Silicon Valley Venture Capital Survey
Third Quarter 2015

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Fenwick
FENWICK & WEST LLP

Background

We analyzed the terms of 175 venture financings closed in the third quarter of 2015 by companies headquartered in Silicon Valley.

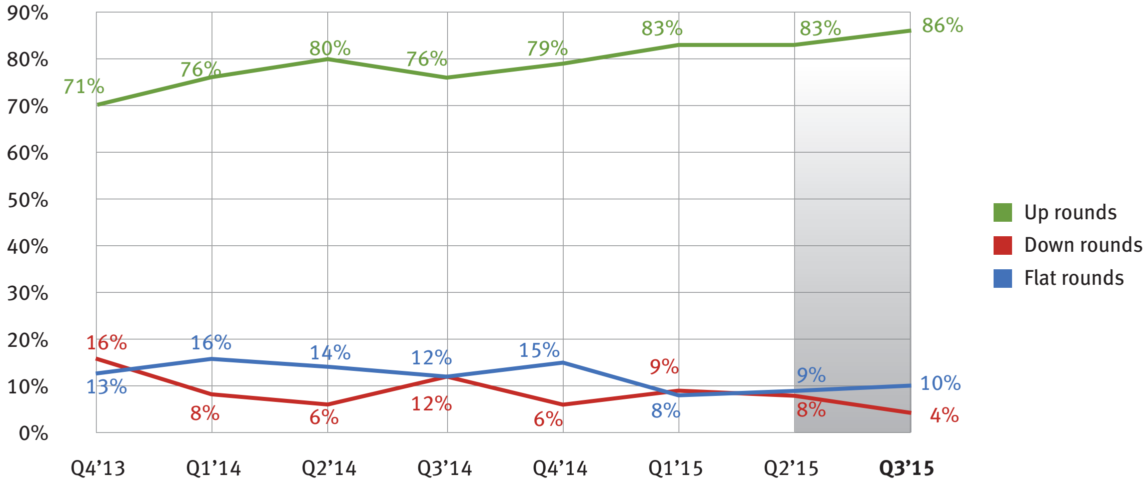
Overview of Fenwick & West Results

Valuation results continued to be strong in 3Q15, but a little less strong overall than in 2Q15.

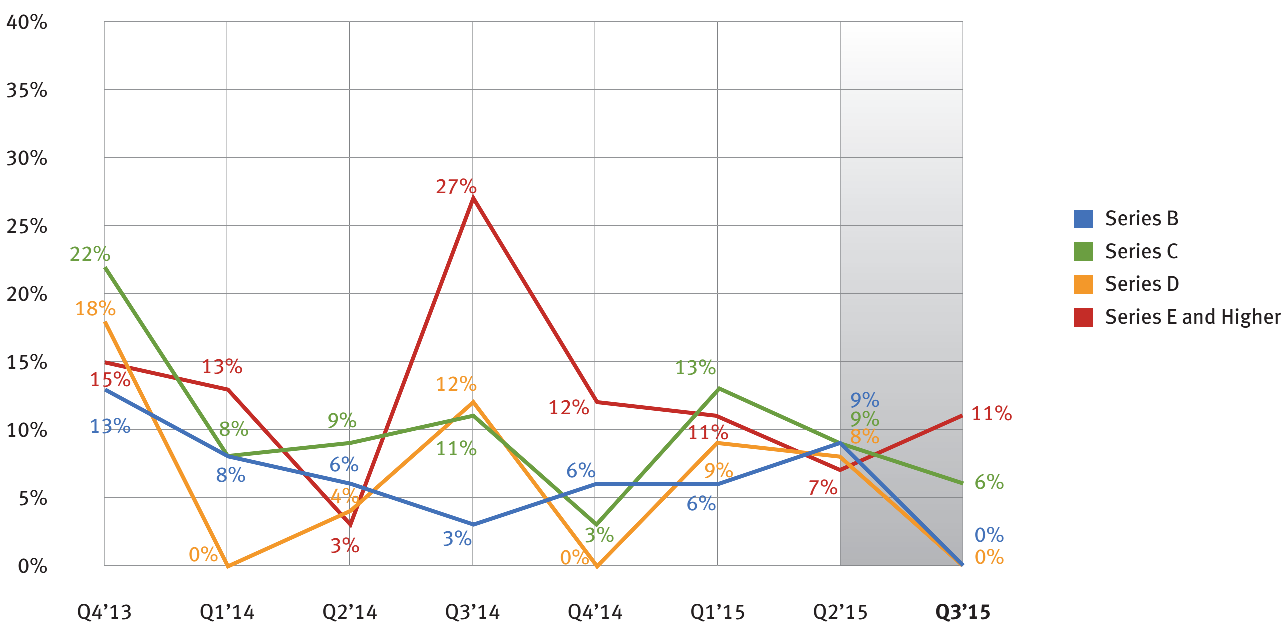
- Up rounds exceeded down rounds 86% to 4%, with 10% flat. This was a small increase from 2Q15 when up rounds exceeded down rounds 83% to 8%, with 9% flat. The 82 point difference between up and down rounds was the largest since we began calculating up/down rounds in 1Q02.
- The Fenwick & West Venture Capital Barometer™ showed an average price increase in 3Q15 of 116%, an increase over the 107% recorded in 2Q15. However, the result was affected by one financing of a non-tech company that had a valuation increase of over 3000%. If this financing was excluded, the Barometer result for 3Q15 would have been 93%.
- The median price increase of financings in 3Q15 was 51%, a decrease from the 74% recorded in 2Q15 and the lowest median price increase over the past 12 months.
- The software industry again had a strong performance in 3Q15 with over 50% of all deals and the second highest valuation results. However, the Barometer results and median price increase for the software industry declined to 88% and 51%, respectively, in 3Q15, from 107% and 74% in 2Q15. The internet/digital media industry had the second highest percentage of deals and the highest valuation results in 3Q15. The hardware and life sciences industries trailed, but still had solid results in 3Q15, with the hardware industry valuation results improving slightly and the life science industry valuation results declining from 2Q15.
- The use of senior liquidation preference increased to 35% in 3Q15 from 29% in 2Q15 and was the highest amount since 2Q13. This increasing use of senior liquidation preference could indicate that investor leverage in negotiations is increasing, or that companies are willing to provide investors better terms in exchange for higher valuations.

