

## Executive summary on private company financings in the second quarter of 2008.\*

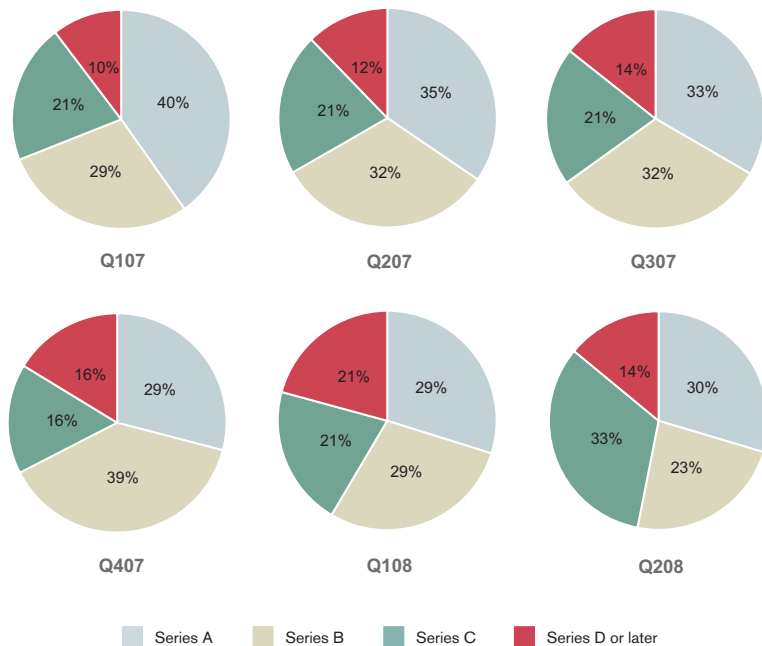
The investment climate for privately-held startups continued their cooling trends previously reported in the first quarter of 2008. The number of deals reported declined from 80 to 72, but the aggregate amount of money raised by all types of financings increased from \$990M to \$1,013M.

Median pre-money valuations for most types of financings declined in the second quarter of 2008, continuing the declines posted in the first quarter of 2008, though Series B median pre-money valuations increased from \$19.125M in the previous quarter to \$24M in the second quarter of 2008. During that same time period, Series A went from \$9M to \$6M, Series C went from \$38.6M to \$37M and Series D or higher went \$92.5 to \$60M.

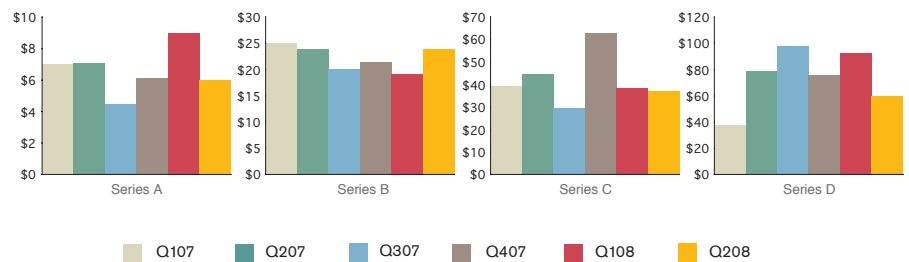
Early stage financings continued to decline in the second quarter of 2008, following a similar decline in the first quarter of 2008. Series A and Series B financings accounted for just 53% of all transactions, down from 58% in the previous quarter and 68% in the fourth quarter of 2007. Series D or later financings accounted for only 14% of all transaction—a dramatic decrease from the 21% we reported from the previous quarter.

Another indicator of the cooling investment climate is the decrease in the percentage of up round financings. In the previous quarter, we reported the percentage of up round financings was 76%, yet in the second quarter it has dropped to 70%.

**DEAL BREAKDOWN—By Series.** Later stage financings continued to represent a large percentage of deals in the second quarter. Most notable is the increase in the percentage of Series C financings but a decrease in the percentage of Series D or higher financings when comparing the first quarter and second quarters of 2008.

