

Q3 2011—Financing Volume Slows as Valuations Increase*

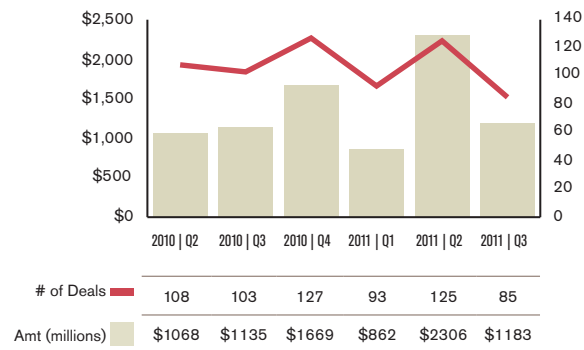
After seeing a record volume of financing deals and dollars raised in Q2 2011, the third quarter of 2011 showed a slowing in the number of private financing transactions and in the aggregate dollars raised. In Q3 2011, we handled 85 deals representing approximately \$1.2 billion in invested capital. The percentage of up rounds also decreased in Q3 2011 to 70% of deals from a high of 74% of deals in Q2 2011. However, despite lower deal volumes, the data pointed to increased median pre-money valuations across all deal stages. Notably, average valuations for Series A deals rose substantially to \$10.5 million, a level not seen since 2007. In another signal of robust valuations, we saw another increase in the percentage of deals with a median pre-money valuation greater than \$100 million from the prior quarter.

Third quarter deal terms remained generally company-favorable. Liquidation preferences of greater than 1x decreased in all financing stages. Of specific note, all Series A deals in Q3 2011 had a liquidation preference of 1x or less. Additionally, we observed a continuing trend of decreases in the percentage of deals with fully participating preferred provisions. The only exception to this was in Series B deals, where the use of the fully participating preferred provision increased.

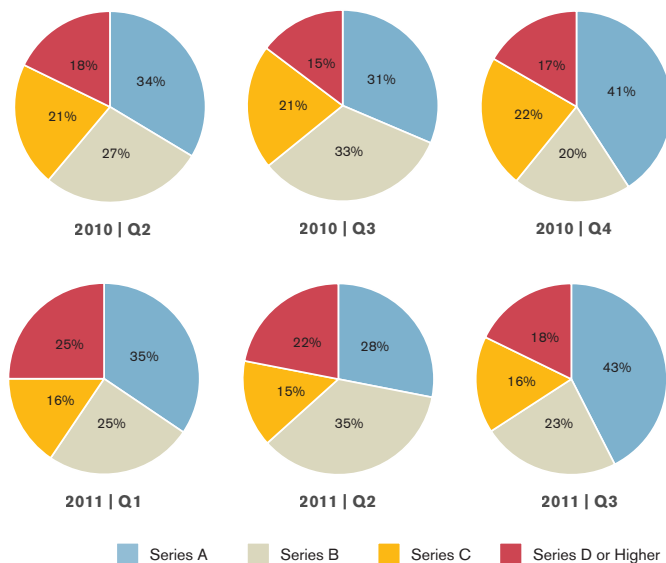
Deal terms in other areas generally painted a strong financing environment in Q3. We observed another decrease in the percentage of deals utilizing pay-to-play provisions, as well as those using drag-along provisions. The percentage of recapitalization transactions and tranching deals remained flat from the prior quarter.

TRENDS IN FINANCIAL TERMS

TOTAL DEAL VOLUME AND AGGREGATE DOLLARS RAISED. Overall deal volume and aggregate dollars raised decreased from the prior quarter.

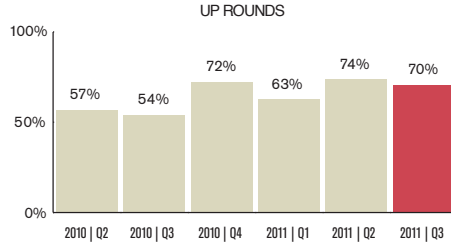


DEAL BREAKDOWN—By Series. Q3 2011 saw a marked increase in the percentage of Series A deals and a corresponding decrease in series B deals.

