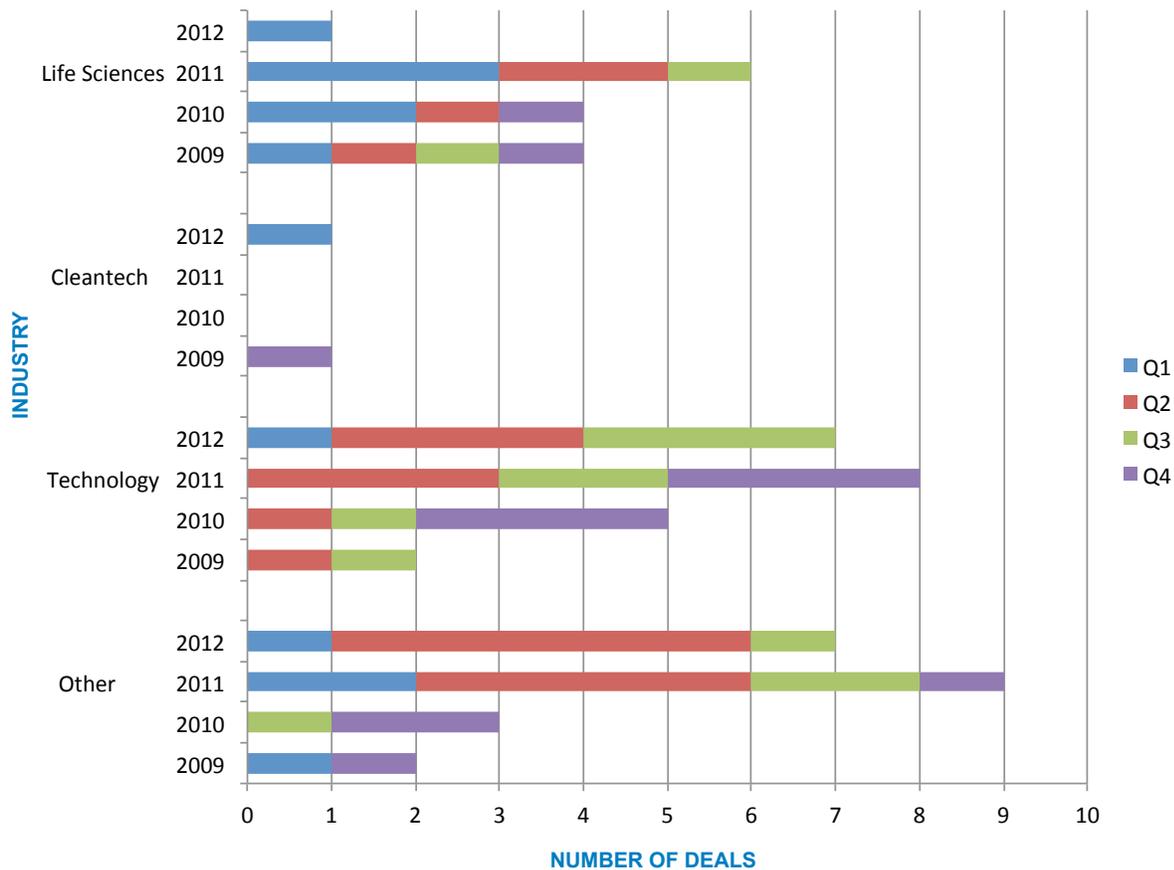


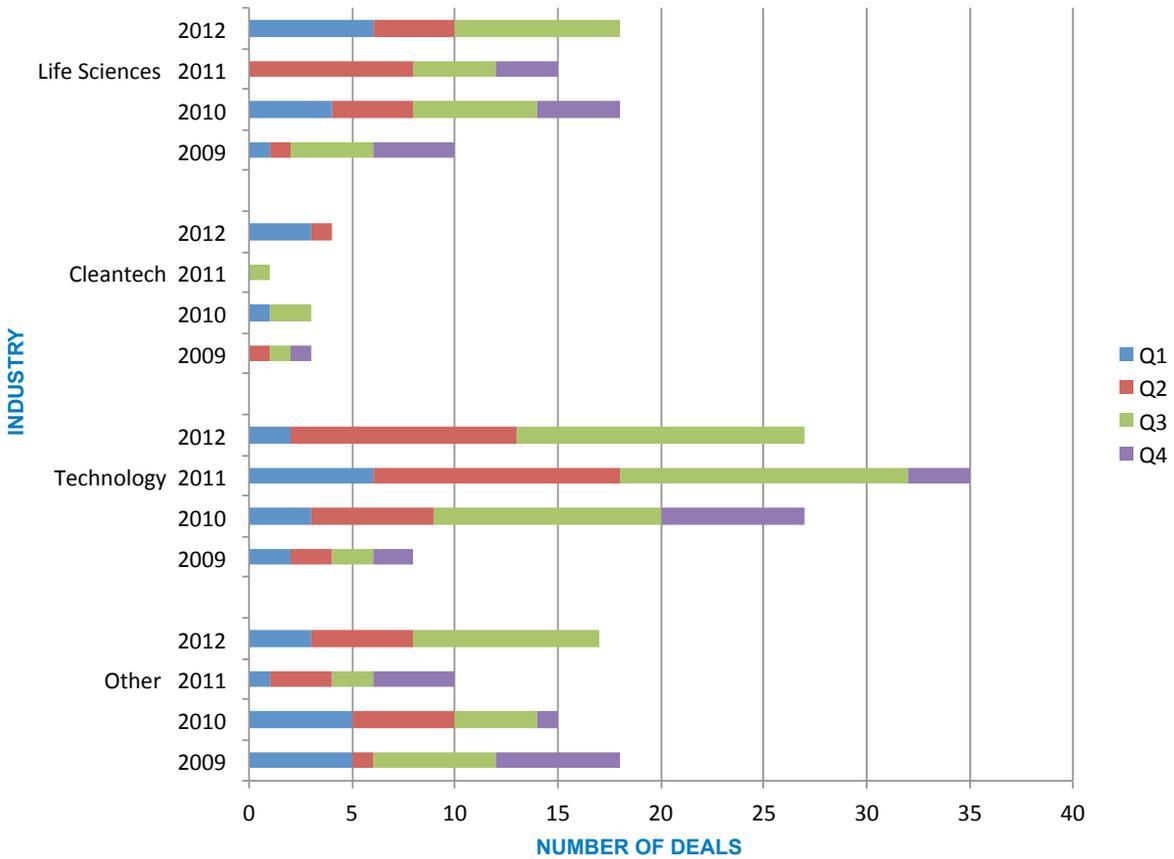


## Quarterly Review of Seed, Series A and Series B/Later Round Financings: Third Quarter 2012

