Crusoe™

The Smart Microprocessor

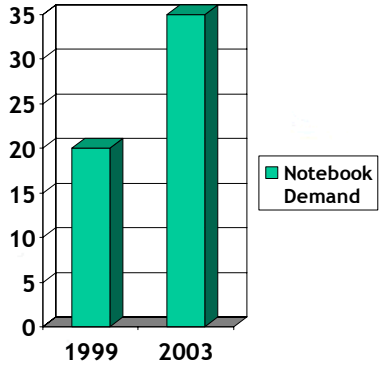
for Mobile Internet Computing

By Rahat Ahmed & Peter Findley
November 10, 2000

Net-Centricity

- Web-based email (Hotmail, Sternmail)
- Server-side data cache (Amazon, Yahoo)
- Wireless internet access (Sprint PCS)
- PDA internet access (Handspring, Palm)

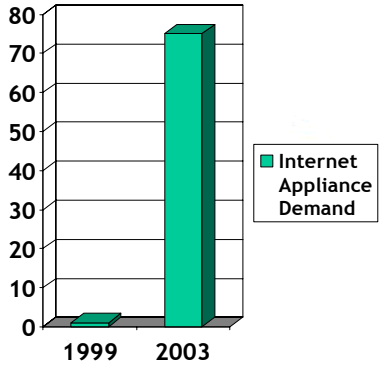
Increased Mobility



- Notebook usage will rise from 20 million to 35 million from 1999 to 2003.

Source: International Data Corporation

Boom In Internet Appliances



- Internet appliance usage will rise from barely ANYTHING now to around 75 million in 2003.

Source: International Data Corporation

What Mobile Computing Should Be

- Longer Battery Life
- Lighter Weight
- Comparable Performance
- Full x86 Software and Internet Compatibility
- Cost Effective
- Cool and Quiet

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What's Halting Progress?

- Trade-off between Compatibility, Power, Performance and Cost
  - o RISC (Reduced Instruction Chip Set)
  - o CISC (Complex Instruction Chip Set)

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Our Savior

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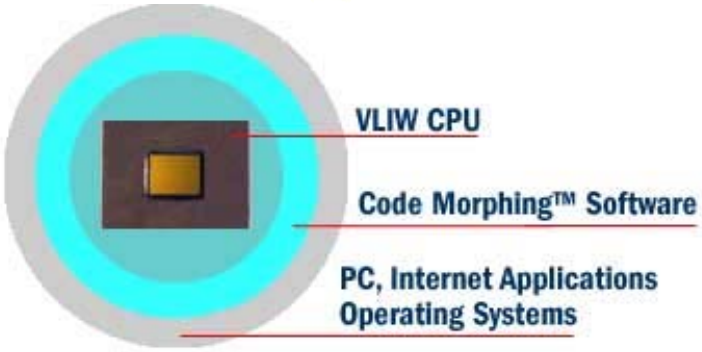
Develops and sells software based microprocessors and develops additional hardware and software technologies for Mobile Internet Computers.

CRUSOE



CRUSOE: What Is It?

- Developed over the past 5 years
- Code Morphing Software
- Very Long Instruction Word (VLIW) Processor Hardware

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The Difference

- Traditional chips (Intel, AMD): 100% Hardware
- Transmeta chips: 50% Hardware (VLIW), 50% Software (Code Morphing)

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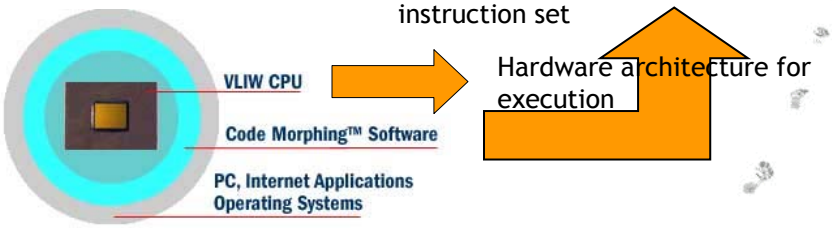
How Did Transmeta Do It?

- The outer software layer of the chip
- Takes more complex x86 information and translates it to a simpler instruction set



Because the data is made simpler by the software's decoding, the hardware executes the data faster and with less power

The More The Merrier

- Every time a program is run, the Code Morphing Software remembers which parts of the code is used more often and thereby optimizes it for the next time the program is run.

Code Morphing™ Software

The ***more*** you run a program, the ***faster*** it gets!

Extreme Flexibility

- Another major advantage is that you can UPDATE the Code Morphing Software simply by DOWNLOADING an update from the Internet!
- Because of this capability, Transmeta plans to provide personal customer support: i.e., Customer specific Code Morphing Software!

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CRUSOE Advantages

- Low Power Consumption
- High Performance
- IBM x86 Compatible

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Manufacturing Of Chip

- Currently IBM is the only company to manufacture the silicon wafers for the Crusoe
- BUT: They recently qualified TSMC of Taiwan to also manufacture the wafers
  - o They will start production in 2001

Worldly Exposure

- Siltrontech Electronics
  - o Taiwan
  - o Hong Kong
  - o China
- American Semiconductor
  - o North America

Main Competitors

- Notebooks
  - o Intel
  - o American Micro Devices (AMD)
- Internet Appliances
  - o National Semiconductor

