Cooley GODWARD KRONISH LLP

Private Company Financings in Q2 2009— Data Reveals Early Signs Of Potential Improvement*

In general the second quarter of 2009 showed signs of improvement in market terms for companies. Median pre-money valuations increased from the low points seen in the prior two quarters and, although a majority of transactions continued to be down or flat rounds, a higher percentage of deals were up rounds as compared to the prior quarter. While fewer transactions this past quarter included pay-to-play provisions, a significant number of deals continue to include more onerous terms such as full ratchet anti-dilution protection and greater than 1x fully participating liquidation preferences.

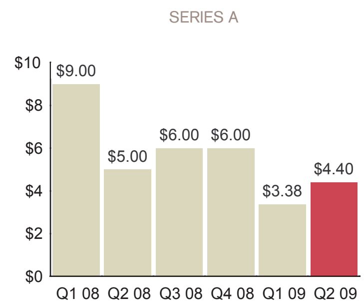
While there appear to be some encouraging early signs of improvements and reversal of some of the downward trends of the prior two quarters, transaction volumes and valuations during this past quarter and during the first half of the year are significantly below the first half of last year.

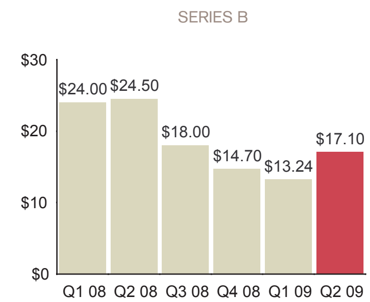
Regular readers of these reports will find the data they are accustomed to receiving in the Annex at the end of this report, along with other statistical data collected for the current period.

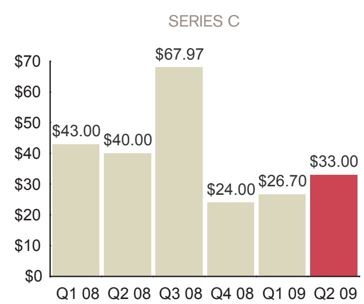
** Analysis based upon 75 completed deals totaling approximately $835 million in the second quarter of 2009, 77 completed deals totaling approximately $700 million in the first quarter of 2009, 108 completed deals totaling approximately $1 billion in the fourth quarter of 2008, 89 completed deals totaling approximately $1 billion in the third quarter of 2008, 92 completed deals totaling approximately $1.3 billion in the second quarter of 2008, and 96 completed deals totaling approximately $1.2 billion in the first quarter of 2008.*

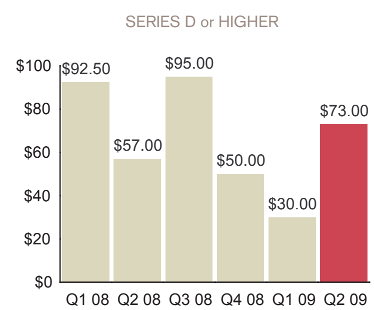
TRENDS IN FINANCIAL TERMS

MEDIAN PRE-MONEY VALUATION (millions $)—By Series. All rounds of financing saw some improvements on the median pre-money valuations, with the greatest improvements observed in Series D or higher financings.

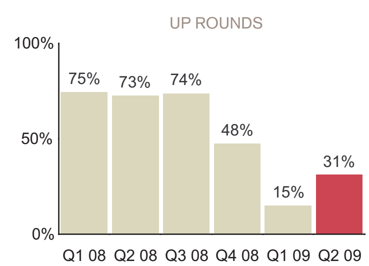


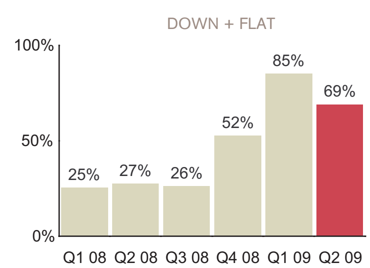




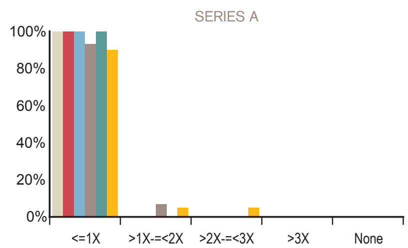


PERCENTAGE OF UP, DOWN, AND FLAT ROUNDS—By Quarter. The downward trend for up rounds of financings detailed in both the Year End and First Quarter PCF Reports has reversed this quarter. The percentage of up rounds has not reached early 2008 levels, but the upward trend is a positive indicator that valuations may be rebounding from first quarter levels.

