

"Heidi has always done what is good for the company, and when we do well, like we have been the whole way, she's let us run with it. She's been there ready and waiting for what we ask her to do. We try to only ask her to do things that are fast and right up her alley and don't waste her time on things she shouldn't be doing."

GROWING THE COMPANY

Through the fall and winter the company continued to beat expectations relative to its milestones in terms of technology development, product development, partnerships, and growth. The founders and the Softbank team had planned for rapid growth and had put in place the infrastructure to enable it. From the hiring of the first employee, the issues of scale were addressed. The company's first hires were aimed at helping the company to grow rapidly while allowing the founders to focus on critical business and technical issues. The company's first hire was the Director of Human Resources, Dani Aggar. Medrano explained,

"We felt that if we intended to build a real company and grow quickly, we needed to be able to hire a large number of people and not have us spending all our time on that. We also needed someone to figure out how to pay everyone and set up benefits and other policies. The same goes for IT. We quickly hired the director of IT to set up the office, the network, our servers, and make sure all that ran smoothly. The last thing you want in a technology company is to have your CTO configuring laptops. By putting the infrastructure in place early we really facilitated our growth."

The topic of replacing the founders as the company grew had come up on a fairly regular basis in discussions among the founders. George, John and Tony wanted to ensure that the company had the right management as the company grew and had asked Roizen when would be the right time to find replacements. Roizen's response had been that if and when the time came that the job exceeded the founders' capabilities then the company could start a search for executive management. However, as long as the founders continued to excel as they had, Softbank was in favor of leaving the founding team in place. Roizen explained, "The only way to really get good entrepreneurs is to let them grow. We want to build leaders that we can find in their next businesses too, knowing that those businesses will even bigger and better because of the skills the entrepreneurs have developed."

PARTNERSHIPS

The DoDots team felt their technology would be valuable to just about any company that delivered content on the Internet. It would be especially valuable to those companies that benefited from frequent or constant contact with their users or that provided timely information that might be useful while users worked in other applications. Examples included calendars, news, and applications such as a dictionary dot that could be open alongside a word processor to allow users to quickly look up a word as they worked.

Softbank had been critical in helping DoDots to arrange its many of first partnerships with Internet content companies. In November 1999, SOFTBANK held its Annual Forum to give member companies a formal opportunity to meet and develop cross relationships within the portfolio. While most companies presented in a trade show format, DoDots, which was still in stealth mode, did not present on the floor. Roizen and Hartigan arranged for a separate room for DoDots to use and brought potential partner companies to meet with them privately. At the end of the forum, several companies had expressed strong interests in partnering with DoDots.

Softbank had also recently opened an incubator, termed the "Hotbank." Although DoDots was not located in the incubator, they took advantage of many of its benefits. Hotbank, located on the lower level of Softbank's new Mountain View offices, offered many of Softbank's seed-stage companies assistance with infrastructure items, outfitted office space provided at cost and perhaps most importantly incubated businesses had extensive informal access to their VCs because their offices were all housed in the same building. Business development and interaction between the companies was fueled by the shared spaces and resulting familiarity amongst the portfolio. DoDots team members would make regular visits to Hotbank to formally and informally interact with several of the companies that were a good fit with the DoDots platform.

By the end of December, as the beta version of the Dotz client neared completion, the company began finalizing its first strategic partnerships. Three of its first partners: AnyDay, ZDnet, and PhotoPoint, all Softbank portfolio companies, had been introduced to DoDots through the efforts of Roizen and Hartigan. By April 2000, the number of partners inside and outside of SOFTBANK was 15 and growing.

RAISING THE SECOND ROUND

In February, by just about any measure, the company was "hot", even relative to other Internet companies that were raising a great wave of investor interest that was pushing valuations and public offerings to new levels. Several private investors had expressed interest in the Company. DoDots partners and users were also pleased with the performance of the product. For the companies that distributed content via dots, duration and frequency, two key measures, were significantly higher in comparison to browser based page views. Duration, a measure of how long a customer would keep the window open was up on average by over 1800% when compared with browser based page views. In addition several dots linked to the sites themselves and resulted in increased traffic to the sites. Because DoDots provided both a distribution platform and a packaging technology as well as links and a subscription service, the company benefited from multiple revenue streams from its partners. Revenue had also exceeded expectations as the number of users and their use of the Dots grew ahead of expectations. Underlying all the performance based value were the company's numerous proprietary patented technologies that had significant value in themselves.

