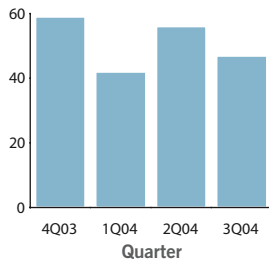
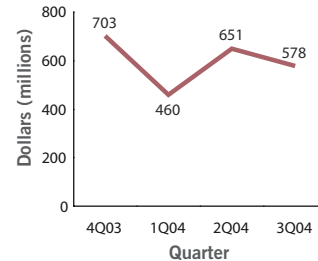


EXECUTIVE SUMMARY In 1959, Cooley Godward formed the first institutional venture capital limited partnership in the United States. Since then we have been at the vanguard of private company financings by participating in the organization of hundreds of venture capital and private equity partnerships. Going forward, Cooley will generate quarterly reports on private company financing activities and trends. Industry sectors include all areas common to venture capital financings, including communications, computer hardware and networking, consumer electronics, general retail, Internet, life sciences, semiconductors, and software. **Cooley represented either the company or the lead investor in each of the transactions covered in this report.**

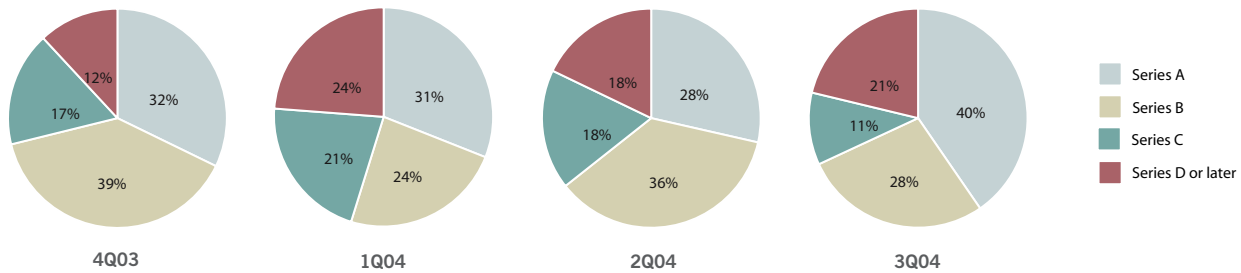
NUMBER OF DEALS CLOSED—By Quarter This report covers **204 venture capital financings** closed during the 12-month period from September 30, 2003 to September 30, 2004.



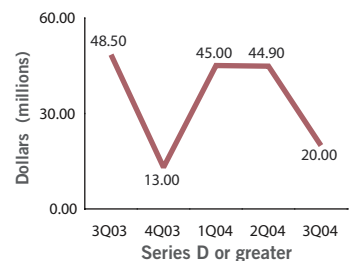
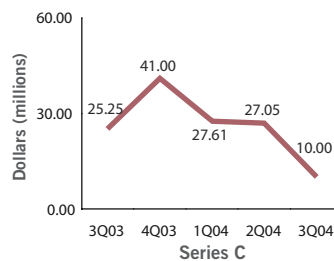
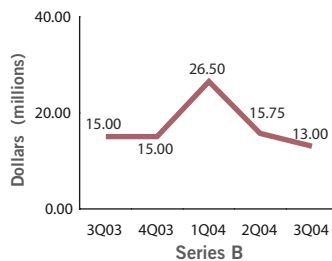
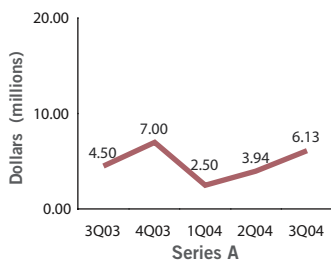
AGGREGATE AMOUNT RAISED (millions \$)—By Quarter The transactions covered by this report involved approximately **\$2.4 billion** invested between **Q4 2003 and Q3 2004**. Other than a slight dip in the first quarter of 2004, aggregate funds raised exceeded \$500 million each quarter.



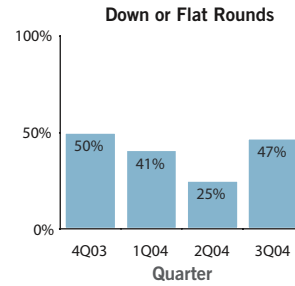
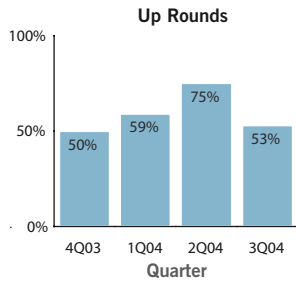
DEAL BREAKDOWN—By Series The transactions covered by this report involved private companies at all stages, although the majority were early stage companies raising their first or second round of institutional funding.



