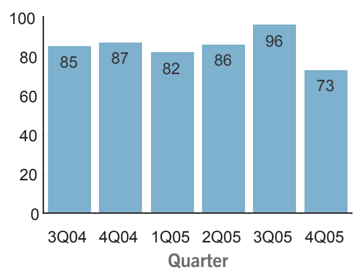
Cooley Godward LLP

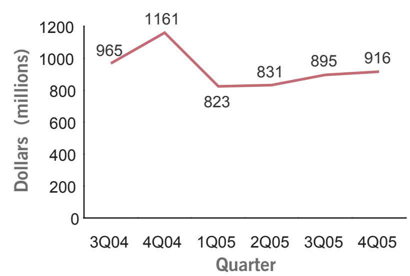
QUARTERLY REPORT Private Company Financings APRIL 2006

EXECUTIVE SUMMARY. The overall investment climate for privately-held startups remained strong in the fourth quarter of 2005, continuing the strength that was seen in the first three quarters of the year. According to our report, covering 73 venture capital transactions that closed in the fourth quarter, company valuations continued to rise at a strong pace. Up-round financings, transactions in which the valuation of a company increased relative to the prior round of financing, accounted for 75% of all deals in the fourth quarter, a significant jump from the 64% reported in the third quarter. In addition, median pre-money valuations of later-stage companies increased in each of the last three quarters of 2005. The report also found that entrepreneurs are striking better deals with investors, as full participation and full ratchet antidilution provisions decreased again in the fourth quarter. Companies receiving later stage financings accounted for a greater percentage of all deals in the fourth quarter, which is consistent with prior year data showing a seasonal decrease in early stage investments around the holidays. For the first three quarters of 2005, however, early-stage financings (Series A and B) were very strong, accounting for an average 74% of all deals.

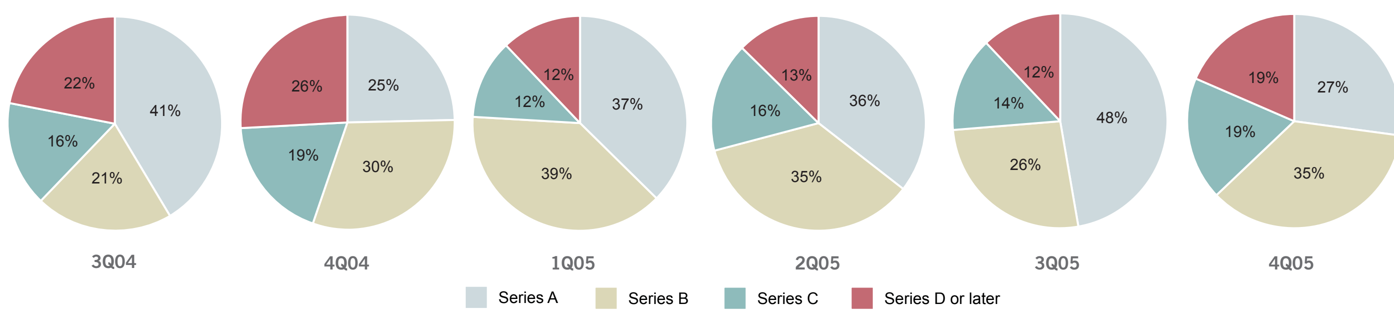
NUMBER OF DEALS CLOSED—By Quarter. The number of closed transactions in the fourth quarter, 73, was less than the number of closed transactions in any of the first three quarters of 2005. The falloff was due principally to a decline in Series A financings in the fourth quarter.



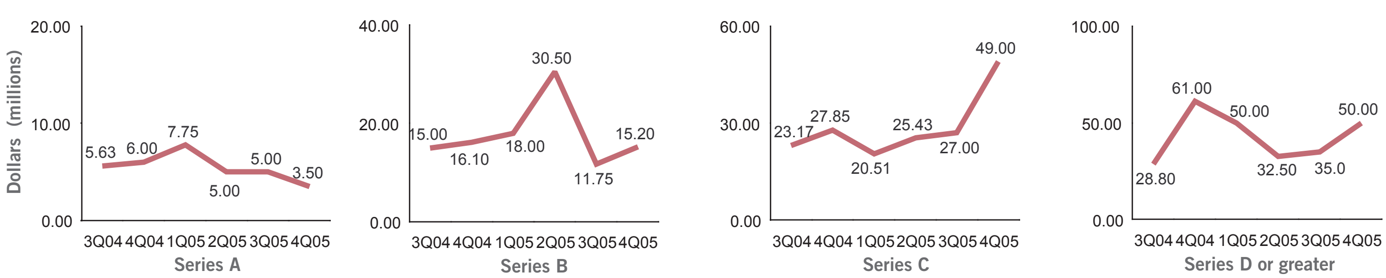
AGGREGATE AMOUNT INVESTED (millions $)—By Quarter. The aggregate amount of money invested rose slightly in the fourth quarter to $916 million. After a significant drop in the first quarter of 2005, from $1.161 billion to $823 million, the amount of money invested in each successive quarter of 2005 has increased.



