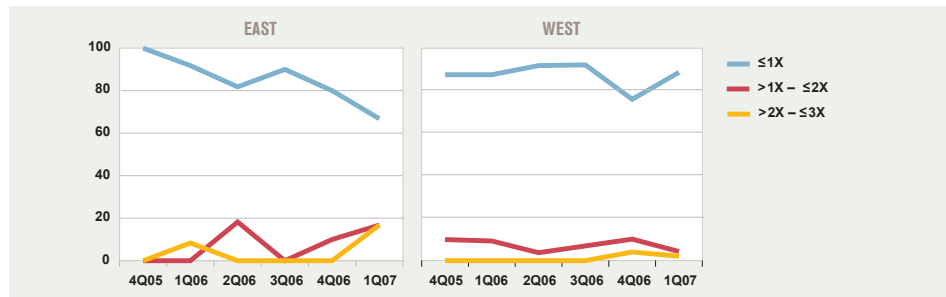


East Coast vs. West Coast: Regional Differences in Venture Capital Financing

One of the questions we are frequently asked is, “Are there differences in venture capital financing terms from one part of the country to another?” To help answer that question we sorted our data from the last six quarters into two regions—the East Coast (New York City, Boston, Reston and Washington, DC) and the West Coast (California).

In looking at the data, one of the first differences that stands out is the different liquidation preferences between regions. The East Coast has witnessed a relatively steady decrease in deals with a simple 1X liquidation preference over the last several quarters. However, in the last three quarters we have seen an increase in deals with multiple liquidation preference. By contrast, deals on the West Coast have seen liquidation preference terms remain fairly steady over the last six quarters.



Another distinguishing characteristic between regions are the differences between the number of Series C and later stage financings. During the last six quarters, the West Coast accounted for an average of 36% of all Series C and later stage transactions, while the East Coast only saw an average of 21% during this same time period.

The West Coast not only has a greater percentage of later-stage transactions, it also has higher median valuations at each stage of financing. While the median pre-money valuation for Series A financing was only a shade higher on the West Coast than the East Coast, valuations were considerably higher for later-stage financings.

	Series A	Series B	Series C	Series D	Series E +
East	\$6,000,000	\$10,000,000	\$23,750,000	\$15,000,000	N/A
West	\$9,000,000	\$28,000,000	\$40,000,000	\$38,250,000	\$80,000,000

While these differences are interesting, it's worth noting that when looking at deal terms across the board, there are a higher number of similarities than differences.

INSIDE:

**EXECUTIVE
SUMMARY ON
PRIVATE COMPANY
FINANCINGS**

Executive summary on private company financings in the first quarter of 2007.

According to our report, covering venture capital transactions that closed in the six quarters ending with the first quarter of 2007, later-stage financings cooled slightly in the first quarter of this year while early-stage financings continued at a brisk pace. Overall, the investment climate for privately-held startups remains strong.

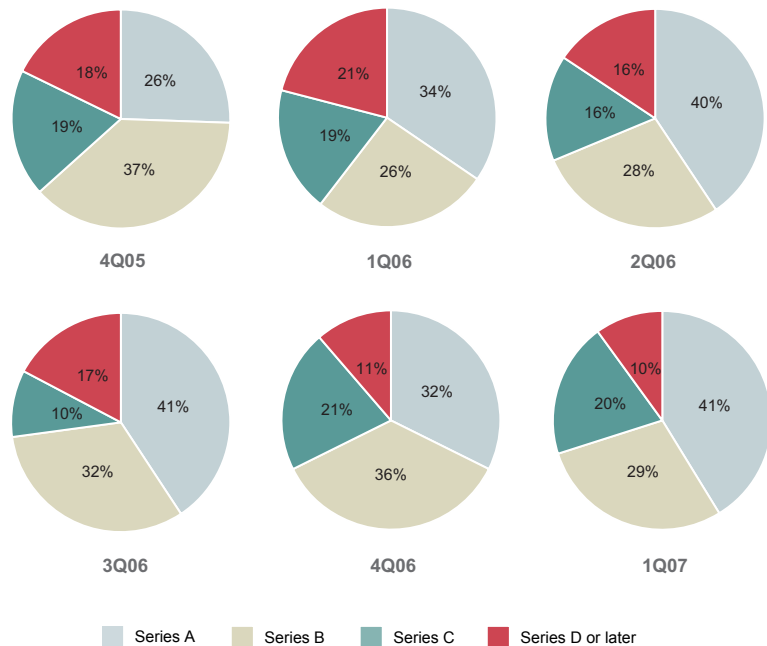
Median company valuations for later stage transactions declined in the first quarter from their highs in 2006. Series C median valuations dropped from \$54 million in the fourth quarter of 2006 to \$34 million in the first quarter of 2007, while Series D median valuations declined from \$70 million to \$44 million in that same time period.

In keeping with that trend, the percentage of up-round financings, transactions in which the valuation of a company increased relative to the prior round of financing, declined steadily over the last year from a high of 88% in the first quarter of 2006. Even with the decline, up-round financings remain strong, accounting for 68% of all deals in the first quarter of this year, with down or flat rounds accounting for the remaining 32%.

