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THE VALUE OF MARKETABILITY AS ILLUSTRATED IN INITIAL PUBLIC OFFERINGS OF DOT-COM COMPANIES

May 1997 through March 2000

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A critical aspect in determining the fair market value of closely held securities is the discount for lack of marketability. The term discount for lack of marketability is a general term in business valuation referring to a reduction in an equity interest's value for reasons relating to marketability and/or liquidity. To help quantify discounts for lack of marketability in dot-com companies, we compared the prices of stock transactions occurring within five months before initial public offerings ("IPOs") to the subsequent IPO prices.

This study is an outgrowth of the eight pre-IPO discount studies published by John D. Emory, Sr. covering 1980-1997 when he was at Robert W. Baird & Co. Incorporated, before he founded Emory Business Valuation, LLC. In preparation for the ninth such study to be published, we decided first to analyze discounts arising from sale transactions in the 92 IPOs of companies that had ".com" in their names and occurred in the 35-month time frame of May 1997 through March 2000.

Of the 92 dot-com IPOs in that period, 3 occurred in 1997, 5 occurred in 1998, 69 occurred in 1999, with the remaining 15 occurring in the first 3 months of 2000. This progression indicates the explosive growth in IPOs of this type of company. The majority of the IPO underwriters for these dot-com companies were top-quality, national investment banking firms.

In general, dot-com companies have much of their business related to the Internet. The term “dot-com” refers to the last four characters in a commercial Internet address (.com) and indicates that the company has a major commitment to the Internet.

Most of the dot-com companies in this study were young, “new economy,” high-tech, rapidly growing companies. Many called themselves early stage or development companies, and most listed extreme risk factors in their prospectuses.

Because of a lack of assets and profitability, these companies tended to be financed primarily by equity infusions of cash before their IPOs. The dot-com companies tended to raise much of their needed pre-IPO capital through multiple private placements of convertible preferred stock and through the sale of common stock. These transactions provided most of the transaction data in this study.

Due to the presence of many applicable sale transactions and the growing interference of the Securities Exchange Commission relative to stock options granted at a discount from the IPO price, we elected to use only sale transactions prior to the IPO in this study.

As in our other pre-IPO discount studies, we have used only transactions that occurred within five months of the IPO and related those to the IPO price as a percentage discount. If there were multiple sale transactions within the five-month

period for a company, we used the earliest transaction in that time frame for the study and have footnoted subsequent sale transactions

We found 53 sales transactions to use in this study. These were comprised of 42 convertible preferred stock transactions and 11 common stock transactions. While heavily Internet orientated, the dot-com companies were quite diverse in operations, covering 26 different SIC codes. The largest SIC code grouping was in classification 7375 – “Information Retrieval Services,” which had 13 companies. The next largest grouping was a tie between classification 5961 – “Catalog and Mail Order Houses,” and 7379 – “Computer Related Services, Not Elsewhere Classified,” which both had 5 companies. See attached Schedules for a complete breakdown by SIC codes and discounts.

Most of the convertible preferred stocks used as sources of transaction data for this study automatically converted to common stock at the IPO date. Most had non-cumulative dividends and were mandatorily redeemable by the company within a few years after issuance in the absence of an IPO. The mandatory redemption feature caused the preferred stock to look like debt. In most cases, mandatorily redeemable convertible preferred stock was excluded from total stockholders’ equity as reported in the companies’ financial statements.

To determine the price of the common stock for transactions involving convertible preferred stock, we divided the sale price of the convertible preferred stock by the number of common shares into which the preferred stock was convertible or we used the conversion factor given. The resulting common stock price includes value enhancements incorporated in the convertible preferred stock.

The results of this study were quite fascinating. The mean discount of the 53 sale transactions in this study prior to their IPOs was 54% and the median was also 54%. The mean and median discounts arising from the 42 convertible preferred stock transactions were 54% and 53%, respectively. For the 11 common stock transactions, the mean discount was also 54%, while the median was somewhat higher at 59%.

