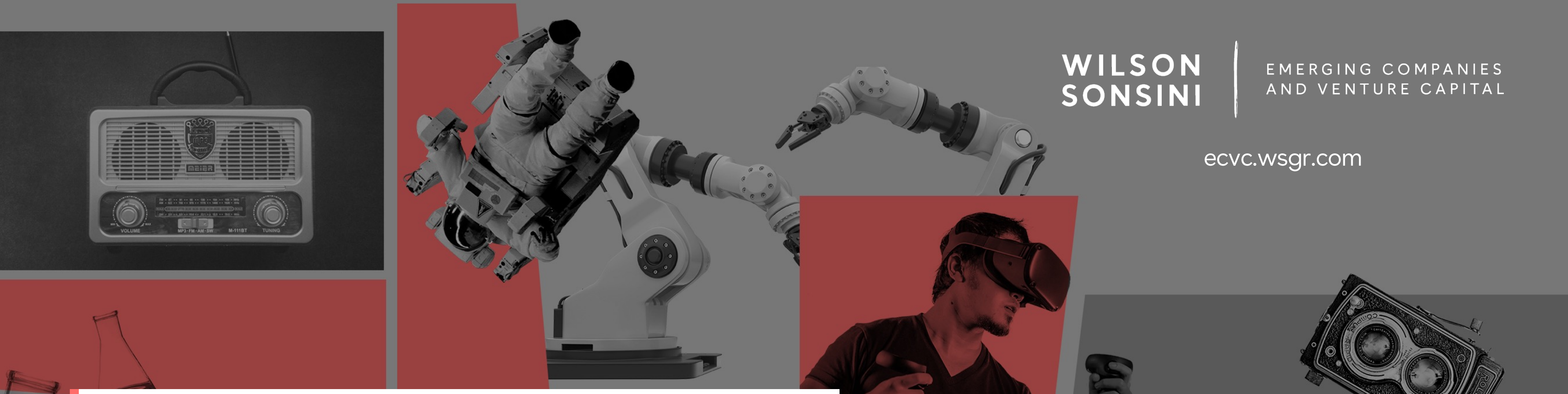

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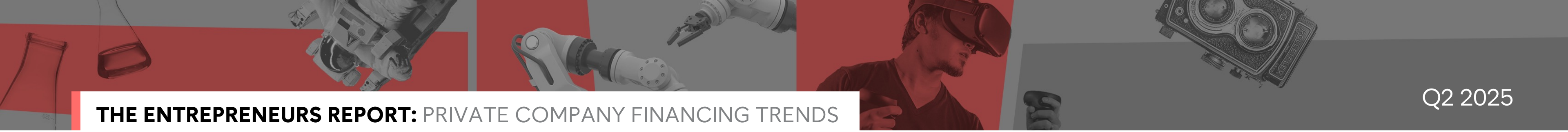
THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

From the Wilson Sonsini Database:

FINANCING TRENDS Q2 2025



Key Features and Developments in This Report

Ali Alemozafar Discusses the State of Quantum Computing

In a comprehensive interview, Wilson Sonsini partner Ali Alemozafar discusses recent developments in the quantum computing sector and how the technology is poised to spur innovation in artificial intelligence, drug discovery, and more.

See p. 3

Late-Stage Valuations Have Best Quarter Since 2021

Valuations increased quarter over quarter at most stages, suggesting that many companies can justify higher valuations to investors. Series C and later valuations were particularly notable this quarter, reaching levels not seen since 2021.

See p. 5

More Companies Justify Up Rounds

While the number of down and flat rounds remains slightly above historical levels, the number of up rounds increased for the third straight quarter.

See p. 7

One Big Beautiful Bill Makes Changes to Qualified Small Business Stock Provisions

We summarize recent legislative changes to Section 1202 affecting Qualified Small Business Stock tax exemptions that may significantly impact founders and investors. Among the updates are increased exempt dollar amounts and shorter holding period requirements.

See p. 13

Market Perspective with Wilson Sonsini's **Ali Alemozafar**

Dr. Ali R. Alemozafar is a partner at Wilson Sonsini Goodrich & Rosati, where he leads the tools, diagnostics, and deep technology practice in the Patents and Innovations group. He advises companies and venture capital firms on strategic intellectual property (IP) matters across a broad range of technical fields, including quantum computing, energy storage, artificial intelligence (AI), advanced materials, and engineering. Ali's practice includes patent strategy, global patent prosecution, and IP due diligence—including freedom-to-operate analyses—for venture financings, mergers and acquisitions, and public offerings. He has prosecuted patent applications in the U.S., Europe, China, Japan, and other major jurisdictions. He counsels companies at all stages of growth, from early-stage start-ups to public companies.

Can you provide an overview of the current state of quantum computing and its significance for start-ups in the life sciences and technology sectors?

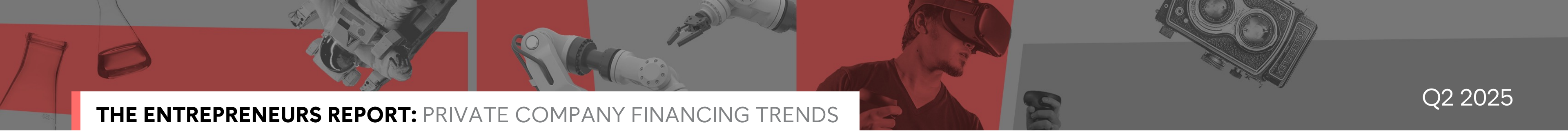
After decades of research, quantum computing is now transitioning from theoretical promise to early-stage practical implementation. We're seeing start-ups develop specialized quantum hardware, error-correction algorithms, and hybrid quantum-classical solutions. For life sciences and technology start-ups, this opens up new frontiers in modeling molecular interactions, optimizing drug discovery, and accelerating AI workflows. While widespread deployment is still a few years away, the groundwork is being laid now—making this a strategically critical time for innovation and IP protection.

Wilson Sonsini has a long history of working with clients in the quantum computing space and recently announced the addition of quantum computing to the firm's distinct industry offerings. What drove this new initiative now?

The move reflects a confluence of increasing client demand and rapid technological maturation. We've long advised companies pushing the boundaries of deep tech, and quantum is a natural evolution of that work. Formally recognizing quantum computing as a distinct industry offering allows us to more deeply align legal services with the unique technical and commercial realities of this space, including highly specialized IP strategy, regulatory navigation, and venture financing support.

What role do you expect quantum computing to play over the next couple of years in the development of increasingly powerful AI models?

In the short term, we'll see quantum computing used in a hybrid capacity—complementing classical computation, particularly in optimization, data sampling, and simulation-heavy AI workloads. While we're not yet at the point where quantum systems outperform GPUs across the board, targeted use cases in AI/Machine Learning model training and inference are emerging, and start-ups at this intersection are attracting early-stage venture capital (VC).



