

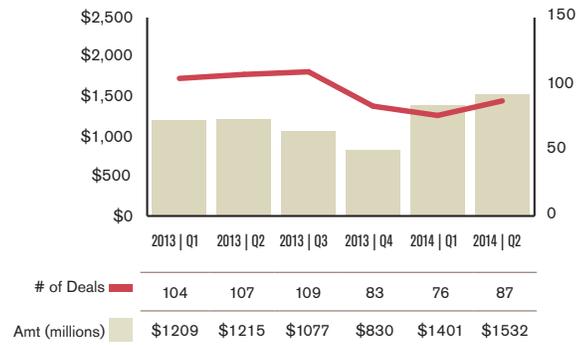
## Q2 2014—Deal Activity Rises as Up Rounds Increase\*

Overall financing activity in the second quarter of 2014 showed robust increases over the prior quarters. In Q2 2014, Cooley handled 87 deals representing over \$1.5 billion of invested capital. Of particular note, the percentage of up rounds in the quarter reached more than 87% of deals, a level not seen since 2011. More than 44% of the transactions during the quarter were Series A deals, an increase from Q1. The data also pointed to a sizeable increase in median pre-money valuations for Series A transactions. In Q2, the median pre-money valuation for Series A deals hit \$19 million, a level not seen in more than a year. However, median pre-money valuations decreased for Series B, C and D+ transactions. The percentage of Q2 deals with pre-money valuations greater than \$100 million was 18%, a level also higher than the prior two quarters.

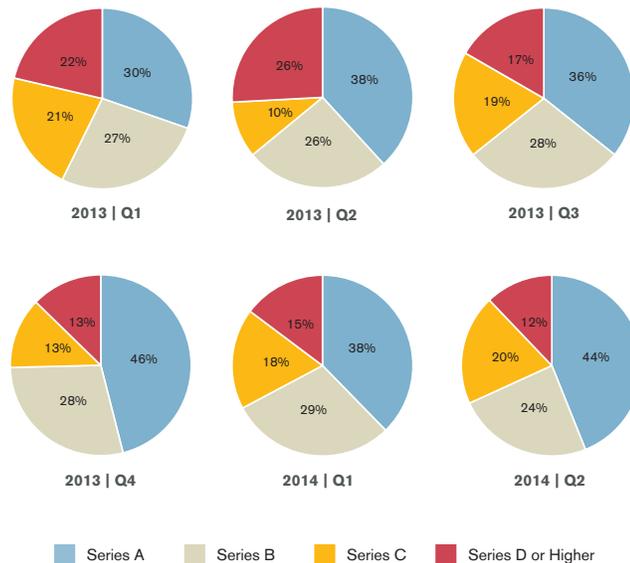
Second quarter deal terms were somewhat mixed, but in aggregate pointed to a company-friendly financing environment. Liquidation preferences of greater than 1x increased in all deal stages with the exception of Series C transactions. However, the percentage of deals utilizing fully participating preferred provisions decreased in all deal stages in Q2. Additionally, the percentage of recapitalization transactions and deals structured in tranches both decreased markedly from prior quarters, a signal of investor optimism. During Q2, pay-to-play provisions were not used in deals we handled. More than 85% of transactions utilized drag-along provisions during the quarter.

### TRENDS IN FINANCIAL TERMS

**TOTAL DEAL VOLUME AND AGGREGATE DOLLARS RAISED.** Overall deal volume and aggregate dollars raised increased from the prior two quarters.

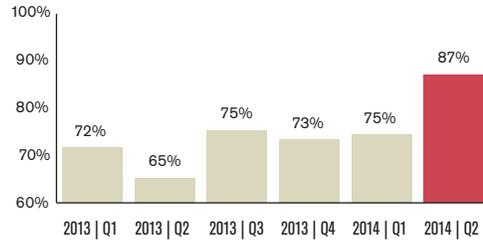


### DEAL BREAKDOWN—By Series.



\*Quarterly analysis based upon 87 completed deals totaling approximately \$1.5 billion in the second quarter of 2014; 76 completed deals totaling approximately \$1.4 billion in the first quarter of 2014; 83 completed deals totaling approximately \$830 million in the fourth quarter of 2013; 109 completed deals totaling approximately \$1.08 billion in the third quarter of 2013; 107 completed deals totaling approximately \$1.22 billion in the second quarter of 2013 and 104 completed deals totaling approximately \$1.2 billion in the first quarter of 2013. Please note our past quarterly deal numbers can change based on data not available at the time of the report.