In cases with multiple transactions in the current study, we found that the discount tended to drop as the transaction occurred closer to the IPO.

To determine how the discounts changed relative to revenues, equity, offer size, market capitalization or loss size, we looked at the average of the top and bottom 10 transactions in each of those categories. Only one of the 53 companies had positive earnings. The results were as follows:

	<i>Mean Size of Discount from IPO Price</i>	
	<i>10 at Top of Category</i>	<i>10 at Bottom of Category</i>
Revenue	55%	57%
Equity	52%	61%
IPO Size	59%	56%
Market Capitalization at IPO	63%	51%
Loss Size	63% (smallest net loss)	52% (largest net loss)

There seemed to be little correlation between revenues, equity or IPO offer size and the size of the discount. Those companies having the largest market capitalizations after the IPO tended to have transactions with larger discounts than those having smaller market capitalizations.

Companies with larger losses tended to have lower discounts than companies with smaller losses. Large losses could be related to the explosive growth in some dot-com companies which can be used as a proxy for future earnings. Also, companies with the most potential could be able to attract larger amounts of capital to spend prior to the IPO.

While equity and revenues were relatively small for the dot-com companies, their IPO offer sizes were high in relation to those measurements. Prior to the IPO, median equity was \$2.8 million, median revenue size was \$5.7 million, and the median net loss was \$12.1 million. The overall median price to revenues (sales) ratio was 52 to 1 based on the median market capitalization at the IPO and the median revenues prior to the IPO. The median IPO offer size was \$63 million, and the median market capitalization after the IPO was \$295 million.

A phenomenon of these dot-com companies was that their stocks tended to have significant increases in price subsequent to the offer. In the supplementary schedule we have included stock prices at the offer day close, 90 days out and 180 days out. In relation to these later prices, the discounts, compared to pre-IPO transactions, are higher on average except for the mean of 180 days out.

	Pre-IPO Discounts From			
	IPO Price	IPO Date Close	Price 90 Days After IPO	Price 180 Days After IPO
Mean	54%	67%	66%	56%
Median	54%	70%	79%	77%

Discounts in the current study are in line with our broader, earlier study of sale transactions that were in our November 1995 through April 1997 pre-IPO discount study. There the 22 sale transactions had mean and median discounts of 54% and 61%, respectively. The 1995-1997 study was quite different from the current dot-com study, as the earlier study used more established companies as against the young, untried, new economy companies of this study. The relative equality of discounts of the two studies suggests that the size of a discount for lack of marketability, once a liquidity event was likely, was not much influenced by whether a company was financially sound or not, at least in a traditional sense.

SUMMARY

The final question to be answered is that if the kinds of discounts found in this study occur where marketability is probable, but not a certainty, how much greater should discounts be for stock that has no marketability, little if any chance of ever becoming marketable, and is in a neutral to unpromising situation?

In summary, the size of the discount for lack of marketability depends upon the individual situation. While there is not one discount for lack of marketability applicable at all times and to all situations, it is apparent that the lack of marketability is one of the most important components of value, and the public marketplace emphasizes this point.

John D. Emory, ASA is President of Emory Business Valuation, LLC, which he founded in February 1999 after 31 years at Robert W. Baird & Co., where he provided Baird's appraisal services for privately owned companies and their securities. He served for the allowed six years on the American Society of Appraisers Business Valuation Committee. He is a past President of the Wisconsin Chapter of the ASA, a member of the ESOP Association Valuation Advisory Committee and has been Chairman of its Discount for Lack of Marketability Subcommittee. F.R. Dengel III, MM and John D. Emory Jr., JD, MBA are Vice Presidents with Emory Business Valuation, LLC. Assistance was provided by Kim C. Zieroth and Karen L. Coons.

