2Q15

Trends in Terms of Venture Financings in Silicon Valley

Second Quarter 2015

Fenwick

FENWICK & WEST LLP

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Background

We analyzed the terms of 166 venture financings closed in the second quarter of 2015 by companies headquartered in Silicon Valley.

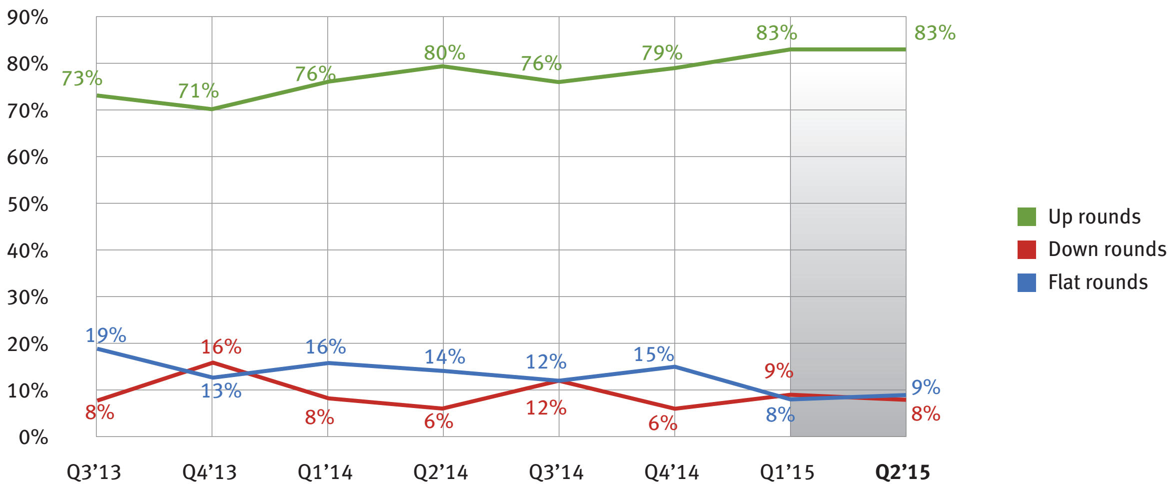
Overview of Fenwick & West Results

Valuation results continued to be strong in 2Q15.

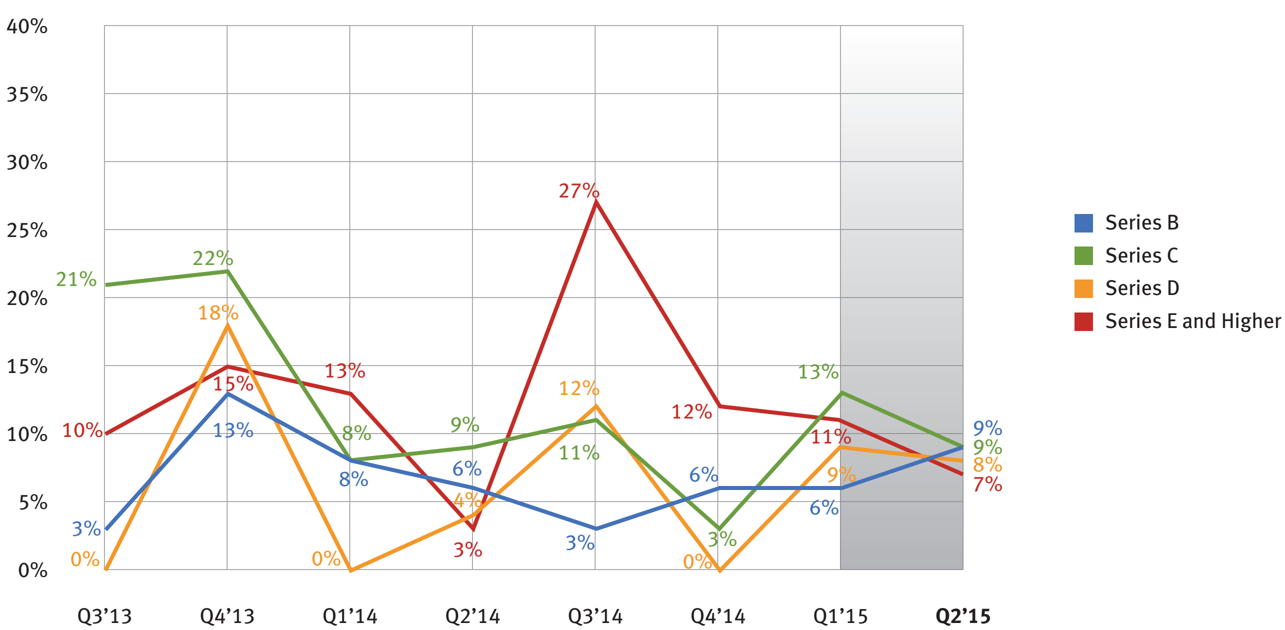
- Up rounds exceeded down rounds 83% to 8%, with 9% flat. This was essentially unchanged from 1Q15 when up rounds exceeded down rounds 83% to 9%, with 8% flat.
- The 75 point difference between up and down rounds was the largest since we began calculating up/down rounds in 1Q02. The last two quarters have had the highest percentages of up rounds since 1Q02 as well.
- The Fenwick & West Venture Capital Barometer™ showed an average price increase in 2Q15 of 107%, an increase over the 100% recorded in 1Q15.
- Series B financings have generally had higher Barometer results than other series over the course of our survey, and in 2Q15 Series B exceeded the next closest series by 81 percentage points, the largest amount in two years.
- The median price increase of financings in 2Q15 was 74%, an increase from the 62% registered in 1Q15.
- The software industry again had a very strong performance in 2Q15 with 50% of all deals and generally the second highest valuation results. The internet/digital media industry, with the highest valuation results, and the life science industry, with the second highest percentage of deals and also strong valuation results, also had very strong quarters. The hardware industry had very solid results also in the quarter, but lagged the other industries.

