CommonAngels™
CO-INVESTMENT FUND II, LLC

$10,000,000 Private Placement

January 2005

Memorandum

For

Dan Kingston
Chief Investment Officer
Kauffman Foundation

COMMONANGELS CO-INVESTMENT FUND II, LLC

LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS

THE LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL BE OFFERED IN RELIANCE UPON AN EXEMPTION FROM SAID ACT. INTERESTS WILL NOT BE TRANSFERABLE WITHOUT THE CONSENT OF THE MANAGER AND WITHDRAWAL BY A MEMBER WILL BE PERMITTED ONLY AT CERTAIN TIMES SPECIFIED IN THE LIMITED LIABILITY COMPANY AGREEMENT. NO PUBLIC MARKET EXISTS OR WILL DEVELOP FOR THE INTERESTS.

THE INTERESTS BEING OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS ANY SUCH GOVERNMENT AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS INVESTMENT INVOLVES SIGNIFICANT RISK AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL NET WORTH WHO ARE WILLING AND HAVE THE FINANCIAL CAPACITY TO PURCHASE A HIGH RISK INVESTMENT WHICH MAY NOT PROVIDE ANY IMMEDIATE CASH RETURN. SEE “INVESTMENT CONSIDERATIONS” IN THIS MEMORANDUM FOR A DESCRIPTION OF CERTAIN OF SUCH RISKS. AN INVESTOR SHOULD BE ABLE TO BEAR THE COMPLETE LOSS OF AN INVESTMENT IN COMMONANGELS CO-INVESTMENT FUND II, LLC (“Fund II”).

THIS INVESTMENT DIFFERS IN MANY WAYS FROM WHAT HAVE BECOME STANDARD PRACTICES IN VENTURE CAPITAL. PROSPECTIVE INVESTORS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY TO UNDERSTAND THE COMPANY’S INVESTMENT PROCESSES AND RISKS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS (I) IN ANY STATE WHERE SOLICITATION OR SALE WOULD BE PROHIBITED BY LAW, (II) TO ANYONE WHO HAS NOT COMPLETED A SUBSCRIPTION PACKAGE SATISFACTORY TO THE FUND OR (III) TO ANYONE WHOSE NAME AND IDENTIFICATION NUMBER DO NOT APPEAR ON THE COVER PAGE OF THIS MEMORANDUM. FUND II MAY REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, MAY INCREASE OR DECREASE THE AMOUNT OF THIS PRIVATE PLACEMENT, AND MAY TERMINATE OR MODIFY THE TERMS HEREOF, NOTWITHSTANDING ANY OFFER OR SOLICITATION. THERE IS NO MINIMUM AMOUNT OF SUBSCRIPTIONS WHICH MUST BE ACCEPTED BEFORE A CLOSING OF THIS PRIVATE PLACEMENT CAN OCCUR, AND FUND II RESERVES THE RIGHT TO CLOSE THE PRIVATE PLACEMENT IN ONE OR MORE CLOSINGS AND WITH ANY AMOUNT OF SUBSCRIPTIONS.

ANY DISTRIBUTION OF THIS MEMORANDUM TO ANY PERSON OTHER THAN THE OFFEREE NAMED ON THE COVER PAGE OF THIS MEMORANDUM IS UNAUTHORIZED. ANY REPRODUCTION OF THIS MEMORANDUM, INCLUDING ANY EXHIBITS AND OTHER ATTACHMENTS HERETO, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS TO ANY PERSON OTHER THAN SUCH OFFEREE, WITHOUT THE PRIOR WRITTEN CONSENT OF FUND II IS PROHIBITED.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN TO FUND II THIS MEMORANDUM, ANY EXHIBITS AND OTHER ATTACHMENTS HERETO, AND ANY OTHER WRITTEN INFORMATION

SUPPLIED TO THE OFFEREE IN CONNECTION THEREWITH IF THE OFFEREE DOES NOT PURCHASE ANY OF THE INTERESTS OFFERED HEREBY.

THIS MEMORANDUM SHOULD BE READ CAREFULLY BY THE OFFEREE AND RETAINED FOR FUTURE REFERENCE IF THE OFFEREE PURCHASES INTERESTS.

NO OFFERING LITERATURE, ADVERTISING, OR OTHER INFORMATION IN WHATEVER FORM WILL, OR MAY BE, EMPLOYED IN THIS PRIVATE PLACEMENT, EXCEPT FOR THIS MEMORANDUM (INCLUDING AMENDMENTS AND SUPPLEMENTS HERETO), STATEMENTS CONTAINED OR DOCUMENTS SUMMARIZED HEREIN, AND SUPPLEMENTARY WRITTEN INFORMATION AND WRITTEN ANSWERS TO QUESTIONS PROVIDED BY THE FUND AT THE REQUEST OF A PROSPECTIVE INVESTOR. PROSPECTIVE INVESTORS MAY NOT RELY ON ANY OTHER INFORMATION. NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS WITH RESPECT TO THE INTERESTS OFFERED HEREBY AND PROSPECTIVE INVESTORS MAY NOT RELY ON ANY REPRESENTATIONS OTHER THAN THOSE SET FORTH IN THIS MEMORANDUM (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS HERETO) OR IN THE SUPPLEMENTARY WRITTEN INFORMATION OR WRITTEN ANSWERS TO QUESTIONS REFERRED TO ABOVE. NEITHER THE DELIVERY AT ANY TIME OF THIS MEMORANDUM, ANY AMENDMENT OR SUPPLEMENT HERETO, OR ANY SUPPLEMENTARY WRITTEN ANSWERS TO QUESTIONS AS SET FORTH ABOVE NOR ANY SALE MADE HEREUNDER SHALL IMPLY THAT INFORMATION CONTAINED HEREIN, IN ANY AMENDMENT OR SUPPLEMENT HERETO, OR IN ANY SUCH SUPPLEMENTARY WRITTEN INFORMATION OR WRITTEN ANSWERS TO QUESTIONS IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THE DOCUMENT IN WHICH IT IS PRESENTED.

INVESTORS SHOULD REVIEW THE FOLLOWING LEGEND CAREFULLY TO DETERMINE WHETHER IT APPLIES TO THEM.

NEW YORK:

> THIS MEMORANDUM HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IN DETERMINING WHETHER TO INVEST, A PROSPECTIVE INVESTOR MUST RELY UPON ITS OWN EXAMINATION OF THIS INVESTMENT OPPORTUNITY AND ITS TERMS, INCLUDING THE MERITS AND RISKS INVOLVED.

Table of Contents

BACK-TO-BASICS VENTURE INVESTING 1

OPPORTUNITY IN THE CAPITAL MARKETS 2

OUR STRUCTURE: LEADERS IN INVESTING & TECHNOLOGY 3

- OUR MEMBERS & EXPERTISE 4
- MANAGEMENT 5
- BOARD OF DIRECTORS & INVESTMENT COMMITEE 5

INVESTMENT PROCESS 8

- HOW OUR INVESTMENT STRATEGY DIFFERS FROM TRADITIONAL VENTURE-CAPITAL FIRMS 8
- FUND II'S INVESTMENT PROCESS 9
- WHY ENTREPRENEURS VALUE COMMONANGELS 10
- WHY INVESTORS VALUE COMMONANGELS 10
- MARKET OPPORTUNITY & LEAD GENERATION 11
- DIFFERENTIATION FROM COMPETING INVESTORS 12
- CURRENT RETURN AND PRIOR INVESTMENTS OF COMMONANGELS FUND I, LLC 13

SUMMARY OF TERMS 15

INVESTMENT CONSIDERATIONS 23

REGULATION 27

TAX CONSIDERATIONS 28

PRIVATE PLACEMENT 30

SUBSCRIPTION PROCEDURE 32

ADDITIONAL INFORMATION 33

EXHIBIT A: LLC AGREEMENT FOR COMMONANGELS CO-INVESTMENT FUND II, LLC 34

Back-to-Basics Venture Investing

CommonAngels started in 1998 as a forum for founders and CEOs of high-tech companies to pool their expertise and capital for investments in seed- and early-stage software companies in New England. CommonAngels Fund I, LLC ("Fund I") was formed in 2000 as a vehicle to invest alongside this group of more than 50 software and technology industry veterans. We have called 60% of Fund I's $10M in capital and already returned 44% of that called capital to investors. While past results are no guarantee of future returns, Fund I to date has a cumulative return of just over 2.9% net of all fees and expenses—significantly better than the Cambridge Associates Benchmark for 2000 vintage funds of -18.3%.

CommonAngels Co-Investment Fund II, LLC ("Fund II") continues this approach with the basic principle that the best people to guide early-stage investments are successful high-tech entrepreneurs and the community's business leaders. Our strategy has three facets that draw from the way venture capital started and give us significant advantage for true early-stage investing:

- **Attract Investment Opportunities**. CommonAngels' members represent the leadership of Boston's technology community, one of the best regions for early-stage investments. Up-and-coming entrepreneurs seek to work with us for insight and validation. Successful entrepreneurs constitute our own membership and are our colleagues and associates. Professional reputations and relationships give us unparalleled reach and access to new companies, which typically seek us out to be trusted advisers, board members and mentors even before seeking financing.

- **Assess Investment Potential.** CommonAngels' members bring decades of industry-specific experience. As of June 2004, our members had:
  - Founded 118 companies;
  - Been CEOs of 93;
  - Sold 104;
  - Taken 34 public; and
  - Experienced 47 failures.

  We examine each company with tried and tested expertise, recognizing early-stage breakthroughs when there are few, if any, analyst reports to aid generalist investors in identifying them. This insight allows us to invest earlier, at lower valuations, than others.

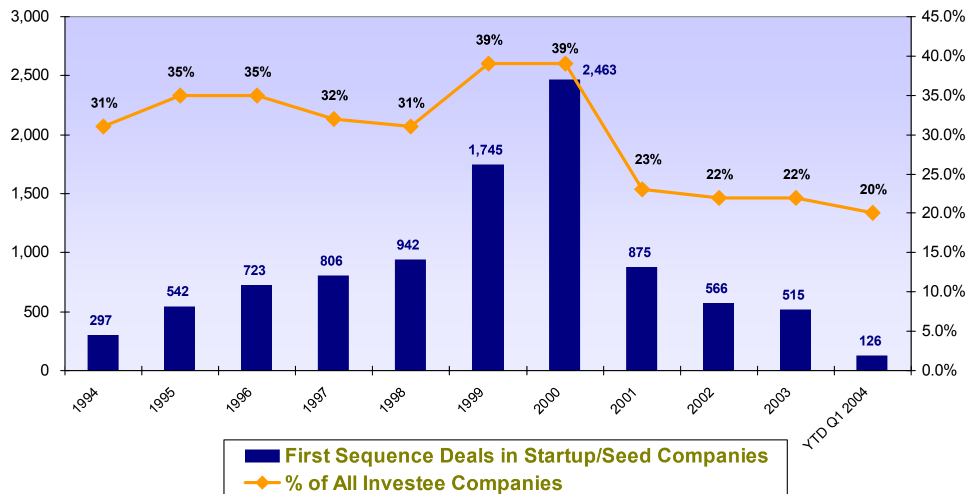
- **Assist Post-Investment.** Young companies—and particularly young management—need voices of experience to guide them through the initial years. CommonAngels' members take board seats, serve as formal and informal advisers, and engage in constructive debate about the pros and cons around strategies to overcome problems or to exploit opportunities. We have scheduled follow up with portfolio companies and regularly ask CEOs to review operations and strategy with our entire group, bringing new voices and perspectives to bear and elucidate issues. We also work closely with strategic partners—with many of which we have broad relationships already—bankers, lawyers and others—to build value and generate liquidity.

CommonAngels
Uncommon Expertise

Opportunity in the Capital Markets

The next several years offer excellent opportunities to invest in new early-stage ventures. After several years of challenges for startups, new sectors are opening up that have been and continue to be ignored by many venture-capital firms. According to analysis by PricewaterhouseCoopers, venture capital has fled from its "bread and butter" of first-round investments in new companies. The graph below shows their analysis of the drop from a steady one-third of all venture-capital deals to a consistent one-fifth post internet bubble.

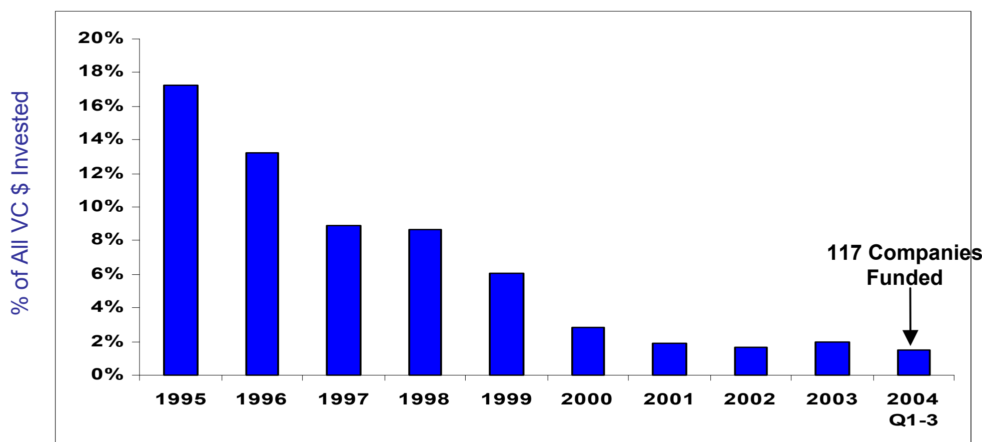
Venture Capital Abandoning Traditional Early-Stage Investing



Source: PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association

Capital flight to later rounds is even more notable in seed-stage investing, which has followed a decade-long slide to only 117 companies funded in the first nine months of 2004 nationwide.

VC Seed Funding Even Lower



Source: PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association

James Geshwiler
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Our investment approach enables us to evaluate new companies rigorously from an operational and market point of view—without relying on traditional investment hypotheses, associate-level research or industry analysts for guidance. Our broad network also gives us unparalleled reach and attracts leading entrepreneurs to our organization. CommonAngels investment decisions are based on our members' solid operational experience, in-depth technical and industry expertise and extensive technology community connections. With few clear trends in sight, low valuations and expected future growth, the best investment strategy lies in how we challenge assumptions, combine past lessons and follow up with operational expertise.

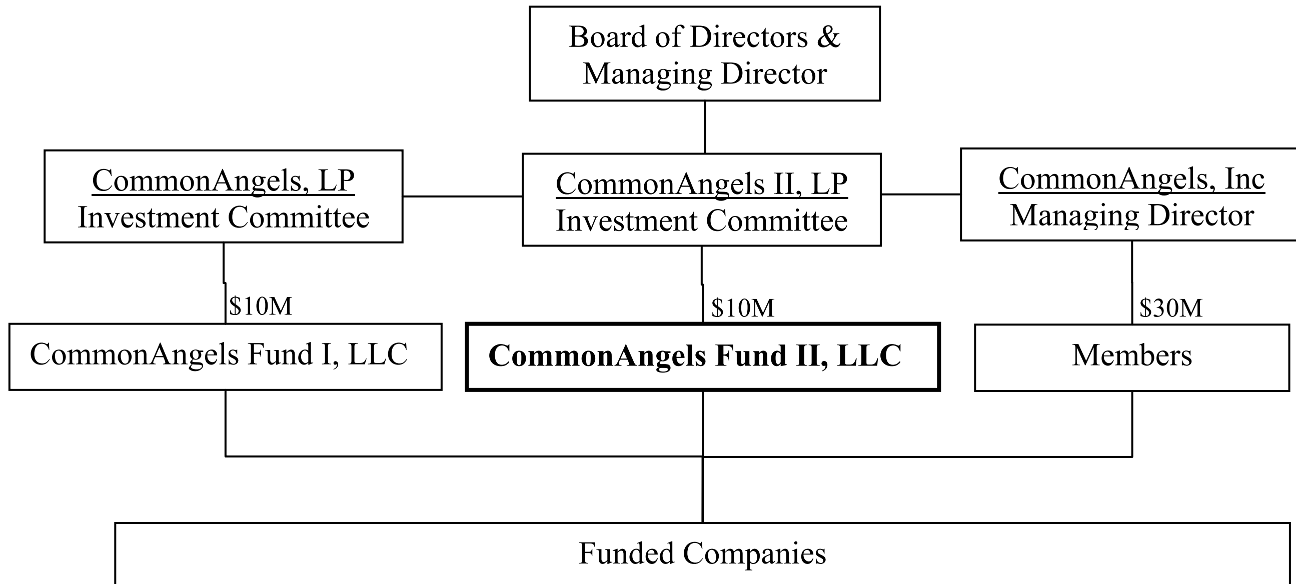
> *Even though CommonAngels is the smallest of HNW's investors, their reach and perspective have disproportionately helped the company. They are the leadership of Boston's technology community.*
>
> --Vin Cipolla, Chairman, HNW

CommonAngels' members also take time from their own daily involvement in industry to evaluate and analyze new opportunities, committing their personal funds when they reach investment decisions. Our members take board seats and serve as advisers for these companies both from the outset and through later financing rounds. While we routinely co-invest with venture capitalists and institutional investors, we generally make independent investment decisions, pursuing early and in many cases unidentified trends or opportunities. Our full-time professional staff tracks each investment, works with the companies to leverage our network and their extensive contacts, and supports our members with information and guidance.

Our Structure: Leaders in Investing & Technology

CommonAngels, Inc., a Delaware corporation (the "Manager") currently provides management services to CommonAngels and will provide administrative and other services to Fund II as required. Our Management Team coordinates all our activities, allowing CommonAngels to be a cohesive organization and to benefit from its wide pool of experts and industry leaders. Management consists of a core staff and our Board of Directors who serve on a rotating basis ordinarily for two-year terms. Board members are drawn from the active CommonAngels membership but could include outside members. Investment decisions of Fund II will be made by CommonAngels II, L.P., a Delaware limited partnership (the "Partnership"), which will be a special member of Fund II. The Investment Committee of the Partnership (the "Investment Committee") will be comprised of the Management Team and the Board of Directors of the Manager.