Dot-Com Pre-IPO Discount Study
Emory Business Valuation, LLC

Fair Market Value Transactions Which Occurred Within Five Months Prior to an Initial Public Offering as disclosed in the Prospectus
35 Months May 1997 through March 2000

Company	Principal Business	SIC	Transaction			Preferred/Common	IPO		Discount From IPO Price ⁽¹⁾	Prior to IPO (Mil)			Total IPO Offer (Mil)	At Offer Market Cap. (Mil)	Lead Underwriter
			Date	Price	P		Date	Price		Equity ⁽²⁾	Sales ⁽³⁾	Net Loss ⁽³⁾			
Amazon.com, Inc.	Retailer; books	7375	2/97	\$6.67	P	5/97	\$18.00	63%	\$2.80	\$30.90	(\$8.50)	\$54	\$429	Deutsche Morgan	
Ashford.com, Inc.	Retailer; luxury goods	5945	4/99	4.21	P	9/99	13.00	68%	30.3	9.3	(4.3)	81	479	Goldman	
Autobyte.com, Inc. ⁽⁴⁾	Vehicle purchasing svcs	7375	10/99	13.20	P	3/99	23.00	43%	25.9	23.8	(19.4)	104	411	BT Alex Brown	
Autoweb.com, Inc.	Automotive svcs	7549	10/98	2.37	P	3/99	14.00	83%	(11.7)	13.0	(11.5)	70	328	CS First Boston	
Bamboo.com, Inc. ^(a)	Virtual tours of real estate	7379	3/99	2.07	P	8/99	7.00	70%	13.0	0.6	(16.7)	28	143	Prudential Securities	
Biznessonline.com	Internet access, related svcs	7375	2/99	5.71	P	5/99	10.00	43%	0.1	6.2	(2.7)	29	69	Joseph Stevens	
Buy.com ⁽⁵⁾	Wholesaler/retailer	5734	10/99	9.07	P	2/00	13.00	30%	23.0	596.8	(130.2)	182	1,679	Merrill	
COMPS.COM, Inc. ^(b)	Commercial real estate	7375	2/99	3.68	C	5/99	15.00	75%	7.9	13.1	(2.4)	68	182	Volpe Brown Whelan	
Deltathree.com	Telephone communication	4813	10/99	7.98	C	11/99	15.00	47%	3.8	4.9	(6.1)	90	414	Lehman	
Drkoop.com, Inc. ⁽⁶⁾	Healthcare network	7375	1/99	4.78	P	6/99	9.00	47%	(23.2)	0.4	(12.7)	84	248	Bear, Stearns	
drugstore.com, Inc. ⁽⁷⁾	Retailer; drugstore	5912	3/99	7.83	P	7/99	18.00	57%	72.6	8.4	(39.5)	90	762	Morgan Stanley	
Exactis.com	Various business svcs	8900	8/99	6.50	P	11/99	14.00	54%	(23.1)	8.8	(8.3)	53	169	Thomas Weisel	
Fashionmall.com	Retailer; apparel	7375	3/99	4.44	C	5/99	13.00	66%	1.5	2.4	0.1	39	98	Gruntal & Co.	
Garden.com, Inc.	Gardening E-commerce	5961	4/99	7.15	P	9/99	12.00	40%	21.9	5.4	(19.1)	49	203	Hambrecht & Quist	
GoTo.com, Inc.	Online advertising	7379	4/99	6.89	P	6/99	15.00	54%	11.1	2.2	(20.7)	90	666	Donaldson, Lufkin	
Healthcentral.com	Information retrieval svcs	7375	8/99	5.20	P	12/99	11.00	53%	27.4	0.7	(12.1)	83	217	Lehman	
Homegrocer.com	Electronic grocery stores	5411	11/99	5.80	P	3/00	12.00	52%	112.1	21.6	(84.0)	264	1,498	Morgan Stanley	
HomeStore.com, Inc. ⁽⁸⁾	Real estate	6531	3/99	6.50	C	8/99	20.00	68%	65.0	33.2	(57.5)	21	1,341	Morgan Stanley	
HotJobs.com, Ltd.	Recruiting solutions	7361	5/99	4.12	P	8/99	8.00	49%	(5.1)	3.5	(2.2)	24	212	Deutsch Banc Alex. B	
ImageX.com	Commercial printing	2752	4/99	4.20	P	8/99	7.00	40%	(15.1)	4.0	(10.2)	21	113	Volpe Brown Whelan	
InfoSpace.com, Inc.	Integrator of content svcs	7375	7/98	8.00	C	12/98	15.00	47%	20.7	7.2	(4.8)	75	302	Hambrecht & Quist	
Iprint.com	Commercial printing	2750	9/99	3.36	P	3/00	10.00	66%	(15.7)	3.3	(13.4)	45	289	CS First Boston	
Lifeminders.com	Advertising agencies	7311	9/99	6.74	P	11/99	14.00	52%	(17.0)	8.0	(19.3)	59	275	Hambrecht & Quist	