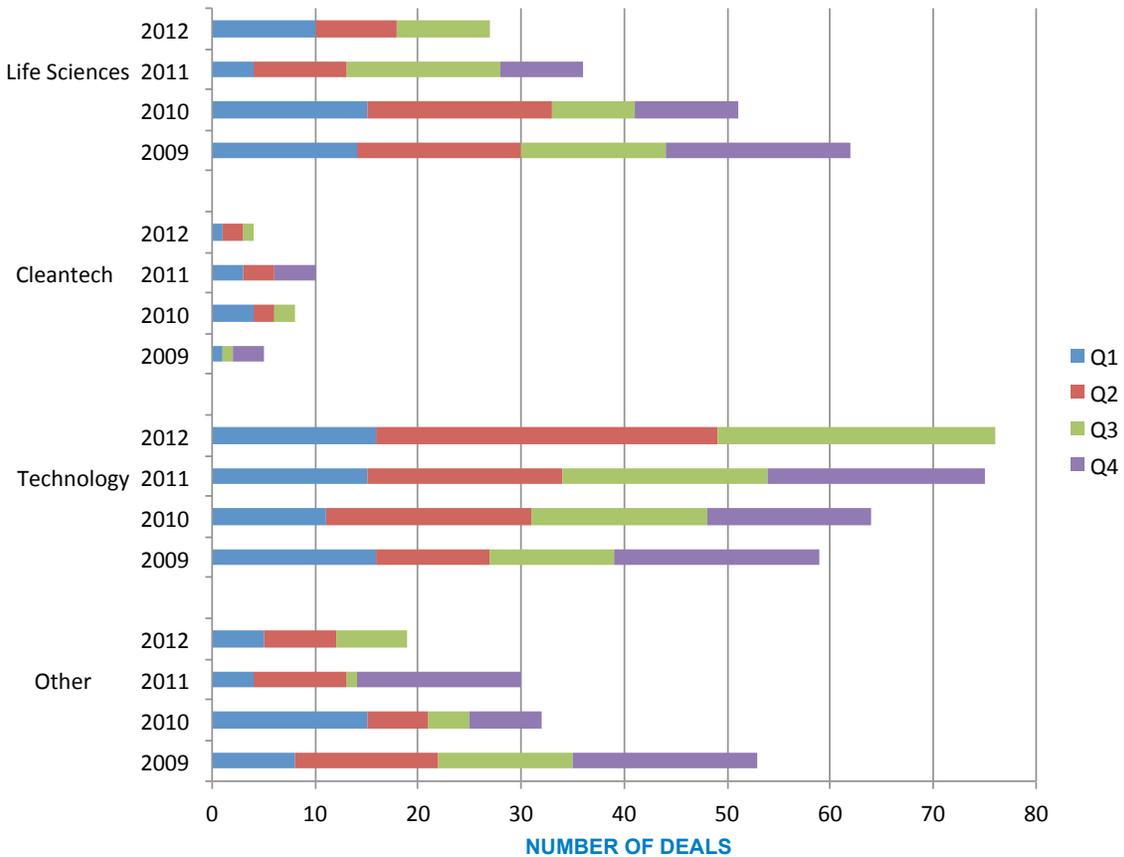
### Activity Level of New England Seed Transactions



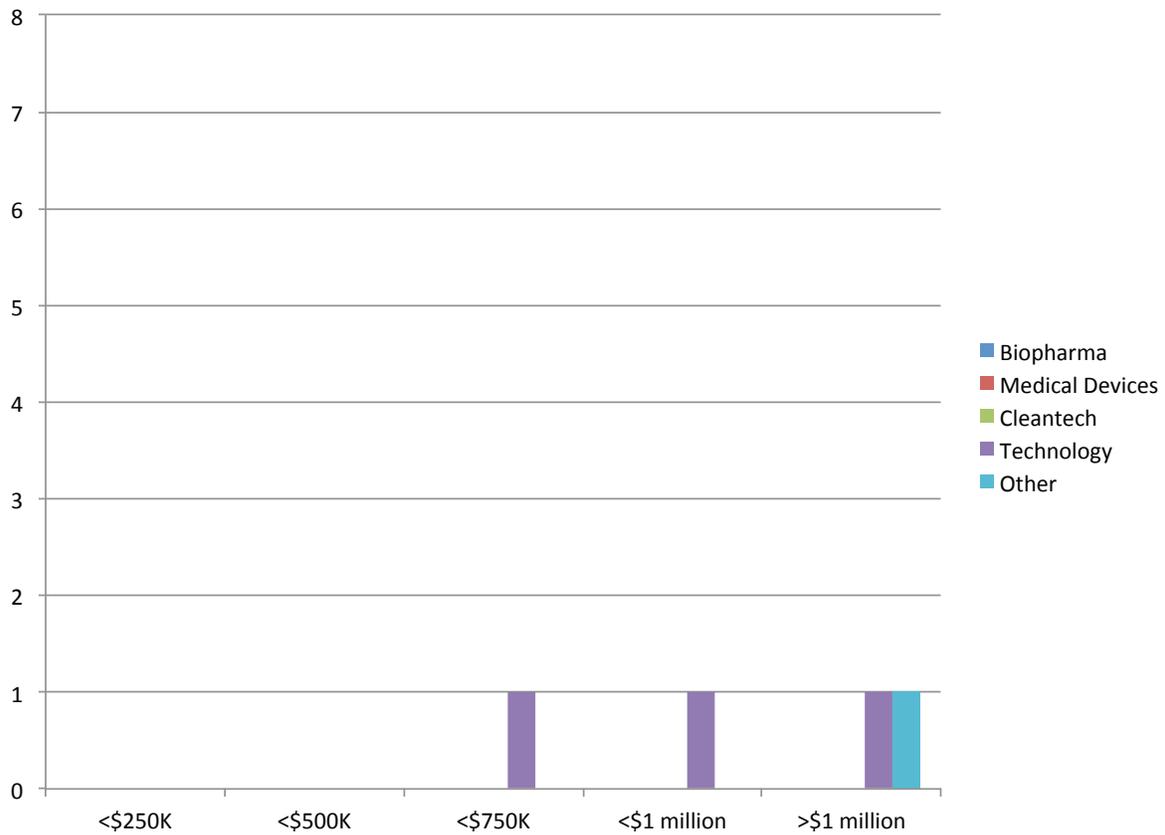
## Activity Level of New England Series A Transactions