Fenwick & West Data on Valuation

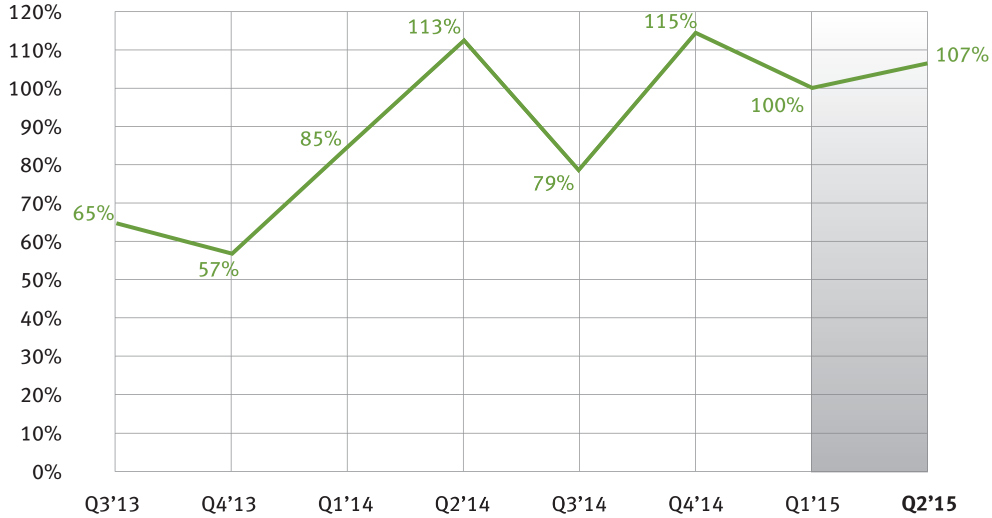
PRICE CHANGE—The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing.



