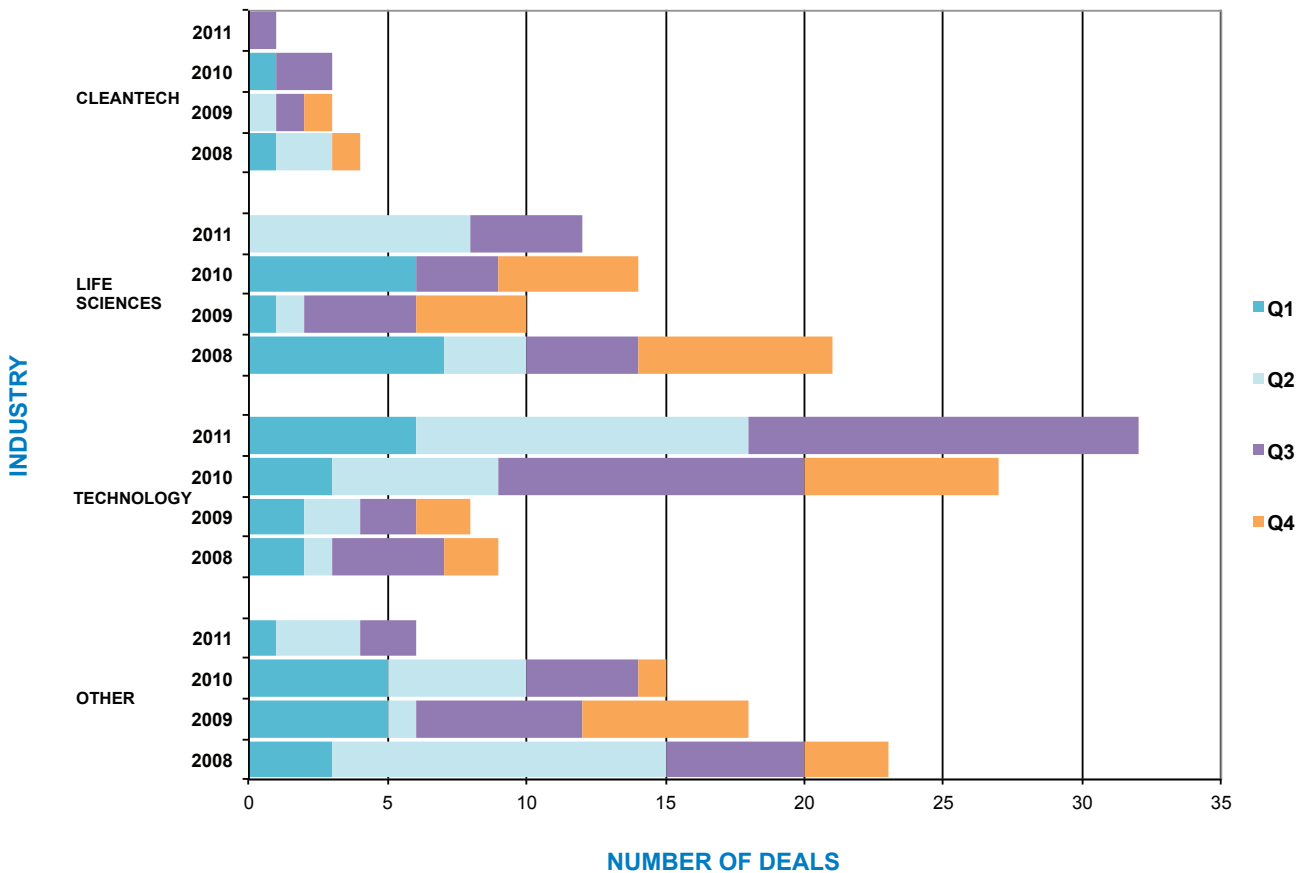


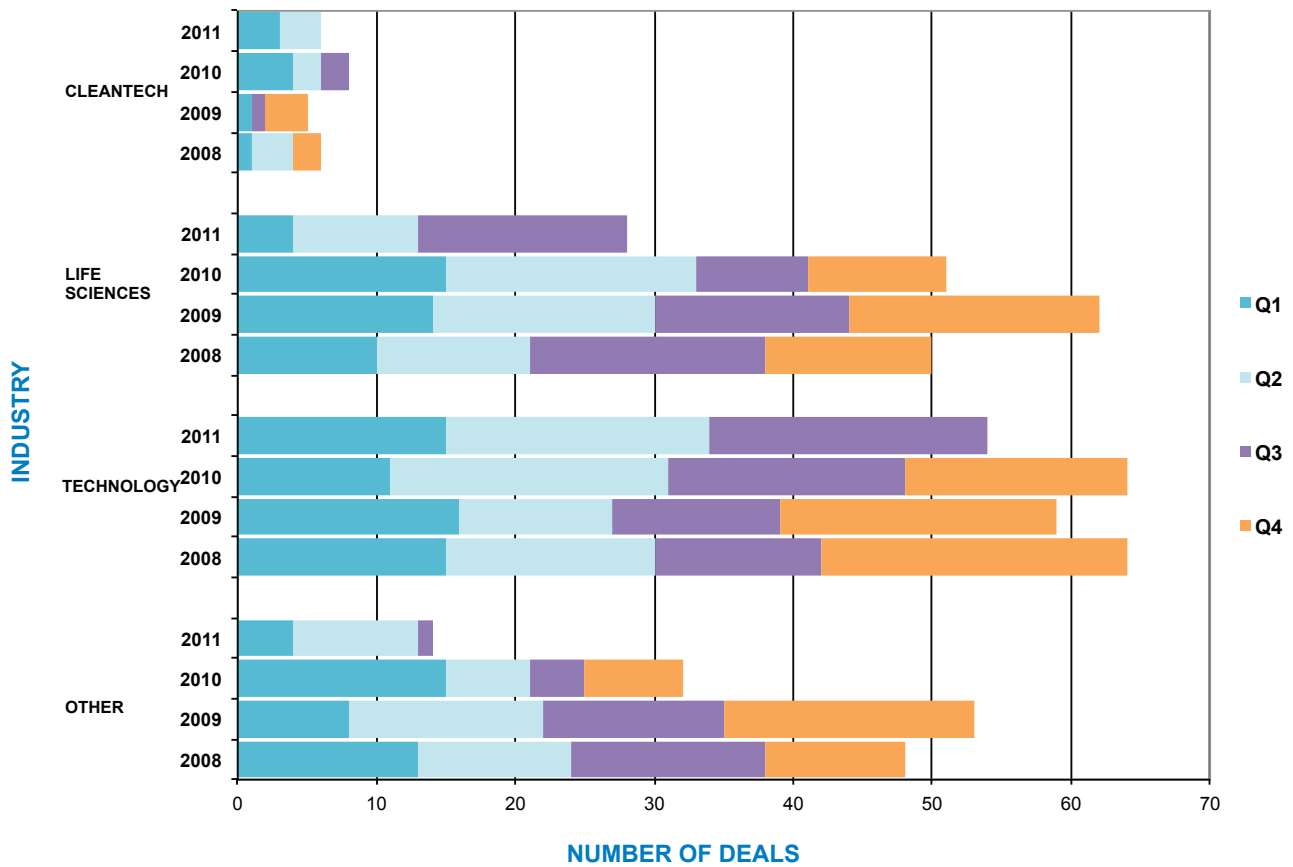


Quarterly Review of Series A Financings and Series B and