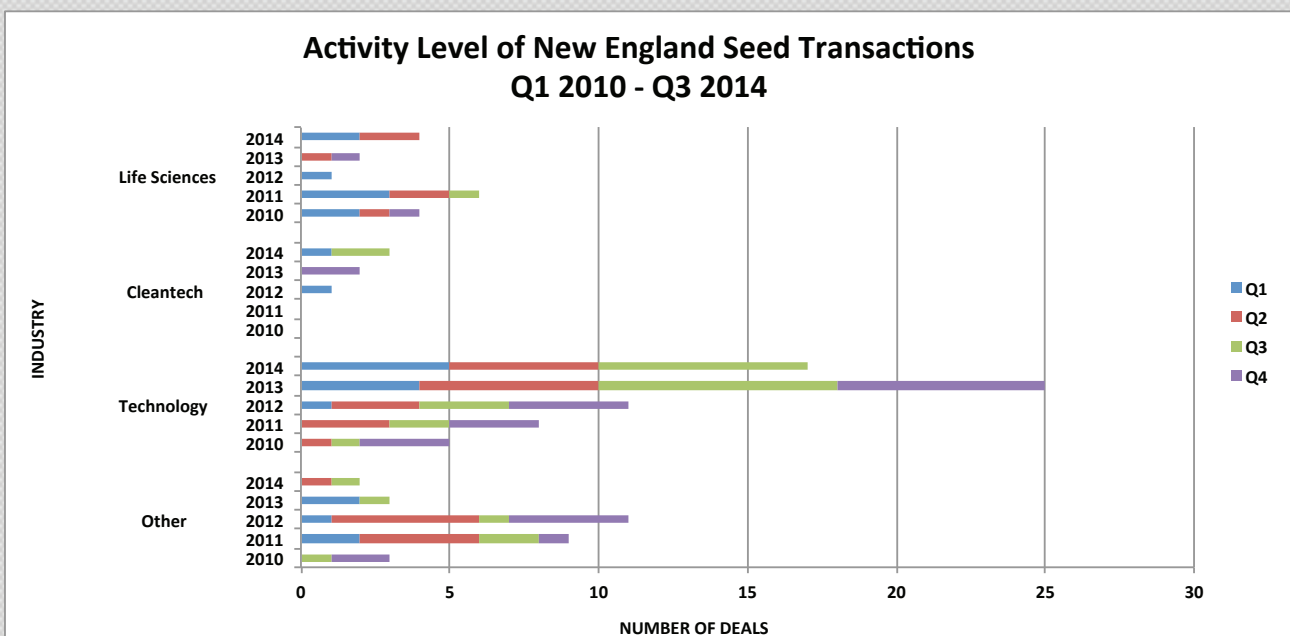
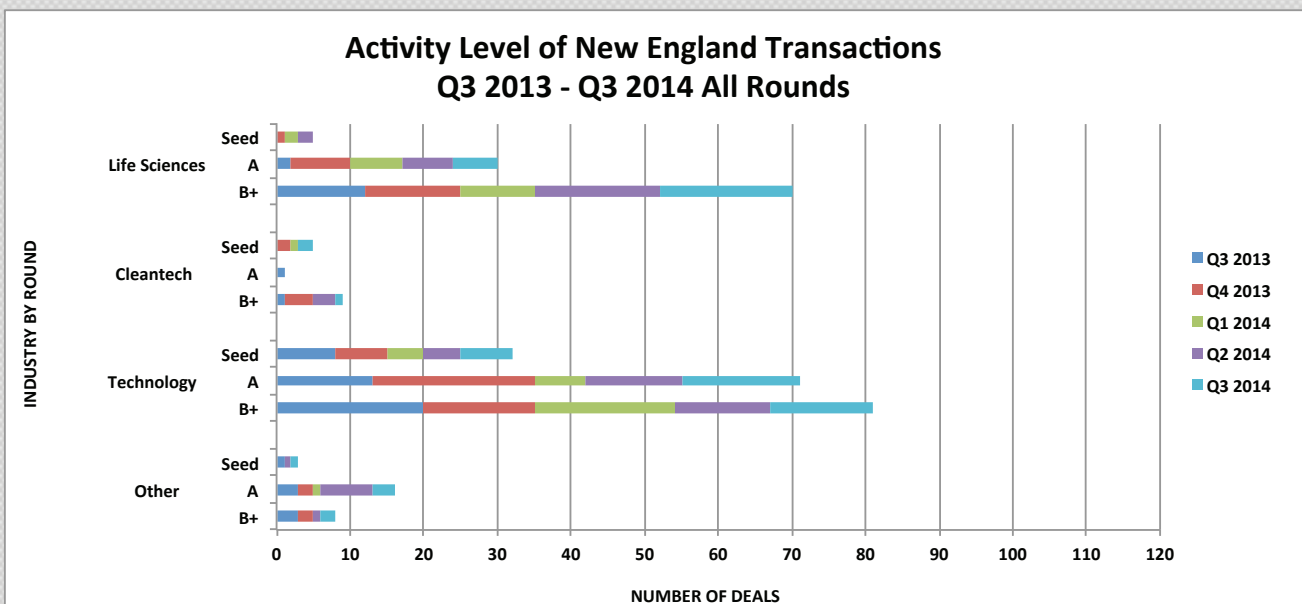


