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XDATA

Quarterly market activity report

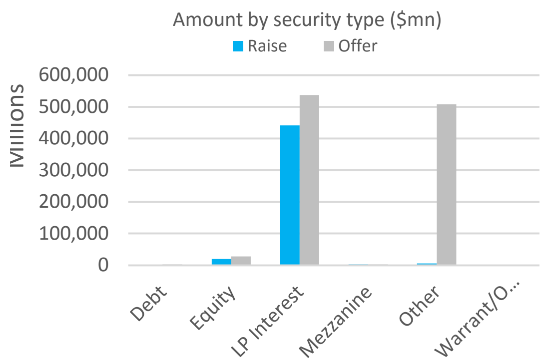
January - March 2016

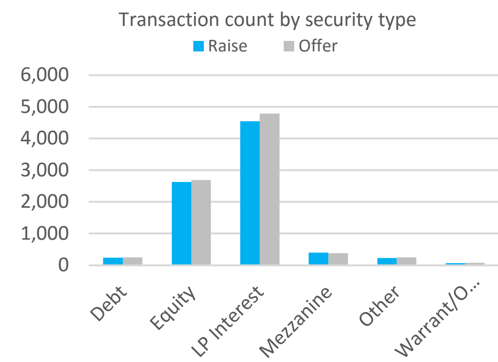
During the past three months, the Regulation D market expanded at a faster pace in terms of transactions while the pool of money raised grew at an even stronger clip. Furthermore, the activity of the VC & SMB market contracted with a fundraising and activity growth rates that underperformed the overall Regulation D market.

XDATA is an information provider and consulting firm that focuses on extracting value from disclosures made under Regulation D. Regulation D enables companies to issue securities without registering them with the SEC. The information filed is regulated, industry and size agnostic, making it the best source of information to evaluate the private placement market and the dynamism of small-and-medium sized companies in the US. XDATA captures all Reg D filings, normalizes the data and surfaces issuances initiated by operating companies.

Overall market:

Market Vitals:
- Average offer size: $128 million
- Total offered: $1.08 trillion
- Total raised: $470.07 billion





During the quarter, issuers were slightly more successful selling securities than before placing 44 cents of each dollar offered. Investors had previously committed 32 cents for each dollar on the market. The average size of placements grew to $58 million. This was due to a major improvement in the total amount of money garnered and a solid increase in closed and partially closed fundraising transactions. Overall fundings reached $470.07 billion while investors subscribed to a total of 8115 private offerings. Compliance scores on average dropped to 61 vs. 75 during the previous quarter.

Managed funds captured the lion's share of the market, they were behind 50% of the securities offered and 94% of the money raised, yet they accounted for 57% of the issuers hitting the market.

Foreign companies were a minor market participant in terms of amount raised during the past three months. They saw their fundraising pool drop 20% to $54.82 billion while closing 1125 private placements, much more than before (a major improvement of 62%).

Top 10 foreign countries by amount raised include:

Financing rounds completed by issuers located in **the Cayman Islands** surged 19% to $52.37 billion via 673 offerings. $7.84 billion was garnered by companies in **Ireland** through 49 deals, representing a considerable increase of 184% from three months ago. Issuers in **Bermuda** started 53 successful fundraising transactions and raised $4.59 billion constituting a major improvement of 85% vs. the prior quarter. Placements initiated by companies located in **Luxembourg** surged 20% to $3.17 billion via 18 offerings. Financing rounds completed by Reg D issuers located in **the UK** dwindled 65% to $1.58 billion through 45 transactions. $1.29 billion was gathered by companies in **Canada** through 127 deals, representing a steep drop of 47% from three months ago. Issuers in **the British Virgin Islands** started 40 successful placements and garnered $1.09 billion constituting a vertiginous decline of 61% vs. the prior quarter. Financing rounds completed by companies located in **Singapore** fell 21% to $795 million through 12 offerings. Issuers in **Jersey** initiated six closed and partially closed fundraising transactions and garnered $687 million representing a steep drop of 56% vs. three months ago. Companies in **Hong Kong** issued $494 million worth of securities via 12 private placements, and propelled Hong Kong in the top 10 list of foreign countries.

