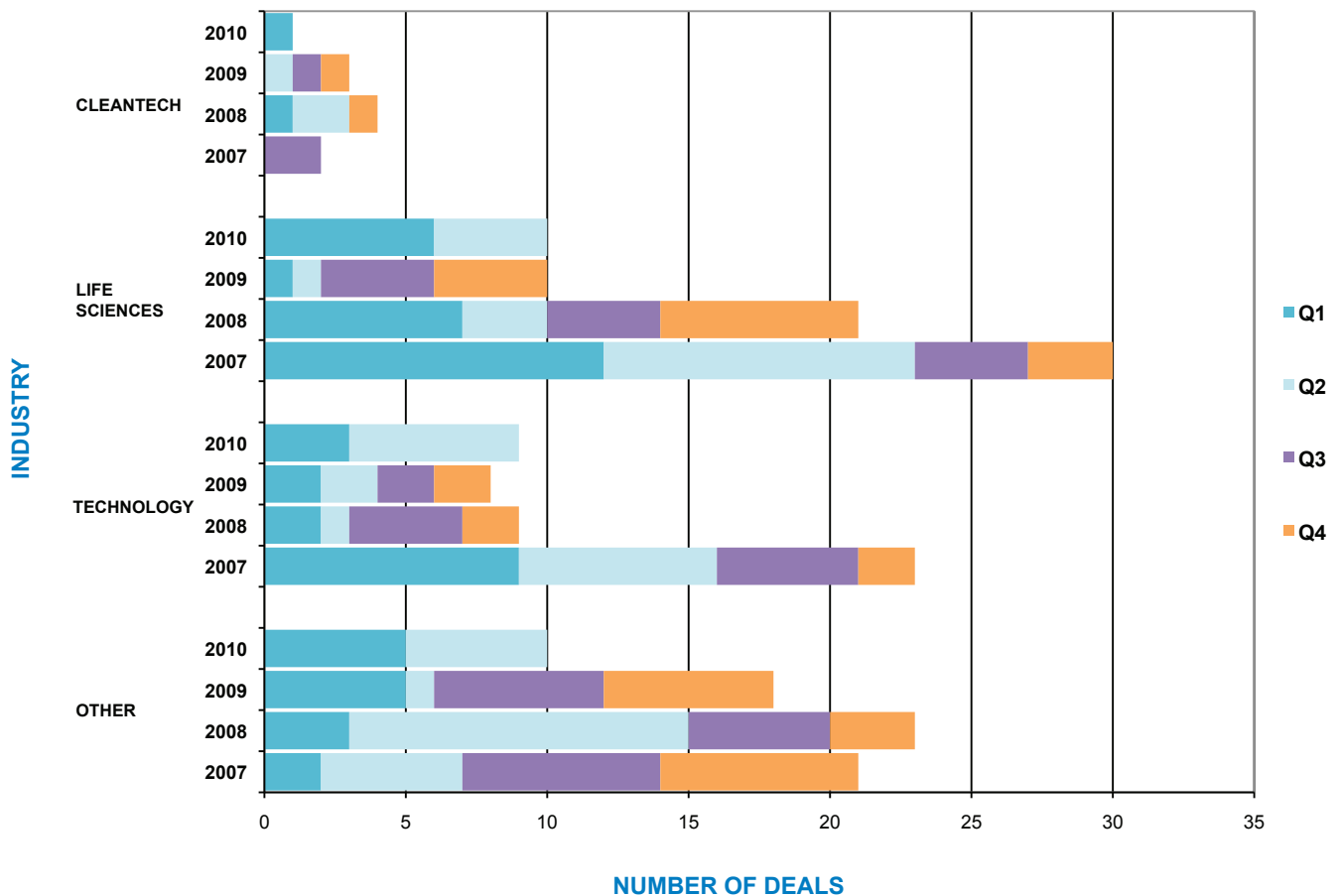


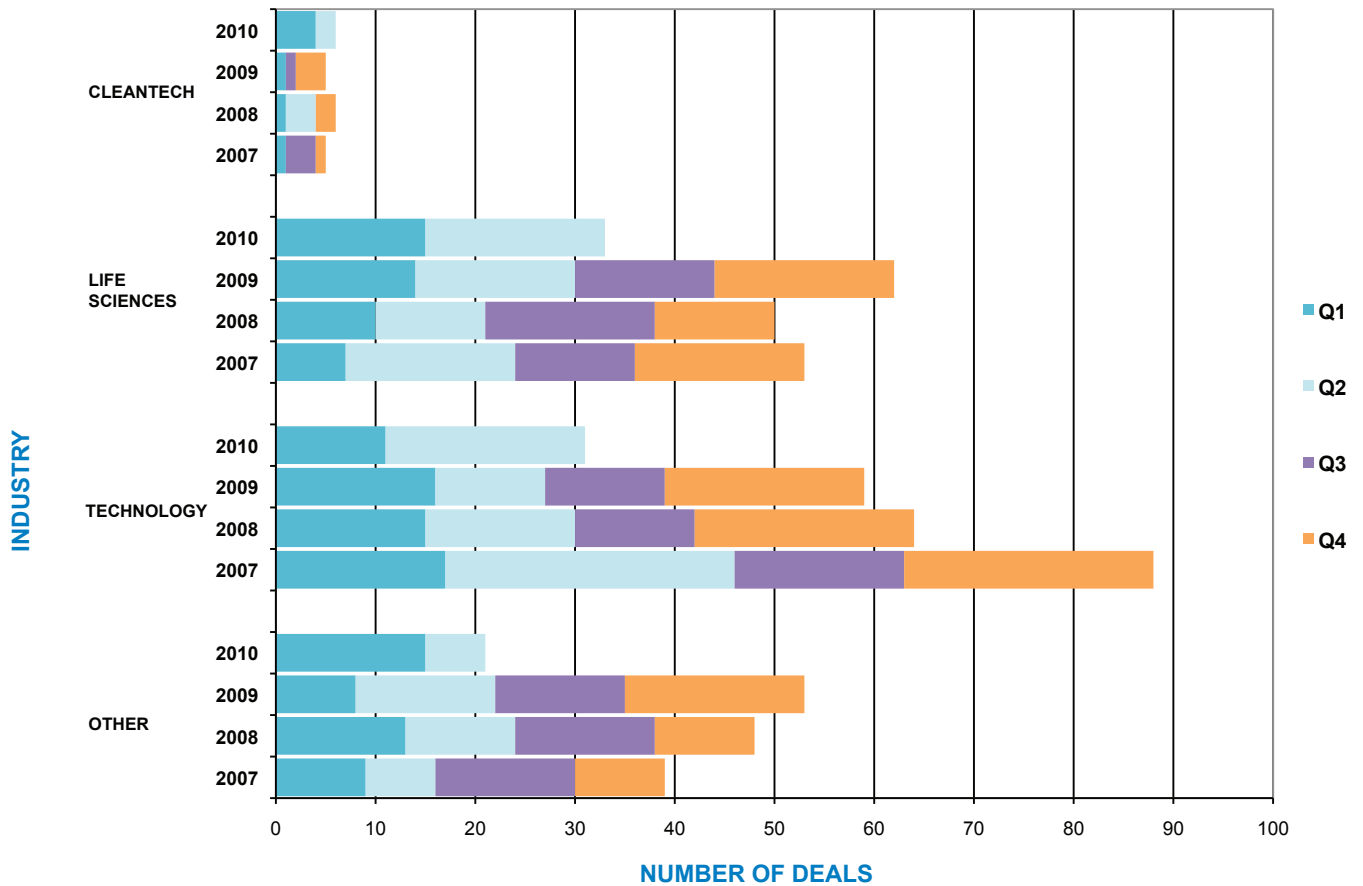


## Quarterly Review of Series A Financings and Series B and