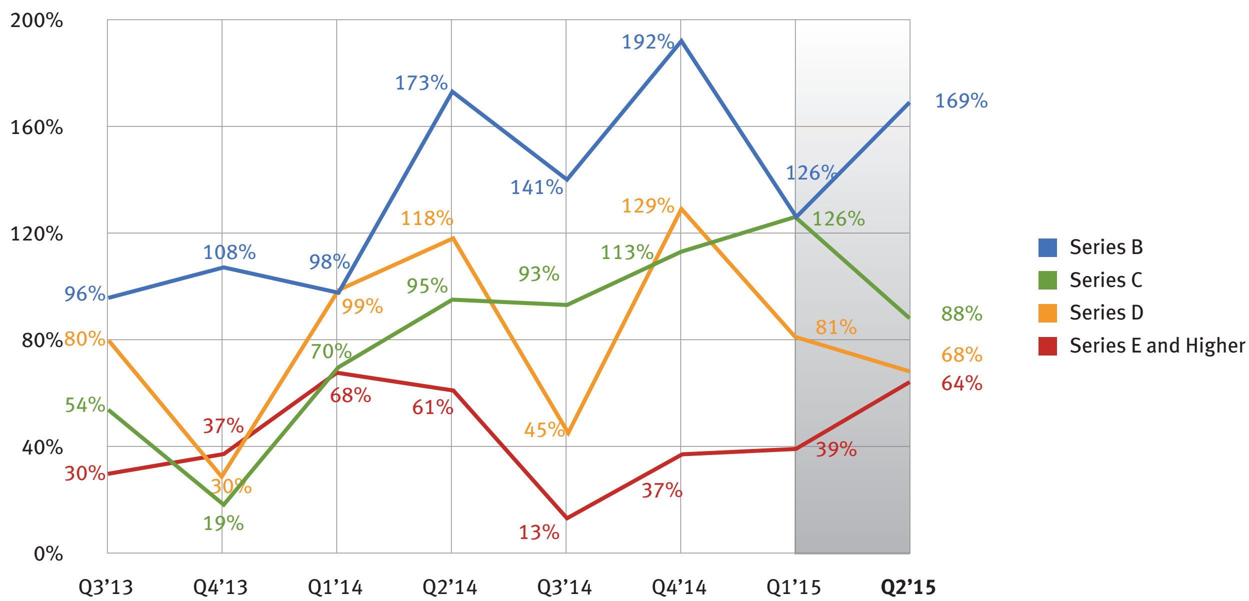
The percentage of down rounds by series were as follows:



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.



The Barometer results by series are as follows:



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 2Q15, 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	90%	3%	7%	107%	68
Hardware	58%	25%	17%	67%	12
Life Science	68%	12%	20%	110%	25
Internet/Digital Media	91%	9%	0%	125%	22
Other	89%	11%	0%	108%	9
Total all Industries	**83%**	**8%**	**9%**	**107%**	**136**

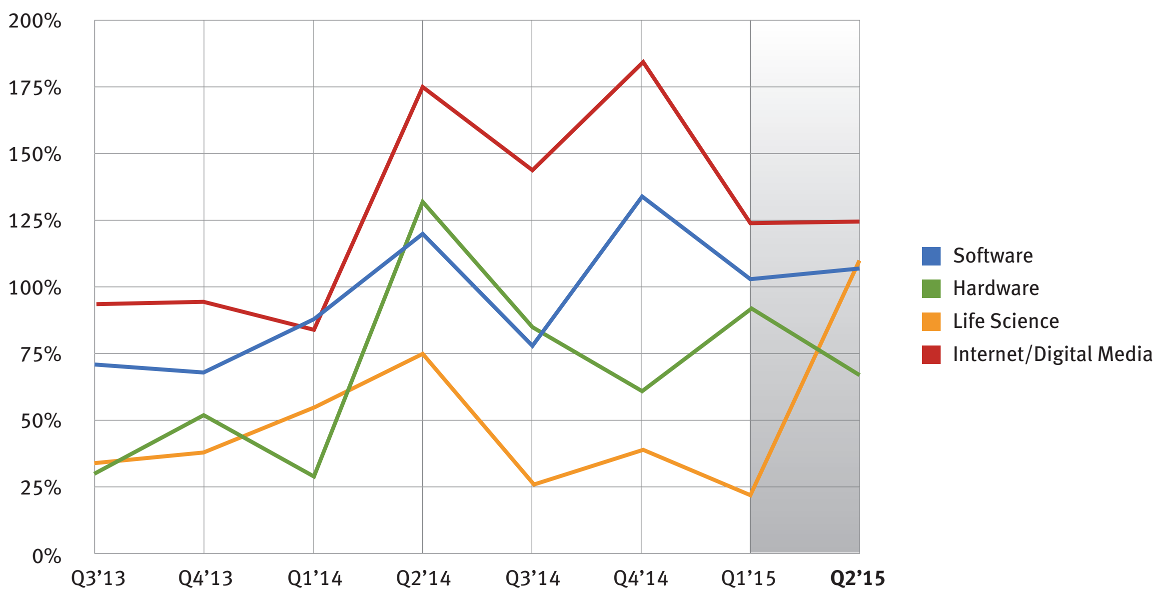
DOWN ROUND RESULTS BY INDUSTRY — The table below sets forth the percentage of "down rounds," by industry groups, for each of the past eight quarters.