Fenwick & West Data on Valuation

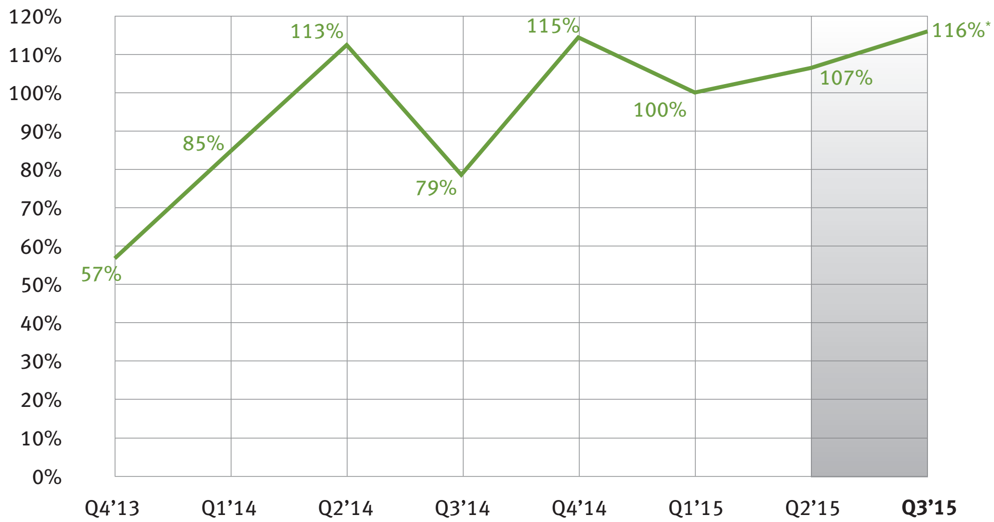
PRICE CHANGE — The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing.



The percentage of down rounds by series were as follows:

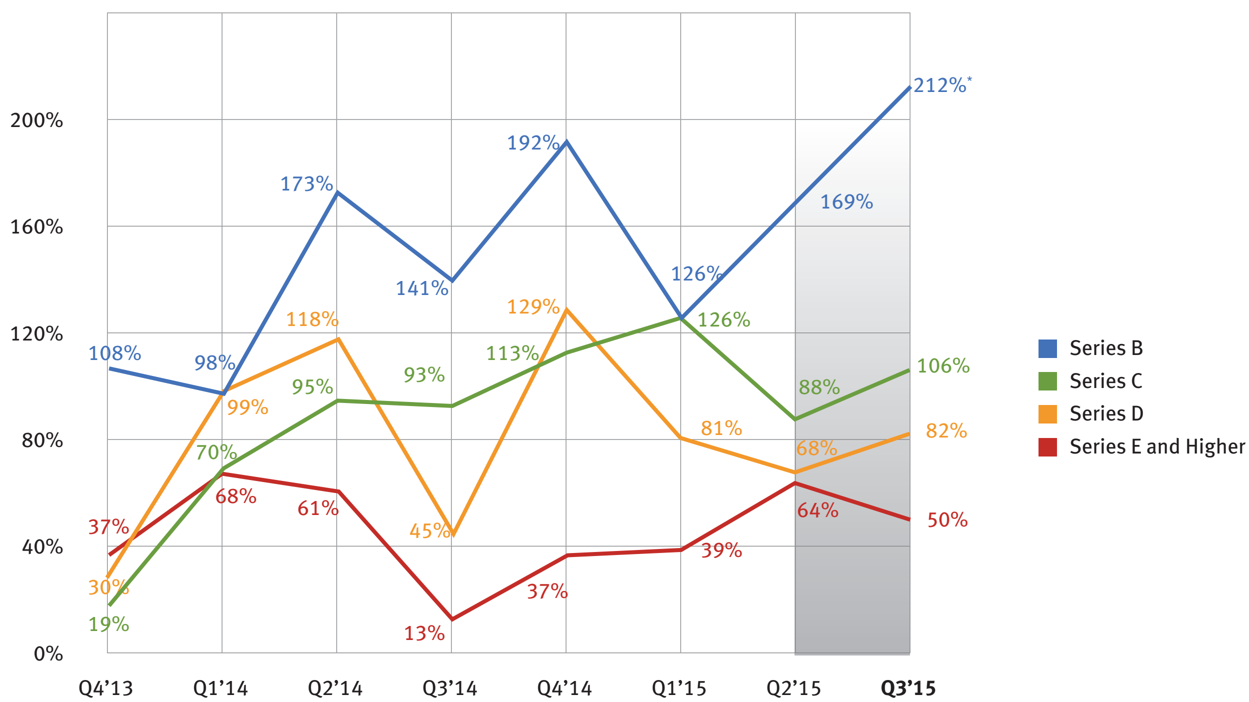


THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (MAGNITUDE OF PRICE CHANGE) — Set forth below is the average percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the average, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in a financing.



* One company had an over 3000% up round in 3Q15. If this financing was excluded, the Barometer result for 3Q15 would have been 93%.

The Barometer results by series are as follows:



* Please note that the above-mentioned over 3000% up round financing in 3Q15 was a Series B round. If this financing was excluded, the Barometer result for Series B rounds in 3Q15 would have been 132%.

RESULTS BY INDUSTRY FOR PRICE CHANGES AND FENWICK & WEST VENTURE CAPITAL BAROMETER™ — The table below sets forth the direction of price changes and Barometer results for companies receiving financing in 3Q15, compared to their previous round, by industry group. Companies receiving Series A financings are excluded as they have no previous rounds to compare.

Industry	Up Rounds	Down Rounds	Flat Rounds	Barometer	Number of Financings
Software	86%	6%	8%	88%	71
Hardware	83%	0%	17%	67%	12
Life Science	76%	6%	18%	76%	17
Internet/Digital Media	89%	4%	7%	136%	28
Other	100%	0%	0%	509%*	7
Total all Industries	**86%**	**4%**	**10%**	**57%**	**135**

* If the above-mentioned over 3000% up round financing in 3Q15 was excluded, the Barometer result for companies in the "Other" industry group in 3Q15 would have been 47%.

DOWN ROUND RESULTS BY INDUSTRY — The table below sets forth the percentage of "down rounds," by industry groups, for each of the past eight quarters.

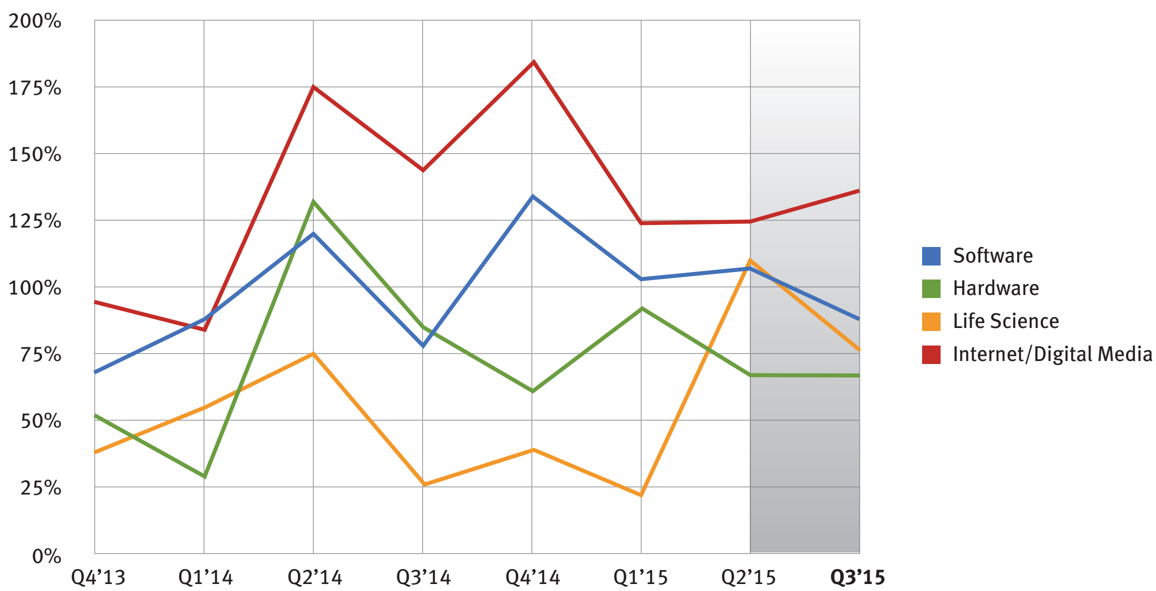
Down Rounds	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
Software	15%	7%	8%	8%	7%	8%	3%	6%
Hardware	12%	10%	8%	8%	6%	6%	25%	0%
Life Science	13%	12%	0%	21%	6%	12%	12%	6%
Internet/Digital Media	15%	11%	8%	14%	6%	12%	9%	4%
Other	43%	0%	0%	25%	0%	9%	11%	0%
Total all Industries	**16%**	**8%**	**6%**	**12%**	**6%**	**9%**	**8%**	**4%**

BAROMETER RESULTS BY INDUSTRY — The table below sets forth Barometer results by industry group for each of the last eight quarters.