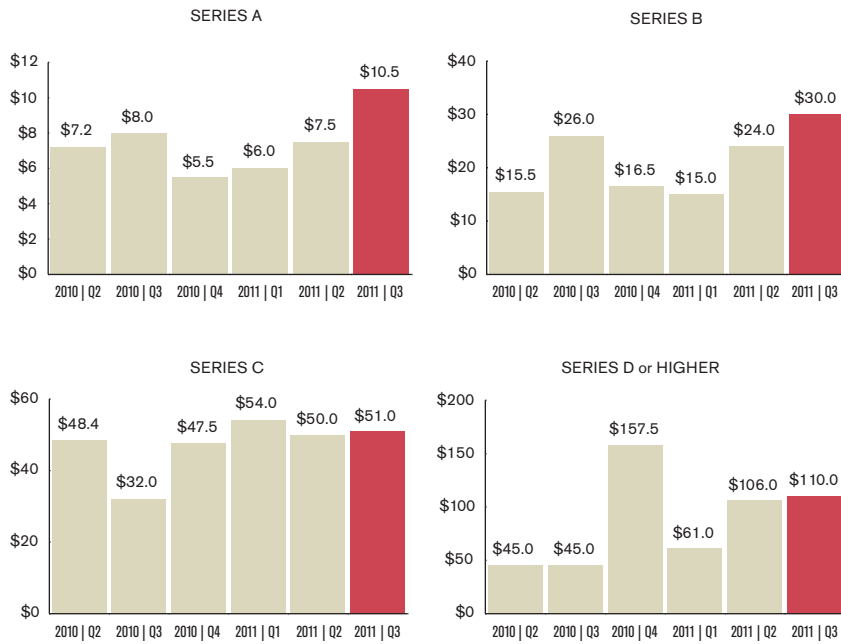


*Analysis based upon 85 completed deals totaling approximately \$1.18 billion in the third quarter of 2011, 125 completed deals totaling approximately \$2.3 billion in the second quarter of 2011, 93 completed deals totaling approximately \$862 million in the first quarter of 2011, 127 completed deals totaling approximately \$1.67 billion in the fourth quarter of 2010, 103 completed deals totaling approximately \$1.14 billion in the third quarter of 2010 and 108 completed deals totaling approximately \$1.07 billion in the second quarter of 2010.

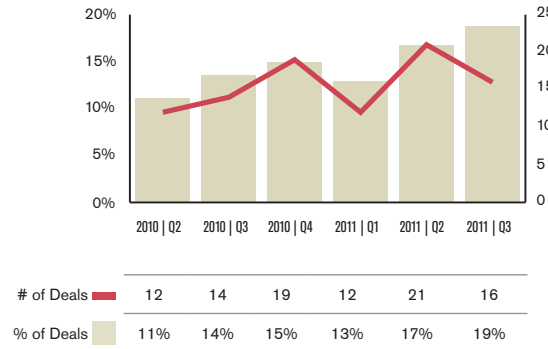
PERCENTAGE OF UP, DOWN AND FLAT ROUNDS. After two quarters of increases in the percentage of up rounds, Q3 saw a slight decrease to 70% of all deals, although the percentage of up rounds remained at a substantially high level for the quarter.



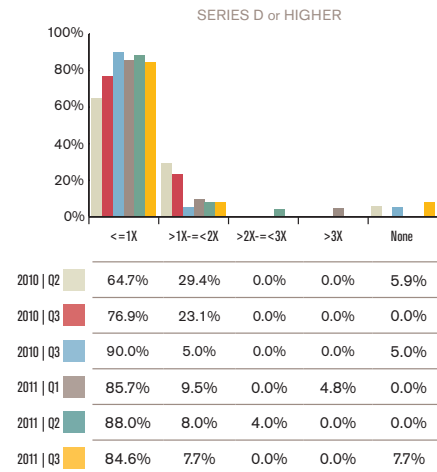
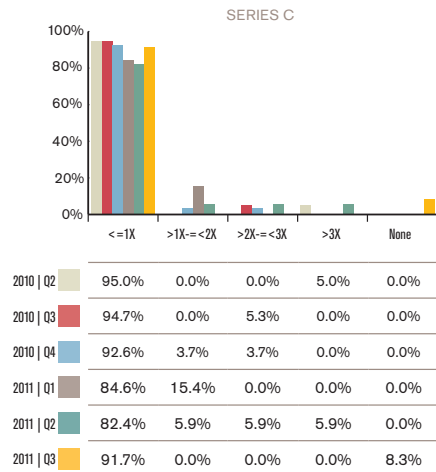
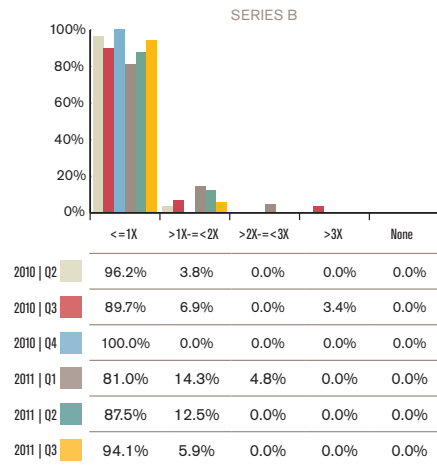
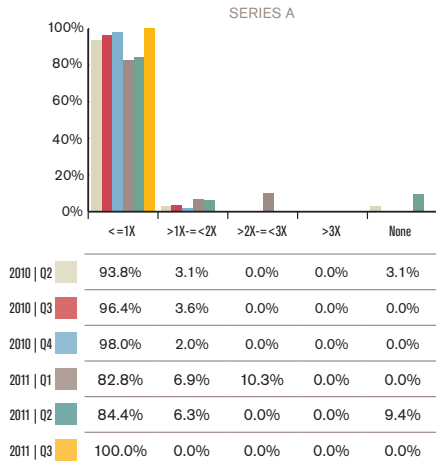
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. Notably, the median pre-money valuation for Series A deals reached \$10.5 million, which represented a substantial increase over prior quarters. Series B pre-money valuations also increased significantly over prior quarters.



