

NETEFFECT ANNOUNCES SERIES B FUNDING

AUSTIN, TX – July 24, 2006– NetEffect, the leader in next generation Ethernet connectivity solutions, today announced the closing of a \$25 million Series B funding round. The financing was provided by a highly respected team of investors with proven track records in semiconductors and communications, including: Austin Ventures, Duchossois Technology Partners, Granite Ventures, Infinity Capital, JatoTech Ventures, TI Ventures and TL Ventures.

With strong support from investors, NetEffect is releasing its first wave of multi-gigabit Ethernet products. Until now, providing multi-gigabit connectivity has been an expensive proposition using non-Ethernet solutions. Alternate but proprietary technologies, such as Fibre Channel and InfiniBand, offer performance but require costly investments in training and specialized hardware and software. For those able to bear the initial cost, the ongoing support has been an undesirable burden, requiring the maintenance of multiple specialized data center fabrics for storage, server clustering and data networking traffic.

Now, iWARP is poised to change all that. The Internet Engineering Task Force and RDMA Consortium have collaborated to create iWARP, a series of extensions to Ethernet that virtually eliminate the CPU overhead associated with networking. Since iWARP is an extension to and fully compatible with today's Ethernet infrastructures, the resulting performance improvements come without disruption to the data center infrastructure or the cost premiums demanded by alternate technologies.

Although iWARP promises to be the solution the data center seeks, it has been a challenge to deliver - until now. NetEffect has developed the first adapters to fully implement the iWARP standard, delivering the industry's highest Ethernet performance while remaining fully compatible with existing data center Ethernet infrastructure and applications.

"NetEffect is leveraging its RDMA development in the InfiniBand market to take advantage of the push for RDMA in the Ethernet market," noted Greg Quick, analyst with The 451 Group, in a recent report (see Editor's Note below). Quick also wrote, "NetEffect's patience looks like it is paying off. The market is starting to move to iWARP, something it has been pushing for the past several years, and its advanced stage of development could be what separates it from the pack."

"With very impressive RDMA performance, NetEffect's iWARP adapter is enabling Ethernet to be a high performance connectivity fabric," said Robert Pearson, CEO of System Fabrics Works, developers of next-generation fabric and cluster computing. "NetEffect's full implementation of the iWARP Ethernet extensions will enable Ethernet to meet the rigorous data center demands of networking, storage and clustering applications."

"IT managers don't want three data center fabrics. The one they want to keep is obviously Ethernet, but that requires high levels of throughput coupled with reductions in latency and CPU loading that prior generations of Ethernet could not achieve," said Clark Jernigan of Austin Ventures. "NetEffect is the first company to deliver full iWARP 10GbE adapters and is raising the bar dramatically on these key performance metrics. We see NetEffect as a key enabler in the rapid transition of this very large market, bringing the performance that data centers need to the single connectivity standard they want, creating a compelling opportunity for customers as well as investors."

"We appreciate the confidence and support our investors and partners have shown with this round of funding," said Rick Maule, CEO of NetEffect. "It has been exciting developing this next generation of Ethernet, as it once again transforms itself to meet the changing needs of users. And the excitement is just beginning, as we work with customers and partners solving real problems that were previously beyond Ethernet's reach. This additional capital allows us to continue to extend our technology lead with our family of Ethernet channel adapters (ECAs) and to ramp production for our OEM, reseller, distributor and systems integrator customers."

NetEffect is currently providing its 10Gb iWARP ECAs for testing with selected customers and will ship production units in early Q3.

About NetEffect

NetEffect is a privately held network connectivity solutions company providing next generation, multi-gigabit Ethernet products. These products fully implement iWARP standards, the new series of Ethernet extensions. iWARP enables Ethernet scalability to deliver high throughput for networking, fast access for storage, and low latency for clustering. NetEffect solutions can concurrently support legacy Ethernet infrastructures and the new generation of storage and clustering applications, at 10Gbps speeds. Visit www.neteffect.com for more information.

Editor's Note: The 451 Group's report, "NetEffect moves to cash in on renewed iWARP interest" referenced above, published on April 5 of 2006, is an independently-produced report that was neither sponsored by nor otherwise funded directly by NetEffect. The report and its entire contents are the sole property of The 451 Group, copyright 2006, and are reproduced here by permission. The entire contents of this report are available at www.the451group.com.

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