In mid February, the executive team made a presentation to the SPVC partners, as a "warm-up" for the presentations that they would be making to potential financiers over the next month. This marked the first time that some of the Softbank partners had met the team in person. In the presentation, the company showed its progress to date and discussed the plans for the future. When the question of valuation came up, Medrano stated that under a conservative revenue scenario, they felt the company was worth \$150 million pre-money, however if things really went the way the company expected on revenues, growth, and expected partnerships, the company could be worth \$300 million pre-money. If so, the Company could raise enough capital at that valuation to allow it to grow even faster, pursue the acquisition of strategic targets and take it to an IPO. Not knowing what reaction to expect by proposing such a high valuation, he was somewhat surprised when the partners, although noting that \$500 million pre seemed on the high side, encouraged the team to get a great investor at what the market would offer. Following the presentation, the partners applauded. Roizen indicated that Softbank would follow with their pro-rata (33% of the round) at whatever valuation the lead investor and the company determined.

Medrano described the effect that the meeting had on the company,

"The Softbank partners, were amazingly supportive. After our presentation in February, they started introducing us to all their portfolio companies, even more so than they had before. They began advocating us to the press. They helped establish other business development relationships. Really all of Softbank kind of came by and said, 'Wow, this is a great company. We're all really going to get behind you and do whatever we can to help leverage you guys in our companies. That was a great experience."

Within a week of starting to pursue additional funding the team had met with several investors including Kleiner Perkins Caufield and Byers, Technology Crossover Ventures, Bowman Capital, and Chase H&Q.

CHASE H&Q:

Following two meetings with Chase in San Francisco, a group of Chase partners went to the DoDots office on March 10, 2000 for further discussions. Charlie Walker, a partner that had recently joined Chase as a part of the merger with Hambrecht and Quist led the group. Walker didn't mind votes. The company was very attractive to Chase, however the business model was new and there was significant risk. There were not comparables on to base a valuation and if Chase was going to invest, DoDots was going to have to agree to numerous terms which protected Chase in a number of scenarios. Medrano described the discussion,

"Charlie has a very strong style, very much what I would call 'Chicago banker'. It was a far cry from our initial discussions with Softbank, but these stakes were also a lot higher. Before the meeting, I had pretty good idea of what to expect in the discussion so I made sure that as a management team, George, John, some of our other senior people and I discussed the various scenarios that we would accept so that I could comfortably speak for the team in the negotiations. For example, Walker wanted downside protection for his investment, including a full ratchet, which meant the risk to founders losing control and equity in the case of financial difficulties was much higher. We would only agree to that with some limits and a high valuation."

The discussion was heated with Medrano and Walker going head to head on a number of issues. By the end of the four-hour meeting, the parties had agreed to a set of terms (see Exhibit 10) and a pre-money valuation of \$275 million. Chase along with its affiliate, Access Technology Partners, would invest \$25 million of a total round of near \$60 million. Walker put the terms on the table and told the management team, "This is a one time deal, either you agree to the terms now and sign the term sheet, or we pull it off the table. I can barely justify this type of valuation." After a five minute private meeting of the management team with Medrano briefly explaining the implications and confirming George and John's consensus, Medrano agreed to the terms. The term sheet, while non-binding would be the basis for the much more detailed closing documents that Chase's lawyers would put together over the coming weeks.

That same day, March 10, 2000 marked a peak of the NASDAQ index. The following weeks saw precipitous drops in the market indices with Internet stocks leading the fall. Tony began receiving indications, directly and indirectly that many of the Chase partners were uncomfortable with the deal as negotiated.

Through this period, Roizen was fully behind the company. Medrano recalled, "Heidi was very supportive and was trying to help us close the round. She would be on the phone with Chase saying, 'you guys need to do this deal, this is great, here are some things they've done, here's more people to talk to and more references.'"

In early April as the market continued its slide, Walker called saying that Chase had decided to not invest \$25 million but would put in \$20 million if Softbank would also contribute the same. Roizen approached her partners with the offer, Softbank's pro rata was 33% and Roizen had discussed with the company several times that Softbank didn't want to take much more than that because it wasn't good for the company to have too much of a share. However, still realizing that the deal was great for the company, Roizen and her partners agreed to put in \$20 million of that would convince Chase to close the deal. Softbank even agreed to terms that would give Series B shares better liquidation preference than Series A shares. Meanwhile, the team continued to talk to potential third investors. Several potential investors were interested in the company, but not at the price. Others were watching the market and still no closed deal, he started to get concerned.

