



Trident Capital is a leading venture capital firm with over \$1.2B under management in five separate funds with its most recent Fund V closing at \$519M. Trident invests primarily in U.S. companies providing business services (including business process outsourcing and financial services), marketing services, software, security and network infrastructure. We have four offices located in Palo Alto, Westport, Los Angeles and Chicago.

The following are some examples of recent events and additions within the Trident portfolio. In this issue we also included interviews with two entrepreneurs who symbolize the energy and commitment that we look for in company founders. It is important to remember that the human element is paramount in creating a successful enterprise and these two CEOs show how they were able to create successful businesses in a challenging environment. We are always seeking new opportunities, and we look forward to exchanging ideas and helping grow tomorrow's leading companies. ❖

An Interview with Janet Kraus, CEO, Circles Inc.



The leading firm in customer and employee loyalty management

Brenda Lewis (BL): What led you and co-founder Kathy Sherbrooke to start the business?

Janet Kraus (JK): First we made a commitment to each other to start a business together. Six years ago, we quit our jobs, created an office in the second bedroom of my apartment and began researching BIG TRENDS. We focused on two: time-starved professionals who needed services to ease their burdens, and direct one-to-one marketing where you are really known to a company. We decided to build a knowledge company based on who you were.

BL: And then you did some benchmarking?

JK: Yes. We looked at WebVan, Peapod, Cosmo and decided those were really logistics businesses, and we wanted to be in a service business. Also, we were right out of business school, and we knew

a consumer service would cost millions of dollars to launch, so we focused on two corporate markets: 1) employers who needed to differentiate themselves to retain employees in a booming economy, and 2) companies trying to create loyalty programs to retain their best customers. We actually started with the employer focus, but today it's the smaller of our two segments. Our first client was a loyalty program for the world's leading charge card.

BL: You have raised \$26.8MM in total funding to date. How was the company initially funded and who were your first backers?

JK: The company was originally funded on our credit cards and personal savings of at least \$25,000 each. Then we raised our first outside round with friends and family and a second round from angels. The \$25MM in venture capital has come in two rounds.

BL: How did you connect with Trident Capital?

JK: Boston venture capital firms tend to focus on widget makers and software firms. We were networking around to find a VC that

continued on page 3

An Interview with Judy Starkey, CEO, Chamberlin Edmonds Associates



Chamberlin Edmonds (C&E) provides patient eligibility services to hospitals, identifying

and assisting uninsured patients to apply for third-party medical assistance

Brenda Lewis (BL): Judy, how did you start the company?

Judy Starkey (JS): It's a fun story. I was living in a \$250 a month apartment and borrowed \$5,000 from my dad. Nine months into my first deal I generated my first revenues, \$37. In eleven months I repaid my father in full.

BL: How did you connect with Trident Capital?

JS: We had gone to the market looking for capital in 2001 and hooked up with Galen Partners. They brought in Trident. We closed just before Thanksgiving last year with each putting up half of the \$20MM round.

BL: How big is C&E today in terms of revenues and in terms of employees?

JS: We ended last year with \$26MM in revenues and are profitable. We had 400 employees at year-end. We have one training class a month to prepare new healthcare representatives to be deployed in new hospital locations – our growth rate was 31% last year.

continued on page 4



Trident Investment Activity



Epicor Software Corporation (Nasdaq: EPIC), a leading provider of integrated enterprise software solutions for the mid-market, announced the completion of a private placement of approximately \$5.7 million with Trident Capital. Trident purchased 300,000 shares of newly created series D participating preferred stock issued by the company for an aggregate purchase price of \$5.7 million. Each share of preferred is convertible into 10 shares of common stock.

Founded in 1984, Epicor, with over 15,000 customers, delivers end-to-end, industry-specific solutions that enable companies to immediately improve business operations and build competitive advantage in today's economy. Epicor's comprehensive suite of integrated soft-

ware solutions for Customer Relationship Management, Financials, Manufacturing, Supply Chain Management, Professional Services Management and Collaborative Commerce provide the scalability and flexibility to support long-term growth. Epicor is headquartered in Irvine, California, and has offices and affiliates around the world.



In March 2003, Trident led an investment in **iRobot**. Founded in the early 1990s by scientists from MIT's Artificial Intelligence Labs, iRobot is now the leading developer of mobile, intelligent robots for defense, industrial and consumer applications. The company's autonomous robots save time, money and lives.

