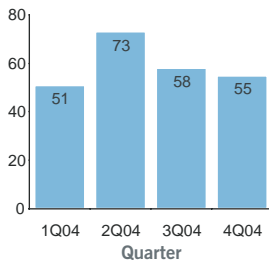


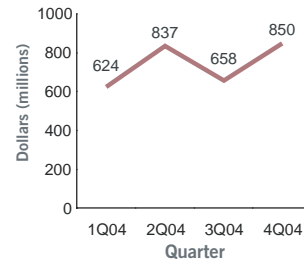
2004 END-OF-YEAR REPORT Private Company Financings

EXECUTIVE SUMMARY We are pleased to present our end-of-year report for 2004 regarding current market deal terms in private company venture capital financings. This installment includes the fourth quarter, which reflects 55 closed transactions resulting in aggregate proceeds to private companies in excess of \$850 million. These fourth quarter results reveal a strong venture market, including a quarter-over-quarter increase in the percentage of up rounds. We hope you find this data helpful when comparing our data to the terms and transactions that you are seeing in the market as a whole.

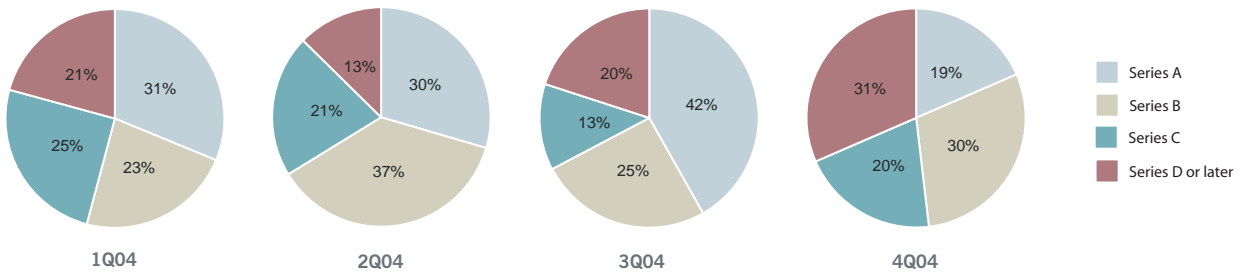
NUMBER OF DEALS CLOSED—By Quarter Cooley's 2004 database reflects 237 venture capital financings closed between January 1 and December 31, 2004.



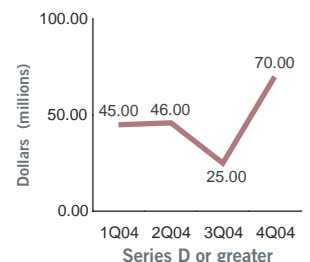
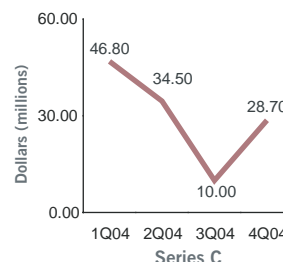
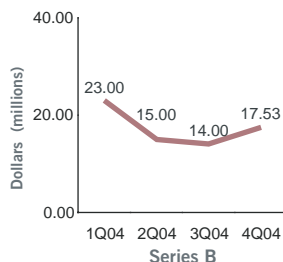
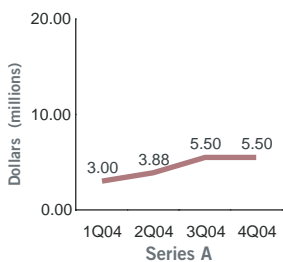
AGGREGATE AMOUNT INVESTED (millions \$)—By Quarter Approximately \$3 billion was invested between January 1 and December 31, 2004. Investment amounts were particularly high in the fourth quarter.



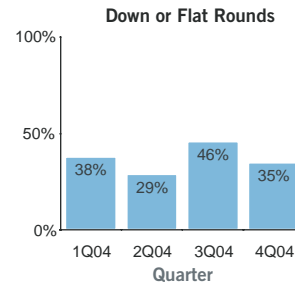
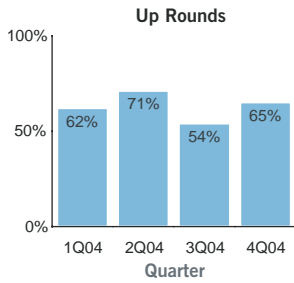
DEAL BREAKDOWN—By Series The transactions covered by this report involved private companies at all stages of development. The majority of transactions in the first three quarters of the year were early stage companies raising their first or second round, while the fourth quarter saw an increase in later stage rounds as a percentage of total deals.