Later Round Financings: Second Quarter 2010

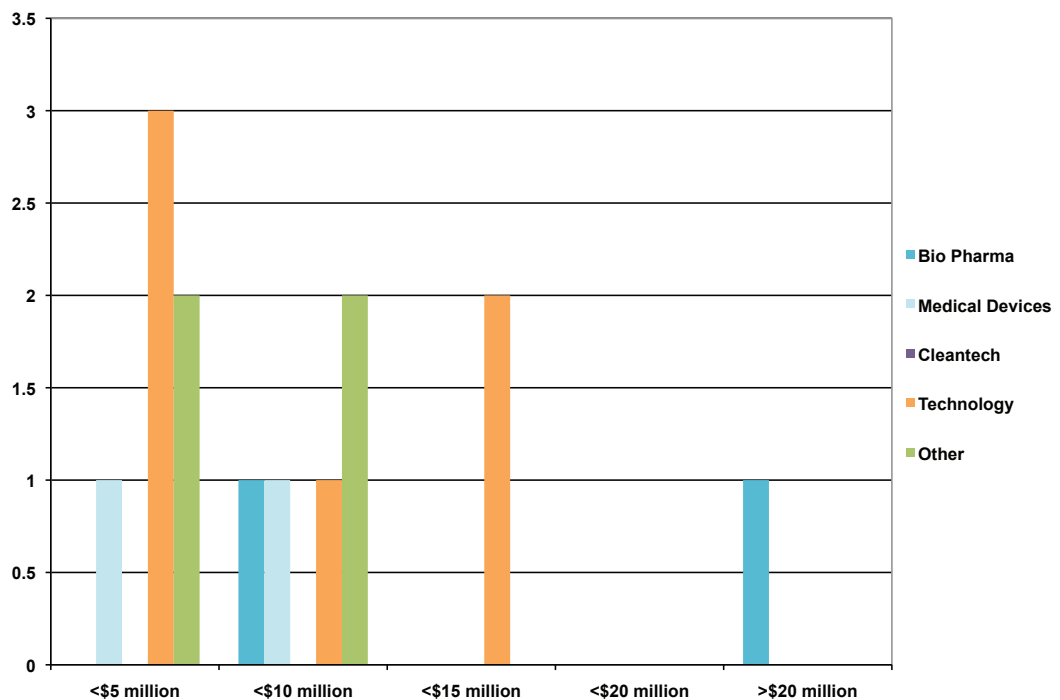
### Activity Level of New England Series A Transactions



