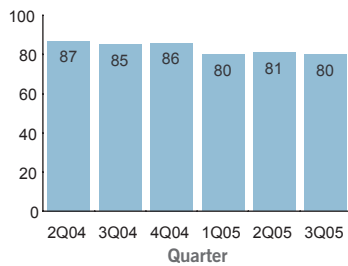


QUARTERLY REPORT Private Company Financings JAN 2006

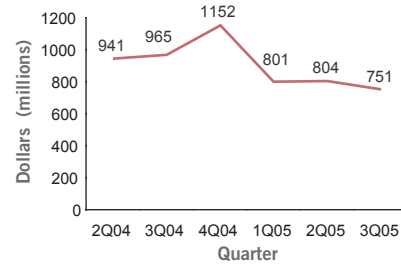
EXECUTIVE SUMMARY. The overall investment climate for privately-held startups remained strong in the third quarter of 2005, continuing the strength that was seen in the first half of the year. According to Cooley Godward's report, covering 80 venture capital transactions that closed in the quarter, early-stage startups continue to attract solid interest from venture capitalists. Companies receiving Series A and B financing accounted for 71% of all deals in the third quarter of 2005, up from just 62% in the same period of 2004. Series A financings alone accounted for 51% of all deals in the most recent quarter. The report also found

that company valuations are continuing to rise when measured against prior financings for the same companies. The percentage of up-round financings rose to 69% in the third quarter of 2005, a significant jump from the previous quarter's 54%. Lastly, the report found that entrepreneurs are striking better deals with investors. Ratchet antidilution provisions accounted for just 5% of all deals in the third quarter, compared to 18% in the same period of 2004. Nearly 10% of all deals in the third quarter of 2005 had no antidilution provision, compared to just 8% in the same period of 2004.

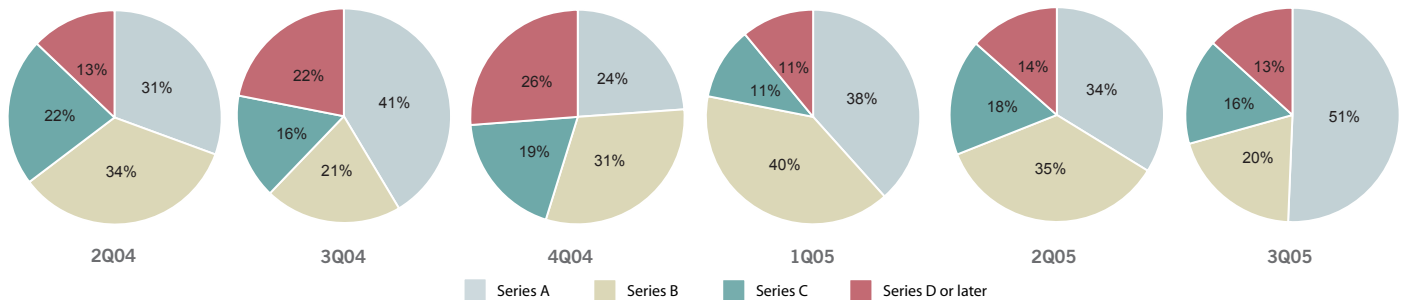
NUMBER OF DEALS CLOSED—By Quarter. The number of closed transactions in the third quarter, 80, remained roughly the same as the number closed in each of the first two quarters of 2005.



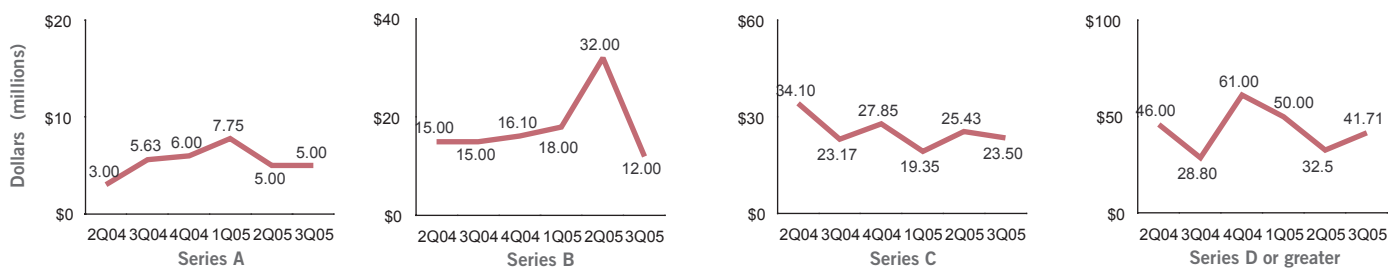
AGGREGATE AMOUNT INVESTED (millions \$)—By Quarter. The aggregate amount of money invested declined slightly in the third quarter to \$751 million. This continues the trend seen throughout 2005 compared to 2004. One of the reasons for the decline is the increased percentage of early-stage deals over later-stage deals (early-stage deals generally involve smaller raises than later-stage deals).