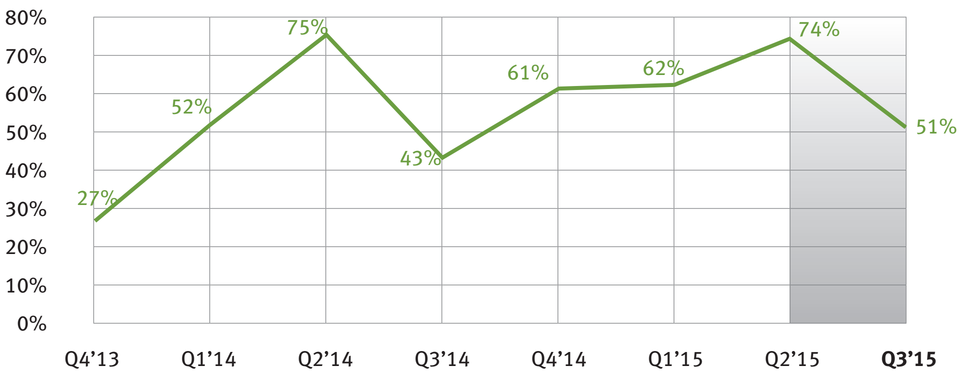
Barometer	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
Software	68%	88%	120%	78%	134%	103%	107%	88%
Hardware	52%	29%	132%	85%	61%	92%	67%	67%
Life Science	38%	55%	75%	26%	39%	22%	110%	76%
Internet/Digital Media	92%	82%	169%	139%	178%	124%	125%	136%
Other	8%	166%	33%	56%	83%	155%	108%	509%*
Total all Industries	**57%**	**85%**	**113%**	**79%**	**115%**	**100%**	**107%**	**116%***

* If the above-mentioned over 3000% up round financing in 3Q15 was excluded, the Barometer results for companies in the "Other" industry group and for all reviewed companies in 3Q15 would have been 47% and 93%, respectively.

A graphical representation of the above is below.



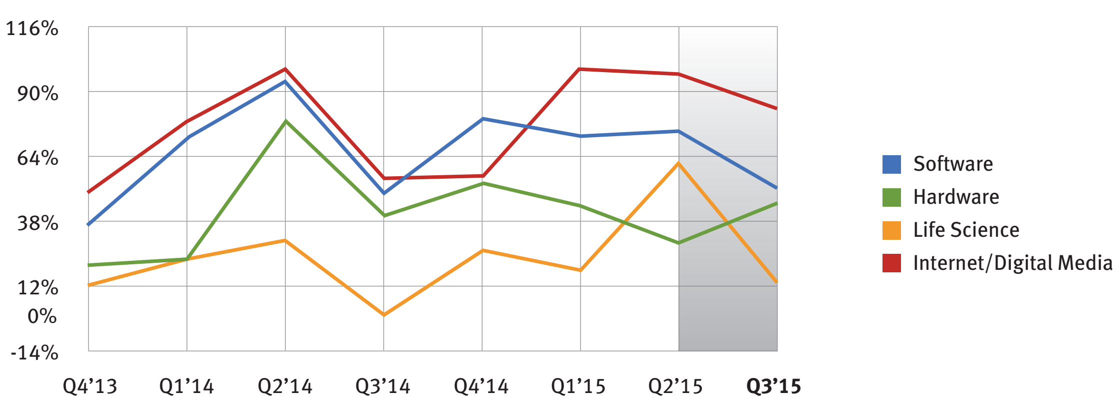
MEDIAN PERCENTAGE PRICE CHANGE—Set forth below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in the financing. Please note that this is different than the Barometer, which is based on average percentage price change.



MEDIAN PERCENTAGE PRICE CHANGE RESULTS BY INDUSTRY —The table below sets forth the median percentage price change results by industry group for each of the last eight quarters. Please note that this is different than the Barometer, which is based on average percentage price change.

Median % Price Change	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
Software	36%	72%	94%	49%	79%	72%	74%	51%
Hardware	20%	23%	78%	40%	53%	44%	29%	45%
Life Science	12%	23%	30%	0%	26%	18%	61%	13%
Internet/Digital Media	50%	78%	99%	54%	56%	99%	97%	83%
Other	22%	113%	8%	38%	29%	92%	77%	36%
Total all Industries	**27%**	**52%**	**75%**	**43%**	**61%**	**62%**	**74%**	**51%**

A graphical representation of the above is below.