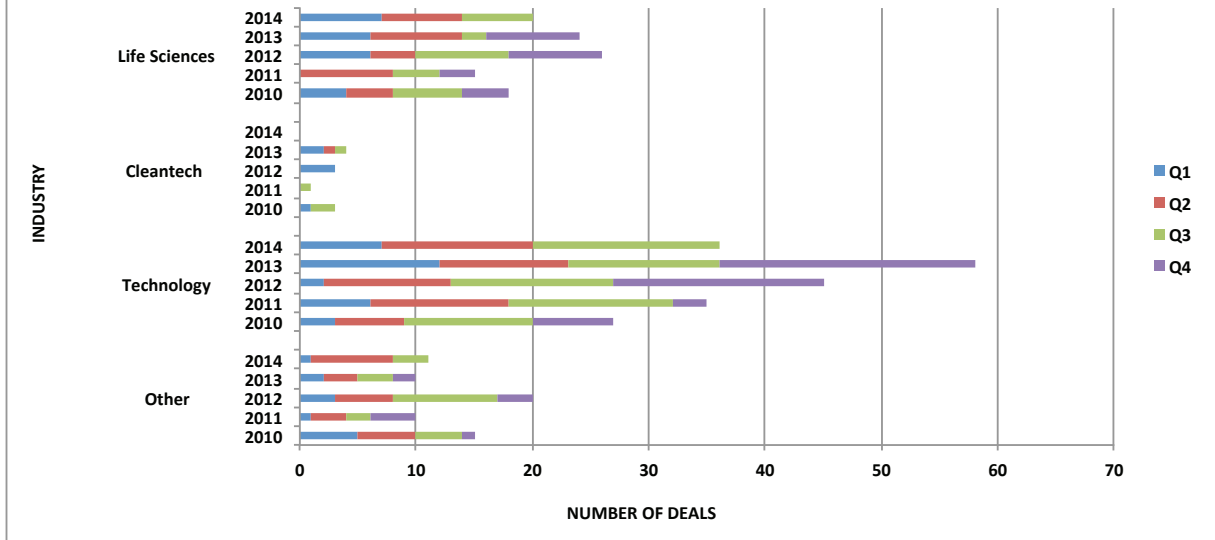


VENTURE PERSPECTIVES

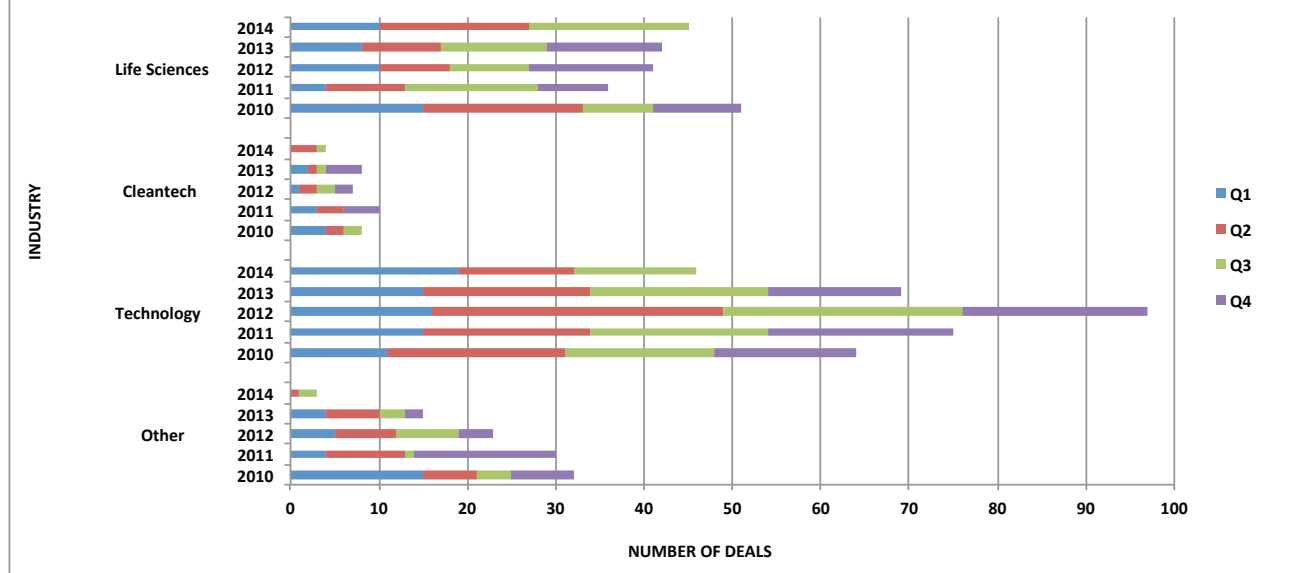
Quarterly Review of Seed, Series A and Series B/Later