

RESILIENCE

\$25 Million

Series D Convertible Preferred Stock

This private placement memorandum (this “Memorandum”) relates to the sale of our Series D Convertible Preferred Stock (the “Preferred Stock” or the “Shares”). We are a corporation formed under the laws of California. All of the Shares offered hereby are being sold by us. There is no public market for any of our securities, and no such market is expected to develop following this offering (the “Offering”). See “Description of Capital Stock.”

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE, AND AN INVESTMENT IN THE SHARES INVOLVES A HIGH DEGREE OF RISK. SEE “RISK FACTORS” BEGINNING ON PAGE 7. YOU SHOULD BE PREPARED TO BEAR THE ECONOMIC RISK OF YOUR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME AND BE ABLE TO WITHSTAND A TOTAL LOSS OF YOUR INVESTMENT.

Bear, Stearns & Co. Inc. (the “Placement Agent”) has agreed to offer the Shares on our behalf as our Placement Agent. The Shares are being offered only to investors who meet certain qualifications, and we reserve the right to increase or decrease the number of Shares of Preferred Stock offered hereby, to approve or disapprove each investor, and to accept or reject any subscriptions in whole or in part, in our sole discretion.

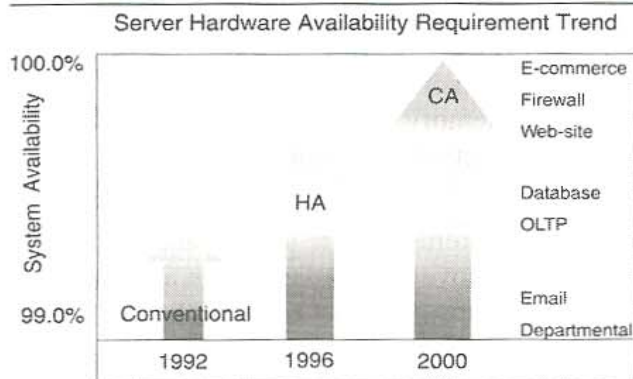
Bear, Stearns & Co. Inc.

The date of this Private Placement Memorandum is July 31, 2000.

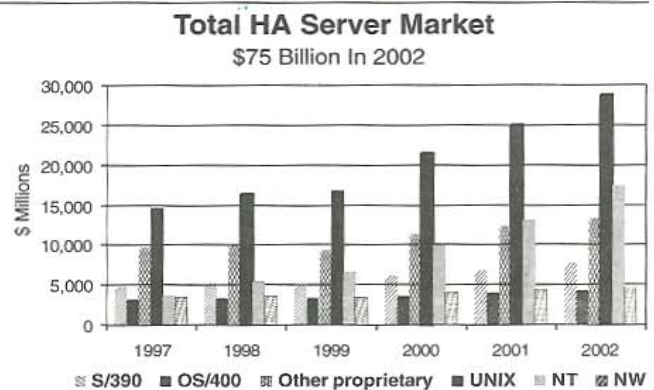
Market Opportunity

IMEX Research, a market research firm that specializes in the HA market, projects that total HA server revenues will exceed \$75 billion in 2002 and that UNIX-based systems will account for \$29 billion, 38% of the total. Our target market is UNIX-based HA servers in the \$25,000 to \$100,000 price band. IMEX forecasts that revenues in this market segment will exceed \$18 billion in 2002.

Market research firm IDC notes that "a key driver for the increasing consumption of HA servers . . . is the impact of the Web as manifested through the Internet, intranet, and extranet implementations." IDC projects that the total market for HA servers will grow to \$55 billion in 2002 and that revenues in the \$25,000 to \$100,000 price band will reach \$14.6 billion in that year. IDC also forecasts that annual demand for Linux servers will grow from 114,000 to 189,000 units over the same time period.



Source: The Company



Source: IMEX Research

Traditionally, fault-tolerant (or non-stop) computing was aimed at large, mission critical mainframe applications like stock exchange transaction processing and airline reservation systems. The large capital and staffing expense associated with these systems relegated fault-tolerance to a high-end niche market. However, the explosive growth in Internet applications and e-commerce, combined with significant improvements in hardware price performance, have created a much broader and growing market for fault-tolerant systems. Recent high profile system crashes at e-commerce sites continue to drive home the mission critical nature of these companies' server infrastructures and the importance of 24-hour, 7-day-a-week availability. As a result, continuous availability is quickly becoming a standard requirement. We believe that we are uniquely positioned to capitalize on this opportunity.

Resilience Solution

We provide servers that offer non-stop operation at an affordable price, while at the same time significantly reducing the complexity associated with traditional HA clustered failover systems. The complexity of traditional HA systems not only consumes key staff with ongoing systems administration but also increases the risk that system availability will be absent when it is required. We believe that the ease of installation and reduced system administration demands of Resilient servers are compelling benefits for users who require continuous availability.