In the meantime, the market continued to slide and the deal still hadn't made much progress. Keeping a close eye on the company's cash, Medrano became frustrated with the delays. They had started the fundraising process with 3 months of cash in the bank. But as of mid-April with a month and a half almost gone, 80 people on the payroll and still no closed deal, he started to get concerned.

"Fortunately, we had been conservative in how much time it would take to close the round, so we weren't in immediate trouble, but we weren't exactly comfortable. Several other company's with less cash reserve, suffering from the same market jitters in the investment community were having to take bridge loans at very unfavorable terms, 50% warrant coverage and the like, other were planning for fire sales. That was not a position that I wanted this company to be in. Theoretically we might have been able to convince some of the potential investors that we spoke with to come in at a lower price, but with a term sheet sitting on the table at 275, we didn't want to shoot ourselves in the foot by taking less unless it became necessary. Besides, we were, admittedly fixated on the valuation that Chase had given us, and we desperately wanted to close that deal!"

On April 17th, Medrano received a call from Roizen breaking the news that Chase had decided to pass on the deal. "They thought it would be a good idea if I talked to you first", she said, "Talk to them and listen to what they have to say. Then let's see what else we can put together. I have no doubts that this company is a going concern. We're not going to let it run out of money."

Chase offered to renegotiate and possibly lead the round. The company, still wanting a well known investor, but cautious of putting all the company's eggs in one basket began pursuing other options, including re-approaching some of the investors that had expressed interest but didn't like the price. With the previous deal off, the price was back on the table. Medrano found that several investors were interested, but after seeing the lead pull out, and with the market continuing to fall, many had adopted a wait and see attitude.

One potential investor had been interested in the company for several months. Jon Stansberg, a Stanford GSB alumna and ex-Microsoft executive who ran Stansberg Venture Capital, a small VC fund out of Seattle, had wanted to invest in the company the previous autumn when he found out about DoDots through an introduction from Roizen. Roizen had felt Stansberg's connections and location made him potentially a strategically attractive investor for DoDots. Stansberg's fund had investments in a broad portfolio of companies, in which he often took an advisory role. The fund typically made smaller investments as a follow-on investor with some of its investments date over \$1 million. Following several rounds of discussions, On May 2, Stansberg offered to invest \$3 million and lead the round at a \$125 million pre-money valuation. Medrano knew that having a small investor who was not very well known in the valley lead a deal with a relatively small investment was a risky strategy, but the company needed cash, and if it happened quickly the company would also avoid the additional dilution caused by repricing of Western Technologies' warrants.

The lead investor generally sets the terms, sets the valuation for the company, puts in the largest investment, and often takes a seat on the Company's Board of Directors. In this case, Stansberg would set the terms and valuation, but would not take a Board seat nor, if all went well, be making the largest investment.

Medrano took a moment to think about the current situation as well as the future of the Company. Medrano strongly believed the Company had a great future. He knew that the decisions that they made now would have long reaching implications. Two months before, when the Company started to raise this round of financing, everything had seemed to proceed to plan and the Company's options looked great. Now, a huge portion of the valuation had disappeared, the Company was scrambling to get money, and the Company had pretty limited short-term options. Should the Company try to close the round with Stansberg as the lead investor? Medrano wondered if other investors would follow and what the impact would be on future rounds. The company was rushing to close the deal to avoid the repricing of the Western Technology warrants on May 15th. In the grand scheme of things, Medrano wondered if that was worth it. Regardless, the company still needed cash or at least would in a couple of weeks. If not Stansberg, should the Company take the bridge loan and hope to attract other investors or did having Softbank lead with an equity investment make sense?

EXHIBIT 1 - NASDAQ COMPOSITE INDEX MAY 1999 TO MAY 2000

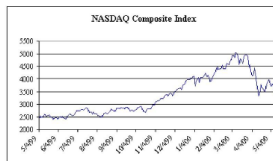
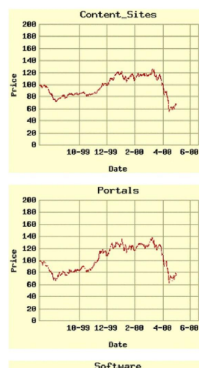


EXHIBIT 2 - INTERNET SECTORS INDICES



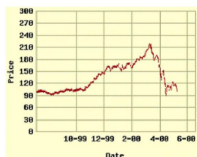


EXHIBIT 3 - DO DOTS CASH FLOW AND INCOME STATEMENT

DoDots, Inc.