Organizational Structure



Our Members & Expertise

Our 50 members bring a broad array of expertise that they not only apply in attracting, assessing and assisting companies but also validate by putting their own funds at risk in the investment. This "vote with your checkbook one investment at a time" model brings a higher standard of diligence than soliciting an advisory board or even an active base of limited partners. Our members have founded 118 companies, been CEOs of 93, sold 104 and taken 34 companies public. But we also have learned from mistakes—47 failures to be precise—which allows us to help new companies avoid similar ones. In terms of specific technologies and sectors, CommonAngels' members have decades of experience in the following areas:

Artificial intelligence software
Asset allocation systems
Blade servers
Biotechnology
Business communications software
Business performance management
Business intelligence
Collaboration platforms
Communications equipment
Computer graphics software & hardware
Consumer financial products
Consumer internet applications
Consumer software
Data transmission
Development tools
Direct marketing
EDA
Educational publishing
Electronic components
Embedded systems
Engineering & science markets
Enterprise software
Financial software
Health care applications
Intellectual property
Interface design
Internet applications
Investment & insurance products
Materials science
Medical devices
Medical imaging software & hardware
Mobile devices
Nanotechnology
Network management
On-line learning
Packet switchers
Payment processing
PC software applications
Pharmaceuticals
Portfolio management
Real-time-transaction systems
Retail & franchise services

Retail-chain operations
Retirement planning
Satellite communications
Security
Semiconductors
Separations technology
Service applications
Software development tools
Software usability
Specialized peripherals
Storage systems
Supply chain management
Synchronization systems
Telephony
Transaction systems
VOIP
Water purification

Management

James Geshwiler, Managing Director

James is co-founder and chairman of the Angel Capital Association—a national network of 70 angel investment groups backed by the Kauffman Foundation of Kansas City. He works with other angel group leaders around the country to foster best practices in angel investing and the formation of new angel investment organizations. He is a contributing author to *Cutting-Edge Practices in American Angel Investing*, published in October 2003 by Darden Business Publishing of the University of Virginia, and has written papers on angel investment processes published by the Kauffman Foundation. He also was named the 2004 All-Star for Finance by the Boston-area trade publication *Mass High Tech.*

James joined CommonAngels in 1999, and since that time has participated in funding 19 companies through more than 56 rounds of financing totaling more than $100 million as well as five M&A events and two shutdowns. Within CommonAngels, James manages deal flow, due diligence and the investment process. He also guides the group's strategic direction and works closely with follow-on investors. He was Phi Beta Kappa and holds a bachelor's degree with highest honors from the Liberal Arts Honors Program at the University of Texas at Austin, a master's degree in political science from UCLA and an MBA from MIT's Sloan School of Management.

Board of Directors & Investment Commitee

Joseph J. Caruso

Joe is President of Bantam Group, a consulting and investment company specializing in turnarounds and mentoring of entrepreneurs. In recent years, he has served as interim CEO for companies in need of strategic change and has served as personal adviser to numerous company presidents. Joe is a director of Acumenta, Boston Micromachines and QD Vision and is a trustee of Quant Funds.

He is a principal in Walnut Venture Associates, a member of CommonAngels and a Managing Partner of Brookwood Partners, all investment groups for early-stage companies. Joe is the past president and a member of the board (New England Chapter) of the National

Association of Corporate Directors, a member of the advisory board for the Boston University Photonics Center and a graduate of Northeastern University (BSEE with honors) and the Harvard Business School (MBA). Earlier in his career, Joe worked at Teradyne and Autex, Inc. and was CEO at Cyborg Corporation, a venture-funded company that was a pioneer in the use of PCs in laboratory and factory automation.

Daniel Grunberg

Dan is the President of Chainwave Systems, Inc. a technology-consulting firm, and has been an investor and adviser to several early-stage technology companies. He has founded or helped to found seven companies, encompassing the diverse fields of software, insurance, materials science and consulting. From 1995-1996, Dan was the Embedded Systems Manager at Pixel Magic Inc. and was responsible for the development of board-level products involving high-performance RISC processors and custom-designed parallel-image processing chips.

Prior to these ventures, he transformed Jackson Hewitt Tax Service into a major competitor in electronic tax preparation. In 1988, Jackson Hewitt was a small regional tax service in Virginia. Dan formed a team that developed the next generation IT infrastructure in exchange for equity. The software eventually included federal- and state-tax preparation, electronic filing, and financial processing, enabling the company to compete with the industry giant H&R Block. The company went public in 1992, and Dan served as a Director and the Vice President of Technology from 1992 to 1995. The company was sold to Cendant in November 1997 for $480 million and now has more than 3000 offices. Dan received his SB, SM, and PhD degrees from MIT in Electrical Engineering and Computer Science in 1983, 1983 and 1986.

Stephen R. Levy

Steve has been an active independent investor since he retired as Chairman of BBN Corporation (BBN) in 1995. BBN is a leading high-technology company, which was founded in 1948 and merged with GTE Corporation in 1997. GTE subsequently merged with Verizon in 2000. Steve joined BBN in 1966, served as CEO from 1976 to 1994 and retired from the Company as Chairman in November 1995. During his eighteen years as BBN's CEO, he led its transformation from a small, Cambridge based, consulting, research and development organization into a global company employing more than 2000 people.

Steve has served on many corporate boards and was also a member of the boards of the Federal Reserve Bank of Boston, the American Business Conference and the Center for the Quality of Management. He is past Chairman of the American Electronics Association, the Massachusetts High Technology Council, and the Massachusetts Telecommunications Council. He also served on the US Department of Defense's Policy Advisory Committee on Trade, and the American Electronics Association's National Information Infrastructure Task Force. Steve holds a BBA in Accounting and was awarded an Honorary Doctor of Laws degree from the University of Massachusetts in May 2001.

Gabriel Schmergel

Gabe was born in Budapest, Hungary and came to the United States in 1956. He received a Bachelor of Science degree in Mechanical Engineering from Rensselaer Polytechnic Institute in 1962, served with the US Army as a Lieutenant from 1963 until 1965 and then earned an MBA from Harvard Business School in 1967 where he was named a Baker Scholar. Subsequently, he worked 14 years for Baxter Healthcare Corp. in the International Division where he managed country subsidiaries and eventually all of its international operations. In early 1981 Gabe became President and CEO of a start-up company, Genetics Institute, Inc. Under his leadership, Genetics Institute became a fully integrated biopharmaceutical company with a portfolio of drugs for hemophilia, anemia and cancer. Genetics Institute in 1996 had 1,200 employees, sales of $270 million and after-tax profits of $40 million, growing at a rate of 30% in both sales and profits. At the end of that year, Genetics Institute was acquired by American Home Products.

In 1988 Gabe was recognized with an honorary Doctorate of Engineering Degree from Worcester Polytechnic Institute, and in 1994 he was elected to the National Academy of Engineering for his leadership in biotechnology. From 1992 to 1998 he was a member of the Visiting Committee of the Harvard Business School. He also spent five years on the Board of Governors of the New England Medical Center. Currently, Gabe serves on the Board of Overseers for the Tufts Veterinary School and on the Board of Directors of Perkin Elmer.

Ira Stepanian

Ira is the Retired Chairman and Chief Executive Officer of Bank of Boston. Bank of Boston Corporation (now merged with Bank of America) was, prior to the merger, New England's only global bank holding company with assets of $75 billion, operating in more than 30 states and 25 countries. During his 32-year career at Bank of Boston, Ira served as a commercial lending officer, running divisions serving the transportation, energy & utilities industries. He then spent two years in London where he headed up the Bank's UK operations. Upon his return to Boston he ran the overall commercial lending area until he became Vice Chairman responsible for all of the Bank's non-lending activities. Following his elevation to Chairman and CEO in 1989, he was instrumental in leading a turnaround at Bank of Boston, steering it through the banking crisis of the late 1980's and early 1990's in what some analysts described as one of the most remarkable turnarounds in banking history. When he retired in 1995, the Bank had reversed a $395 million loss in 1990 to a $541 million profit in 1995.

Ira has served on numerous for-profit and non-profit boards including Bank of Boston, Liberty Mutual Insurance Co., New England Tel. and Tel., the Federal Reserve Bank of Boston, the International Monetary Conference and the Museum of Fine Arts. He currently is a Director or Trustee of Massachusetts General Hospital, the Museum of Science where he served as Chairman for four years, Tufts University and the Boston Public Library Foundation. He also was a Fellow at the Kennedy School of Business and Government at Harvard for three years.

Charles R. Stuckey Jr.

Charles (Chuck) Stuckey, has more than 30 years experience in the enterprise software, hardware and services industry. He currently holds the position of Chairman Emeritus of RSA Security and served as the Company's CEO from January 1987 through December 2000. In addition to being a director of RSA Security (NASDAQ: RSAS), he is a director of Matrix One (NASDAQ: MONE), the Ohio University Foundation Board and the Massachusetts Telecom Council (MTC) where he served as its past Chairman. As the President and CEO of Security Dynamics (now RSA Security), he led the company from a startup in 1987 through an IPO in 1994, two secondary offerings in 1995 and 1997 and two major acquisitions, RSA Data Security in 1996 and Dynasoft in 1997. Along the way, he built RSA Security into a global leader in e-security with more than $250 million in revenue and more than 1,000 employees. In June of 1996, he became RSA's Chairman, and in January 2000 Chuck turned over the day-to-day operations and CEO responsibilities. In addition, Chuck has overseen RSA Security investments in several market-leading companies including Verisign (NASDAQ:VRSN), nCipher (LONDON:NCPHF), Trintech (NASDAQ:TTPA), Digital Goods (NASDAQ:DIGS), enCommerce (now Entrust), and VPNet (now Avaya).

Chuck has a broad background in high-tech sales, marketing and general management. Prior to joining RSA Security in 1987, he held sales and senior-management positions at Control Data Corporation from 1974-1986 and prior to Control Data Corporation he held systems, sales and marketing positions at IBM from 1966-1973. Chuck holds a BS in Mechanical Engineering from Ohio University.

Investment Process

CommonAngels seeks to make the first substantial investment in a new company. We carefully select firms that not only have excellent potential but also will benefit from the group's expertise and assistance. As a result, we only invest in areas where the group brings significant added value in industry expertise, technological insight, human resources, or professional connections.

How Our Investment Strategy Differs from Traditional Venture-Capital Firms

By aggregating many individuals' capital along with committed funds, we bridge the gap between individual investors and institutional venture-capital firms and pursue emergent trends and opportunities. We typically invest $500,000 to $1 million at a pre-money valuation of $1 million to $5 million. Many venture-capital firms, in contrast, are targeting first round investments of $5 million or more. We also provide a broad range of deep expertise through the group's 50 members. Most of our members have run or are running their own companies and bring active contacts, business development relationships, industry experience and current expertise in a rapidly changing market. Venture-capital firms typically have two to ten partners who are either generalists or specialists in only a few areas.

We started CommonAngels in 1998 because the "venture" had left "venture capital" — i.e., the VC's simply didn't have the interest or the bandwidth to squander on small early-stage deals that "only" required $300 to 500K to reach proof of concept in the marketplace. Looking back, were we ever on to something! If an early-stage investment organization based on industry experience was needed then, it's needed even more today. CommonAngels is one of the few groups that can really help at the early stages.
—Rich Carpenter, Chairman, Corex Technologies

CommonAngels' investment process begins when a company submits a business plan. We review these materials once each month to select the firms that have the highest potential and would be the most likely to accelerate their growth by leveraging CommonAngels' expertise, operational experience and connections. A screening committee of a small group of CommonAngels' members then meets with these firms and invites those that are the best fit for our investment strategy to present at our monthly breakfast meeting.

If there is sufficient interest at that meeting in pursuing an investment, our members and staff lead the due diligence process. Upon successful completion of extensive due diligence, individuals make their own decision for their personal investments; Fund I and Fund II join in the round based on their own ratios and guidelines. After we close an investment, one or more of our members will typically join the board of directors and serve as advisers to the company.

Fund II's Investment Process

Fund II's investment decisions will be directed by the Investment Committee, which will have authority to alter Fund II's investment strategy or to deviate from the strategy in special cases. Fund II intends to invest in each company that attracts at least $250,000 in investment from at least five CommonAngels' members, at least three of whom are not members of the Investment Committee. For first-round investments, Fund II will typically match the capital invested by Fund I and CommonAngels' members investing as individuals in that round but Fund II may invest more or less depending on the need to stage capital and manage reserves. Fund II's investment, however, will not exceed 75% of the total CommonAngels-affiliated share of that round.

In subsequent rounds of financing (which may include both companies in which Fund II has invested in the first round and those in which it has not), Fund II may invest up to 75% of the total CommonAngels-affiliated share of that round by maintaining its percentage ownership or allocation of an investment company (its "pro-rata share") or by investing in place of the pro-rata share of CommonAngels' members who decline to participate up to their full pro-rata share.

We anticipate that approximately one-third of Fund II's capital will be allocated to initial investments in companies and two-thirds will be allocated to subsequent investments. We also expect to diversify these investments over at least one to two dozen portfolio companies, depending on opportunity for return and capital requirements. Fund II will only consider an investment in a company that already has Fund I as a shareholder by unanimous consent of the members of the Investment Committee who are neither investors in the investment opportunity

nor investors in Fund I, without consideration of their participation as limited partners in CommonAngels, L.P.

Why Entrepreneurs Value CommonAngels

> *CommonAngels has some of the most seasoned operational executives. I have found tapping into this keiretsu to be one of the key differentiators and value-add of CommonAngels. If you are an entrepreneur and want to build a business, they are a great asset and partner.*
>
> —Prat Moghe, Founder & CEO, Tizor Systems

We are trusted and respected capital. By bringing professional management and aggregated capital to individual investments made by 50 successful technology entrepreneurs, founders and executives, CommonAngels brings value through guidance in forming strategic relationships, obtaining key hires, negotiating contracts and managing a rapidly growing business. We maintain close relationships with leading venture funds, technology companies, newly formed technology ventures and top-flight service providers, including lawyers, accountants and bankers. Most importantly, we share the entrepreneurial spirit with management teams, having a relationship similar to that which exists between top coaches and athletes. As a result, we provide the support that allows experienced founders and new entrepreneurs to achieve their goals and to obtain superior returns.

Company Profile: Sand Video (sold to Broadcom for $77.5M, April 2004)

CommonAngels was a great investor for Sand Video because the investors could understand our business position and the significant opportunity facing us. When we needed capital to ramp up our development efforts, CommonAngels was able to put together the financing quickly, allowing us to get in front of every major consumer electronics manufacturer with a working prototype of our product at a critical moment in time. As the company grew, they provided a valuable sounding board and ultimately helped us to sell the company to Broadcom at a great price.

—Don Shulsinger, Co-Founder, Sand Video

Why Investors Value CommonAngels

In addition to providing a structured investment process to individual investing, CommonAngels represents a broad network of New England's leaders in the technology community. Besides our monthly review meetings, we hold business networking events several times each year for members, investors in Fund I and Fund II, and other influential business leaders in our community.

> *I've been a co-investor with CommonAngels several times, and they always bring added value to the table. Even though we had a VC lead for NetCableTV, I wanted to take advantage of their expertise and get them in this deal. We will be better off for it!*
>
> *—Andy Devereaux, Chairman, NetCableTV*

Our staff is a resource for supporting members and Fund I and II investors in leveraging the network of human capital and gaining additional insight into the business and entrepreneurial communities through shared ideas, guest speakers and peer discussions and debates.

Market Opportunity & Lead Generation

A world-class center of technology innovation, Boston is home to many of the global leaders in software development, and CommonAngels has the largest network of investors in this sector. Fund II's ability to create superior returns is directly related to our broad reach and extensive deal flow. Boston alone has 24 colleges and universities, including eight major research universities with hundreds of millions of dollars of research. With many of Boston's technology leaders formally connected to CommonAngels and its affiliates, our exceptional deal flow comes from experienced and new entrepreneurs who wish to work with our network.

We maintain close relations with many of these individuals as well as organizations that connect up-and-coming entrepreneurs with capital and expertise, such as the Massachusetts Software and Internet Council, the MIT Enterprise Forum and the leading technical and business schools. We also have solid relationships, and are co-investors, with venture-capital firms and other well-connected private investors. Our members and staff are regular guest speakers at regional investment and business events, and we have been profiled on a regular basis in the trade press and general media. Recent features have included:

"As venture gap widens, angels asked to step in"
Boston Business Journal
Oct 22, 2004

James Geshwiler named *Mass High Tech* 2004 All-Star for Finance
October 2004

CommonAngels Named one of Top 100 Venture Firms
Entrepreneur Magazine, July 2004

"CommonAngels for hellacious times"
The Boston Globe
May 12, 2003

"Angel investors spread their wings"
The Boston Globe
November 25, 2002

"Investing on the Wings of Angels"
Worth Magazine
June 2002

"Angels in America"
Forbes.com
May 3, 2001

"Raising Funds After the Fall"
The New York Times
April 12, 2001

"Boston vs. Silicon Valley: Differences Between Two High Tech Hubs"
WBUR
March 26, 2001

"Cities of Angels"
Forbes ASAP
April 3, 2000

Overall, our reputation as a group of leading, successful entrepreneurs who provide superior advice and support has resulted in a stream of excellent candidate companies.