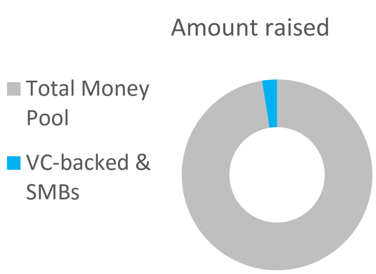
Offerings initiated in conjunction with **M&A** transactions were a dismal market participant. Overall, 154 issuances fetched $4.88 billion. Financings fetched on average $32 million. Reliance on Reg D issuances to finance **M&A** transactions went down by 17% to 154 successful placements vs. the prior quarter.

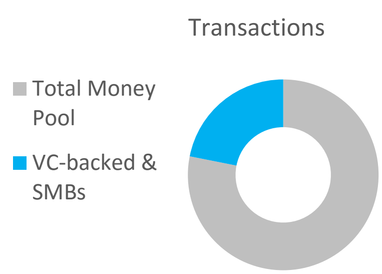
Venture capital and operating companies market:

XDATA is focused on making Regulation D filings relevant by surfacing security issuances made by companies with operating assets. Segregating funds and other special purpose financing vehicles is necessary to provide the best possible picture of the amount and size of investments that actually reach small-and-medium sized companies in the US. Money raised by Hedge Funds via Regulation D is mostly invested in public companies, it would therefore be a mistake to take them into account when evaluating the investments earmarked for private companies. The same goes for Private Equity and Venture Capital vehicles, since in theory money raised under Regulation D by a fund will lead to multiple Form D filed by the companies they invest in. Failing to take this fundamental mechanism into account would lead to counting the same pool of money multiple times, therefore artificially inflating the pool of money reaching small-and-medium sized companies. XDATA also segregates issuances made in conjunction with M&A transactions, because securities issued as compensation in lieu of cash may not represent a net increase in investments reaching SMBs. XDATA is the only source offering such a level of transparency.

Overall VC and SMB market

Market Vitals:
- Average offer size: $7 million
- Total offered: $16.08 billion
- Total raised: $11.88 billion

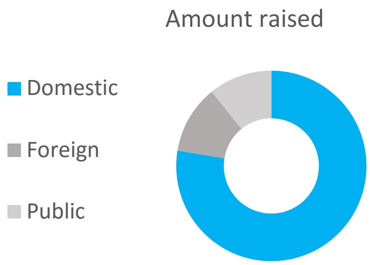


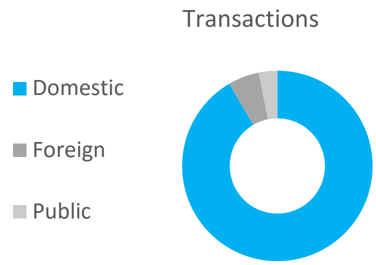


The activity of the VC & SMB market contracted with a fundraising and activity growth rates that underperformed the overall Regulation D market.

VC and operating companies captured 2.5% of the overall funds raised via Regulation D, yet they represented 28% of Form D filers during the quarter. Issuers garnered 74 cents for each dollar offered, stable at 0.92%. Charting a similar path, compliance scores on average hit 95.

During the past three months, the number of fundraising transactions fell by 8.2% to 2194. Companies were far less bullish than before and offered the market $16.08 billion worth of securities, a drop of 18%. Following a similar pattern, investors purchased less, subscriptions shrank 19% to $11.88 billion.





US-based Reg D issuers kept their compliance score stable at 95. Companies were able to place 72% of their financing rounds. With 87% of the money raised and accounting for 95% of the transactions during the quarter, domestic issuers were the primary market contributor. Investors bought $10.33 billion worth of securities (down 26%) via 2149 Reg D offerings (down 9.4%). The period was characterized by a smaller average financing round size. It dropped by $1 million to $5 million.

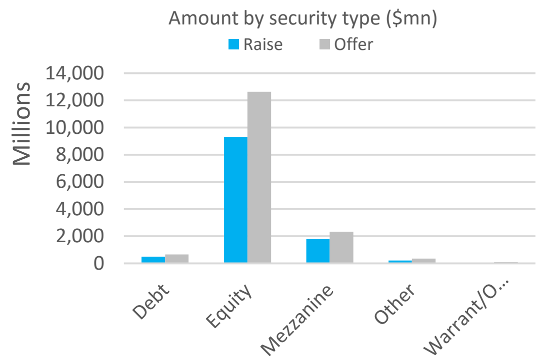
Foreign companies sold 93% of their planned issuances, a slow increase from 86% three months ago. Investors subscribed to much bigger financing rounds. They grew by $7 million to $12 million. 127 private offerings were launched, eventually gathering $1.55 billion (up from $681 million) via 124 transactions. Foreign Reg D issuers captured 13% of the money raised during the quarter, and were a minor market participant in terms of amount raised. Companies decreased their compliance score to 91 from 93.