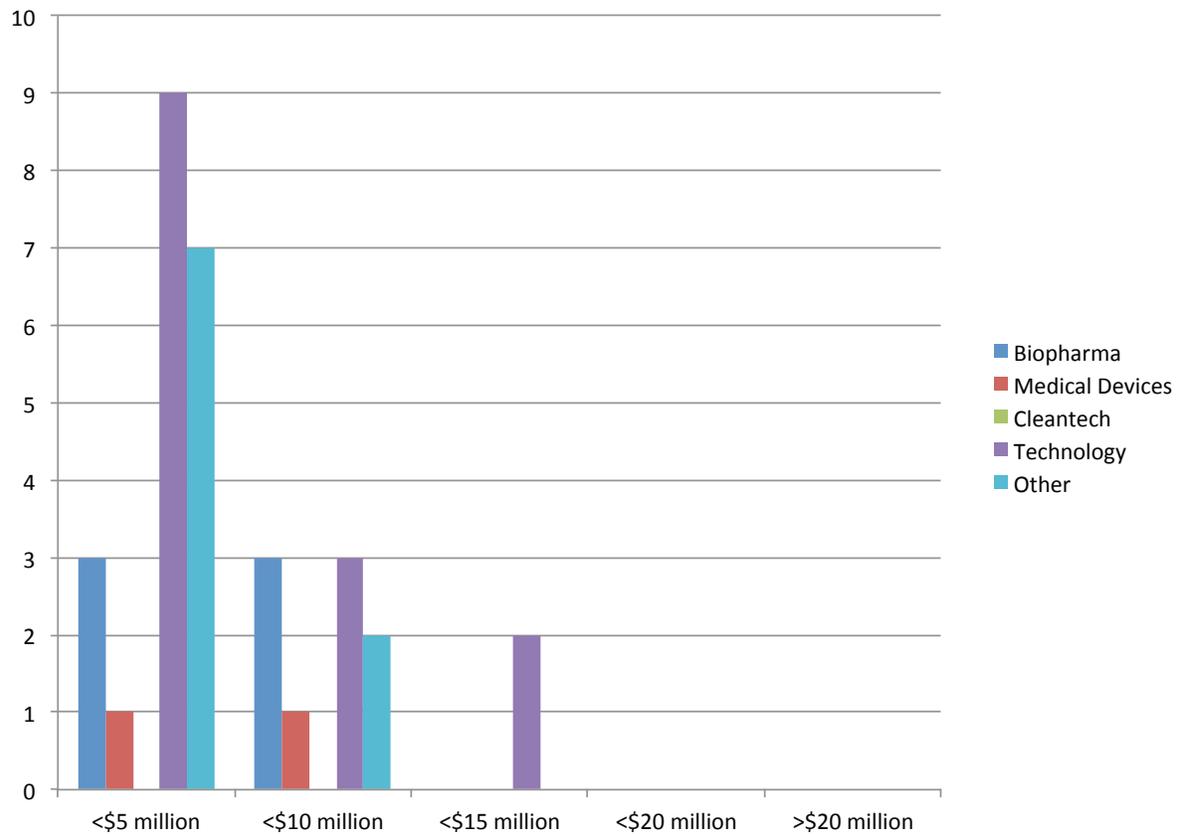
## Activity Level of New England Series B/Later Round Transactions



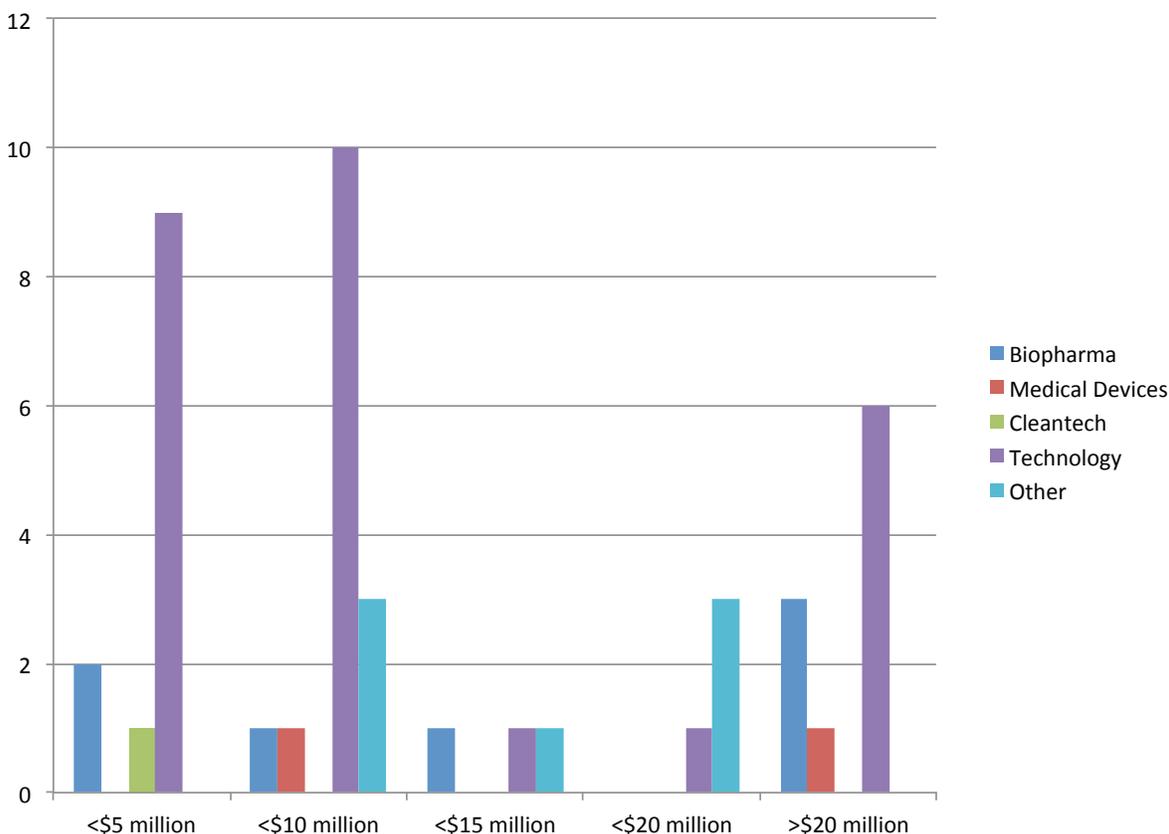
## Size of New England Q3 2012 Seed Transactions by Industry