Round Financings: Third Quarter 2014



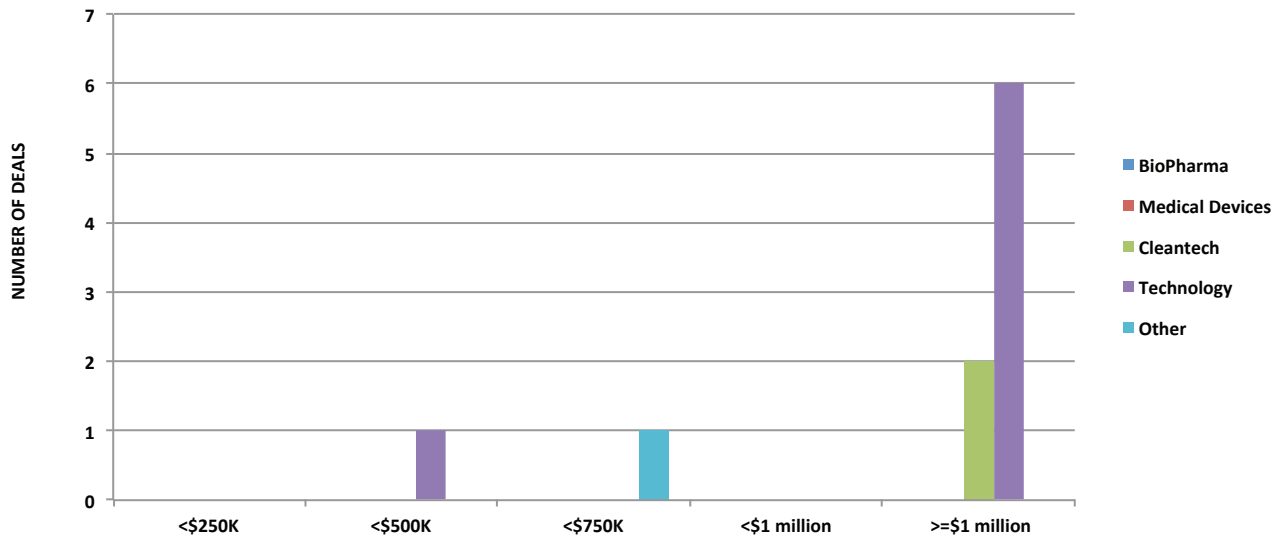
Activity Level of New England Series A Transactions Q1 2010 - Q3 2014