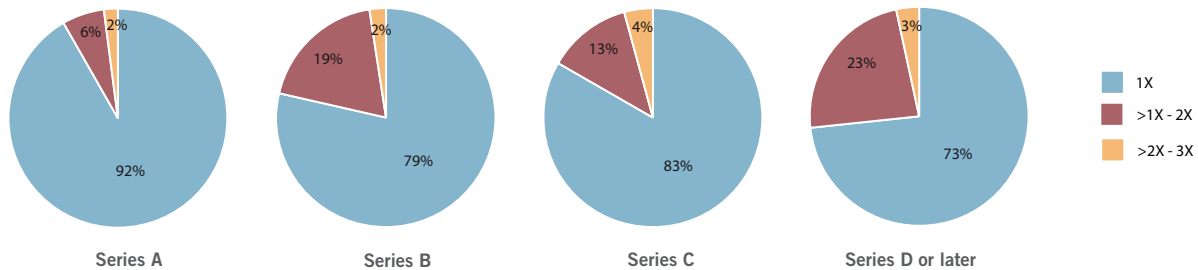
MEDIAN PREMONEY VALUATION (millions \$) The following graphs show median pre-funding valuation, broken down by series. The challenges in the public markets in the later part of 2004 appear to have had a negative impact on valuations for later stage rounds. In general, note that data for each series can include companies at different stages of development. In particular, data for later rounds includes companies with significant revenues as well as restart financings. Financings done at over \$100 million pre-money were included in the data below as follows: Series C: 4Q03 (1), 1Q04 (1), 3Q04(1); Series D: 1Q04(3), 3Q304 (2).



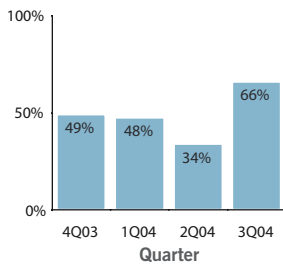
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS The third quarter of 2004 saw a reversal of the upward trend in valuation for subsequent rounds of financings, on an aggregate basis.



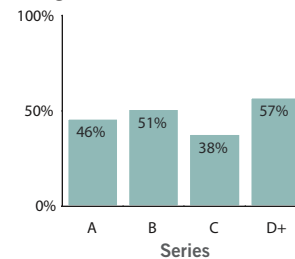
LIQUIDATION PREFERENCES—By Series The following charts show the liquidation preferences used in private company financings that closed in the first three quarters of 2004. The data confirms the predominance of 1X liquidation preferences, even in later stage deals. No reported financings in 2004 included liquidation preferences above 3X.



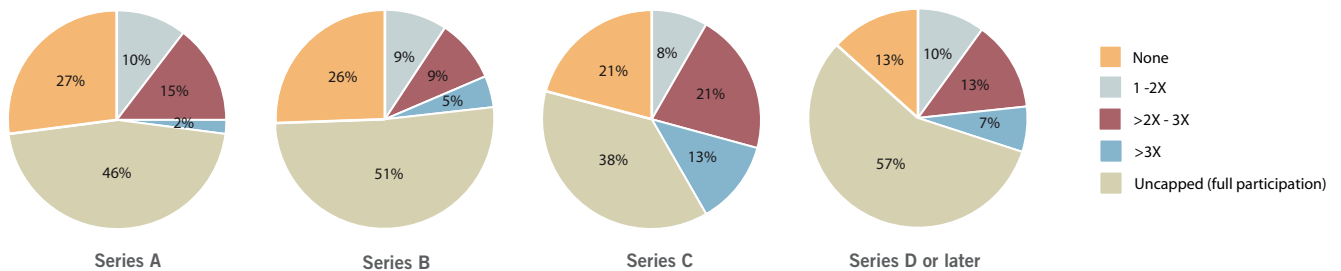
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED —By Quarter The following graph shows a recent uptick in deals with fully participating preferred stock.



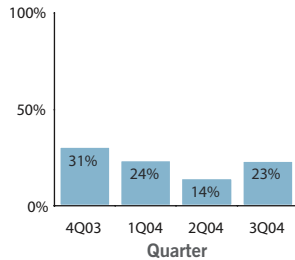
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED —By Series The following graph shows the percentage of deals with fully participating preferred stock in the first three quarters of 2004, broken down by the series of financing. The data indicates a fairly consistent number of deals with full participation across different series of financings.



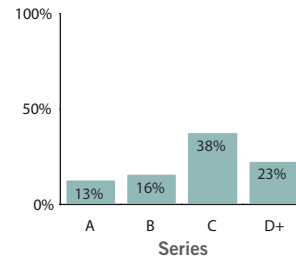
PREFERRED STOCK PARTICIPATION (after payment of liquidation preference) The following charts show how participation caps were used in deals during the first three quarters of 2004. The data indicates a general increase in participation levels in later stage deals.