## Size of New England Q3 2012 Series A Transactions by Industry



## Size of New England Q3 2012 Series B/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 Q3 2012, the total number of New England Seed transactions decreased 50% from Q2 2012 and 20% from Q3 2011. The technology sector represented 75% of the total Q3 2012 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 2012 increased 48% over both Q2 2012 and Q3 2011. The technology sector showed the strongest performance, accounting for 45% of the Q3 2012 total. The "other" and life sciences sectors represented 29% and 26%, respectively, of the Q3 2012 total and there were no cleantech transactions. In contrast, the technology, "other," life sciences and cleantech sectors represented 52%, 24%, 19% and 5%, respectively, of the Q2 2012 total and 67%, 10%, 19% and 5%, respectively, of the Q3 2011 total.

The total number of New England Series B/Later Round transactions during Q3 2012 decreased 12% from Q2 2012 and increased 22% over Q3 2011. The technology sector showed the strongest performance, accounting for 61% of the Q3 2012 total compared to 20%, 16% and 3% for the life sciences, "other" and cleantech sectors. In contrast, the technology, life sciences, "other" and cleantech sectors represented 66%, 16%, 14% and 4%, respectively, of the Q2 2012 total and 56%, 42%, 3% and 0%, respectively, of the Q3 2011 total.

At the national level, the total number of Seed transactions decreased 4% from Q2 2012 (compared to a 50% decrease in New England) and increased 6% over Q3 2011 (compared to a 20% decrease in New England). The total number of Series A transactions nationally increased 1% over Q2 2012 (compared to a 48% increase in New England) and 17% over Q3

2011 (compared to a 48% increase in New England). The total number of Series B/Later Round transactions nationally decreased 10% from Q2 2012 (compared to a 12% decrease in New England) and 17% from Q3 2011 (compared to a 22% increase in New England).

### Deal Size

Of the New England Seed transactions during Q3 2012, none involved investments under \$250,000 and 50% involved investments of more than \$1 million.

Of the New England Series A transactions during Q3 2012, 65% involved investments under \$5 million and none involved investments over \$20 million.

Of the New England Series B/Later Round transactions during Q3 2012, 27% involved investments under \$5 million and 23% involved investments over \$20 million.

### Implied Pre-Money Valuations

#### Seed Round

In the four transactions reported in the implied valuation table for selected Q3 2012 New England Seed transactions, the implied pre-money valuations ranged from \$3.6 million to \$6.0 million. The results by industry sector were as follows:

- *Life Sciences*: There were no life sciences transactions.
- *Cleantech*: There were no cleantech transactions.
- *Technology*: There were three technology transactions, with implied pre-money valuations ranging from \$3.6 million to \$6.0 million.
- *Other*: There was one transaction in the "other" category, with an implied pre-money valuation of \$5.5 million.

#### Series A Round

In the twenty-one transactions reported in the implied valuation table for selected Q3 2012 New England Series A transactions, the implied pre-money valuations ranged from \$1.8 million to \$58.5 million. The results by industry sector were as follows:

- *Life Sciences*: There were six life sciences transactions, with implied pre-money valuations ranging from \$3.0 million to \$11.4 million.
- *Cleantech*: There were no cleantech transactions.
- *Technology*: There were nine technology transactions, with implied pre-money valuations ranging from \$2.3 million to \$58.5 million.
- *Other*: There were six transactions in the "other" category, with implied pre-money valuations ranging from \$1.8 million to \$17.0 million.

#### Series B/Later Round

In the thirty-seven transactions reported in the implied valuation table for selected Q3 2012 New England Series B/Later Round transactions, the implied pre-money valuations ranged from \$7.3 million to \$340.7 million. The results by industry sector were as follows:

- *Life Sciences*: There were seven life sciences transactions, of which five were up rounds and two were even rounds. The implied pre-money valuations ranged from a low of \$15.6 million in a Series C even round to a high of \$239.8 million in Series C up round.
- *Cleantech*: There was one cleantech transaction, a Series D-2 down round with an implied pre-money valuation of \$7.3 million.
- *Technology*: There were twenty-two technology transactions, of which sixteen were up rounds, three were even rounds and three were down rounds. The implied pre-money valuations ranged from a low of \$8.0 million in a Series B up round to a high of \$340.7 million in a Series E up round.
- *Other*: There were seven transactions in the "other" category, of which four were up rounds, two were even rounds and one was a down round. The implied pre-money valuations ranged from a low of \$12.9 million in a Series B down round to a high of \$85.6 million in a Series D up round.