Differentiation from Competing Investors

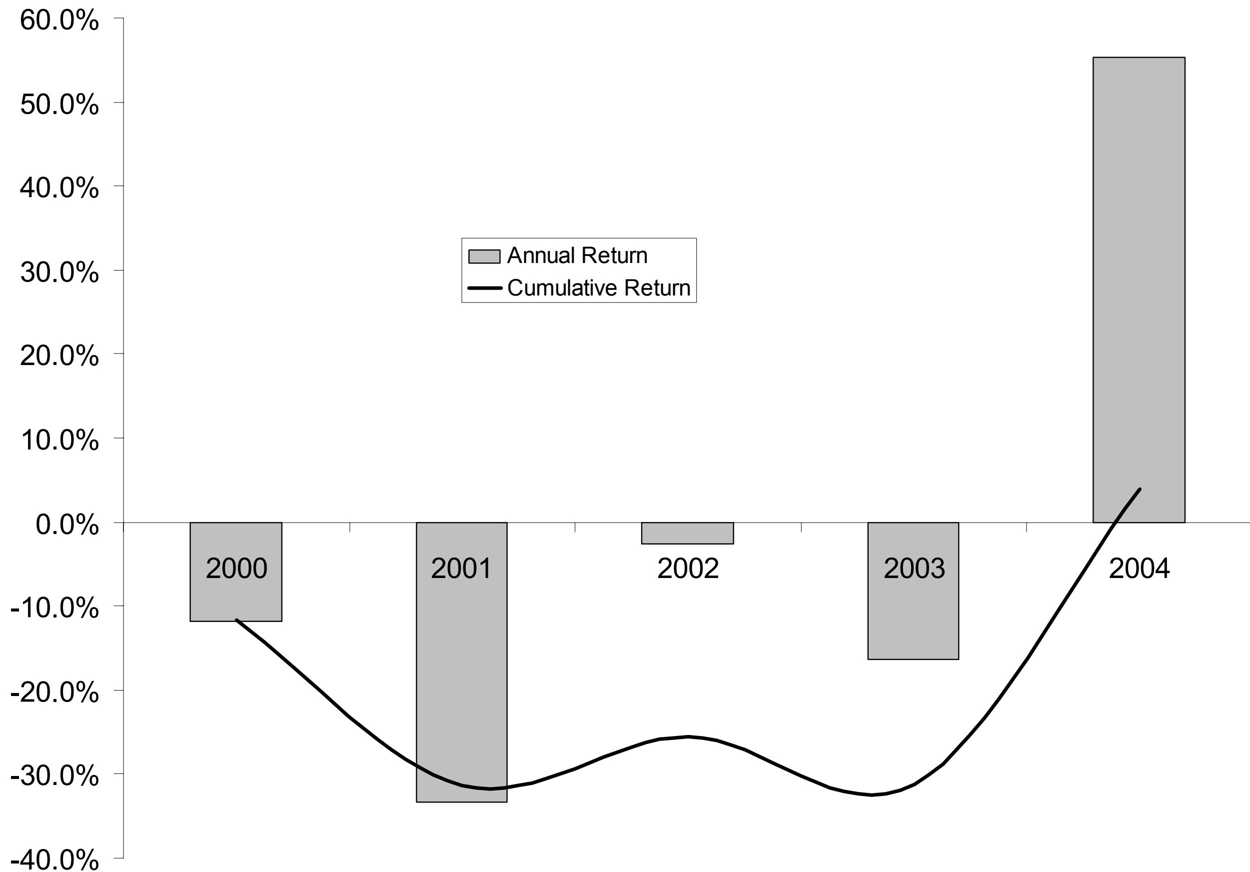
Since the bursting of the Internet bubble in early 2000, a diminishing number of organizations have been seeking to invest in companies in CommonAngels' segment of the market. Many of the successful venture-capital funds have become too large to invest in early-stage software companies. Those individual investors who remain active, by and large, have sought the discipline, aggregate investment power and organizational strength of groups like CommonAngels. By and large these similar entities are complementary rather than competitive to our mission because each has a different personality and approach.

We also tend to collaborate rather than compete with Boston's venture-capital firms. Many of our members are limited partners in these firms or have been backed by them. As a result, we tend to have good personal relationships and our investment styles are generally complementary. The largest venture firms may be a source of follow-on capital, or more often, have different investment strategies that focus on more capital-intensive areas. We occasionally compete with the medium-sized venture firms but more often co-invest with them. We provide them with additional depth and breadth of expertise and highly qualified deal leads.

Venture firms that have co-invested with CommonAngels include: Aberdare Ventures, Advanced Technology Ventures, Advent International, Baker Capital, Benchmark, Cedar Grove Investments, Claflin Capital, Commonwealth Capital, Egan-Managed Capital, HarbourVest, Invesco, Kleiner Perkins Caufield & Byers, Massachusetts Technology Development Corporation, Masthead Venture Partners, Navigator Technology Ventures, North Bridge Venture Partners, Presidio Venture Partners, Protos, Reuters Greenhouse Fund, Sherbrooke Capital, Velocity Equity Partners, Venture Capital Fund of New England, Walnut Venture Partners, Wand Venture Partners, Wit Soundview, YankeeTek and Zero Stage Capital.

Current Return and Prior Investments of CommonAngels Fund I, LLC

We have called 60% of the $10M capital for Fund I and already returned 44% of that called capital to investors. While past results are no guarantee of future returns, Fund I to date has a cumulative return of 2.9% net of all fees and expenses and an IRR of 0.8%. This is significantly better than the Cambridge Associates Benchmark for 2000 vintage funds of a cumulative return of -18.3% (median net to limited partners as of 6/30/2004) and an IRR of -13.0%.



James Geshwiler
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Please note that Fund II did not participate in any prior financing of the companies listed below and does not intend to participate in any future financing of such companies.

Category	Name	$ Invested	Value/Return as of 12/31/04	Description	Status
Realized Gains	Bitpipe	$406K	$1.4M	Lead generation services for technology companies	Three rounds of financing; Fund I participated in Series B & C; Sold to TechTarget for $40M, Dec 2004
	Sand Video	$300K	$1.5M	Make of next-generation video compression chip	One round of financing; $8M invested; sold to Broadcom for $77.5M, April 2004
Realized Losses	Members Connect	$181K	$49K	Credit card and affinity marketing services, mainly for college students	Recapitalized and sold to CFS for $35M, April 2004
	Firespout	$475K	$0K	Natural language processing software for database extraction	Company shut down February 2002
	Momentix	$100K	$0K	Software for tradeshow management	Company shut down April 2002
Write offs	American Fantasy Sports	$75K	$0K	Outsourced fantasy sports games for newspapers & other media firms	Failed to meet milestones and performance targets; write off Oct 2004
	PLEJ	$250K	$0K	Payments products for merchants & affinity marketers	Company shut down after financial mismanagement; written off Jan 2004
Current Portfolio	Acumenta	$50K	$61K	Research platform for life scientists	Pursuing enterprise sales
	Adesso Systems	$814K	$899K	Distributed mobile computing platform	Series C led by Carlyle Group March 2004
	Centrata	$165K	$132K	IT service delivery platform	Series C led by Clearstone Venture Partners; Intel Capital joined Sept 2004
	HNW Digital	$325K	$265K	Software & services for financial institutions private client groups	New record sales: Q3 2004
	NetCableTV	$50K	$50K	Video-on-Demand platform for content aggregators & owners	Series A jointly with Venture Capital Fund of New England & MTDC, November 2004
	OrgSupply	$100K	$50K	Procurement platform for colleges	Wrote down 50% Oct 2003; multiple current partner discussions
	Outside the Classroom	$350K	$313K	Alcohol education for college & high school students	Record high sales for 2004; recent Series C extension with Sherbrooke Capital
	TimeTrade	$503K	$602K	Web-centric scheduling and resource management solutions	New record sales: Q3 2004
	Tizor	$123K	$123K	Security appliance to detect and stop information theft by insiders	Series A with Masthead Venture Partners & Navigator Tech Ventures, April 2004
	WorldWinner	$250K	$474K	Pay-to-play tournament games	New record sales: Q3 2004; market leader
Total		$4.5M	$5.9M		

Summary of Terms

This Summary is qualified in its entirety by the detailed information appearing in the remainder of the Memorandum and in the agreements documenting the investment.

<u>Investment Objective</u>

The investment objective of Fund II is to engage in parallel venture-capital investing with members of CommonAngels, primarily through acquiring, holding and disposing of equity securities issued by private companies. Fund II generally will make investments only in companies in which at least five CommonAngels' members—at least three of whom are not members of the Investment Committee—also are separately investing at least $250,000. Fund II will have discretion to decline participation in any investment even when these criteria are met.

Fund II intends to match the capital invested by Fund I and CommonAngels' members investing as individuals in a particular investment round but may invest more or less depending on the need to stage capital and manage reserves. That amount, however, will not exceed 75% of the total CommonAngels-affiliated share of that round. Fund II does not intend to invest in any of the companies that have Fund I as a shareholder as of the Closing. Fund II will only consider an investment in a company that already has Fund I as a shareholder with the unanimous consent of the members of the Investment Committee who are neither investors in the investment opportunity nor investors in Fund I, without consideration of their participation in Fund I as limited partners in CommonAngels, L.P.

For follow-on investments in a company, Fund II will invest its pro-rata share (as defined by the investment documents for the company; usually an amount to maintain an existing percentage ownership) of the aggregate investment made by Fund II, Fund I and the individual CommonAngels (if any); provided, however, that the total investment of Fund II for a follow-on investment will not exceed 75% of the aggregate investment made by Fund II, Fund I and the individual CommonAngels without the unanimous consent of the Investment Committee. Fund II anticipates that approximately one-third of its capital will be allocated to initial investments in companies and two-thirds will be allocated to follow-on investments.

<u>The Partnership</u>

The Manager will be the general partner of the Partnership and an employee and certain directors and advisers of the Manager will be

limited partners. The employee of the Manager who will be a limited partner of the Partnership at the Closing is Mr. Geshwiler. Directors of the Manager who will be limited partners of the Partnership at the Closing are Mr. Caruso, Mr. Grunberg, Mr. Levy, Mr. Schmergel, Mr. Stepanian and Mr. Stuckey. The Manager may hire additional employees, and Fund II will be a special limited partner of the Partnership for the purpose of returning to Fund II that portion of the Carried Interest that is not distributed to the employee or other limited partners. If a new employee is hired or director of the Manager appointed or adviser retained, the Manager (acting in its capacity as the general partner of the Partnership) will have the right to admit such person as a limited partner of the Partnership and will assign to such person an interest in the Partnership that will correspondingly reduce Fund II's interest in the Partnership.

The Partnership will receive certain allocations from Fund II as its Carried Interest, which in turn will be allocated among the Manager's employees, directors and advisers who are limited partners of the Partnership and, to the extent Fund II's interest in the Partnership has not been reduced to zero, to Fund II. The effect of such a structure is that if the Manager does not have employees or directors who collectively are assigned all of the limited partnership interests of the Partnership, the excess portion of the Carried Interest will be returned to Fund II and passed on to the Investors (see "Distributions").

The Structure

Fund II will be organized as a Delaware limited liability company. The manager of the limited liability company will be the Manager. In return for providing administrative, management and related services to Fund II, Fund II will pay a management fee to the Manager (see "Management Fee"). Investment services will be provided to Fund II by the Partnership, the general partner of which will be the Manager and the limited partners of which will be the employees and directors of the Manager. The Partnership, acting through the Investment Committee, will approve all investments of Fund II. The Investment Committee will be comprised of the members of the Board of Directors of its general partner (the Manager) and the Managing Directors of the Manager. CommonAngels' members serve on the Board of Directors on a rotating basis. The Partnership will be a special member of Fund II and will be entitled to a Carried Interest in Fund II (see "Allocations of Profit/Loss" and "Distributions"), which will be

distributed to certain employees and directors of the Manager who are limited partners of the Partnership.

Membership Interests	Fund II is offering interests in two different series, "Series A" and "Series B" (the "Interests"). Series A Interests are available to members in good standing of the CommonAngels who have otherwise satisfied the conditions required for CommonAngels membership, as determined by the Manager. Series B Interests are available to all other Accredited Investors, including CommonAngels members not meeting the above conditions and outside investors. Series A and B Interests differ only in their entitlement to allocations of profit and distributions (see "Distributions"). Fund II intends to offer the Interests only to persons who would be deemed "Accredited Investors", as such term is defined in Regulation D promulgated under the Securities Act of 1933. The Partnership will be the only Series C Member of Fund II (the Investors and the Partnership collectively, the "Members").
Size of Fund	The target size of Fund II is $10 million to $20 million in aggregate "Capital Commitments" from Investors. The Manager will hold the initial closing of Fund II (the "Closing") at any time in its sole discretion, but the Closing is targeted to occur on or around May 31, 2005. Subsequent closings may be held at any time thereafter at the Manager's discretion at any time on or before September 30, 2005.
Term	The term of Fund II will extend until December 31, 2015. The Manager may extend the term for up to two additional one-year periods.
The Manager	CommonAngels, Inc. (the "Manager") is responsible for managing the business and affairs of Fund II and providing certain other services to Fund II, as set forth in the Limited Liability Company Agreement of Fund II (the "LLC Agreement").
Management Fees	Fund II will pay the Manager a quarterly management fee in advance on the first business day of each quarter calculated on such day at the annual rate of 2.5% of the Capital Commitments of the Investors of Fund II. In the event that on a day other than the first day of a quarterly period of the Fiscal Year, any Additional Member shall be admitted or any previously admitted Member shall increase its Capital Commitment after the Initial Closing, the

Company shall pay the Manager on the date of such admission or increase an amount equal to (a) 0.625% of (i) the aggregate Capital Commitment of such Additional Member or (ii) the increase in Capital Commitment of such previously admitted Member, as the case may be, multiplied by (b) a fraction equal to the number of days remaining thereafter in such period divided by the number of days in such period, and such amount shall be allocated to, and shall reduce, the Capital Account of such Additional Member or previously admitted Member.

Investment Committee

Fund II's side-by-side participation in certain CommonAngels investment opportunities is subject to the right of the Investment Committee of the Partnership to decline Fund II's participation in any investment or to alter its investment ratio guidelines.

Capital Accounts

Fund II will maintain a "Capital Account" for each Member of Fund II, the balance of which will be:

(a) Increased by: (i) the Member's Capital Contributions and (ii) the Member's allocated share of profits; and

(b) Decreased by: (i) the fair market value of all distributions (whether in cash or in kind) made by Fund II to the Member and (ii) the Member's allocated share of losses.

Distributions

Distributions to Members other than in liquidation shall be made only at such times and in such amounts as may be determined by the Manager, in its sole discretion. Except as otherwise provided in the LLC Agreement, distributions shall be made:

(a) initially, to each Member to the extent of, and in proportion to the amount, if any, by which such Member's Capital Contributions exceed all prior distributions to such Member;

(b) second, to the Series A and Series B Members in proportion to their respective Capital Contributions, to the extent of the amount by which all distributions received by the Company from the Series C Member exceed the amount of all distributions previously made pursuant in accordance with this subsection (b); and

(c) thereafter, to the Members in proportion to their respective Capital Contributions; provided, however, that ten percent (10%) of the amount otherwise distributable to the Series A

Members and twenty percent (20%) of the amount otherwise distributable to the Series B Members pursuant to this paragraph shall instead be distributed to the Series C Member.

Distributions received by the Partnership will be allocated among the limited partners of the Partnership and, to the extent its interest in the Partnership has not been reduced to zero, Fund II, which will, in turn, distribute them among the Series A and Series B Members in proportion to their respective Capital Contributions.

Final distributions in liquidation of Fund II will be made in proportion to the respective Capital Accounts of the Members of Fund II, including the Series A and Series B Members and the Partnership.

Allocations of Profit/Loss

Profits and losses will be allocated in the following manner. Profits will be allocated: (x) first, to each Member to the extent of, and in proportion to, the amount, if any, that all loss previously allocated to such Member exceeds all profits previously allocated to such Member; (y) second, to the Series A and Series B Members in proportion to their respective Capital Contributions to the extent that the amount of all allocations of profit to Fund II by the Series C Member exceeds all profit previously allocated to the Series A and Series B Members in accordance with this subsection (y); and (z) the balance, if any, to the Members in proportion to their respective Capital Contributions; provided, however, that ten percent (10%) of the amount otherwise allocable to the Series A Members and twenty percent (20%) of the amount otherwise allocable to the Series B Members pursuant to this paragraph shall instead be allocated to the Partnership as its Carried Interest. Losses will be allocated: (x) first, to each Member to the extent of, and in proportion to, the amount, if any, by which all profit previously allocated to such Member exceeds all loss previously allocated to such Member; and (y) the balance, if any, to the Members in proportion to their respective Capital Contributions.

<u>Contributions</u>

In general, Investors will make Capital Contributions to Fund II in proportion to their Capital Commitments on an "as needed" basis. Capital Contributions will be due, upon not less than 10 days prior notice, at such times and in such amounts as will be specified in capital calls issued by the Manager. 10% of each Investor's Capital Commitment will be due and payable at the Closing.

The Partnership will make Capital Contributions to Fund II at such times and in such amounts as may be required to ensure that its aggregate Capital Contributions shall equal or exceed 0.10% of the aggregate amount of all Capital Contributions made by all Members.

Following default in the payment of an Investor's Capital Commitment, the Manager may do any one or more of the following on behalf of Fund II: (i) sue to enforce the obligation of the defaulting Investor to make capital contributions when due, and require payment of interest at the lesser of 18 percent or the highest rate permitted by law, plus out-of-pocket legal and collection costs (with such interest and costs to be treated as income of or reimbursement to Fund II, and not as a capital contribution of the defaulting Investor); (ii) designate one or more persons to voluntarily assume responsibility for the entire unpaid balance of the defaulting Investor's Capital Commitment and to assume and succeed to all of the rights of the defaulting Investor's interest attributable to that portion of the defaulting Investor's Capital Commitment; (iii) cancel all or any portion of the defaulting Investor's Capital Commitment; (iv) cause the defaulting Investor's share of future allocations of profit (but not loss) to be reduced by up to 50 percent of that to which the defaulting Investor would have been entitled based on its capital contributions to the date of default; (v) cause the defaulting Investor's Capital Account balance to be reduced by up to 50 percent of the amount contained therein on the date of default; or (vi) require that the defaulting Investor withdraw from Fund II.

Resignations or Withdrawals

Investors will be permitted to resign or withdraw from Fund II only with the Manager's consent. The Manager may require the resignation or withdrawal of any Investor in the event that such Investor fails to make a timely capital contribution or attempts to transfer its interest in Fund II in violation of the LLC Agreement. The Manager may also require the resignation or withdrawal of any Investor for any reason including if the Manager determines in its discretion that continued membership of the Investor would (a) constitute or give rise to a violation of applicable law or (b) otherwise subject Fund II to material onerous legal or other regulatory requirements, including without limitation through potential loss of Fund II's exclusion from the definition of "investment company" under Section 3(c)(1) of the Investment Company Act of 1940, as amended.

Risk Management	An investment in Fund II involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their investment. An investment in Fund II carries inherent risks associated with investing in securities of early-stage or seed-stage companies with little or no operating history. See the "Investment Considerations" section of this Memorandum for a more detailed discussion of risk factors.
Tax Considerations	For a discussion of certain tax considerations applicable to the purchase of Interests and operation of Fund II see "Tax Considerations."
Use of Debt	Fund II does not intend to borrow capital to make investments but may use a line of credit between capital calls.
Expenses	The Manager will render the services and manage the business and affairs of Fund II as set forth in the LLC Agreement, and will pay from the Management Fee all overhead expenses associated with rendering such services, including the salaries of its employees, rent and all general overhead expenses. Fund II will bear all of its other expenses, including, but not limited to, taxes, accounting, audit and legal expenses and organizational expenses, investment expenses such as brokerage commissions, research fees and expenses, direct fees and expenses such as travel and due diligence expenses related to the analysis, purchase or sale of investments, whether or not a particular investment is consummated, and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets. Organizational and initial offering expenses will be paid by Fund II from Fund II's assets at or about the time of the Closing.
Indemnification	Fund II will indemnify the Manager, the Partnership, the Investment Committee, and their respective members, directors, officers, employees, and affiliates against claims and liabilities to which they may become subject in connection with Fund II, provided that the person or entity seeking indemnification acted in good faith and in a manner such person or entity reasonably believed to be in, or not opposed to, the best interests of Fund II and, with respect to any criminal proceeding, had no reasonable cause to believe such person's or entity's conduct was unlawful.
Reports	Each Investor will receive quarterly unaudited and audited year-end financial statements.