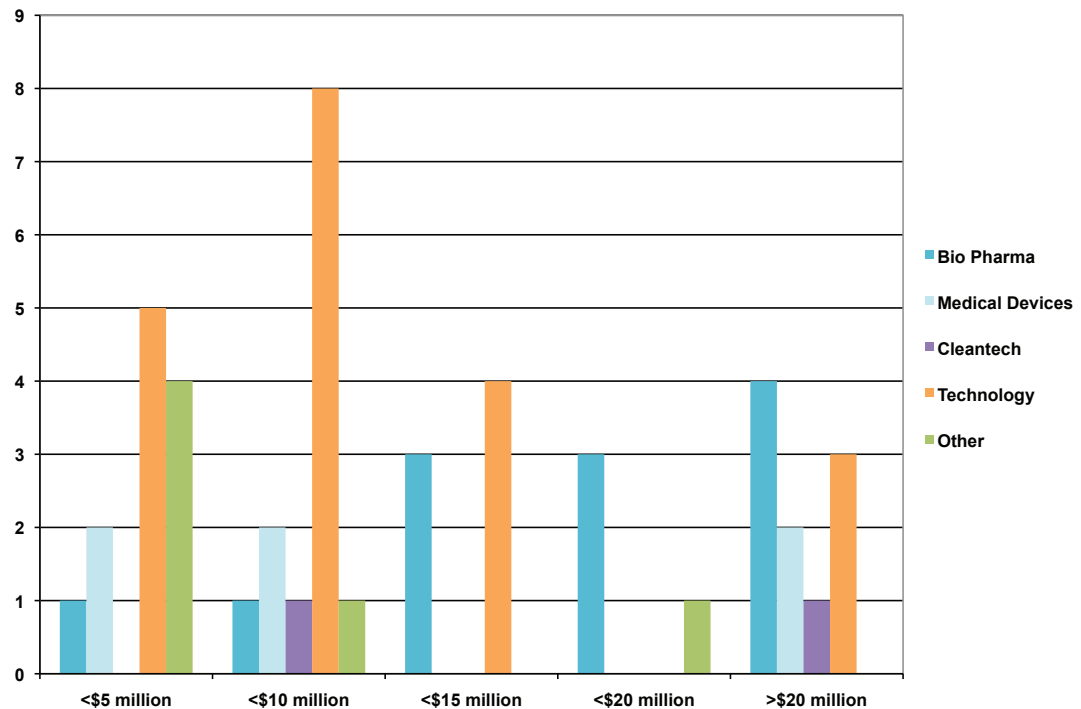
## Activity Level of New England Series B and Later Round Transactions



## Size of New England Q2 2010 Series A Transactions by Industry



## Size of New England Q2 2010 Series B 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 Level

The activity level graph for New England Series A transactions during Q2 2010 paints a mixed picture. The good news is that Series A financing activity was up significantly over Q2 2009 levels in all industry categories except Cleantech. The bad news is that the picture is not so rosy when Q2 2010 activity is compared to Q1 2010 activity: activity levels were up for Technology but flat for "Other" and down for both Cleantech and Life Sciences.

The activity level graph for New England Series B/Later Round transactions during Q2 2010 paints a somewhat similar picture. Series B/Later Round activity levels were up nicely over Q2 2009 levels in Cleantech, Life Sciences and Technology, but down in the Other category. Compared to Q1 2010 activity levels, Life Sciences and Technology were up, but Cleantech and Other were down.

