



Brook Venture Partners

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Investing in Underserved Markets

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Overview

- **Regional Investing & the Small Business Investment Company (SBIC) Program**
- **About Brook Venture Partners**
- **The Brook Team**
- **Underserved Markets**
 - Capital Gap
 - Geography
- **Investment Model**
- **Investment Focus & Structure**
- **Performance**



Regional Investing in the U.S.

- **The SBIC program was established in 1958**
 - It has provided \$40 Billion of long-term debt and equity capital
 - 95,000 small U.S. companies have received financing from the program
- **In Fiscal Year 2003, 2,610 U.S. small businesses received SBIC funding**
 - Those 2,610 small businesses employ 347,000 people
 - 1,112 (43%) were located in government-designated Low to Moderate Income (LMI) areas of the country
 - Natural fit for small emerging businesses

SBIC Program Successes



- **Intel**
- **Apple Computer**
- **Callaway Golf**
- **America Online**
- **Staples**
- **Federal Express**
- **Twelve of the top 100 companies on the Inc. 500 list of America's fastest-growing private companies received SBIC financing (October 2003).**



About Brook Venture Partners

- **Established in 1998**
- **Invested \$30 million in 20 companies**
- **Majority of those companies were in underserved areas**
- **Headquartered in the Boston area with an office in Albany, New York**
- **Disciplined, Expansion Stage Investing**
- **Currently raising a \$100 million Venture Fund, BVF II, in partnership with the Small Business Administration**



Brook Partners

- **Andy Clapp (61)**

- 26 Years of Investment Banking & Operating Experience
- 10 years Venture Capital Investing
- Prior Experience
 - **Shields & Co.**
 - **Downer & Co.**
 - **Equifax Center for Information Research**
 - **Arthur D. Little**

- **Fred Morris (58)**

- 22 Years in Corporate Finance
- 10 years Venture Capital Investing
- Prior Experience
 - **State Street Bank**
 - **Citibank**

- **Ned Williams (41)**

- 8 Years Corporate Finance Experience
- 10 Years Venture Capital Investing
- Prior Experience
 - **Saturn Capital**
 - **BankBoston**
 - **Morgan Stanley**
 - **First Winthrop**

- **Walter Beinecke (41)**

- 19 Years as Operating Executive at Companies with Revenues from \$1.0 to over \$50 million
- Raised over \$100 Million for 4 Companies He Founded, Co-Founded or Acquired.
- Prior Experience
 - **S&H Greenpoints**
 - **Biological Technologies**
 - **Venture Capital Fund of New England**
 - **RewardsNow Inc**



Brook's Investment Model

- **Invest in Companies in an Inefficient/Underserved Geographical and Financial Market**
 - Typically at 1 to 1½ times Revenues Pre-Money Valuation
- **Grow Company Revenues 2X to 5X+**
- **Sell Companies in More Efficient Middle Market M&A Transaction**
 - Typically at a higher multiple



Underserved Markets

- **Capital Funding Gap**

Investing in underserved capital markets

- There are few funds investing \$1-5 million.
- Companies without traditional access to financing – generating strong performance

- **Geographic Funding Gap**

Investing in underserved geographic markets

- We have never competed against another venture firm when funding businesses in LMI areas.

Inefficient Market Space Creates Opportunity



Industry Focus

- **Information Technology**
 - CRM & Business Intelligence Applications
 - Data-Rich Transactional Business Activities

- **Medical Technology**
 - Proprietary Technologies
 - Bringing Greater Efficiencies to Existing Markets
 - Not Pharmaceuticals, Nor Dependant on FDA Trials



Expansion Stage

- **Viable Expansion Stage Companies**
 - Solid, Proven Management Team in Place
 - Recurring Revenue
 - Multiple Customers Who Are Buying Product/Service at Full Target Pricing
 - At or Near Positive Cash Flow

- **Our Funds Used Primarily for Sales Expansion**
 - Not for Product Development

Therefore, Lower Risks



Disciplined Process

- **Thorough Investment Review**
 - Weekly Deal Review Meetings
 - Objective Scoring Matrix
 - Outside Financial and IT Audit Conducted
- **Review of Exit Strategy Prior to Investing**
 - Review of Industry Comps and Potential Buyers
 - Likely Multiples/IRRs Modeled
- **Effective and Disciplined Oversight**
 - Weekly “Flash Reports” from all companies
 - In-Depth Quarterly Reporting to LPs (By Company)