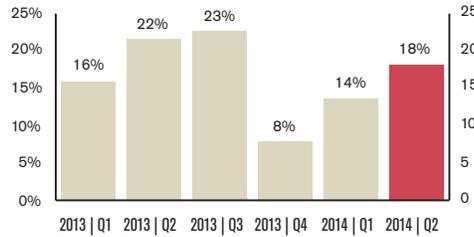
**PERCENTAGE OF UP, DOWN AND FLAT ROUNDS.** The percentage of up rounds across all deal stages reached more than 87% of deals, a level not seen since 2011.



**MEDIAN PRE-MONEY VALUATION (\$ millions)—By Series.** Median pre-money valuations decreased in all deal stages, with the exception of Series A deals, which saw a sizable increase from prior quarters.



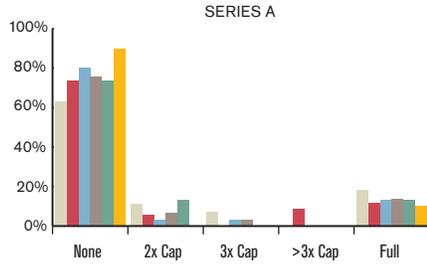
**PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal.** More than 18% of Q2 deals had a median pre-money valuation greater than \$100 million.



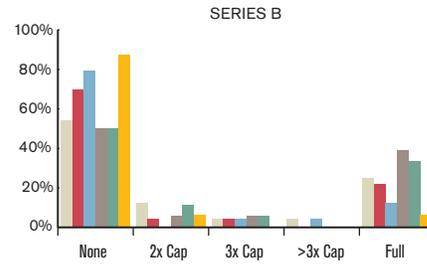
**LIQUIDATION PREFERENCE—By Series.** Although a 1x liquidation preference remained the norm across all series of financings, we observed an increase in the use of greater than 1x liquidation preferences in Series A, B and D+ transactions.



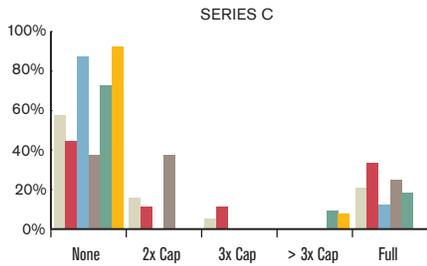
**LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series.** Across all deal stages there was a significant decrease in the percentage of deals with fully participating preferred provisions.



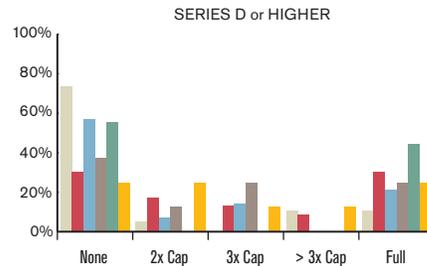
Quarter	None	2x Cap	3x Cap	>3x Cap	Full
2013   Q1	63.0%	11.1%	7.4%	0.0%	18.5%
2013   Q2	73.5%	5.9%	0.0%	8.8%	11.8%
2013   Q3	80.0%	3.3%	3.3%	0.0%	13.3%
2013   Q4	75.9%	6.9%	3.4%	0.0%	13.8%
2014   Q1	73.9%	13.0%	0.0%	0.0%	13.0%
2014   Q2	89.7%	0.0%	0.0%	0.0%	10.3%