Income statement

Month of March 2000

	Actual \$100	Forecast \$100	Variance \$100	%
Revenue	-	1	(1)	-100%
Cost of service	-	-	-	0%
Gross profit	-	1	(1)	-100%
Operating expenses:				
Product development	(80)	(40)	(200)	60%
Sales and marketing	(20)	(40)	17	-10%
General and administrative	(20)	(20)	0	0%
Total operating expenses	(120)	(100)	12	-1%
Operating loss	(120)	(100)	12	-1%
Interest income	1	0	(1)	-100%
Interest expense	(2)	(40)	38	-95%
Net loss	(121)	(140)	19	-1%

The overall loss is near budgeted levels. Product development expenses are larger than planned primarily as a result of call center start up costs and an increase in allocated depreciation expense.

Sales and marketing expenses are lower than forecast primarily as a result of headcount being less than planned. General and administrative expenses are lower than forecast due to personnel development having a larger proportion of depreciation expense than originally planned.

Cash flow statement

Month of March 2000

	Actual \$100	Forecast \$100	Variance \$100	%
Cash flow from operating activities				
Net profit/loss	(121)	(140)	19	-1%
Adjustments to net profit/loss:				
Depreciation and amortization	12	0	12	100%
Change in receivables	(10)	0	(10)	-100%
Change in accounts payable	10	0	10	100%
Change in prepaid expenses	(1)	0	(1)	-100%
Net cash used in operating activities	(109)	(140)	31	-2%
Cash flow from investing activities				
Purchase of computer and equipment	(40)	(30)	10	-30%
Net cash used in investing activities	(40)	(30)	10	-30%
Cash flow from financing activities				
Proceeds from issuance of common shares	4	0	4	100%
Proceeds from capital lease financing	118	115	3	3%
Proceeds from other financing	128	120	8	7%
Repayment of principal on capital lease	(20)	(20)	0	0%
Net cash provided by financing activities	229	120	109	91%
Net movement in cash and cash equivalents	180	(90)	270	300%
Cash and cash equivalents at beginning of period	100	100	0	0%
Cash and cash equivalents at end of period	280	10	270	2700%

Overall cash flow is approximately \$100 greater than expected. This is largely a result of the \$100 increase in cash flow from financing activities. The net cash provided by financing activities is \$229, which is \$129 greater than expected. This is primarily due to the \$128 in proceeds from other financing activities, which is \$28 greater than expected. The net cash used in operating activities is \$109, which is \$31 greater than expected. This is primarily due to the \$12 increase in depreciation and amortization, which is \$12 greater than expected. The net cash used in investing activities is \$40, which is \$10 greater than expected. This is primarily due to the \$10 increase in the purchase of computer and equipment, which is \$10 greater than expected.

EXHIBIT 4 - SAMPLE TERMS OF SOFTBANK BRIDGE LOAN

SOFTBANK TECHNOLOGY VENTURES V.L.P. Summary of Terms for Proposed Bridge Loan (SAMPLE) April 30, 2000

