

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

**Trends in Legal Terms in Venture Financings**  
**in Israel**  
**(2016 Survey)**

- **Background** – We have analyzed the terms of venture financings for Israeli and Israeli-related technology companies that reported raising money during the year 2016. 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 2016 and in the periods covered by our previous surveys may be broken down by types of round, or series, as follows:

Series	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
A	33%	44%	35%	37%	39%	18%	20%	16%	30%
B	32%	28%	23%	30%	31%	25%	28%	24%	30%
C	22%	12%	15%	13%	12%	27%	30%	14%	16%
D	8%	11%	13%	7%	13%	20%	10%	16%	12%
E and higher	7%	5%	14%	13%	5%	10%	12%	30%	12%

- **Price Change** – The financings closed in 2016 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	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
Down	7%	8%	23%	15%	16%	25%	39%	30%	32%
Flat	3%	8%	9%	5%	11%	9%	7%	17%	14%
Up	90%	84%	68%	80%	73%	66%	54%	53%	54%

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

Series	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
B	0%	4%	28%	5%	14%	24%	24%	0%	23%
C	10%	9%	17%	11%	25%	12%	27%	60%	29%
D	0%	20%	0%	20%	11%	35%	71%	50%	20%
E and higher	33%	0%	36%	33%	0%	30%	67%	36%	60%

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

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
67%	63%	73%	75%	76%	77%	69%	81%	83%

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

Series	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
B	69%	62%	56%	57%	45%	72%	48%	78%	69%
C	60%	55%	83%	88%	22.5%	73%	82%	100%	86%
D	57%	80%	60%	80%	22.5%	85%	71%	67%	100%
E and higher	83%	60%	100%	100%	10%	80%	89%	82%	100%

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

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
11%	15%	22%	9%	3%	16%	8%	32%	10%

- 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	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
>1x- 2x	100%	80%	50%	100%	100%	70%	100%	75%	100%
>2x - 3x		20%	38%	0%	0%	20%	0%	13%	0%
> 3x		0%	12%	0%	0%	10%	0%	12%	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:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
40%	41%	54%	60%	69%	77%	72%	84%	88%

- 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:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
38%	55%	53%	57%	59%	59%	62%	61%	58%

- 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:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
49%	46%	46%	40%	48%	48%	45%	38%	58%

- Anti-dilution Provisions** - The use of anti-dilution provisions in the financings which took place in 2016 and in the periods covered by our previous surveys may be broken down as follows:

Type of Provision	2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
Full Ratchet	3%	8%	8%	6%	4%	9%	14%	11%	12%
Weighted Average	95%	88%	82%	91%	84%	85%	81%	89%	88%
None	2%	4%	10%	3%	12%	6%	5%	0%	0%

- Pay-to-Play Provisions** - The use of pay-to-play provisions in the financings which took place in 2016 and in the periods covered by our previous surveys may be broken down as follows:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
1%	0%	3%	0%	1%	2%	4%	14%	7%

- **Redemption** – The percentage of transactions in 2016 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:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
3%	5%	6%	6%	16%	18%	11%	19%	12%

- **Corporate Reorganizations** – The percentage of post-Series A financing transactions in 2016 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:

2016	2015	2014	2013	2012	2011	2010	2009	H2'2008
1%	3%	0%	1%	0%	1%	3%	3%	13%

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