Market Perspective with Ali Alemozafar (cont.)

What unique IP challenges do start-ups face in the quantum computing space, and how can they navigate these challenges effectively?

Quantum computing often blends hardware, software, and physics in novel ways, which can raise patent eligibility concerns, especially in some jurisdictions where software patents face increased scrutiny. Start-ups also need to navigate a crowded and fast-evolving patent landscape, often with overlapping subject matter. A well-crafted IP strategy must include early landscape analysis, global patent filings, and a careful balance between trade secret protection, patent protection, and publication.

Given your experience with patent applications in multiple jurisdictions, how should start-ups approach international patent strategy, particularly in the context of quantum computing?

Start-ups should prioritize jurisdictions based on their target markets, investor expectations, and enforcement environments. Given the strategic importance of quantum technology, filings in the U.S., Europe, China, and Japan are often essential. International strategy should also consider timing (a delayed Patent Cooperation Treaty filing versus faster direct filings), harmonization of claim scope across jurisdictions, and evolving standards in patentable subject matter—especially where software and physics intersect.

How do you anticipate VC investment trends evolving in the quantum computing sector over the next few years?

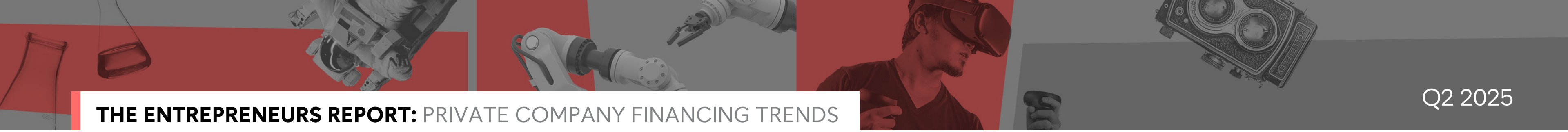
We're seeing a shift from research-heavy moonshots to more application-oriented investments—companies developing near-term commercial use cases like quantum sensing, quantum-secure communications, and hybrid AI systems. VC interest will likely follow the path we saw with AI: from foundational tools to vertical-specific applications. Expect to see more funding into enabling technologies, such as cryogenic systems, photonics, and error-correction software.

What regulatory considerations should entrepreneurs keep in mind when developing technologies related to quantum computing and other related technologies?

Key issues include export control laws, data privacy compliance if quantum tools are applied to sensitive datasets, and cybersecurity frameworks as quantum capabilities evolve. As quantum computing begins to impact national security and cryptography, entrepreneurs should anticipate greater regulatory scrutiny and consider proactive engagement with relevant agencies.

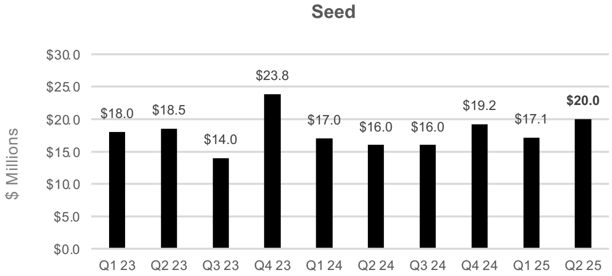
What advice would you give to early-stage companies looking to protect their innovations in a rapidly evolving technological landscape?

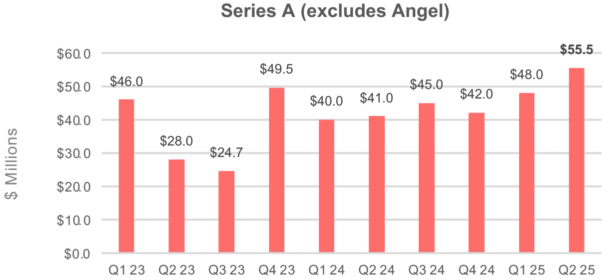
Don't wait to build your IP/patent strategy. Protect core innovations early but also leave room for iteration. Stay informed on how global IP standards are evolving—especially around AI, software, and quantum. Work with advisors who understand both the technical nuance and the commercial trajectory of your field. And remember that IP is not just about patents—it includes trade secrets, know-how, data, and brand.

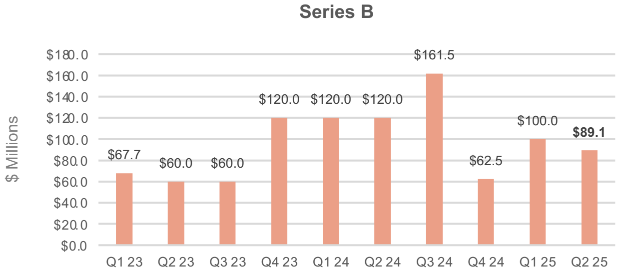


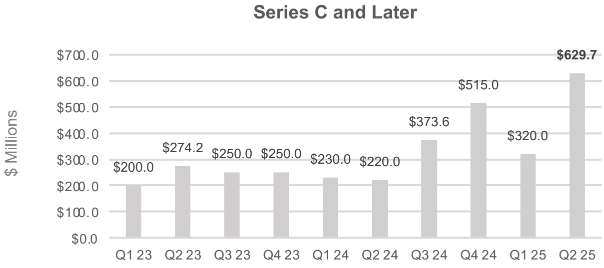
PRE-MONEY MEDIAN VALUATIONS*

Late-stage Valuations Have Best Quarter Since 2021









Reflecting measured optimism despite continuing economic uncertainty, venture-backed company valuations were mostly up in Q2 2025, with all stages except Series B increasing from the previous quarter.

Seed and Series A valuations this quarter both increased by several million dollars compared with Q1 2025. After nearly hitting an all-time-highs several times over the past two years, Series A median valuations reached $55.5 million for the first time.

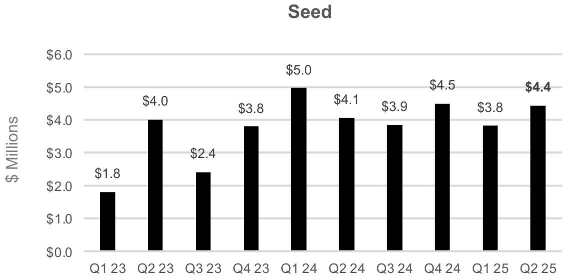
Series B valuations remain down from 2024 as investors and start-ups wrestle with growth stage volatility.

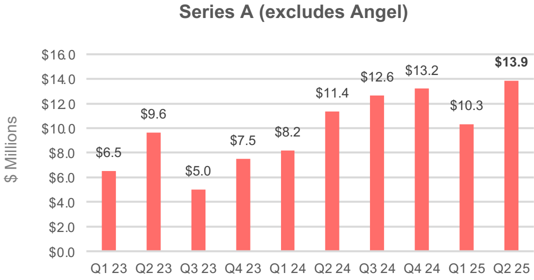
After starting 2025 on a low note, valuations for Series C and Later companies had a stellar second quarter, hitting a median of $629.7 million. To find higher late-stage valuation numbers, we need to go back to Q4 2021, when late-stage valuations hit $1 billion for the first (and only) time.