### Terms

The bar graph relating to terms for selected New England Series A transactions shows the following trends in Q3 2012 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a nominal increase in the percentage of transactions with cumulative dividends (45% in Q3 2012 versus 43% in both Q2 2012 and Q3 2011);
- a nominal increase in the percentage of transactions with a participating liquidation preference (35% in Q3 2012 versus 33% in both Q2 2012 and Q3 2011);
- an increase in the percentage of transactions with a redemption provision (58% in Q3 2012 versus 38% in Q2 2012 and 33% in Q3 2011); and
- a nominal increase in the percentage of transactions with a pay to play provision as compared to the immediately preceding quarter and a decrease as compared to the comparable prior year quarter (6% in Q3 2012 versus 5% in Q2 2012 and 10% in Q3 2011).

The bar graph relating to terms for selected New England Series B/Later Round transactions shows the following trends in Q3 2012 as compared to the immediately preceding quarter and the comparable prior year quarter:

- a decrease in the percentage of transactions with cumulative dividends (50% in Q3 2012 versus 54% in Q2 2012 and 58% in Q3 2011);
- an increase in the percentage of transactions with a participating liquidation preference (61% in Q3 2012 versus 48% in Q2 2012 and 44% in Q3 2011);
- no change in the percentage of transactions with a redemption provision as compared to the immediately preceding quarter and a decrease as compared to the comparable prior year quarter (59% in Q3 2012 versus 58% in Q2 2012 and 69% in Q3 2011); and
- a decrease in the percentage of transactions with a pay to play provision (11% in Q3 2012 versus 18% in Q2 2012 and 25% in Q3 2011).

## The Road Ahead

“Prediction is very difficult, especially about the future.” Some variation of this statement has been attributed to sources as varied as Yogi Berra and Niels Bohr. But despite the widely perceived difficulty of prognostication, venture capital professionals and CEOs of venture-backed companies seem undaunted by the task. This year over 600 of them responded to an annual survey conducted by DowJones VentureSource and the National Venture Capital Association soliciting their views of the venture capital landscape for the upcoming year. Perhaps not surprisingly, the views of the VCs and the CEOs sometimes diverged, with the CEOs generally tending to have a more optimistic view than the VCs. Overall, the tone of the survey was somewhat moribund -- things weren't going to get a lot worse, but they also weren't going to get a lot better. The perception of the climate for the cleantech and life sciences sectors was particularly gloomy, while that for the technology sector was relatively upbeat. Here are some of the highlights:

- About 25% of the VCs thought that total U.S. venture investment would increase in 2013 and about 45% thought it would decrease. The CEOs had a far rosier outlook that essentially inverted the views of the VCs: about 40% of the CEOs thought that total U.S. venture investment would increase in 2013, and only about 30% thought it would decrease. The VCs are the ones with the money to invest, so unfortunately their view is likely to prove more accurate than that of the CEOs.
- The VCs were most bullish about the Business IT and Healthcare IT sectors, with well over 50% of the respondents expressing the view that U.S. VC investment dollars in those industries would increase in 2013. The Cleantech and Medical Device sectors were perceived to be the least favored, with over 50% of the VCs forecasting decreased investment dollars for these industries in 2013.
- On the flip side, over 60% of the VCs thought that the Consumer IT sector would be overfunded in 2013, and about 50% thought that the Medical Device sector would be underfunded.
- About 65% of the CEOs expected to raise additional capital in 2013, even though about 40% of them thought that it would be more difficult for companies in their industry to raise follow-on money in 2013.
- By a wide margin the VCs thought that a Series A round would be the most difficult round to raise in 2013.
- Over 50% of both the VCs and CEOs thought that deal terms would be more favorable to VCs than to entrepreneurs in 2013. Notably, the percentage of VCs with this view was significantly higher than the percentage of CEOs. About 30% of each group thought that term sheets would be middle of the road.
- A greater percentage of both the VCs and the CEOs thought there would be increased IPO activity in 2013 than thought there would be decreased IPO activity. The Tech sector was the sector for which the greatest percentage of the VCs and the CEOs projected increased IPO activity.
- About 60% of both the VCs and the CEOs expected increased m&a activity for venture-backed companies in 2013. The Tech sector was the sector for which the greatest percentage of the VCs and the CEOs projected increased activity.

- About 85% of the VCs thought that U.S. venture capital fundraising in 2013 would either concentrate (more dollars, fewer funds) or contract (fewer dollars, fewer funds).
- About 75% of the VCs thought that fund limited partnership terms in 2013 would be more favorable to the LPs than the GPs.
- Slightly more VCs thought that valuations in their portfolios would decrease than thought they would increase. In contrast, about 80% of the CEOs thought that their own company's valuation would increase in 2013.
- A preponderance of both VCs and CEOs thought that the start-up ecosystem in New England in 2013 would remain the same as in 2012. About the same percentage of VCs thought that the New England start-up ecosystem would improve in 2013 as thought it would decline. In contrast, far more CEOs thought it would improve rather than decline.

## Selected New England Seed Round Transactions

### Third Quarter 2012

#### Implied Pre-Money and Post-Money Valuations\*

Company	Amount Raised	Percentage Ownership of Seed	Implied Pre-Money Valuation	Implied Post-Money Valuation
<b>TECHNOLOGY</b>				
Ditto Labs, Inc.	500,000	8%	6,000,000	6,500,000
Libboo, Inc.	2,400,000	39%	3,600,000	6,000,000
Vsnap Inc.	800,000	16%	3,900,000	4,700,000
<b>OTHER</b>				
SQRRL DATA, INC.	2,000,000	27%	5,500,000	7,500,000

## Selected New England Series A Round Transactions

### Third Quarter 2012

#### Implied Pre-Money and Post-Money Valuations\*

Company	Amount Raised	Percentage Ownership of Series A	Implied Pre-Money Valuation	Implied Post-Money Valuation
<b>LIFE SCIENCES</b>				
Annovation BioPharma, Inc.	3,000,000	21%	11,400,000	14,400,000
BIOHome Therapy, Inc.	500,000	14%	3,000,000	3,500,000
MitraSpan, Inc.	2,200,000	30%	5,000,000	7,200,000
Myomo, Inc.	7,400,000	61%	4,800,000	12,100,000
New Haven Pharmaceuticals, Inc.	7,700,000	42%	10,400,000	18,100,000
Vedantra Pharmaceuticals, Inc.	5,000,000	58%	3,600,000	8,600,000
<b>TECHNOLOGY</b>				