#### Pre-Money and Post-Money Valuations

**Series A Round.** The reported Series A Round information presents the usual varied picture both across and within industry sectors:

**Cleantech:** No transactions were reported.

**Life Sciences:** In the four Life Science transactions, the implied pre-money valuations ranged from a low of \$3.0 million to a high of \$12.8 million. The amounts raised ranged from a low of \$2.0 million to a high of \$39.8 million. The Series A Preferred Stock as a percentage of the post-financing authorized Common Stock ranged from a low of 40% to a high of 76%.

**Technology:** In the five Technology transactions, the implied pre-money valuations ranged from a low of \$3.7 million to a high of \$12.3 million. The amounts raised ranged from a low of \$2.1 million to high of \$13.1 million. The Series A Preferred Stock as a percentage of the post-financing authorized Common Stock ranged from a low of 37% to a high of 58%.

**Other:** In the four Other transactions, the implied pre-money valuations ranged from a low of \$4.0 million to a high of \$15.8 million. The amounts raised ranged from a low of \$0.5 million to high of \$5.5 million. The Series A Preferred Stock as a percentage of the post-financing authorized Common Stock ranged from a low of 8% to a high of 56%.

**Series B/Later Round.** The reported Series B/Later Round information also presents a varied picture across and within industry sectors:

**Cleantech:** There was one Cleantech transaction, a Series C up round with an implied pre-money valuation of \$16.2 million that raised \$6.2 million and in which the Series C sold in the transaction represented 28% of the Company.

**Life Sciences:** There were thirteen Life Science transactions, of which eight were up rounds, one was an even round, and four were down rounds. The implied pre-money valuations ranged from a low of \$3.5 million in a Series C down round to a high of \$147.9 million in a Series C-2 even round. The amounts raised ranged from a low of \$0.5 million in a Series C down round to a high of \$45.1 million in a Series D up round. The percentage of the Company sold to the most recent round of preferred investors ranged from a low of 3% in a Series C up round to a high of 56% in a Series D up round.

**Technology:** There were fifteen Technology transactions, of which six were up rounds, three were even rounds, and six were down rounds. The implied pre-money valuations ranged from a low of \$1.5 million in a Series A-2 down round to a high of \$340.4 million in a Series D down round. The amounts raised ranged from a low of \$0.7 million in a Series A-2 down round to a high of \$96.5 million in a Series C up round. The percentage of the Company sold to the most recent round of preferred investors ranged from a low of 3% in a Series D down round to a high of 79% in a Series D down round.

**Other:** There were four transactions in the Other category, of which three were up rounds and one was a down round. The implied pre-money valuations ranged from a low of \$9.6 million in a Series D down round to a high of \$41.0 million in a Series B up round. The amounts raised ranged from a low of \$2.3 million in a Series B up round to a high of \$16.0 million in a Series B up round. The percentage of the Company sold to the most recent round of preferred investors ranged from a low of 13% in a Series B up round to a high of 33% in the Series D down round.

## Terms

The bar graph of terms for selected New England Series A Rounds shows the following trends from the comparable prior year quarters and the immediately preceding quarters:

- a continued decrease in the percentage of transactions with cumulative dividends (43% in Q2 2010 versus 100% in Q2 2009 and 54% in Q1 2010);
- a continued decrease in the percentage of transactions with a participating liquidation preference (29% in Q2 2010 versus 50% in Q2 2009 and 46% in Q1 2010);
- with respect to the percentage of transactions with a redemption provision, a decrease as compared to the comparable prior year quarter and a slight increase as compared to the immediately preceding quarter (57% in Q2 2010 versus 100% in Q2 2009 and 54% in Q1 2010); and
- a continued decrease in the percentage of transactions with a pay to play provision (7% in Q2 2010 versus 29% in Q3 2009 and 23% in Q1 2010).

The bar graph of terms for selected New England Series B/Later Rounds shows the following trends from the comparable prior year quarters and the immediately preceding quarters:

- with respect to the percentage of transactions with cumulative dividends, an increase from the comparable prior year quarter and a decrease from the immediately preceding quarter (54% in Q2 2010 versus 35% in Q2 2009 and 69% in Q1 2010);
- with respect to the percentage of transactions with a participating liquidation preference, a nominal decrease from the comparable prior year quarter and an increase from the immediately preceding quarter (70% in Q2 2010 versus 71% in Q2 2009 and 56% in Q1 2010);
- with respect to the percentage of transactions with a redemption provision, a increase from both the comparable prior year quarter and the immediately preceding quarter (65% in Q2 2010 versus 47% in Q2 2009 and 64% in Q1 2010); and
- with respect to the percentage of transactions with a pay to play provision, a increase from the comparable prior year quarter and a decrease from the immediately preceding quarter (24% in Q2 2010 versus 18% in Q2 2009 and 28% in Q1 2010).