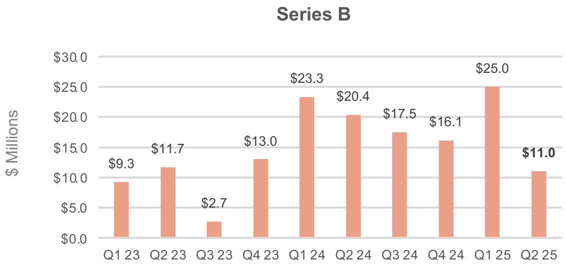
* For a yearly breakdown of pre-money median valuations dating back to 2020, see the Appendix on page 17.

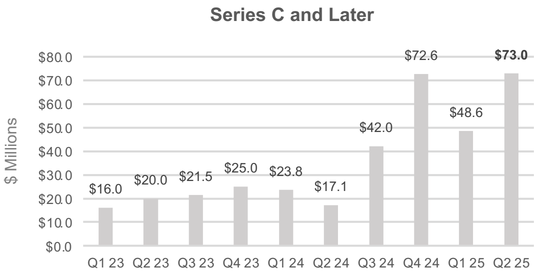
EQUITY FUNDRAISE MEDIAN AMOUNTS*

Fundraise Amounts Move in Line with Valuations









Like valuations, fundraise amounts show that Seed, Series A, and pre-IPO companies continue to fundraise well, while Series B companies are struggling to raise large rounds.

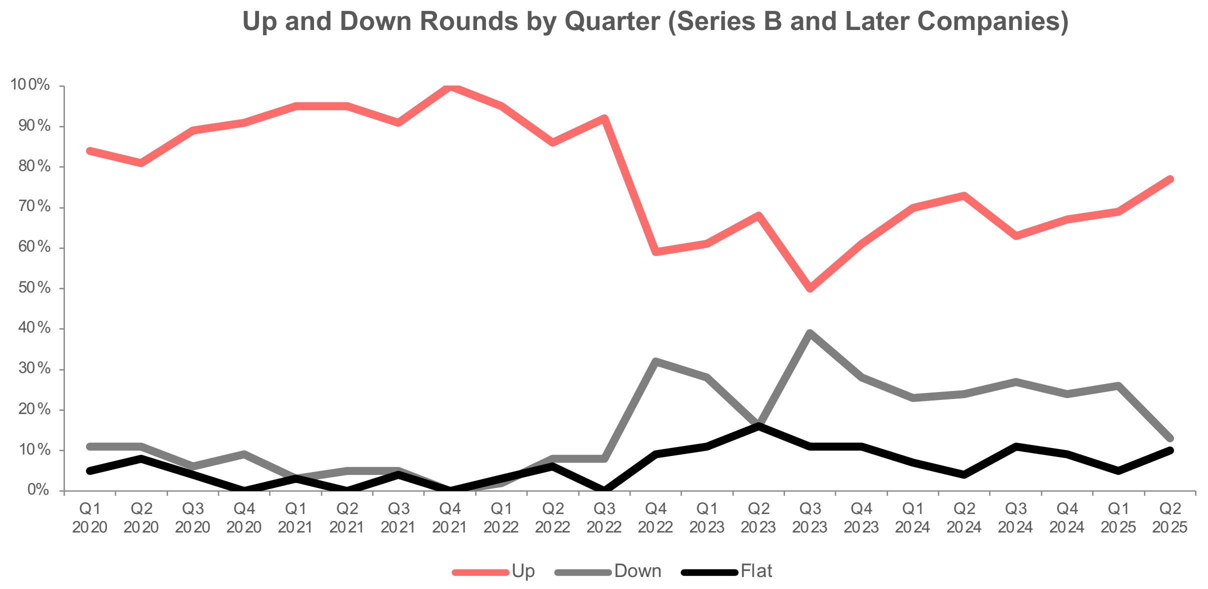
Reflecting growing investor interest in early-stage companies, Seed fundraise amounts increased slightly from $3.8 million in Q1 2025 to $4.4 million in Q2 2025. Series A amounts also increased, hitting a new high of $13.9 million.

Following the drop in valuations, Series B fundraise amounts also decreased significantly to levels not seen in over a year. For perhaps the first time, Series A companies were able to command higher raise amounts than their more mature Series B counterparts. We will be watching closely to determine if this reversal is a fluke or a signal that growth investors are now abandoning older companies in favor of newer and nimbler start-ups.

After a down quarter, Series C and Later fundraise amounts hit $73.0 million. Q2 saw several high-profile IPOs, and we expect pre-IPO fundraising to continue to be robust as more companies prepare to go public in the next 12-24 months.

* For a yearly breakdown of equity fundraise median amounts dating back to 2020, see the Appendix on page 17.

Up Rounds Are on the Up and Up



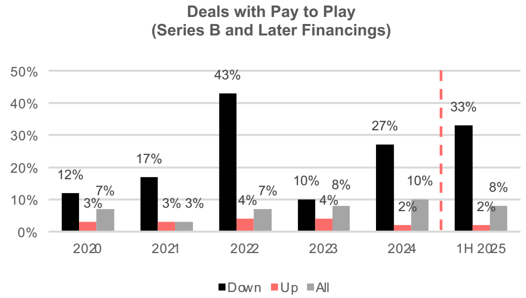
Seventy-seven percent of Series B and Later companies that raised priced capital in Q2 2025 were able to do so via an up round, the third consecutive quarter-over-quarter increase.

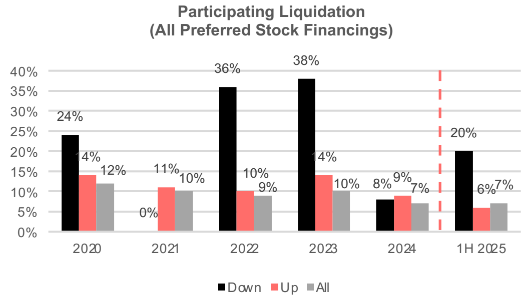
At the same time, the percentage of down rounds decreased from 26% to 13%, the lowest figure in over two years. Last quarter we suggested that the trend of more down rounds over the past few years was here to stay, but that prediction now looks premature.

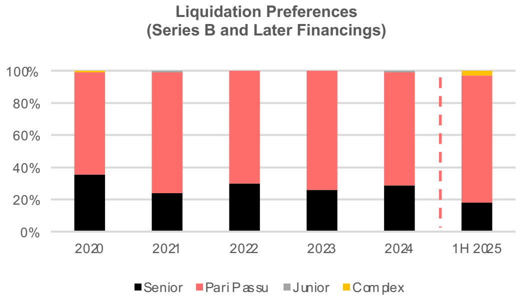
However, the percentage of flat rounds increased to 10% and remains elevated by historical standards, suggesting that more than a few companies are still struggling to justify increased valuations.

