

Executive summary on private company financings in the third quarter of 2007.

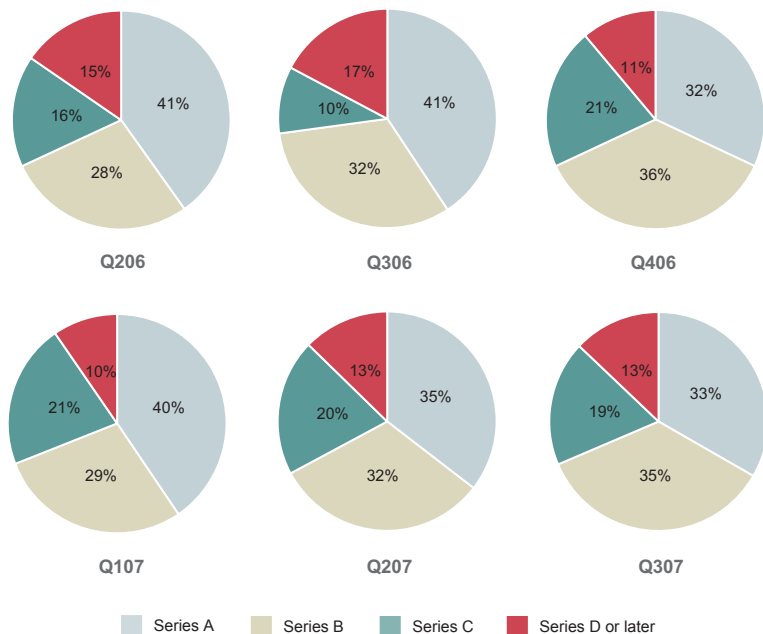
The overall investment climate for privately-held startups showed signs of cooling in the third quarter of 2007 after posting strong results for most of the previous two years.* Early stage financings continued to dominate, with Series A and Series B financings accounting for two-thirds of all deals.

Median pre-money valuations for all but late stage financings declined markedly in the third quarter of 2007. Series A median pre-money valuations dropped from \$7.1 million in the second quarter of 2007 to \$5.6 million in the third quarter of 2007, Series B dropped from \$25 million to \$20.3 million in that same time period, and Series C dropped from \$55.1 million to \$28.9 million. By contrast, median pre-money valuations for Series D or later stage companies continued to strengthen, although lower deal volumes in this category tend to result in wider fluctuations.

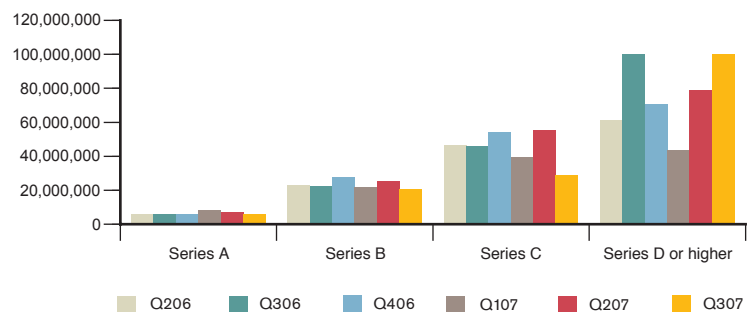
Further evidence of a cooling market was the fact that the percentage of up round financings continued to decline from the highs of last year. Up round financings accounted for 67% of all transactions in the third quarter of 2007, down from 77% in the third quarter of 2006. This is the lowest percentage of up round financings since the third quarter of 2005. The third quarter also saw an increase in the percentage of transactions with pay-to-play and drag along provisions, each of which are more commonly implemented in more challenging market environments.

* Analysis is based on 59 completed deals in the third quarter of 2007.

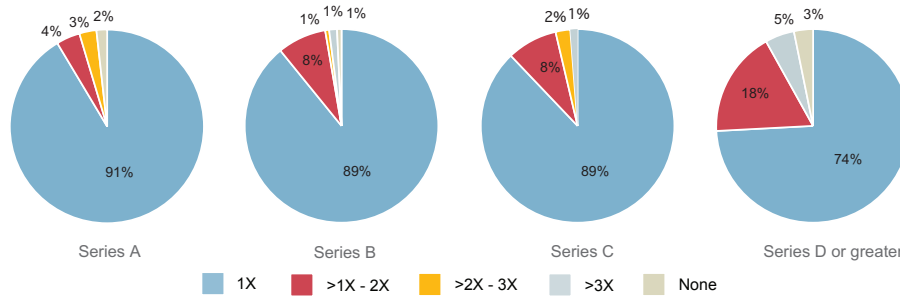
DEAL BREAKDOWN—By Series. The deal breakdown by series in the third quarter remained virtually unchanged from the first quarter, with early stage financings (Series A and Series B) still accounting for about two-thirds of all deals.