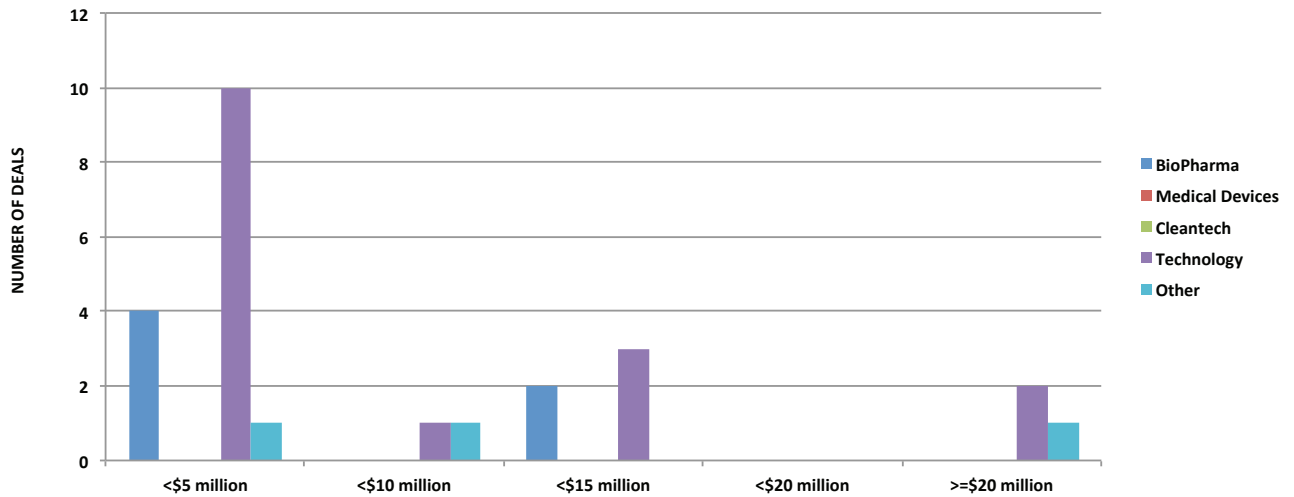
Activity Level of New England Series B/Later Round Transactions Q1 2010 - Q3 2014



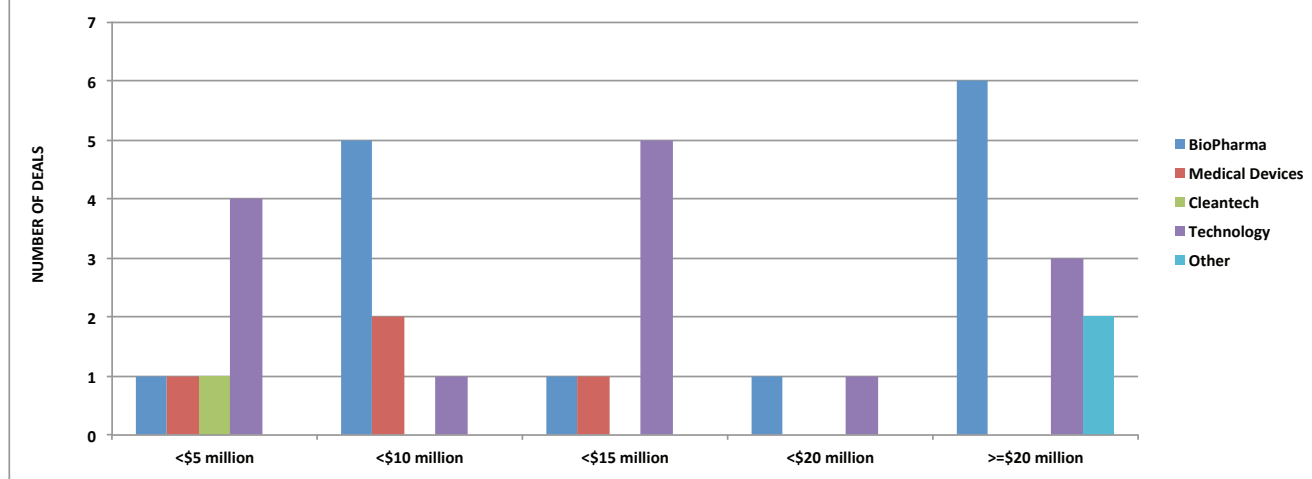
Size of New England Q3 2014 Seed Equity Transactions by Industry



Size of New England Q3 2014 Series A Transactions by Industry



Size of New England Q3 2014 Series B/Later Round Transactions by Industry



The Numbers

Venture financing activity in New England was essentially flat in the third quarter of 2014, with A and B/Later round activity showing activity levels consistent with Q2 2014 (7% decrease in A rounds; 3% increase in B/Later rounds) and Seed rounds increasing by 25% over Q2. As in the previous quarter, Life Sciences transactions accounted for half of all B/Later round deals during Q3 2014, and once again, more than half of all Seed and A rounds involved Technology companies over the same period.