Defense applications include reconnaissance and explosive ordnance disposal robots that protect humans from extremely dangerous situations. Industrial applications include underground monitoring of oil wells, agricultural maintenance, and industrial cleaning. In September 2002, iRobot launched, to considerable media coverage and critical acclaim, a consumer home cleaning robot called Roomba. Because of the company's initial success with leading domestic specialty retailers, mass market channels of distribution — both domestic and international — have been growing rapidly. The company is based in the Boston area. ❖

On March 3, 2003, Trident assembled a world class group of marketing experts in Wesport, CT, to discuss the services and solutions Global 2000 marketers will use and purchase in 2003-2005. The main purpose of the meeting was to identify the most attractive sectors and companies in which to invest based on a demand-side perspective from leading marketers.

Panel participants:

- David W. Bradley, Vice President Marketing Management, Global Sales and Distribution, IBM
- Michael Raneri, Senior Vice President, Advice Products and Tools, Charles Schwab
- Peter N. Barsoom, Vice President, Internet Strategy and Development, American Express
- David Doft, Executive Director, Equity Research, CIBC World Markets
- Chris Selland, Managing Director, Reservoir Partners
- Stephen Diorio, Venture Partner, Trident Capital

The discussion helped Trident to better understand the key trends, capability gaps and innovations that will shape the evolution of advanced marketing services and software solutions. In addition, the panel helped validate forecasts that were uncovered in Trident Capital's proprietary best practices research titled, "Efficient Growth: Marketing and Investment Strategies to Deliver Growth in a Challenging Market".

We are extremely thankful to the panel for providing us invaluable insights.





Janet Kraus Interview *continued from page 1*

backed business services and marketing companies. Gary Mueller, a friend in Boston who was CEO of Trident portfolio company, Internet Securities, introduced us to Trident. Trident has invested a total of \$7.0MM in Circles.

BL: What is your size in terms of revenues and in terms of employees?

JK: We expect revenues of \$18-19MM in 2003 and we have 200 employees.

BL: In 2000, Circles grew revenues 700%; in 2001, 100%. What growth did you achieve in 2002? Also, with boom times behind us, how have you altered your strategy to deal with an extended downturn?

JK: We grew revenues by only \$1MM in 2002, because as we all know the market was really, really down and we decided in that light to focus on profitability – which we achieved! In 2000, I had joined a CEO Forum of 10 CEOs of venture-backed firms here in Boston which was facilitated by The Catlin Group. Last year we began to invest in a strategic planning process. In the first 6 months they helped us to implement it. We began to crystallize the best thinking of the Circles team and completed the process last year. In the first 4 months of this year, we had more great prospects than in all the prior 18 months. We have focused on premium brands that target the affluent, because they are the only ones spending. We have an announcement for the May 9th board meeting.

BL: Who are your target customers?

JK: We have 38 specific target customers whom we are approaching through qualified introductions, like Board members. These firms are in six segments: financial services, both credit card and private wealth management, hotels, automotive firms, airlines and retail.

BL: What about healthcare? You have that terrific St. Barnabas case study on your web site.

JK: Yes, the hottest industry in employee retention is health services. This is helping us replace the dot com customers that simply closed their doors and ceased to exist.

BL: How many call centers do you operate and how many employees of the total are personal assistants (PAs)? Are any virtual? Are any international?

JK: We have one call center and 120 PAs whom we trained as generalists and then developed as dining, ticket or even as city specialists. You may wonder how this will scale, but we have actually doubled our volume with half as many people because we are learning how to batch process and organize the work better. We have no virtual workers. Some of our competitors do, but our clients are extremely concerned about data integrity and security. We do have global companies in the client base and 20% of the requests are for international tasks, but so far we have been able to serve them from the US. For example, we serve BMW from the US.

BL: In January 2000, Circles estimated there were 20,000 preferred proprietary providers in its database. What is that number today?

JK: It is probably about the same. What we have found is that the 80/20 rule applies; over time a small sub-set of those providers have become closely “tied in” to us because of their superior performance and so we naturally use them to fill more requests.

BL: Who are your competitors? Do you worry about competing with your clients?

JK: There are two venture-backed companies, VIP Desk and Les Concierges, but we had a head start in this nascent market. We think it’s potentially \$1 billion in size, but when you think about it as a direct marketing vehicle, not simply as “concierge.” Today, we command a 2/3 market share. As for clients, we have been able to work around potential conflicts, so for example, we generally offer travel services, but for one client who also provides travel, we do not offer that service.

BL: How are you pricing your services and measuring results? In July 2002, Forbes cited your pricing as \$15-40 per employee/year. Is this accurate?

JK: Perhaps a slightly lower range for the employee retention business. At a minimum, we have annual contracts for both the employee and the customer loyalty programs, but many customer loyalty contracts are longer. Some contracts are structured as payment per transaction and others are flat fees. We have tried several times to suggest a portion of client ROI (typically 4 to 1 and often higher) but have had no takers so far.

As far as the metrics, clients provide the measurement inputs and capture the data; we provide the tools and track the productivity. We calculate the performance together. Clients do have some correlative data, e.g., British Airways has seen a shift in share of wallet in those customers who use the concierge services versus those who do not.