EQUITY FINANCING DEAL TERMS*

Investors Are Still Hedging Against Downside Risk







In 1H 2025, equity financing deal terms for Series B and later rounds showed some notable shifts compared with prior years. The percentage of pay-to-play provisions in down rounds increased to 33%, up from 27% in 2024, indicating that investors continue to be inclined to use these terms to safeguard their investments in more distressed start-ups.

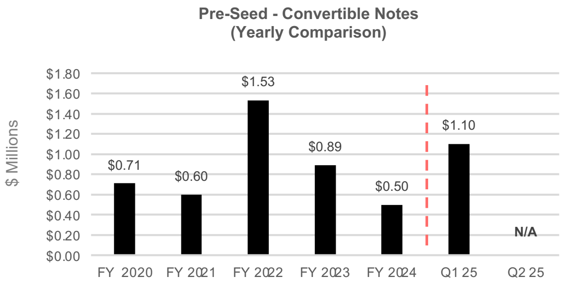
Although lower than 2022 and 2023, participating liquidation preferences also increased over last year, appearing in 20% of down rounds, compared with just 8% in 2024. This shift highlights a preference for terms that allow investors to recover their investments in challenging liquidation scenarios. However, another investor favorable term (senior liquidation preferences) has been less common this year compared with the last five years.

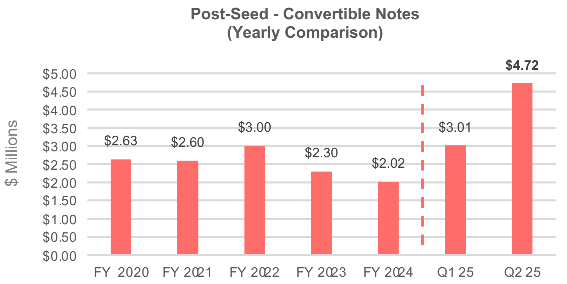
Overall, these trends reflect a more cautious environment, with investors focusing on protecting their stakes amid ongoing economic uncertainties. The increase in pay-to-plays and participating liquidation preferences indicates that investors are adapting to the current landscape, while the decline in senior liquidation preferences shows a willingness to step away from more traditionally investor-favorable terms when needed.

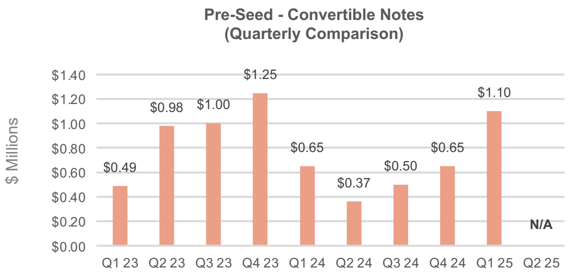
* For a more detailed summary of private company financing deal terms, see the Appendix on page 18.

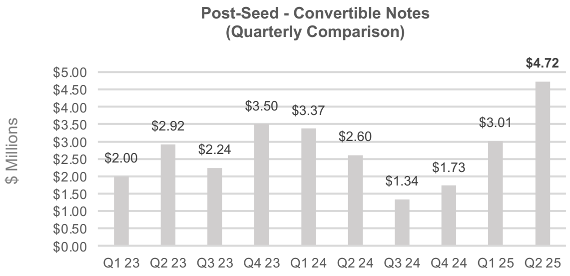
CONVERTIBLE NOTE MEDIAN RAISE AMOUNTS

Post-Seed Convertible Notes Are Up









We have again excluded pre-Seed convertible notes from this quarter's report due to a low number of relevant deals in our dataset. The pre-Seed investment ecosystem remains strong, but investors and start-ups favor SAFEs (which featured in more than 90% of 1H 2025's pre-Seed deals) over notes. SAFEs typically involve fewer legal complexities and allow for quicker fundraising processes, making them attractive to early-stage start-ups that need to secure capital without extensive negotiations.

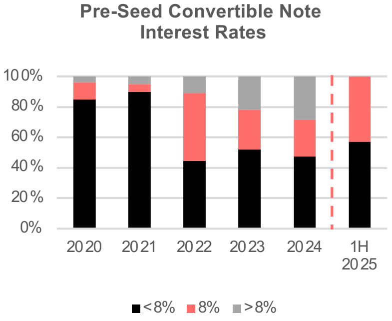
In contrast, bridge fundraising through post-Seed convertible notes remains common, with the median amount raised increasing for the second quarter in a row, reaching a new high of $4.72 million. This increase over previous quarters reflects investor willingness to participate in bridge rounds as post-Seed companies navigate uncertain market conditions and work towards justifying larger preferred stock financings.

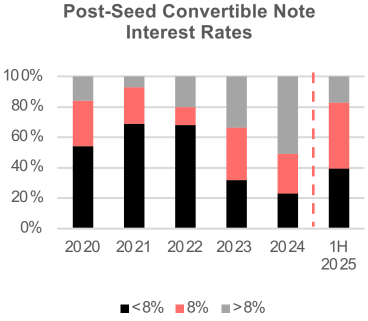
The trends seen in Q2 2025's convertible note fundraising indicate an ongoing reliance on notes among post-Seed companies, while the shift towards SAFEs in early stages reflects changing investment strategies and is likely to continue.

CONVERTIBLE NOTE DEAL TERMS*

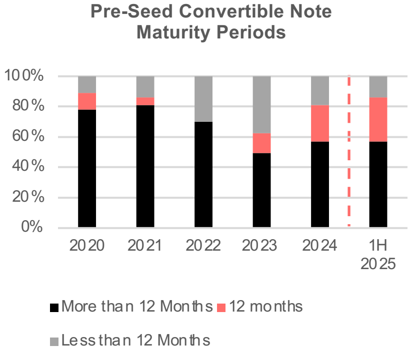
Post-Seed Notes See Lower Interest Rates and Shorter Maturity Periods