Valuation	The Manager will value any security being distributed in kind as of its date of distribution, and will value any security being returned to Fund II as of the date of receipt by Fund II.
Functional Currency	Fund II will report results and transact subscriptions and withdrawals in United States Dollars.
Registered Office	The address of the registered office of Fund II is c/o Corporation Trust Company, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801.
Service Providers	The accountant for Fund II will be Carlin Charron & Rosen LLP**.** Legal counsel for Fund II will be Foley Hoag LLP.
Additional Information	The Manager will make available to each prospective Investor or its authorized representative, prior to such prospective Investor's investment in Fund II, the opportunity to ask questions of, and receive answers from, the Manager or a person acting on its behalf, concerning the terms and conditions of the offering made hereby, and to obtain any additional information, to the extent that the Manager possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information set forth herein.

Investment Considerations

INVESTMENT IN THE INTERESTS INVOLVES SIGNIFICANT RISK. EACH POTENTIAL INVESTOR SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AS WELL AS ALL THE OTHER INFORMATION SET FORTH IN THIS PRIVATE PLACEMENT MEMORANDUM BEFORE DECIDING WHETHER TO INVEST IN THE INTERESTS.

Limited Operating History

Fund II will be formed in 2005 and has no operating history.

Risk of Investments

While venture-capital investments offer the opportunity for significant capital gains, they also involve a high degree of business and financial risk that can result in substantial losses. Most of the companies in which Fund II expects to invest will be seed-stage or early start-up stage companies that have little or no operating history, may not have fully developed products or management teams, will have substantial variation in operating results from period to period, and can experience failures or substantial declines in value at any time. In addition, the market for securities of high technology companies has been highly volatile in recent years, and there can be no assurance that market demand and valuations for technology companies, and Internet-related companies in particular, will not decline substantially in the future.

Concentration of Investments

The portfolio will be concentrated in a limited number of companies in the technology sector. Fund II's performance will be significantly dependent upon the performance of each portfolio company and will be vulnerable to fluctuations in the market for the securities of software companies and related securities in general.

Competition for Investment Opportunities

There is substantial competition for attractive investment opportunities in the venture capital business. Fund II believes that CommonAngels' collective experience will continue to attract favorable seed-stage and early start-up stage opportunities. However, there can be no assurance that Fund II will be able to find suitable investments or invest its capital on attractive terms or that any such investments will be successful.

No Assurance of Profit, Distributions or Return of Capital

There is no assurance that the investments of Fund II will be profitable or that any distribution of cash or securities will be made to the Investors. There is no assurance that the Investors will receive a complete, or even partial, return of their capital contributions.

Illiquid Private Investments

The investments made by Fund II in portfolio companies will be illiquid and difficult to value. In many cases, investments may require many years from the date of initial investment before disposition. Sales of securities of certain private portfolio companies may not be possible prior to Fund II's liquidation and, if possible, may be made at substantial discounts from cost. In

recent years, the public equity markets have not been receptive to initial public offerings of technology companies, and, generally, such initial public offerings have not been possible during this period. No assurance can be given that there will be a public market for any of the securities purchased by the Fund, whether or not the public markets generally become more receptive to initial public offerings.

Potential Insufficiency of Investment Capital

The capital needs of portfolio companies cannot be accurately determined at the time of Fund II's formation. As a result, no assurance can be given that Fund II's capital will be sufficient to finance the number of investments planned by the Manager, particularly if the actual size of Fund II is substantially less than the target of $10 million to $20 million. In addition, given the limited size of Fund II, even if this target is achieved, it is likely that Fund II will be unable to meet the capital requirements of portfolio companies through their entire lifecycle. If such portfolio companies are not successful in obtaining other sources of capital, their ability to expand and to achieve or maintain a competitive position could be jeopardized. In turn, the value of Fund II's holdings in such companies would be at risk.

Unspecified Investments

Holders of Interests must rely on the ability of the individual members of CommonAngels, the Manager and the Investment Committee to identify and make investments consistent with Fund II's investment strategy. The Investors, as subscribers to Fund II, neither participate in the making of any investment decisions by Fund II nor have the opportunity to evaluate personally the relevant economic, financial and other information used by CommonAngels and the Investment Committee in their selection, monitoring and disposition of investments. Accordingly, no purchase of Interests should be made unless prospective Investors are willing to entrust all aspects of the investment management of Fund II to the Manager, the Investment Committee and, indirectly through their individual actions which can trigger the investment participation of Fund II, the individual CommonAngels.

Reliance on Investment Decisions of Others

Fund II will make investments only when five or more CommonAngels' members—at least three of whom are not on the Investment Committee—are participating in an investment opportunity with at least $250,000, subject only to the veto right of the Investment Committee. The Manager, the Partnership, and the Investment Committee do not provide investment advice to CommonAngels' members. Thus, Investors must rely primarily upon the investment decisions of CommonAngels' members. In addition, CommonAngels' membership is subject to change at any time, and the identity of the Managing Directors of the Manager is subject to change.

The Investment Committee will be comprised of the Managing Directors of the Manager and the Board of Directors of the Manager which is, in turn, comprised of individual CommonAngels who serve on that Board on a rotating basis. Thus, purchasers of Interests cannot be assured of the identity of the individuals and entities that will be making, directly and indirectly, the investment decisions of Fund II. Should those individuals and entities cease to exist or conduct their investments in a manner that permits side-by-side participation by Fund II,

or should Fund II otherwise lose the services of the individual CommonAngels, the Manager or the Investment Committee for any reason, Fund II might have to be liquidated. Such forced liquidation could adversely affect an Investor's investment.

Activities of the Manager, the Partnership, and the Investment Committee

The Manager, the Partnership and the Investment Committee are required to exercise their best judgment in the management and operation of Fund II and to use their best efforts to carry out the purposes of Fund II. However, the Manager, the Partnership and the Investment Committee are required to devote to Fund II only such time as they deem necessary to conduct the business in an appropriate manner, and are not required to spend their full time on the affairs of Fund II. The Manager, the Partnership and the Investment Committee may provide management or investment services to other funds to which they will also devote time, with similar or different investment strategies than those they apply to Fund II. The Manager, the Partnership and the Investment Committee will not be liable or accountable to Fund II or the Investors for the profits of any such other funds. Employees, directors and other individuals affiliated with the Manager, the Partnership and the Investment Committee may engage in personal trading for their own accounts and may take positions in securities which differ from the positions deemed appropriate for Fund II.

Conflict of Interest Risk

Because CommonAngels aggregates investments from multiple individual investors and an existing fund, Fund II may find itself in conflicts of interest with Fund I and CommonAngels members. The Investment Committee will exercise its best judgment to avoid these situations, and when then arise, to resolve them. Investors, as participants in Fund II, will rely on the collective judgment and efforts of these individuals.

Indemnification

Under the LLC Agreement, Fund II will indemnify the Manager, the Partnership, the Investment Committee, and their respective members, directors, officers, employees and affiliates against claims and liabilities to which they may become subject in connection with Fund II, provided that the person or entity seeking indemnification acted in good faith and in a manner such person or entity reasonably believed to be in, or not opposed to, the best interests of Fund II and, with respect to any criminal proceeding, had no reasonable cause to believe such person's or entity's conduct was unlawful.

No Investment Company Act Registration

Although Fund II does not intend to become an investment company subject to registration with the SEC, under the provisions of the Investment Company Act of 1940, as amended (the "1940 Act"), it will engage in investment activities that would likely require it to register under the 1940 Act, were it not exempt from the 1940 Act by reason of the private nature of this offering and the limited number of investors. In order to maintain Fund II's exemption from investment company status under the 1940 Act, the Manager intends to restrict the number of Investors to 100 or fewer beneficial owners (inclusive of US owners of other entities that may be integrated with Fund II for purposes of the 1940 Act) and to offer the Interests only through nonpublic transactions. If Fund II were required to register as an investment company, many

aspects of its structure and operations might be inconsistent with the requirements of the 1940 Act.

Restricted Securities

The Interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or registered or qualified under the "Blue Sky" laws of any state, and are being sold pursuant to exemptions contained in those laws. Accordingly, the Interests will constitute "restricted securities," as defined in Rule 144 promulgated under the Securities Act, which must be held indefinitely unless they are subsequently registered under applicable federal and state securities laws or an exemption from the registration requirements of those laws is available. The Interests will not become freely transferable by reason of any change of circumstances whatsoever. Rule 144, other than subsection 144(k) thereof, which permits the resale, subject to various terms and conditions, of small amounts of restricted securities after they have been held for one year, does not apply to Fund II because Fund II is not required to file, and does not file, current reports under the Securities Exchange Act of 1934, and because information concerning Fund II substantially equivalent to that which would be available if Fund II were required to file such reports is not publicly available. Fund II has no plans to become a reporting company in the future. Fund II also has no plan currently to register Interests in any foreign jurisdictions.

Lack of Trading Market

There is no public market for the Interests being sold in this offering, and none is expected to develop. The Interests will not be widely held, and Fund II does not intend to make an effort to create any trading market for the Interests.

Non-Transferability of Interests; Limited Withdrawal and Resignation Rights

The LLC Agreement contains significant restrictions on the transferability of the Interests. Interests are not ordinarily transferable except with the prior written consent of the Manager. The grant or denial of such consent is in the Manager's sole discretion. Investors have no automatic right to liquidate all or any part of their Interests by withdrawing capital from Fund II. Withdrawal or resignation by an Investor may only occur with the consent of the Manager in its sole discretion.

Consequences of Failure to Pay Capital Commitments in Full

If an Investor fails to pay any installment of its Capital Commitment when due, the Manager may elect to cause the defaulting Investor to forfeit up to 50% of such Investor's Capital Account and to forfeit up to 50% of any future profits (but not losses) otherwise allocable to such Investor. The Manager may require that all or a portion of the remainder of the defaulting Investor's Capital Commitment be canceled, and may designate another party to assume the entire unpaid balance of the defaulting Investor's Capital Commitment and succeed to all of the rights of the defaulting Investor's interest attributable to that portion of the defaulting Investor's Capital Commitment. In addition, the Manager may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including interest and attorneys' fees, to be paid by the defaulting Investor.

Tax Considerations

There are substantial risks associated with the Federal income tax aspects of an investment in Fund II which are complex and which will not be the same for all investors. For a discussion of certain tax considerations applicable to the purchase of Interests and the operation of Fund II, see “Tax Considerations.” Irrespective of that Section, however, Investors should consult with and must rely upon their own tax advisers with specific reference to their own tax position.

Legal, Tax and Administrative Changes

Legal, tax or administrative changes which occur during the life of Fund II could have an adverse effect on Fund II, the Investors or both.

Regulation

The Manager, the Investment Committee and the Partnership do not intend to register under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in reliance upon section 203(b)(3) of the Advisers Act, which excludes from the registration requirement of section 203(a) of the Advisers Act any person who during the course of the preceding twelve months has had fewer than fifteen clients and who meets certain other conditions contained in section 203(b)(3).

Investment Company Act of 1940

Fund II is not subject to the provisions of the 1940 Act, except Section 12(d)(1) thereof, in reliance upon Section 3(c)(1) of the 1940 Act, which excludes from the definition of “investment company” any issuer the outstanding securities of which are beneficially owned by not more than 100 persons (as defined in Section 3(c)(1)) and which meets the other conditions contained therein. Because Section 3(c)(1) provides that beneficial ownership by certain entities of more than 10% of Fund II may require looking through such entities to their beneficial owners, no potential Investor which is a corporation, partnership, trust, association or other entity may purchase interests equal to or in excess of 10% of the aggregate value of the interests of the Investors unless such Investor satisfies the Manager that (i) such Investor is not an investment company and is not excepted from the definition of investment company by virtue of Section 3(c)(1) or Section 3(c)(7) of the 1940 Act and (ii) such Investor was not formed for the purpose of investing in Fund II unless the number of beneficial owners of such Investor, when added to the number of beneficial owners of Fund II and of any entity with which Fund II might be integrated, does not exceed 100. A corporation, partnership, trust, association or other entity may be deemed to have been formed for the purpose of investing in Fund II if it invests 40% or more of its committed capital in Fund II or if it was otherwise formed for the purpose of investing in Fund II. Further, no potential Investor (including a qualified retirement plan), in which a holder of an interest in such potential Investor may decide whether or how much to invest by means of such potential Investor in various investment vehicles (including Fund II) may purchase an interest in Fund II unless the number of holders of interests in such Investor, when added to the number of beneficial owners of Fund II and of any entity with which Fund II might be integrated, does not exceed 100.

The subscription agreement to be signed in connection with a purchase of an Interest (the "Subscription Agreement") and the LLC Agreement contain representations and restrictions on transfer to assure that these limitations on the number of Investors of Fund II continue to be met. Fund II will rely on the representations of investors concerning these matters. In addition to the restrictions on transfer, the Subscription Agreement and the LLC Agreement provide that the Manager will have the power for any reason, including, without limitation, for purposes of limiting the number of beneficial owners of Interests in accordance with Section 3(c)(1), to request an Investor to, and such Investor upon such request will, withdraw such amount from such Investor's Capital Account as the Manager deems necessary or desirable.

Tax Considerations

The tax discussion in this Memorandum is for informational purposes only. It is not intended as a complete discussion of all of the federal income tax consequences of an investment in Fund II, but rather is a selected, brief summary. Prior to investing in Fund II, each prospective Investor should seek and must rely upon the advice of such Investor's own tax adviser with respect to the tax consequences of investing in Fund II. Such tax consequences may vary depending upon the particular circumstances of the prospective Investor.

The following is a summary of certain potential United States federal tax consequences that may be relevant to Investors who are individual citizens or residents of the United States for United States federal income tax purposes, corporations or partnerships created or organized in the United States or under the laws of the United States or of any state, and Tax-Exempt Investors (as defined below). Other Investors should in particular seek their own tax advice.

This summary does not address all of the United States federal income or any of the estate tax rules implicated by an investment in Fund II. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), administrative pronouncements, judicial decisions and existing and proposed Treasury Regulations, changes to any of which subsequent to the date hereof may affect the tax consequences described herein either prospectively or retroactively.

In addition to the federal income tax consequences described below, prospective Investors should consider potential foreign, state and local tax consequences of an investment in Fund II. Foreign, state and local laws may differ from federal income tax law with respect to the treatment of specific items of income, gain, loss, deduction and credit. Each prospective Investor is advised to consult his or her own tax counsel regarding such foreign, state and local income tax considerations.

Fund II has not sought a ruling from the United States Internal Revenue Service (the "IRS") or any other United States federal, state or local agency with respect to any of the tax issues affecting Fund II, nor has Fund II obtained an opinion of counsel with respect to any tax issues affecting Fund II.

United States Taxation of Fund II

Fund II will be classified for federal income tax purposes as a partnership and not as an association taxable as a corporation. As such, Fund II will not itself be subject to federal income tax. Fund II will file an annual partnership information return with the IRS reporting any items of income, gain or loss. Each Investor will be required to report separately on his, her or its income tax return for each year his, her or its distributive share of Fund II's taxable income, regardless of whether, during or in respect of the year for which such income is reportable, any distribution is in fact made to such Investor. The Manager believes that the allocations of Fund II's items of income, gain, loss and deduction to the Investors will be respected for federal income tax purposes as having "substantial economic effect." However, the IRS may challenge these allocations as lacking substantial economic effect. Fund II will furnish all Investors with annual tax information for completion of their respective income tax returns.

Character of Income or Loss from Fund II; Certain Limitations on Deductions

The Code provides that losses of individuals and certain other taxpayers from "passive activities" may only be used to offset income and gain from such activities. However, Fund II's items of income and loss will be received in respect of Fund II's investments and may constitute portfolio income or loss rather than passive income or loss from a trade or business. Accordingly, Investors that are subject to the passive activity rules might not be permitted to offset Fund income with passive losses from other sources.

In addition, although Fund II does not intend to borrow capital to make investments, were Fund II to do so, then an individual Investor's allocable share of the interest that Fund II pays on these borrowings, along with any interest expense incurred by such Investor to purchase its interest in Fund II, would be deductible by the Investor in any taxable period only to the extent of the Investor's net investment income (including net investment income from Fund II) for that period.

Furthermore, if Fund II is deemed to be engaged in an investment activity and not a trade or business, an Investor will be able to deduct his or her distributive share of investment expenses of Fund II (such as certain administrative costs) for any year only to the extent that such share of investment expenses, when aggregated with the Investor's other "miscellaneous itemized deductions" from all sources, exceeds 2% of the Investor's adjusted gross income for such year. In addition, certain allowable itemized deductions, including miscellaneous itemized deductions, will be reduced by an aggregate amount equal to the lesser of (a) 3% of the amount by which an Investor's adjusted gross income exceeds a certain amount indexed for inflation (for the 2004 tax year that amount is $142,700, or $71,350 for married individuals filing separately; for the 2005 tax year the amounts have been projected to be set at $145,950 and 72,975, respectively) and (b) 80% of the amount of itemized deductions otherwise allowable. This reduction will be phased out beginning with the 2006 tax year until it is finally repealed for tax years beginning after 2009.

Qualified Dividends

The 2003 Tax Act made significant changes to the taxation of capital gains and dividends. Based on the changes made by the 2003 Tax Act, individuals are taxed on "qualified" dividends received after 2002 at capital gain rates. Accordingly, the 15-percent maximum capital gains rate applies to all qualified dividends received until the end of 2008. "Qualified" dividends include most dividends paid by United States corporations and certain foreign corporations, including in particular most foreign corporations whose shares are readily tradable on an established securities market in the United States. Qualified dividends received by Fund II and allocated to an Investor who is an individual will qualify for the new rates. Qualified dividends are not treated as "investment income" for purposes of the limitation on deductibility of investment interest described above unless the taxpayer elects to forego the benefit of the reduced tax rate on the qualified dividends. Even though qualified dividends will be taxed at the same rates as capital gains, they will not be treated as capital gains for purposes of capital-loss offset.

Unrelated Business Taxable Income for Tax-Exempt Investors

Income recognized by tax-exempt entities (“Tax-Exempt Investors”), including charitable organizations, tax-exempt trusts described in Code section 401(a), and Individual Retirement Accounts (“IRAs”), is exempt from federal income tax unless it is “unrelated business taxable income” (“UBTI”). UBTI is income from an unrelated trade or business regularly carried on by a tax-exempt entity.