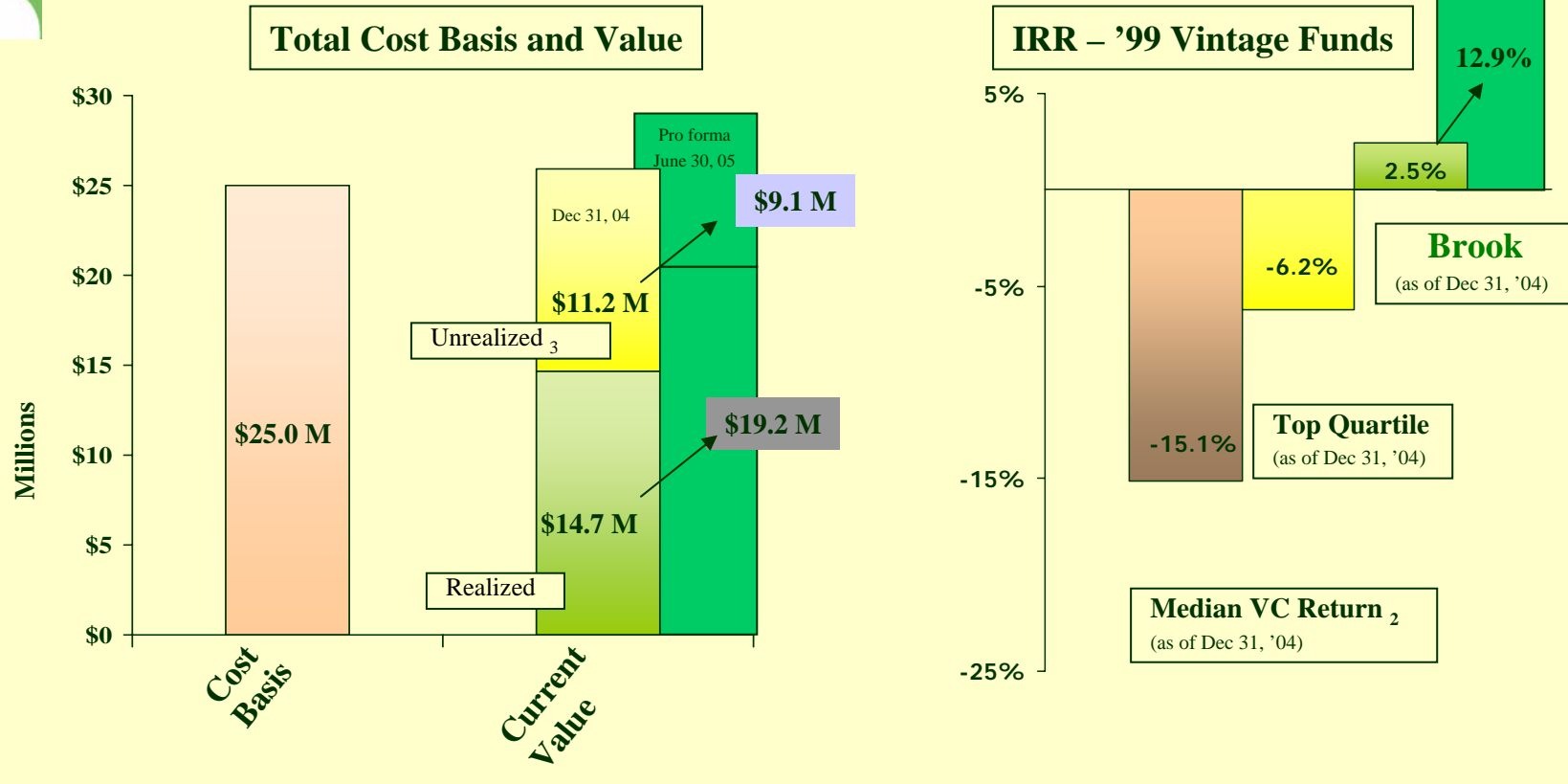


Investment Structure

- **Sub Debt with Warrants**
 - Directly Comparable to Participating Preferred with Current Pay Dividend
 - Warrant Ownership Based on Amount of Debt as % of Pre-Money Valuation
- **Participating Preferred Securities with Current Pay Interest**

Brook Fund I – (1999 Vintage)

Brook Performance as of June 30, 2004 - And projected for June 30, 2005 ¹



Total Value to Cost:	Q4 '04	Q2 '05(p)
Brook:	103%	116%
1999 Median:	72%	

Returned Capital:	Q4 '04	Q2 '05(p)
Brook:	59%	79%
1999 Median:	26%	

1: Projection assumes sale of portfolio company.

2: 1999 vintage year data provided by Cambridge Associates is as of December 31, 2004.

3: All unrealized investments carried at cost or below - no investments marked up over cost.