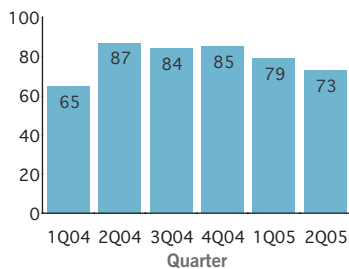


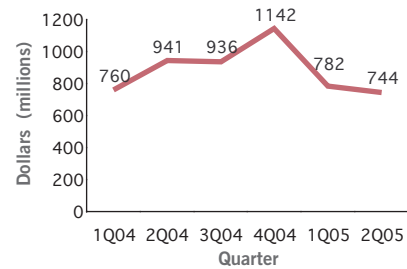
QUARTERLY REPORT Private Company Financings OCT 2005

EXECUTIVE SUMMARY. Cooley is pleased to present our report regarding current market deal terms in private company venture capital financings for the second quarter of 2005. Our second quarter data covers 73 closed transactions, resulting in aggregate proceeds to private companies of approximately \$735 million. This report reveals that the strength of the market that we saw in the first quarter continued through the second quarter of 2005, as reflected in the large number of transactions, large amount of capital raised, and relative consistency of transaction terms with the prior quarter. *This report marks the first in our new format, which will contain six rolling quarters of data and information.*

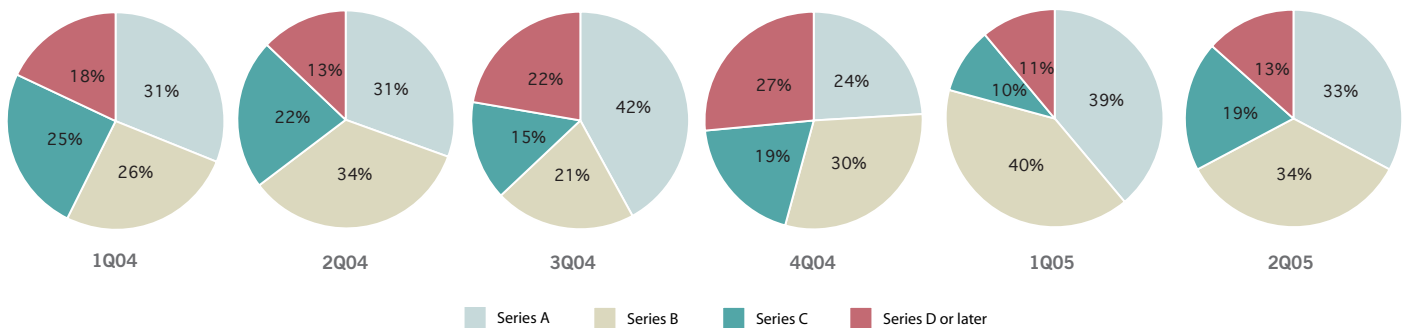
NUMBER OF DEALS CLOSED—By Quarter. Cooley's database reflects 73 closed transactions, roughly consistent with the number of transactions in the first quarter.



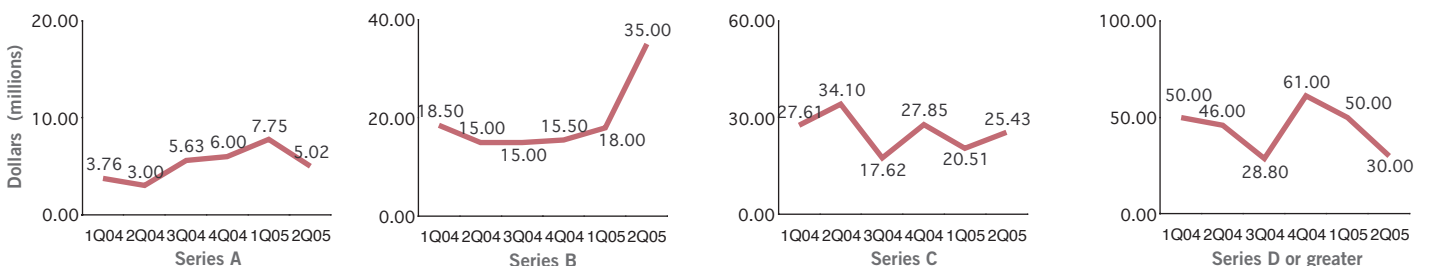
AGGREGATE AMOUNT INVESTED (millions \$)—By Quarter. In excess of \$5 billion was invested in the transactions covered by this report in the six quarters ending with the second quarter of 2005. As with the number of transactions, amounts invested in the second quarter were roughly in line with the amounts invested in the first quarter.