The bulk of Fund II’s expected income will consist of interest and gain from the sale of securities Fund II holds for investment. These items generally are excluded from UBTI unless the property generating the dividends and gain is debt-financed. Accordingly, although Fund II does not intend to borrow capital to make investments, were Fund II to do so, the income and gain, if any, from securities acquired with the proceeds of such borrowings will constitute UBTI to a Tax-Exempt Investor. Moreover, any income allocated by Fund II to a Tax-Exempt Investor that has borrowed funds to acquire an Interest in Fund II, and any gain realized by such a Tax-Exempt Investor upon the sale of such Interest, will constitute UBTI.

Private Placement

The offering made hereby consists of limited liability company membership interests in Fund II.

The initial closing of the offering made hereby is targeted to occur on or about May 31, 2005. There is no minimum aggregate closing dollar amount that must be accepted before a closing can occur. Contributions must be made in cash. The Manager also may allow subsequent closings at the its discretion..

The Manager has the right to accept or reject any subscription in whole or in part.

Investor Suitability Standards

As indicated above, investment in the Interests offered hereby involves numerous and substantial risks. The illiquidity of the Interests and the nature of the proposed activities of Fund II make the Interests suitable only for Investors with adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk of loss of all of their investment in Fund II. As a result and in order to ascertain whether potential Investors meet the criteria set forth in applicable federal and state securities laws to enable Fund II to qualify for exemptions from registration of the Interests under those laws, prospective Investors will be required to complete and return to Fund II a Subscription Packet.

1. Substantial Means and Net Worth. Purchase of the Interests is suitable only for Investors who are seeking a long-term investment, who have no need for liquidity, and who possess adequate means to provide for their usual needs and contingencies. Fund II intends to offer the Interests only to Investors who would be deemed "Accredited Investors", as such term is defined in Regulation D promulgated under the Securities Act.

Accredited Investors include but are not limited to:

(i) a natural person who has an individual net worth (exclusive of homes, home furnishings and automobiles), or joint net worth with that investor's spouse, exceeding $1,000,000;

(ii) a natural person who has an individual income, not including a spouse's income, in excess of $200,000 in each of the two most recent years or has joint income with a spouse in each of those years in excess of $300,000 and reasonably expects to achieve the same income levels in the current year;

(iii) any organization described in Section 501(c)(3) of the Code, corporation, Massachusetts or similar business trust, or partnership, with assets in excess of $5,000,000 and which is not formed for the specific purpose of acquiring the securities offered;

(iv) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, for which all investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company, or registered investment adviser, an employee benefit plan within such meaning which has total assets in excess of $5,000,000, or a self-directed employee benefit plan within such meaning, with investment decisions made solely by persons that are accredited investors;

(v) any trust with total assets in excess of $5,000,000 whose purchase is directed by a person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment and which is not formed for the specific purpose of acquiring the securities offered;

(vi) a director, executive officer or Manager of Fund II or a director, executive officer or manager of a Manager of Fund II; or

(vii) an entity in which all the equity owners are Accredited Investors.

2. Ability and Willingness to Bear Risks. Fund II's investment objectives present a business and financial risk that a potential Investor must be willing and able to bear. Investment in Fund II is inadvisable for Investors who may not be able to hold their Interests for a period of at least 12 months and who cannot afford a complete loss of their investment. See "Investment Considerations."

3. Ability to Accept Limitation on Transferability. There is no public market for the Interests, and none is expected to develop. The Interests are subject to substantial restrictions on their transferability. Partial or complete withdrawal of capital from Fund II is permitted only upon the Manager's consent. See "Fund II--Withdrawals." Therefore, Investors may not be able to liquidate their investment in the event of unforeseen financial difficulties or for any other reason.

4. Investment Intent. To assure compliance with the securities laws, each Investor will be required affirmatively to represent, among other things, that such Investor is acquiring the Interests for such Investor's own account, for investment purposes only, and not for, with a view to or in connection with resale or public distribution thereof.

The above-described suitability standards represent minimum suitability requirements for Investors. The Manager may, but will not be obligated to, make or cause to be made such further inquiry or obtain such additional information as it deems appropriate with regard to the suitability of prospective Investors. Pursuant to the securities laws of certain states, the prospective Investors in such states may be required to represent in writing additional facts relating to each such Investor's net worth, sophistication in investment matters and access to investment advice.

The Manager reserves the right to reject all or part of any subscription in its sole discretion at any time prior to the completion of the offering.

The satisfaction of the above-described standards by a prospective Investor does not necessarily mean that the Interests are a suitable investment for that Investor. Each prospective Investor should determine independently, upon consultation with such Investor's investment, tax or other advisers, accountants and legal counsel, whether an investment in the Interests is suitable for that Investor in light of the Investor's own circumstances.

Subscription Procedure

To subscribe for Interests, prospective Investors will be required to complete, execute and deliver to Fund II two executed copies of the relevant Subscription Packet.

Prospective Investors also will be required to deliver to the custodian for Fund II, simultaneously with the delivery of the documents listed above, payment in the form of (i) a check made payable to Fund II or (ii) a wire transfer to an account to be established (wire instructions will be provided to potential Investors as soon as they become available).

The Manager, in its absolute discretion, may reject the subscription, in whole or in part, of any Investor at any time prior to the completion of the offering.

Subscriptions will be held in escrow until the closing or the earlier termination of this offering and may not be withdrawn by potential Investors. There is no minimum aggregate amount of subscriptions required to close this offering. The initial closing is targeted to occur on or about May 31, 2005, and the Manager, at its discretion, may allow subsequent closingson or before September 30, 2005. At the Closing, any interest earned on the subscriptions received and accepted will be paid to Fund II. If this offering does not close for any reason, or if a prospective Investor's subscription is rejected, the full subscription amount, without interest, will be returned promptly to the appropriate subscriber or subscribers, accompanied by the subscriber's Subscription Agreement. At the Closing, the Manager will cause all accepted subscription amounts to be disbursed to Fund II.

Additional Information

Each prospective Investor and such Investor's advisers, if any, will be offered an opportunity, prior to the consummation of a sale of an Interest to such Investor, to ask questions of, and receive answers from, the Manager concerning the terms and conditions of this offering and to obtain any additional information necessary to verify the accuracy of the information set forth herein.

Exhibit A:
LLC Agreement for CommonAngels Co-Investment Fund II, LLC

COMMONANGELS CO-INVESTMENT FUND II, LLC

LIMITED LIABILITY COMPANY AGREEMENT

Dated as of [____________], 2005

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS....1
SECTION 1.1 Defined Terms 1
SECTION 1.2 Other Definitional Provisions 6

ARTICLE 2 GENERAL PROVISIONS 6
SECTION 2.1 Name and Formation....6
SECTION 2.2 Place of Business; Agent for Service of Process 7
SECTION 2.3 Purposes and Powers of the Company....7
SECTION 2.4 Liability of Members 8

ARTICLE 3 MANAGEMENT OF COMPANY....9
SECTION 3.1 Manager 9
SECTION 3.2 No Participation of Members....9
SECTION 3.3 Partnership 9
SECTION 3.4 Duties and Obligations of the Manager and the Partnership 9
SECTION 3.5 Reliance by Third Parties....10
SECTION 3.6 Expenses by the Company; Management Fee 10
SECTION 3.7 Exculpation 11
SECTION 3.8 Indemnification....11
SECTION 3.9 Non-Company Activities 12
SECTION 3.10 Rights to Name 12
SECTION 3.11 Tax Matters....12
SECTION 3.12 Registration of Securities....13

ARTICLE 4 CAPITAL COMMITMENTS AND CONTRIBUTIONS....13
SECTION 4.1 Capital Commitments 13
SECTION 4.2 Capital Contributions....13
SECTION 4.3 No Interest; No Return....14
SECTION 4.4 Failure to Make Capital Contributions 14
SECTION 4.5 No Withdrawals 15

ARTICLE 5 ALLOCATIONS....15
SECTION 5.1 Capital Accounts....15
SECTION 5.2 General Allocations 15
SECTION 5.3 Special Allocations ....
SECTION 5.4 Tax Consequences 16

ARTICLE 6 DISTRIBUTIONS 17
SECTION 6.1 General....17
SECTION 6.2 Current Distributions 17

	SECTION 6.3	Tax Distributions	17
	SECTION 6.4	Insolvency	17
	SECTION 6.5	Withholding	17
ARTICLE 7	ADMISSION; WITHDRAWAL		18
	SECTION 7.1	Admission of Additional Members	18
	SECTION 7.2	Withdrawals	18
	SECTION 7.3	Incapacity	19
	SECTION 7.4	No Dissolution	19
	SECTION 7.5	No Withdrawal of Manager, Partnership	19
ARTICLE 8	ASSIGNMENT		19
	SECTION 8.1	Restrictions on Transfers of Membership Interests	19
	SECTION 8.2	Assignees	20
	SECTION 8.3	Substituted Members	21
	SECTION 8.4	No Transfer by Partnership	22
ARTICLE 9	TERM AND DISSOLUTION OF COMPANY		22
	SECTION 9.1	Term	22
ARTICLE 10	LIQUIDATION		23
	SECTION 10.1	No Further Business	23
	SECTION 10.2	Liquidator	23
	SECTION 10.3	Final Distributions	23
	SECTION 10.4	Certificate of Cancellation	24
ARTICLE 11	ACCOUNTING AND REPORTING PROVISIONS		24
	SECTION 11.1	Method of Accounting; Elections	24
	SECTION 11.2	Inspection of Books of Account	24
	SECTION 11.3	Reports to Members	24
ARTICLE 12	VALUATIONS		25
	SECTION 12.1	Valuation of Assets	25
	SECTION 12.2	Valuation of Securities	25
ARTICLE 13	POWER OF ATTORNEY		25
ARTICLE 14	MISCELLANEOUS PROVISIONS		27
	SECTION 14.1	Amendments	27
	SECTION 14.2	Entire Agreement	27
	SECTION 14.3	Waivers	28
	SECTION 14.4	Notices	28
	SECTION 14.5	Counterparts	28
	SECTION 14.6	Governing Law	28
	SECTION 14.7	Captions	28
	SECTION 14.8	Remedies	28

SECTION 14.9 Successors and Assigns..28
SECTION 14.10 Severability 29
SECTION 14.11 Waiver of Partition...29
SECTION 14.12 Qualified Plan Representation 29

LIMITED LIABILITY COMPANY AGREEMENT
OF COMMONANGELS CO-INVESTMENT FUND II, LLC

This Limited Liability Company Agreement of CommonAngels Co-Investment Fund II, LLC, dated as of [___________], 2005, is entered into by and among CommonAngels, Inc., a Delaware corporation (the "Manager") as Manager, CommonAngels II, L.P., a Delaware limited partnership (the "Partnership") as the Series C Member, and the Persons listed on Schedule A attached hereto (the "Series A Members," the "Series B Members," and together with the Series C Member, the "Members").

WHEREAS, the parties desire to form a limited liability company pursuant to the Delaware Act; and

WHEREAS, the parties intend that the limited liability company formed pursuant hereto be treated as a partnership for federal, state and local income tax purposes;

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Defined Terms. As used herein, the following capitalized terms shall have the following meanings:

"Additional Member" shall mean the Members other than those admitted to the Company at the Initial Closing.

"Affiliate" shall mean, when used with reference to a specified Person: (a) any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the specified Person; (b) any Person that is an officer or director of, partner in, or trustee of, or serves in a similar capacity with respect to, the specified Person or of which the specified Person is an officer, director, partner or trustee, or with respect to which the specified Person serves in a similar capacity; or (c) any Person that is a member of the Immediate Family of the specified Person or the Immediate Family of any Person specified in clause (a) or (b) of this sentence.

"Agreement" shall mean this Limited Liability Company Agreement, as originally executed and as amended, modified, supplemented or restated from time to time, as the context requires.

"Assignee" shall mean an assignee, transferee, donee, heir, legatee or other recipient of all or any part of a Membership Interest.

"Capital Account" shall have the meaning set forth in Section 5.1.1 hereof.

"Capital Commitment" shall have the meaning set forth in Section 4.1 hereof.

"Capital Contributions" shall mean the total amount of cash contributed to the capital of the Company by all the Members or any class of Members or any one Member (or the predecessor holders of the Membership Interests of such Member or Members), as the context requires.

"Certificate of Formation" shall mean the Certificate of Formation and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Delaware Act.

"Closing Net Asset Value" shall mean, as of any date, the sum of all cash in the Company's account at the close of business on such date, plus the fair value of all Securities owned and held by the Company at the close of business on such date valued in accordance with ARTICLE 12 hereof, plus any other assets of the Company, minus all accrued but unpaid fees, expenses, and liabilities of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean the limited liability company hereby established, as such limited liability company may from time to time be constituted.

"Covered Person" shall mean the Manager, the Partnership, any Affiliate of the Manager and the Partnership, any officer, director, shareholder, partner, employee, representative or agent of the Manager, the Partnership, and their respective Affiliates, including the members of the Investment Committee of the Partnership, or any employee or agent (including employees and agents designated as officers) of the Company or its Affiliates.

"Defaulting Member" shall have the meaning set forth in Section 4.4 hereof.

"Delaware Act" shall mean the Delaware Limited Liability Company Act, 6 Del.C. Section 18-101, et seq., as amended from time to time.

"Distributable Cash" means, with respect to the end of any Fiscal Period, the excess of all cash on hand at the beginning of such period plus all cash receipts of the Company in such period from any source whatsoever, including normal operations, sales of assets, proceeds of borrowings, Capital Contributions of the Members, proceeds from any capital transaction, and any and all other sources minus the sum of the following amounts for the relevant Fiscal Period:

(a) Ongoing Expenses;

(b) payments of interest, principal and premium and points and other costs of borrowing under any indebtedness of the Company; and

(c) amounts set aside as reserves for future investments, working capital, contingent liabilities, replacements or expenditures, which are deemed by the Manager to be necessary to meet the current and anticipated future needs of the Company.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Estimated Tax Liability" means, with respect to any Member and any tax year of the Company, the amount of taxable income and gain allocated to such Member for federal income tax purposes in the Company's tax return filed or to be filed with respect to such tax year, multiplied by the highest combined federal and Massachusetts income tax rates for individuals or corporations (whichever combined tax rate is higher) on each type of income included in such tax return, taking into account (i) any nondeductibility for state tax purposes of any item that is deductible for federal tax purposes, (ii) any deductibility for federal tax purposes of state income taxes and (iii) the deductibility of any item for state income tax purposes that is not deductible for federal income tax purposes.

"Fiscal Period" shall have the meaning set forth in Section 5.1.2 hereof.

"Fiscal Year" shall have the meaning set forth in Section 5.1.2 hereof.

"Immediate Family" shall mean, with respect to any individual, such individual's spouse, parents or issue, or the issue of any of the foregoing.

"Incapacitated Member" shall have the meaning set forth in Section 7.3 hereof.

"Incapacity" shall mean, as to any Person, the bankruptcy, adjudication by a court of competent jurisdiction of incompetence or insanity, or the death, dissolution or termination (other than by merger or consolidation) of such Person. A "bankruptcy" shall be deemed to occur, as to any Person, when such Person: (a) makes an assignment for the benefit of creditors; (b) files a voluntary petition in bankruptcy; (c) is adjudicated a bankrupt or insolvent, or has entered against it an order for relief in any bankruptcy or insolvency proceeding; (d) files a complaint, petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation; (e) files an answer or other pleading admitting or failing to contest any material allegation of a complaint or petition filed against it in any such proceeding; or (f) seeks, assents to, or acquiesces in, the appointment of a trustee, receiver or liquidator for such Person or for all or any substantial part of its properties. A "bankruptcy" shall not be deemed to occur solely because of the commencement of any proceeding against such Person (other than as specified in the immediately preceding sentence), the appointment (without its consent or acquiescence) of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, or the failure to have such proceeding dismissed or such appointment vacated or stayed within the period of time set forth in Section 18-304(b) of the Delaware Act, as amended from time to time.

"Initial Closing" shall mean the first date upon which Members listed on Schedule A attached hereto are admitted to the Company, such date expected to occur on or about May 31, 2005.

"Investment Committee" shall have the meaning set forth in Section 3.3 hereof.

"Liquidator" shall have the meaning set forth in Section 10.2 hereof.

"Majority in Interest of the Members" shall mean, at any time, one or more Series A and Series B Members, voting as a single class, the Capital Contributions of which equal more than fifty percent (50%) of the aggregate Capital Contributions of all Series A and Series B Members.

"Manager" shall mean CommonAngels, Inc., a Delaware corporation and the manager of the Company within the meaning of the Delaware Act.

"Market Value" shall mean, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Market Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset;

(ii) The Market Value of any Company assets distributed to any Member shall be the gross fair market value of such asset on the date of distribution;

(iii) The Market Values of all Company assets shall be adjusted to equal their respective gross fair market values upon the liquidation of the Company; and

(iv) The Market Values of Company assets shall otherwise be adjusted as required by Treasury Regulation Section 1.704-1(b)(2)(iv).

"Member" shall mean the Series C Member and any Person named as a Series A or Series B Member on Schedule A attached hereto and includes any Person admitted as an Additional Member or a Substituted Member, each in such Person's capacity as a Member of the Company.

"Membership Interest" shall mean, as to any Member, the entire ownership interest of such Member in the Company at the relevant time, including the right of such Member to any and all benefits to which a Member may be entitled as provided in this Agreement, together with the obligations of such Member to comply with all the terms and provisions of this Agreement.

"Ongoing Expenses" shall mean all direct expenses incurred by or on behalf of the Company in connection with administering the Company and carrying on its business, including all legal and accounting fees, but excluding the Organizational Expenses.

"Organizational Expenses" shall mean all expenses incurred in connection with organizing the Company and all offerings and sales of Membership Interests therein, whether

incurred prior to or following the organization of the Company and including all reasonable legal and accounting fees and all costs and other expenses attributable to the organization of the Company.

"Original LLC Agreement" shall have the meaning set forth in the Recitals.

"Partnership" shall mean CommonAngels II, L.P., a Delaware limited partnership and the Series C Member of the Company.

"Person" shall mean any individual, partnership, limited liability company, corporation, trust or other entity.

"Profit and Loss" shall mean, as to any transaction or Fiscal Period, the taxable income or loss of the Company for federal income tax purposes, and each item of income, gain, loss or deduction entering into the computation thereof, with the following adjustments:

(i) Any tax-exempt income or gain of the Company that is not otherwise taken into account in computing Profit or Loss shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) (or treated as such) and not otherwise taken into account in computing Profit or Loss shall be subtracted from such taxable income or loss;

(iii) In the event the Market Value of any Company asset is adjusted, (A) the amount of such adjustment (excluding any adjustment to the Market Value of property other than cash contributed to the capital of the Company that is otherwise included in the amount of Capital Contributions) shall be taken into account in the same manner as gain or loss from the disposition of such asset for purposes of computing Profit or Loss and (B) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Market Value of the property disposed of; and

(iv) All other adjustments required to be reflected in the Members' Capital Accounts under applicable Treasury Regulations.