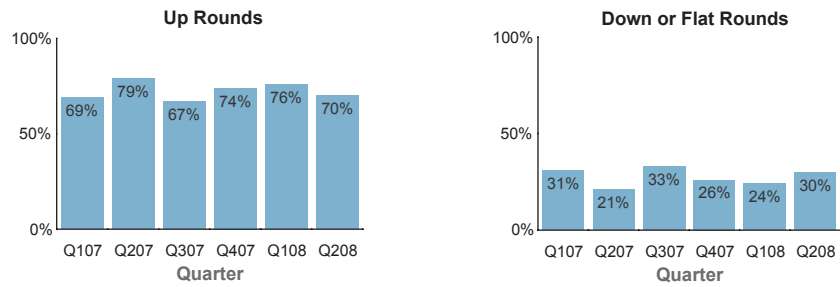


**MEDIAN PRE-MONEY VALUATION (millions \$)—By Series.** Pre-money valuations showed weakness across most types of financings. Series A and Series D or later financings all showed a drop in pre-money valuations. Series B pre-money valuations showed a notable increase—\$19.125M in the previous quarter to \$24M in the second quarter of 2008.

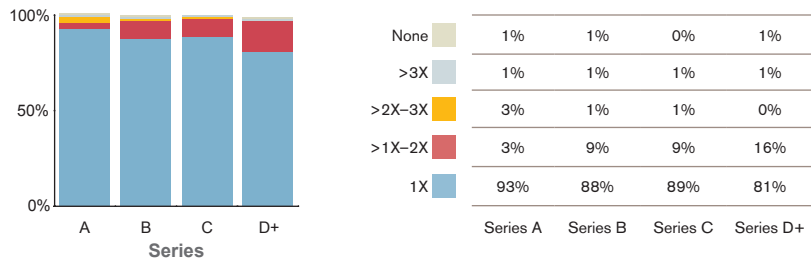


\* Analysis is based upon 72 completed deals, totaling \$1.013 billion in the second quarter of 2008.

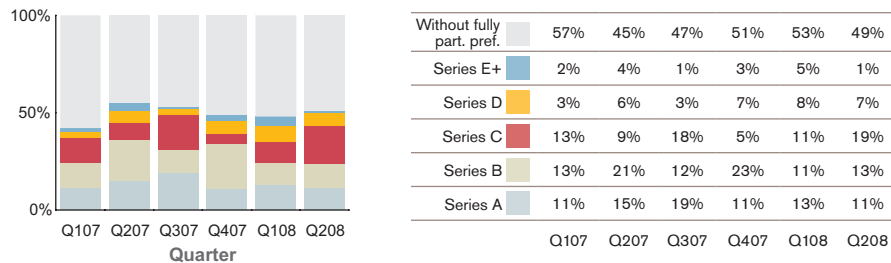
**PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS.** The percentage of up round financings declined 6% from the first quarter in 2008.



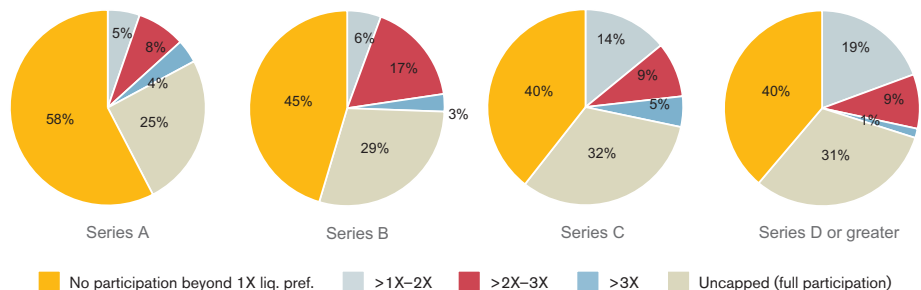
**LIQUIDATION PREFERENCES—By Series.** The vast majority of all transactions continued to contain a 1X liquidation preference across all stages of financings, with an increase in greater preferences in later rounds.



**PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter.** This quarter we introduce a new view of the percentage of deals with full participation. Like the previous quarter, approximately half of all deals had fully participating preferred terms.

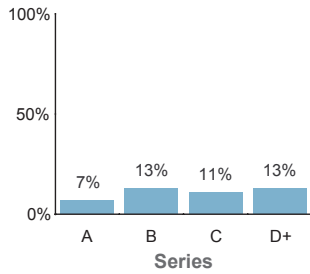


**PREFERRED STOCK PARTICIPATION—Six Quarters By Series.** When we aggregate the deals reported from the previous six quarters, non-participating preferred terms accounted for a higher percentage of all series financings. The biggest increase was Series C, where the percentage of non-participating preferred terms jumped from 35% reported in the previous quarter to 40% this quarter



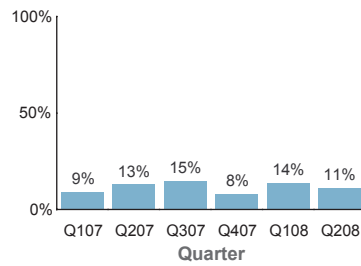
**PERCENTAGE OF DEALS WITH PAY TO PLAY—By Series.**

The percentage of pay to play transactions remained relatively small, particularly for early state financings. Only 7% of Series A financings included a pay to play feature, compared to 13% of Series B, 11% of Series C and 13% of Series D or higher transactions.