Later Round Financings: Third Quarter 2011

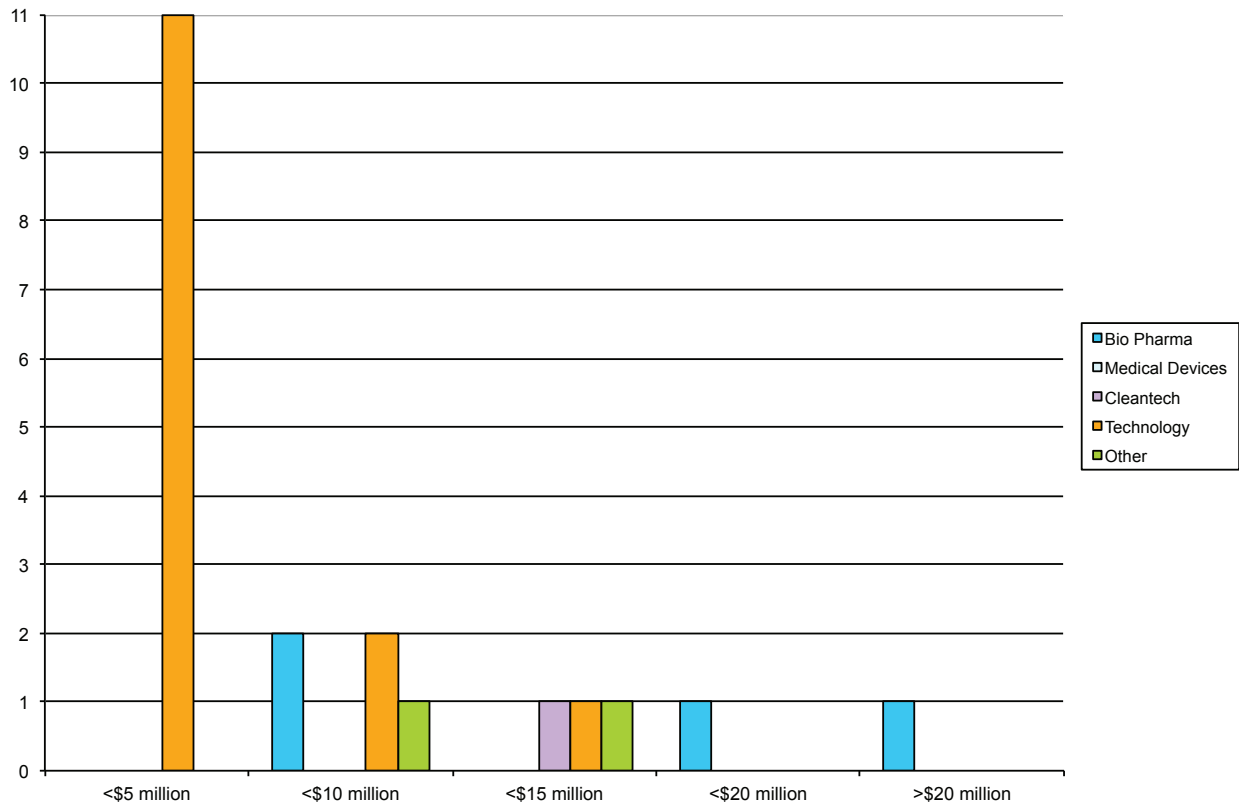
Activity Level of New England Series A Transactions