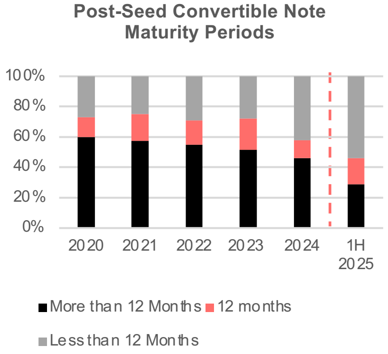
Interest Rates





Maturity Periods





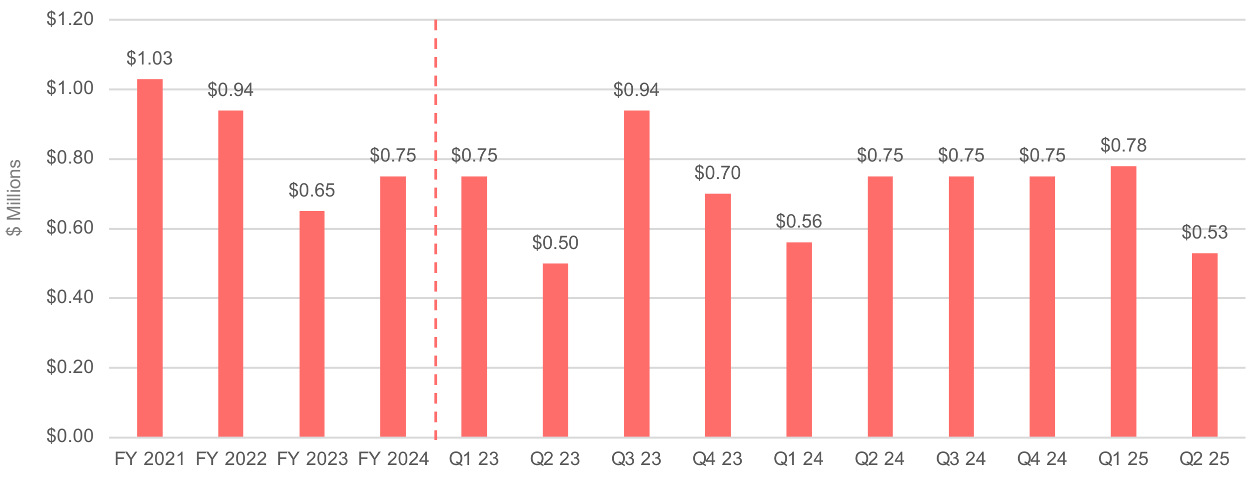
The market continues to favor low-interest, long-term pre-Seed convertible notes, when used. More than half (57%) of 1H 2025 pre-Seed notes had interest rates of less than 8% while a similar number had terms longer than 12 months, suggesting that investors expect pre-Seed companies to take longer to gain traction compared with recent years.

The interest rates for post-Seed convertible notes also show a shift. The proportion of 1H 2025 post-Seed convertible notes with interest rates below 8% rose to 39%, an increase from 23% in 2024. On the other hand, the percentage of 1H 2025 post-Seed notes with maturity periods exceeding 12 months decreased to 29%, down from 46% in 2024 and the lowest percentage we have seen. With more than two-thirds of post-Seed notes having maturity periods of one year or less, many investors are expecting post-Seed companies to raise again quickly.

* For a more detailed summary of convertible note deal terms, see the Appendix on page 19.

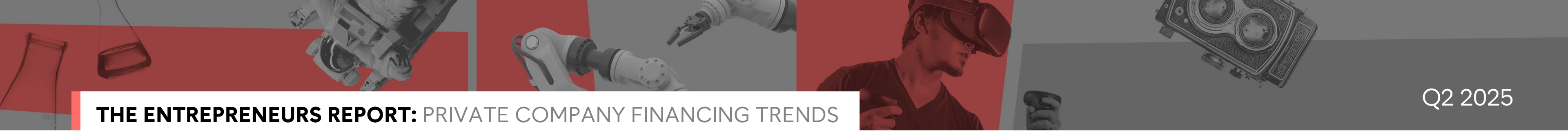
SAFEs (Simple Agreements for Future Equity)

SAFEs Continue to Dominate at the Pre-Seed Stage



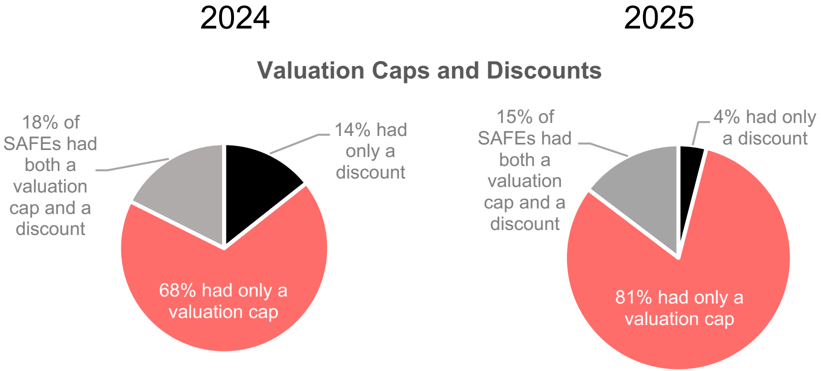
In Q1 2025, the median amount raised through SAFE financings dropped to $530,000, remaining below $1 million for the 13th consecutive quarter.

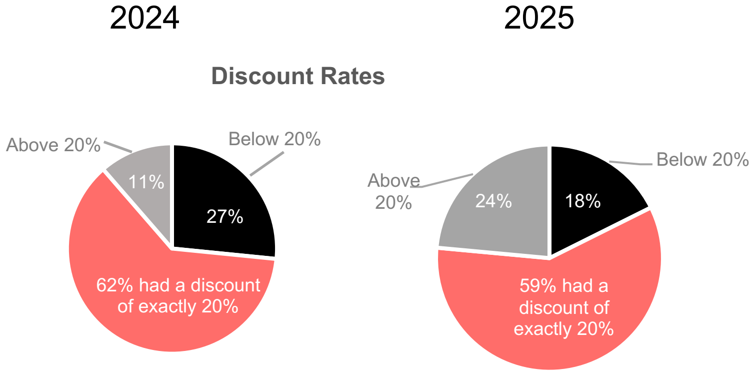
As noted above, investors in a significant majority (approximately 90%) of our pre-Seed non-equity financings purchased SAFEs rather than convertible promissory notes. The decrease in amounts invested in SAFE rounds suggests that SAFEs are being utilized in earlier and earlier investment rounds where smaller fundraise amounts are common.



SAFEs (Simple Agreements for Future Equity)

SAFE Terms Start to Move





Compared with 2024, the start of 2025 saw a bit of a shift in SAFE terms, and we will be watching future quarters to learn if these trends are short-lived or represent a more permanent change in SAFE structures. Ninety-six percent of 1H 2025's SAFEs included a valuation cap, up significantly from 2024 when valuation caps were featured in 86% of deals. This suggests that investors are increasingly favoring valuation caps as the most acceptable mechanism for providing up-side potential when making early-stage investments.

The median valuation cap this quarter was $15 million, a slight decrease from 2024's $16 million, underscoring the continuing willingness of investors to support earlier start-ups with reasonable potential valuations as they prepare for future equity rounds. Additionally, 78% of 1H 2025's SAFEs employed the newer post-money valuation cap structure, similar to 80% in 2024.

While the median discount rate remained at the standard 20% in 1H 2025, 42% of SAFEs featuring a discount included a discount rate that was above or below that median, suggesting that investors are becoming more amendable to customizing discount rates under certain scenarios.