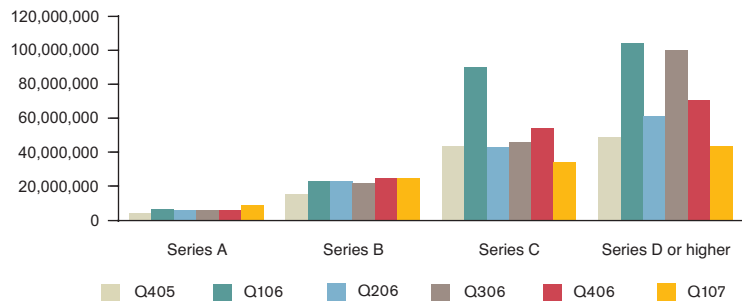
Early stage financings in the first quarter of this year continued to be strong, with Series A transactions accounting for 41% of all deals, up from 32% in the fourth quarter of

This quarterly report provides a summary of annual data from 2005 and 2006, 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 the investors.

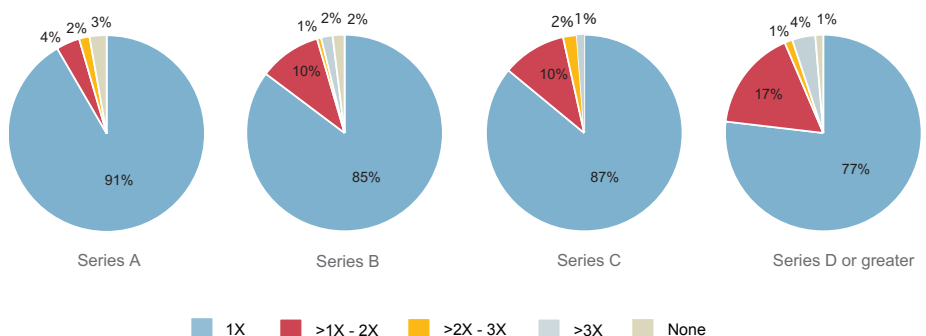
DEAL BREAKDOWN—By Series. The deal breakdown by series in the first quarter showed a relatively consistent level of funding for later stage financings, but a shift in early stage financings from Series B to Series A.



MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. Pre-money valuations rose in Series A financing, but fell from recent highs in Series C and later stage transactions.

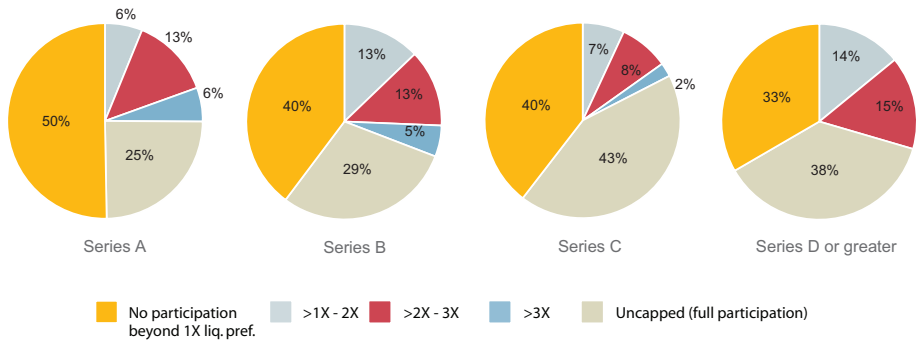


LIQUIDATION PREFERENCES—By Series. The vast majority of all transactions continued to contain a 1X liquidation preference across all stages of financings, with an increase in greater liquidation preferences in Series D or later financings.

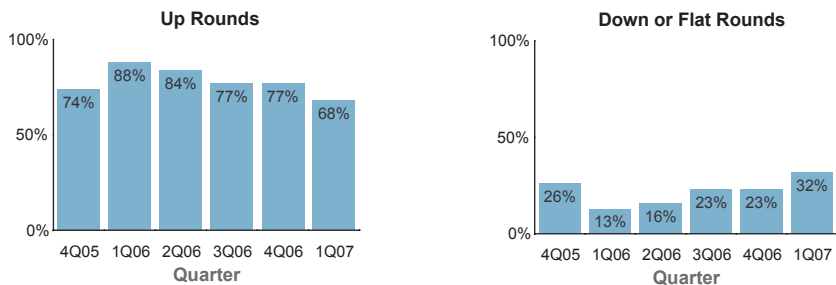


2006. Series B transactions accounted for an additional 29% of deals. Median valuations for Series A transactions also increased, from \$6 million in the fourth quarter of 2006 to \$9 million in the first quarter of 2007. Median valuations for Series B remained steady from quarter to quarter at \$25 million. Series A transactions also showed the greatest percentage of non-participating preferred terms, further demonstrating the strength of the early stage market.

PREFERRED STOCK PARTICIPATION—By Series. Series A financings showed the greatest percentage of non-participating preferred terms, demonstrating the relatively strong startup market, while later stage financing showed a greater percentage of uncapped or high capped participation.



PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS. The percentage of up-round financings in the first quarter continued to decline from the highs of early 2006, and the percentage of down or flat rounds increased.



ABOUT COOLEY Cooley Godward Kronish's 600 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 Cooley represented either the company or an investor in each of the transactions covered in this report. For more information regarding this report, please contact the Cooley attorneys listed below.

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

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