Implied valuations were flat during Q3 as well, with the median valuation for B/Later round Life Sciences deals coming in at \$45.4 million (as compared to \$48.6 million in Q2 2014), and the median Series A valuation for Technology deals rising slightly to \$13.3 million (up from \$10.9 million in Q2 2014). Similar to Q2, nearly half of all Series A deals involved a raise of at least \$5 million, and eight of the ten Seed equity deals that we reviewed involved more than \$1 million of new money, likely due in large part to smaller Seed equity deals being underreported.

With regard to deal terms, Q3 observed a decrease in the percentage of Series A deals carrying each of three investor-friendly provisions: cumulative dividends (28%, down from 33% in Q2), participating liquidation preferences (28%, down from 41% in Q2), and redemption provisions (32%, down from 52% in Q2). Moreover, Q3 observed a decrease in the percentage of deals carrying participating liquidation preferences across all categories of financings: Seed deals (13% to 10%); Series A deals (41% to 28%); and Series B/Later round deals (53% to 31%), suggesting that this particular term is becoming less common across all stages of venture financing in New England.

Set forth below are more detailed analysis and commentary regarding the information reported in the various tables throughout this issue of Venture Perspectives.

Activity Levels

During Q3 2014, the total number of reviewed New England Seed equity transactions increased 25% over Q2 2014 and increased 11% over Q3 2013, although the typically modest size of this sample (10 transactions in Q3) tempers the significance of this particular trend. Technology companies received investment in 7 of these transactions; 2 transactions involved Cleantech companies; and 1 involved a company outside of our four industry categories (no Life Sciences Seed equity financings were reported during Q3).

As noted above, reviewed Series A transactions in New England during Q3 2014 were generally flat as compared to Q2 2014 (7% decrease) and up as compared to Q3 2013 (32% increase). Technology companies accounted for 64% of Q3 2014 Series A deals, with Life Sciences companies representing 24%, and “Other” companies representing 12% of these deals. For the fourth consecutive quarter, we did not review any Cleantech Series A transactions.

The total number of New England Series B/Later Round transactions during Q3 2014 was roughly flat as compared to Q2 2014 (3% increase) and Q3 2013 (3% decrease). More than half (51%) of all Series B/Later round transactions reviewed during Q3 involved Life Sciences companies, with Technology (40%), Other (6%), and Cleantech (3%), rounding out our four industry categories. As was the case in Q2 2014, Q3 observed a continued upward trend with respect to B/Later round Life Sciences transactions, which have increased in 5 of the previous 6 quarters, and have more than doubled since Q1 2013.

At the national level¹, the total number of Seed (equity and non-equity) transactions in Q3 increased by approximately 50% from Q2 2014 (compared to a 25% increase in Seed equity transactions in New England, as reported above) and decreased by about 20% over Q3 2013 (compared to an 11% increase in New England). The total number of Series A transactions nationally increased 6% over Q2 2014 (compared to a 7% decrease in New England) and increased 18% over Q3 2013 (compared to a 17% increase in New England). The total number of Series B/Later Round transactions nationally decreased 17% over Q2 2014 (compared to a 3% increase in New England) and increased 4% over Q3 2013 (compared to a 3% decrease in New England over the same period).

Deal Size

Of the New England Seed equity transactions we reviewed during Q3 2014, 80% involved investments of more than \$1 million.

Of the New England Series A transactions we reviewed during Q3 2014, 60% involved investments of less than \$5 million, and 12% involved investments of more than \$20 million.

Of the New England Series B/Later Round transactions we reviewed during Q3 2014, 43% involved investments of less than \$10 million and 31% involved investments of more than \$20 million.

Implied Pre-Money Valuations

Seed Round. In the ten selected New England Seed equity transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from \$600,000 to \$21 million, with a median of \$5.8 million. The results by industry sector were as follows:

- *Life Sciences:* There were no transactions reported.
- *Cleantech:* There were two transactions reported, with implied pre-money valuations of \$1.5 million and \$8.2 million, respectively.
- *Technology:* There were seven Technology transactions, with implied pre-money valuations ranging from \$600,000 to \$21.1 million, with a median of \$6.5 million.
- *Other:* There was one "Other" transaction, with an implied pre-money valuation of \$8.3 million.