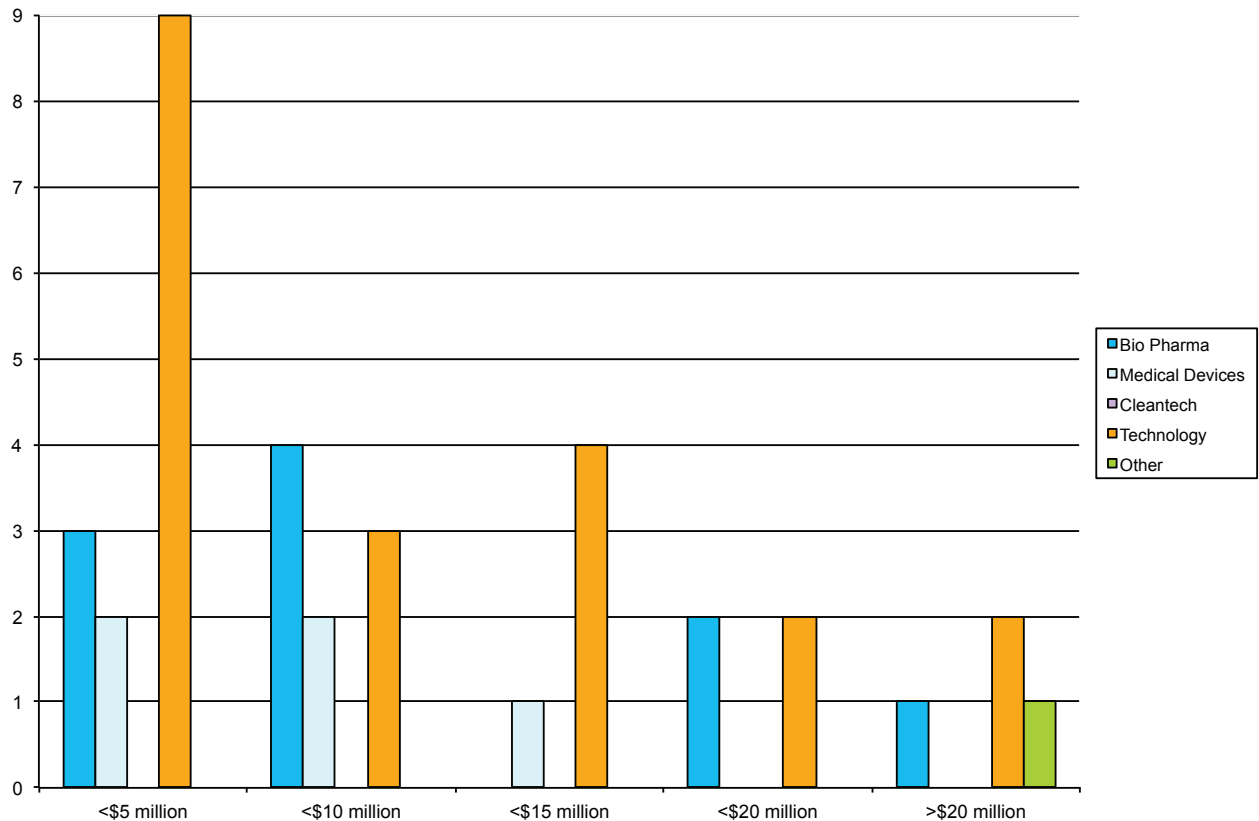
Activity Level of New England Series B and Later Round Transactions



Size of New England Q3 2011 Series A Transactions by Industry



Size of New England Q3 2011 Series B and Later Round Transactions by Industry



The Numbers

Dave Broadwin

For the third quarter, at least, a somewhat consistent picture of venture activity in New England can be gleaned from the numbers. The technology sector has been strong, and the life science sector is doing reasonably well, but cleantech continues to lag. To some extent these results can be explained by a combination of how capital intensive the investments are and what the opportunities for exit (or early exit) might be. Of the three sectors we focus on, technology requires the smallest investments and has the greatest opportunities for early exit and cleantech requires the largest investments and has the fewest opportunities for exit.

The dominance of smaller shorter term investments may well reflect the economic mood and uncertainty of the times. On the one hand, the sheer number of these investments suggests that there was (and maybe still is) a frothy investment atmosphere for these types of companies. On the other hand, the weaker interest in life science investments and the almost non-existent interest in cleantech suggest a basic lack of confidence in the longer term future of IPO and big M&A exits.