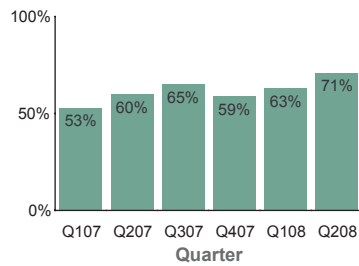
**PERCENTAGE OF DEALS WITH PAY TO PLAY—By Quarter.**

The percentage of deals with pay to play decreased from 14% in the first quarter to 11% in the second quarter of 2008. This is consistent with the decline in the number of Series D or greater financings in the second quarter as pay to play tends to be more common in later rounds.



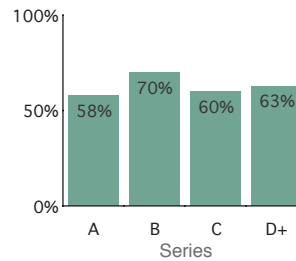
**PERCENTAGE OF DEALS WITH DRAG ALONG—By Quarter.**

The percentage of deals that included a drag along feature remained relatively constant over the quarters reported, although the trend is moving toward increased utilization.



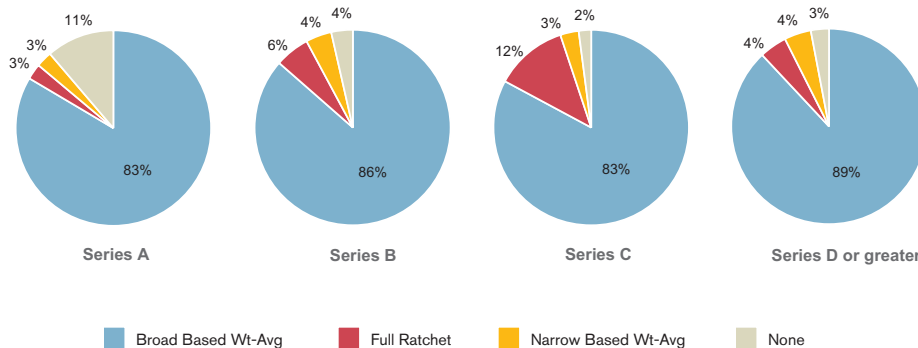
**PERCENTAGE OF DEALS WITH DRAG ALONG—By Series.**

Across all series, drag alongs were in approximately two-thirds of all deals.

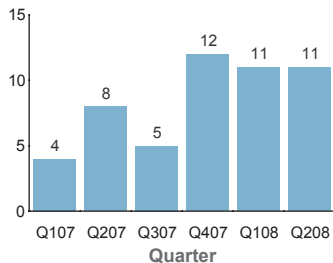


**ANTIDILUTION PROTECTION—By Series.**

The vast majority of all transactions continued to have a broad-based, weighted average antidilution provision. Consistent with historical norms, a small percentage of transactions had no antidilution provisions at all. Series A financings had the most, with 11% of all transactions having no antidilution provision.



**PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal.** The number of deals with pre-money valuations over \$100 million held to the same level reported in the first quarter of 2008 in spite of the decline in the number of deals.



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**ABOUT THIS REPORT** This quarterly report provides data from 2006–2008, reflecting Cooley Godward Kronish's experience in venture capital financing terms and trends. Information is taken from transactions in which Cooley Godward Kronish served as counsel to either the issuing company or investors. For more information regarding this report, please contact the Cooley attorneys listed below.

PALO ALTO, CA .....	Jim Fulton .....	650/843-5103	BROOMFIELD, CO .....	Brent Fassett .....	720/566-4025
NEW YORK, NY .....	Alison Newman .....	212/479-6190	WASHINGTON, DC .....	Ryan Naftulin .....	202/842-7822
SAN DIEGO, CA .....	Tom Coll .....	858/550-6013	BOSTON, MA .....	Lester Fagen .....	617/937-2311
SAN FRANCISCO, CA .....	Craig Jacoby .....	415/693-2147	SEATTLE, WA .....	Gordon Empey .....	650/849-7206
RESTON, VA .....	Mark Spoto .....	703/456-8029			

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