

Q1 2010—A Solid Start to the Year*

As we witnessed an increase in financing activity and general improvement in financing terms in Q3 and Q4 2009, the general favorable trends in investment terms continued into the initial quarter of this year. Though we saw a slight decline in aggregate deal numbers, we saw a significant increase in invested dollars compared to the same quarter a year ago. Additionally, up rounds reached a level we have not seen since the middle of 2008. This may be the most significant indicator of a continued recovery in this report. Also worth noting is the rise in pre-money valuations in later stage deals and an increase in the number of deals with pre-money valuations in excess of \$100 million.

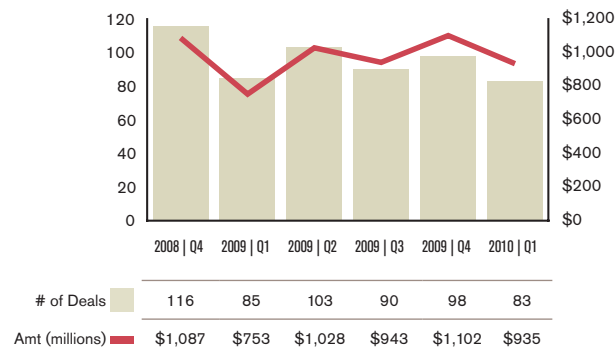
Additionally, the trend in a number of deal terms pointed to a healthier investment climate. In early rounds, the data shows liquidation preferences of greater than 1x becoming less common. We also saw a decrease overall in the use of pay to play provisions, especially in Series D+ deals, and a decrease in the percentage of recapitalization transactions.

Not all data, however, point to an improving environment. Pre-money valuations in early rounds were flat from the prior quarter and the use of certain deal terms continued to signal caution on the part of investors. We continued to see a high percentage of deals utilizing fully participating preferred provisions, specifically in Series A deals. In addition, approximately 31% of the transactions during the quarter were tranching deals, a sign that investors are keeping tight control over their committed or allocated funds.

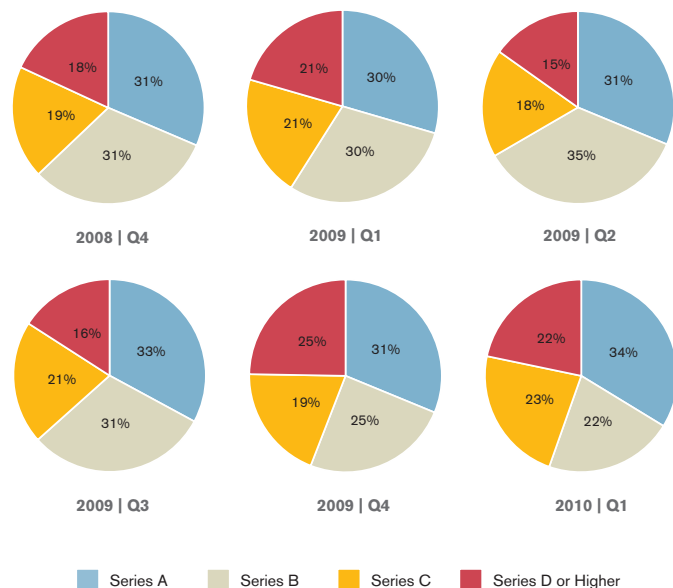
* Analysis based upon 83 completed deals totaling approximately \$935 million in the first quarter of 2010, 98 completed deals totaling \$1.1 billion in the fourth quarter of 2009, 90 completed deals totaling \$943 million in the third quarter of 2009, 103 completed deals totaling \$1 billion in the second quarter of 2009, 85 completed deals totaling \$753 million in the first quarter of 2009 and 116 completed deals totaling \$1.1 billion in the fourth quarter of 2008.

TRENDS IN FINANCIAL TERMS

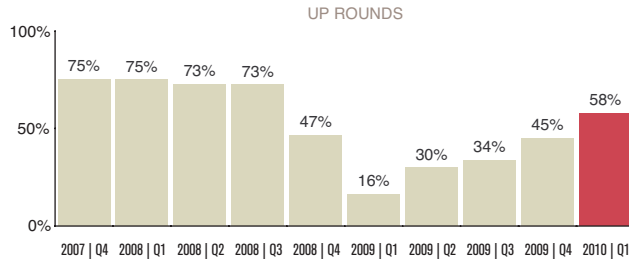
AGGREGATE NUMBER OF DEALS/AMOUNT RAISED—By Quarter. Aggregate deal volume decreased slightly from a year ago. We saw a drop in Q1 2010 numbers which is a Q1 trend we have observed over the past several years and may in part be due this year to the push to close deals in late 2009. Though aggregate dollars raised fell from the prior quarter, aggregate dollars raised in Q1 2010 was still significantly higher than the same quarter a year ago.