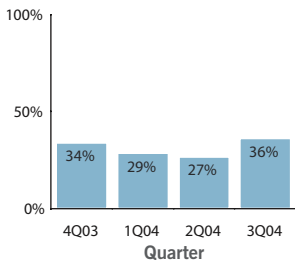
PERCENTAGE OF DEALS WITH PAY TO PLAY—By Quarter The following graph shows the percentage of all deals that include a pay to play feature during the first three quarters of 2004. The data from the third quarter of 2004 shows an increase in the use of pay to play provisions, which had been in a downward trend since the first quarter of 2004.



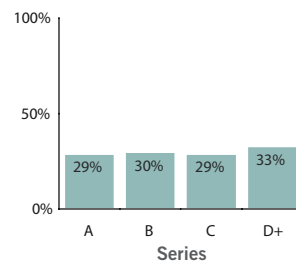
PERCENTAGE OF DEALS WITH PAY TO PLAY—By Series The following graph shows the percentage of deals including a pay to play provision during the first three quarters of 2004. The data indicates that pay to play provisions have been used less frequently in a company's first or second round of financing.



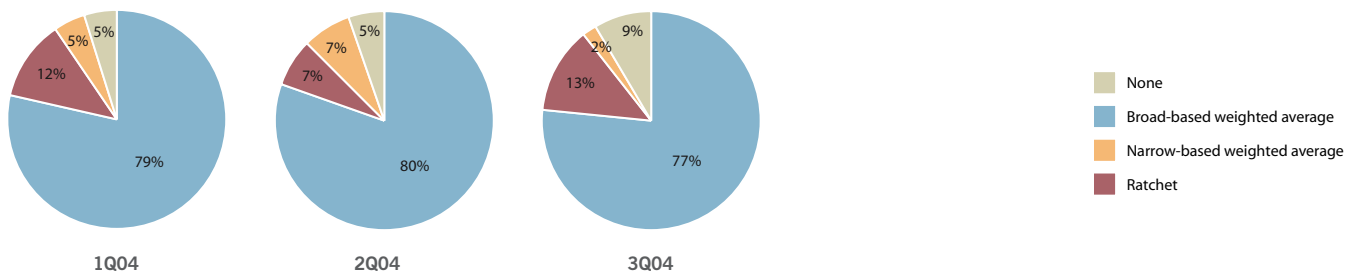
PERCENTAGE OF DEALS WITH DRAG ALONG—By Quarter This graph shows the percentage of all deals utilizing drag along provisions during the 12 month period between the fourth quarter of 2003 and the third quarter of 2004. The third quarter of 2004 showed a reversal of the downward trend in the use of drag along provisions.



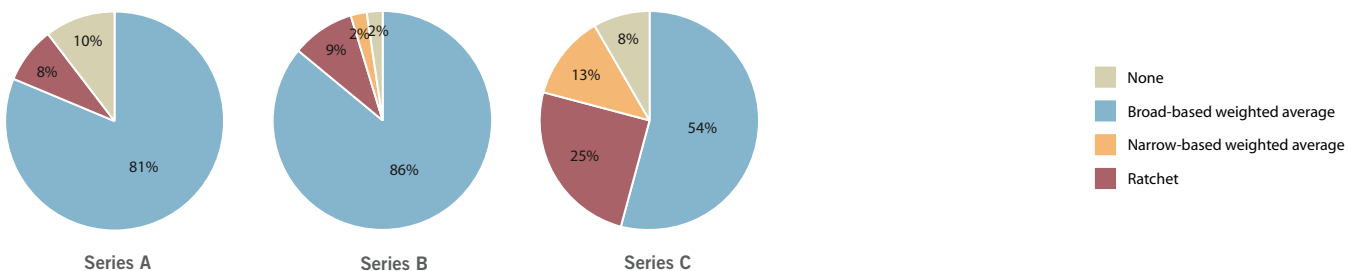
PERCENTAGE OF DEALS WITH DRAG ALONG—By Series This graph shows the percentage of deals utilizing drag along provisions in the first three quarters of 2004, broken down by series. The data shows a consistent use of drag along provisions, in just under one-third of all transactions regardless of the series of financing.



ANTIDILUTION—By Quarter The following charts show the usage of different types of antidilution provisions in deals closed in the first three quarters of 2004. The data confirms a predominate use of broad-based weighted-average anti-dilution provisions.



ANTIDILUTION—By Series The following charts show the usage of different types of antidilution provisions, broken down by series, for deals closed in the first three quarters of 2004. The data indicates a spike in the use of ratchets and narrow-based weighted-average provisions in later stage deals, particularly Series C transactions.



For more information regarding this report, please contact the following Cooley attorneys:

Palo Alto, CA Jim Fulton 650/843-5103	San Diego, CA Tom Coll 858/550-6013	San Francisco, CA Jodie Bourdet 415/693-2054	Broomfield, CO Mike Platt 720/655-4012	Reston, VA Mike Lincoln 703/456-8022
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