Company	Principal Business	SIC	Transaction			Preferred/Common	IPO		Discount From IPO Price ⁽¹⁾	Prior to IPO (Mil)			Total IPO Offer (Mil)	At Offer Market Cap. (Mil)	Lead Underwriter
			Date	Price			Date	Price		Equity ⁽²⁾	Sales ⁽³⁾	Net Loss ⁽³⁾			
Loislaw.com, Inc.	Legal information database	7374	5/99	2.91	P	9/99	14.00	79%	(18.3)	5.7	(11.2)	56	293	Prudential Securities	
Mail.com, Inc. ⁽⁹⁾	Provider of email svcs	7375	3/99	5.00	P	6/99	7.00	29%	12.3	2.6	(17.9)	48	295	Salomon Smith Barney	
MiningCo.com, Inc. ⁽⁶⁾	News, information svcs	7379	11/99	5.48	P	3/99	25.00	78%	(24.7)	3.7	(15.6)	75	290	Bear, Stearns	
Mortgage.com, Inc.	Mortgage svcs	6162	5/99	8.00	P	8/99	8.00	0%	11.0	42.1	(8.9)	57	332	CS First Boston	
MP3.com, Inc. ⁽¹¹⁾	Music provider	3652	4/99	1.33	P	7/99	28.00	95%	10.4	1.8	(1.8)	346	1,866	CS First Boston	
Multex.com, Inc.	Invstmnt research provider	7375	12/98	5.00	C	3/99	14.00	64%	(37.2)	13.2	(9.7)	42	296	BancBoston Robertso	
Musicmaker.com, Inc.	Music provider	5961	4/99	5.71	C	7/99	14.00	59%	(2.2)	0.1	(5.2)	118	424	Ferris, Baker, Watts	
MyPoints.com, Inc.	Direct marketing	7311	3/99	5.00	P	8/99	8.00	38%	5.9	4.9	(21.5)	40	190	BancBoston Robertso	
Neoforma.com	Catalog, mail-order houses	5961	10/99	5.68	P	1/00	13.00	56%	(18.8)	0.6	(34.2)	91	733	Merrill	
Onvia.com ⁽¹²⁾	Information retrieval svcs	7375	9/99	1.72	P	2/00	21.00	92%	26.6	27.2	(42.8)	168	1,656	CS First Boston	
Partsbase.com	Computer related svcs	7379	11/99	2.50	P	3/00	13.00	81%	1.5	0.4	(5.9)	46	183	Roth Capital	
Pets.com ⁽¹³⁾	Retail; pet related	5999	11/99	9.44	P	2/00	11.00	14%	51.1	6.3	(67.4)	83	290	Merrill	
Phone.com, Inc. ⁽¹⁴⁾	Wireless telephone softwar	3661	3/99	7.24	P	6/99	16.00	55%	32.0	8.0	(16.9)	64	488	CS First Boston	
