Private Company Financings in Q1 2009—Is the Worst Behind Us?*

In light of the dynamic market environment, we continue our expanded format to report on the state of private company finance transactions.

Like our recent year end report, our report first highlights significant differences in financial and non-financial terms on the current market measured against the recent past, followed by our more typical array of other statistical data, both on a quarterly and annual basis.

In general we continue to see significant weakness in market terms for companies, but in many cases the rate of decline has slowed. Anecdotally, investors are still looking to deploy capital but at lower valuations and at more aggressive terms. This anecdotal feedback is supported by the data in the first quarter report.

We expect to continue this more detailed report for the next several quarters as we hope we will see the market stabilize.

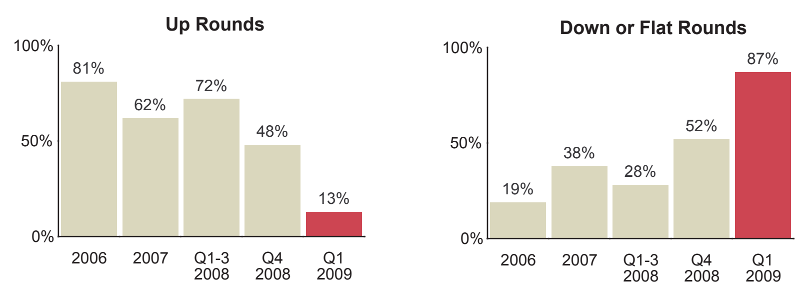
Regular readers of these reports will find the data they are accustomed to receiving in the Annex at the end of this report, along with other statistical data collected for the current period.

** Analysis based upon 58 completed deals totaling approximately $800 million in the first quarter of 2009, 80 completed deals totaling $758 million in the fourth quarter of 2008, 328 completed deals totaling $4.261 billion in all of 2008, 343 completed deals totaling $4.524 billion in all of 2007, and 351 completed deals totaling $5.007 billion in all of 2006. The 2008 data also consists of 248 completed deals totaling $3.503 billion in the first three quarters.*

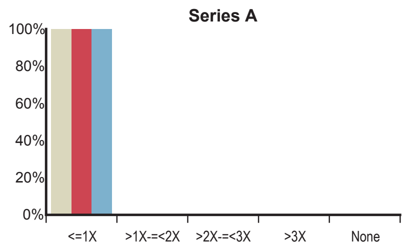
TRENDS IN FINANCIAL TERMS

MEDIAN PRE-MONEY VALUATION (millions $)—By Series. Early round financings continue their downward trend in median pre-money valuations, with the largest percentage drop-off for Series A financings. Conversely, we see later round financings rebound, with an increase in the median valuation for Series C deals.

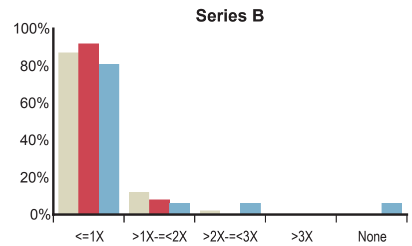
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS—By Year. Consistent with what we reported in our Year in Review report, the first quarter of 2009 saw a dramatic decline in up rounds, and a correspondingly significant increase in the number of flat or down rounds.



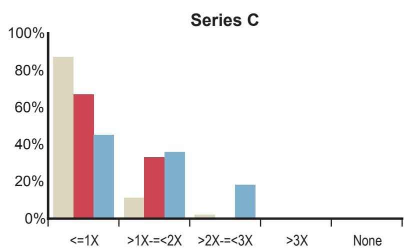
LIQUIDATION PREFERENCES—By Series. Historically we see most transactions retaining a 1x liquidation preference, but with the protracted economic downturn we continue to see significant increases in the percentage of deals with greater than 1x liquidation preferences, with the increases more common on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



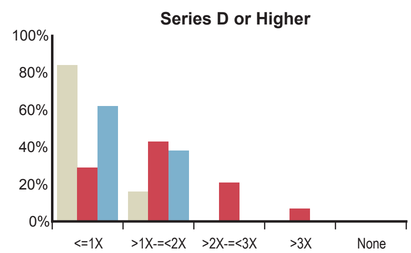
	<=1X	>1X-=<2X	>2X-=<3X	>3X	None
Q1-Q3 08	100%	0%	0%	0%	0%
Q4 08	100%	0%	0%	0%	0%
Q1 09	100%	0%	0%	0%	0%