### **Conclusion**

The reported information suggests that the environment for venture investing, particularly for Series A transactions, has generally improved compared to the dismal conditions prevailing last year, but also that the pace of improvement has stalled. Nevertheless, there continues to be reasons for hope. Thomson Reuters and the National Venture Capital Association have reported that exit activity for venture-backed companies was up during Q2 2010. There were 17 venture-backed IPO's, the largest quarterly number since Q4 2007, and 92 M&A exits, down from Q1 2010 but up significantly from Q2 2009. The M&A exits with reported values generally yielded more favorable returns than in Q1 2010. Venture-backed M&A exits with reported values greater than 4X the venture investment represented 65% of the Q2 2010 total versus only 45% of the Q1 2010 total. Venture-backed M&A exits with reported values less than 1X the venture investment represented 15% of the Q2 2010 total versus 31% of the Q1 2010 total.

Unfortunately, the news on the fundraising front for venture capital firms continues to be bleak. According to Thomson Reuters and the National Venture Capital Association, 38 funds raised a total of \$1.9 billion during Q2 2010, a dollar commitment level that was 49% below the Q1 2010 level and that represents the lowest quarterly amount since Q3 2003. As long as this fundraising drought for venture capital firms continues, companies seeking venture financing will continue to struggle to find investors. In the longer term, the uptick in exit activity should help turn around the fundraising environment. But in the short term, the road ahead is likely to continue to be rough.

## Selected New England Series A Deals

Second Quarter 2010

Pre-Money and Post-Money Valuation

Company	Amount Raised	Series A preferred stock as a percentage of authorized common stock	Implied Pre-Money Valuation	Implied Post-Money Valuation
<b>LIFE SCIENCES</b>				
<b>Catabasis Pharmaceuticals, Inc.</b>	\$39,740,525	76%	\$12,759,475	\$52,500,000
<b>Hop Skip Connect, Inc.</b>	\$6,062,500	60%	\$4,000,120	\$10,062,620
<b>Stonewedge Corporation</b>	\$2,000,000	40%	\$3,000,000	\$5,000,000
<b>SynapDx Corp.</b>	\$9,350,000	56%	\$7,363,800	\$16,713,800
<b>TECHNOLOGY</b>				
<b>Affine Systems, Inc.</b>	\$3,000,000	40%	\$4,583,334	\$7,583,334
<b>Affirmed Networks, Inc.</b>	\$11,700,000	49%	\$12,300,000	\$24,000,000
<b>Derivix Corp.</b>	\$13,064,998	54%	\$11,128,719	\$24,193,718
<b>Redline Trading Solutions, Inc.</b>	\$8,433,172	58%	\$6,089,374	\$14,522,546
<b>Wiggio Inc.</b>	\$2,117,659	37%	\$3,669,073	\$5,786,733
<b>OTHER</b>				
<b>ClickFuel, Inc.</b>	\$5,150,000	56%	\$4,001,927	\$9,151,927
<b>Daily Grommet Inc.</b>	\$4,250,000	21%	\$15,750,000	\$20,000,000
<b>Gaia Metrics, Inc.</b>	\$500,000	8%	\$5,500,000	\$6,000,000
<b>Ideapaint, Inc.</b>	\$5,469,898	33%	\$11,172,602	\$16,642,500