Qualified Small Business Stock Tax Exemptions Updated: Understanding Section 1202

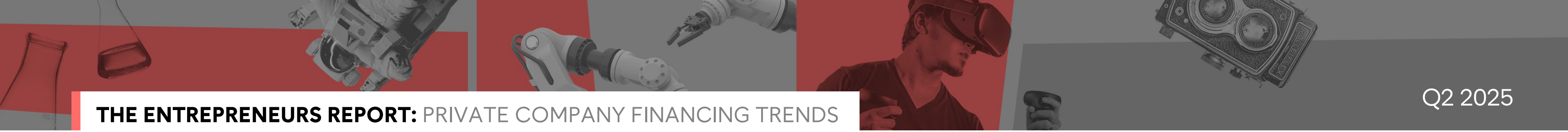
The One Big Beautiful Bill Act that was signed by President Trump on July 4, 2025, includes significant expansion of and revisions to the tax code's "qualified small business stock" (QSBS) tax provisions.

The QSBS tax exemption under Section 1202 allows non-corporate founders and investors in certain emerging growth companies to potentially exclude up to 100 percent of the U.S. federal capital gains tax incurred when selling its stake in the start-up or small business. Section 1202(a) permits a stockholder to exclude a percentage of the gain recognized on the sale of QSBS held for at least three years, capped at the greater of $10 million ($15 million for stock issued after July 4, 2025, indexed for inflation) or 10 times the basis of its initial investment. Alternatively, if QSBS has been held for at least six months, Section 1045 generally permits a tax-free rollover of gain on the sale of the QSBS if the proceeds are reinvested within 60 days of the sale of the QSBS. These provisions are intended to encourage formation of and investment in certain small, active, operating businesses.

Benefits of Qualifying as QSBS

Gain Exclusion. Gain from the sale of QSBS held for more than five years is eligible for 100 percent exclusion from U.S. federal capital gains tax (or a lower percentage as described below), as well a corresponding 100 percent exclusion from the alternative minimum tax (AMT) and 100 percent exclusion from the 3.8 percent net investment income tax (NIIT).

Section 1202 provides for a lower percentage of exclusion (generally 50 percent or 75 percent) for QSBS issued prior to September 28, 2010, and held for more than five years, or for QSBS issued after July 4, 2025, and held for at least three years but less than five years. The amount of gain that is not excluded is generally taxed at a 28 percent rate and is also subject to the NIIT. The excluded portion of any gain is treated as a preference item for AMT purposes.



Qualified Small Business Stock Tax Exemptions Updated: Understanding Section 1202, cont'd

The amount of gain excludable from the sale of a single corporation's QSBS is generally limited, regardless of the exclusion percentage, to the greater of $10 million ($15 million for stock issued after July 4, 2025, indexed for inflation) or 10 times the taxpayer's adjusted basis in the QSBS or 10 times the taxpayer's adjusted basis in the QSBS.

Rollover. Under Section 1045, if an electing stockholder holds QSBS for more than six months, sells the original QSBS in an otherwise taxable transaction, and purchases new QSBS within 60 days of the sale, such stockholder generally will recognize gain on the sale of the original QSBS only to the extent that the proceeds from the sale exceed the amount invested in the replacement QSBS (QSBS gain rollover). As a result, under these rules, if a stockholder must sell before the five-year holding period has elapsed, such stockholder could still qualify for Section 1202 gain exclusion by purchasing new QSBS.

The provisions under Sections 1045 and 1202 can provide an excellent tax planning tool for non-corporate founders or investors forming or investing in small businesses. Assuming the rules described above are satisfied, the potential 100 percent capital gains exclusion along with the exclusions for NIIT and the AMT provide a significant tax incentive. Moreover, the rollover rules under Section 1045 provide flexibility in the event an investor must exit earlier than the five-year holding period.

For more information about these recent updates and QSBS provisions generally, please see our recent client advisory.

CPPA Approves New CCPA Regulations on AI, Cybersecurity, and Risk Governance, and Advances Updated Data Broker Regulations

On July 24, 2025, the California Privacy Protection Agency (CPPA) Board voted to approve a long-awaited rulemaking package imposing substantial new compliance obligations on businesses subject to the California Consumer Privacy Act (CCPA). The package contains finalized rules on AI-related, automated decision-making technologies (ADMT), cybersecurity audits, and risk assessments, as well as updates to existing CCPA regulations. These regulations will impact a broad swath of businesses handling personal information of California residents.

The CPPA Board's approval of the new regulations is the culmination of a year-long process that began when the agency first released draft regulations on these topics in July 2024 and initiated the formal rulemaking in November 2024 (analyzed in prior Wilson Sonsini client alerts). In April and May 2025, the Board grappled with public concerns from hundreds of public comments on the draft regulations, analyses of which can be found in these recent client alerts.
In addition, the CPPA Board approved modifications to the proposed data broker regulations concerning the Delete Request and Opt-Out Platform (DROP) mandated by the Delete Act (discussed in a prior post). These modifications will be subject to a new 15-day public comment period once the agency publishes official notice of the changes.

For a summary of the new regulations, timelines for compliance, and other updates from the July 24, 2025, Board meeting, please see our recent client alert.

Wilson Sonsini routinely helps companies navigate complex privacy and data security issues. For more information or advice concerning your CCPA compliance efforts, please contact Tracy Shapiro, Eddie Holman, Angela Guo, or any member of the firm's Data, Privacy, and Cybersecurity practice. For more information or advice concerning your compliance efforts related to ADMT or artificial intelligence, please contact Scott McKinney, Eddie Holman, Maneesha Mithal, or any member of the firm's Artificial Intelligence and Machine Learning practice.

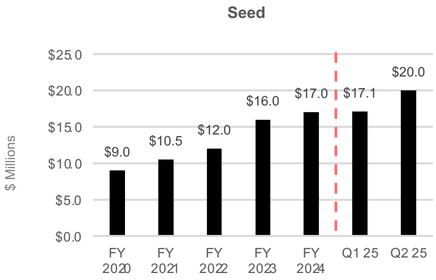
A Selection of Recent Wilson Sonsini Deals

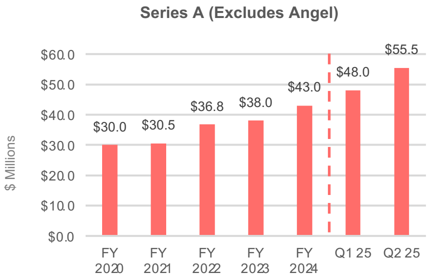
Wilson Sonsini attorneys across practice group and offices advised hundreds of companies and investors in Q2 2025 deals. Here are a few notable examples of our attorneys and their work:

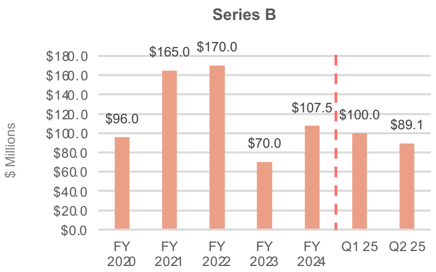
- J.P. Morgan Growth Equity Partners on Rogo's $50 Million Series B
- Entrata on $200 Million Investment from Blackstone
- Heron Power on $38 Million Series A to Transform Key Grid Technology
- SpyGlass Pharma on $75 Million Series D Financing
- Lexeo Therapeutics on $80 Million Private Placement Equity Financing
- AssetWatch on $75 Million Series C Financing
- Plenful on $50 Million Series B
- Base Power on $200 Million Series B
- J.P. Morgan Growth Equity Partners on Nourish's $70 Million Series B
- Altruist on $152 Million Series F Financing
- Crux on $50 Million Series B
- Glycomine on $115 Million Series C
- Parallel Systems on $38 Million Series B
- Neurona Therapeutics on $102 Million Oversubscribed Financing
- Isomorphic Labs on $600 Million External Funding Round
- RayThera on $110 Million Series A

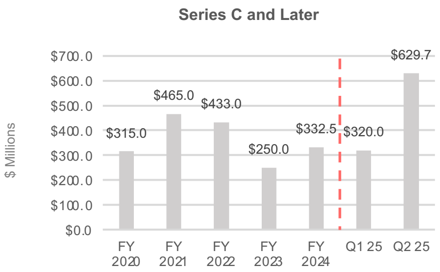
Appendix – A Yearly Look-Back on Equity Valuations and Raise Amounts

Pre-Money Median Valuations

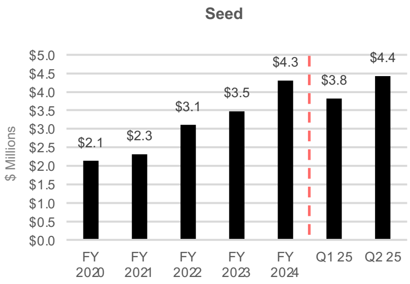


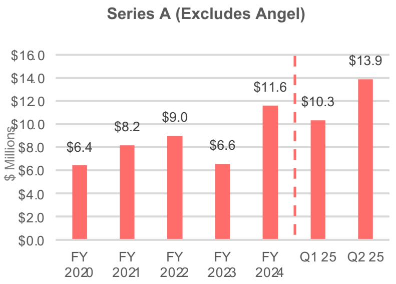


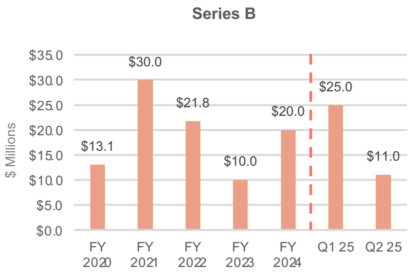


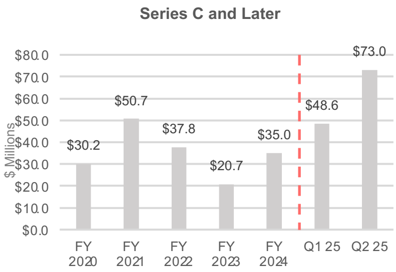


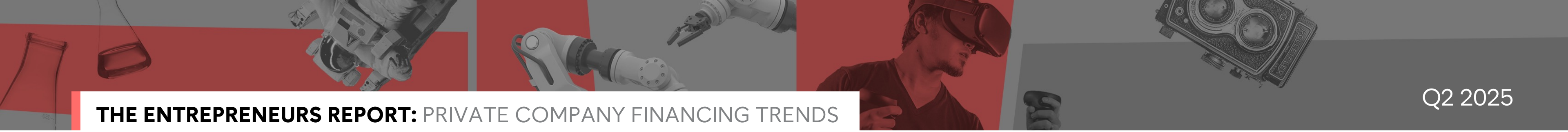
Equity Fundraise Median Amounts











Appendix – Private Company Financing Deal Terms (Wilson Sonsini Deals)[1]

	2020 All Rounds[2]	2021 All Rounds[2]	2022 All Rounds[2]	2023 All Rounds[2]	2024 All Rounds[2]	1H 2025 All Rounds[2]	2020 Up Rounds[3]	2021 Up Rounds[3]	2022 Up Rounds[3]	2023 Up Rounds[3]	2024 Up Rounds[3]	1H 2025 Up Rounds[3]	2020 Down Rounds[3]	2021 Down Rounds[3]	2022 Down Rounds[3]	2023 Down Rounds[3]	2024 Down Rounds[3]	1H 2025 Down Rounds[3]
Liquidation Preferences - Series B and Later																		
Senior	35%	24%	30%	26%	29%	18%	32%	23%	26%	20%	13%	13%	56%	50%	64%	38%	63%	33%
Pari Passu with Other Preferred	63%	75%	70%	74%	71%	80%	67%	76%	74%	80%	87%	85%	44%	50%	36%	62%	35%	67%
Junior	0%	1%	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%
Complex	1%	0%	0%	0%	0%	3%	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	0%
Participating vs. Non-Participating																		
Participating - Cap	4%	4%	3%	2%	3%	4%	6%	4%	3%	4%	7%	6%	0%	0%	0%	14%	2%	7%
Participating - No Cap	8%	6%	6%	8%	4%	3%	8%	7%	7%	10%	2%	0%	24%	0%	36%	24%	6%	13%
Non-Participating	88%	90%	91%	90%	93%	93%	86%	89%	90%	85%	91%	94%	76%	100%	64%	62%	92%	80%
Dividends																		
Yes, Cumulative	10%[4]	5%	6%	3%	4%	3%	10%[4]	6%	8%	6%	7%	8%	25%[4]	0%	8%	0%	2%	7%
Yes, Non-Cumulative	79%[4]	56%	51%	46%	42%	35%	83%[4]	65%	57%	53%	52%	48%	69%[4]	57%	58%	65%	65%	67%
None	10%[4]	39%	43%	51%	55%	62%	7%[4]	29%	35%	40%	42%	44%	6%[4]	43%	33%	35%	33%	27%
Anti-Dilution Provisions																		
Weighted Average - Broad	95%	97%	98%	98%	96%	100%	98%	98%	99%	100%	94%	100%	76%	100%	100%	95%	100%	100%
Weighted Average - Narrow	1%	1%	0%	1%	0%	0%	2%	1%	0%	0%	0%	0%	6%	0%	0%	5%	0%	0%
Ratchet	1%	1%	1%	0%	1%	0%	0%	1%	1%	0%	0%	0%	6%	0%	0%	0%	0%	0%
Other (Including Blend)	1%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
None	2%	1%	1%	2%	3%	0%	0%	0%	0%	0%	6%	0%	12%	0%	0%	0%	0%	0%
Pay-to-Play - Series B and Later																		
Yes, Pay-to-Play	7%	3%	7%	8%	10%	8%	3%	3%	4%	4%	2%	2%	12%	17%	43%	10%	27%	33%
None	93%	97%	93%	92%	90%	92%	97%	97%	96%	96%	98%	96%	88%	83%	57%	90%	73%	67%
Redemption																		
Yes, Redemption	13%	10%	8%	5%	8%	6%	10%	15%	12%	4%	12%	6%	25%	17%	7%	15%	4%	7%
None	88%	90%	92%	95%	92%	94%	90%	86%	89%	96%	88%	94%	75%	83%	93%	86%	96%	93%