BL: I note you have a “war chest” from the last funding. Are you actively looking at any acquisitions? If so, what kind of firms?

JK: Actually we have done an exhaustive search of possible targets and decided there isn’t anyone we want to acquire at this time, and we will review this question on a bi-annual basis. We have tried to buy our direct competitors, mainly for their customer bases, but they weren’t interested. Rather than acquisitions, we are going to focus on more strategic partnerships. We have one we are working on now in the entertainment sector which gives us access to venues.

BL: Thank you for your time and continued good luck! ♦

Interview conducted by Brenda Lewis. Brenda Lewis is principal of Transactions Marketing, Inc.



Judy Starkey Interview *continued from page 1*

BL: What is generating that 31% growth rate in patient eligibility services?

JS: Two things. First—demographics: the self-pay population is 41 million today, up sharply in just 10 years. Of these uninsured, 9% are 54 years or older and the cost of care has increased by 54%, both because people are living longer, but also because more advanced technology is being used. Second—our execution: we have targeted and taken business that has given both our clients and us the best possible return.

BL: You mentioned you will keep C&E focused on the 18-64 year old male and non-pregnant female niche within the patient population, but what about C&E's target institutions?

JS: We look at hospitals that typically have a large number of uninsured self-pays, a moderately high case-mix index and those that participate in disproportionate share program (15% or higher Medicaid patients).

BL: Given the trend to outpatient services, is this a target segment?

JS: It depends. We actually have a deal with M.D. Anderson in Houston where we start with the patient before they ever enter the hospital and where we handle significant numbers of outpatient services. We typically are not able to make an economically viable case to work through the complicated process of eligibility for the relatively smaller dollars in outpatient services.

BL: What is the actual business model?

JS: We fold into the hospital patient accounting department augmenting their staff. Our revenues to date have been contingent on our performance, a percentage of the incremental revenues we generate for the hospital. We actually work directly with the patient, as their advocates, to assist them through the complicated application process.

BL: How do you protect your intellectual property?

JS: We do have patents pending. Also, Braincast™ runs on a mobile device that we utilize on site; the hospitals do not have access to our software. We have just completed beta-testing CEEDS™ and that will be a traditional software model: license fees, maintenance and upgrades charges.

BL: Given the sensitivity of patient data and the privacy requirements in HIPPA, how are you handling your patient knowledge base?

JS: We were one of the first industry firms to be HIPPA-compliant; we have either four or five layers of security. Sometimes even I can't get through our firewall from the field! With data mining, we are working on new ways of securely presenting and modeling our data, and we do have plans to physically split up our data center for even better security.

BL: Your highly educated staff is certainly a key to achieving those 10:1 and 20:1 returns for your hospital customers. How many of your employees are in direct revenue generation versus administration, and how are you managing the hiring process to support your rapid growth?

JS: About 80% of our employees are revenue producing, perhaps 200 are patient-focused advocates, another 225 in billing and pre-certification, and the balance administrative. We have just hired two new recruiters to handle hiring nurses and social workers.

BL: What about the competition?

JS: With our unique approach, we feel there is limited competition; however there are many general eligibility players in our space.

BL: Besides the geographic expansion from the 13 states you are currently in, is C&E considering any acquisitions?

JS: Actually, we just signed a deal today that puts us in 17 states! We certainly will consider acquisitions to augment our growth, but we will require a very similar strategic and cultural match.

BL: Congratulations! Any final thoughts to wrap up?

JS: Yes, this is the first time we have raised institutional capital and my venture partners pleasantly surprised me, especially their absolute commitment to me as a businessperson and to my business. They weren't just writing a check and saying see you in two years, but helping me to stay strategic with sound advice and excellent support. It has been a most pleasurable experience. ❖

Interview conducted by Brenda Lewis. Brenda Lewis is principal of Transactions Marketing, Inc.



Trident Portfolio Company News



BlueStar Solutions, a leading enterprise application outsourcing provider, announced that it has finalized its acquisition of Agilera, Inc., a full-service application service provider formerly based in Englewood, Colorado. BlueStar Solutions' successful acquisition of Agilera dramatically broadens the company's range of service offerings for customers, significantly increases its market share, and results in greater financial strength and stability. BlueStar Solutions now offers outsourcing services for JD Edwards and Lawson applications, in addition to SAP and messaging solutions, and provides an array of technology services to support them. The combined company has over 100 customers and 60,000 hosted users in manufacturing, healthcare, financial services, retail, business services, and the public sector. BlueStar Solutions operates corporate data centers and technical centers of expertise in Phoenix, Arizona; Columbia, South Carolina; and Dallas, Texas.