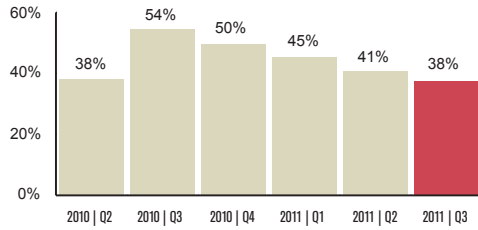
PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal. Over 19% of Q3 deals had a median pre-money valuation greater than \$100 million.



LIQUIDATION PREFERENCE—By Series. The percentage of deals with liquidation preferences of greater than 1x decreased for all deal rounds in Q3. Interestingly, none of our Series A deals during the quarter had liquidation preferences greater than 1x.



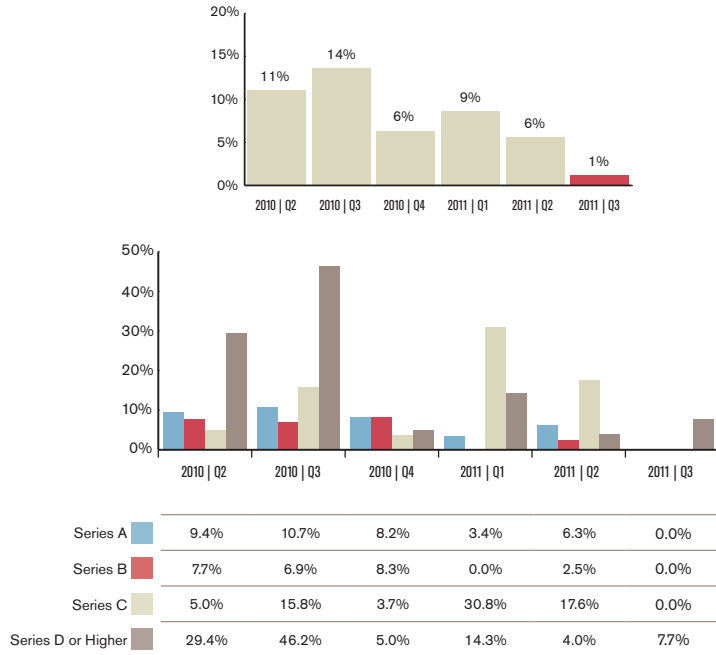
PERCENTAGE OF DEALS WITH PARTICIPATING PREFERRED—By Quarter. In Q3 2011, we saw a continued decrease in the percentage of deals with participating preferred provisions. This trend has continued since Q3 2010.



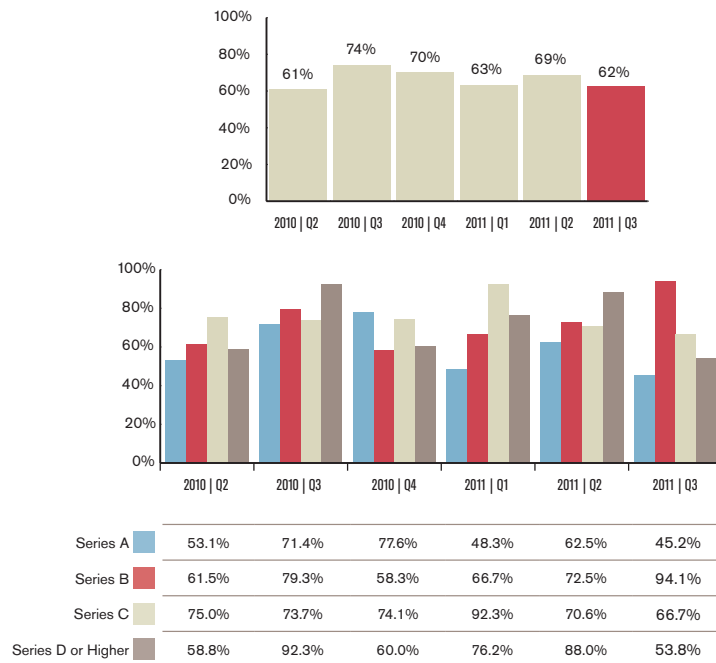
LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series. During Q3 2011, there was a decrease in the percentage of deals with fully participating preferred provisions across all deal stages with the exception of Series B deals. Series B deals saw an increase in the number of deals with fully participating preferred and with participating preferred subject to a cap.