Borrower:	Sample
Investor(s):	SOFTBANK Technology Ventures V.L.P.; Outside Lender
Principal Amount of Loan:	An aggregate of \$X million (the "Principal Amount"). The individual investment amounts for each Investor is as follows: Softbank \$ X,XXX,XXX Outside Lender \$ X,XXX,XXX
Interest / Payment	Interest shall accrue on the outstanding Principal Amount at a rate of 8% per annum, simple interest ("Interest"). The outstanding Principal Amount and any accrued and unpaid Interest shall become due and payable on demand at any time on or after July 30th, 2000, unless this loan is converted pursuant to the terms of the loan.
Conversion	Upon completion of the Company's issuance and sale of Series C Preferred Stock (the "Series C Financing") of gross proceeds of at least \$XX,XXX,XXX, the outstanding Principal Amount and accrued and unpaid Interest shall automatically convert into shares of such Series C Preferred Stock at the price paid by the investors in the Series C Financing (the "Series C Price"). The Series C shares to be issued upon conversion of this loan shall be entitled to the same rights and subject to the same obligations provided in the purchase agreement and related documents entered into with investors with respect to the Series C Financing.
Warrant Coverage:	Each Investor shall be entitled to convert its full share of the outstanding Principal Amount plus accrued and unpaid Interest as provided above regardless of its pro rata rights in the Series C Financing. The Investors shall receive warrants to purchase shares of Series C Preferred Stock at the Series C Price in a number equivalent to twenty five percent (25%) of the Principal Amount divided by the price of the Series C Financing. If by July 30th, the Series C Financing, of gross proceeds of at least \$XX,XXX,XXX, is not closed then the warrant coverage for the Investors will increase to a number equivalent to five percent (5%) of the Principal Amount divided by the price of the Series C financing every 30 days. In the event the Series C Financing does not occur by September 30th, 2000, at the Investors' election, the above warrants shall be issued at the price of the Series B financing in a number equivalent to twenty five percent (25%) of the Principal Amount divided by the price of the Series B financing.
Legal Fees & Expenses	The Company shall bear its own fees and expenses and shall pay the reasonable fees and expenses of Investor Counsel.
Acknowledged and agreed:	
SOFTBANK TECHNOLOGY VENTURES V.L.P.	SAMPLE CO
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

EXHIBIT 5 - FOUNDERS' BIOS

George Kumbel, Chief Executive Officer and Founder

George Kumbel, a DoDots co-founder, has experience starting and managing successful companies, most recently as founder and president of ENGAGE Corporation. The firm attracted numerous Fortune 500 and prestigious clients, including GVO, LeapFrog, and Interval Research. Previously, as a marketing engineer at the Intel Architecture Lab, George worked on new software technology and conducted frequent press, customer and conference briefings. He has received two national awards for excellence in engineering design. George holds a B.S. degree in Mechanical Engineering from Stanford and a M.S.E. degree in Product Design with focus on high-technology marketing and corporate strategy, also from Stanford.

John Kumbel, Chief Technology Officer and Founder

John Kumbel, a DoDots co-founder, was also a founder of ENGAGE Corporation where he served as chief technology officer focused on new technology architecture and development. The company attracted numerous Fortune 500 and prestigious clients, including GVO, LeapFrog, and Interval Research. Previously, John worked as a software engineer at Intel and holds multiple patents assigned to Intel Corporation for software development. He has also served as a Design Engineer at IDEO, where he worked on consumer and technology product development, and as the lead software and database engineer for a Stanford University archaeological J.D.-mapping expedition in the Peruvian Andes. He has received two national awards for excellence in engineering design. John holds a B.S. degree in Mechanical Engineering from Stanford and a M.S.E. degree in Product Design, with focus on embedded software, architecture and protocols, also from Stanford.

Tony Medrano, President and Founder

Tony Medrano, a DoDots co-founder, gained his first experience in the venture finance arena at Cooley Godward LLP, where he worked with numerous entrepreneurs, venture capitalists and investment bankers. Previously, he was an Engineering and Operations Officer in the U.S. Navy, where he was awarded the Navy Achievement Medal for outstanding leadership and management of a 100+ person department. He has also taught physics. Tony holds a B.A. from Harvard, an M.A. from Columbia University and attended the J.D. and M.B.A. programs at Stanford University.

EXHIBIT 6 - SOME DOTS



DO DOTS PARTNERS

AnyDay.com™ - online DayPlanner
BlueLight.com - totally free Internet service
Broad Daylight, Inc. - interactive Q&A content
dDraw.com - relationship advice and chat
eHow™ - how to do just about anything
Epinions.com - unbiased advice to help your buying decisions
GreatRestaurants.com - restaurant reviews and reservations
JumboMail.com - online shopping mall
Kiba - an online world for teen girls
LiveMind - applications for anywhere, anytime e-commerce
Merriam-Webster - online dictionary and thesaurus
mySimon™ - online shopping assistant
Noomedia.com - integrated digital media solutions
PCWorld.com - online resource for PC users
PhotoPoint - make photos accessible to the world
Snapfish - film development and online sharing
StartSampling - free sample products
Work.com - online business portal
ZNet - technology news and information
Zupit.com (formerly i2e2) - computer game community

EXHIBIT 7 - PARTIAL LIST OF SBVC PALUX PORTFOLIO COMPANIES

Alura Technologies, Inc.
Axiom Ltd.
Axiom Inc.
Axiom Technology Group, Inc.
Axiom, Inc. (acquired by Getty Images, Inc.)

