

Background

We analyzed the terms of 152 venture financings closed in the fourth quarter of 2015 by companies headquartered in Silicon Valley.

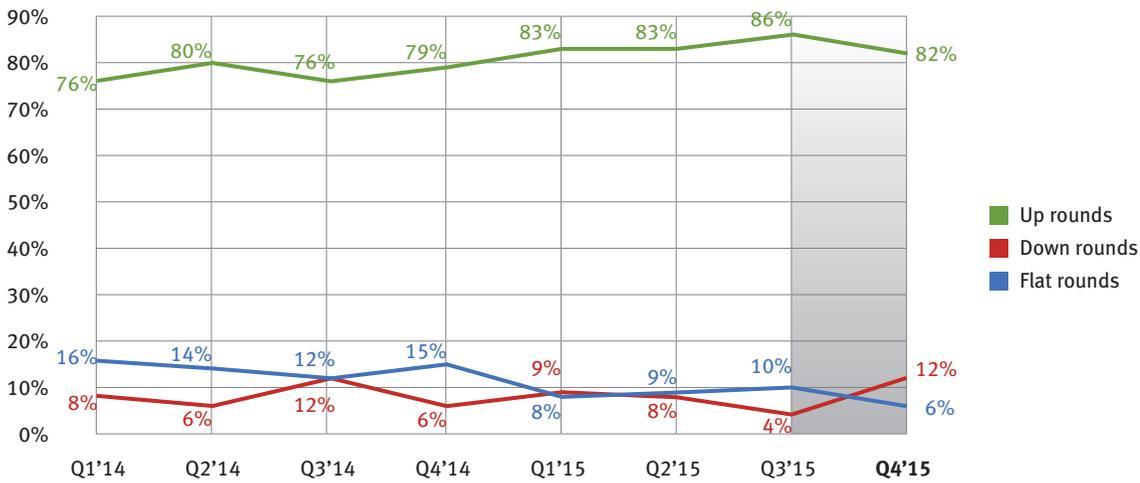
Overview of Fenwick & West Results

Valuation results in 4Q15 were moderately strong, but were not as strong as recent quarters.

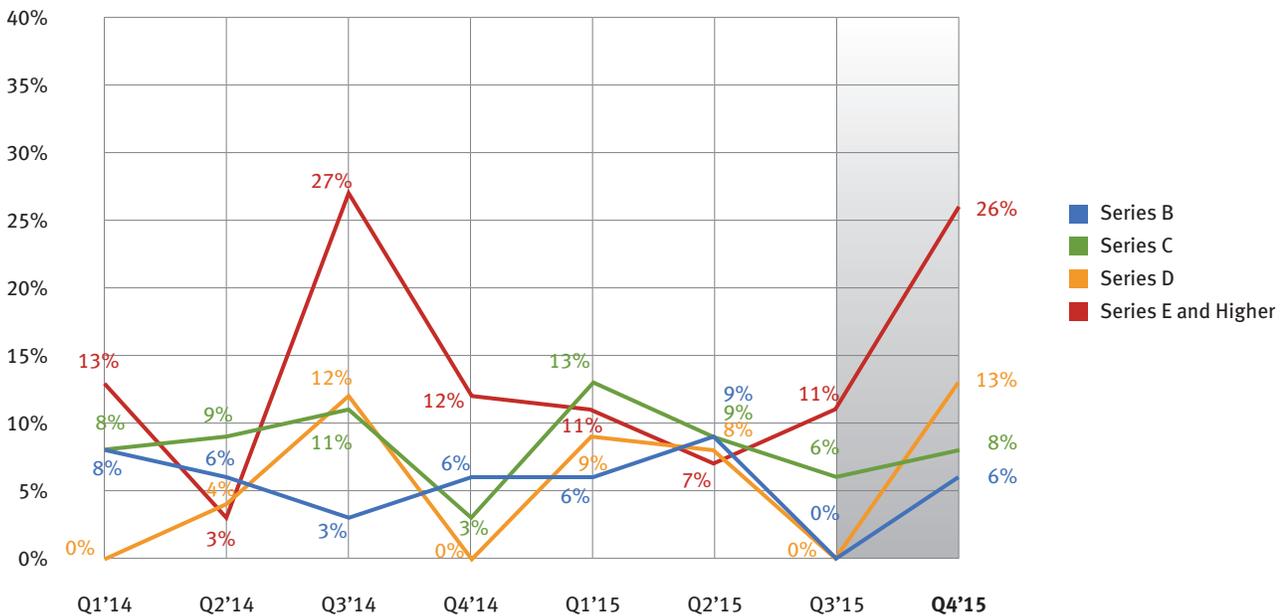
- Up rounds exceeded down rounds 82% to 12%, with 6% flat. This was a decrease from a very strong 3Q15, when up rounds exceeded down rounds 86% to 4%, with 10% flat.
- The Fenwick & West Venture Capital Barometer showed an average price increase in 4Q15 of 70%. While still strong, this was a significant decrease from the 116% recorded in 3Q15, and was the lowest Barometer reading since 4Q13.
- The median percentage increase of financings in 4Q15 was 39%. This was a noticeable decline from the 51% recorded in 3Q15 and the 74% recorded in 2Q15.
- For the first time since 1Q10, when we began tracking data by industry, the software industry was not in our top two industries from a valuation perspective, although it did lead with 48% of all deals. Rather the internet/digital media industry, with 94% up rounds, a 111% Barometer reading and a 95% median price increase, and the hardware industry, with 82% up rounds, a 100% Barometer reading and a 63% median increase, were the two strongest industries, followed by the software industry, with the life science industry trailing.
- Series E and later financings (which can consist of both high valuation and struggling companies) were generally tougher than other series, with down rounds increasing to 26%, the Barometer declining to 16%, the percentage having senior liquidation preference increasing to 52%, and such financings declining as a percentage of all financings to 15%.