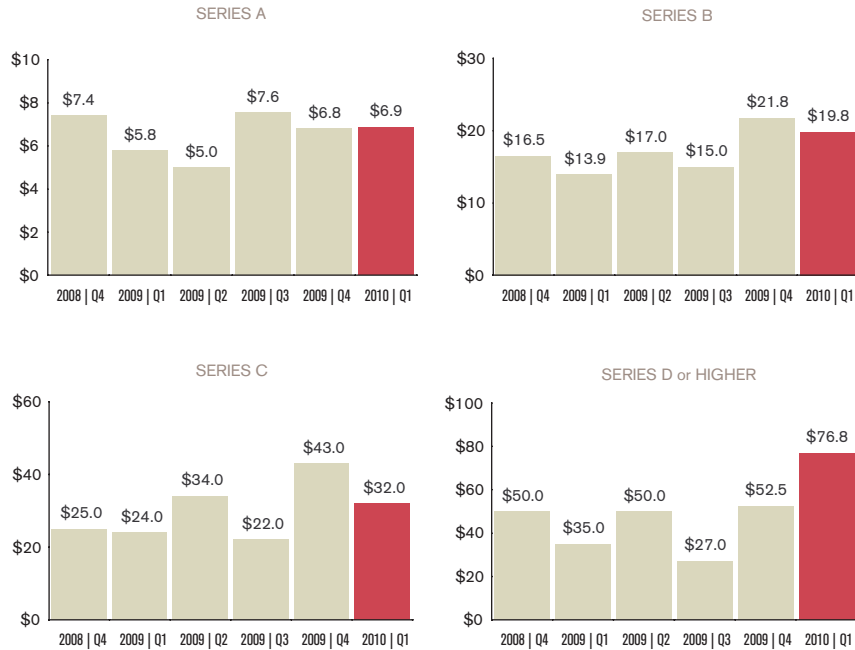
DEAL BREAKDOWN—By Series. There were no significant changes from last quarter in deal breakdown by series. There was a slight uptick in Series C financings and a slight decrease in Series D+ deals.



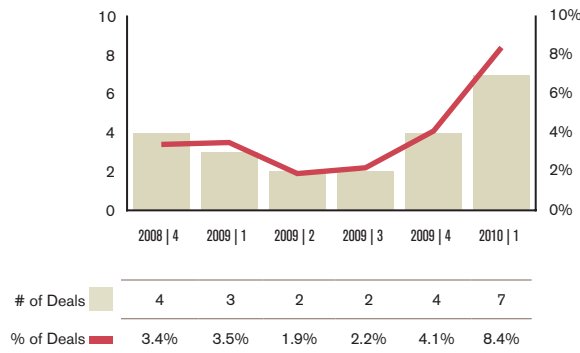
PERCENTAGE OF UP ROUNDS. The report indicates a significant increase in up rounds and therefore a corresponding decrease in down and flat rounds. We have continued to see this favorable trend since last year. The increase in up rounds clearly signals a stronger investment outlook.



MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. Median pre-money valuations were mixed during Q1 2010 as compared to the prior quarter, a sign of continued volatility in the market. Median pre-money valuations for Series A and Series B rounds were relatively flat as compared to the prior quarter, median Series C round valuations decreased significantly, and there was a sizeable valuation increase in Series D+ rounds.