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1 We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

2 Includes flat rounds and, unless otherwise indicated, Series A rounds.

3 Note that the All Rounds metrics include flat rounds and, in certain cases, Seed and Series A financings as well. Consequently, metrics in the All Rounds column may be outside the ranges bounded by the Up Rounds and Down Rounds columns, which will not include such transactions.

4 The 2020 increase in the number of transactions reported as including dividends resulted in part from a change to our reporting methodology.

Appendix – Convertible Notes – Deal Terms (Wilson Sonsini Deals)

Convertible Notes[1]	2020 Pre-Seed	2021 Pre-Seed	2022 Pre-Seed	2023 Pre-Seed	2024 Pre-Seed	1H 2025 Pre-Seed	2020 Post-Seed	2021 Post-Seed	2022 Post-Seed	2023 Post-Seed	2024 Post-Seed	1H 2025 Post-Seed
Interest rate less than 8%	85%	90%	44%	52%	48%	57%	54%	69%	68%	32%	23%	39%
Interest rate at 8%	11%	5%	44%	26%	24%	43%	30%	24%	12%	35%	26%	43%
Interest rate greater than 8%	4%	5%	11%	22%	29%	0%	16%	7%	20%	34%	51%	17%
Maturity less than 12 months	11%	14%	30%	38%	19%	14%	27%	25%	29%	28%	42%	54%
Maturity 12 months	11%	5%	0%	13%	24%	29%	13%	18%	16%	21%	12%	17%
Maturity more than 12 months	79%	81%	70%	50%	57%	57%	60%	58%	55%	52%	46%	29%
Debt is subordinated to other debt	13%	14%	40%	17%	25%	33%	46%	48%	41%	39%	35%	38%
Loan includes warrants[2]	4%	0%	0%	0%	0%	0%	12%	6%	20%	22%	15%	21%
Warrant coverage less than 25%	100%	N/A	N/A	N/A	N/A	N/A	67%	0%	11%	45%	50%	33%
Warrant coverage at 25%	0%	N/A	N/A	N/A	N/A	N/A	0%	0%	0%	0%	0%	0%
Warrant coverage greater than 25%	0%	N/A	N/A	N/A	N/A	N/A	33%	100%	89%	55%	50%	67%
Automatic conversion into equity on qualified financing[3]	100%	100%	100%	92%	89%	100%	92%	96%	93%	88%	96%	87%
Voluntary conversion into equity on qualified financing[3]	0%	0%	0%	8%	11%	0%	8%	4%	7%	12%	4%	13%
Conversion rate subject to price cap[4]	68%	71%	56%	54%	50%	43%	36%	52%	32%	47%	47%	30%
Conversion to equity at discounted price[5]	78%	75%	50%	88%	78%	83%	79%	70%	78%	80%	84%	77%
Conversion to equity at same price as other investors	13%	15%	30%	8%	17%	17%	17%	25%	20%	10%	8%	23%
Discount on conversion less than 20%	11%	20%	40%	14%	36%	0%	25%	21%	29%	18%	16%	24%
Discount on conversion at 20%	69%	60%	20%	48%	36%	80%	46%	63%	39%	55%	51%	41%
Discount on conversion greater than 20%	20%	20%	40%	38%	29%	20%	29%	16%	32%	27%	33%	35%

[1] We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding. Pre-Seed refers to convertible notes issued prior to the first preferred stock financing. Post-Seed refers to convertible notes issued after the first preferred stock financing.

[2] Of the 2020 post-Seed convertible notes with warrants, 44% also had a discount on conversion into equity. Of the 2021 post-Seed convertible notes with warrants, 100% also had a discount on conversion into equity. Of the 2022 post-Seed convertible notes with warrants, 59% also had a discount on conversion into equity. Of the 2023 post-Seed convertible notes with warrants, 55% also had a discount on conversion into equity. Of the 2024 post-Seed convertible notes with warrants, 69% also had a discount on conversion into equity. Of the 1H 2025 post-Seed convertible notes with warrants, 40% also had a discount on conversion into equity.

[3] The 2020 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $3M and $10M, respectively. The 2021 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $4M and $10M, respectively. The 2022 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $7M and $10M, respectively. The 2023 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $5M and $10M, respectively. The 2024 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $5M and $10M, respectively. The 1H 2025 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was $5M and $15M, respectively.

[4] The 2020 median price cap in pre- and post-Seed convertible notes was $8M and $47M, respectively. The 2021 median price cap in pre- and post-Seed convertible notes was $12M and $47M, respectively. The 2022 median price cap in pre- and post-Seed convertible notes was $35M and $50M, respectively. The 2023 median price cap in pre- and post-Seed convertible notes was $20M and $45M, respectively. The 2024 median price cap in pre- and post-Seed convertible notes was $11M and $28M, respectively. The 1H 2025 median price cap in pre- and post-Seed convertible notes was $40M and $60M, respectively.

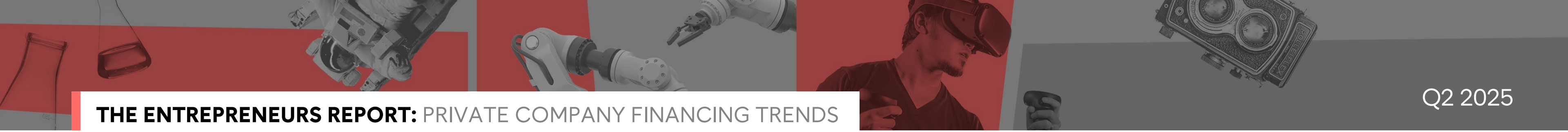
[5] Of the 2020 post-Seed convertible notes that had a discount on conversion into equity, 7% had warrants. Of the 2021 post-Seed convertible notes that had a discount on conversion into equity, 3% had warrants. Of the 2022 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 2023 post-Seed convertible notes that had a discount on conversion into equity, 16% had warrants. Of the 2024 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 1H 2025 post-Seed convertible notes that had a discount on conversion into equity, 12% had warrants.

Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the financing round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm's corporate and securities attorneys and analyzed by the firm's Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini represented either the company or one or more of the investors.



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