Company	Amount Raised	Percentage Ownership of Series A	Implied Pre-Money Valuation	Implied Post-Money Valuation
Carepoint Solutions, Inc.	400,000	15%	2,300,000	2,700,000
EyeNetra, Inc.	1,200,000	32%	2,500,000	3,700,000
Genometry, Inc.	1,000,000	5%	19,000,000	20,000,000
InCrowd, Inc.	2,200,000	33%	4,500,000	6,700,000
Kinvey, Inc.	5,000,000	25%	14,900,000	19,900,000
Punchey, Inc.	4,300,000	27%	11,700,000	16,000,000
RiverMeadow Software, Inc.	10,700,000	16%	58,500,000	69,300,000
SageCloud, Inc.	3,300,000	34%	6,400,000	9,700,000
Space Ape, Inc.	2,800,000	32%	6,100,000	8,900,000
<b>OTHER</b>				
allyDVM, Inc.	500,000	9%	5,300,000	5,900,000
Media Program Network, Inc.	1,000,000	35%	1,800,000	2,700,000
MedMinder Systems, Inc.	1,400,000	10%	12,900,000	14,300,000
Smart Lunches, Inc.	1,100,000	31%	2,600,000	3,700,000
Spartan Race, Inc.	5,000,000	23%	17,000,000	22,000,000
Sustainable Real Estate Solutions, Inc.	1,500,000	34%	3,000,000	4,500,000

## Selected New England Series B/Later Round Transactions

Third Quarter 2012

Implied Pre-Money and Post-Money Valuations\*

Company	Most Recent Series of Preferred Stock (A, B, C, etc.)	Amount Raised	Percentage Ownership of Most Recent Series	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
<b>LIFE SCIENCES</b>						
bluebird bio, Inc.	D	60,000,000	30%	139,300,000	199,300,000	Up
Chiasma, Inc.	D	1,100,000	1%	110,900,000	112,000,000	Even
Combinent Biomedical Systems, Inc.	C	600,000	4%	15,600,000	16,200,000	Even
GnuBIO Inc.	B	10,000,000	25%	30,000,000	40,000,000	Up
Nuclea Biotechnologies, Inc.	C	5,300,000	2%	239,800,000	245,000,000	Up
Cardiosolutions, Inc.	B	24,400,000	38%	39,500,000	64,000,000	Up

Company	Most Recent Series of Preferred Stock (A, B, C, etc.)	Amount Raised	Percentage Ownership of Most Recent Series	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
SurgiQuest, Inc.	D	7,800,000	10%	67,700,000	75,500,000	Up
<b>CLEANTECH</b>						
ThermoCeramix, Inc.	D-2	1,500,000	17%	7,300,000	8,800,000	Down
<b>TECHNOLOGY</b>						
Affectiva, Inc.	C	12,000,000	29%	30,100,000	42,100,000	Up
Agrivida Inc.	C	40,000,000	32%	84,000,000	124,000,000	Up
Backupify, Inc.	C	9,000,000	22%	31,800,000	40,800,000	Up
Best Doctors, Inc.	J	50,900,000	28%	129,200,000	180,100,000	Up
Bit9, Inc.	D	34,500,000	14%	204,600,000	239,100,000	Up
Carbon Design Systems, Inc.	G	1,100,000	3%	30,600,000	31,700,000	Up
Care.com, Inc.	E	77,500,000	19%	340,700,000	418,200,000	Up
Chartwise Medical Systems, Inc.	B-1	2,500,000	19%	11,000,000	13,500,000	Even
Clickfuel, Inc.	B	5,000,000	30%	11,900,000	16,900,000	Up
eTouches, Inc.	B	2,000,000	9%	20,300,000	22,400,000	Up
Fashion Playtes, Inc.	B	5,100,000	23%	17,000,000	22,000,000	Up
Finalta, Inc.	B	3,000,000	27%	8,000,000	11,000,000	Up
Ginger Software, Inc.	D-2	2,400,000	5%	44,700,000	47,100,000	Up
Insight Guru, Inc.	B-1	2,500,000	12%	18,500,000	21,000,000	Up
Lilliputian Systems, Inc.	C	84,800,000	31%	192,200,000	277,000,000	Down
OpenExchange, Inc.	B	6,000,000	22%	21,000,000	27,000,000	Up
Solar Power Technologies Incorporated	B	9,800,000	26%	27,100,000	36,900,000	Up
Synovex Corporation	C	7,000,000	23%	23,200,000	30,200,000	Even
Thinking Phone Networks, Inc.	C	16,500,000	30%	39,100,000	55,600,000	Up
VBrick Systems, Inc.	G	25,000,000	17%	126,500,000	151,500,000	Even
Virtify, Inc.	C	3,500,000	22%	12,200,000	15,700,000	Down
Wordstream, Inc.	B-1	6,700,000	29%	16,400,000	23,200,000	Down
<b>OTHER</b>						