Fenwick & West Data on Valuation

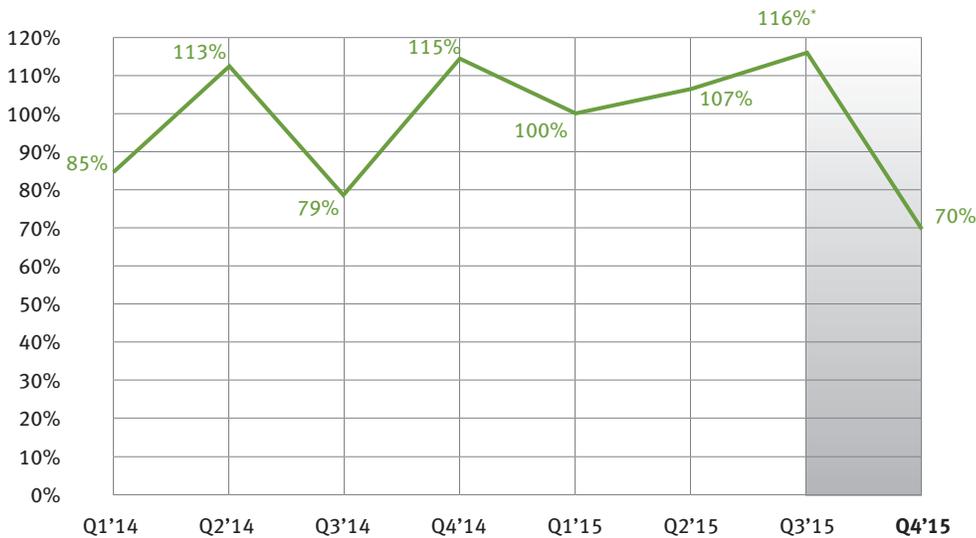
PRICE CHANGE — The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing.