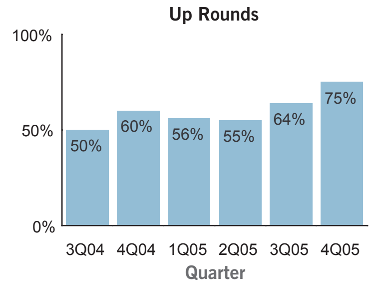
DEAL BREAKDOWN—By Series. Companies receiving early-stage financings (Series A and B) in the fourth quarter accounted for 62% of all deals, down from 74% in the third quarter. Series A financing was off significantly, totaling just 27% of all deals in the fourth quarter, compared to 48% in the third quarter. The decline in Series A deals is consistent with prior years and likely represents a seasonal slowdown in early stage investing associated with the winter holidays.

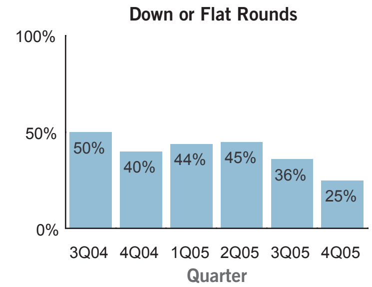


MEDIAN PRE-MONEY VALUATION (millions $)—By Series. Pre-money valuations of later-stage companies (Series C, D, and greater) moved up strongly during the last three quarters of 2005, indicating that the market for privately-held startups continued to strengthen.

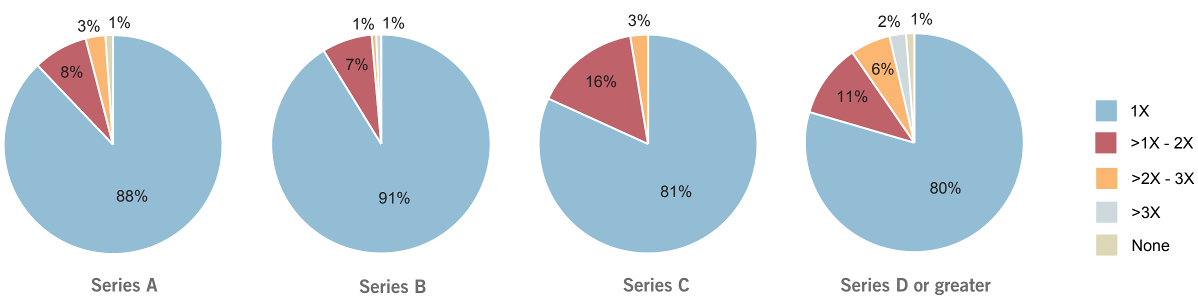


PERCENTAGE OF UP ROUNDS vs. DOWN OR FLAT ROUNDS. The percentage of up-round financings rose to 75% of all deals in the fourth quarter of 2005, a big jump from the third quarter's 64%, and the second quarter's 55%. For all of 2005, up rounds accounted for well above 50% of all deals, a significant change from several years ago when down rounds accounted for more than half of all deals.



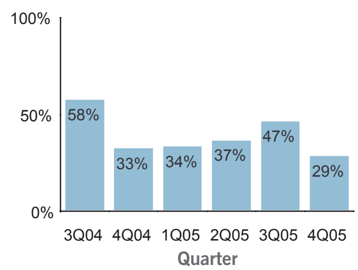


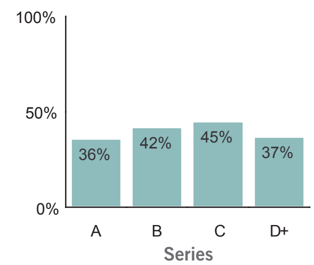
LIQUIDATION PREFERENCES—By Series. The vast majority of all transactions contained a 1X liquidation preference across all stages of financings.



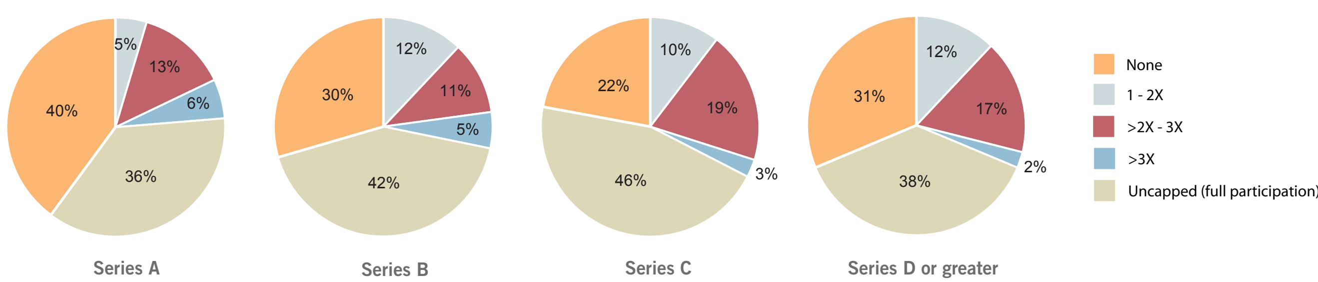
PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Quarter. The fourth quarter saw a significant drop in the percentage of transactions with fully participating preferred, indicating the stronger bargaining position of portfolio companies.