PlanetRx.com, Inc.	Healthcare E-commerce	5912	6/99	8.68	P	10/99	16.00	46%	79.0	0.8	(24.1)	96	813	Goldman, Sachs	
Priceline.com Inc.	E-commerce svcs	7375	12/98	3.20	P	3/99	16.00	80%	55.3	35.2	(112.2)	160	2,277	Morgan Stanley	
PurchasePro.com, Inc.	E-commerce svcs	7389	6/99	3.50	P	9/99	12.00	71%	(10.9)	2.8	(10.0)	48	216	Prudential Securities	
Quepasa.com, Inc. ⁽¹⁵⁾	Spanish portal	7379	3/99	7.00	C	6/99	12.00	42%	0.7	0.0	(10.2)	48	165	Cruttenden Roth	
Sciqwest.com	Nondurable goods	5199	7/99	7.46	P	11/99	16.00	53%	(62.8)	1.7	(20.2)	120	395	Donaldson	
ShopNow.com, Inc. ⁽¹⁶⁾	Wholesaler/retailer	7374	4/99	7.00	P	9/99	12.00	42%	36.7	9.1	(25.4)	87	402	Dain Rauscher Wessel	
Shopping.com	Wholesaler/retailer	5963	9/97	3.00	C	11/97	9.00	67%	0.0	0.1	(1.3)	12	36	Waldron & Company	
SmarterKids.com	Hobby, toy, game shops	5945	7/99	4.18	P	11/99	14.00	70%	(19.0)	1.5	(18.9)	63	271	Hambrecht & Quist	
Snowball.com ⁽¹⁷⁾	Information retrieval svcs	7375	11/99	6.33	P	3/00	11.00	42%	34.7	6.7	(34.8)	69	410	Goldman, Sachs	
Software.com, Inc.	Messaging software	7373	4/99	6.15	P	6/99	15.00	59%	(11.8)	28.8	(6.8)	90	610	CS First Boston	
Stamps.com, Inc.	Purchasing, printing postag	5961	2/99	5.49	P	6/99	11.00	50%	(7.2)	0.0	(7.5)	55	382	BancBoston Robertso	
TheStreet.com, Inc.	Financial news, commentar	7374	2/99	12.00	C	5/99	19.00	37%	(2.8)	5.7	(19.9)	105	446	Goldman, Sachs	
Varsitybooks.com	Retailer, books	5942	9/99	6.72	P	2/00	10.00	33%	22.1	11.8	(25.5)	41	156	Robertson	
VitaminShoppe.com, I	Nutritional information	5961	7/99	9.15	P	10/99	11.00	17%	(8.1)	6.7	(7.2)	50	224	Thomas Weisel	
Webstakes.com, Inc. ^(d)	Promotional marketing	7311	6/99	6.00	P	9/99	14.00	57%	(23.3)	5.6	(5.6)	50	199	Bear, Stearns	
Xoom.com, Inc. ^{(e)(18)}	Direct marketing	7311	7/98	10.80	C	12/98	14.00	23%	3.8	5.6	(7.4)	56	183	Bear, Stearns	