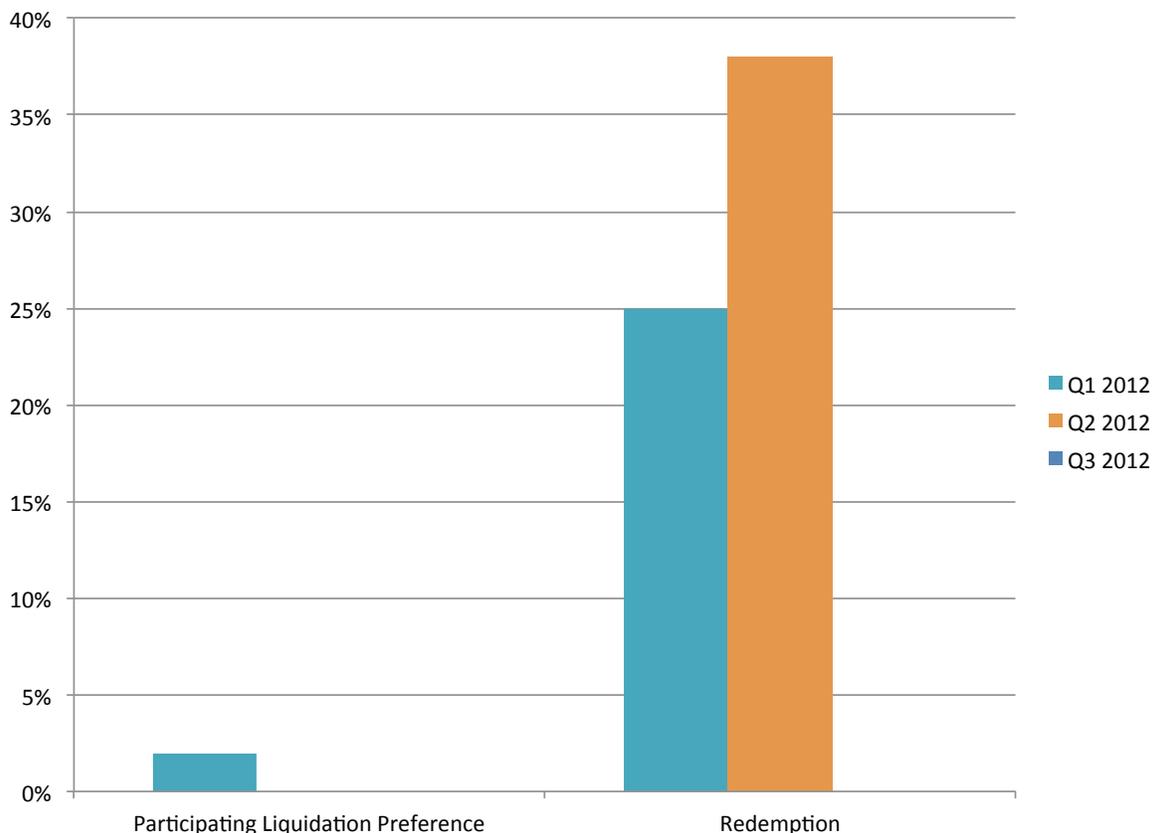
Company	Most Recent Series of Preferred Stock (A, B, C, etc.)	Amount Raised	Percentage Ownership of Most Recent Series	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
Crimson Hexagon, Inc.	B-1	5,000,000	8%	55,200,000	60,200,000	Up
Daily Grommet Inc.	B	18,400,000	59%	12,900,000	31,300,000	Down
Healthrageous, Inc.	B	6,600,000	31%	14,500,000	21,000,000	Up
Ikonisys, Inc.	H	11,100,000	33%	22,300,000	33,400,000	Even
IlluminOss Medical, Inc.	C-2	5,000,000	11%	42,200,000	47,200,000	Even
iWalk, Inc.	D	17,000,000	17%	85,600,000	102,600,000	Up
RAMP Holdings Inc.	C	15,800,000	22%	54,700,000	70,400,000	Up