	<=1X	>1X-=<2X	>2X-=<3X	>3X	None
Q1-Q3 08	87%	12%	2%	0%	0%
Q4 08	92%	8%	0%	0%	0%
Q1 09	81%	6%	6%	0%	6%

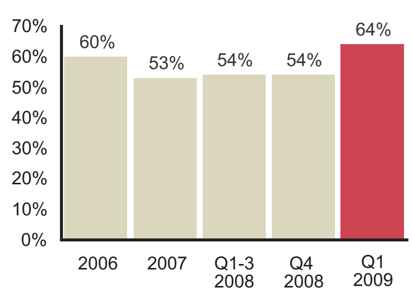


	<=1X	>1X-=<2X	>2X-=<3X	>3X	None
Q1-Q3 08	87%	11%	2%	0%	0%
Q4 08	67%	33%	0%	0%	0%
Q1 09	45%	36%	18%	0%	0%



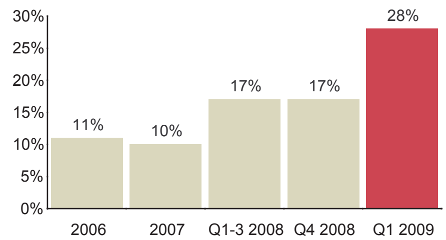
	<=1X	>1X-=<2X	>2X-=<3X	>3X	None
Q1-Q3 08	84%	16%	0%	0%	0%
Q4 08	29%	43%	21%	7%	0%
Q1 09	62%	38%	0%	0%	0%

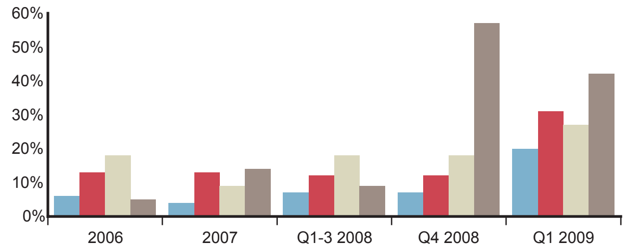
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Year. The percentage of deals with full participation has risen to 64%, a level surpassing percentages reported since before 2006.



TRENDS IN NON-FINANCIAL TERMS

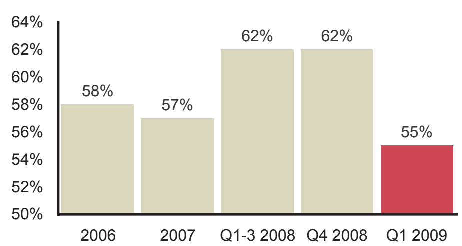
PERCENTAGE OF DEALS WITH PAY TO PLAY—By Year and Series. . The use of pay to play provisions increased significantly in 2008, particularly in later stage deals. This trend continued into the first quarter of 2009, although we saw an increase in pay to play provisions in all rounds. Other series of financings saw a notable increase in the usage of pay to play provisions.

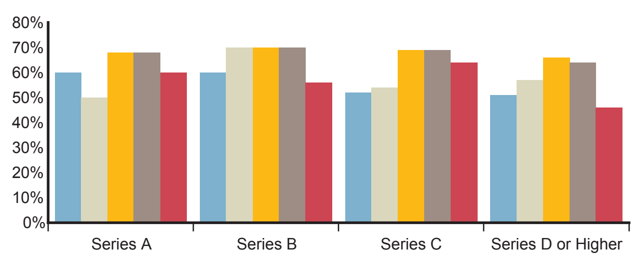




	2006	2007	Q1-3 2008	Q4 2008	Q1 2009
Series A	6%	4%	7%	7%	20%
Series B	13%	13%	12%	12%	31%
Series C	18%	9%	18%	18%	27%
Series D or Higher	5%	14%	9%	57%	42%

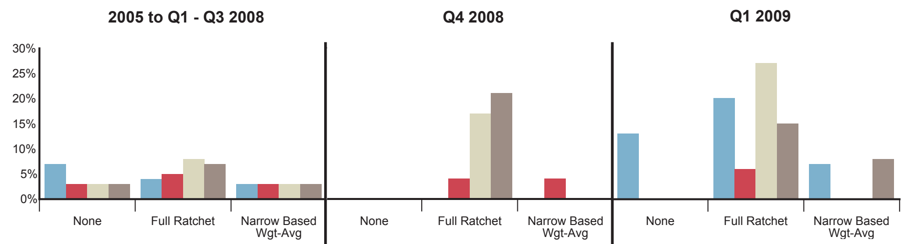
PERCENTAGE OF DEALS WITH DRAG ALONG—By Year and Series. The first quarter of 2009 saw a surprising drop in the percentage of transactions with drag along provisions to pre-2008 levels.