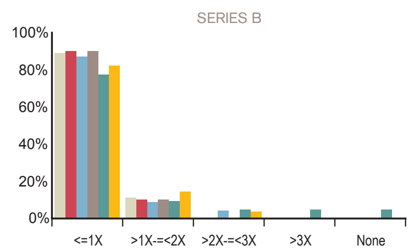




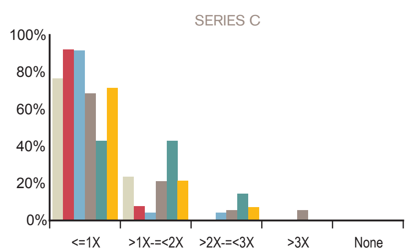
LIQUIDATION PREFERENCE—By Series. Historically we see most transactions retaining a 1x liquidation preference, but with the protracted economic downturn we continue to see a significant percentage of deals with greater than 1x liquidation preferences, particularly in later stage transactions.



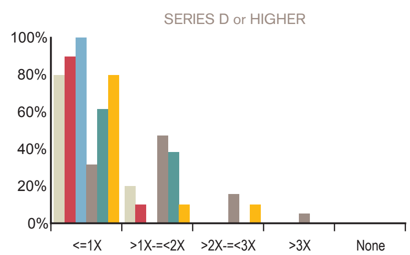
Q1 08	100.0%	0.0%	0.0%	0.0%	0.0%
Q2 08	100.0%	0.0%	0.0%	0.0%	0.0%
Q3 08	100.0%	0.0%	0.0%	0.0%	0.0%
Q4 08	93.3%	6.7%	0.0%	0.0%	0.0%
Q1 09	100.0%	0.0%	0.0%	0.0%	0.0%
Q2 09	90.0%	5.0%	5.0%	0.0%	0.0%



Q1 08	88.9%	11.1%	0.0%	0.0%	0.0%
Q2 08	90.0%	10.0%	0.0%	0.0%	0.0%
Q3 08	87.0%	8.7%	4.3%	0.0%	0.0%
Q4 08	90.0%	10.0%	0.0%	0.0%	0.0%
Q1 09	77.3%	9.1%	4.5%	4.5%	4.5%
Q2 09	82.1%	14.3%	3.6%	0.0%	0.0%

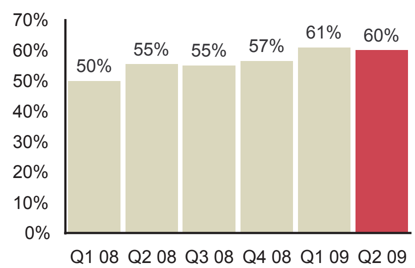


Q1 08	76.5%	23.5%	0.0%	0.0%	0.0%
Q2 08	92.3%	7.7%	0.0%	0.0%	0.0%
Q3 08	91.7%	4.2%	4.2%	0.0%	0.0%
Q4 08	68.4%	21.1%	5.3%	5.3%	0.0%
Q1 09	42.9%	42.9%	14.3%	0.0%	0.0%
Q2 09	71.4%	21.4%	7.1%	0.0%	0.0%



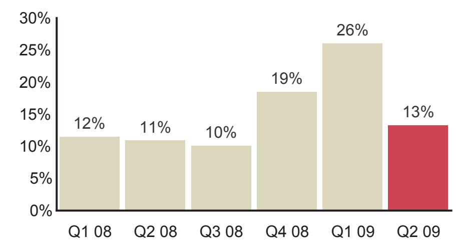
Q1 08	80.0%	20.0%	0.0%	0.0%	0.0%
Q2 08	90.0%	10.0%	0.0%	0.0%	0.0%
Q3 08	100.0%	0.0%	0.0%	0.0%	0.0%
Q4 08	31.6%	47.4%	15.8%	5.3%	0.0%
Q1 09	61.5%	38.5%	0.0%	0.0%	0.0%
Q2 09	80.0%	10.0%	10.0%	0.0%	0.0%

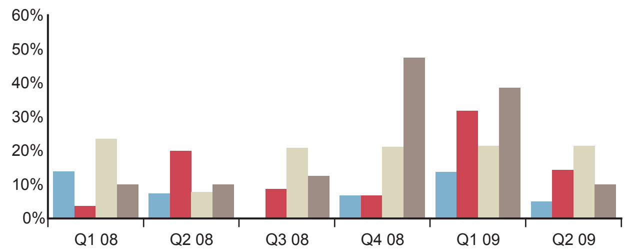
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter. Consistent with the prior quarter, the percentage of deals with fully participating preferred remains higher than during 2008.