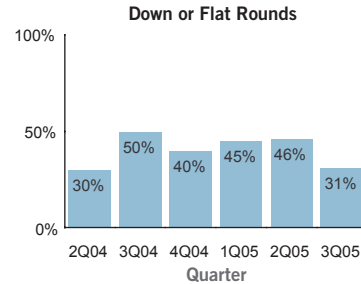
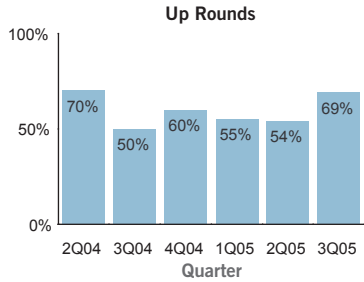
DEAL BREAKDOWN—By Series. Companies receiving early-stage financing (Series A and B) accounted for 71% of all deals in the third quarter of 2005, up from just 62% in the same period of 2004. Series A financings alone accounted for 51% of all deals in the most recent quarter, a far greater percentage than during any period in the last two years. Early-stage financings accounted for 74% of all deals during the first three quarters of 2005, a significant jump from 2004 when early-stage financing accounted for just 60% of all deals.



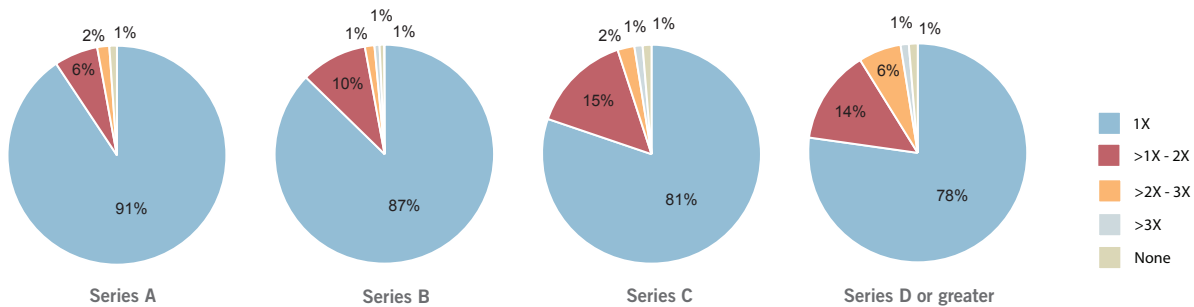
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. The following shows median valuations by series for the last six quarters.



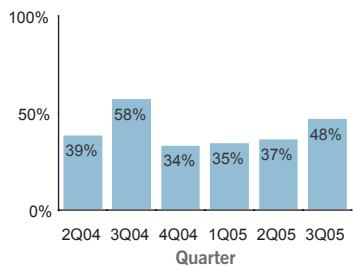
PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS. The percentage of up-round financings rose to 69% in the third quarter of 2005, a significant jump from the previous quarter's 54%. For the first three quarters of 2005 up rounds accounted for well above 50% of all deals, a significant change from the most recent market downturn when down rounds accounted for more than half of all deals.



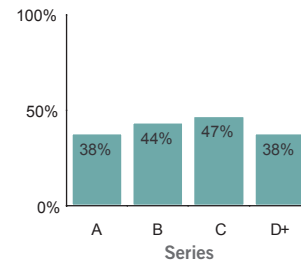
LIQUIDATION PREFERENCES—By Series. The vast majority of all transactions contained a 1X liquidation preference, particularly in early-stage transactions.



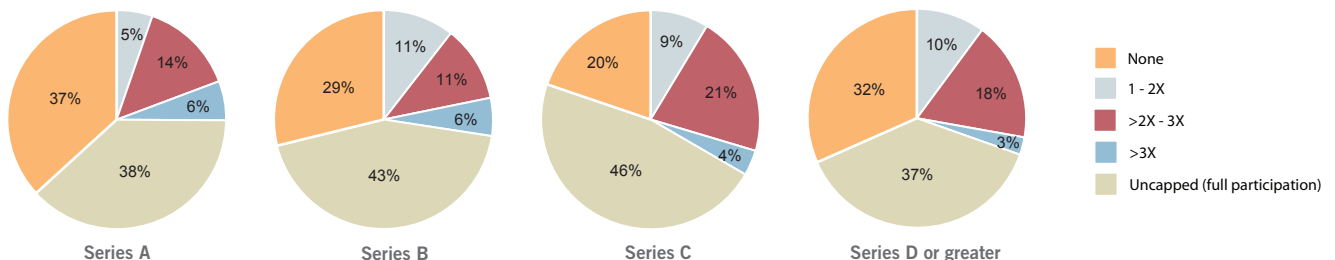
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter. The third quarter saw a continued increase in the percentage of transactions with fully participating preferred.