"Securities" shall mean securities of issuers organized under the laws of any jurisdiction and contracts regarding the same of any and all types and descriptions, including, but not limited to, shares of capital stock, debt obligations convertible into capital stock, certificates of interest or participation, partnership and joint venture interests, voting trust certificates, fractional undivided interests, put and call options and any and all combinations thereof, certificates, short positions, receipts, options, warrants and other instruments representing rights to receive, purchase, sell or subscribe for any of the foregoing or representing any other rights or interests therein, any and all other equity instruments, and instruments convertible into, or representing rights or interests in, equity instruments or collective investment funds investing primarily in equity instruments, and any and all other notes, bonds, interests, certificates, instruments and

documents, whether now known or hereafter devised, which are or may hereafter be commonly referred to as securities.

"Series A Member" shall mean any Person designated as a Series A Member in Schedule A attached hereto, as such Schedule may be amended from time to time to reflect additions or substitutions of new Series A Members and withdrawals and resignations of Series A Members, in such Person's capacity as, and while such Person shall be, a Series A Member of the Company.

"Series B Member" shall mean any Person designated as a Series B Member in Schedule A attached hereto, as such Schedule may be amended from time to time to reflect additions or substitutions of new Series B Members and withdrawals and resignations of Series B Members, in such Person's capacity as, and while such Person shall be, a Series B Member of the Company.

"Series C Member" shall mean the Partnership in its capacity as the Series C Member.

"Subscription Agreement" shall mean, as to each Member, that certain Subscription Agreement executed by such Member and relating to the purchase of a Membership Interest by such Member.

"Substituted Member" shall have the meaning set forth in Section 8.2.2 hereof.

"TMP" shall have the meaning set forth in Section 3.11.1 hereof.

"Treasury Regulations" shall mean all final and temporary federal income tax regulations, as amended from time to time, issued under the Code by the United States Treasury Department.

1.2 Other Definitional Provisions. In the case of all terms used in this Agreement, the singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, as the context requires. The word "including" (and grammatical variations thereof) shall be construed to mean "including, without limitation" (and grammatical variations thereof), and shall not be interpreted to imply exclusivity or comprehensive listing, unless the context otherwise requires. References to Articles, Sections, Exhibits, and Schedules shall be construed as references to the Articles and Sections of, and the Exhibits and Schedules to, this Agreement, in each case unless the context otherwise requires. All such Exhibits and Schedules shall be deemed to be, and constitute, an integral part hereof for all purposes.

ARTICLE 2

GENERAL PROVISIONS

2.1 Name and Formation.

2.1.1 The Members hereby agree to form CommonAngels Co-Investment Fund II, LLC as a limited liability company pursuant to the Delaware Act and agree that the rights, duties and liabilities of the Members and the Manager shall be as provided in the Delaware Act, except as otherwise provided in this Agreement.

2.1.2 Each Person being admitted as a Member as of the Initial Closing shall be admitted as a Member at the time such Person (i) has executed this Agreement or a counterpart of this Agreement and (ii) is listed on Schedule A attached hereto as a Member.

2.2 Place of Business; Agent for Service of Process.

2.2.1 The registered office of the Company in the State of Delaware shall be c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, and the principal business office of the Company shall be in or near Boston, Massachusetts, or, in either case, such other place as the Manager may designate. The Company may also maintain additional offices at such other place or places as the Manager may designate. The Manager shall notify the Members of any change in the Company's principal office.

2.2.2 The agent for service of process on the Company shall be The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, or such other Person as the Manager may designate.

2.3 Purposes and Powers of the Company.

2.3.1 The purposes and objectives of the Company are:

(a) to seek income and gain through acquisition, holding, disposition, and otherwise dealing in and with investments in any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization;

(b) to temporarily invest cash in short-term United States government securities, commercial paper, repurchase agreements, bankers acceptances, time deposits and savings accounts, money market funds and other collective investment funds investing primarily in short-term debt obligations, and other short-term debt instruments of any and all types and descriptions;

(c) to engage in such other activities as are customary to venture capital investment funds; and

(d) to engage in such other lawful activities related either directly or indirectly to the foregoing as the Manager, in its discretion, deems necessary, advisable or convenient to the promotion or conduct of the business of the Company.

The investment objective of the Company is further set forth on Exhibit A attached hereto, as it may be amended from time to time by the Partnership.

2.3.2 The Company shall have the power, to the extent consistent with any of its foregoing purposes or objectives and subject to the limitations and restrictions set forth elsewhere in this Agreement, to

(a) acquire (whether or not subject to any restriction as to disposition) and hold, sell, transfer, exchange or otherwise dispose of or realize upon Securities, without regard to whether such Securities are publicly traded, readily marketable or restricted as to transfer;

(b) possess, transfer, mortgage, pledge, hypothecate, create or suffer the creation of security interests in, or otherwise deal in and with, and exercise all rights, powers, privileges and other incidents of ownership and possession with respect to, Securities or other property held or owned by the Company;

(c) guaranty, or otherwise become liable for, the obligations of other Persons; provided that the aggregate amount at any time guaranteed and for which the Company is liable shall not exceed ten percent (10%) of the Capital Commitments;

(d) engage personnel and do such other acts and things as may be necessary or advisable in connection therewith;

(e) engage and compensate attorneys, accountants, investment advisors, technical advisors, consultants, custodians, contractors, agents, and employees;

(f) pay and incur other expenses and obligations incident to the operation of the Company, including those for travel, insurance, and supplies;

(g) establish, maintain, and close bank accounts and draw checks or other orders for the payment of money;

(h) establish, maintain, and close accounts with brokers; and

(i) enter into joint ventures, partnerships and other arrangements to carry out the foregoing and enter into, make and perform all contracts, agreements and other undertakings, and do all things necessary, advisable, incidental or convenient to the carrying out of any of the foregoing.

The Company, and the Manager on behalf of the Company, may enter into and perform the Subscription Agreements without any further act, vote or approval of any Member notwithstanding any other provision of this Agreement, the Delaware Act or other applicable law.

2.4 <u>Liability of Members</u>. A Member shall not be bound by, or be personally liable for, any expenses, liabilities or obligations of the Company. A Member shall be liable only to the extent provided by law for such expenses, liabilities and obligations of the Company.

ARTICLE 3

MANAGEMENT OF COMPANY

3.1 Manager. Subject to the provisions of this Agreement, the Manager shall have full, exclusive and complete discretion in the management and control of the business and affairs of the Company with all powers set forth in Section 2.3 hereof and all other powers necessary, advisable or convenient to carry out and implement any and all of the purposes and objectives of the Company, including the power to act upon the advice and direction of the Partnership to acquire and dispose of Securities which satisfy the purposes and objectives set forth in Section 2.3 hereof, and otherwise to transfer, pledge and exercise all rights, powers and privileges and other incidents of ownership or possession with respect to Securities and other Company assets. All decisions of the Manager as to the management and operation of the Company and its business and affairs shall be made on the basis of the Manager's judgment as to the best interests of the Company.

3.2 No Participation of Members. A Member (other than the Partnership) shall take no part in the management or control of the Company's business, but may exercise only the rights and powers of a Member under this Agreement or otherwise given a member of a limited liability company by law. The Members acknowledge that the investment activities of the Company will be directed by the Partnership and that the Partnership will initially follow the investment objective described in Exhibit A attached hereto but shall retain authority to alter the investment objective in any respect at any time.

3.3 Partnership. The Partnership, acting through its investment committee comprised of the Managing Directors of the Manager and the members of the Board of Directors of the Manager (the "Investment Committee"), shall direct the Manager to acquire and dispose of Securities in a manner which attempts to satisfy the purposes and objectives set forth in Section 2.3 hereof and Exhibit A attached hereto. The Partnership shall find, evaluate, and monitor such Securities, and otherwise shall determine, manage and control the capital investments of the Company and make all decisions regarding such investments by directing the Manager's activities with respect to such investments and in all cases in accordance with the Partnership's judgment as to the best interest of the Company.

3.4 Duties and Obligations of the Manager and the Partnership.

3.4.1 Neither the Manager, the Partnership nor any Affiliate of the Manager or the Partnership shall be required to spend its full time on the affairs of the Company, but the Manager, the Partnership and any Affiliate participating in the management of the Company shall devote to the Company such time as they shall each deem necessary to conduct the Company business in an appropriate manner.

3.4.2 Neither the Manager, the Partnership nor any Affiliate of the Manager or the Partnership nor any other Person related to the Manager or the Partnership shall have any

personal liability for the repayment of the positive balance in the Capital Account of a Member, including, but not limited to, its Capital Contribution. To the greatest extent permitted by applicable law, neither the Manager, the Partnership nor any Affiliate of the Manager or the Partnership nor any other Person related to or acting on behalf of the Manager or the Partnership shall be liable to any Member by reason of any federal or other income tax laws or the interpretations thereof as they apply to the Company and the Members, or any changes thereto.

3.4.3 The Manager shall make, file and record with the appropriate public authorities the Certificate of Formation, any amendments thereto or cancellation thereof and such other instruments and documents as may be required or appropriate in connection with the business and affairs of the Company or to preserve the limited liability of the Members in any jurisdiction in which the Company may transact business. To the greatest extent permitted by applicable law, the Manager shall not be required to deliver or mail to any Member any copy of any such instrument or document.

3.5 Reliance by Third Parties. All third parties dealing with the Company shall be entitled to rely conclusively upon the power and authority of the Manager to act on behalf of the Company.

3.6 Expenses of the Company; Management Fee.

3.6.1 The Company shall pay from its own funds all Organizational Expenses.

3.6.2 The Manager shall be responsible for providing the Company office space and related normal utilities, secretarial and clerical services and shall bear the expenses thereof. The Company shall pay from its own funds all other operating costs and expenses of the Company, including taxes (other than income taxes), accounting and legal expenses, organizational expenses, interest and other lenders' charges, investment expenses such as brokerage commissions or custodial fees, research fees and expenses, direct fees and expenses such as travel and due diligence expenses related to the analysis, purchase or sale of investments, whether or not a particular investment is consummated, and any other expenses reasonably related to the purchase or sale of Company assets.

3.6.3 On the first day of each quarterly period of the Fiscal Year, the Company shall pay the Manager, for services to be rendered in administering and managing the business and affairs of the Company during such period and without regard to the income of the Company, an amount equal to 0.625% (2.5% per annum) of the aggregate Capital Commitments of the Members. Notwithstanding the foregoing, in the event that the Company shall be formed on any day other than the first day of a quarterly period of the Fiscal Year, the management fee payable to the Manager for such period shall be an amount equal to the management fee otherwise payable multiplied by a fraction equal to the number of days the Company will exist during such period divided by the number of days in such period. In the event that on a day other than the first day of a quarterly period of the Fiscal Year, any Additional Member shall be admitted pursuant to Section 7.1 or any previously admitted Member shall increase its Capital Commitment after the Initial Closing, the Company shall pay the Manager on the date of such admission or increase an amount equal to (a) 0.625% of (i) the aggregate Capital Commitment of

such Additional Member or (ii) the increase in Capital Commitment of such previously admitted Member, as the case may be, multiplied by (b) a fraction equal to the number of days remaining thereafter in such period divided by the number of days in such period, and such amount shall be allocated to, and shall reduce, the Capital Account of such Additional Member or previously admitted Member.

3.7 Exculpation. Notwithstanding any other provision of this Agreement to the contrary, no Covered Person shall be liable to the Company or any Member for any act or omission performed or omitted in good faith and in a manner such Covered Person reasonably believed to be in or not opposed to the best interests of the Company or the Members, provided that such act or omission did not constitute gross negligence, willful malfeasance or fraud or, if such act or omission is alleged to be criminal in nature, such Covered Person did not have reasonable cause to believe his conduct was unlawful. A Covered Person shall be fully protected, and shall incur no liability to the Company or any Member, in acting or refraining to act in good faith in reliance upon the opinion or advice of legal counsel.

3.8 Indemnification.

3.8.1 To the maximum extent permitted by applicable law, the Company shall out of its assets indemnify and hold harmless each Covered Person from and against any claim, loss, expense, liability, action or damage (including any action by a Member or assignee thereof against a Covered Person) due to or arising from any action, inaction or decision performed, taken, not taken or made by such Covered Person in connection with the activities and operations of the Company; provided, that, such Covered Person (i) acted in good faith and in a manner such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company or the Members, (ii) was not guilty of gross negligence, willful malfeasance or fraud and (iii) with respect to any criminal proceeding, did not have reasonable cause to believe the conduct of such Covered Person was unlawful. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere, or its equivalent, shall not, by itself, create a presumption that the Covered Person did not act in good faith and in a manner which the Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company or the Members or that the Covered Person had reasonable cause to believe that his conduct was unlawful (unless there has been a final adjudication in the proceeding that the Covered Person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Company or the Members, or that the Covered Person did have reasonable cause to believe that his conduct was unlawful). Any Covered Person may consult with counsel selected by it and any opinion of an independent counsel (which may be counsel for the Manager or any Affiliate) shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by such Covered Person hereunder in good faith and in accordance with the opinion of such counsel. Any indemnification under this Section 3.8 shall include reasonable attorneys' fees incurred by Covered Persons in connection with the defense of any claim or action based on any such action, inaction or decision, and including, to the extent permitted by law, all such liabilities under federal and state securities laws. The reasonable expenses incurred by a Covered Person in connection with the defense of any claim or action shall be paid or reimbursed by the Company as incurred upon receipt of an undertaking by such Covered Person to repay such expenses if it shall ultimately be determined

that such Covered Person is not entitled to be indemnified hereunder. Such indemnification shall only be made to the extent that such Covered Person is not otherwise reimbursed from insurance or other means.

3.8.2 The provisions of this Section 3.8 shall be in addition to and not in limitation of any other rights of indemnification and reimbursement or limitations of liability to which a Covered Person may be entitled. The provisions of this Section 3.8 shall apply whether or not at the time of reimbursement the Covered Person entitled to reimbursement is then a Covered Person. Notwithstanding any repeal of this Section 3.8 or other amendment hereof, its provisions shall be binding upon the Company (subject only to the exceptions above set forth) as to any claim, loss, expense, liability, action or damage due to or arising out of matters which occur during or are referable to the period prior to any such repeal or amendment of this Section 3.8.

3.9 Non-Company Activities. Subject to the provisions of this Agreement, any Member or Covered Person may (a) act as a trustee, director, partner, officer or employee of any Person, (b) receive compensation for services with respect to, or participate in profits derived from, investments in any Person and (c) invest in any Securities for its own account, including, but not limited to, Securities of Persons in which the Company invests or in which the Company considers investing, whether or not such investment opportunities are also made available to the Company or the other Members, and Securities of other entities, whether or not such other entities have the same purposes as the Company. Neither the Company nor the other Members (in their capacities as such) shall have any rights in, or to, investments or activities of any Member or Covered Person, or the income or profits derived therefrom. Any Member or Covered Person may form and manage other entities, and may enter into and engage in any business activity in addition to the business of the Company, with or without the same purposes and objectives as the Company. Subject to the provisions of this Agreement, the Company may enter into investments in the same Persons as such other entities or business activities, and no Member or Covered Person shall be liable or accountable to the other Members for the investments of other entities or business activities or the allocation of investment opportunities between the Company and other entities or business activities.

3.10 Rights to Name. The Manager shall at all times have all rights in and to the Company's name. Subject to the provisions of this Agreement, the Manager may use the Company's name or any portion thereof in connection with any other company or business activity without the consent of any Member, and may execute and deliver on behalf of the Company any and all documents required to indicate the consent of the Company to such use.

3.11 Tax Matters.

3.11.1 The Partnership is hereby designated the tax matters partner ("TMP") as provided in Section 6231(a)(7)(A) of the Code. Such designation shall be effective only for the purpose of activities performed pursuant to the Code under the Agreement.

3.11.2 Each Covered Person performing acts within the scope of the TMP's duties as TMP shall be entitled to indemnity from the Company to the same extent as provided for in Section 3.8 hereof.

3.11.3 All reasonable expenses incurred by the TMP in connection with any administrative proceeding before the Internal Revenue Service or judicial review of such proceeding, including reasonable attorneys' fees, shall be deemed a Company operating expense.

3.12 Registration of Securities. If and when applicable, Securities and other property owned by the Company may, in the discretion of the Manager, be registered either (i) in the name of the Company or (ii) in a "street name" or in the nominee name of any Person which may act as custodian for the Company. Any corporation or transfer agent called upon to transfer any Securities to or from the name of the Company shall be entitled to rely on instructions or assignments signed by the Manager without inquiry as to the authority of the Person signing such instructions or assignment or as to the validity of any transfer to or from the name of the Company. At the time of transfer, the corporation or transfer agent is entitled to assume that the Company is still in existence and that this Agreement is in full force and effect and has not been amended unless the corporation or transfer agent has received written notice to the contrary.

ARTICLE 4

CAPITAL COMMITMENTS AND CONTRIBUTIONS

4.1 Capital Commitments. Each Series A Member shall make a "Capital Commitment" of no less than one hundred thousand dollars ($100,000), and each Series B Member shall make a "Capital Commitment" of no less than two hundred fifty thousand dollars ($250,000); provided, however, that the Manager may waive the minimum Capital Commitment in any case in its sole discretion. A list of Capital Commitments for each Series A and Series B Member is set forth in Schedule A attached hereto and incorporated by reference herein. The Series C Member shall make Capital Contributions at such times and in such amounts as may be required in order that its aggregate Capital Contributions made on or before any date shall equal or exceed one-tenth of one percent (0.10%) of the aggregate amount of all Capital Contributions made by all Members on or before such date.

4.2 Capital Contributions. All Capital Contributions of Members shall be in cash. Ten percent (10%) of the Capital Commitment of each Member admitted to the Company as of the Initial Closing shall be due and payable at the Initial Closing. Ten percent (10%) of the Capital Commitment of each Additional Member shall be due and payable upon such Additional Member's admission to the Company, together with such other Capital Contributions as are required by Section 7.1.2 hereof. Capital Contributions in respect of (but not to exceed) the Members' remaining Capital Commitments shall be due, upon not less than ten (10) days prior notice, at such times and in such amounts as shall be specified in one or more capital calls issued by the Manager. No Member shall be required to make any Capital Contribution or lend any

funds to the Company other than as set forth in this Agreement or as may otherwise be required by applicable law.