The percentage of down rounds by series were as follows:

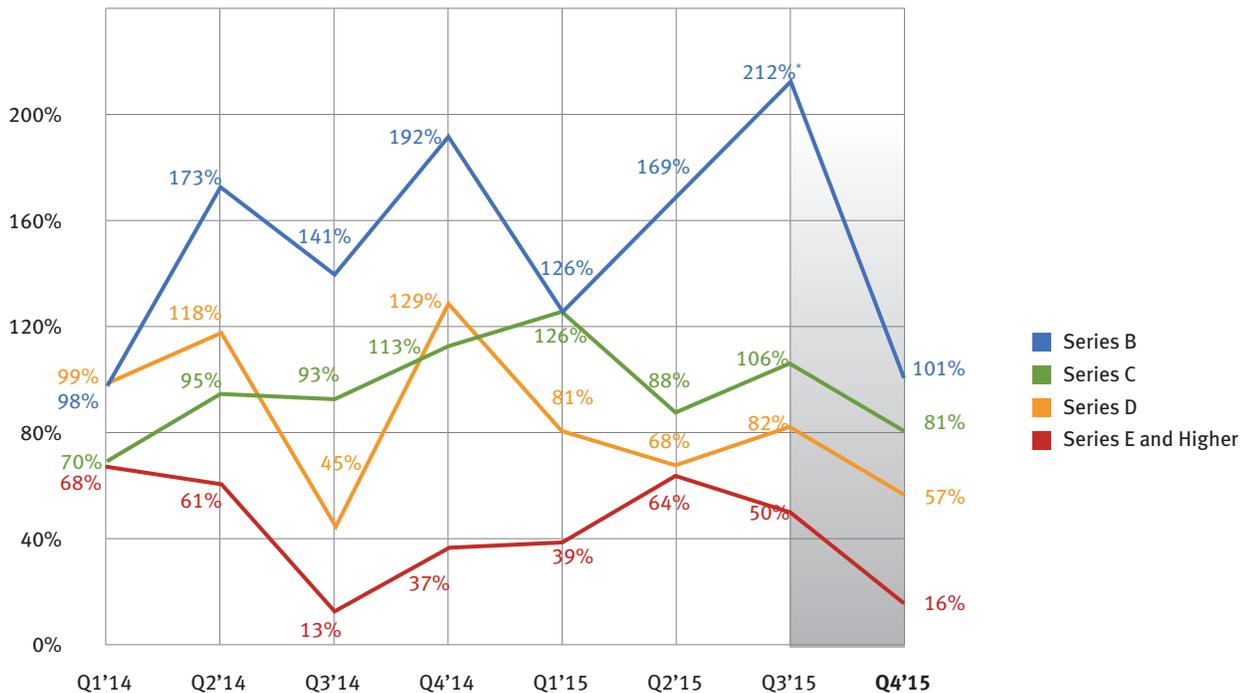


THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (MAGNITUDE OF PRICE CHANGE)— Set forth below is the average percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. 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 this quarter, 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	81%	9%	9%	60%	53
Hardware	82%	18%	0%	100%	17
Life Science	67%	25%	8%	25%	12
Internet/Digital Media	94%	6%	0%	111%	17
Other	80%	10%	10%	53%	10
Total all Industries	82%	12%	6%	70%	109

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.

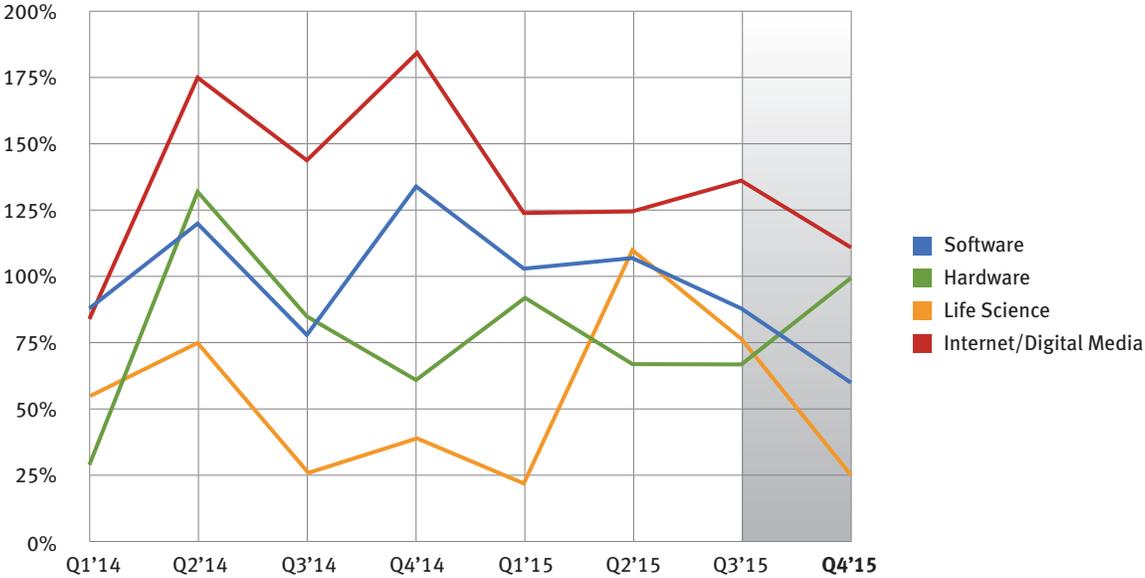
Down Rounds	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Software	7%	8%	8%	7%	8%	3%	6%	9%
Hardware	10%	8%	8%	6%	6%	25%	0%	18%
Life Science	12%	0%	21%	6%	12%	12%	6%	25%
Internet/Digital Media	11%	8%	14%	6%	12%	9%	4%	6%
Other	0%	0%	25%	0%	9%	11%	0%	10%
Total all Industries	8%	6%	12%	6%	9%	8%	4%	12%