Series A Round. In the twenty-five selected New England Series A transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from \$2.6 million to \$257 million, with a median of \$12.5 million. The results by industry sector were as follows:

- *Life Sciences:* There were six Life Sciences transactions, with implied pre-money valuations ranging from \$2.6 million to \$47.7 million, with a median of \$9.8 million.
- *Cleantech:* There were no transactions reported.
- *Technology:* There were sixteen Technology transactions, with implied pre-money valuations ranging from \$7 million to \$257 million, with a median of \$13.3 million.
- *Other:* There were three transactions in the "Other" category, with implied pre-money valuations ranging from of \$7.2 million to \$30.6 million, with a median of \$17.1 million.

Series B/Later Round. In the thirty-five selected New England Series B/Later Round transactions we reviewed for Q3 2014, the implied pre-money valuations ranged from \$9.1 million to \$514 million, with a median of \$42.8 million. 28 of these (80%) were "up" rounds; 4 (11%) were "down" rounds; and 3 (9%) were "even" rounds. The results by industry sector were as follows:

- *Life Sciences:* There were eighteen Life Sciences transactions, of which fourteen were "up" rounds, two were

¹National data as reported in Dow Jones VentureSource.

“down” rounds and two were “even” rounds. The implied pre-money valuations ranged from a low of \$9.1 million in a Series B round to a high of \$289 million in a Series G round, with a median valuation of \$45.4 million.

- *Cleantech*: There was one Cleantech transaction, which was an “up” Series C round with an implied pre-money valuation of \$24.6 million.
- *Technology*: There were fourteen Technology transactions, eleven of which were “up” rounds, two of which were “down” rounds, and one of which was an “even” round. The implied pre-money valuations ranged from a low of \$13.3 million in a Series B “down” round to a high of \$514 million in a Series H “up” round, with a median valuation of \$34.9 million.
- *Other*: There were two transactions in the “Other” sector, both of which were “up” Series C rounds, with implied pre-money valuations of \$25.5 million and \$133.9 million, respectively.

Terms

Terms for selected New England Seed equity transactions showed the following trends in Q3 2014 as compared to Q2 2014 and Q3 2013:

- An increase in the percentage of transactions with cumulative dividends as compared to Q2 2014 (0% to 30%) and an increase as compared to Q3 2013 (11% to 30%);
- A small decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (13% to 10%) and a similar decrease as compared to Q3 2013 (11% to 10%);
- An significant increase in the number of deals with redemption provisions as compared to Q2 2014 (0% to 40%) and a similar increase as compared to Q3 2013 (11% to 40%);
- We have not observed any Seed equity transactions that included pay to play provisions in any issue of Venture Perspectives to date.

Terms for selected New England Series A transactions showed the following trends in Q3 2014 as compared to Q2 2014 and Q3 2013:

- A decrease in the percentage of transactions with cumulative dividends as compared to Q2 2014 (33% to 28%) and a decrease as compared to Q3 2013 (42% to 28%);
- A decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (41% to 28%), and an even greater decrease as compared to Q3 2013 (47% to 28%);
- A significant decrease in the percentage of transactions with redemption provisions as compared to Q2 2014 (52% to 32%) and an even greater decrease as compared to Q3 2013 (58% to 32%);
- A slight increase in the percentage of transactions with pay to play provisions as compared to Q2 2014 (11% to 12%), and a relatively larger increase as compared to Q3 2013 (0% to 12%).

Terms for selected New England Series B/Later Round transactions showed the following trends in Q3 2014 as compared to Q2 2014 and Q3 2013:

- An increase in the percentage of transactions with cumulative dividends as compared to Q2 2014 (44% to 54%) and a more modest increase as compared to Q3 2013 (50% to 54%);
- A significant decrease in the percentage of transactions with a participating liquidation preference as compared to Q2 2014 (53% to 31%) and a similar decrease as compared to Q3 2013 (47% to 31%);
- A slight increase in the percentage of transactions with redemption provisions as compared to Q2 2014 (53% to 54%) and a decrease as compared to Q3 2013 (64% to 54%);
- A decrease in the percentage of transactions with pay to play provisions as compared to Q2 2014 (32% to 9%) and a similar decrease as compared to Q3 2013 (25% to 9%).