Quarter	None	2x Cap	3x Cap	>3x Cap	Full
2013   Q1	54.2%	12.5%	4.2%	4.2%	25.0%
2013   Q2	69.6%	4.4%	4.4%	0.0%	21.7%
2013   Q3	79.2%	0.0%	4.2%	4.2%	12.5%
2013   Q4	50.0%	5.6%	5.6%	0.0%	38.9%
2014   Q1	50.0%	11.1%	5.6%	0.0%	33.3%
2014   Q2	87.5%	6.2%	0.0%	0.0%	6.2%

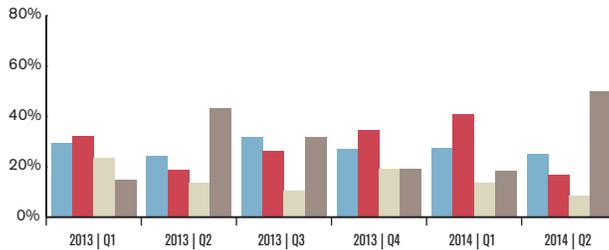
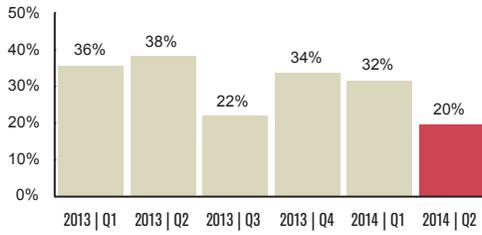


Quarter	None	2x Cap	3x Cap	>3x Cap	Full
2013   Q1	57.9%	15.8%	5.3%	0.0%	21.0%
2013   Q2	44.4%	11.1%	11.1%	0.0%	33.3%
2013   Q3	87.5%	0.0%	0.0%	0.0%	12.5%
2013   Q4	37.5%	37.5%	0.0%	0.0%	25.0%
2014   Q1	72.7%	0.0%	0.0%	9.1%	18.2%
2014   Q2	92.3%	0.0%	0.0%	7.7%	0.0%



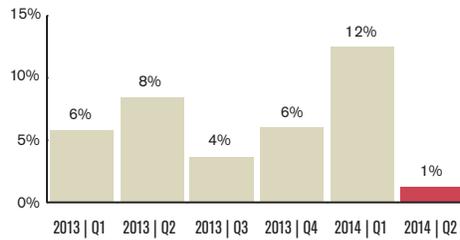
Quarter	None	2x Cap	3x Cap	>3x Cap	Full
2013   Q1	73.7%	5.3%	0.0%	10.5%	10.5%
2013   Q2	30.4%	17.4%	13.0%	8.7%	30.4%
2013   Q3	57.1%	7.1%	14.3%	0.0%	21.4%
2013   Q4	37.5%	12.5%	25.0%	0.0%	25.0%
2014   Q1	55.6%	0.0%	0.0%	0.0%	44.4%
2014   Q2	25.0%	25.0%	12.5%	12.5%	25.0%

**PERCENTAGE OF DEALS WITH PARTICIPATING PREFERRED—By Quarter and Series.** In Q2, we witnessed a significant decrease in the percentage of deals with participating preferred provisions.

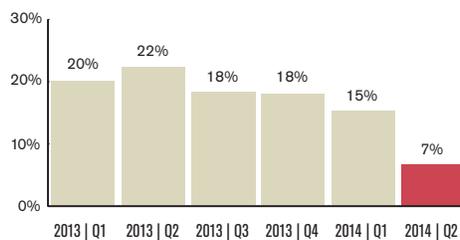


Series A	29.4%	24.3%	31.6%	26.9%	27.3%	25.0%
Series B	32.4%	18.9%	26.3%	34.6%	40.9%	16.7%
Series C	23.5%	13.5%	10.5%	19.2%	13.6%	8.3%
Series D or Higher	14.7%	43.2%	31.6%	19.2%	18.2%	50.0%

