

**SHIBOLET  
in cooperation with  
FENWICK & WEST LLP**

**Trends in Legal Terms in Venture Financings  
in Israel**

**(2013 Annual Survey)**

- **Background** – We have analyzed the terms of venture financings for Israeli and Israeli-related technology companies that reported raising money during 2013. Our survey does not include financing rounds of less than US \$500,000. The tables below also show, for purposes of comparison, the results of our previously released surveys.
- **Financing Round** – The financings closed in 2013 and in the periods covered by our previous surveys may be broken down by types of round, or series, as follows:

Series	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
A	37%	39%	18%	20%	16%	30%	36%	36%	46%
B	30%	31%	25%	28%	24%	30%	27%	32%	18%
C	13%	12%	27%	30%	14%	16%	20%	14%	16%
D	7%	13%	20%	10%	16%	12%	12%	11%	8%
E and higher	13%	5%	10%	12%	30%	12%	5%	7%	12%

- **Price Change** – The financings closed in 2013 and in the periods covered by our previous surveys may be broken down by the directions of the change in price as compared to each company's respective previous round, as follows:

Price Change	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
Down	15%	16%	25%	39%	30%	32%	18%	9%	31%
Flat	5%	11%	9%	7%	17%	14%	0%	6%	4%
Up	80%	73%	66%	54%	53%	54%	82%	85%	65%

The percentages of financing transactions that were down-rounds, broken down by series, were as follows:

Series	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
B	5%	14%	24%	24%	0%	23%	7%	0%	44%
C	11%	25%	12%	27%	60%	29%	0%	25%	25%
D	20%	11%	35%	71%	50%	20%	57%	17%	25%
E and higher	33%	0%	30%	67%	36%	60%	33%	0%	17%

- **Liquidation Preference** – Senior liquidation preferences were used in the following percentages of financings:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
75%	76%	77%	69%	81%	83%	75%	75%	63%

The percentages of financing transactions with senior liquidation preference, broken down by series, were as follows:

Series	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
B	57%	45%	72%	48%	78%	69%	73%	78%	56%
C	88%	22.5%	73%	82%	100%	86%	73%	63%	50%
D	80%	22.5%	85%	71%	67%	100%	71%	67%	75%
E and higher	100%	10%	80%	89%	82%	100%	100%	100%	83%

- **Multiple-Based Liquidation Preferences** - The percentage of financing transactions with senior liquidation preferences that included multiple preferences was as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
9%	3%	16%	8%	32%	10%	7%	22%	6%

Of the financings in which there were senior liquidation preferences based on multiples, the range of the multiples may be broken down as follows:

Range of multiples	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
>1x- 2x	100%	100%	70%	100%	75%	100%	100%	83%	100%
>2x - 3x	0%	0%	20%	0%	13%	0%	0%	17%	0%
> 3x	0%	0%	10%	0%	12%	0%	0%	0%	0%

- **Participation in Liquidation** - The percentage of transactions, out of the total number of financing transactions, which included participation rights in liquidation were as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
60%	69%	77%	72%	84%	88%	86%	82%	84%

Out of those financing transactions the terms of which provided for participation, the percentages of those in which no cap was placed on the investors' right to participation were as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
57%	59%	59%	62%	61%	58%	58%	54%	47%

- **Cumulative Dividends and/or Accrued Interest as Part of the Liquidation Preference** – Cumulative dividends and/or accrued interest constituted part of the liquidation preferences in the following percentages of financings:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
40%	48%	48%	45%	38%	58%	64%	63%	58%

- **Anti-dilution Provisions** - The use of anti-dilution provisions in the financings which took place in 2013 and in the periods covered by our previous surveys may be broken down as follows:

Type of Provision	2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
Full Ratchet	6%	4%	9%	14%	11%	12%	9%	16%	14%
Weighted Average	91%	84%	85%	81%	89%	88%	91%	82%	78%
None	3%	12%	6%	5%	0%	0%	0%	2%	8%

- **Pay-to-Play Provisions** - The use of pay-to-play provisions in the financings which took place in 2013 and in the periods covered by our previous surveys may be broken down as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
0%	1%	2%	4%	14%	7%	2%	2%	8%

- **Redemption** – The percentage of transactions in 2013 and the periods covered by our previous surveys, out of the total number of financings in each respective period, in which the terms provided for mandatory redemption or redemption at the option of the venture capitalist was as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
6%	16%	18%	11%	19%	12%	11%	25%	8%

- **Corporate Reorganizations** – The percentage of post-Series A financing transactions in 2013 and the periods covered by our previous surveys, out of the total number of financings in each respective period, which involved the conversion of senior securities into more junior securities was as follows:

2013	2012	2011	2010	2009	H2'08	H1'08	H2'07	H1'07
1%	0%	1%	3%	3%	13%	2%	0%	4%

For additional information about this report please contact Lior Aviram – [l.aviram@shibolet.com](mailto:l.aviram@shibolet.com) or Limor Peled – [l.peled@shibolet.com](mailto:l.peled@shibolet.com), at Shibolet & Co., 972-3-7778333; or Barry Kramer at 650-335-7278; [bkramer@fenwick.com](mailto:bkramer@fenwick.com) or Michael Patrick at 650-335-7273; [mpatrick@fenwick.com](mailto:mpatrick@fenwick.com) at Fenwick & West. To be placed on an email list for future editions of this survey please go to [www.shibolet.com](http://www.shibolet.com) or to [www.fenwick.com/vctrends.htm](http://www.fenwick.com/vctrends.htm).