The National Activity Level Summary

National Seed Transactions by Industry*

Industry	2013				2014				Quarter ended September 30, 2013	Quarter ended September 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	2	1	1	2	3	2	1		1	1
Medical Device	2	1	3	2	2	2	5		3	5
Cleantech	3	1	0	0	1	0	0		0	0
Technology	25	23	25	22	3	13	19		25	19
Other	29	42	41	56	69	20	30		41	30
Total	61	68	70	82	78	37	55		70	55

* Source: Dow Jones VentureSource

National Series A Transactions by Industry*

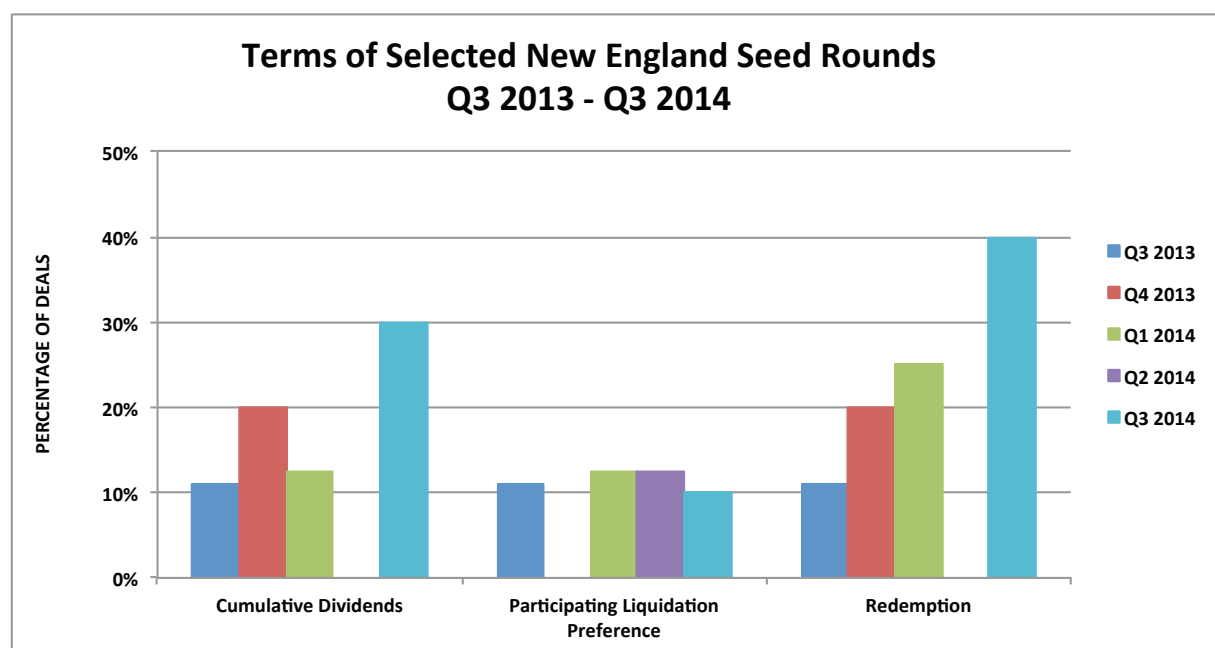
Industry	2013				2014				Quarter ended September 30, 2013	Quarter ended September 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	10	13	15	20	12	13	24		15	24
Medical Device	13	15	7	14	21	9	16		7	16
Cleantech	4	6	2	5	0	2	1		2	1
Technology	112	79	99	97	77	88	87		99	87
Other	116	142	148	158	176	189	191		148	191
Total	255	255	271	294	286	301	319		271	319