4.3 No Interest; No Return. Except as otherwise provided in this Agreement, no Member shall have any right to demand or receive the return of its Capital Contribution or Capital Account, and no Member who withdraws from the Company shall be entitled to receive the fair value of such Member's Membership Interest pursuant to Section 18-604 of the Delaware Act, or otherwise. No Member shall be entitled to interest on its Capital Contribution or on the balance in its Capital Account. No Member shall have the right to receive property other than cash in return for its Capital Contribution or Capital Account.

4.4 Failure to Make Capital Contributions. In the event that a Member fails to make a Capital Contribution when due, the Manager shall promptly notify such Member that it is a "Defaulting Member." If within twenty (20) days of the date of such notice the Defaulting Member has not made the required Capital Contribution, the Manager may elect in its discretion any one or more of the following on behalf of the Company:

4.4.1 The Manager may cause the Company to sue to enforce the obligation of the Defaulting Member, and receive interest at the lesser of eighteen percent (18%) and the highest rate permitted by law, plus out-of-pocket legal and collection costs (with such interest and costs to be treated as income of or reimbursement to the Company, and not as a Capital Contribution of the Defaulting Member).

4.4.2 The Manager may designate one or more Persons (with the prior consent of such Person or Persons) to assume responsibility for the entire unpaid balance of the Defaulting Member's Capital Commitment and to assume and succeed to all of the rights of the Defaulting Member's interest attributable to that portion of the Defaulting Member's Capital Commitment.

4.4.3 The Manager may cancel all or any portion of the Defaulting Member's Capital Commitment.

4.4.4 The Manager may cause the Defaulting Member's share of future allocations of Profit (but not Loss) to be reduced by up to fifty percent (50%) of that to which the Defaulting Member would have been entitled based on its Capital Contributions to the date of default. The share of future Profits so forfeited shall be apportioned among the other Members in accordance with their respective Capital Commitments.

4.4.5 The Manager may cause the Defaulting Member's Capital Account balance to be reduced by up to fifty percent (50%) of the amount contained therein on the date the unpaid Capital Contribution was originally due. The portion of the Defaulting Member's Capital Account balance so reduced shall be apportioned among the other Members in accordance with their respective Capital Commitments.

4.4.6 The Manager may require that the Defaulting Member withdraw from the Company.

4.5 No Withdrawals. Except as otherwise specifically provided herein, no Member shall be entitled to withdraw any part of its Capital Contributions or Capital Account balance.

ARTICLE 5

ALLOCATIONS

5.1 Capital Accounts.

5.1.1 A capital account ("Capital Account") shall be maintained for each Member, consisting of such Member's Capital Contributions, increased or decreased by allocations of Profit or Loss or special allocations, decreased by the cash or Market Value of property distributed to it by the Company and in all events maintained in accordance with applicable Treasury Regulations.

5.1.2 The fiscal year (the "Fiscal Year") of the Company for tax and financial accounting purposes shall be the calendar year. Profit or Loss shall be allocated according to this ARTICLE 5 among Members as of the end of each Fiscal Year of the Company. In addition, the Company's books shall be adjusted to allocate Profit or Loss according to this ARTICLE 5 at any time (a) of any distribution to Members, (b) the Company liquidates, (c) otherwise required by the Code or (d) allowed by the Code and determined by the Manager as appropriate to reflect the relative interests of the Members. Each such allocation shall cover the period (a "Fiscal Period") from the end of the immediately preceding allocation period (or, if none, from the date of formation of the Company) through the date of such allocation.

5.2 General Allocations.

5.2.1 Profit. Except as otherwise provided in this Agreement, the Profit of the Company for any Fiscal Period (and each item thereof) shall be allocated to the Members as follows:

(a) first, to each Member to the extent of, and in proportion to, the amount, if any, that all Loss previously allocated to such Member exceeds all Profit previously allocated to such Member;

(b) second, to the Series A and Series B Members in proportion to their respective Capital Contributions to the extent that the amount of all allocations of Profit made to the Company by the Series C Member exceeds all Profit previously allocated pursuant to this Section 5.2.1(b); and

(c) the balance, if any, to the Members in proportion to their respective Capital Contributions; provided, however, that ten percent (10%) of the amount otherwise allocable to the Series A Members and twenty percent (20%) of the amount otherwise allocable to the Series B Members pursuant to this paragraph shall instead be allocated to the Series C Member.

5.2.2 Loss. Except as otherwise provided for special allocations hereunder, the Loss of the Company for any Fiscal Period (and each item thereof) shall be allocated to the Members as follows:

(a) first, to each Member to the extent of, and in proportion to, the amount, if any, by which all Profit previously allocated to such Member exceeds all Loss previously allocated to such Member; and

(b) the balance, if any, to the Members in proportion to their respective Capital Contributions.

5.3 Special Allocations.

5.3.1 Notwithstanding any other provision of this Agreement to the contrary, no allocation of Loss under this ARTICLE 5 shall be made to any Member to the extent that it would cause or increase a deficit balance in the Capital Account of such Member, unless no Member has a positive Capital Account at that time. For purposes of this Section 5.3 only, Capital Accounts shall include any adjustments for allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6).

5.3.2 Notwithstanding any other provision of this Agreement to the contrary, in the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Profit (including gross income and gain) shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, any deficit in such Member's Capital Account as quickly as possible.

5.3.3 The allocations described in Sections 5.3.1 and 5.3.2 hereof are intended to comply with certain requirements of Treasury Regulations, and may not be consistent with the manner in which the Members intend to divide Company distributions. Accordingly, the Manager is hereby authorized to divide other allocations of Profits, Losses and other items among the Members so that the net amount of all allocations under Sections 5.3.1 and 5.3.2 hereof to each such Member is zero.

5.4 Tax Consequences. For each tax year, items of income, gain, loss, deduction and credit shall be allocated for income tax purposes among the Members in a manner that reflects amounts credited or debited to each Member's Capital Account for the current and prior tax years. These allocations shall be made in accordance with the provisions of Sections 704(b) and (c) of the Code. The Members are aware of the income tax consequences of the allocations made by this ARTICLE 5 and hereby agree to be bound by the provisions of this ARTICLE 5 in reporting their shares of Company income and loss for income tax purposes. In the event the Market Value of any Company asset is adjusted, subsequent allocations of income, gain, loss and deduction with respect to such asset for income tax purposes shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Market Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Any

elections or other decisions relating to such allocations shall be made by the Manager in its sole discretion.

ARTICLE 6

DISTRIBUTIONS

6.1 General. Except as otherwise provided herein, the Manager shall not be required to make distributions of cash or other Company assets to the Members.

6.2 Current Distributions. Distributions to Members other than in liquidation shall be made only at such times and in such amounts as may be determined by the Manager, in its sole discretion. Except as otherwise provided herein, distributions shall be made:

(a) initially, to each Member to the extent of, and in proportion to the amount, if any, by which such Member's Capital Contributions exceed all prior distributions to such Member;

(b) second, to the Series A and Series B Members in proportion to their respective Capital Contributions, to the extent of the amount by which all distributions received by the Company from the Series C Member exceed the amount of all distributions previously made pursuant to this Section 6.2(b); and

(c) thereafter, to the Members in proportion to their respective Capital Contributions; provided, however, that ten percent (10%) of the amount otherwise distributable to the Series A Members and twenty percent (20%) of the amount otherwise distributable to the Series B Members pursuant to this paragraph shall instead be distributed to the Series C Member.

Distributions shall be made in cash except as otherwise deemed appropriate by the Manager, in its discretion. Each different asset distributed (with each class of Securities of any issuer being considered a different asset, and each portion of any class of assets with a different tax basis for federal income tax purposes being considered a different asset) shall be apportioned among the Members receiving a distribution at that time in proportion to the total amount of distribution received by each, provided, however, that such assets may be otherwise apportioned if the Members receiving the distribution so agree.

6.3 Tax Distributions. Notwithstanding anything in this ARTICLE 6 to the contrary, the Company shall make, with respect to each Fiscal Year of the Company, distributions of Distributable Cash to the Members with respect to such tax year to enable the Members to pay income taxes on Profit allocated to them with respect to such tax year in an amount equal to the respective Estimated Tax Liability of each of the Members with respect to such tax year, to the extent that distributions in such amounts have not previously been made with respect to such Fiscal Year.

6.4 Insolvency. No distribution shall be made which, after giving effect to the distribution, would result in all liabilities of the Company exceeding the fair value of the assets of the Company in violation of Section 18-607 of the Delaware Act.

6.5 Withholding. The Company may withhold from distribution to any Member any amount required to be withheld under the Code or any other applicable federal, state or local law. All amounts withheld with regard to any distribution shall be treated as amounts distributed.

ARTICLE 7

ADMISSION; WITHDRAWAL

7.1 Admission of Additional Members.

7.1.1 On or prior to September 30, 2005, the Manager may at any time or from time to time in its sole discretion, admit one or more Persons as Additional Members under the same terms and conditions, and subject to the limitations, provided by this Agreement.

7.1.2 Upon the admission of any Person as an Additional Member, the Manager shall amend this Agreement, including Schedule A attached hereto, to the extent required to conform the terms and provisions of this Agreement to such action. In the event that an Additional Member is admitted after a call or calls for Capital Contributions have been made, such Additional Member shall at the time of its admission as a Member make a Capital Contribution such that the Additional Member will have contributed the same percentage of its Capital Commitment as the existing Members have previously contributed.

7.1.3 Except for Additional Members admitted pursuant to this Section 7.1, no additional Members (other than Substituted Members) may be admitted without the written consent of the Manager and a Majority in Interest of the Members and without agreeing to be bound by the terms and conditions of this Agreement. The admission of Substituted Members shall be governed by ARTICLE 8 hereof.

7.1.4 Each Additional Member shall execute and deliver a written instrument satisfactory to the Manager whereby such Additional Member becomes a party to, and agrees to be bound by, this Agreement, as well as any other documents (including a Subscription Agreement) required by the Manager. Each such Member shall thereafter be entitled to all the rights and subject to all the obligations of Members as set forth herein.

7.1.5 Any previously admitted Member that increases its Capital Commitment after the Initial Closing shall be treated, to the extent of such increase, as an Additional Member for purposes of this Section 7.1.

7.2 Withdrawals. No Member shall be permitted to withdraw or resign except with the express written consent of the Manager. Such consent may be withheld in the Manager's sole discretion. The Manager may require the withdrawal and resignation of any Member in the event that such Member fails to make a timely Capital Contribution as set forth in Section 4.4 hereof or attempts to transfer its Membership Interest in violation of ARTICLE 8 hereof. The Manager may also require the withdrawal and resignation of any Member for any reason including if the Manager determines that continued membership of the Member would (a) constitute or give rise

to a violation of applicable law or (b) otherwise subject the Company to material onerous legal or other regulatory requirements, including through potential loss of the Company's exclusion from the definition of "investment company" under Section 3(c)(1) of the Investment Company Act of 1940, as amended, or for purposes of limiting the participation of "benefit plan investors" (as that term is used under ERISA). Upon such request, any such Member shall withdraw and resign in whole or in part from the Company as the Manager, in its sole discretion, determines.

7.3 Incapacity. If a Member (the "Incapacitated Member") who is an individual dies, or a court of a competent jurisdiction adjudges him to be incompetent to manage his person or property or if the Incapacitated Member which is a corporation, trust or other entity is dissolved or terminated, the personal representative of such Member may exercise all of the Member's rights for the purpose of settling or managing the estate of such Incapacitated Member, including such power under this Agreement as such Incapacitated Member possessed to assign all or any part of its Membership Interest and to join with an Assignee in satisfying conditions precedent to such Assignee becoming a Substituted Member. The personal representative of a manager suffering from an Incapacity shall not be admitted as a manager except as provided herein.

7.4 No Dissolution. The Incapacity, withdrawal or resignation of a Member shall not dissolve or terminate the Company, nor shall the successor to the Membership Interest of an Incapacitated Member have any rights to a distribution, accounting, appraisal or similar right of redemption, other than as expressly provided herein.

7.5 No Withdrawal of Manager, Partnership. Notwithstanding any other provision of this Agreement to the contrary, neither the Manager nor the Partnership, as Series C Member, shall be permitted to withdraw or resign from the Company.

ARTICLE 8

ASSIGNMENT

8.1 Restrictions on Transfers of Membership Interests.

8.1.1 No Member may sell, assign, transfer, or otherwise dispose of ("assign" or, as appropriate "assigned" or "assignment"), or pledge, hypothecate or otherwise encumber, all or any part of its Membership Interest without the prior written consent of the Manager, which consent may be withheld at the sole discretion of the Manager.

8.1.2 Notwithstanding any other provisions of this ARTICLE 8 to the contrary, no assignment of all or any part of a Member's Membership Interest may be made unless in the opinion of legal counsel (who may be counsel to the Company) acceptable to the Manager, which opinion shall be satisfactory in form and substance to the Manager but may be waived, in whole or in part, at the discretion of the Manager,

(a) such assignment, when added to the total of all other assignments of Membership Interests within the preceding twelve (12) months, would not result in the Company being considered to have terminated within the meaning of Section 708 of the Code;

(b) such assignment would not violate any federal securities laws or any state securities or "Blue Sky" laws (including any investor suitability standards) applicable to the Company or the Membership Interest to be assigned; and

(c) such assignment would not cause the Company to cease to be entitled to rely on the exemption from the definition of an "investment company" set forth in Section 3(c)(1) of the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Such opinion of counsel shall be delivered in writing to the Company prior to the date of such assignment.

8.1.3 In no event shall all or any part of a Membership Interest be assigned to a minor or an incompetent except in trust or by will or intestate succession.

8.1.4 Each Member agrees that it will, upon request of the Manager, execute such certificates or other documents and perform such acts as the Manager deems appropriate after an assignment of all or any part of a Membership Interest by that Member to preserve the limited liability of the Members under the laws of the jurisdictions in which the Company is doing business. Any assignment of all or any part of a Membership Interest shall be deemed to be within the provisions of this Section 8.1.4, whether voluntary or by operation of law.

8.1.5 Each Member agrees that it will, prior to and including the time the Manager consents to an assignment or pledge, hypothecation or other encumbrance of all or any part of a Membership Interest by such Member, pay all reasonable expenses (including attorneys' fees) incurred or to be incurred by the Company in connection with such assignment or pledge, hypothecation or other encumbrance.

8.1.6 Any purported assignment or pledge, hypothecation or other encumbrance of all or any part of a Membership Interest which is not made in compliance with this Agreement shall be null and void and of no force or effect whatsoever.

8.2 Assignees.

8.2.1 The Company shall not recognize for any purpose any purported assignment of all or any part of the Membership Interest of a Member unless the provisions of Section 8.1 hereof shall have been complied with and there shall have been filed with the Company a written notification of such assignment, in form and substance satisfactory to the Manager, executed by both the Member and the Assignee, and such notification (a) contains the acceptance by the Assignee of all of the terms and provisions of this Agreement and (b) represents that such assignment was made in accordance with all applicable laws and regulations. Any assignment shall be recognized by the Company as effective on the last day of the month in which

compliance with Section 8.1 hereof and this Section 8.2 is completed and such notification is filed with the Company. If a Membership Interest is assigned more than once prior to the end of a month, the last Assignee with respect to whom notification is received shall be recognized by the Company.

8.2.2 Unless and until an Assignee of a Membership Interest is admitted as a substituted Member ("Substituted Member"), such Assignee shall not be entitled to vote on Company matters or be afforded any other right granted hereby to Members.

8.2.3 Any Member who shall assign all of its right, title and interest in its Membership Interest shall cease to be a Member, except that, unless and until a Substituted Member is admitted in its stead, it shall retain the statutory rights of the assignor of a Member's Membership Interest under applicable law.

8.2.4 Anything herein to the contrary notwithstanding, both the Company and the Manager shall be entitled to treat the seller, transferor or assignor of a Membership Interest as the absolute owner thereof in all respects, and shall incur no liability for distributions made to it, until such time as a written instrument assigning such Membership Interest that conforms to the requirements of this ARTICLE 8 has been received by the Company and accepted by the Manager, and all other requirements of this ARTICLE 8 have been satisfied, at which time the Assignee shall become entitled to distributions and allocations hereunder to which the seller, transferor or assignor of the Membership Interest was entitled, to the extent assigned.

8.2.5 A Person who is the Assignee of all or any fraction of the Membership Interest of a Member, but does not become a Substituted Member and desires to make a further assignment of such Membership Interest, shall be subject to all the provisions of this ARTICLE 8 to the same extent and in the same manner as any Member desiring to make an assignment of its Membership Interest.

8.3 Substituted Members.

8.3.1 In addition to the requirements of Sections 8.1 and 8.2 hereof with respect to assignments of the Membership Interests of Members, no Member shall have the right to substitute an Assignee of all or any fraction of such Member's Membership Interest as a Member in its place. Any such Assignee of all or any part of a Membership Interest (whether pursuant to a voluntary or involuntary transfer) shall be admitted to the Company as a Substituted Member only (a) with the prior written consent of the Manager, which consent may be withheld in its sole discretion, and (b) upon the filing and recording of any instruments required to be filed and recorded under applicable law. The Members hereby consent and agree to such admission of a Substituted Member by the Manager, and further agree that the Manager may, on behalf of each Member and on behalf of the Company, cause the Agreement to be appropriately amended in the event of such admission and all required instruments to be properly recorded.

8.3.2 In addition to the requirements of Section 8.3.1 hereof, each Assignee of all or any part of a Membership Interest, as a condition to its admission as a Member, shall execute such instruments, in form and substance satisfactory to the Manager, as the Manager deems

necessary or desirable to effectuate such admission and to confirm the agreement of the Substituted Member to be bound by all the terms and provisions of this Agreement with respect to the Membership Interest acquired.

8.3.3 All reasonable expenses, including attorneys' fees, incurred by the Company or the Manager in connection with any assignment of a Membership Interest from and after the time the Manager consents to such assignment shall be borne by the Assignee whether or not such Person is admitted to the Company as a Substituted Member.

8.3.4 Until an Assignee shall have been admitted to the Company as a Substituted Member pursuant to this Section 8.3, such Assignee shall be entitled to all of the rights of an assignee of a limited liability company membership interest under applicable law.

8.4 No Transfer by Partnership. Notwithstanding any other provision of this Agreement to the contrary, under no circumstances shall the Partnership be permitted to assign, pledge, hypothecate or otherwise encumber its Series C Membership Interest.

ARTICLE 9

TERM AND DISSOLUTION OF COMPANY

9.1 Term.

9.1.1 The Company shall commence upon the filing of the Certificate of Formation in the office of the Secretary of State of The State of Delaware and shall dissolve on December 31, 2015 unless the term of the Company is extended by the Manager. The Manager may extend the term for up to two (2) additional one-year periods. Upon termination of the end of the term or any extension thereof, the Company's affairs shall be wound up pursuant to ARTICLE 10 hereof.