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

Barometer	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Software	88%	120%	78%	134%	103%	107%	88%	60%
Hardware	29%	132%	85%	61%	92%	67%	67%	100%
Life Science	55%	75%	26%	39%	22%	110%	76%	25%
Internet/Digital Media	82%	169%	139%	178%	124%	125%	136%	111%
Other	166%	33%	56%	83%	155%	108%	509%*	53%
Total all Industries	85%	113%	79%	115%	100%	107%	116%*	70%

* 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.



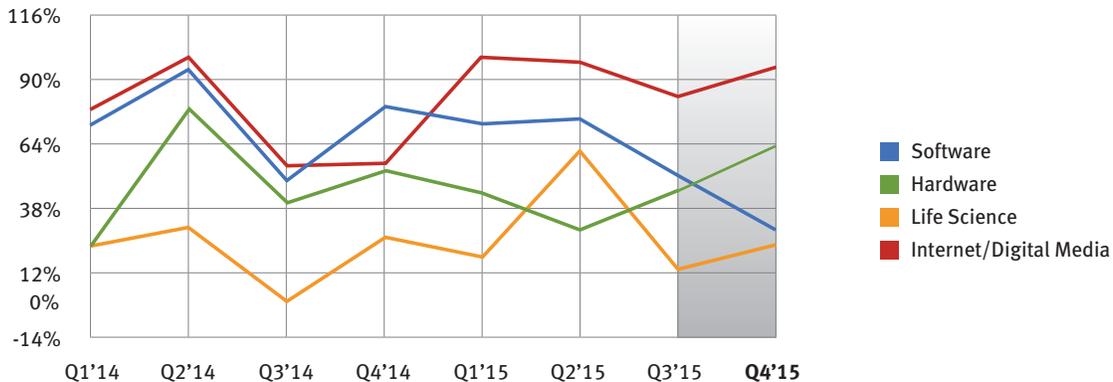
MEDIAN PERCENTAGE PRICE CHANGE — Set forth below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, 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	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Software	72%	94%	49%	79%	72%	74%	51%	29%
Hardware	23%	78%	40%	53%	44%	29%	45%	63%
Life Science	23%	30%	0%	26%	18%	61%	13%	23%
Internet/Digital Media	78%	99%	54%	56%	99%	97%	83%	95%
Other	113%	8%	38%	29%	92%	77%	36%	44%
Total all Industries	52%	75%	43%	61%	62%	74%	51%	39%

A graphical representation of the above is below.