Intellect, Inc.
International ThirdLink Corporation (ITC)
InterTrust Technologies Corporation
INVESTTools (acquired by Telecom)
Intuitive World, Inc.

3Print.com
 Legit Knowledge Company
 IBM CICS Systems, Inc.
 MorningMedia, Inc.
 Norcon
 NorPhone, Inc.
 NorPoint Technologies, Inc.
 PayTrust.com
 PEG Systems
 SpicEd, Inc.
 PureNet
 Parnalab, Inc. (acquired by AGL)
 Parnet, Inc.
 Planet, Inc.
 Power Systems, Inc.
 Prin. Inc. formerly Sawmartin, Inc.
 ProCloud, Inc.
 Print Expressions
 ProNet Corporation
 Regnum, Inc. (formerly Rights Express and SOFTWARE'NK Inc Solutions)
 Resonance
 Service Now, Inc.
 ServiceNow.com (formerly Veeva.com)
 Shure Inc.
 Silver Financial, Inc.
 Sirewave.com
 StartStamping
 Support.com
 Tellytics, Inc.
 Teladoc Technologies, Inc.
 Tetherless Networks
 The Body Shop Digital
 Thermo.com, Inc.
 ThinkUp Media, Inc.
 Tivaro.com
 Urban Media
 Ustream
 Ustream-CKS
 Ustream
 Verily, Inc.
 Veeva
 Veeva Extramartex (acquired by Yahoo!)
 Veeva (acquired by Genzyme)

Each Employee will execute a Stock Restriction Agreement providing for the following vesting for each such Initial Employee: 25% vesting on the first anniversary of the Closing Date with the remaining shares vesting on a monthly basis over three (3) years.

Any unvested shares may be repurchased by the Company for cost upon termination of employment for any reason.

The Bylaws of the Company shall contain an assignable right of first refusal, in favor of the Company, with respect to any transfer of Common.

The Initial Employees will each execute a Co-Sale Agreement with the Investors and the Company providing that before any Initial Employee may sell any of his shares, he will first give the Investors an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the Initial Employees and those held by the Investors.

The Company will reserve [] shares of Common (20% of its outstanding capital stock, calculated on an as-if-converted basis following the issuance of the Series A) for issuance to directors, officers, employees and consultants (the "Reserved Shares").

The Reserved Shares will be issued from time to time to directors, officers, employees and consultants of the Company under such management, contracts or plans as are recommended by management and approved by the Board, provided that without the unanimous consent of the Board, (i) the vesting of any such shares (or options therefor) issued to any such person shall not be at a rate in excess of 25% per annum from the date of issuance, and (ii) any issuance of shares in excess of the Reserved Shares will be a dilutive event requiring adjustment of the conversion price as provided above and will be subject to the Investor's first offer right as described above. Holder of Reserved Shares will be required to execute Stock Restrictions Agreements generally as described above.

Each officer, employee and consultant of the Company will enter into a nondisclosure and development agreement as a form reasonably acceptable to the Investors.

The purchase of the Series A Preferred will be made pursuant to a Series A Preferred Stock Purchase Agreement drafted by counsel to the Investors. Such agreement shall contain, among other things, appropriate representations and warranties of the Company, covenants of the Company reflecting the provisions set forth herein and other typical covenants, and appropriate conditions of closing, including, among other things, qualifications of the shares and underlying debt (if any), and no opinion of counsel. Until the Purchase Agreement is signed by both the Company and the Investors, there will not exist any binding obligation of the part of either party to consummate the transaction. This limitation of Terms does not constitute a contractual commitment of the Company to the Investors or an obligation of either party to negotiate with the other.

Each of the Investors shall be entitled to transfer all or part of its share of Series A Preferred purchased by it to one or more affiliated partnerships managed by it or any of their respective directors, officers, or partners, provided such transferees agrees in writing to be subject to the terms of the Stock Purchase Agreement as if it were a purchasee thereto.

The Company shall be incorporated in the State of Delaware.

The Company and the Investors will each bear their own legal expenses with respect to the transaction (except that, assuming a successful completion of the transactions, the Company will pay the legal fees and expenses of Counsel Goodwin LLP, consisting to the Investors).