MegaPath Networks Inc., one of the nation's leading providers of broadband access and network services for businesses and distributed enterprises, announced it received Network Magazine's 2003 Product of the Year Award in the Virtual Private Network Service category, for its MegaPath Managed VPN service. The Product of the Year Awards are chosen by Network Magazine's award-winning editors to recognize the outstanding achievement of products and services that are most significant to the network IT community. MegaPath's Managed VPN service is available to businesses of all sizes to reduce the operational cost and complexity of deploying and maintaining VPNs. More businesses today use VPN technology to provide secure connections between corporate headquarters, branch offices and teleworkers. MegaPath's Managed VPN service offers a cost-effective means for business

customers to integrate their MegaPath managed broadband access connections with a secure VPN solution at a significant cost savings per user.



Questra Corporation, an enterprise software company leading the development of intelligent device management solutions, introduced software that allows manufacturers and field service organizations to run their existing equipment diagnostic programs from anywhere in the world by logging on to a central support site. By replacing on-site service calls with secure Web-based remote access, Questra TotalAccess™ slashes the cost of supporting complex instruments and improves the productivity of technicians dispatched to customer sites. Questra TotalAccess is the first packaged remote access application that offers a complete solution to equipment service organizations that now run diagnostics in the field, one instrument at a time. Instead of requiring an on-site visit, diagnostic applications can be administered over the Internet from a central location. Questra TotalAccess slashes service costs by maximizing an organization's investment in legacy diagnostic applications and device-resident diagnostic tools while reducing the number of service calls.



Sygate Technologies, Inc., the leading provider of enterprise endpoint security solutions, announced that Sygate Secure Enterprise (SSE) has been named a winner by Network Computing of a 2003 Well-Connected Award in the category of Desktop Firewall Security. Sygate's product was chosen for its ability to balance protection, management and integration. Its support for multiple administrators and policy inheritance and its compatibility with antivirus and VPN products helped win the Network Computing Editor's Choice award and, according to the February 20,

2003 competitive review, no other "products approached Sygate's superiority across the board." SSE combines strong endpoint security measures with distributed policy enforcement and automated security to offer greater network protection. Sygate's policy enforcement ensures that antivirus, OS, and application patches are enabled and up-to-date before permitting network access.



XACCT Technologies Inc., a leading provider of network data management solutions for global communications service providers, announced that Connexion by Boeing SM, a business unit of the world's leading aerospace company, has adopted the XACCT Network-to-Business (N2B) platform for its mobile information service. With a 20Mbps forward link and up to 1Mbps return link, Connexion by Boeing is the first true airborne broadband service for commercial aircraft. Connexion by Boeing's unique broadband capability provides airlines with a choice for an enablement framework for commercial aircraft, transforming them into a value-added node on an airline's global information network, allowing in-flight crews to talk to the airline operation center and move data simultaneously over multiple channels. The XACCT N2B platform allows Connexion by Boeing to create, deliver and bill for its broadband, high-speed data and connectivity services, including e-mail, Internet and firewall-protected intranet access and audio/video streaming applications. Using the XACCT technology, airlines will be able to implement multiple pricing and billing options for their services based on duration, events, volume and quality of service. ❖

A private equity firm focused on the networked economy

Trident Capital was founded in 1993 to invest in information and business outsourcing companies. By consistently helping entrepreneurs build industry leading technology and services businesses, Trident has become one of the most successful private equity firms in the country. The firm leverages a partnership that has invested in more than 150 companies and has held senior operating, consulting and investment banking roles at organizations such as AT&T, IBM, Dun & Bradstreet, Morgan Stanley and Bain. To date, Trident has raised five funds and manages over \$1.2 billion in committed capital. The firm operates out of offices in Palo Alto, Westport, Los Angeles and Chicago.

Trident invests in the following sectors:

- Business Process Outsourcing
- Financial & Insurance Services
- Marketing Services
- Software
- Security
- Network Infrastructure

Investment Sizes: Up to \$30M

Transaction Types:

- Early Stage Growth Capital
- Expansion Stage Financings
- Management Buyouts
- Spinouts

TRIDENT CAPITAL OFFICES

505 Hamilton Avenue
Suite 200
Palo Alto, CA 94301
Tel: (650) 289-4400
Fax: (650) 289-4444

325 Riverside Avenue
Westport, CT 06880
Tel: (203) 222-4590
Fax: (203) 222-4592

11150 Santa Monica Blvd
Suite 320
Los Angeles, CA 90025
Tel: (310) 444-3840
Fax: (310) 444-3848

272 East Deerpath
Suite 304
Lake Forest, IL 60045
Tel: (847) 283-9890
Fax: (847) 283-9901

WWW.TRIDENTCAPITAL.COM



TRIDENT
CAPITAL

TRIDENT CAPITAL

325 Riverside Avenue
Westport, CT 06880