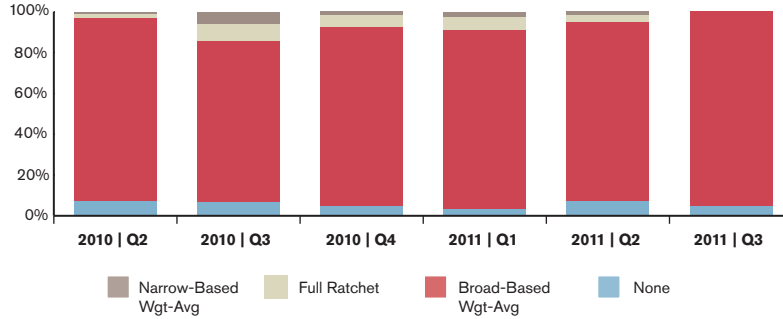
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter and Series. The data point to a marked decrease in the utilization of pay-to-play provisions in Q3. The provision was only utilized in Series D+ deals during the quarter.



PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter and Series. Utilization of drag-along provisions generally decreased during Q3, most notably in Series A and D+ deals.



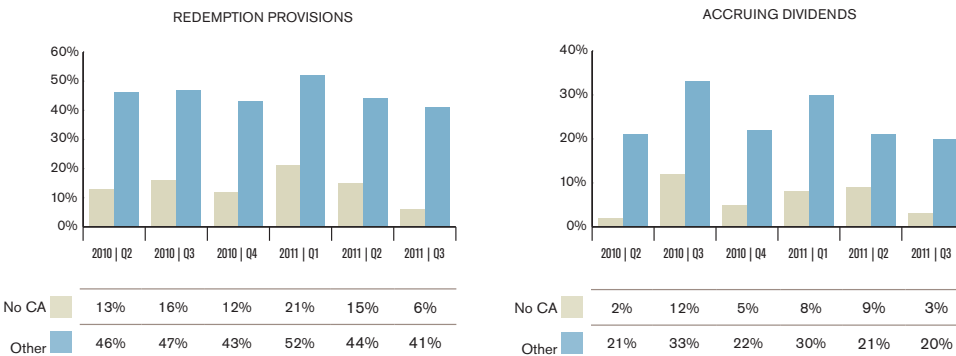
ANTI-DILUTION PROTECTION—By Quarter. During Q3 2011, approximately 96% of the transactions included broad-based weighted average anti-dilution protection, an increase over prior quarters. The chart below breaks down the percentage of deals with broad-based weighted average, narrow-based weighted average, full ratchet, and no anti-dilution protection.



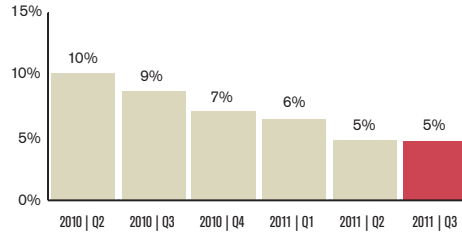
ANTI-DILUTION PROTECTION—By Series.



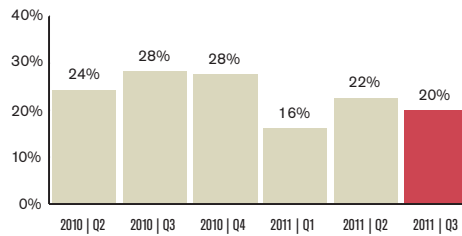
REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region. We continue to see a significant gap between Northern California and transactions in other regions.



RECAPITALIZATIONS—By Quarter. The percentage of recapitalization transactions in Q3 2011 remained flat from the prior quarter.



TRANCHED DEALS—By Quarter. The percentage of deals structured in tranches in Q3 2011 remained relatively flat from the prior quarter.



About The Cooley Venture Financing Report. This quarterly report provides data reflecting Cooley's experience in venture capital financing terms and trends. Information is taken from transactions in which Cooley served as counsel to either the issuing company or investors. For more information regarding this report, please contact the Cooley attorneys listed below.

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SAN DIEGO, CATom Coll +1 858 550 6013	BOSTON, MAPatrick Mitchell +1 617 937 2315
SAN FRANCISCO, CA ..Craig Jacoby +1 415 693 2147	SEATTLE, WAGordon Empey +1 206 452 8752
RESTON, VAMike Lincoln +1 703 456 8022	SHANGHAIPatrick Loofbourrow ... +86 21 6062 7236

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