TRENDS IN NON-FINANCIAL TERMS

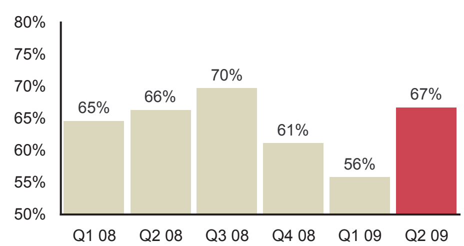
PERCENTAGE OF DEALS WITH PAY TO PLAY—By Quarter and Series. Pay to play provisions were used extensively in the first quarter of 2009. Our data for the second quarter shows a reversal of that trend with fewer deals during the second quarter including such provisions.

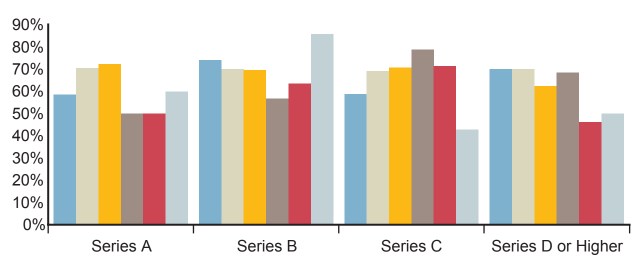




	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Series A	13.8%	7.4%	0.0%	6.7%	13.6%	5.0%
Series B	3.7%	20.0%	8.7%	6.7%	31.8%	14.3%
Series C	23.5%	7.7%	20.8%	21.1%	21.4%	21.4%
Series D or Higher	10.0%	10.0%	12.5%	47.4%	38.5%	10.0%

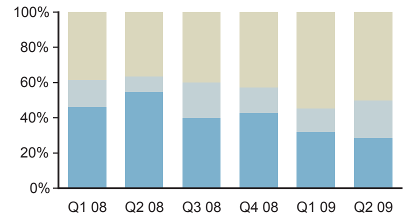
PERCENTAGE OF DEALS WITH DRAG ALONG—By Quarter and Series. The latter part of 2008 and into the first quarter of 2009 saw a decline in the usage of drag along provisions. However, in the second quarter of 2009, we appear to be returning to early 2008 levels, especially in the early rounds of financing.





	Series A	Series B	Series C	Series D or Higher
Q1 08	59%	74%	59%	70%
Q2 08	70%	70%	69%	70%
Q3 08	72%	70%	71%	63%
Q4 08	50%	57%	79%	68%
Q1 09	50%	64%	71%	46%
Q2 09	60%	86%	43%	50%

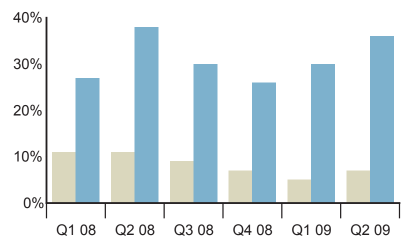
ANTIDILUTION PROTECTION—By Quarter. Regardless of the deal series or timeframe, broad-based weighted average antidilution continues to be used on the vast majority of deals. Our data shows an 8.7% increase in its usage when comparing the second and first quarters of 2009 (Q1 2009 was 73.2% and Q2 2009 was 81.9%). To make any trends in the remaining deal data easier to identify, we have stripped away those deals utilizing broad-based weighted average antidilution provisions from our analysis below.



	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Full Ratchet	39%	36%	40%	43%	55%	50%
Narrow Based	15%	9%	20%	14%	14%	21%
None	46%	55%	40%	43%	32%	29%

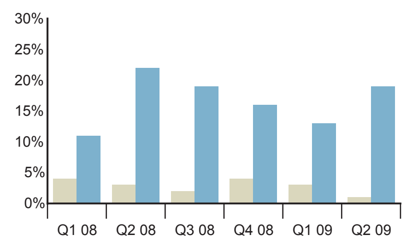
REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region. In the previous report, we focused our analysis of deals with redemption and dividend provisions by dividing our dataset between Northern California and the rest of our regions, including international. As reported last quarter, redemption provisions and accruing dividend provisions continue to be widely used outside of Northern California.

REDEMPTION PROVISIONS



	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
NorCal	11%	11%	9%	7%	5%	7%
Other	27%	38%	30%	26%	30%	36%

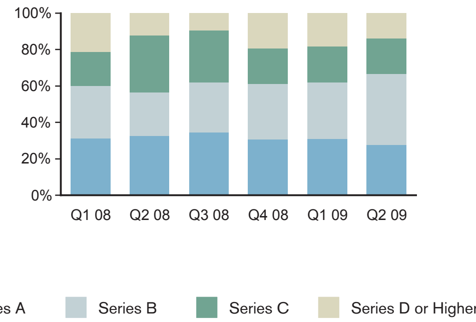
ACCRUING DIVIDENDS



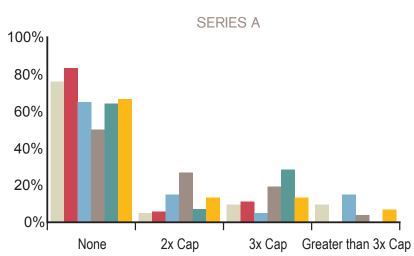
	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
NorCal	4%	3%	2%	4%	3%	1%
Other	11%	22%	19%	16%	13%	19%