Existing & Up-Coming Products

	TM3X00 SERIES FOR INTERNET APPLIANCES			TM5X00 SERIES FOR NOTEBOOK COMPUTERS		
	TM3200	TM3300*	TM3400*	TM5400	TM5600	TM5800*
Typical maximum MHz range.....	400	400	400 - 500	500 - 700	600 - 800	600 - 1000
Instruction compatibility.....	x86	x86	x86	x86	x86	x86
Level 1 data cache.....	32 KB	64 KB	64 KB	64 KB	64 KB	64 KB
Level 1 instruction cache.....	64 KB	64 KB	64 KB	64 KB	64 KB	64 KB
Level 2 cache.....	none	none	256 KB	256 KB	512 KB	512 KB - 1 MB
PCI bus interface.....	Yes	Yes	Yes	Yes	Yes	Yes
SDR SDRAM controller.....	Yes	Yes	Yes	Yes	Yes	Yes
DDR SDRAM controller.....	No	No	No	Yes	Yes	Yes
Standard PC power management..	Yes	Yes	Yes	Yes	Yes	Yes
LongRun power management.....	No	No	Yes	Yes	Yes	Yes
VLIW full instruction length.....	128-bits	128-bits	128-bits	128-bits	128-bits	128-bits
Technology generation.....	.22 micron	.18 micron	.18 micron	.18 micron	.18 micron	.18 micron
Production status.....	Now	2001	2001	Now	Now	2001

Impressive Product Listing

Fujitsu Biblo Loox

FrontPath ProGear

FIC Aqua 3400

NEC LaVie MX

Hitachi Flora 220TX

Sony Vaio GT

Sony Vaio C1VN

What About Financing?

- $188 Million in private funding
- $273 Million raised in IPO
- $119.8 Million in debt as of June 30, 2000

Principal Stockholders

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES SUBJECT TO A RIGHT OF REPURCHASE AS OF SEPTEMBER 30, 2000	PERCENTAGE BENEFICIALLY OWNED BEFORE OFFERING	PERCENTAGE BENEFICIALLY OWNED AFTER OFFERING
T. Peter Thomas(1)	14,577,696	--	12.7%	11.4%
Entities affiliated with Institutional Venture Partners				
William P. Tai(2)	10,163,158	--	8.9	8.0
Entities affiliated with Walden(3)	9,618,076	--	8.4	7.5
Paul G. Allen(4)	7,908,666	--	6.9	6.2
Vulcan Ventures Incorporated				
David R. Ditzel	4,420,000	340,000	3.9	3.5
Douglas A. Laird(5)	2,736,944	340,000	2.4	2.1
James N. Chapman(6)	1,300,000	540,000	1.1	1.0
Murray A. Goldman(7)	960,000	407,506	*	*
Daniel E. Steimle	412,080	--	*	*
Paul M. McNulty(8)	240,000	--	*	*
Entities affiliated with Five Points Capital, Inc.				
R. Hugh Barnes	200,000	75,002	*	*
All executive officers and directors as a group (13 persons)(9)	35,547,800	5,352,508	31.0	27.9

Top Notch Management

David Ditzel (CEO)

- Former director of SparcLabs @ Sun Microsystems
- Worked on initial RISC chip development @ AT&T Labs

- **Mark Allen (President & COO)**
  - VP of Operations @ Nvidia
- **Linus Torvalds (Software Projects Engineer)**
  - Creator of Linux Operating System
- **James N. Chapman (VP Sales and Marketing)**
  - Director of Marketing for Entry Level Products Group @ Intel

Top Notch Management

Douglas A. Laird (VP Product Development)
- Managed UltraSPARC I processor @ Sun Microsystems

- **Dan E. Steimle (CFO)**
  - CFO @ Hybrid Networks
- **Murray Goldman (Chairman)**
  - VP Semiconductor Products Sector @ Motorola
- **Hugh Barnes (Director)**
  - VP of Compaq, Inc.

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Risks

- Untested market and technology
- Benchmarks are inaccurate
- Companies are cautious of the new technology
- Competition is rough

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Financials

- Tycoon-level investors
- Cost of Revenue is POSITIVE
- Most of the spending is in R&D
- Earning a profit on production

Balance Sheet

	PERIOD FROM INCORPORATION (MARCH 3, 1995) THROUGH DECEMBER 31,	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1998	1999	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Product revenue	$ 250	$ --	$ --	$ 326	$ 76	$ 74	$ 358
License revenue	--	--	1,400	28,000	5,000	5,000	--
Total revenue	250	--	1,400	28,326	5,076	5,074	358
Gross profit	250	--	1,400	28,255	5,058	5,058	135
Total operating expenses	1,295	7,640	17,412	36,083	46,151	21,948	45,597
Operating loss	(1,045)	(7,640)	(16,012)	(7,828)	(41,093)	(16,890)	(45,462)
Net loss	(1,009)	(7,471)	(16,187)	(10,090)	(41,089)	(17,884)	(43,393)
Net loss per share							
Basic and diluted	$ (.10)	$ (.75)	$ (1.57)	$ (.87)	$ (3.02)	$ (1.37)	$ (2.81)
Weighted average shares outstanding							
Basic and diluted	10,000	10,000	10,288	11,537	13,618	13,048	15,419
Pro forma net loss per share							
Basic and diluted (unaudited)					$ (1.03)		$ (.88)
Pro forma weighted average shares outstanding Basic and diluted (unaudited)					39,782		49,227

Present Strategies

- Going after home set-top boxes (Gateway and AOL)
- Main notebook focus is on the niche “ultra-portable” and Linux markets
- Targeting consumers requiring low noise, weight and temperature
- Computers requiring a high quantity of processors (other processors would over heat the machine)

Recommendation

- Insert in the All-Star Portfolio at the beginning of next semester