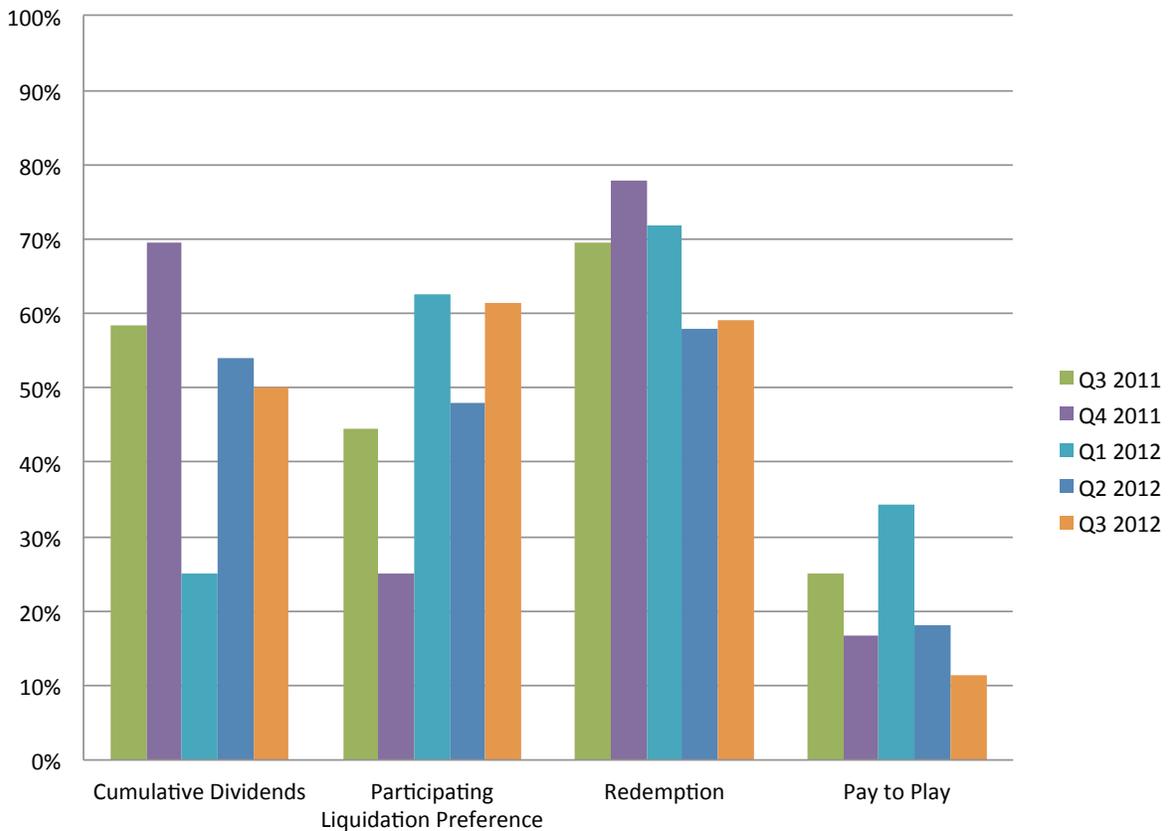
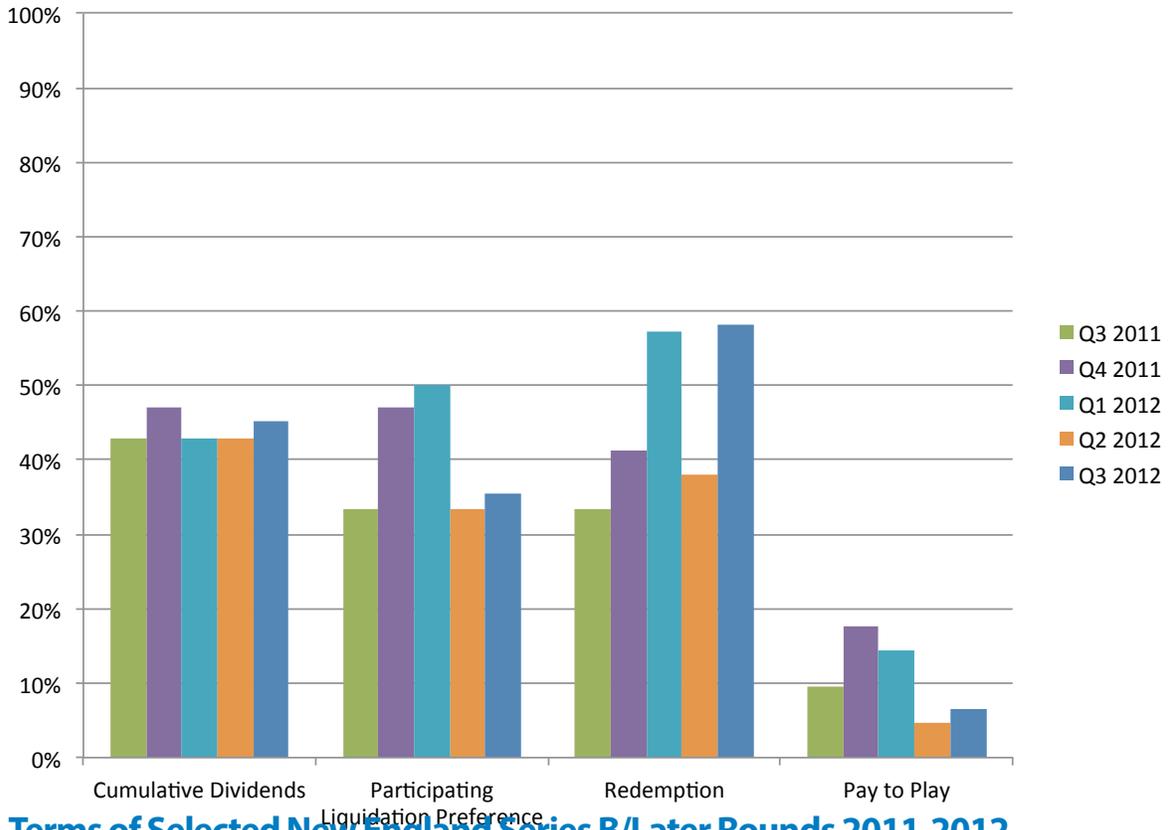
*\*The numbers in the three tables above are estimates. This analysis is inherently imprecise and is based on a number of general assumptions which may or may not be applicable to a given transaction. Accordingly, the data in the tables for a particular transaction may not accurately reflect the actual circumstances of the transaction. 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 an 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 Seed Rounds 2012

### Terms of Selected New England Series A Rounds 2011-2012





on that we believe will be of particular interest to entrepreneurs. A definition of each of these terms may be found on our website, [www.emergingenterprise.com](http://www.emergingenterprise.com). Information included in the tables 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 an 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 Seed Transactions by Industry\*

Industry	2011				2012				Quarter ended September 30, 2011	Quarter ended September 30, 2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	5	4	6	4	1	1	2		6	2
Medical Device	2	3	4	4	6	2	6		4	6
Cleantech	0	0	0	0	2	1	0		0	0
Technology	30	34	18	23	18	28	29		18	29
Other	38	27	39	39	17	42	34		39	34
<b>Total</b>	<b>75</b>	<b>68</b>	<b>67</b>	<b>70</b>	<b>44</b>	<b>74</b>	<b>71</b>		<b>67</b>	<b>71</b>

\* Source: Dow Jones VentureSource

### National Series A Transactions by Industry\*

Industry	2011				2012				Quarter ended September 30, 2011	Quarter ended September 30, 2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	13	26	24	20	9	12	18		24	18
Medical Device	11	21	13	14	15	17	13		13	13
Cleantech	9	2	6	6	7	4	0		6	0
Technology	53	61	69	76	82	76	102		69	102
Other	85	98	123	124	110	162	142		123	142
<b>Total</b>	<b>171</b>	<b>208</b>	<b>235</b>	<b>240</b>	<b>223</b>	<b>271</b>	<b>275</b>		<b>235</b>	<b>275</b>

\* Source: Dow Jones VentureSource

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

	2011				2012					
Industry	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Quarter ended September 30, 2011	Quarter ended September 30, 2012
Life Sciences										
Biopharma	36	43	40	55	43	35	43		<b>40</b>	<b>43</b>
Medical Device	45	53	49	43	52	45	39		<b>49</b>	<b>39</b>
Cleantech	21	25	30	21	15	11	11		<b>30</b>	<b>11</b>
Technology	93	108	131	120	115	147	131		<b>131</b>	<b>131</b>
Other	188	219	169	181	143	209	178		<b>169</b>	<b>178</b>
<b>Total</b>	<b>383</b>	<b>448</b>	<b>419</b>	<b>420</b>	<b>368</b>	<b>447</b>	<b>402</b>		<b>419</b>	<b>402</b>

\* 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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