ANNEX

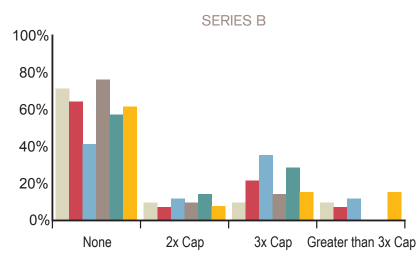
DEAL BREAKDOWN—By Series.



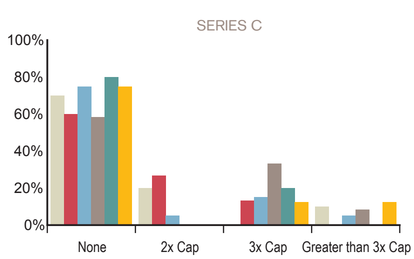
LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series.



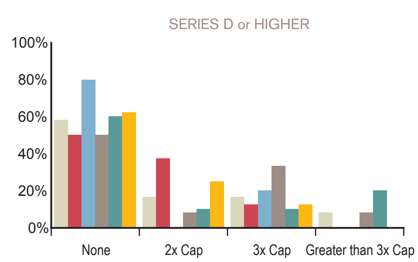
Q1 08	76.2%	4.8%	9.5%	9.5%
Q2 08	83.3%	5.6%	11.1%	0.0%
Q3 08	65.0%	15.0%	5.0%	15.0%
Q4 08	50.0%	26.9%	19.2%	3.8%
Q1 09	64.3%	7.1%	28.6%	0.0%
Q2 09	66.7%	13.3%	13.3%	6.7%



Q1 08	71.4%	9.5%	9.5%	9.5%
Q2 08	64.3%	7.1%	21.4%	7.1%
Q3 08	41.2%	11.8%	35.3%	11.8%
Q4 08	76.2%	9.5%	14.3%	0.0%
Q1 09	57.1%	14.3%	28.6%	0.0%
Q2 09	61.5%	7.7%	15.4%	15.4%

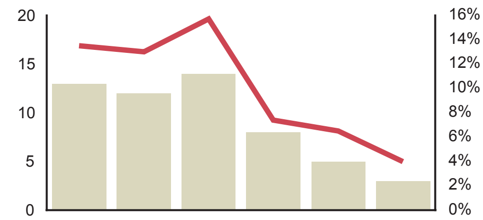


Q1 08	70.0%	20.0%	0.0%	10.0%
Q2 08	60.0%	26.7%	13.3%	0.0%
Q3 08	75.0%	5.0%	15.0%	5.0%
Q4 08	58.3%	0.0%	33.3%	8.3%
Q1 09	80.0%	0.0%	20.0%	0.0%
Q2 09	75.0%	0.0%	12.5%	12.5%



Q1 08	58.3%	16.7%	16.7%	8.3%
Q2 08	50.0%	37.5%	12.5%	0.0%
Q3 08	80.0%	0.0%	20.0%	0.0%
Q4 08	50.0%	8.3%	33.3%	8.3%
Q1 09	60.0%	10.0%	10.0%	20.0%
Q2 09	62.5%	25.0%	12.5%	0.0%

PRE-MONEY VALUATIONS OF MORE THAN $100 MILLION—By Deal.



	Q108	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
# of Deals	13	12	14	8	5	3
% of Deals	14%	13%	16%	7%	7%	4%

ABOUT COOLEY Cooley Godward Kronish's 650+ attorneys have an entrepreneurial spirit and deep, substantive experience, and are committed to solving clients' most challenging legal matters. From small companies with big ideas to international enterprises with diverse legal needs, Cooley has the breadth of legal resources to enable companies of all sizes to seize opportunities in today's global marketplace. The Firm represents clients across a broad array of dynamic industry sectors, including technology, life sciences, financial services, retail and energy.

ABOUT THIS REPORT This quarterly report provides data from 2008–2009, 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
NEW YORK, NY	Alison Newman	212/479-6190
SAN DIEGO, CA	Patrick Loofbourrow	858/550-6089
SAN FRANCISCO, CA	Craig Jacoby	415/693-2147
RESTON, VA	Mark Spoto	703/456-8029
BROOMFIELD, CO	Brent Fassett	720/566-4025
WASHINGTON, DC	Ryan Naftulin	202/842-7822
BOSTON, MA	Lester Fagen	617/937-2311
SEATTLE, WA	Gordon Empey	206/452-8752

www.cooley.com