Down Rounds	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
Software	5%	15%	7%	8%	8%	7%	8%	3%
Hardware	20%	12%	10%	8%	8%	6%	6%	25%
Life Science	20%	13%	12%	0%	21%	6%	12%	12%
Internet/Digital Media	5%	15%	11%	8%	14%	6%	12%	9%
Other	14%	43%	0%	0%	25%	0%	9%	11%
Total all Industries	**8%**	**16%**	**8%**	**6%**	**12%**	**15%**	**9%**	**8%**

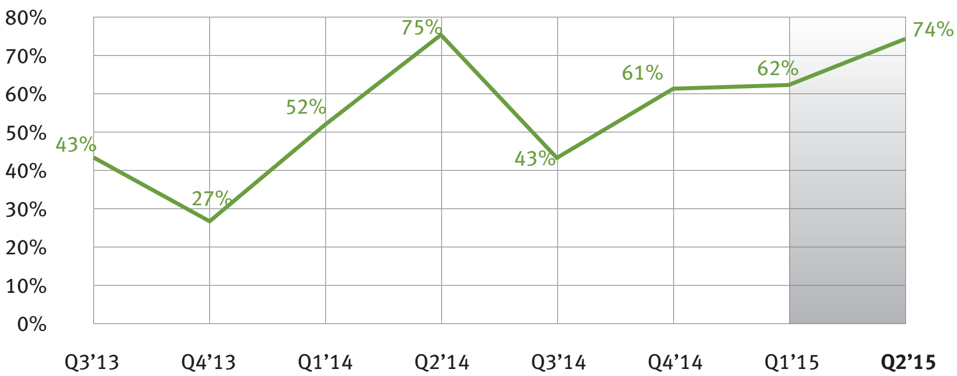
BAROMETER RESULTS BY INDUSTRY —The table below sets forth Barometer results by industry group for each of the last eight quarters.

Barometer	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
Software	71%	68%	88%	120%	78%	134%	103%	107%
Hardware	30%	52%	29%	132%	85%	61%	92%	67%
Life Science	34%	38%	55%	75%	26%	39%	22%	110%
Internet/Digital Media	91%	92%	82%	169%	139%	178%	124%	125%
Other	20%	8%	166%	33%	56%	83%	155%	108%
Total all Industries	**64%**	**57%**	**85%**	**113%**	**79%**	**115%**	**100%**	**107%**

A graphical representation of the above is below.



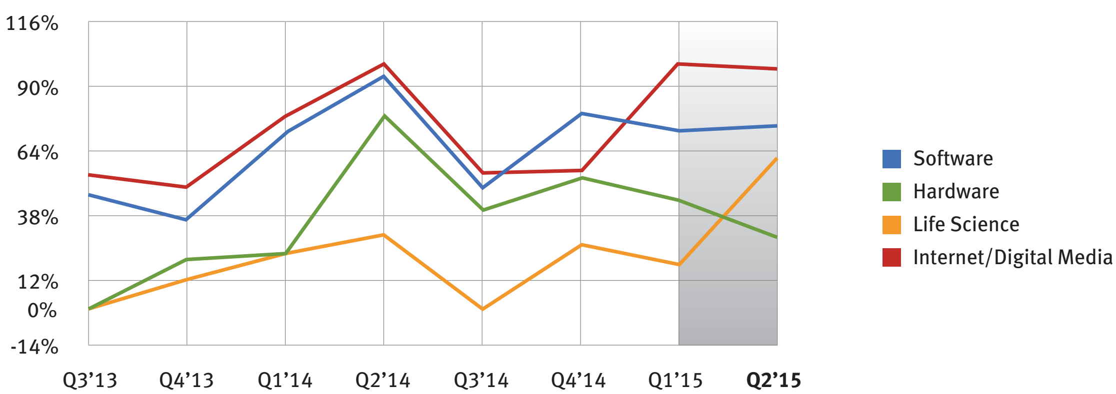
MEDIAN PERCENTAGE PRICE CHANGE—Set forth below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down 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.

Barometer	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
Software	46%	36%	72%	94%	49%	79%	72%	74%
Hardware	0%	20%	23%	78%	40%	53%	44%	29%
Life Science	0%	12%	23%	30%	0%	26%	18%	61%
Internet/Digital Media	54%	50%	78%	99%	54%	56%	99%	97%
Other	34%	22%	113%	8%	38%	29%	92%	77%
Total all Industries	**43%**	**27%**	**52%**	**75%**	**43%**	**61%**	**62%**	**74%**

A graphical representation of the above is below.