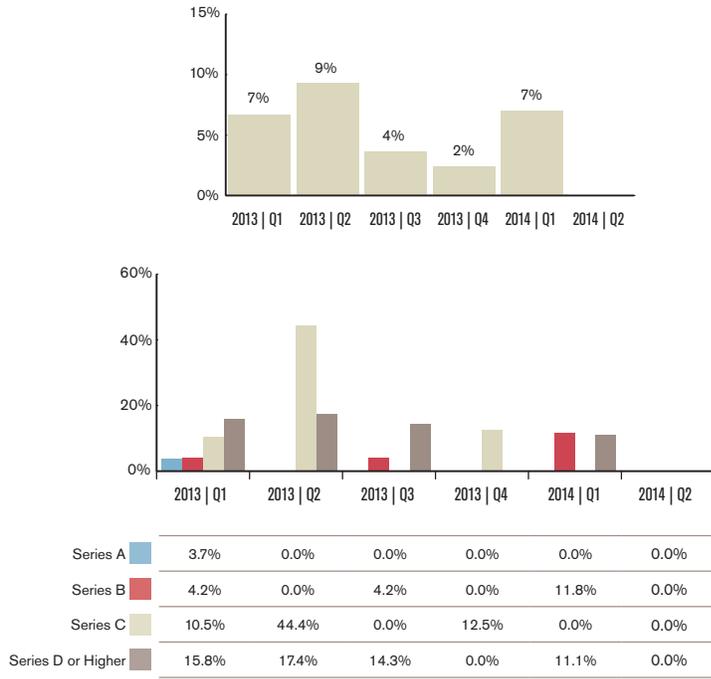
**RECAPITALIZATIONS—By Quarter.** The percentage of recapitalization transactions decreased markedly from prior quarters.



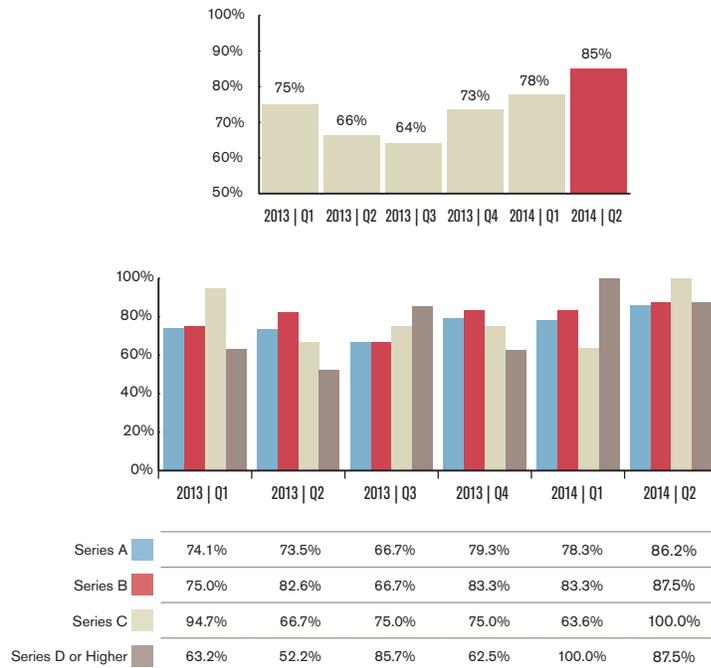
**TRANCHED DEALS—By Quarter.** The percentage of deals structured in tranches decreased to a level not seen in five years.



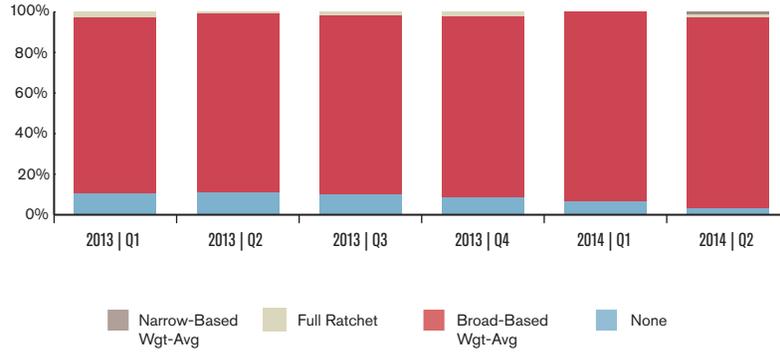
**PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter and Series.** Pay-to-play provisions were not used in deals we handled in Q2 2014.