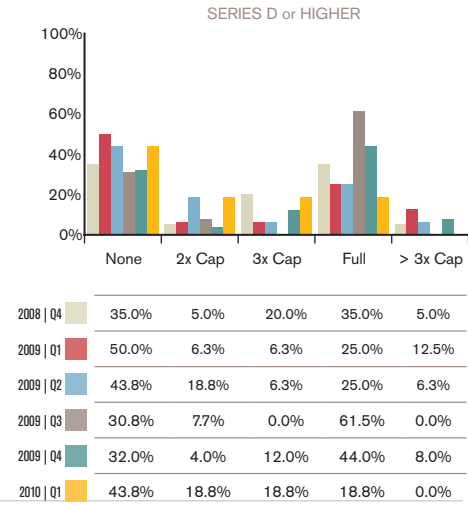
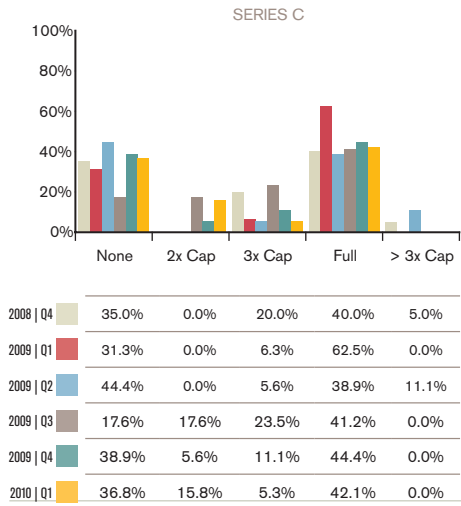
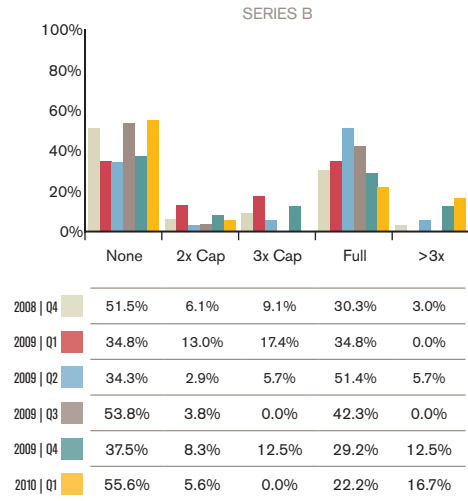
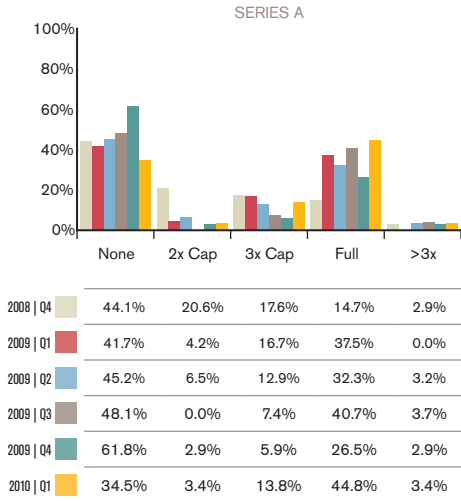
PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal. The data point to a significant increase in the number of deals with a pre-money valuation greater than \$100 million.



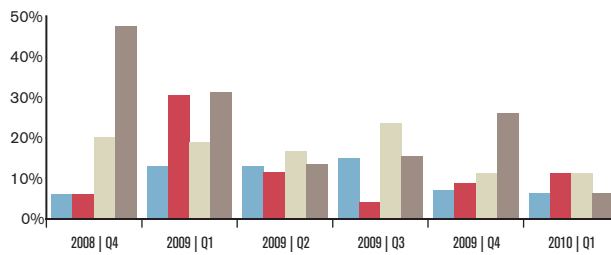
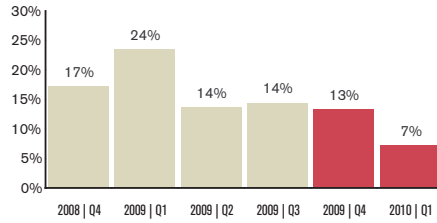
LIQUIDATION PREFERENCE—By Series. The percentages of deals with a liquidation preference greater than 1x decreased for Series A and B deals from the prior quarter and increased for Series C and D+ deals. Overall trends here point toward a gradual shift back to historical norms of a 1x liquidation preference.



LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series. During Q1 2010, there was a significant increase in the percentage of Series A deals with participating preferred, particularly fully participating preferred. Series B and later rounds continue to include a variety of participation features.

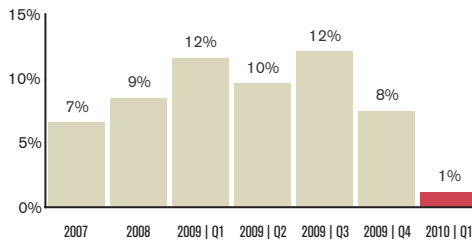


PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter and Series. The data showed a significant decrease in utilization of this provision in Q1 2010. At approximately 7% of deals, this is at the lowest level since early 2008.