## Selected New England Series B and Later Round Deals

Second Quarter 2010

Pre-Money and Post-Money Valuation

Company	Most recent round of preferred stock	Amount raised	Percentage of Company sold to most recent round of preferred holders	Pre-money valuation of Company	Post-money valuation of Company	Up or Down Round
<b>CLEAN TECH</b>						
Environmental Operating Solutions, Inc.	C	\$6,151,530	28%	\$16,217,670	\$22,369,200	Up
<b>LIFE SCIENCES</b>						
Agios Pharmaceuticals, Inc.	B	\$8,823,937	9%	\$89,776,063	\$98,600,000	Up
BioScale, Inc.	D	\$30,267,000	54%	\$25,783,000	\$56,050,000	Down
Constellation Pharmaceuticals, Inc.	B	\$22,249,998	29%	\$54,550,002	\$76,800,000	Up
Intrinsic Therapeutics, Inc.	E	\$28,320,000	17%	\$138,775,111	\$167,095,111	Down
Link Medicine Corporation	C-2	\$20,000,003	27%	\$54,928,004	\$74,928,006	Down
Logical Therapeutics, Inc.	C-2	\$16,900,274	10%	\$147,852,479	\$164,752,752	Even
Medminder Systems, Inc.	A-1	\$1,265,000	26%	\$3,575,000	\$4,840,000	Up
Normoxys, Inc.	B1	\$19,394,185	31%	\$42,320,021	\$61,714,206	Up
Stemgent, Inc.	C	\$10,127,591	27%	\$26,718,750	\$36,846,341	Up
Swipely, Inc.	B	\$7,500,000	25%	\$22,500,000	\$30,000,000	Up
Tetraphase Pharmaceuticals, Inc.	D	\$45,099,999	56%	\$35,835,684	\$80,935,683	Up
Vortex Medical, Inc.	C	\$750,000	3%	\$23,250,000	\$24,000,000	Up
WaveRx, Inc.	C	\$502,512	13%	\$3,485,484	\$3,987,996	Down
<b>TECHNOLOGY</b>						
Brightcove Inc.	D	\$11,999,998	3%	\$340,355,602	\$352,355,600	Down
Casa Systems, Inc.	C	\$96,460,318	31%	\$215,975,932	\$312,436,250	Up
Demandware, Inc.	D	\$22,000,002	22%	\$78,031,160	\$100,031,162	Even
EnterpriseDB Corporation	C-2	\$12,000,000	10%	\$112,744,341	\$124,744,341	Even
Extreme Reach, Inc.	B	\$7,000,000	19%	\$30,224,400	\$37,224,400	Up
Expressor Software Corporation	C	\$5,554,809	39%	\$8,646,191	\$14,201,000	Down
Frame Media, Inc.	C	\$1,000,000	27%	\$2,727,098	\$3,727,098	Down
Locamoda, Inc.	A-2	\$4,411,582	75%	\$1,461,778	\$5,873,360	Down
Nimbit, Inc.	A-2	\$698,175	17%	\$3,477,825	\$4,176,000	Down
OzVision Global Inc.	D	\$23,100,000	79%	\$5,995,588	\$29,095,588	Down
Qaltre, Inc.	B	\$8,000,000	37%	\$13,750,000	\$21,750,000	Up