Company	Principal Business	SIC	Transaction		Preferred/Common	IPO		Discount From IPO Price ⁽¹⁾	Prior to IPO (Mil)			Total IPO Offer (Mil)	At Offer Market Cap. (Mil)	Lead Underwriter
			Date	Price		Date	Price		Equity ⁽²⁾	Sales ⁽³⁾	Net Loss ⁽³⁾			
Yesmail.com, Inc. ⁽⁴⁾	Email direct marketing	7319	5/99	1.75	P	9/99	11.00	84%	1.9	6.2	(6.7)	37	224	Deutsch Banc Alex. B

Mean	54%	\$8.8	\$19.9	(\$20.9)	\$78	\$477
Median	54%	\$2.8	\$5.7	(\$12.1)	\$63	\$295
Count	53					

For footnotes, please see the Footnote Summary on page D - 1.

Supplementary Schedule
Dot-Com Pre-IPO Discount Study
Emory Business Valuation, LLC
35 Months May 1997 through March 2000

Company	Transaction Price	IPO Price	Discount From IPO Price ⁽¹⁾		90 Days After IPO		180 Days After IPO		
			IPO Date Close Price	Discount	Price	Discount	Price	Discount	
Amazon.com, Inc.	\$6.67	\$18.00	63%	\$23.50	72%	\$26.38	75%	\$50.50	87%
Ashford.com, Inc.	4.21	13.00	68%	13.00	68%	14.63	71%	7.06	40%
Autobyte.com, Inc.	13.20	23.00	43%	40.25	67%	19.69	33%	14.44	9%
Autoweb.com, Inc.	2.37	14.00	83%	40.00	94%	12.75	81%	9.00	74%
Bamboo.com, Inc. ^(a)	2.07	7.00	70%	17.56	88%	15.63	87%	31.00	93%
Biznessonline.com	5.71	10.00	43%	11.88	52%	7.50	24%	6.00	5%
Buy.com	9.07	13.00	30%	25.13	64%	NA	NA	NA	NA
COMPS.COM, Inc. ^(b)	3.68	15.00	75%	14.25	74%	7.75	53%	7.31	50%
Deltathree.com	7.98	15.00	47%	29.00	72%	42.75	81%	NA	NA
Drkoop.com, Inc.	4.78	9.00	47%	16.44	71%	17.31	72%	17.06	72%
drugstore.com, Inc.	7.83	18.00	57%	50.25	84%	37.00	79%	35.00	78%
Exactis.com	6.50	14.00	54%	24.00	73%	22.50	71%	NA	NA
Fashionmall.com	4.44	13.00	66%	13.00	66%	6.63	33%	6.16	28%
Garden.com, Inc.	7.15	12.00	40%	19.06	62%	12.63	43%	7.00	-2%
GoTo.com, Inc.	6.89	15.00	54%	22.38	69%	38.13	82%	80.94	91%
Healthcentral.com	5.20	11.00	53%	9.88	47%	6.81	24%	NA	NA
Homegrocer.com	5.80	12.00	52%	14.13	59%	NA	NA	NA	NA
HomeStore.com, Inc.	6.50	20.00	68%	22.75	71%	46.13	86%	97.56	93%
HotJobs.com, Ltd.	4.12	8.00	49%	7.63	46%	30.13	86%	30.94	87%
ImageX.com	4.20	7.00	40%	13.94	70%	23.50	82%	23.00	82%
InfoSpace.com, Inc.	8.00	15.00	47%	20.00	60%	77.50	90%	78.38	90%
Iprint.com	3.36	10.00	66%	15.75	79%	NA	NA	NA	NA
Lifeminders.com	6.74	14.00	52%	22.38	70%	35.56	81%	NA	NA
Loislaw.com, Inc.	2.91	14.00	79%	14.50	80%	39.00	93%	23.75	88%
Mail.com, Inc.	5.00	7.00	29%	11.88	58%	16.25	69%	20.75	76%
MiningCo.com, Inc. ^(c)	5.48	25.00	78%	47.50	88%	47.50	88%	35.00	84%
Mortgage.com, Inc.	8.00	8.00	0%	7.16	-12%	8.63	7%	5.38	-49%
MP3.com, Inc.	1.33	28.00	95%	63.31	98%	37.94	96%	31.00	96%
Multex.com, Inc.	5.00	14.00	64%	33.63	85%	26.88	81%	18.25	73%
Musicmaker.com, Inc.	5.71	14.00	59%	23.94	76%	10.50	46%	5.94	4%
MyPoints.com, Inc.	5.00	8.00	38%	11.00	55%	15.50	68%	48.00	90%
Neoforma.com	5.68	13.00	56%	52.38	89%	7.75	27%	NA	NA
Onvia.com	1.72	21.00	92%	61.50	97%	NA	NA	NA	NA
Partsbase.com	2.50	13.00	81%	11.38	78%	NA	NA	NA	NA
Pets.com	9.44	11.00	14%	11.00	14%	NA	NA	NA	NA
Phone.com, Inc.	7.24	16.00	55%	40.13	82%	168.38	96%	309.25	98%
PlanetRx.com, Inc.	8.68	16.00	46%	26.00	67%	13.00	33%	6.25	-39%
Priceline.com Inc.	3.20	16.00	80%	69.00	95%	105.50	97%	61.72	95%
PurchasePro.com, Inc.	3.50	12.00	71%	26.13	87%	188.00	98%	177.75	98%
Quepasa.com, Inc.	7.00	12.00	42%	17.13	59%	9.97	30%	15.00	53%