Activity Levels and Size of Transactions: Another Active Quarter for Tech Companies

The real story is that the third quarter (indeed the first three quarters) of 2011 was very active for investments in technology companies, as compared to the same periods in 2010. In this quarter there were 21 Series A and 36 Series B and later stage financings of New England based technology companies. For the first three quarters of this year there were 51 Series A and 102 Series B and later stage financings of New England based technology companies.

A review of the amount raised as disclosed under the caption "Selected New England Series A Round Transactions" reveals that the largest Series A round for technology companies in New England in the third quarter was \$8 million and most of the investments in technology companies were between \$1 million and \$3 million. In addition, by far the greatest number of investments were sub-\$5 million in technology companies.

Compare those numbers to life science investment and cleantech investments. In this quarter there were 4 Series A and 15 Series B and later stage financings of New England based life science companies and one series A and no Series B and later stage financings of New England based cleantech companies. The size of Series A investments in life science companies clustered around \$10 million.

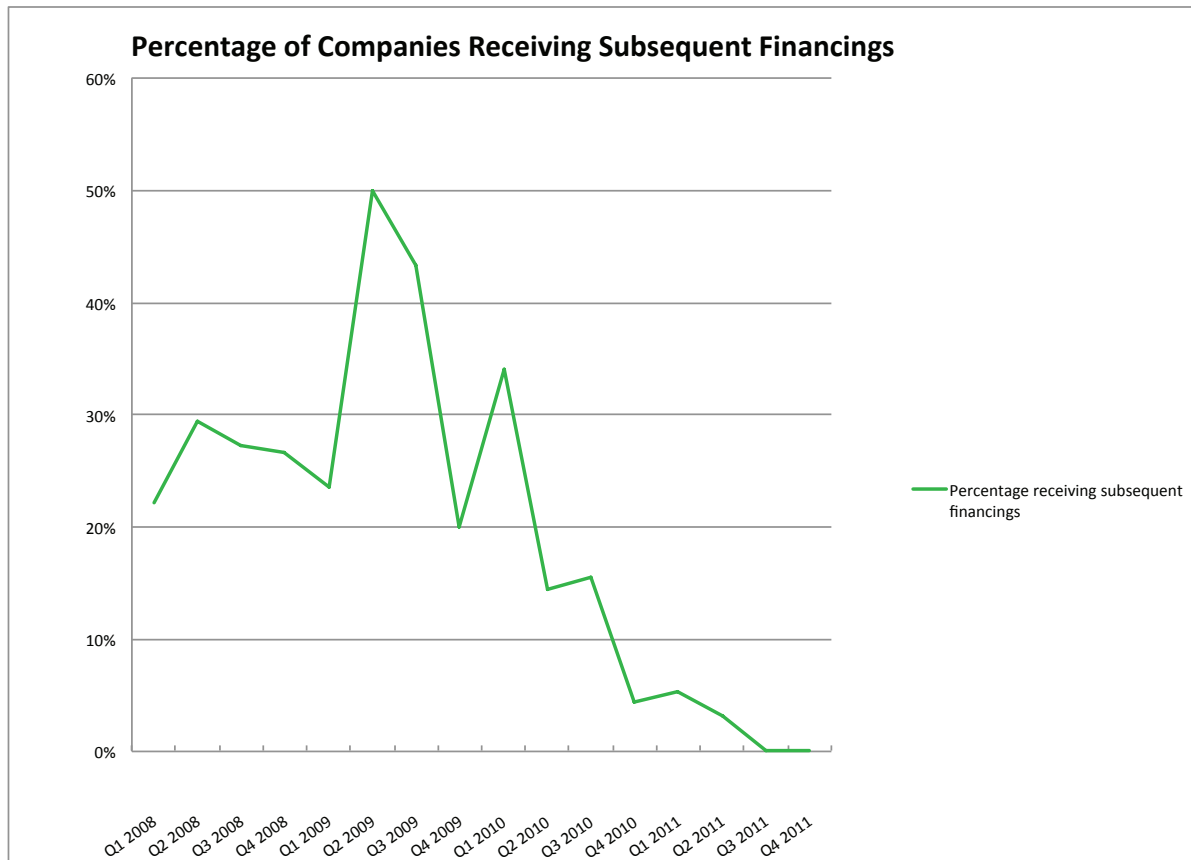
Terms of Transactions: Favorable for Entrepreneurs

Perhaps driven by the frothy atmosphere for small technology investments, terms continued a generally favorable trend for entrepreneurs.