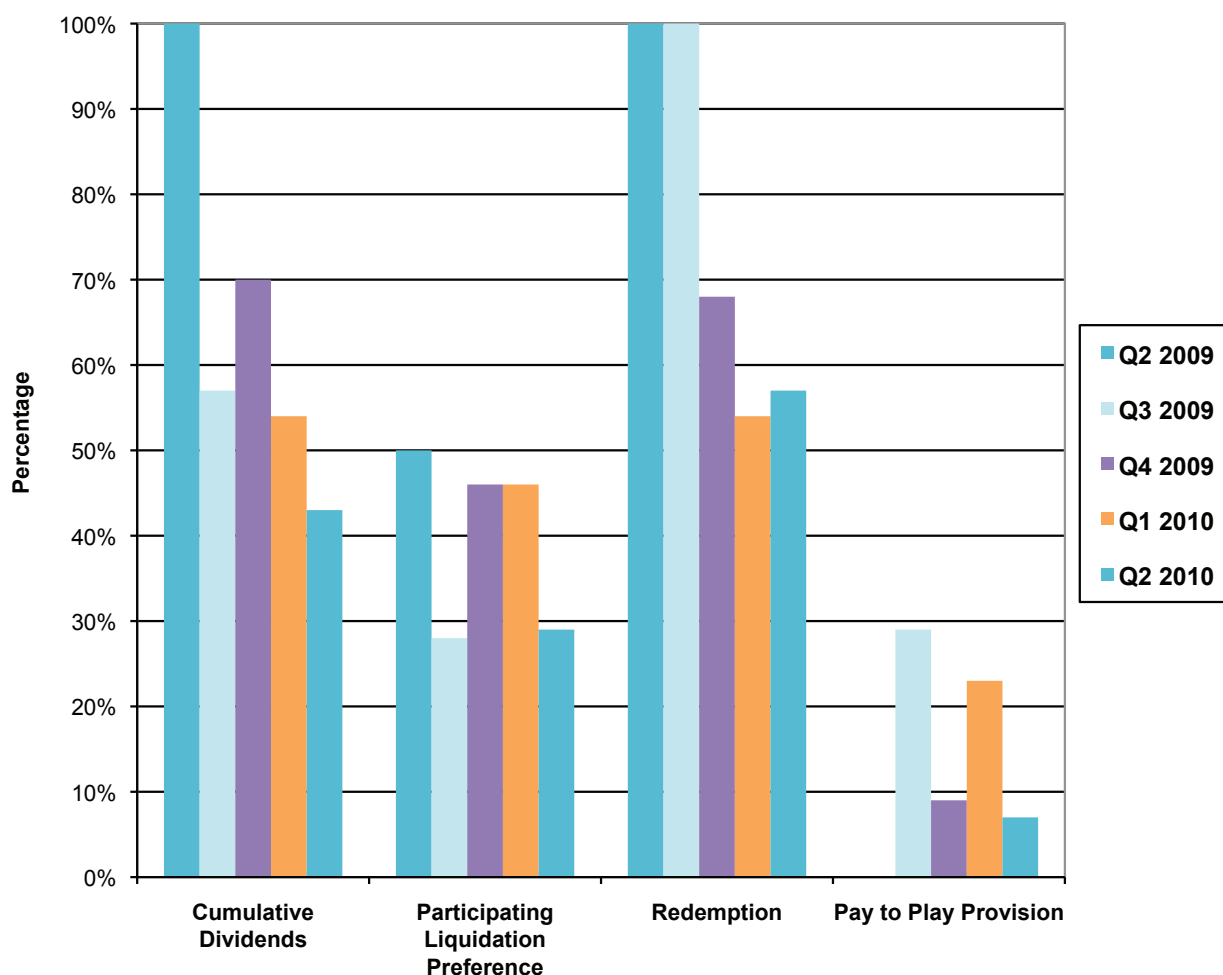
Company	Most recent round of preferred stock	Amount raised	Percentage of Company sold to most recent round of preferred holders	Pre-money valuation of Company	Post-money valuation of Company	Up or Down Round
<b>RewardsNOW, Inc.</b>	B	\$1,000,620	4%	\$24,065,143	\$25,065,763	Up
<b>Sand 9, Inc.</b>	C	\$13,999,999	35%	\$26,023,432	\$40,023,431	Up
<b>Wordstream, Inc.</b>	B	\$6,000,000	32%	\$13,005,810	\$19,005,810	Up
<b>XOS Technologies, Inc.</b>	C	\$8,303,250	17%	\$40,132,375	\$48,435,625	Even
<b>OTHER</b>						
<b>BiddingForGood, Inc.</b>	D	\$4,776,500	33%	\$9,573,500	\$14,350,000	Down
<b>BuyWithMe, Inc.</b>	B	\$16,000,001	28%	\$41,043,349	\$57,043,350	Up
<b>Mall Networks, Inc.</b>	C	\$8,251,280	24%	\$25,557,189	\$33,808,470	Up
<b>Terrafugia, Inc</b>	B	\$2,344,405	13%	\$15,155,595	\$17,500,000	Up

*Figures shown in the Amount Raised, Pre-Money Valuation and 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. However, in a typical situation we believe it will yield 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.