* Source: Dow Jones VentureSource

National Series B/ Later Round Transactions by Industry*

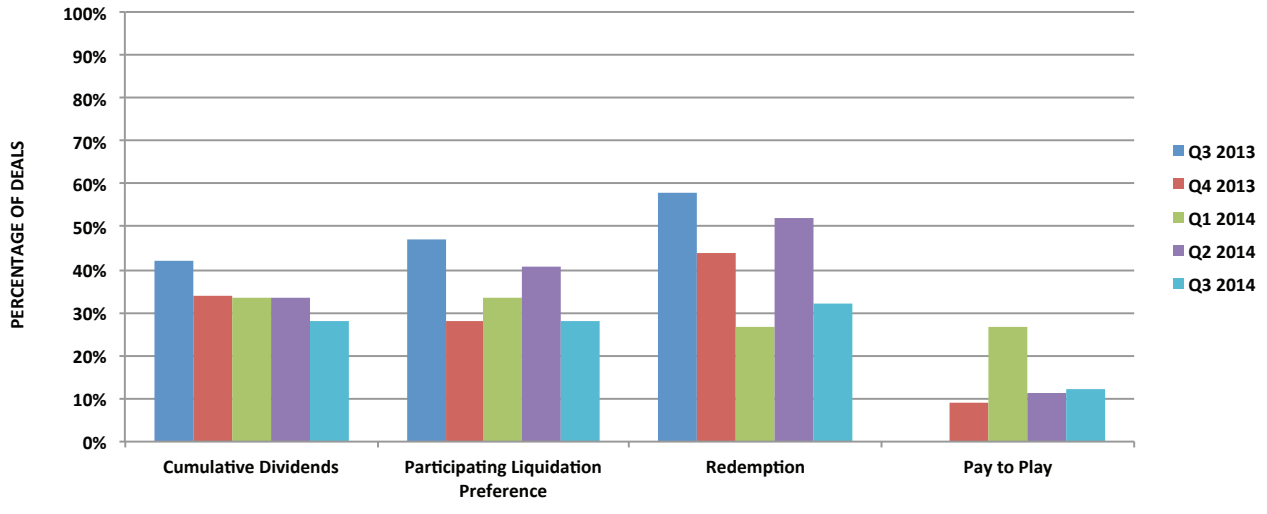
Industry	2013				2014				Quarter ended September 30, 2013	Quarter ended September 30, 2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Life Sciences										
Biopharma	40	43	47	48	41	57	35		47	35
Medical Device	46	37	30	50	38	56	50		30	50
Cleantech	12	14	5	11	10	9	10		5	10
Technology	104	136	125	121	127	147	135		125	135
Other	170	218	241	240	239	292	236		241	236
Total	372	448	448	470	455	561	466		448	466

* Source: Dow Jones VentureSource

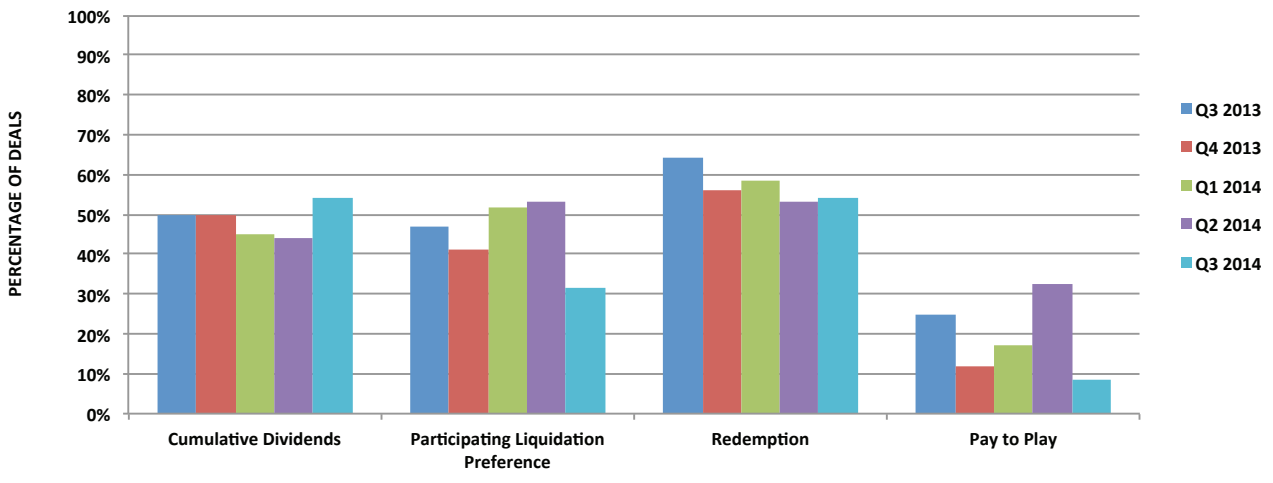


Note: No Pay to Play provisions in any quarter shown.

Terms of Selected New England Series A Transactions Q3 2013 - Q3 2014



Terms of Selected New England Series B/Later Rounds Q3 2013 - Q3 2014



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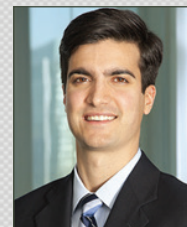
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