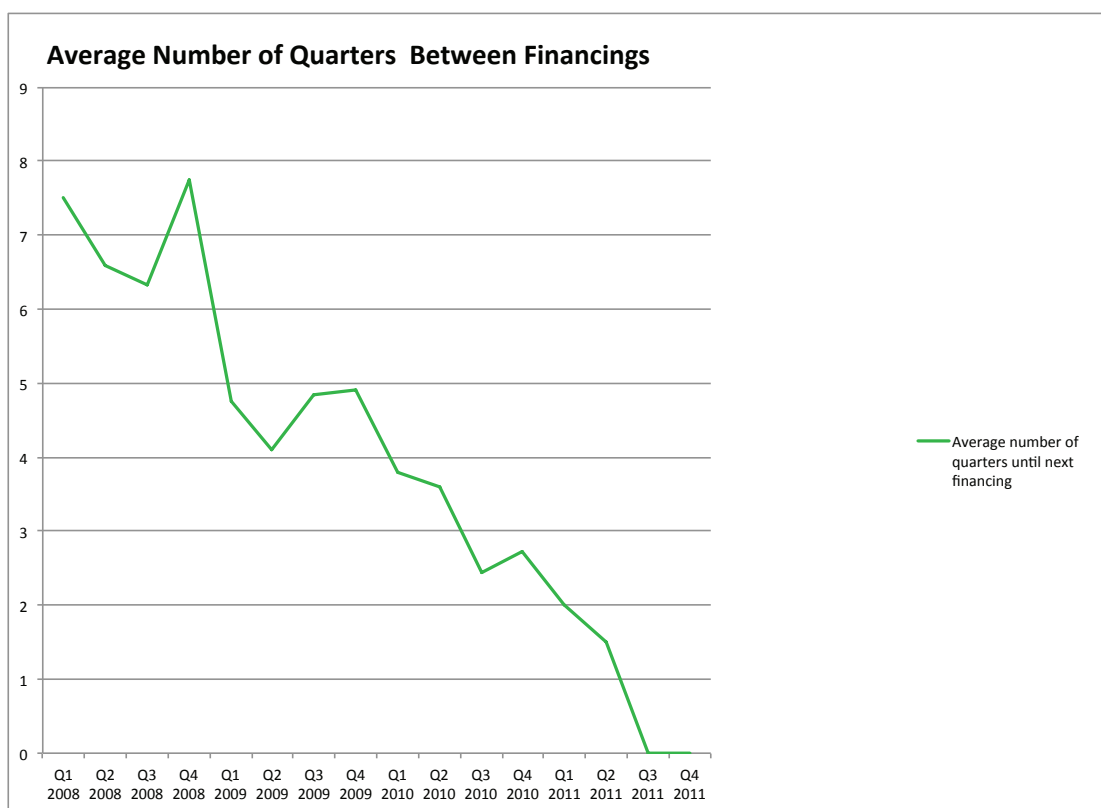
Our graphs present a fairly consistent trend over the course of the year. The number of transactions with cumulative dividends is markedly down. There are similar, if less precipitous, declines in the number of transactions with participating preferred stock, redemption provisions and pay to play provisions. With respect to Series A rounds, redemption provisions appeared in just over 30% of the transactions down from about 60% in the prior quarter.

Subsequent Financing Trends

I was doing some data mining in our database, and it occurred to me that it might be revealing to know how many companies in New England that we reported as getting financing were able to secure rounds and in what time frame. The green line in the following graph sets forth, by the quarter in which we reported the company obtaining financing, the percentage of companies that later received additional financing. It can be no surprise that the green line drops down and eventually reaches zero as we approach the present. As a result, the data for companies obtaining financing in recent quarters is not likely to be very meaningful. Having said that, if one looks at the companies whose initial financing was before, say, Q4 2009 the graph is more interesting. Early 2009, for example, seems to have been a hot period for follow-on financings and there seems to have been another, smaller spike in early 2010. The “hot” period in 2009 corresponds with a period during which companies (at least some companies) were able to obtain financing relatively quickly (see my next graph below). It also corresponds with the worst of the recession. While this activity at the early part of a deep recession seems odd, it may be, as I note below, that investors were actively supporting their better bets.



The graph below shows the number of quarters that it took each company that did get follow on financing (according to our database) to obtain that financing. For purposes of this graph, the x-axis indicates the first time a particular company showed up in our database. Hence a company that obtained its initial financing in Q1 2008 took about 7 quarters to obtain subsequent financing. As with the preceding graph, there are basic issues with this data. For example, as one might expect, the number of companies obtaining follow-on financing drops steadily as we get closer and closer to the present time. Probably the most significant information is for companies whose initial financing was more than 18 months ago. There was a sharp increase in the number of months needed to obtain follow-on financing during the latter half of 2008 followed by a steep decline into the summer of 2009, after which there was a modest increase in the time needed to obtain follow-on financing. If memory serves me well, the drop in the number of quarters to a follow-on financing between late 2008 and early 2009 coincided with the worst part of the recession. It seems counter-intuitive that this period should have been a time of rapid investment, but it was. Perhaps investors raced to shore up their more promising companies or perhaps companies raced to close transactions knowing that bad times were upon them. This period may have indicated some market reaction to the inauguration of President Obama in the winter of 2009. If there was indeed any political correlation to this uptick in investing, it will be interesting to see the effect of the upcoming election on the VC community. That is, will financing activity drop off if there is a changing of the guard on Pennsylvania Avenue or will it be business as usual coinciding with a second term for Mr. Obama.