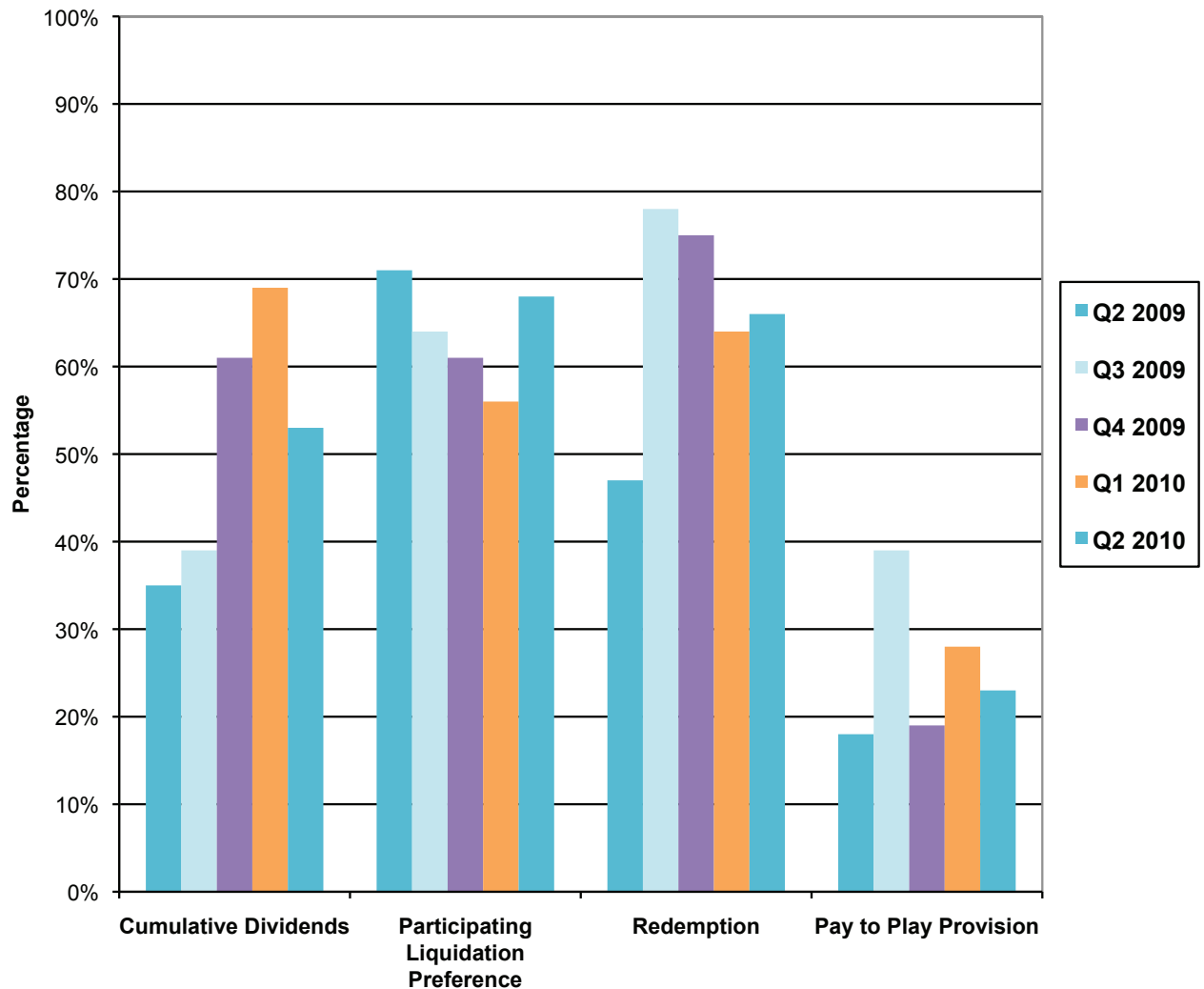


## Terms of Selected New England Series A Rounds 2009-2010



The chart above summarizes publicly available information about various terms included in "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", such as might occur, for example in the case of a recapitalization. For this reason, the set of transactions described above is somewhat different from the set of transactions described in the later tables. We have selected terms to report on that we believe will be of particular interest to entrepreneurs. Each of these terms is linked to a description of that term on our website. Information included in the table above is based on information made publicly available by participants in the relevant transactions and therefore is not comprehensive.

## Terms of Selected New England Series B and Later Rounds 2009-2010



*The chart above summarizes publicly available information about various terms included in "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 is somewhat different from the set of transactions described in the later tables. We have selected terms to report on that we believe will be of particular interest to entrepreneurs. Each of these terms is linked to a description of that term on our website. Information included in the table above is based on information made publicly available by participants in the relevant transactions and therefore is not comprehensive.*

## The National Activity Level Summary

### National Series A Transactions by Industry\*

Industry	2009				2010		Quarter ended June 30, 2009	Quarter ended June 30, 2010
	Q1	Q2	Q3	Q4	Q1	Q2		
<b>Life Sciences</b>								
Biopharma	9	4	17	19	13	<b>16</b>	4	<b>16</b>
Medical Device	4	7	17	15	12	<b>10</b>	7	<b>10</b>
<b>Cleantech</b>	3	5	7	14	6	<b>4</b>	5	<b>4</b>
<b>Technology</b>	22	13	30	49	34	<b>34</b>	13	<b>34</b>
<b>Other</b>	45	16	79	95	85	<b>97</b>	16	<b>97</b>
<b>Total</b>	83	45	150	192	150	<b>161</b>	45	<b>161</b>

\* Source: Dow Jones VentureSource

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

Industry	2009				2010		Quarter ended June 30, 2009	Quarter ended June 30, 2010
	Q1	Q2	Q3	Q4	Q1	Q2		
<b>Life Sciences</b>								
Biopharma	39	40	51	54	41	<b>66</b>	40	<b>41</b>
Medical Device	31	55	52	61	47	<b>58</b>	55	<b>47</b>
<b>Cleantech</b>	11	18	17	18	24	<b>29</b>	18	<b>24</b>
<b>Technology</b>	107	100	104	140	116	<b>146</b>	100	<b>116</b>
<b>Other</b>	112	125	160	171	137	<b>180</b>	125	<b>137</b>
<b>Total</b>	380	338	384	444	365	<b>479</b>	338	<b>365</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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