Company	Transaction Price	IPO Price	Discount From IPO		90 Days After IPO		180 Days After IPO		
			Price ⁽¹⁾	IPO Date Close		Price	Discount	Price	Discount
				Price	Discount				
Sciquest.com	7.46	16.00	53%	30.00	75%	80.50	91%	NA	NA
ShopNow.com, Inc.	7.00	12.00	42%	12.69	45%	20.00	65%	15.44	55%
Shopping.com	3.00	9.00	67%	9.50	68%	22.44	87%	19.50	85%
SmarterKids.com	4.18	14.00	70%	14.00	70%	5.75	27%	NA	NA
Snowball.com	6.33	11.00	42%	15.31	59%	NA	NA	NA	NA
Software.com, Inc.	6.15	15.00	59%	18.06	66%	46.13	87%	88.25	93%
Stamps.com, Inc.	5.49	11.00	50%	13.69	60%	40.00	86%	63.06	91%
TheStreet.com, Inc.	12.00	19.00	37%	60.00	80%	17.75	32%	14.50	17%
Varsitybooks.com	6.72	10.00	33%	9.88	32%	NA	NA	NA	NA
VitaminShoppe.com, Inc.	9.15	11.00	17%	9.75	6%	8.75	-5%	3.96	-131%
Webstakes.com, Inc. ^(d)	6.00	14.00	57%	11.50	48%	28.50	79%	13.00	NA
Xoom.com, Inc. ^(e)	10.80	14.00	23%	34.44	69%	58.00	81%	43.13	75%
Yesmail.com, Inc. ^(f)	1.75	11.00	84%	13.06	87%	33.25	95%	NA	NA

Mean	54%	67%	66%	56%
Median	54%	70%	79%	77%
Count	53	53	45	36

Source of pricing information: CommScan, Ney York, NY. Prices are non split-adjusted.

Discounts By SIC Code
Dot-Com Pre-IPO Discount Study
Emory Business Valuation, LLC
35 Months May 1997 through March 2000

SIC Code	SIC Code Description	Company	Discount From IPO Price⁽¹⁾
2750	Printing and Publishing	Iprint.com	66%
2752	Commerical Printing, Lithographic	ImageX.com	40%
3652	Phonograph Records, Prerecorded Audio Tapes, Disks	MP3.com, Inc.	95%
3661	Telephone, Telegraph Apparatus	Phone.com, Inc.	55%
		Smarterkids.com	70%
		Mean	63%
4813	Telephone Communications, Except Radiotelephone	Deltathree.com	47%
5199	Nondurable Goods, Not Elsewhere Classified	Sciquest.com	53%
5411	Grocery Stores	Homegrocer.com	52%
5734	Computer, Computer Software Stores	Buy.com	30%
5912	Drug, Proprietary Stores	drugstore.com, Inc.	57%
		PlanetRx.com, Inc.	46%
		Mean	52%
5942	Book Stores	Varsitybooks.com	33%
5945	Hobby, Toy, Game Shops	Ashford.com, Inc.	68%
5961	Catalog, Mail-Order Houses	Garden.com, Inc.	40%
		Musicmaker.com, Inc.	59%
		Neoforma.com	56%
		Stamps.com, Inc.	50%
		VitaminShoppe.com, Inc.	17%
		Mean	44%
5963	Direct Selling Establishments	Shopping.com	67%
5999	Miscellaneous Retail Stores, Not Elsewhere Classified	Pets.com	14%
6162	Mortgage Bankers, Loan Correspondents	Mortgage.com, Inc.	0%
6531	Real Estate Agents, Managers	HomeStore.com, Inc.	68%
7311	Advertising Agencies	Lifeminders.com	52%
		MyPoints.com, Inc.	38%
		Webstakes.com, Inc.	57%
		Xoom.com, Inc.	23%
		Mean	43%
7319	Advertising, Not Elsewhere Classified	Yesmail.com, Inc.	84%
7330	Business Services	Exactis.com	54%
7361	Employment Agencies	HotJobs.com, Ltd.	49%
7373	Computer Integrated Systems Design	Software.com, Inc.	59%
7374	Computer Processing, Data Preparation	Loislaw.com, Inc.	79%
		ShopNow.com, Inc.	42%