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Cousley Overland LLP
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3000 El Camino East
Palo Alto, CA
94306-3151

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DoDots, Inc.
Summary of Key Terms for Proposed Private Placement
of Series B Convertible Preferred Stock
March 18, 2000

Issuer:	DoDots, Inc. (the "Company")
Type of Security:	Series B Convertible Preferred Stock ("Series B Preferred")
Amount of Investment:	\$65,000,000 <i>per Johnson</i> \$12 million from Softbank & affiliates \$12.5 million from Chase Capital Partners ("CCP") \$12.5 million from Access Technology Partners ("ATP") \$12.5 million from other new investors
Dividends:	8%, non-cumulative
Pre-money Valuation:	\$27.5 <i>per Johnson</i> \$27.5 million fully diluted by unexercised options
Anti-dilution:	Full ratchet, with customary exceptions <i>8 months</i> <i>now to 120 Full Ratchet</i>
Liquidation Preference:	2.5x or Participation, at holder's option <i>Below 70% weighted A</i>
Right of Redemption:	Redeemable at cost plus accrued dividends on 12/31/04
Board Seat:	Company (2), Softbank (1), ATP/CCP (1), & Industry (1)
Automatic Conversion:	Upon IPO if at 1x cost, plus \$20 million in proceeds
Voting Rights:	On an as converted basis, except for Protective Provisions
Protective Provisions:	Consent of Series B for sale, merger, liquidation, dividends
Registration Rights:	As per industry standard
Right of First Offer:	Pro Rata on up to 50% of each round for Preferred
Employee Stock Option Pool:	Vesting as per Series A term sheet
Information Rights:	Monthly, Quarterly and Annual (audited) financials
Fees and Expenses:	Company to pay for counsel fees and technology review
Conditions to Closing:	Completion of due diligence review Approval of ATP and CCP Investment Committees No Material Adverse Changes to Company's Business Satisfactory Documentation
Not a Firm Commitment:	This term sheet shall not constitute a firm, binding commitment

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GRADUATE SCHOOL OF BUSINESS
STANFORD UNIVERSITY

SEPTEMBER 2001

Do Dots (B) STUDY QUESTIONS

- From an entrepreneur's standpoint, what factors do you consider important in selecting a VC firm. What aspects are desirable in a relationship with a venture capital investor and vice versa. Based on the information presented in the case, under what scenarios might the relationship between Roizen and the team at DoDots cause problems?
- Compare the Company's first round term sheet from Softbank with its original second round term sheet (from Chase). What are the main differences? What rationale could you provide for these differences? What effect might the new terms in the Chase term sheet have had on the Company going forward? When might these terms hurt the company or Softbank?
- What are the pros and cons of debt financing for the Company? Existing investors? New investors?
- Discuss the conflict of interest between company and first round investor during in second round related to valuation. Evaluate Softbank's actions in this respect. What problems may arise if the company accepts Softbank's offer to also lead the second round?
- Put yourself in the role of an advisor to the company at the time of the case. If asked, what would you tell Medrano to do about the second round? Do you consider the Western Technology warrant issue to be significant enough to be a deciding factor?

This case was prepared by Keith Tigg under the supervision of John Olson, Lecturer in Management, Stanford University Graduate School of Business, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

For confidentiality purposes some facts and numbers in this case have been changed. These changes should not affect the readers conclusions.

This case was made possible by a gift from H. Michael Stevens.

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[1] Special thanks to HBS High Tech Fellow Mary Rotella for her research on Softbank which is included here

[2] Alex Gove, "Softbank Asks Up," Red Herring 6/1/96

[3] Interview with Bruce Francis, CNN's Anchor, Digital Jam 2/4/99

[4] Brian Bremner and Linda Himmelstein, "Softbank Cyber Keirstein," Business Week, 4/5/99

[5] For an excellent discussion of the career of Heidi Roizen, see HBS Case study N9-900-228 80 January 18, 2000

[6] Often, the deal documents allow for additional investors to come in after the closing for some predetermined length of time.

[7] Western Technology Investments would receive stock warrants worth \$90,000 (6% of the \$1.5 million loan). The actual number of shares would be calculated based on the share price in the B round, or in the event the B round was not closed by May 15, the conversion would be based on the share price in the A round (\$0.25).

[8] The ABC's of Convertible Preferred Stock. Craig W. Johnson, Chairman, Venture Law Group