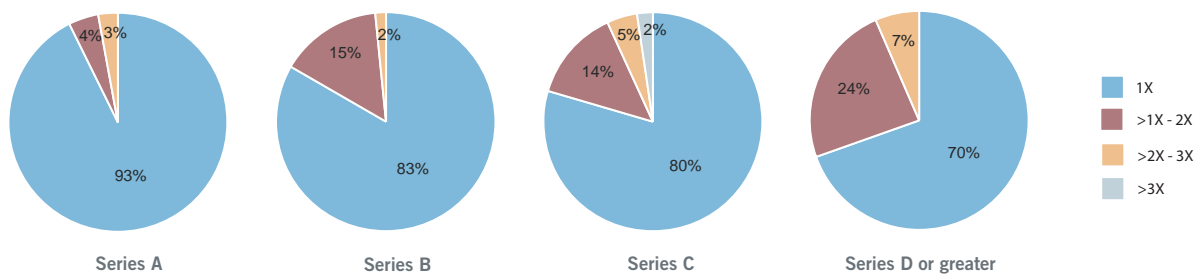
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series The fourth quarter saw a dramatic increase in valuations for later stage companies, while valuations were flat to slightly up for early stage ventures.



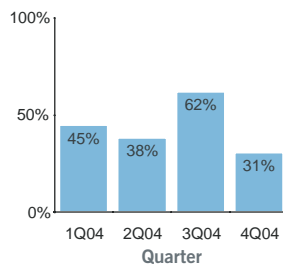
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS Although the fourth quarter 2004 saw an increase in valuations for subsequent rounds of financings, down rounds still comprise a meaningful number of deals each quarter.



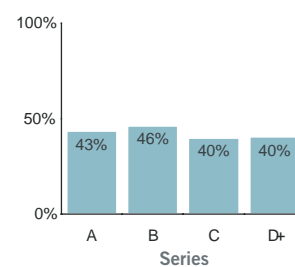
LIQUIDATION PREFERENCES—By Series The following show the liquidation preferences multiples in private company financings. The data continues to confirm the predominance of 1X liquidation preferences, even in later stage deals.



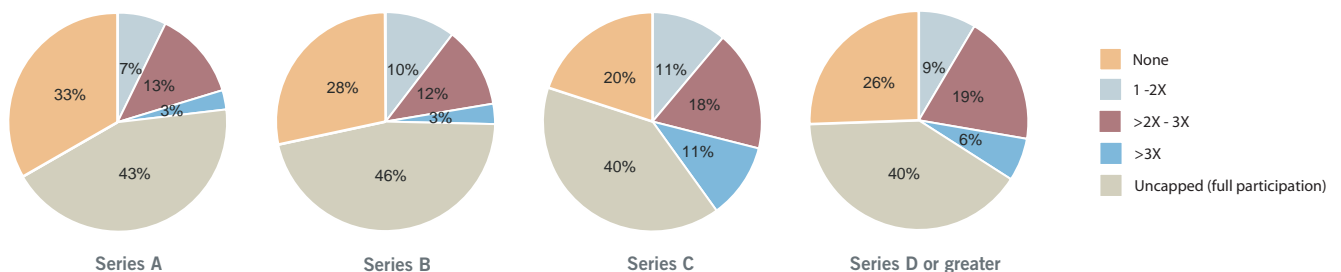
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED —By Quarter The fourth quarter saw a decrease in the percentage of deals with fully participating preferred.



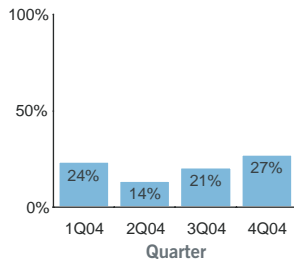
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED —By Series The following shows the percentage of deals, by series, with fully participating preferred provisions.