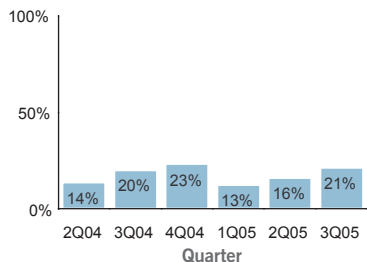
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Series. The following bar graph shows relative consistency across the stages of financing of fully participating preferred.



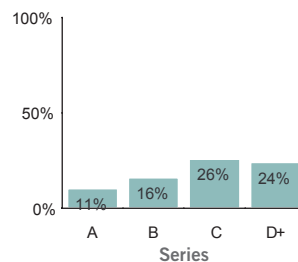
PREFERRED STOCK PARTICIPATION (after payment of liquidation preference). The following shows the prevalence of various participation caps at all stages of financing.



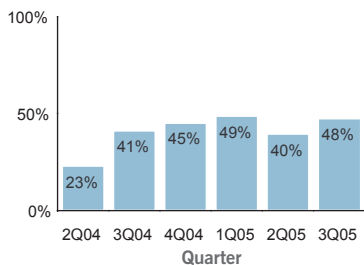
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter. The following shows the percentage of deals that included a pay-to-play feature in each of the last six quarters.



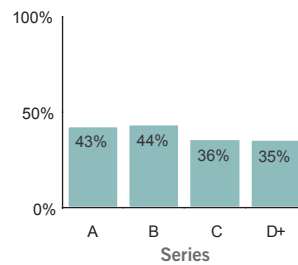
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Series. The following shows the percentage of deals that included a pay-to-play feature at each stage of financing.



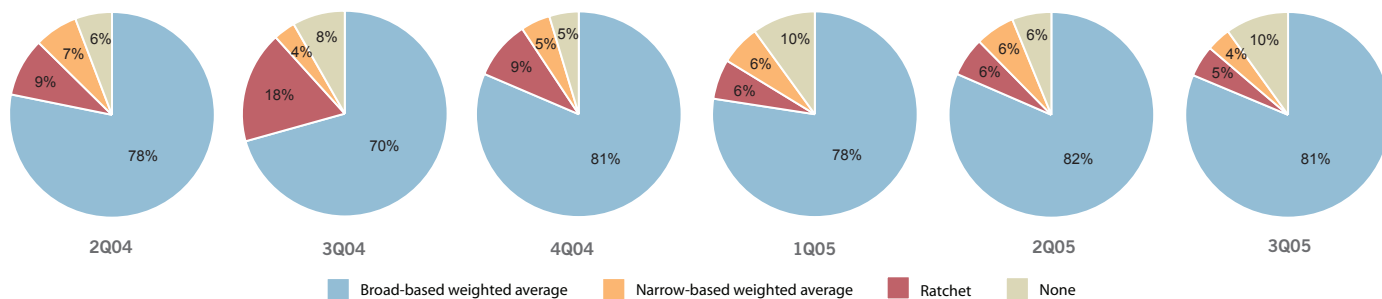
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter. The following shows the percentage of deals that included a drag-along feature in each of the last six quarters.



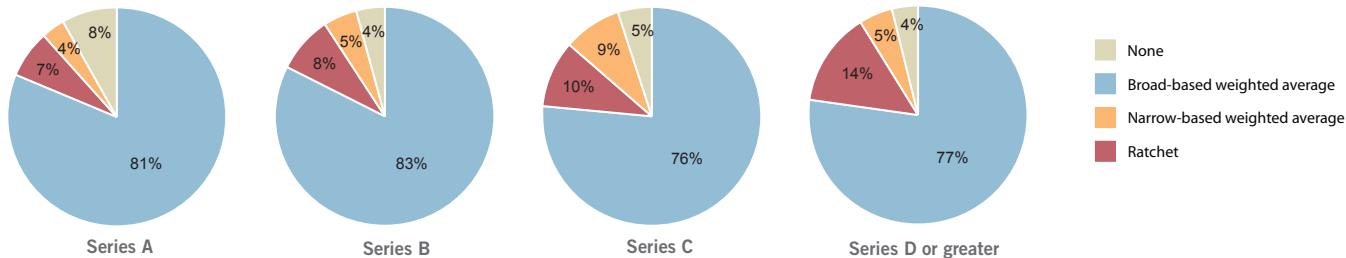
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Series. The following shows the percentage of deals that included a drag-along feature at each stage of financing.



ANTIDILUTION—By Quarter. The following shows the usage of different types of antidilution provisions in each of the last six quarters. Ratchet antidilution provisions accounted for just 5% of all deals in the third quarter, compared to 18% in the same period of 2004.



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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