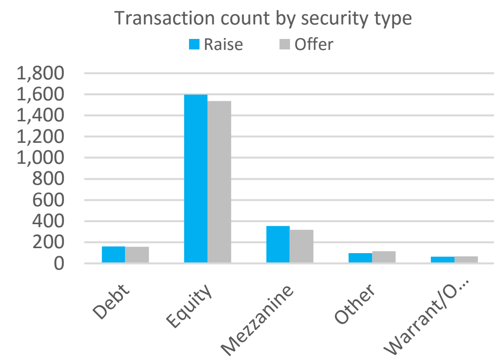
Public issuers raised $1.44 billion via $74 closed and partially closed placements (down 58%). Investors committed 12% of their funds to stock exchange traded companies which were a negligible driver in terms of market activity. The average transaction size increased by 137% to $19 million. Public companies were able to place 86% of their financing rounds. Reg D issuers decreased their compliance score to 89 from 91.

Top 10 foreign countries by amount raised include:

Fundraising transactions initiated by issuers located in **Luxembourg** grew 3489% to $1 billion via three offerings. $266 million was collected by companies in **Canada** through 79 deals, representing a slow improvement of 7.9% from the prior quarter. Issuers in **the United Kingdom** started 12 closed and partially closed placements and fetched $91 million constituting an important drop of 17% vs. three months ago. Financing rounds completed by companies located in **the Cayman Islands** increased 76% to $84 million via five transactions. Placements initiated by issuers located in **Israel** grew 123% to $52 million through two offerings. **Argentina** is new to the top 10 list of foreign countries, a company started one private security issuance for $10 million and collected $8 million. A company in **the Bahamas** issued $8 million worth of securities via one offering. **Sweden** is new to the top 10 list of foreign countries, a company initiated one private placement and captured $8 million. Issuers in **Georgia** issued $7 million worth of securities via three Reg D offerings. **Mexico** is new to the top 10 list of foreign countries, a company started one offering for $9 million and collected $6 million.

Securities



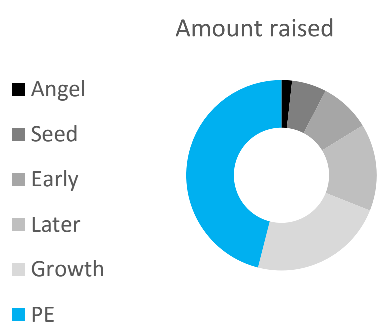


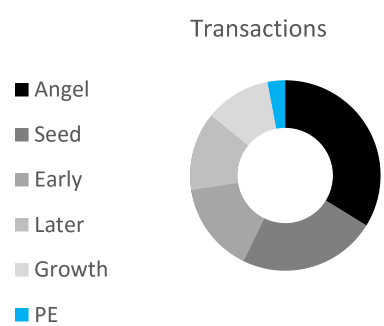
Equity securities were the primary instrument issued in connection with companies' fundraising activity. Particularly, 70% of the subscriptions were equity based while they captured 79% of the funds raised. Investors bought $9.33 billion worth of equity through 1596 transactions.

Mezzanine denominated placements eased, they raised $1.78 billion and accounted for $2.32 billion offered. Issuers relied on mezzanine securities in 354 transactions vs. 411 previously, a drop of 14%. Mezzanine securities were used in 16% of the transactions to raise 15% of the pool of money dedicated to SMBs.

Charting a similar path, **debt** investors subscribed to 162 issuances for a total of $504 million. The number of debt denominated issuances subsided 14%, however commitments were up 70%. Overall, debt was the security of choice for 7.1% of the placements while attracting 4.2% of investors' funds.

Development stage





With 768 closed and partially closed financing rounds (stable at 2.8%), **angel stage** companies were a substantial market participant. The pool of money raised remained at $211 million, capturing 1.8% of the pool of money. Angel stage issuers raised on average $275,160 per fundraising transaction, stable at 0.1% vs. the prior quarter. They were as compliant as before with a score reaching 97.

Analysis: the activity of angel stage companies stagnated though they boasted an activity and fundraising growth rates that outperformed the overall SMB & VC market.