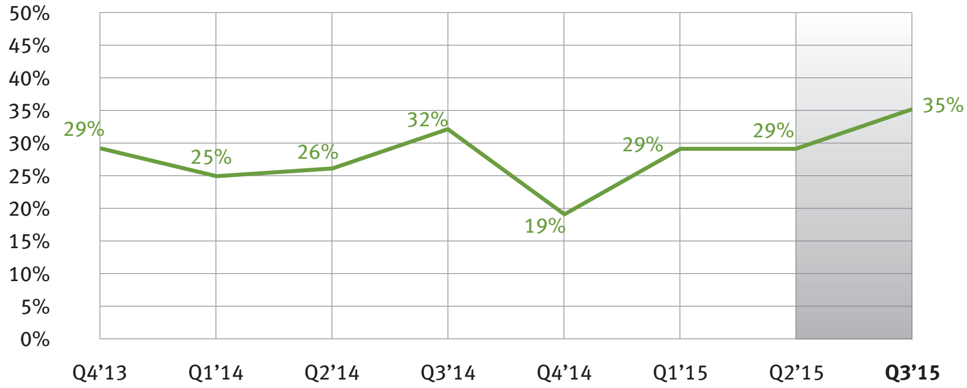


FINANCING ROUND — This quarter's financings broke down by series according to the chart below.

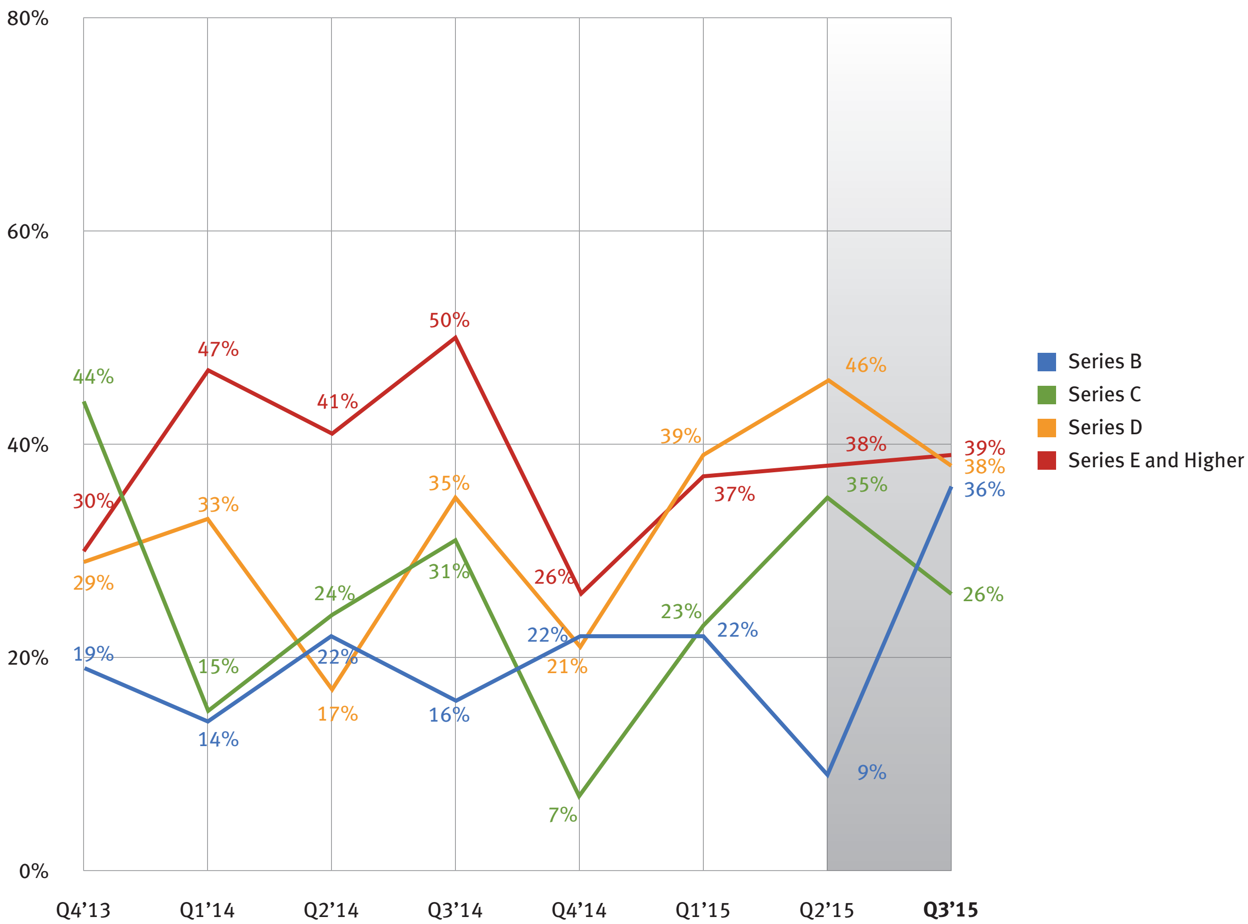
Series	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
Series A	24%	23%	23%	28%	27%	25%	18%	23%
Series B	26%	31%	21%	21%	21%	29%	28%	22%
Series C	14%	17%	26%	20%	19%	17%	21%	19%
Series D	14%	10%	13%	14%	10%	13%	16%	14%
Series E and Higher	22%	19%	17%	17%	23%	16%	17%	22%