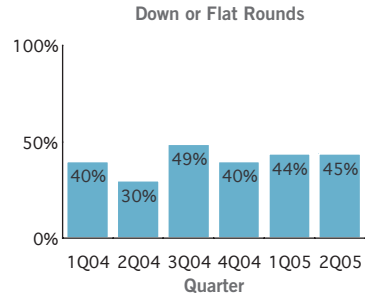
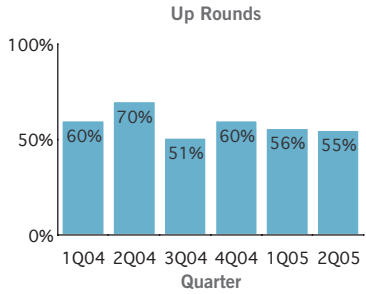
DEAL BREAKDOWN—By Series. The transactions covered by this report involved private companies at all stages of development. Two-thirds of the transactions surveyed were Series A or Series B rounds, indicating continued strength in earlier-stage investing.



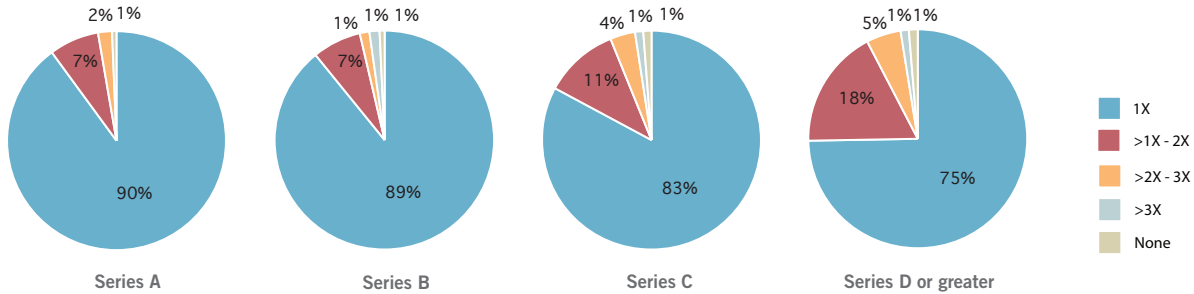
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. Series B and C rounds showed a strong increase in pre-money valuations, while Series A and later stage rounds saw a decrease in valuations.



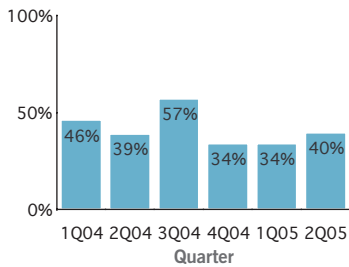
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS. The portion of up versus down or flat rounds remained roughly unchanged, as a slight majority of rounds were at a premium to prior valuations.



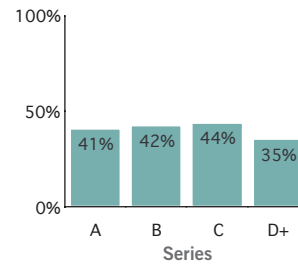
LIQUIDATION PREFERENCES—By Series. The following show the liquidation preference multiples in private company financings. The data continues to suggest that the vast majority of transactions contain a 1x liquidation preference, particularly in earlier stage transactions.



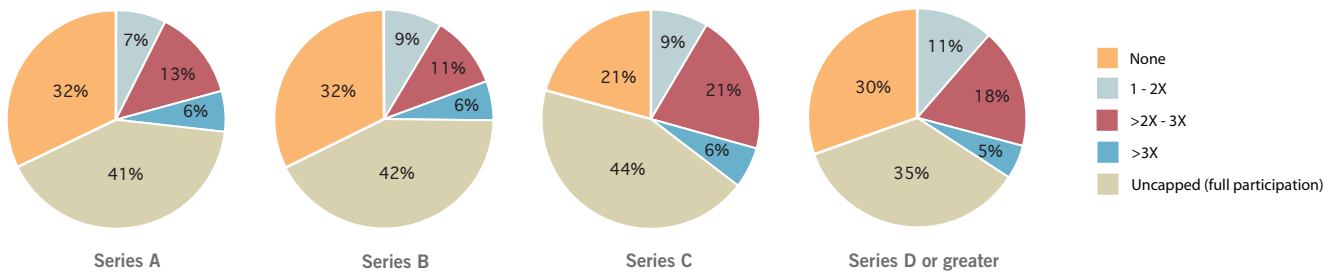
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter. The second quarter saw a slight increase in the number of transactions with fully participating preferred, with substantial equivalence among different stage companies.



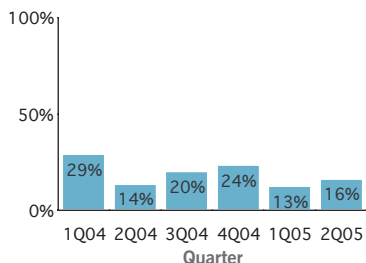
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Series. The following bar graph shows consistency across the stages of financing of fully participating preferred.