Seed stage issuers raised on average the same amount of money from investors. It was left unchanged at $1 million. Financial backers eased their commitments to $698 million via 533 placements. Seed stage Reg D offerings accounted for 23% of the issuances and 5.9% of the money raised. The average compliance score for companies falling into this development stage bracket stood at 95.
Analysis: the activity of seed stage issuers contracted in line with the overall SMB & VC market trend though their fundraising growth outpaced the overall SMB & VC market.

Early stage companies initiated 349 closed and partially closed placements down 13% and eventually gathered $1.02 billion. The average subscription size subsided 9.7% to $3 million. Compliance scores averaged 94. Overall, they accounted for 8.6% of the money raised and 15% of the activity.
Analysis: the activity of early stage issuers contracted and both their activity and fundraising indicators were in tune with the overall SMB & VC market trend.

For each dollar they offered to investors, **later stage** companies fetched 78 cents. Their compliance score reached 92 on average. During the period, their average financing round reached $6 million. Investors subscribed to $1.76 billion via 302 issuances (down 6.5%). Later stage funding was a small market participant in terms of activity, they represented 13% of the deals and 15% of the money raised.
Analysis: the activity of later stage companies contracted and both their activity and fundraising indicators were in tune with the overall SMB & VC market trend.

During the period, the average security issuance of **growth stage** companies amounted to $11 million which fell 29%. Investors subscribed to $2.72 billion via 253 financing rounds. **Growth stage** financings were a minor contributor in terms of activity. Reg D issuers were as compliant as before with a score reaching 89.
Analysis: the activity of growth stage companies contracted with a fundraising and activity growth rates that underperformed the overall SMB & VC market.

The average transaction fetched by **private equity stage** issuers reached $80 million after surging 22%. Investors maintained their commitments at $5.47 billion via 68 successful placements. Private equity stage offerings accounted for 3% of the issuances and 46% of the money raised. The average compliance score for companies falling into this development stage bracket stood at 91.
Analysis: the activity of private equity stage companies contracted with a growth rate that fell below the overall SMB & VC market while their fundraising growth outperformed the benchmark.

Issuers by location

States that originated 5% or more of the private placements:

Reg D issuers headquartered in **California** were more compliant when filling the Reg D form with a compliance score going up to 95 from 93. On average 64% of issuers' financing rounds were subscribed by investors, a drop of 11%. 21% of the transactions stemmed from California which captured 20% of the pool of money. 438 offerings were launched, eventually gathering $2.41 billion (down from $3.97 billion) via 482 fundraising events. Investors subscribed to smaller financing rounds, they shrank $2 million on average or 26% to $5 million.
Analysis: the activity in California contracted with a fundraising and activity growth rates that underperformed the market.

Reg D issuers based in **Texas** kept their compliance score stable at 96. Financing targets set by issuers were 90% met. They captured 12 cents more for each dollar offered. 12% of the money raised during the quarter was funneled in Texas which accounted for 6.3% of the transactions. The volume of money raised grew 36% to $1.48 billion while the number of placements remained stable at 144. The average transaction size rocketed by 40% to $10 million.
Analysis: the activity in the state of Texas contracted despite boasting fundraising and activity growth rates that outperformed the market.

New York-based Reg D issuers raised $1.24 billion (down 41%) via $212 placements. 9.3% of the transactions stemmed from New York which captured 10% of the pool of money. The average size of financing rounds raised dropped by 39% to $6 million. Companies were slightly less successful than before selling 78% of their offerings to investors. With a compliance score growing to 95 from 93, issuers were more compliant when filling with the SEC.
Analysis: the activity in the state of New York stagnated though its growth rate outperformed the market. On the other hand, fundraising growth is below the market.

Companies based in **Massachusetts** saw the subscription ratio of their issuances maintain itself at around 80%. Investors subscribed to smaller financing rounds, they shrank $3 million on average to $8 million. The volume of money raised dropped 28% to $1.19 billion while the number of placements remained stable at 149. 6.6% of the transactions stemmed from Massachusetts which captured 10% of the pool of money. Companies saw their compliance score go down to 94 from 97.
Analysis: the activity in the Commonwealth of Massachusetts contracted despite having an activity growth rate that outpaced the market.