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.

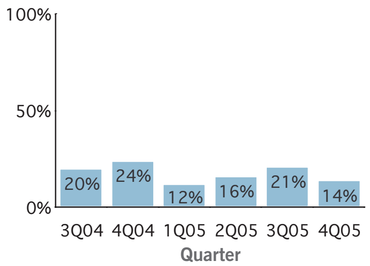




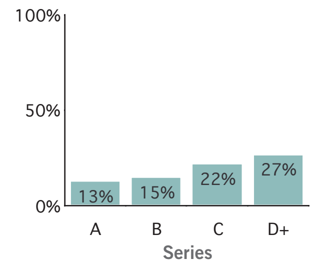
PREFERRED STOCK PARTICIPATION (after payment of liquidation preference). The following shows the prevalence of various participation caps at all stages of financing.



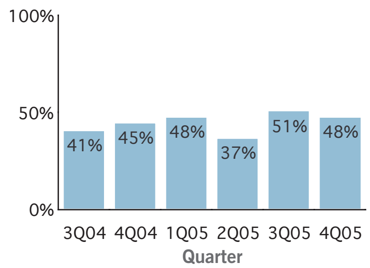
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Quarter. The following shows the percentage of deals that included a pay-to-play feature in each of the last six quarters. Pay-to-play continues to play a role in a small percentage of transactions.



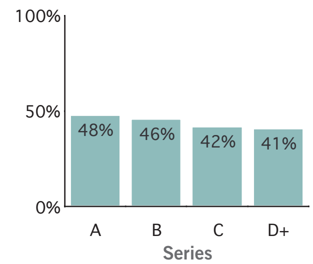
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Series. The following shows the percentage of deals that included a pay-to-play feature at each stage of financing, with an increase in use towards the later stages of financing.



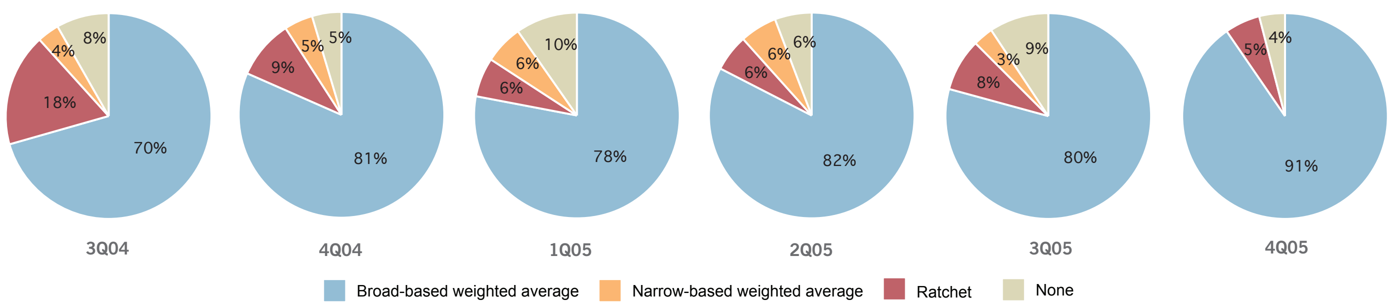
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Quarter. The following shows the percentage of deals that included a drag-along feature in each of the last six quarters.



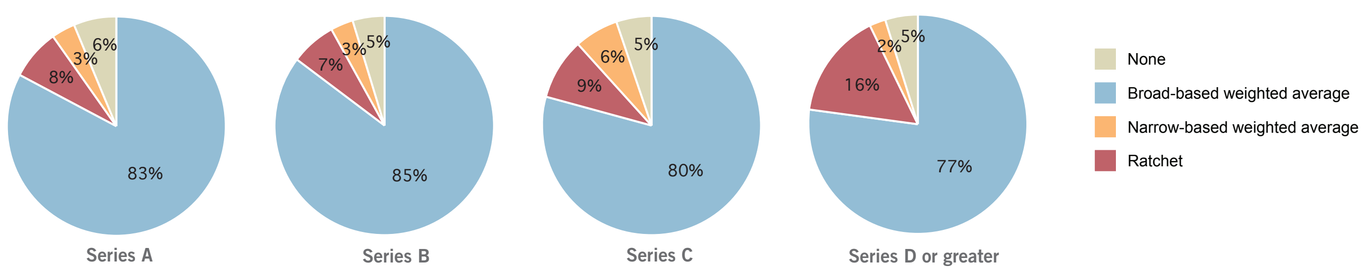
PERCENTAGE OF DEALS WITH DRAG-ALONG—By Series. The following shows the percentage of deals that included a drag-along feature at each stage of financing.



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 fourth quarter while broad-based weighted average remained the market standard.



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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