While this data is inconclusive, it does suggest that the conventional wisdom that a company needs to allocate 4-5 months to obtain a follow-on financing could be more nuanced after examining trends over the past years. We will continue to accumulate this data in quarters to come.

All of us at the EEC hope the new year finds you well.

Dave Broadwin

Selected New England Series A Round Transactions

Third Quarter 2011

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				
Bridge Energy, Inc.	11,000,000	23%	\$36,800,000	\$47,800,000
Ovascience, Inc.	6,200,000	34%	\$11,800,000	\$18,000,000
Tensha Therapeutics, Inc.	15,000,000	75%	\$5,000,000	\$20,000,000
TECHNOLOGY				
Abine, Inc.	6,500,000	53%	\$5,600,000	\$12,100,000
Buzzient, Inc.	1,100,000	19%	\$4,600,000	\$5,700,000
Custommade Ventures Corp.	2,000,000	23%	\$6,700,000	\$8,700,000
Disruptivapps, Incorporated	1,000,000	11%	\$7,800,000	\$8,800,000
Hadapt, Inc.	8,000,000	55%	\$12,800,000	\$20,800,000
ioRevolution, Inc.	1,800,000	19%	\$7,300,000	\$9,100,000
Nanigans, Inc.	3,000,000	11%	\$23,200,000	\$26,200,000
New Life Solutions	2,000,000	18%	\$8,800,000	\$10,800,000
Placester, Inc.	800,000	12%	\$6,000,000	\$6,800,000
StartDate Labs, Inc.	2,500,000	21%	\$9,100,000	\$11,600,000
Take The Interview, Inc.	800,000	17%	\$3,700,000	\$4,500,000
Tenmarks Education, Inc.	1,100,000	12%	\$8,400,000	\$9,500,000
OTHER				
peerTransfer Corporation	7,500,000	38%	\$12,500,000	\$20,000,000
Innerscope Research Inc.	2,000,000	9%	\$20,500,000	\$22,500,000