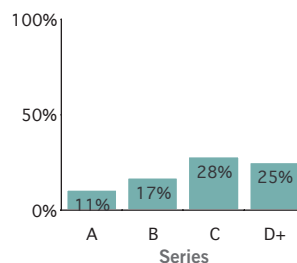
PREFERRED STOCK PARTICIPATION (after payment of liquidation preference). The following shows the prevalence of participation caps at all stages of financing.



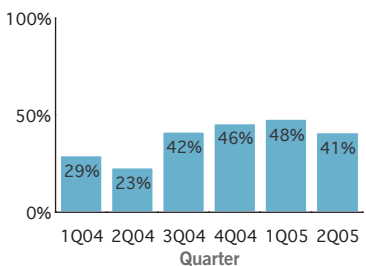
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter. The following shows the percentage of deals that included a pay-to-play feature in each of the last six quarters.



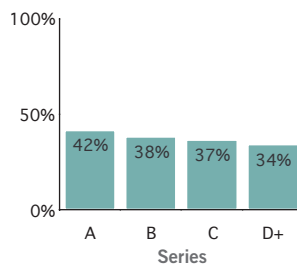
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Series. The following shows the percentage of deals that included a pay-to-play feature at each stage of financing.



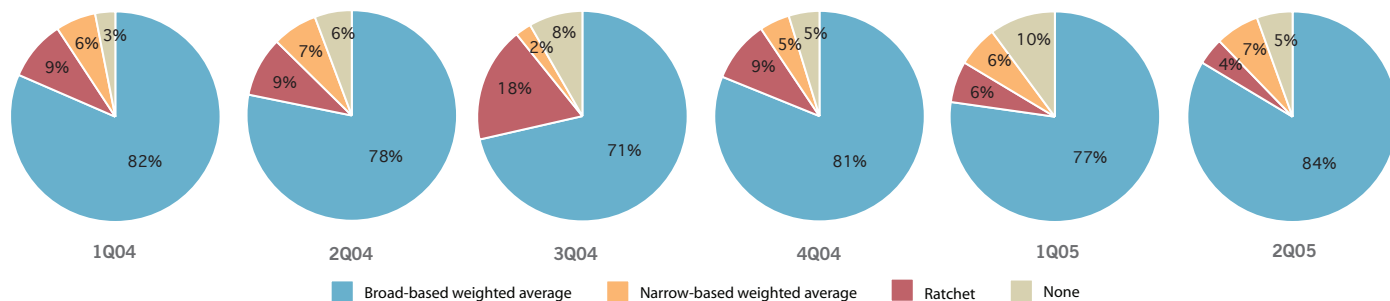
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter. The following shows the percentage of deals that included a drag-along feature in each of the last six quarters.



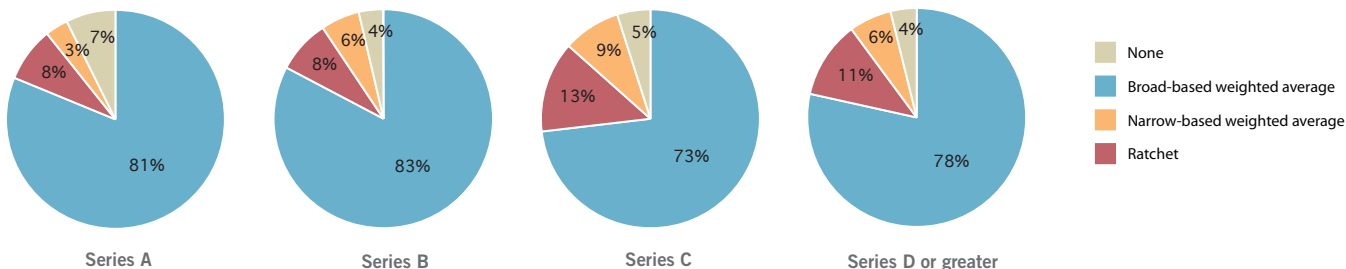
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Series. The following shows the percentage of deals that included a drag-along feature at each stage of financing.



ANTIDILUTION—By Quarter. The following shows the usage of different types of antidilution provisions over the last six quarters. The data reveals the continued dominance of broad-based weighted average antidilution.



ANTIDILUTION—By Series. The following shows the usage of different types of antidilution provisions by series in deals surveyed.



ABOUT COOLEY 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.

ABOUT THIS REPORT Cooley represented either the company or an investor in each of the transactions covered in this report. For more information regarding this report, please contact the Cooley attorneys listed below.

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