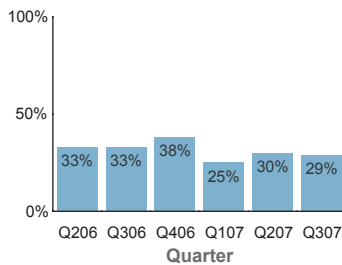
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. Pre-money valuations of Series A, Series B, and Series C transactions all fell to their lowest levels in more than one year, while valuations of Series D or later stage transactions continued to rise.



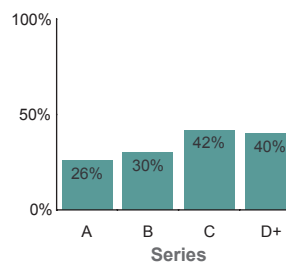
LIQUIDATION PREFERENCES—By Series. The vast majority of all transactions continued to contain a 1X liquidation preference across all stages of financings, with an increase in greater liquidation preferences in Series D or later financings.



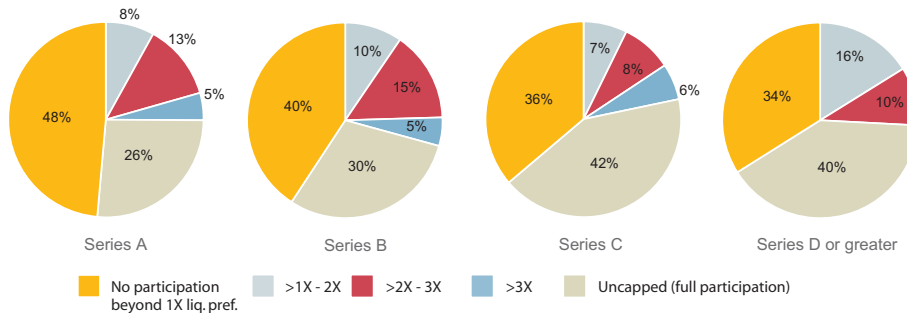
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter. The percentage of transactions with fully participating preferred declined in the third quarter when compared to last year.



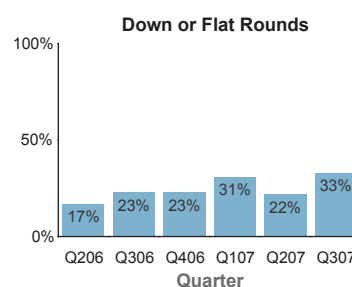
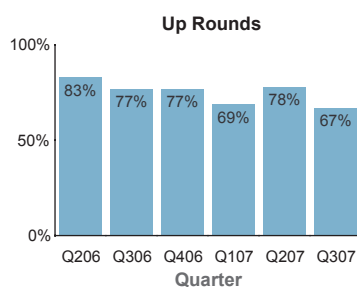
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Series. Series C and Series D or later financings showed a higher percentage of fully participating preferred.



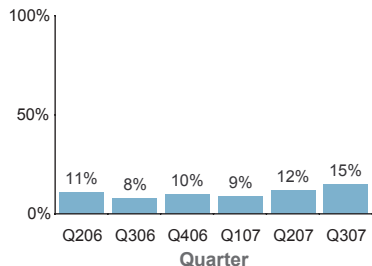
PREFERRED STOCK PARTICIPATION—By Series. Series A financings showed the highest percentage of non-participating preferred terms, while later stage financings showed a higher percentage of uncapped or high-capped participation.



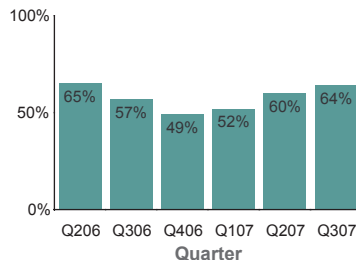
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS. The percentage of down or flat-round financings increased and accounted for one-third of all financings.



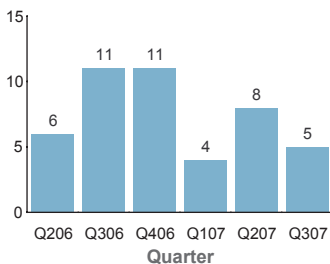
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter. The percentage of deals with a pay-to-play feature increased again in the third quarter, rising from their lows of one year ago.



PERCENTAGE OF DEALS WITH DRAG ALONG—By Quarter. The percentage of deals that included a drag along feature continued to increase and now comprise nearly two-thirds of all transactions.



PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal. The number of third quarter deals with pre-money valuations of more than \$100 million continued to decline, falling significantly from one year ago.



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ABOUT THIS REPORT This quarterly report provides data from 2006 and 2007, 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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