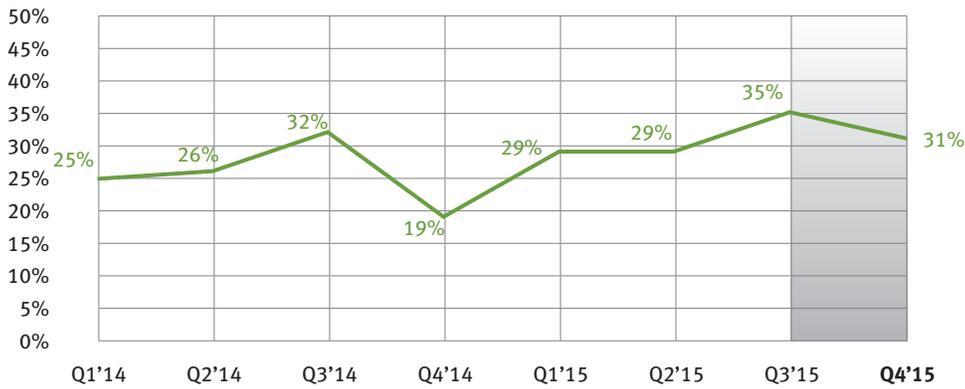


FINANCING ROUND — This quarter’s financings broke down by series according to the chart below.

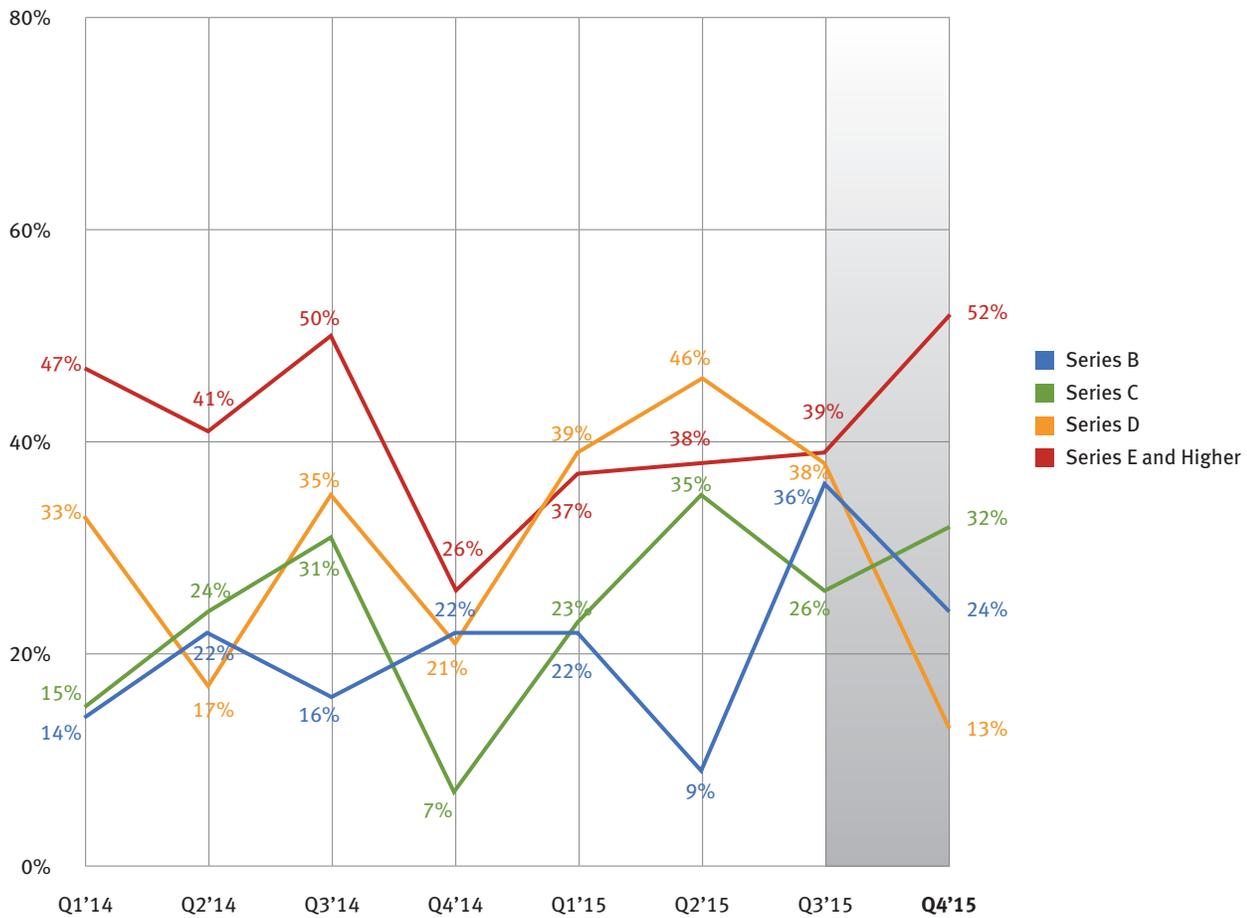
Series	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Series A	23%	23%	28%	27%	25%	18%	23%	28%
Series B	31%	21%	21%	21%	29%	28%	22%	22%
Series C	17%	26%	20%	19%	17%	21%	19%	24%
Series D	10%	13%	14%	10%	13%	16%	14%	11%
Series E and Higher	19%	17%	17%	23%	16%	17%	22%	15%