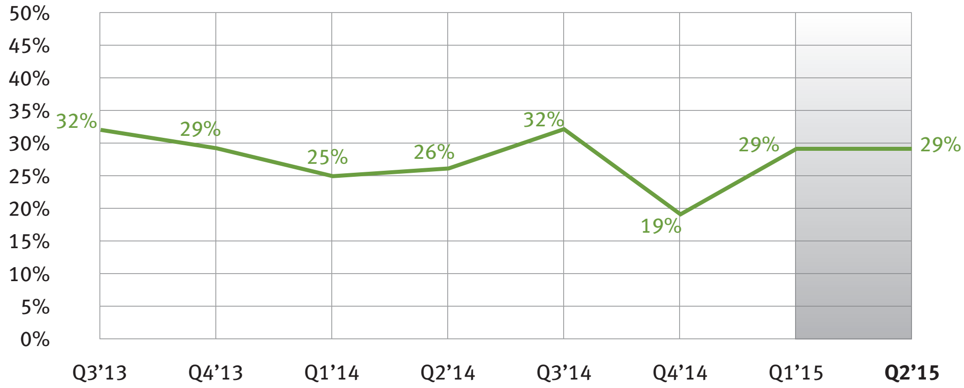


FINANCING ROUND — This quarter's financings broke down by series according to the chart below.

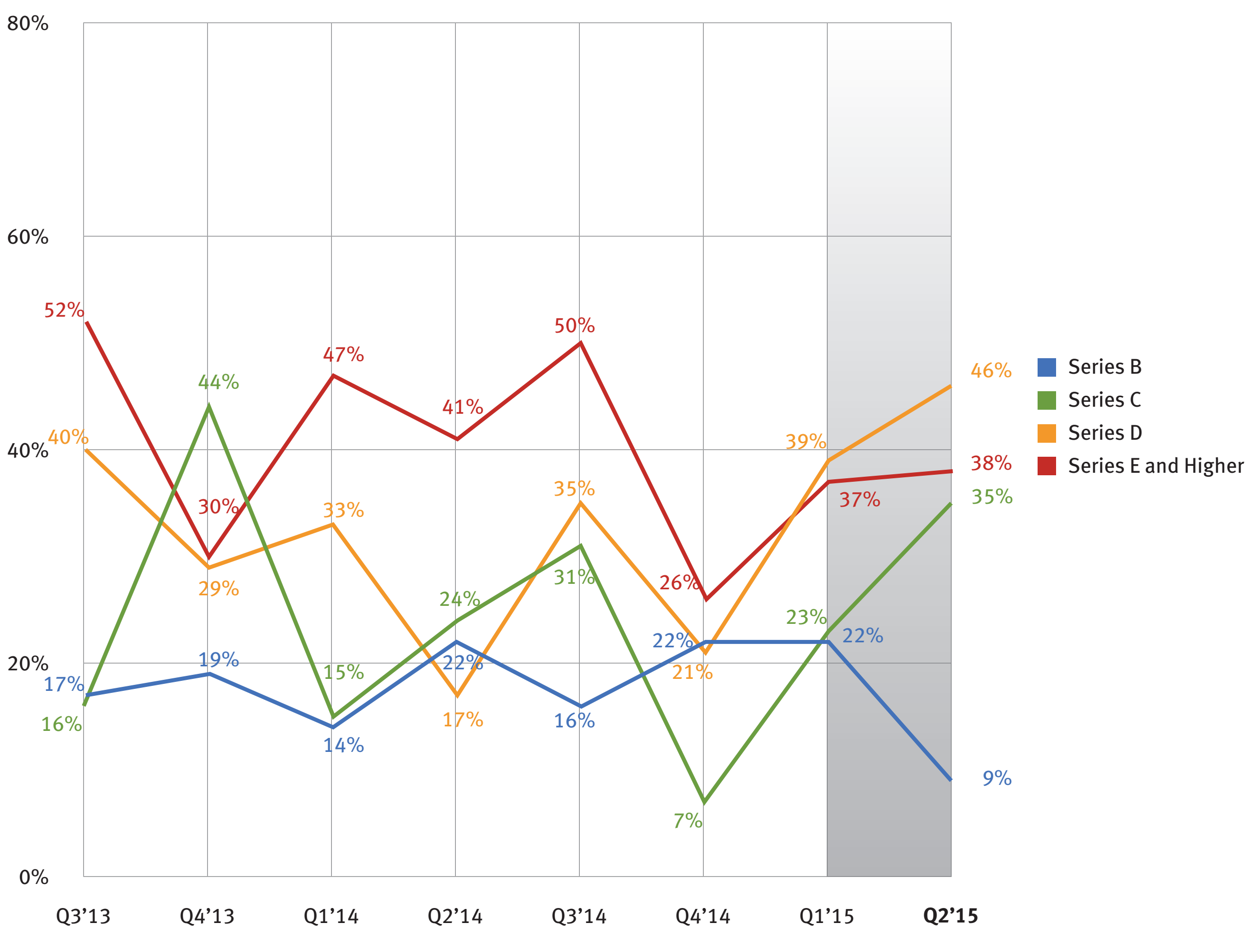
Series	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
Series A	24%	24%	23%	23%	28%	27%	25%	18%
Series B	23%	26%	31%	21%	21%	21%	29%	28%
Series C	15%	14%	17%	26%	20%	19%	17%	21%
Series D	15%	14%	10%	13%	14%	10%	13%	16%
Series E and Higher	23%	22%	19%	17%	17%	23%	16%	17%