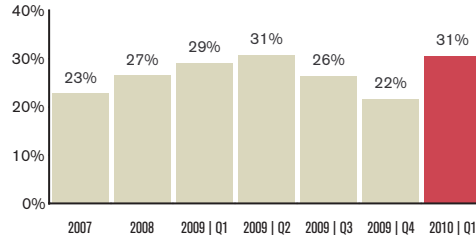


Series A	6.1%	13.0%	12.9%	14.8%	6.9%	6.3%
Series B	6.1%	30.4%	11.4%	4.0%	8.7%	11.1%
Series C	20.0%	18.8%	16.7%	23.5%	11.1%	11.1%
Series D or Higher	47.4%	31.3%	13.3%	15.4%	26.1%	6.3%

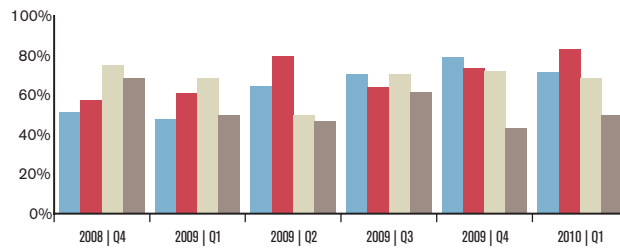
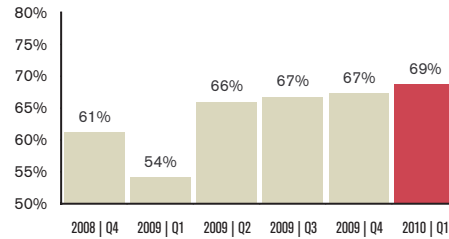
RECAPITALIZATIONS—By Quarter. Similar to the frequency of pay-to-play provisions, the percentage of recapitalization transactions decreased significantly during this past quarter as compared to late 2008 and 2009. This is another favorable sign that the investment climate is improving.



TRANCHED DEALS—By Quarter. The percentage of deals that were structured in tranches steadily increased from 2007 through mid 2009 and, despite fewer tranching deals in Q3 and Q4 2009, increased to peak levels during the first quarter of this year. Tranching signals continued caution by investors.

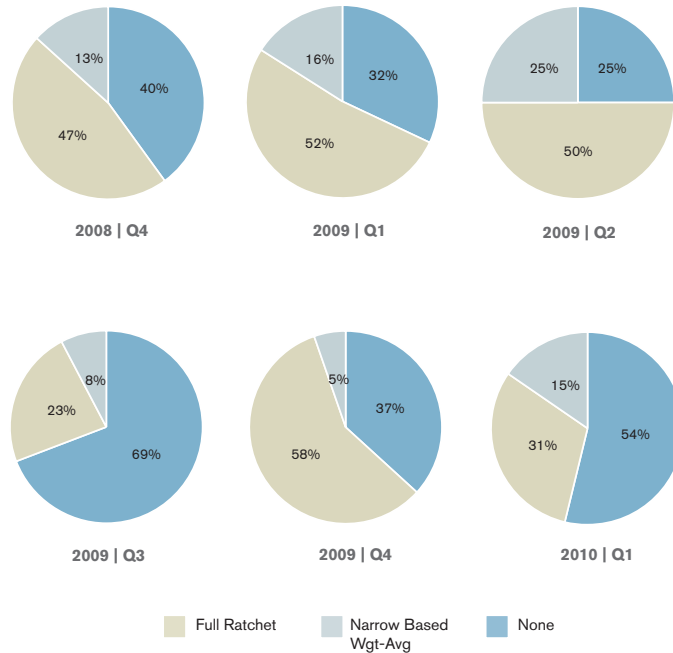


PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter and Series. Use of this provision remained relatively flat and consistent with levels observed over the prior three quarters.



	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Series A	51.5%	47.8%	64.5%	70.4%	79.3%	71.4%
Series B	57.6%	60.9%	80.0%	64.0%	73.9%	83.3%
Series C	75.0%	68.8%	50.0%	70.6%	72.2%	68.4%
Series D or Higher	68.4%	50.0%	46.7%	61.5%	43.5%	50.0%

ANTI-DILUTION PROTECTION (Broad Based Removed)—By Quarter. During Q1 2010, approximately 84% of the transactions included broad-based weighted average anti-dilution protection compared to 80% in Q4 2009 and 87% over the last 2 years. The chart below breaks down the remaining 16% of the transactions. Interestingly, in Q1 2010 we saw a significant decrease in the percentage of deals with full ratchet provisions and a meaningful increase in the percentage of deals with no anti-dilution protection, which may be an indicator of increased seed financing activity.



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ABOUT THIS 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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