Selected New England Series B and Later Round Transactions

Third Quarter 2011

Implied Pre-Money and Post-Money Valuations*

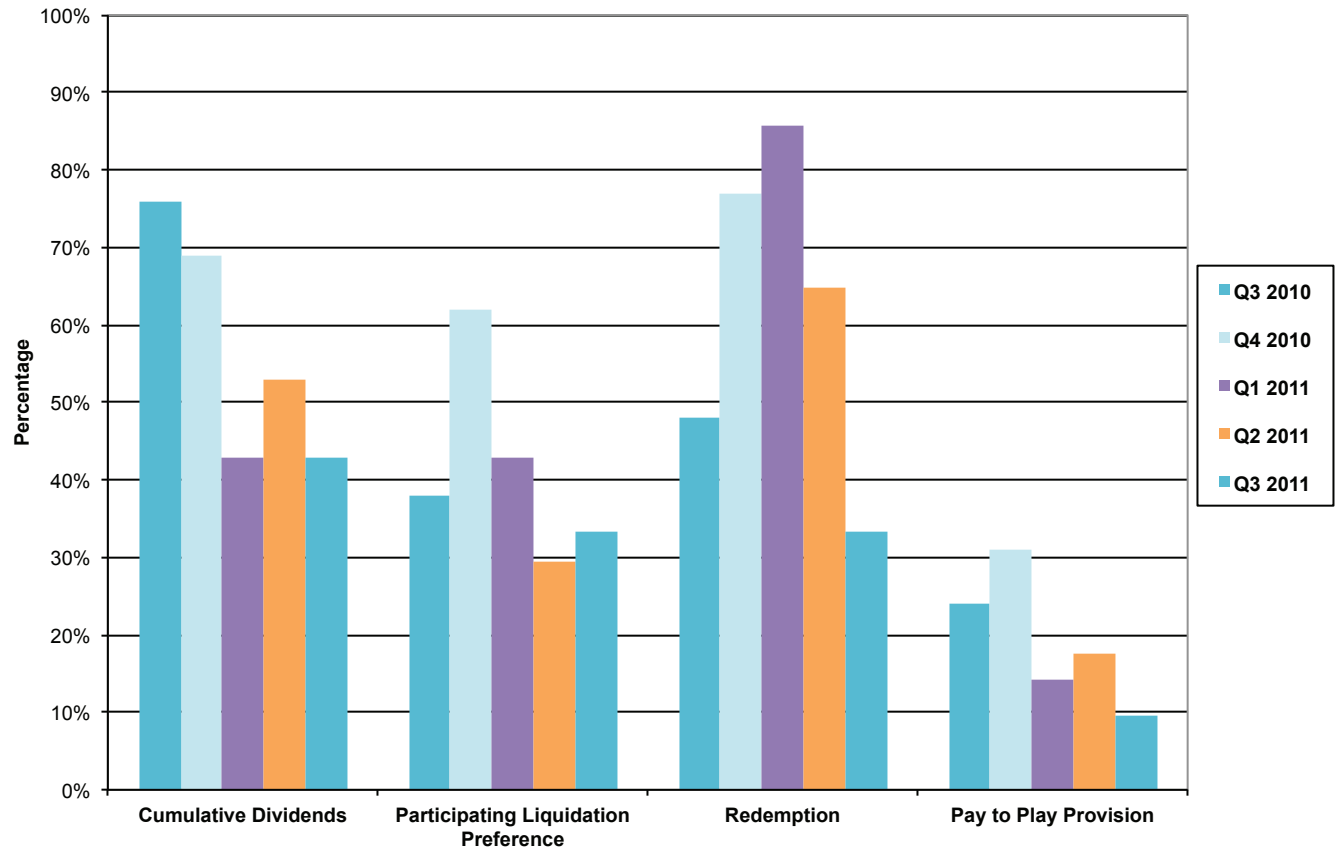
Company	Most recent round of preferred stock	Amount Raised	Percentage of Company owned by most recent round of preferred investors	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
LIFE SCIENCES						
Affectiva, Inc.	B	\$5,700,000	32%	\$12,300,000	\$18,000,000	Up
Anterios, Inc.	B-3	\$3,000,000	3%	\$118,000,000	\$121,000,000	Down
Beacon Endoscopic Corporation	B	\$2,600,000	12%	\$19,900,000	\$22,500,000	Even
Fluidnet Corporation	C	\$19,800,000	21%	\$73,600,000	\$93,400,000	Down
Gnubio Inc.	A-2	\$8,000,000	46%	\$9,500,000	\$17,500,000	Down
Lantos Technologies, Inc.	B	\$4,100,000	27%	\$11,000,000	\$15,100,000	Up
Medventive Inc.	D-2	\$12,000,000	29%	\$30,000,000	\$42,000,000	Up
Nabsys, Inc.	C	\$7,000,000	16%	\$35,700,000	\$42,700,000	Up
NKT Therapeutics Inc.	B	\$9,500,000	42%	\$13,300,000	\$22,800,000	Down
Nuclea Biotechnologies, Inc.	B	\$3,000,000	2%	\$147,000,000	\$150,000,000	Even
Proteon Therapeutics, Inc.	C	\$15,200,000	13%	\$100,200,000	\$115,400,000	Even
Putney, Inc.	C	\$20,700,000	40%	\$31,100,000	\$51,800,000	Down
Quanterix Corporation	C	\$6,000,000	10%	\$57,000,000	\$63,000,000	Even
Tokai Pharmaceuticals, Inc.	D-3	\$1,900,000	3%	\$58,900,000	\$60,800,000	Even
Transmedics, Inc.	C	\$5,900,000	8%	\$71,600,000	\$77,500,000	Down
TECHNOLOGY						
Acquia Inc.	D	\$15,000,000	9%	\$160,800,000	\$175,800,000	Up
Acumentrics Holding Corporation	B	\$2,500,000	4%	\$58,100,000	\$60,600,000	Even
Affirmed Networks, Inc.	D	\$1,400,000	1%	\$207,700,000	\$209,100,000	Up
Awareness, Inc.	B	\$9,900,000	32%	\$21,000,000	\$31,000,000	Down
Backupify, Inc.	C	\$5,000,000	24%	\$15,800,000	\$20,700,000	Up
Black Duck Software, Inc.	F	\$12,000,000	9%	\$117,400,000	\$129,400,000	Up
Cloudbees, Inc.	B	\$10,500,000	22%	\$37,300,000	\$47,800,000	Up
Dynamicops	B-1	\$5,000,000	9%	\$52,300,000	\$57,300,000	Up
Innocentive, Inc.	B-2	\$3,400,000	3%	\$116,600,000	\$120,000,000	Up
Interactions Corporation	E	\$12,000,000	31%	\$26,400,000	\$38,400,000	Up
Plexxi Inc.	B	\$20,000,000	21%	\$74,400,000	\$94,400,000	Up
Punchbowl Software, Inc.	B	\$600,000	4%	\$12,400,000	\$13,000,000	Up
Second Rotation, Inc.	D	\$21,700,000	22%	\$77,500,000	\$99,200,000	Up

Company	Most recent round of preferred stock	Amount Raised	Percentage of Company owned by most recent round of preferred investors	Implied Pre-Money Valuation	Implied Post-Money Valuation	Up or Down Round
Strava, Inc.	B	\$12,600,000	19%	\$53,100,000	\$65,700,000	Up
The Nanosteel Company, Inc.	C	\$17,000,000	20%	\$70,100,000	\$87,000,000	Up
True Fit Corporation	B	\$4,400,000	26%	\$12,700,000	\$17,100,000	Up
TwinStrata, Inc.	B	\$5,700,000	19%	\$23,600,000	\$29,300,000	Up
VideolQ, Inc.	C	\$7,500,000	24%	\$24,400,000	\$31,900,000	Down
XOS Technologies, Inc	B-1	\$4,000,000	4%	\$93,600,000	\$97,500,000	Even
OTHER						
Care.com, Inc.	D	\$25,000,000	14%	\$149,200,000	\$174,200,000	Up