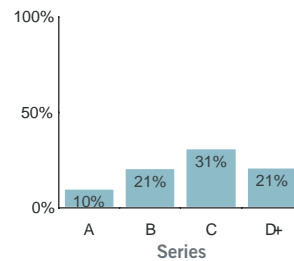
PREFERRED STOCK PARTICIPATION (after payment of liquidation preference) The following shows the prevalence of participation caps in deals closed in 2004.



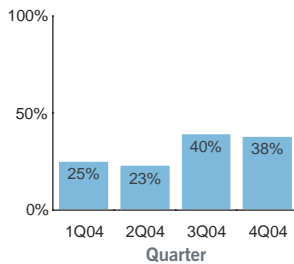
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter The following shows the percentage of all deals that included a pay-to-play feature.



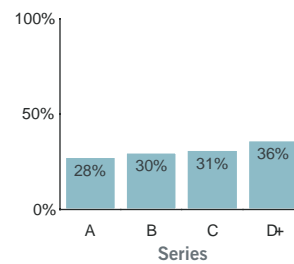
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Series The following shows the percentage of deals closed in 2004 by series of financing, which included pay-to-play provisions.



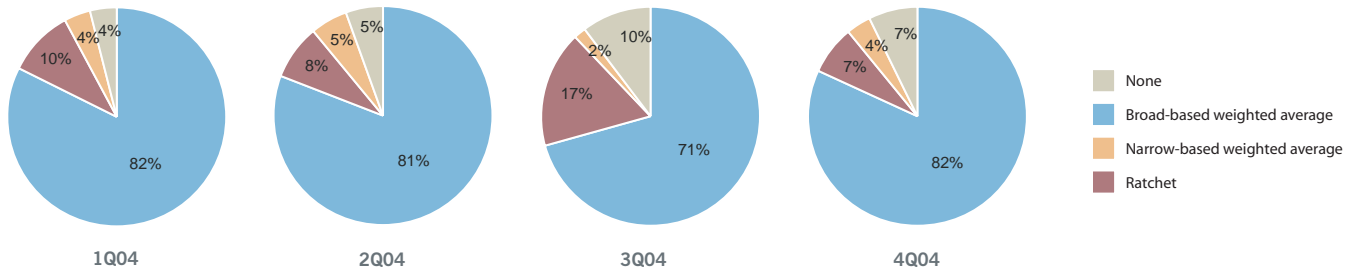
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter This graph shows the percentage of deals containing drag-along rights in 2004 by quarter.



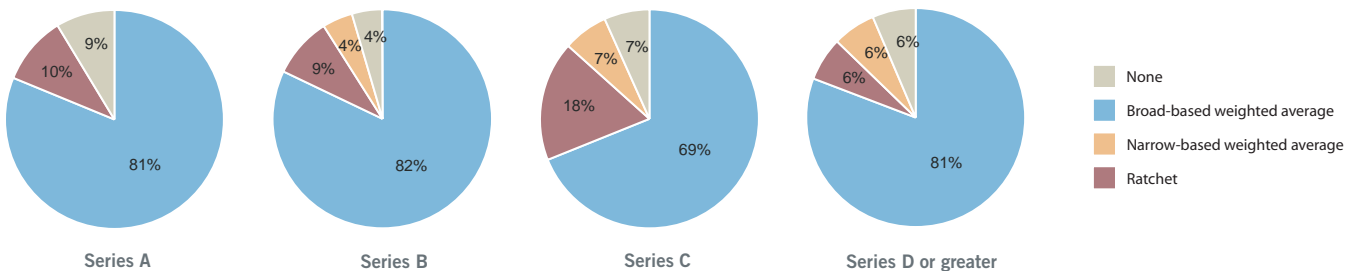
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Series This graph shows the percentage of deals containing drag-along rights by series of financing.



ANTIDILUTION—By Quarter The following shows the usage of different types of antidilution provisions by quarter in deals closed in 2004.



ANTIDILUTION—By Series The following charts show the usage of different types of antidilution provisions by series in deals closed in 2004.



ABOUT THIS REPORT In 1959, Cooley Godward formed the first institutional venture capital limited partnership in the western United States. Since then we have been at the vanguard of private company financings, both as a representative of hundreds of venture capital and private equity partnerships and as counsel to companies and entrepreneurs raising money from the venture capital community. 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 investors in each of the transactions covered in this report.

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