Fenwick & West Data on Legal Terms

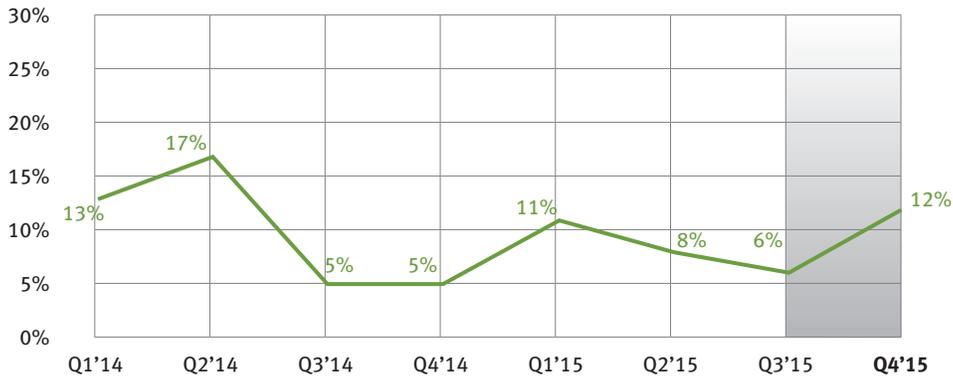
LIQUIDATION PREFERENCE – Senior liquidation preferences were used in the following percentages of financings.



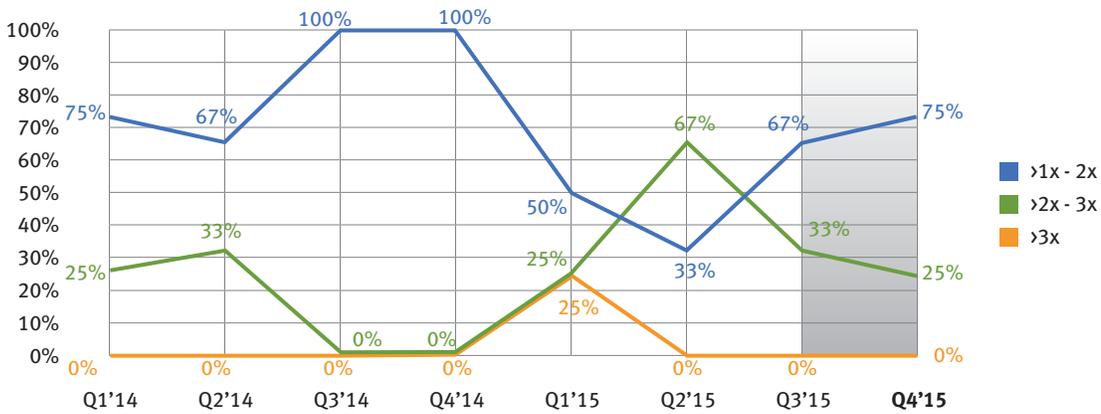
The percentage of senior liquidation preference by series was as follows:



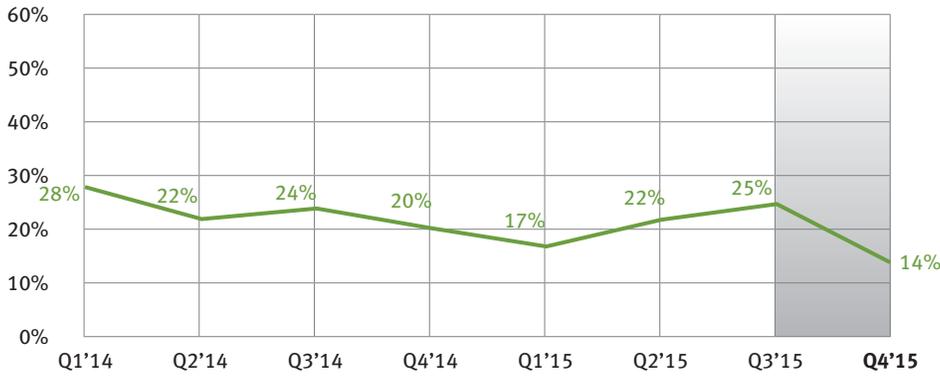
MULTIPLE LIQUIDATION PREFERENCES— The percentage of senior liquidation preferences that were multiple liquidation preferences were as follows:



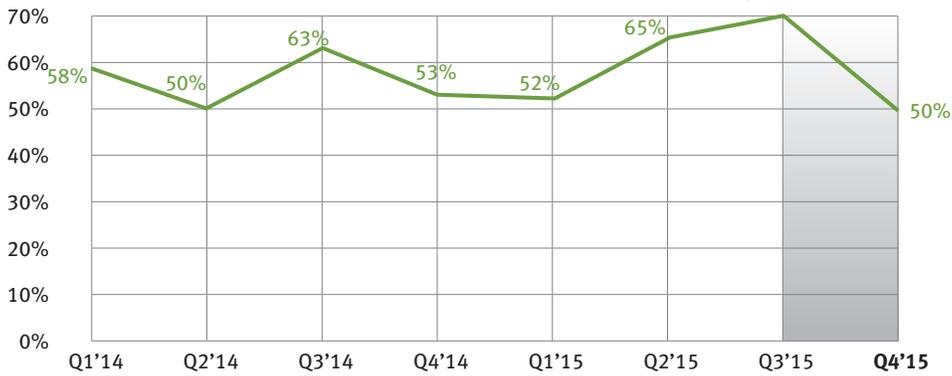
Of the senior liquidation preferences that were a multiple preference, the ranges of the multiples broke down as follows:



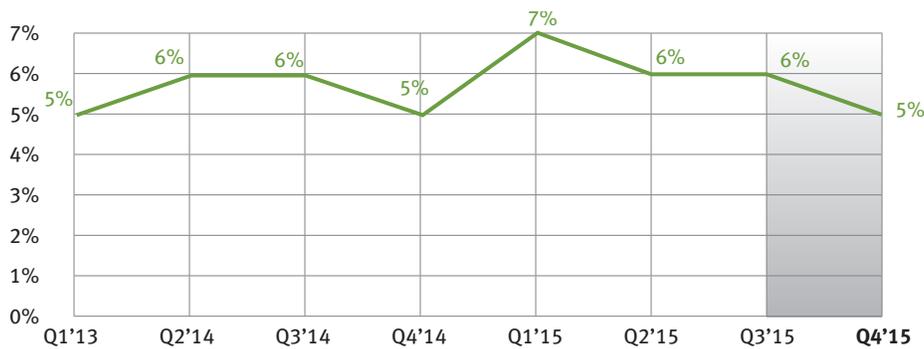
PARTICIPATION IN LIQUIDATION – The percentages of financings that provided for participation were as follows:



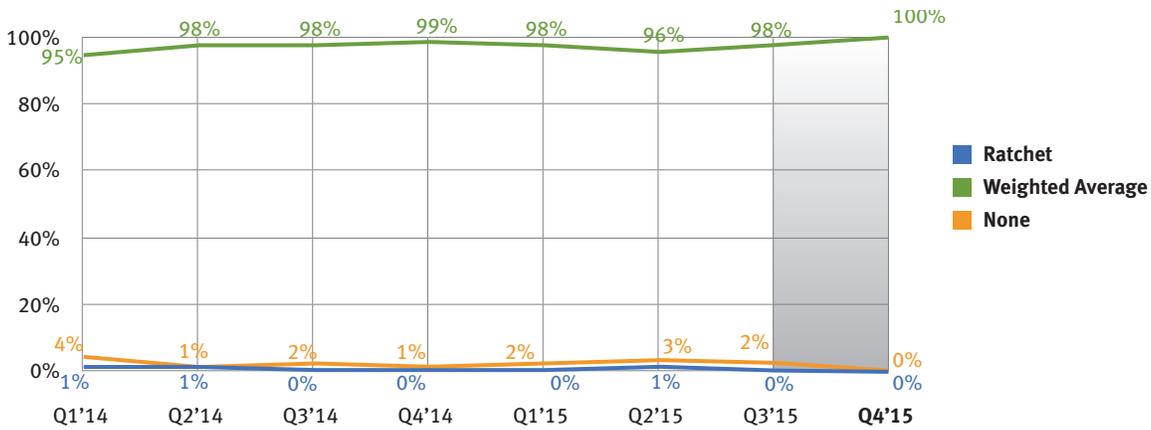
Of the financings that had participation, the percentages that were not capped were as follows:



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:



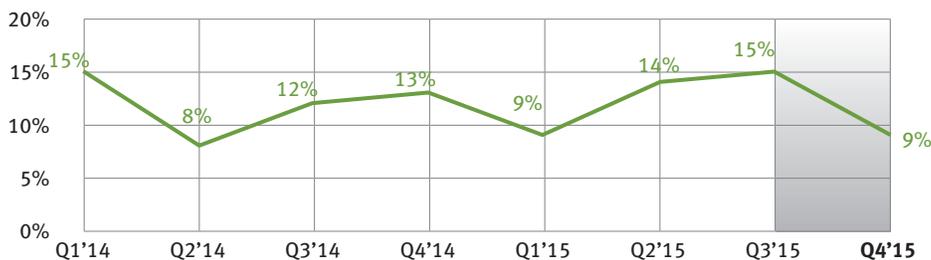
Please note that the chart above only applies to non-IPO anti-dilution provisions. In other words, the chart refers to anti-dilution provisions that protect the investor against a future venture financing at a price below what the investor paid. The chart does not include anti-dilution provisions designed to protect against an IPO at a price below the price paid by the venture investor (e.g., an IPO ratchet), because those provisions are generally only negotiated/included in very late stage, high value deals. We believe it would not be useful to provide a percentage of all financings that have IPO anti-dilution provisions, because it will provide a result that is artificially low. An analysis of IPO anti-dilution provisions is included in our Unicorn Survey, which by its nature is focused on late stage, high value deals.

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

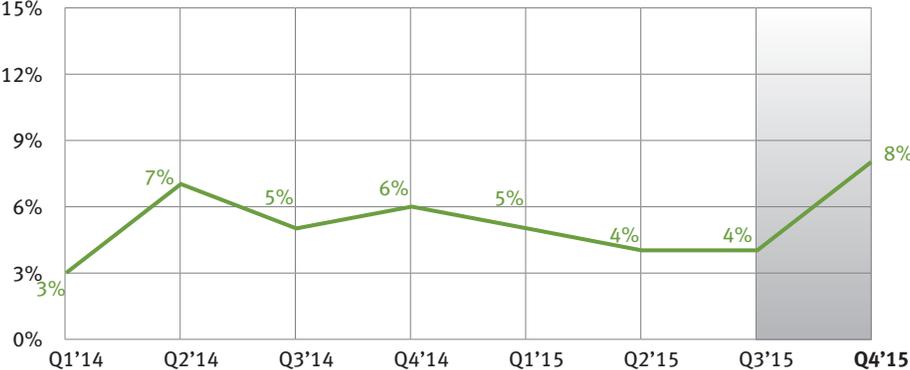


Note that anecdotal evidence indicates that companies are increasingly using contractual “pull up” provisions instead of charter based “pay to play” provisions. These two types of provisions have similar economic effect but are implemented differently. The above information includes some, but likely 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 on average about 18 months prior. By definition the Barometer does not include companies that do not do follow-on financings (which may be because they went out of business, were acquired or went public). Accordingly we believe that our results are most valuable for identifying trends in the venture environment, as opposed to calculating absolute venture returns. Please also note that our calculations are not “dollar weighted,” i.e. all venture rounds are treated equally, regardless of size.

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

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