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

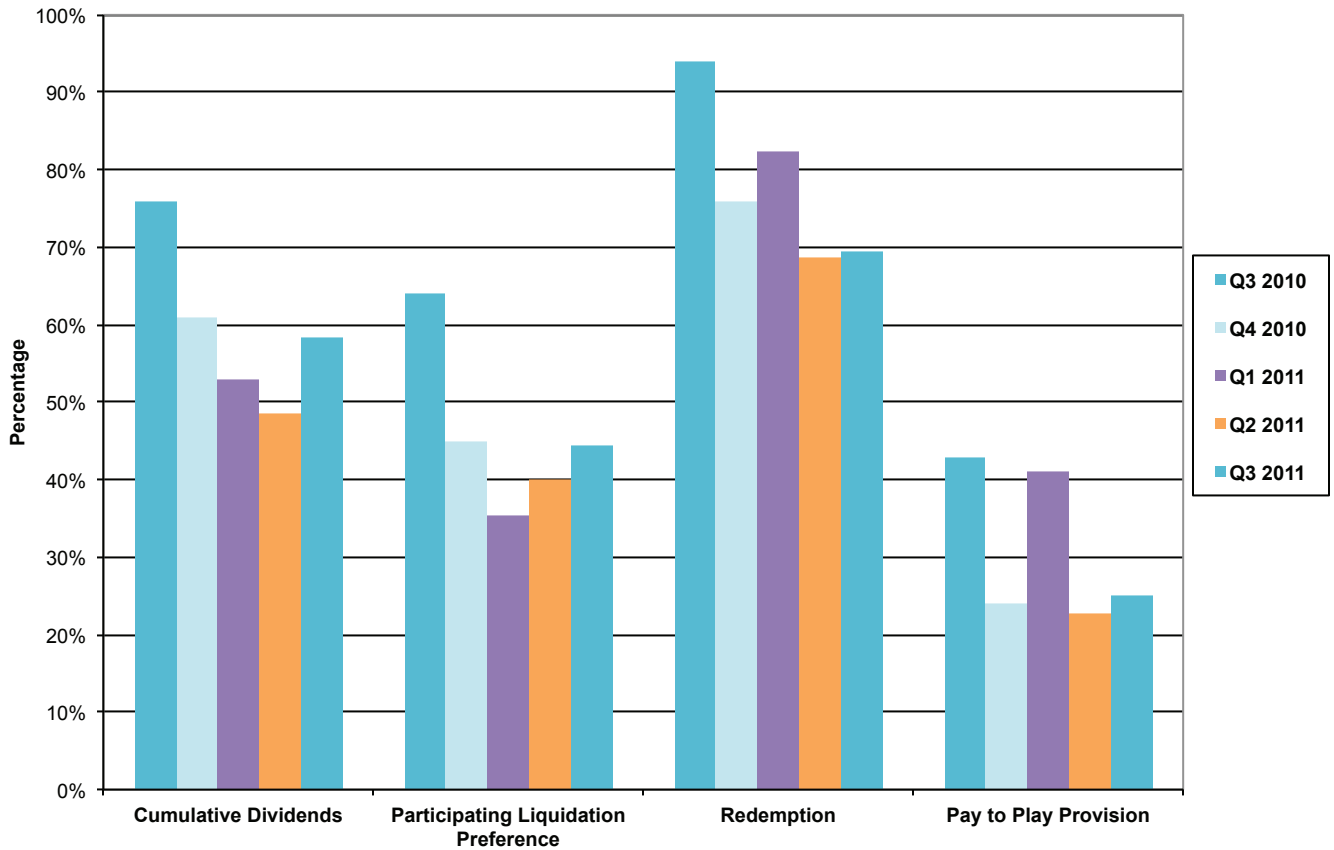
We can prepare a similar analysis across any group of transactions that our clients are interested in. For example, we could prepare analysis for a group of competitive companies so you can see what the implied valuations of your competitors are. If you would like additional information on this service, 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 Round Transactions 2010-2011



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. A definition of each of these terms may be found on our website, www.emergingenterprise.com. 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 Round Transactions 2010-2011



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. A definition of each of these terms can be found on our website, www.emergingenterprisepricenter.com. 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	2010				2011			Quarter ended September 30, 2010	Quarter ended September 30, 2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Life Sciences									
Biopharma	13	16	8	15	13	26	24	8	24
Medical Device	12	10	13	18	11	21	13	13	13
Cleantech	6	4	2	7	9	2	6	2	6
Technology	34	34	47	62	53	61	69	47	69
Other	85	97	65	101	85	98	123	65	123
Total	150	161	135	203	171	208	235	135	235

* Source: Dow Jones VentureSource

National Series B and Later Round Transactions by Industry*

Industry	2010				2011			Quarter ended September 30, 2010	Quarter ended September 30, 2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Life Sciences									
Biopharma	41	66	56	59	36	43	40	56	40
Medical Device	47	58	46	51	45	53	49	46	49
Cleantech	24	29	18	25	21	25	30	18	30
Technology	22+	146	121	132	93	108	112	121	112
Other	137	180	152	172	188	219	19	152	19
Total	365	479	393	439	383	448	250	393	250

* 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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