SIC Code	SIC Code Description	Company	Discount From IPO Price⁽¹⁾
		TheStreet.com, Inc.	37%
		Mean	53%
7375	Information Retrieval Services	Amazon.com, Inc.	63%
		Autobytel.com, Inc.	43%
		Biznessonline.com	43%
		COMPS.COM, Inc.	75%
		Drkoop.com, Inc.	47%
		Fashionmall.com	66%
		Healthcentral.com	53%
		InfoSpace.com, Inc.	47%
		Mail.com, Inc.	29%
		Multex.com, Inc.	64%
		Onvia.com	92%
		Priceline.com Inc.	80%
		Snowball.com	42%
		Mean	57%
7379	Computer Related Services, Not Elsewhere Classified	Bamboo.com, Inc.	70%
		GoTo.com, Inc.	54%
		MiningCo.com, Inc.	78%
		Partsbase.com	81%
		Quepasa.com, Inc.	42%
		Mean	65%
7389	Business Services, Not Elsewhere Classified	PurchasePro.com, Inc.	71%
7549	Automotive Services, Except Repair and Car Washes	Autoweb.com, Inc.	83%

Footnote Summary
Dot-Com Pre-IPO Discount Study
Emory Business Valuation, LLC
35 Months May 1997 through March 2000

"C" Common Stock
"P" Convertible Preferred Stock
NA Not Available

- (1) 1 minus (transaction price divided by offering price).
- (2) Excludes redeemable preferred stock.
- (3) Latest fiscal year, latest 12 months or interim sales annualized for meaningfulness.

The following footnotes highlight additional sale transactions within 5 months prior to the company's IPO.

- (4) Autobyte.com, Inc. also had sales at \$13.20 on November 10, 1998 and at \$13.20 on December 21 and 24, 1998.
 - (5) Buy.com also had a sale at \$9.07 in October, 1999.
 - (6) Drkoop.com, Inc. also had sales at \$7.43 on March 3, 5, and 31, 1999.
 - (7) drugstore.com, Inc. also had sales at \$19.86 in May, 1999 and at \$17.65 in June, 1999.
 - (8) HomeStore.com, Inc. also had sales at \$9.97 in June, 1999.
 - (9) Mail.com, Inc. also had sales at \$5.00 in April, 1999.
 - (10) MiningCo.com, Inc. also had a sale at \$5.48 in December, 1998.
 - (11) MP3.com, Inc. also had sales at \$4.93 in May, 1999 and at \$7.17 in June, 1999.
 - (12) Onvia.com also had a sale at \$6.86 in December, 1999.
 - (13) Pets.com also had a sale at \$9.97 in January, 2000.
 - (14) Phone.com, Inc. also had a sale at \$12.00 in April, 1999.
 - (15) Quepasa.com, Inc. also had a sale at \$6.50 in June, 1999.
 - (16) ShopNow.com, Inc. also had sales at \$9.00 in May, June, and July 1999.
 - (17) Snowball.com also had a sale at \$10.00 in January, 2000.
 - (18) Xoom.com, Inc. also had a sale at \$10.80 in July, 1998.
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- (a) Bamboo.com, Inc. merged with Interactive Pictures in January, 2000 to form Internet Pictures Corp. (IPIX).
 - (b) COMPS.COM, Inc. was acquired by CoStar Group Inc. in January, 2000.
 - (c) MiningCo.com, Inc. changed its name to About.com in May, 1999.
 - (d) Webstakes.com, Inc. changed its name to Promotions.com in February, 2000.
 - (e) Xoom.com, Inc. acquired by NBC Inc. in May, 1999.
 - (f) Yesmail.com, Inc. acquired by CMGI Inc. in December, 1999.