	Series A	Series B	Series C	Series D or Higher
2006	60%	60%	52%	51%
2007	50%	70%	54%	57%
Q1–3 2008	68%	70%	69%	66%
Q4 2008	68%	70%	69%	64%
Q1 2009	60%	56%	64%	46%

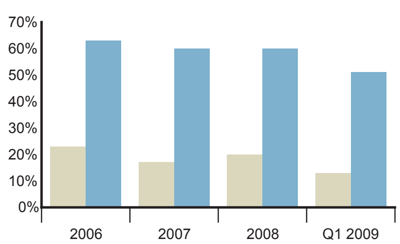
ANTIDILUTION PROTECTION—By Series. Broad-based weighted average antidilution continues to be used on the vast majority of deals, but when we removed the broad-based data from the dataset, we revealed an interesting trend when we compare 2005 to Q1 2008, Q4 2008 and Q1 2009 data. The percentage of deals with full ratchet provisions continue to be the majority, regardless of the series of financing. However, in the first quarter of 2009 we are seeing more deals utilizing narrow based weighted average provisions and a up tick in deals without antidilution protection.



	2005 to Q1 - Q3 2008			Q4 2008			Q1 2009		
	None	Full Ratchet	Narrow Based Wgt-Avg	None	Full Ratchet	Narrow Based Wgt-Avg	None	Full Ratchet	Narrow Based Wgt-Avg
Series A	7%	4%	3%	0%	0%	0%	13%	20%	7%
Series B	3%	5%	3%	0%	4%	4%	0%	6%	0%
Series C	3%	8%	3%	0%	17%	0%	0%	27%	0%
Series D or Higher	3%	7%	3%	0%	21%	0%	0%	15%	8%

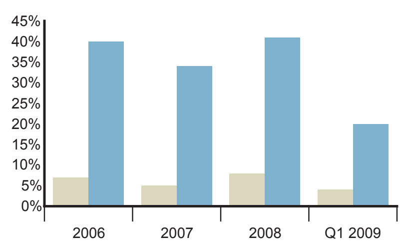
REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region. In the previous report, we focused our analysis on of deals with redemption and dividend provisions by dividing our dataset between Northern California and the rest of our regions, including international. As reported last quarter, redemption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

Redemption Provisions



	2006	2007	2008	Q1 2009
NorCal	23%	17%	20%	13%
Other	63%	60%	60%	51%

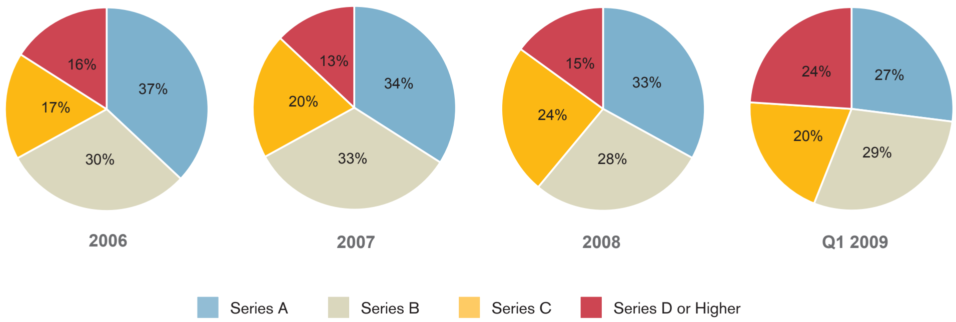
Accruing Dividends



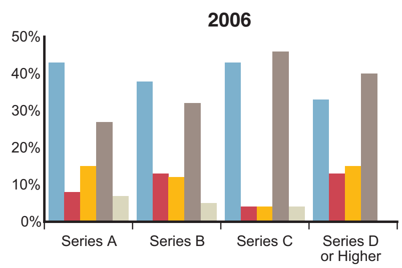
	2006	2007	2008	Q1 2009
NorCal	7%	5%	8%	4%
Other	40%	34%	41%	20%