9.1.2 The Company shall dissolve and, pursuant to ARTICLE 10 hereof, shall wind up its affairs prior to the time set forth in Section 9.1.1 hereof on the first to occur of any of the following events:

(a) The Manager determines that the Company should be dissolved and terminated;

(b) There are no Members;

(c) The withdrawal of all amounts from all Members' Capital Accounts;

(d) The written consent of all the Series A and Series B Members and the Manager; or

(e) The entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act.

ARTICLE 10

LIQUIDATION

10.1 No Further Business. Upon the dissolution of the Company pursuant to the provisions of ARTICLE 9 hereof or otherwise, except as otherwise provided herein or by applicable law, no further business shall be done in the Company name except for the completion of any transactions in process and the taking of such action as shall be necessary for the performance and discharge of the obligations of the Company, the winding up and liquidation of its affairs and the distribution of its assets.

10.2 Liquidator. The Manager shall act as the liquidator of the Company unless it, or, if it is unable so to act, a Majority in Interest of the Members, appoints by an instrument in writing one or more other liquidators. The liquidator or liquidators (the "Liquidator") shall wind up the affairs of the Company and liquidate its assets as promptly as the Liquidator deems consistent with obtaining the fair market value thereof and in any event within nine (9) months of the date of dissolution of the Company. The Liquidator may distribute Securities or other Company assets which it determines may legally be distributed in kind and the sale of which would not be consistent with obtaining the fair value thereof. The Liquidator may withhold any Member's distributive share of any assets to be distributed in kind until such Member has furnished the Company with any representation or information deemed advisable by the Liquidator for the purpose of complying with any federal or state securities laws.

10.3 Final Distributions. Subject to applicable law with respect to the rights of creditors of the Company, the cash proceeds of liquidation and then any assets to be distributed in kind shall be applied pro rata in the following order, and the Members shall be furnished a written report accounting for the manner of distribution as provided in Section 11.3.3 hereof:

10.3.1 to the discharge, to the extent required by any lender or creditor, of debts and obligations of the Company in the order of priority provided by law, including any amounts payable to the Manager, but excluding sums listed in subsequent clauses of this Section 10.3;

10.3.2 to fund reserves for contingent or unforeseen liabilities of the Company, to the extent deemed reasonable by the Manager; and

10.3.3 to each Member (including the Partnership as a Series C Member), as follows:

(a) the remaining assets of the Company shall be valued at their fair value in accordance with ARTICLE 12 hereof and unrecognized and unaccounted for appreciation or depreciation therefrom shall be included in Profit and Loss and allocated as provided in ARTICLE 5 hereof. Such assets shall then be distributed in cash or in kind in accordance with the provisions of this Section 10.3.3; and

(b) the cash and each different asset (with each class of Securities of any issuer being considered a different asset, and each portion of any class of assets with a different tax basis for federal income tax purposes being considered a different asset) remaining shall be distributed among the Members in proportion to their respective Capital Accounts after giving effect to all applicable credits and debits; provided, that, assets other than cash may be distributed in different proportions to different Members if the Members receiving distributions at that time so agree. The Members shall look solely to the Company's assets for the return of their Capital Account balances, and if the assets of the Company remaining after payment of or due provision for all debts, liabilities and obligations of the Company are insufficient to return such Capital Account balances, the Members shall have no recourse against the Company or any other Member.

10.4 Certificate of Cancellation. Upon the dissolution and completion of winding up of the Company, the Manager shall file a certificate of cancellation of the Certificate of Formation pursuant to Section 18-203 of the Delaware Act.

ARTICLE 11

ACCOUNTING AND REPORTING PROVISIONS

11.1 Method of Accounting; Elections. At all times during its continuance and until its complete liquidation, the Company shall keep proper and complete books of account (a) in accordance with the Code for tax purposes and (b) in accordance with generally accepted accounting principles, consistently applied, for financial accounting purposes, except that Organizational Expenses may be amortized over sixty (60) months. The Company's books shall be kept on the accrual basis method of accounting and shall include separate Capital Accounts for each Member. The Manager shall make all elections for tax purposes in a manner it believes is consistent with the best interests of the Members, except that an election by the Company under Section 754 of the Code shall be made at the sole discretion of the Manager. Each Member shall furnish the Manager with all information necessary to give effect to any election made under said Section 754.

11.2 Inspection of Books of Account. The Company's books of account shall be available, upon reasonable notice, for inspection by any Member during normal business hours. Each Member, at its own expense and upon reasonable demand and notice, may fully examine or audit the Company's books, records, accounts and assets, including bank balances, and has the right, subject to such reasonable standards as may be established from time to time by the Manager, to obtain upon reasonable demand and notice for any purpose reasonably related to the Company any other information concerning the Company to which the Member is entitled under applicable law.

11.3 Reports to Members.

11.3.1 Within one hundred twenty (120) days after the end of each Fiscal Year of the Company, the Manager shall furnish to each Member: (a) an audited statement of net assets, statement of income and expenses, and statement of changes in net assets and Members' capital

for the Fiscal Year; (b) an unaudited calculation setting forth the information used in determining the allocation of Profit or Loss for such year; (c) such Member's Schedule K-1 (or equivalent) for income tax reporting purposes; and (d) such additional information as the Member may reasonably request to enable it to complete its tax returns.

11.3.2 Within thirty (30) days after the end of each quarter of each Fiscal Year, the Manager shall furnish to each Member an unaudited statement containing a brief description of new investments made during such quarter and a brief report on the performance of prior investments during such quarter.

11.3.3 Each Member shall be furnished a statement by the Liquidator not less than ten (10) days before the final distribution to the Members of the assets of the Company, setting forth in reasonable detail the computations as to the assets to be distributed to each Member pursuant to Section 10.3 hereof.

ARTICLE 12

VALUATIONS

12.1 Valuation of Assets. Whenever valuation of Company assets is required hereunder, the Manager or a Person acting at its direction shall make a reasonable valuation and appraisal and prepare a statement of the net worth of the Company showing as of the valuation date the value which, in the judgment of the Manager, reflects the value of all of the Company's assets. In valuing Company assets, no value shall be ascribed to the good will or to the name of the Company.

12.2 Valuation of Securities. Securities which are listed on a national securities exchange will be valued at their last sales prices on the date of determination or, if no sales occurred on such day, at the mean between the bid and asked prices on such day. Securities which are not listed on a national securities exchange but are publicly traded will be valued at their last sales prices on the date of determination, or, if no sales occurred on such day, at their last closing bid prices if owned and held in a long position by the Company. Securities which are in the form of put or call options, warrants or convertible bonds will be valued at their last closing bid prices if publicly traded and owned and held in a long position by the Company. Valuations may be based on quotes from independent dealers or other pricing services. All other securities shall be valued at fair value as reasonably determined by the Manager or the Person acting at its direction. Securities subject to any restriction shall be valued by the Manager or the Person acting at its direction taking into account such restriction.

ARTICLE 13

POWER OF ATTORNEY

Each Member, by its execution hereof, hereby makes, constitutes and appoints the Manager its true and lawful agent and attorney-in-fact, with full power of substitution to such Manager and to each substitute so appointed, with full power and authority in its name, place and stead, to make, execute, sign, acknowledge, swear to, record and file the following:

(a) The Certificate of Formation, and any amendment to or certificate of cancellation of the Certificate of Formation, for the Company pursuant to the Delaware Act;

(b) Any certificate or other instrument (i) which may be required to be filed by the Company under the laws of the United States, the State of Delaware, The Commonwealth of Massachusetts, or any other jurisdiction, or (ii) which the Manager shall deem advisable to file;

(c) Any agreement, document, certificate or other instrument which any Member is required to execute in connection with the termination of such Member's Membership Interest in the Company and the withdrawal or resignation of such Member from the Company, or in connection with the withdrawal by such Member of any capital from the Company and which such Member has failed to execute and deliver within ten days after written request therefor by the Manager;

(d) Any amendment or modification of any certificate or other instrument referred to in paragraph (a), (b), or (c) of this ARTICLE 13, including such amendments as are necessary to admit a Substituted Member to the Company;

(e) Any agreement or other instrument to reflect a change, amendment, or modification contemplated by, and made in accordance with, this Agreement; and

(f) All documents which may be required to effect the dissolution and liquidation of the Company.

The foregoing power of attorney:

(i) is coupled with an interest and shall be irrevocable and survive the Incapacity of each Member;

(ii) may be exercised by the Manager either by signing as attorney-in-fact for each Member or, after listing all of the Members, executing an instrument by a single signature of the Manager acting as attorney-in-fact for all of them; and

(iii) shall survive the delivery of an assignment by a Member of the whole or any fraction of its Membership Interest; except that, where the Assignee of the whole of such Member's Membership Interest has been approved by the Manager for admission to the Company as a Substituted Member, the power of attorney of the assignor, seller or transferor shall survive the delivery of such assignment for the sole purpose of enabling the Manager to execute, swear to, acknowledge and file any instrument necessary or appropriate to effect such substitution.

The foregoing power of attorney and all power and authority conferred thereby shall be irrevocable and durable and shall not be terminated or otherwise affected by any act or deed of any Member (or by any other Person) or by operation of law, whether by the Incapacity of a Member or by the occurrence of any other event or events and if after the execution hereof a Member shall suffer an Incapacity, or any other such event or events shall occur before the completion of any of the transactions contemplated by this Agreement and this power of attorney, the attorney-in-fact is nevertheless authorized and directed to complete all such transactions as if such Incapacity or other event or events had not occurred and regardless of notice thereof.

The attorney-in-fact shall have full power to take and substitute any attorney-in-fact in its place and stead, and each Member hereby ratifies and confirms all that the attorney-in-fact or substitute or substitutes shall do by virtue of these presents. All actions hereunder may be taken by the Person named herein as attorney-in-fact or its substitute. In the event of the Incapacity of any attorney-in-fact, the remaining attorneys-in-fact may appoint a substitute therefor. The term "attorney-in-fact" as used herein shall include their respective substitutes.

Each Member shall execute and deliver to the Manager within five (5) days after receipt of the Manager's request therefor such further designations, powers-of-attorney and other instruments as the Manager deems necessary or appropriate to carry out the terms of this Agreement or to confirm the power and authority granted by this ARTICLE 13.

ARTICLE 14

MISCELLANEOUS PROVISIONS

14.1 Amendments. This Agreement may be amended only (a) by the Manager to the extent required to conform to actions properly taken by the Company or any of the Members in accordance with this Agreement, including the admission of Additional or Substituted Members to the Company, the making of additional Capital Contributions and the withdrawal of capital from the Company, after the date hereof in accordance with the terms hereof, (b) by the Manager to change the registered agent or registered office of the Company in the State of Delaware, (c) by the Partnership to amend Exhibit A attached hereto from time to time to reflect changes in the investment strategy of the Company or (d) by the written consent of the Manager and a Majority in Interest of the Members. Notwithstanding the immediately preceding sentence, the unanimous written consent of all Members shall be required to amend this Section 14.1 and in addition to the consent required by such sentence the unanimous written consent of all Members adversely affected by any amendment shall be required to amend any provision of ARTICLE 5, ARTICLE 6 or ARTICLE 10 hereof setting forth the allocations of Profit or Loss and distributions.

14.2 Entire Agreement. This Agreement constitutes the entire agreement among the parties concerning the subject matter hereof and supersedes all prior oral and written agreements and understandings among the parties regarding such subject matter. Notwithstanding the foregoing, this Agreement shall neither supersede, nor affect any obligations of any of the

Members under, the Subscription Agreements and any other documents executed by the Members in connection with their admission to the Company.

14.3 Waivers. The Manager and a Majority in Interest of the Members may by written consent waive, either prospectively or retrospectively and either for a specified period of time or indefinitely, the operation or effect of any provision of this Agreement, whether involving any obligation of the Manager, any right of the Members under this Agreement or otherwise. Notwithstanding the immediately preceding sentence, the unanimous written consent of all Members adversely affected by the waiver shall be required to waive any provision of ARTICLE 5, ARTICLE 6, or ARTICLE 10 hereof setting forth the allocations of Profit or Loss and distributions, and the Manager may waive any obligation of a Member, an Assignee of a Member or any other Person to provide any document or expense payment required hereunder, including under ARTICLE 8 hereof. No waiver of any right by any party hereto shall be construed as a waiver of the same or any other right at any other time.

14.4 Notices. Except as otherwise expressly provided in this Agreement, whenever any notice is required or permitted to be given under any provision of this Agreement, such notice shall be in writing, signed by or on behalf of the Person giving the notice, shall be mailed by prepaid registered or certified mail to the Person or Persons to whom such notice is to be given, addressed, if to the Company, the Partnership or the Manager, to the principal place of business of the Company, or if to a Member, to the address set forth in Schedule A attached hereto or to such other address as such Member may from time to time specify by notice in writing to the Company. Any such notice shall be deemed to have been given seventy-two (72) hours after such notice is mailed.

14.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one Agreement.

14.6 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to its principles of conflicts of law.

14.7 Captions. Captions contained in the Agreement are inserted as a matter of convenience only and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

14.8 Remedies. All rights and remedies hereunder shall be cumulative and in addition to all other rights and remedies available by contract, under law or otherwise.

14.9 Successors and Assigns. Subject to ARTICLE 8 hereof, this Agreement shall inure to the benefit of, and be binding upon, all parties hereto and their respective heirs, legal representatives, successors and permitted assigns. None of the provisions of this Agreement shall be for the benefit of, or enforceable by, any Person other than a party hereto, including any creditor of the Company, except that Sections 3.7, 3.8, and 3.11.2 hereof shall inure to the benefit of all Covered Persons.

14.10 Severability. In the event that any of the provisions of this Agreement shall be or become or is declared to be illegal or unenforceable by any court or other authority of competent jurisdiction, such provisions shall be null and void and shall be deemed deleted from this Agreement, and all the remaining provisions of this Agreement shall remain in full force and effect to the fullest extent permitted by applicable law.

14.11 Waiver of Partition. Each Member waives all rights, at law, in equity or otherwise, to require a partition of all or any portion of the assets of the Company.

14.12 Qualified Plan Representation. Any Member that is a trust maintained for the administration of a pension, profit sharing, stock bonus or other benefit plan qualified within the meaning of Section 401 of the Code hereby represents, warrants and covenants that (a) an investment by such Member in the Company, and all investments by the Company within the scope of the purposes set forth in Section 2.3 hereof, are within the category of investments permissible for such Member under its governing instrument and applicable law and (b) upon request of the Manager, it shall deliver to the Company a complete and accurate list of all persons which, to the best knowledge of such Member, are "disqualified persons" with respect to such Member within the meaning of Section 4975(e)(2) of the Code.

IN WITNESS WHEREOF, the parties hereto have hereunto set their respective hands as of the day and year first above written.

Manager:

COMMONANGELS, INC.

By: ______________________________
James Geshwiler
Its: President

Members:

(see attached signature pages)

Partnership:

COMMONANGELS II, L.P.

By: COMMONANGELS, INC.
Its General Partner

By: _________________________________
James Geshwiler
Its: President

LIMITED LIABILITY COMPANY AGREEMENT

SIGNATURE PAGE

The undersigned hereby executes the Limited Liability Company Agreement of CommonAngels Co-Investment Fund II, LLC (the "Company") by and among CommonAngels, Inc. (the "Manager"), CommonAngels II, L.P. (the "Partnership") and other Members of the Company, and hereby agrees to all of the provisions of such Agreement and hereby authorizes this signature page to be attached, together with signature pages of other Members of the Company, to a counterpart of such Agreement executed by the Manager and the Partnership.

Dated this _____ day of __________, 2005.

____
Name of Member

____
Signature

____
Title (if Member is not a natural person)

Exhibit A

Investment Objective

The investment objective that the Partnership will follow in its direction of the Company's capital investments is to engage in parallel venture capital investing with the CommonAngels, an association of investors located in and around Boston, primarily through acquiring, holding and disposing of equity securities issued by private companies. The Company generally will make investments only in companies in which at least five (5) members of the CommonAngels, , three (3) of whom are not members of the Investment Committee, are also separately investing an aggregate of at least $250,000. The Partnership, acting through its Investment Committee, will have discretion to decline participation in any investment even when these criteria are met.

In any initial investment, the Company will invest an amount equal to the total aggregate investment made by the CommonAngels individual investors and CommonAngels Fund I, LLC ("Fund I"), a previously formed investment fund similar to the Company; provided, that, if Fund I will be an investor in any such initial investment, the Company will invest only with the unanimous consent of the members of the Investment Committee who are neither individual investors in such investment nor investors in Fund I (without consideration of their participation as limited partners of CommonAngels, L.P.). For follow-on investments, the Company will invest its pro-rata share of the aggregate investment made by the Company, Fund I and the individual CommonAngels (if any); provided, however, that the total investment of the Company for a follow-on investment will not exceed seventy-five percent (75%) of the aggregate investment made by the Company, Fund I and the individual CommonAngels without the unanimous consent of the Investment Committee. The Company anticipates that approximately one-third of its capital will be allocated to initial investments in companies and two-thirds will be allocated to follow-on investments. The Partnership, acting through its Investment Committee, will have the authority to select among investment opportunities that otherwise satisfy the Company's criteria in order to accomplish this allocation.

The Partnership's discretionary authority to (i) decline an investment opportunity that otherwise meets the above-described criteria or (ii) approve an investment opportunity that differs from the above-described criteria, will be exercised as to any particular investment opportunity only by member(s) of its Investment Committee who are not individually participating in the investment opportunity and who are not otherwise interested in the transaction (other than through their interest in CommonAngels, L.P.). If all members of the Investment Committee are individually participating in the investment opportunity or are otherwise interested in the transaction (other than through their interest in CommonAngels, L.P.), an advisory board consisting of other, non-conflicted members of the CommonAngels will be constituted by the Investment Committee for the one-time purpose of determining whether the Company should participate in the subject investment opportunity. The Investment Committee, or a specially constituted advisory board, may seek the advice and consultation of the officers of the Partnership when making a decision as to an investment opportunity.

Notwithstanding any language seemingly to the contrary, the foregoing constitutes solely objectives of the Partnership and the Company and not an agreement or promise that any particular objectives will be achieved. The Partnership retains authority to alter this initial investment objective in any respect at any time.

Schedule A

Series A Members

First Closing – [___________], 2005

Name and Address	Capital Commitments
FIRST CLOSING TOTAL	**$[________________]**

Series B Members

First Closing – [___________], 2005

Name and Address	Capital Commitments
FIRST CLOSING TOTAL	**$[________________]**