States that originated between 1% and 5% of the private placements and grew their fundraising pool by 2% or more:

Companies based in **Tennessee** were as compliant as before with a compliance score reaching 97. For each dollar offered, 88 cents were raised during the quarter, a robust increase from 66 cents. 1% of the

transactions stemmed from Tennessee which captured 2.8% of the pool of money. Financing rounds fetched $334 million (up 282%). Charting a similar yet downward trend, the number of security issuances reached 23, down from 34 during the previous period. The average transaction size surged by 464% to $15 million.
Analysis: the activity in Tennessee contracted with a growth rate that fell below the market while its fundraising growth outperformed the benchmark.

Companies located in **the state of Utah** improved their compliance score by 3.17 points to 98. Generally, investors subscribed to 95% of the securities offered by companies located in the state of Utah. Investors committed 1.3% of their funds in Utah which was responsible for 1.8% of the market activity. Financing rounds fetched $155 million (up 66%). Mirroring the same upward trend, yet at a more subdued pace, the number of security issuances reached 42, up from 34 during the previous period. Investors subscribed to much bigger financing rounds, they rocketed $938,712 on average or 34% to $4 million.
Analysis: the activity in the state of Utah expanded, both fundraising and the activity grew at a faster pace than the market.

Reg D issuers headquartered in **Arizona** were slightly less successful than before selling 58% of their offerings to investors. Investors subscribed to slightly smaller financing rounds, they eased $69,064 on average to $2 million. The amount of money fetched rose 6.3% to $83 million. Following a similar path, the number of issuances reached 51, up from 46 during the previous quarter. 2.2% of the transactions stemmed from Arizona which captured 0.7% of the pool of money. Companies improved their compliance score by 2.39 points to 96.
Analysis: the activity in the state of Arizona expanded, both fundraising and the activity grew at a faster pace than the market.

Issuers by industry

558 issuers, or 18%, checked **" Other "** as industry when filing with the SEC. XDATA through its curating process narrowed it down to 354 or 7.8%.

Industries that originated more than 5% of the private placements:

Software companies maintained their disclosure level, their compliance score was flat at 95. For each dollar they offered, they collected 77 cents, a marginal drop from 82 cents during the previous period. Companies were a substantial market participant garnering 23% of the subscriptions. The amount raised fell 36% to $2.74 billion. Mirroring the same downward trend, yet at more subdued pace the number of private security issuances reached 650, down from 798 during the previous quarter. Investors subscribed to smaller financing rounds which decreased by $1 million on average to $4 million.

Biotech companies were able to maintain their compliance score stable at 95. Investors were slightly less interested than before acquiring 69% of the securities offered. Companies gathered 13% of the pool of money available for VC and operating companies. 170 new private issuances were launched, eventually $1.51 billion was collected by issuers (down from $2.48 billion) via 195 fundraising events. Investors subscribed to smaller financing rounds which dwindled by $2 million on average or 20% to $8 million.

Platform Technology companies were a minor market participant raising 12% of the subscriptions. Fundraising goals were 92% met as companies sold 23 cents more for each dollar they offered. Issuers experienced a major increase of the average financing round size by $8 million or 255% to $11 million. The amount raised rocketed 147% to $1.43 billion. Charting a similar yet downward path the number of private placement transactions reached 133, down from 191 during the previous period. Companies kept their compliance score stable at 94.

Engineering companies gathered $1.41 billion (up 235%) via 131 placements. Companies were a minor market participant accumulating 12% of the subscriptions. Much bigger offerings characterized the period. On average, they rocketed by $8 million to $11 million. Reg D issuers were much more successful than before selling 87% of their offerings to investors. The average compliance score remained stable at 94.

Device and Medical Device companies fetched $995 million via $216 placements (down 22%). Companies captured 8.4% of the money raised during the quarter, and were a small market contributor in terms of amount raised. Investors subscribed to bigger financing rounds which surged by $986,379 on average or 27% to $5 million. Reg D issuers sold 72% of their planned issuances, a slight improvement from 63%. With a compliance score subsiding to 92 from 95, issuers were less compliant when filling with the SEC.

Industries that originated between 1% and 5% of the private placements and which grew their fundraising pool by 2% or more:

Oil and gas companies captured 15% of the money raised during the quarter, and were a substantial market participant in terms of amount raised. Companies were able to place 98% of their financing rounds. Issuers garnered on average much bigger financing rounds from investors, they surged by 130% to $79 million. 24 new Reg D offerings were launched, eventually $1.82 billion was collected by issuers (up from $1.45 billion) via 23 fundraising events. Companies were as compliant when disclosing private placements, their compliance score on average fell to 89 from 95.