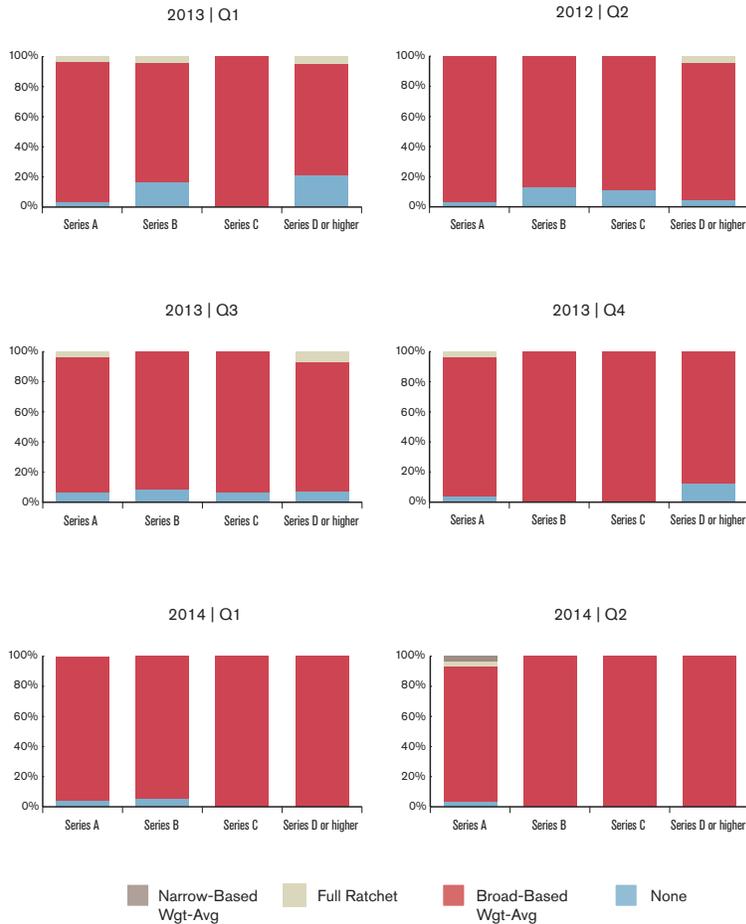
**PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter and Series.** Utilization of drag-along provisions increased from prior quarters.



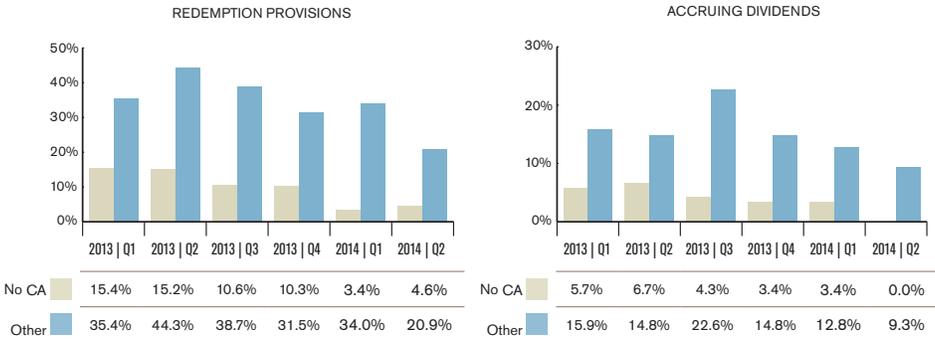
**ANTI-DILUTION PROTECTION—By Quarter.** During Q2 2014, approximately 94% of the transactions included broad-based weighted average anti-dilution protection, relatively flat from the prior quarter. The chart below breaks down the percentage of deals with broad-based weighted average, narrow-based weighted average, full ratchet, and no anti-dilution protection.



**ANTI-DILUTION PROTECTION—By Series.**



**REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region.** We continued to see a gap in the usage of redemption and accruing dividend provisions between the SF Bay Area/Silicon Valley and other geographic regions during Q2 2014.



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