Fenwick & West Data on Legal Terms

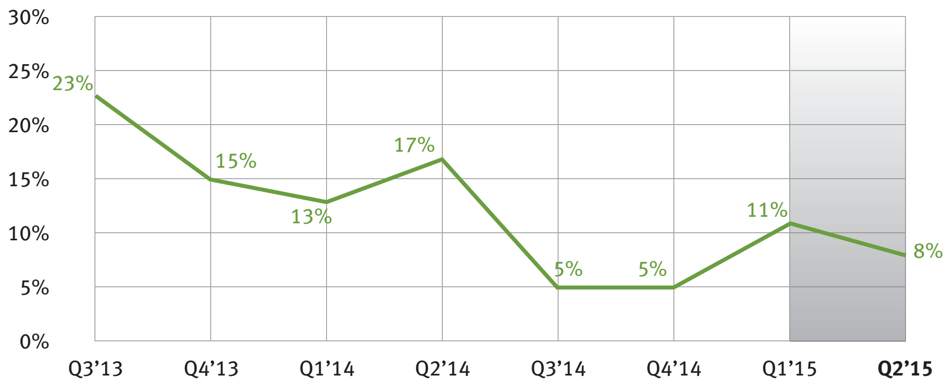
LIQUIDATION PREFERENCE — Senior liquidation preferences were used in the following percentages of financings.



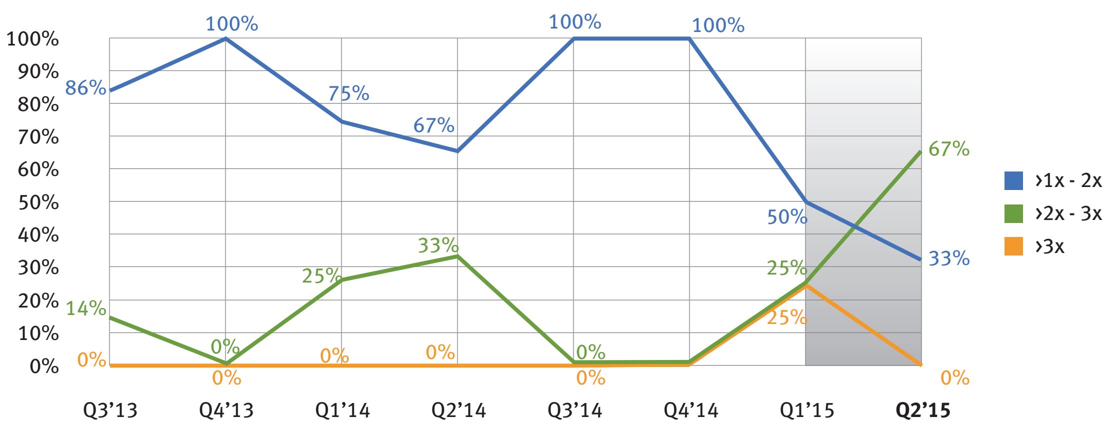
The percentage of senior liquidation preference by series was as follows:



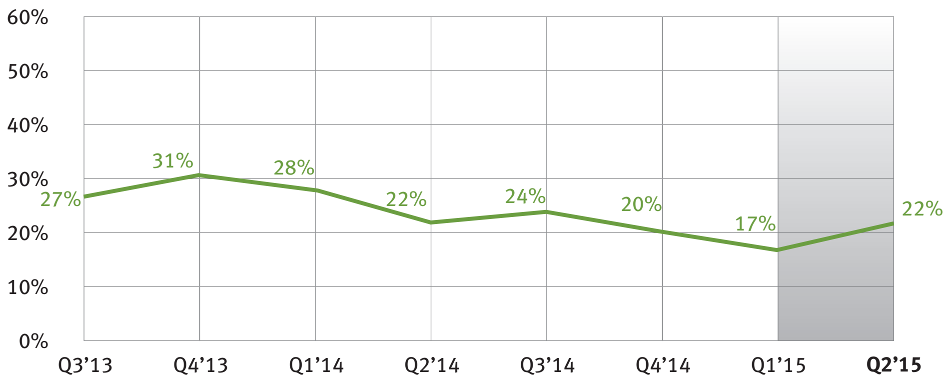
MULTIPLE LIQUIDATION PREFERENCES — The percentage of senior liquidation preferences that were multiple liquidation preferences were as follows:



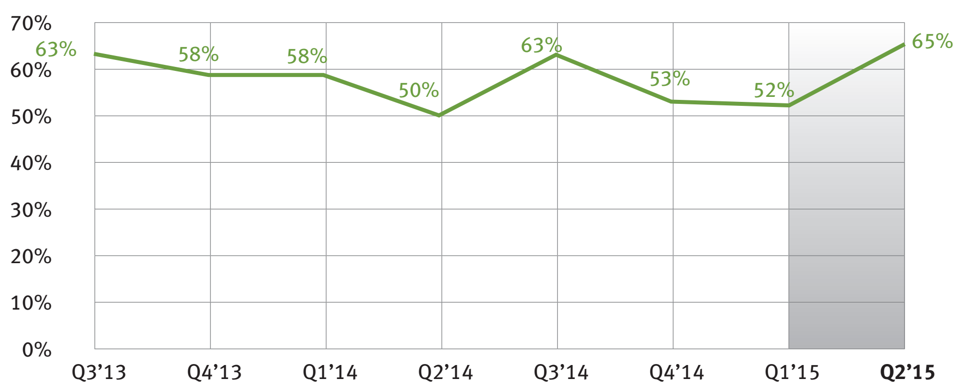
Of the senior liquidation preferences that were a multiple preference, the ranges of the multiples broke down as follows:



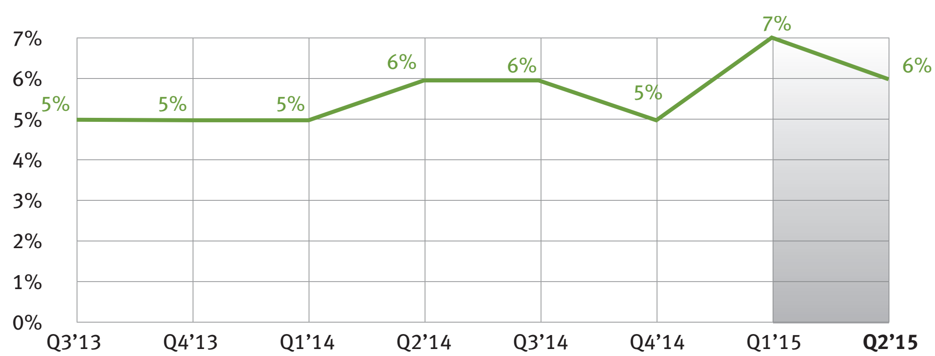
PARTICIPATION IN LIQUIDATION — The percentages of financings that provided for participation were as follows:



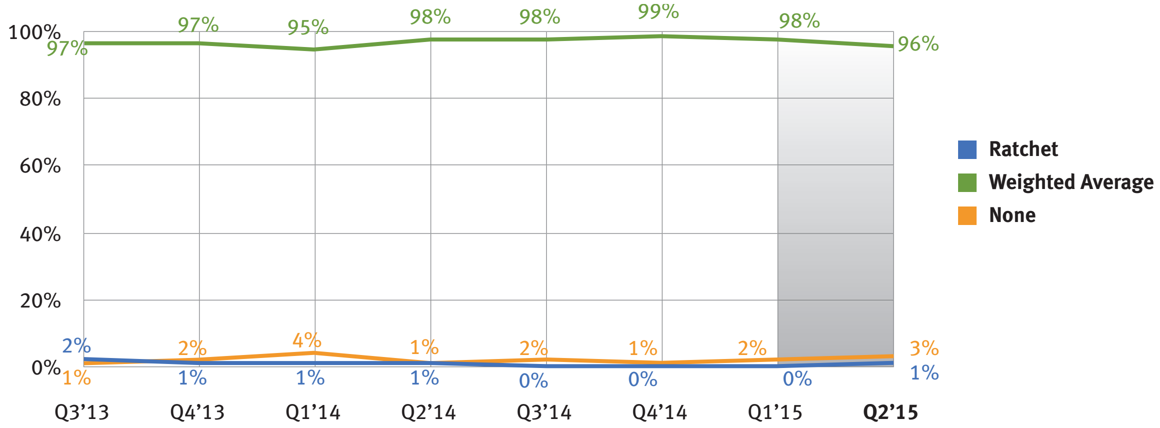
Of the financings that had participation, the percentages that were not capped were as follows:



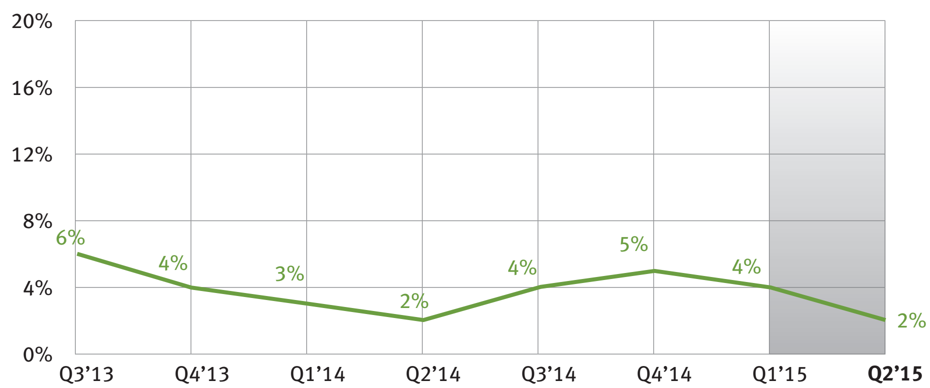
CUMULATIVE DIVIDENDS – Cumulative dividends were provided for in the following percentages of financings:



ANTIDILUTION PROVISIONS –The uses of antidilution provisions in the financings were as follows:

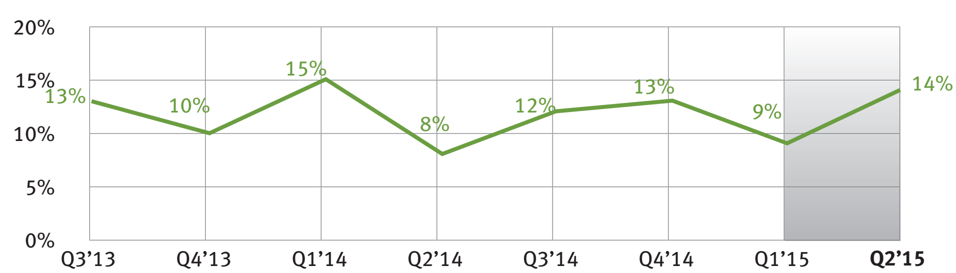


PAY-TO-PLAY PROVISIONS – The percentages of financings having pay-to-play provisions were as follows:

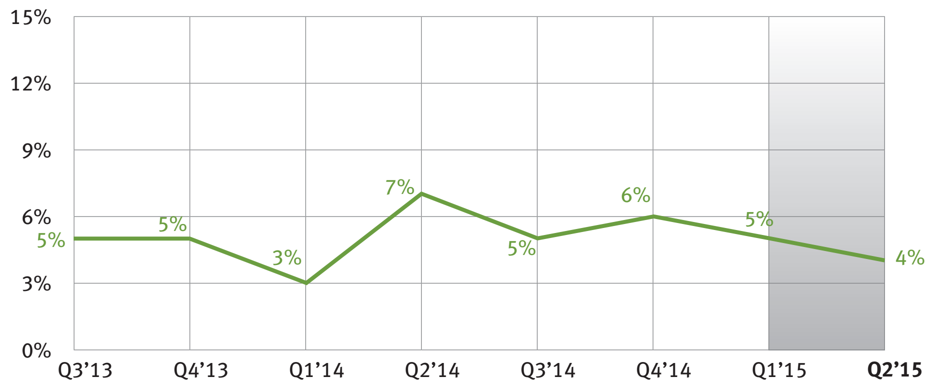


Note that anecdotal evidence indicates that companies are increasingly using contractual "pull up" provisions instead of charter based "pay to play" provisions. These two types of provisions have similar economic effect but are implemented differently. The above information includes some, but likely 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 Michael Patrick at 650-335-7273; mpatrick@fenwick.com or Barry Kramer at 650-335-7278; bkramer@fenwick.com at Fenwick & West.

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