Fenwick & West Data on Legal Terms

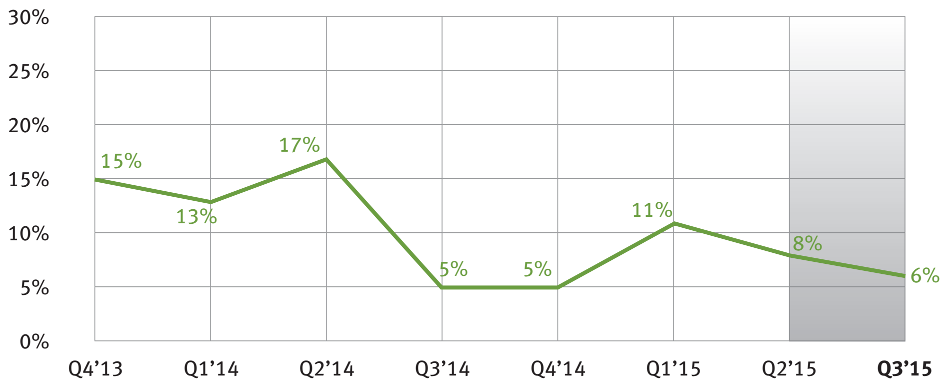
LIQUIDATION PREFERENCE—Senior liquidation preferences were used in the following percentages of financings.



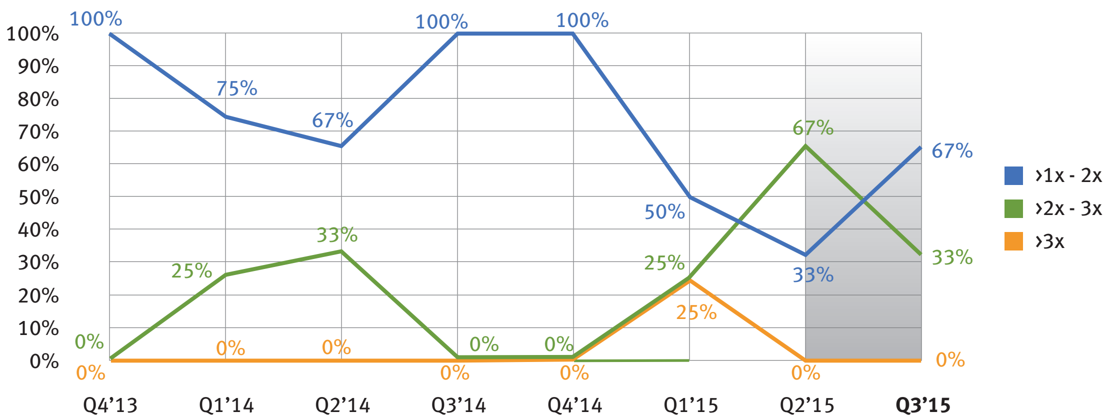
The percentage of senior liquidation preference by series was as follows:



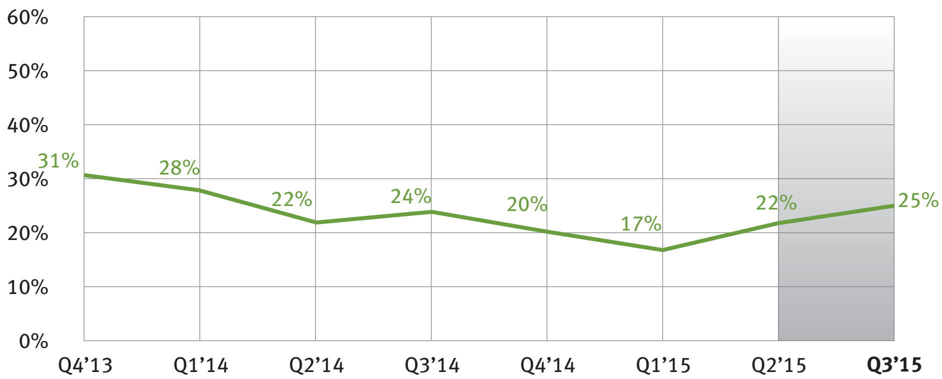
MULTIPLE LIQUIDATION PREFERENCES — The percentage of senior liquidation preferences that were multiple liquidation preferences were as follows:



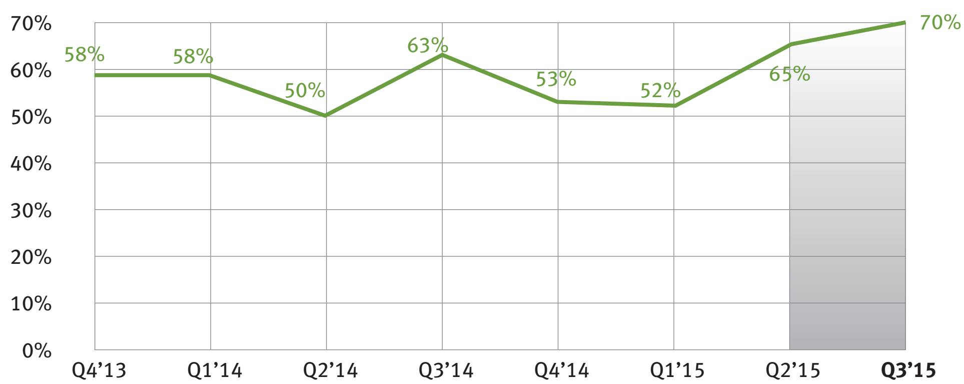
Of the senior liquidation preferences that were a multiple preference, the ranges of the multiples broke down as follows:



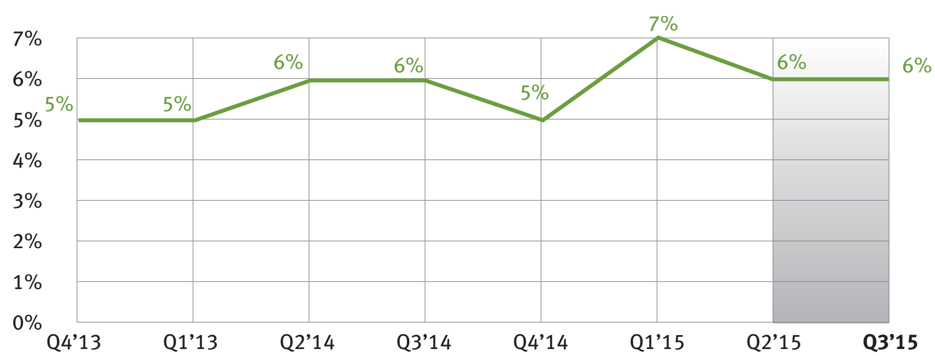
PARTICIPATION IN LIQUIDATION — The percentages of financings that provided for participation were as follows:



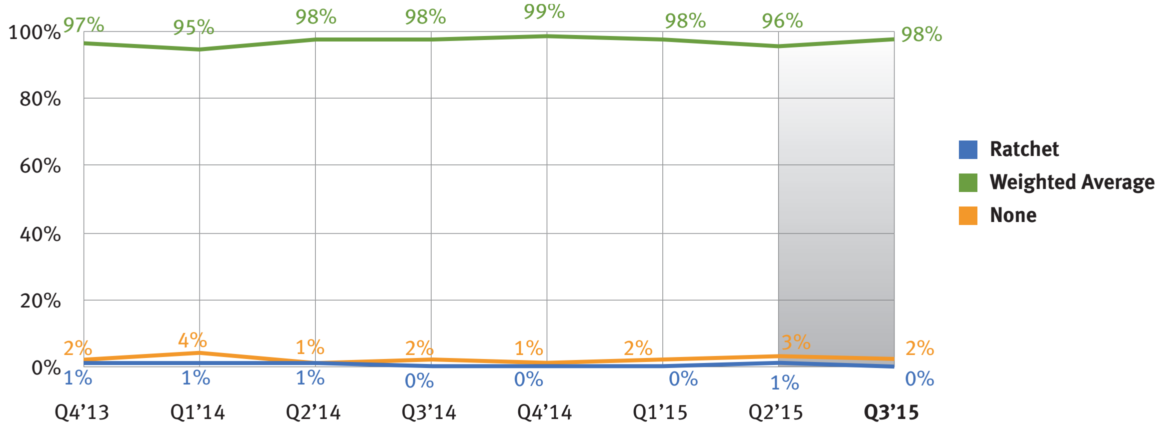
Of the financings that had participation, the percentages that were not capped were as follows:



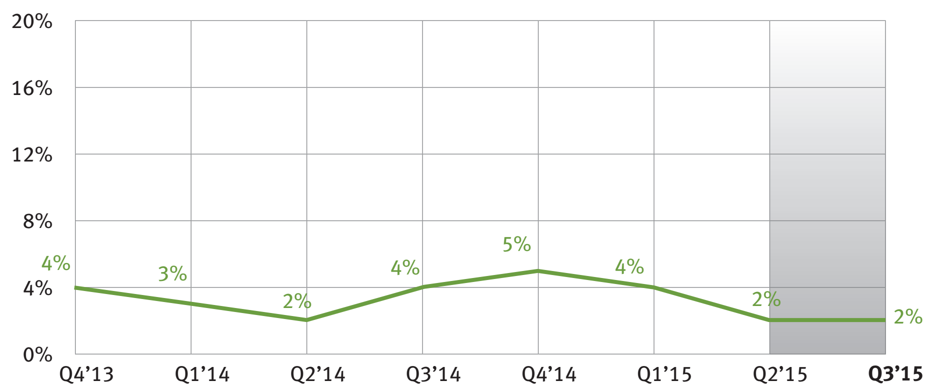
CUMULATIVE DIVIDENDS – Cumulative dividends were provided for in the following percentages of financings:



ANTIDILUTION PROVISIONS –The uses of (non-IPO) antidilution provisions in the financings were as follows:

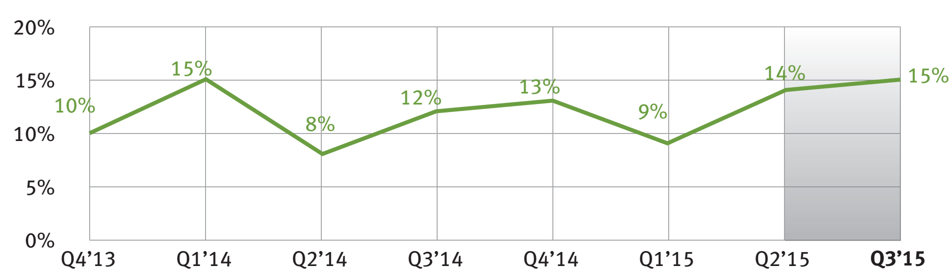


PAY-TO-PLAY PROVISIONS – The percentages of financings having pay-to-play provisions were as follows:

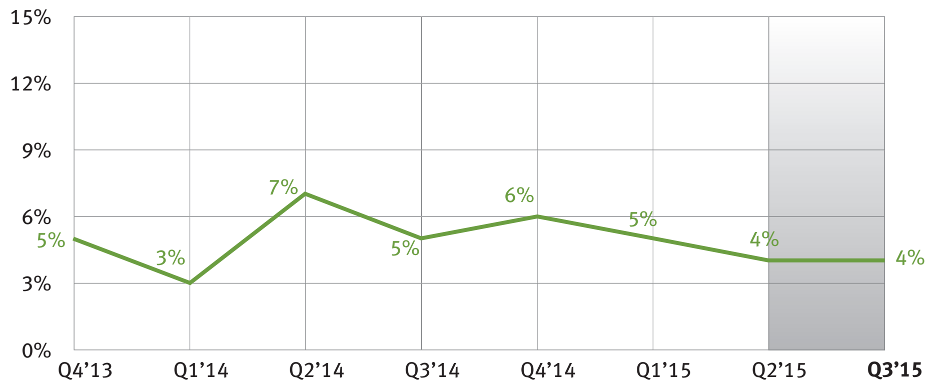


Note that anecdotal evidence indicates that companies are increasingly using contractual "pull up" provisions instead of charter based "pay to play" provisions. These two types of provisions have similar economic effect but are implemented differently. The above information includes some, but likely not all, pull up provisions, and accordingly may understate the use of these provisions.

REDEMPTION – The percentages of financings providing for mandatory redemption or redemption at the option of the investor were as follows:



CORPORATE REORGANIZATIONS – The percentages of post-Series A financings involving a corporate reorganization (i.e. reverse splits or conversion of shares into another series or classes of shares) were as follows:



- **About our Survey**

  The Fenwick & West Venture Capital Survey was first published in the first quarter of 2002 and has been published every quarter since then. Its goal is to provide information to the global entrepreneurial and venture community on the terms of venture financings in Silicon Valley.

  The survey is available to all, without charge, by signing up at www.fenwick.com/vcsurvey/sign-up. We are pleased to be a source of information to entrepreneurs, investors, educators, students, journalists and government officials.

  Our analysis of Silicon Valley financings is based on independent data collection performed by our lawyers and paralegals, and is not skewed towards or overly representative of financings in which our firm is involved. We believe that this approach, compared to only reporting on deals handled by a specific firm, provides a more statistically valid and larger dataset.

  For purposes of determining whether a company is based in "Silicon Valley" we use the area code of the corporate headquarters. The area codes included are 650, 408, 415, 510, 925, 916, 707, 831 and 209.

- **Note on Methodology**

  When interpreting the Barometer results please bear in mind that the results reflect the average price increase of companies raising money in a given quarter compared to their prior round of financing, which was in general 12 to 18 months prior. Given that venture capitalists (and their investors) generally look for at least a 20% IRR to justify the risk that they are taking, and that by definition we are not taking into account those companies that were unable to raise a new financing (and that likely resulted in a loss to investors), a Barometer increase in the 40% or so range should be considered average. Please also note that our calculations are not "dollar weighted," i.e. all venture rounds are treated equally, regardless of size.

- **Disclaimer**

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- **Contact/Sign Up Information**

  For additional information about this report please contact Barry Kramer at 650-335-7278; bkramer@fenwick.com at Fenwick & West.

- **Acknowledgement**

  We would like to acknowledge the strong support of Khang Tran, Esq. in the preparation of this survey.

  To view the most recent survey please visit fenwick.com/vcsurvey. To be placed on an email list for future editions of this survey please visit fenwick.com/vcsurvey/sign-up.