ANNEX

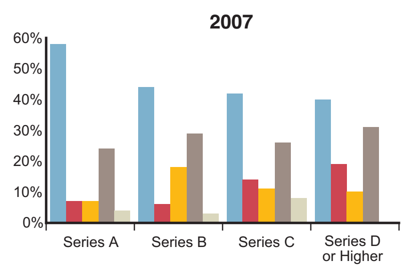
DEAL BREAKDOWN—By Series.



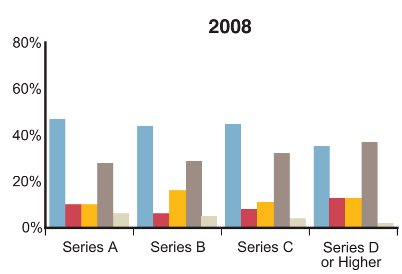
LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series.



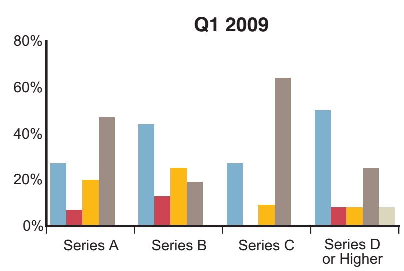
	Series A	Series B	Series C	Series D or Higher
None	43%	38%	43%	33%
2x Cap	8%	13%	4%	13%
3x Cap	15%	12%	4%	15%
Full Part.	27%	32%	46%	40%
>3x Cap	7%	5%	4%	0%



	Series A	Series B	Series C	Series D or Higher
None	58%	44%	42%	40%
2x Cap	7%	6%	14%	19%
3x Cap	7%	18%	11%	10%
Full Part.	24%	29%	26%	31%
>3x Cap	4%	3%	8%	0%

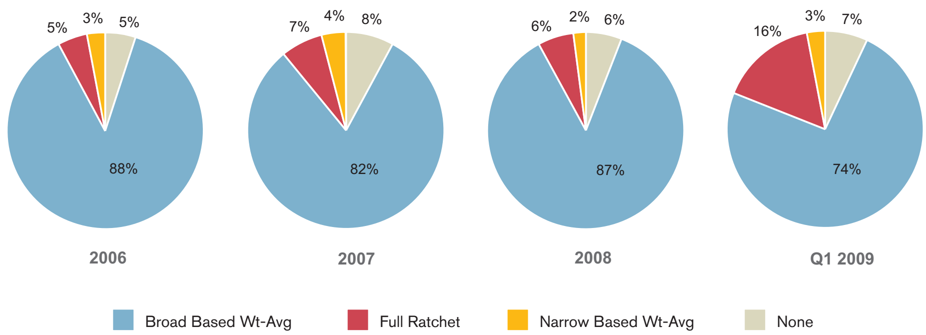


	Series A	Series B	Series C	Series D or Higher
None	47%	44%	45%	35%
2x Cap	10%	6%	8%	13%
3x Cap	10%	16%	11%	13%
Full Part.	28%	29%	32%	37%
>3x Cap	6%	5%	4%	2%

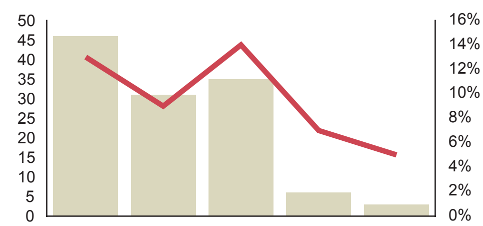


	Series A	Series B	Series C	Series D or Higher
None	27%	44%	27%	50%
2x Cap	7%	13%	0%	8%
3x Cap	20%	25%	9%	8%
Full Part.	47%	19%	64%	25%
>3x Cap	0%	0%	0%	8%

ANTI-DILUTION PROTECTION—By Series.



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



	2006	2007	Q1-3 2008	Q4 2008	Q1 2009
# of Deals	46	31	35	6	3
% of Deals	13%	9%	14%	7%	5%

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ABOUT THIS REPORT This quarterly report provides data from 2005–2008, 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.

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