



Trident Capital Turns 10! Celebrating a Decade of Investing Success

Remember 1993? George H. W. Bush was leaving the White House, and the first war against Iraq was over. The Nasdaq was at 700, and the hottest thing in technology investing was the trend from mainframe computing to client-server. The Internet was in its infancy, and the first graphical browser (Mosaic) was yet to be invented. And, appearing on movie screens across America, Arnold Schwarzenegger was starring in “The Last Action Hero.”

Meanwhile, Trident Capital was making its first investment.

Ten years later, a lot has changed, but much has stayed the same. George W. Bush is in the White House, the second war against Iraq is winding down, and the Nasdaq is closer to its 1993 mark than many would have believed a few years ago. Furthermore, Arnold is “baahk”, trying out for a new role in California.

Technology, however, has altered the way we work and communicate, and the Internet is simply ubiquitous. Email, digital cameras, electronic tickets, and on line stock quotes are everyday occurrences.

Meanwhile, this September, Trident Capital will have made its 86th investment.

In 1993, Trident started as a fledgling partnership. A decade later, Trident has changed, too, but has remained the same in essential ways.

At the outset, the firm had no fund and no track record and was making investments with only the partners’ personal capital. With no management fees to pay salaries or expenses, the partners raised a capital pool to fund operating expenses and often worked for IOU’s. Friends of the firm generously provided free space, including our much-missed late friend Dan Case of Hambrecht and Quist. Service providers worked on the come, in hopes that the firm would become successful enough to provide real business in the future.

Fortunately, in addition to the partners, friends and associates, two brave institutional investors, Duke Management Company and Hewlett Packard pension fund agreed to provide

investment capital for Trident’s first institutional fund raising. Originally targeting \$25 million in commitments, Fund I closed with \$44.6 million—a tiny sum compared to today’s billion dollar megafunds but enough to give the partners the opportunity to prove themselves as an investing team. Trident’s investors were not disappointed. Fund I returned its Limited Partners investment capital seven times. Thirteen companies produced an IRR in excess of 60%. Winners like Mapquest and Cable Services Group each returned the entire fund multiple times. The firm’s strategy of focusing on Information Services, Software and Outsourced Services, combined with investing across multiple stages, had proven successful and would provide the core investment philosophy for the next decade and beyond.

Today, Trident Capital has 35 employees, and has invested in 86 companies. Three of the four founding partners remain active investors at the firm and the entire



investing partner team has been united since 1996. With five funds under management, Trident has returned three quarters of a billion dollars in gains to its investors.

While the firm has grown and evolved, its focus and investment philosophy have remained constant. Trident continues to invest across multiple stages, seeking out the best combination of company maturity, risk and reward. Cultivating and backing the strongest management teams has continued to be a hallmark of the firm’s success. A decade of successful investing has confirmed the value of focusing on the information, application software, transaction processing and business processing sectors.

We at Trident Capital recognize that our success between 1993 and 2003 is due in great part to supporters like you. We look forward to another successful decade of investing with our friends, associates, and partners. ❖



Trident Investment Activity



In August 2003, Trident led a Series A investment in Odyssey Logistics and Technology Corporation. Founded in December 2002, Odyssey is an early stage, non-asset owning provider of outsourced logistics management services to the chemical and process industries. The Company's

services allow its customers to completely outsource the logistics management and transportation of their raw materials and finished goods.

Odyssey was created by the senior management team of UniGlobal Logistics, a wholly-owned subsidiary of Union Carbide which was formed in August 1999 to manage Union Carbide's \$650 million of annual global transportation and logistics

requirements. The senior team has an average of more than 20 years of chemical industry experience as chemical engineers and as transportation and logistics professionals from global firms such as The Dow Chemical Company, Union Carbide, Rhone Poulenc and Exxon Minerals. Odyssey is based in Danbury, CT. ❖

Trident Annual Meeting

In May, Trident held its Annual Meeting of Limited Partners in Washington, D.C. The meeting marked the tenth anniversary of Trident as a fund. Trident has benefited from a consistent team and consistent investment focus throughout the life of the fund, and all members of the current investment team have worked together for the past seven years.

The Annual Meeting opened with dinner on May 21st featuring guest speakers and noted political consultants James Carville and Mary Matalin. James and Mary share a loving mar-

riage and polar political loyalties. They informed and entertained the gathering with discourse on topical economic and political issues, amusing tales, and spirited banter. The following day, Trident presented an overview of fund activities and financial performance and shared portfolio company highlights. In addition, the program featured presentations by CEOs of several Trident portfolio companies, Sygate Technologies, Inc., Chamberlin Edmonds & Associates, Inc., and iRobot Corporation. ❖

An Interview With Colin Angle, CEO, iRobot

iRobot™ iRobot is the leading vendor of practical robotics for consumer, industrial and military markets. Its products include Roomba, an intelligent vacuum, and PackBot, a ruggedized mobile probe for the US military.

Size/Growth

Brenda Lewis (BL): How big is iRobot today in terms of employees and in terms of revenues?

Colin Angle (CA): We have about 120 employees of which 70 are engineers. We expect revenues of \$50 million in 2003, up from \$15 million in 2002.

BL: What is your current growth rate?

CA: We have seen huge growth in the past year largely due to our entrance into a new market with Roomba. As we go forward, we are working hard to continue rapid growth both through expansion of existing markets and entry into other new markets.

Founding

BL: You've described the impact of the insect-like robots being built at the MIT Artificial Intelligence Lab in the late 1980's, but how did you and (co-founders) Rodney Brooks and Helen Greiner actually move from the excitement stage to a formal company?



CA: We had a dream, but we didn't know how to get there. Helen will say she was hooked after seeing *Star Wars* with R2D2 and 3CPO. But my favorite robot in *Star Wars* was less about Hollywood than about utility. It was the one Chewbacca the Wookiee frightens from his path: a little "toaster on wheels" which can navigate and whose sole purpose is to lead the storm troopers through the Death Star. I built a robot called Genghis for my thesis at MIT to demonstrate that robots could be practical and useful. (NB: Genghis made the cover of *Popular Science* and is now in the Smithsonian, according to an in-depth article on iRobot, "Death to Cool," in the July 2003 issue of *INC Magazine*).

BL: Weren't Unimation Robots practical?

CA: Yes, but those early robots were not self-powered or mobile. In fact, most of the robots in the world until Roomba launched were robotic arms for the automotive industry. By the end of this year, the Roombas in use will exceed all the robots that have ever existed in the world. And PackBot, our robot being used by the military in Afghanistan and Iraq, is the first robot ever to be used under battlefield conditions.

Financing

BL: Did you use friends and family or angel money to finance the dream?



Colin Angle Interview *continued from page 2*

CA: No, it was much too risky to ask anyone we knew for money. We started on credit cards and bank loans and early in 1990 NASA prepaid us 50% of a contract to build Attila (all our early robots were named after marauding conquerors). Then came a contract from the Japanese Ministry of Trade and Industry. We were asked to build a control system for nano-robots which could climb around inside nuclear plant tubing, but we had to build the robot to demonstrate the software. This contract was paid six months in arrears and represented 60% of our revenues. But we established a pattern of self-financing; if we had ever needed capital, it would have been bad.

BL: I note that you have raised \$27.5 million in total institutional funding.

CA: Yes, we have actually raised five rounds. In 1998, we did our first equity deal. A company named ISX had 20% of the stock dating from the company's founding and the principals needed liquidity. They were willing to be bought out for \$1 million. We were able to negotiate a \$15 million valuation from Acer Technology Venture Fund. That gave us credibility and we quickly signed a strategic agreement with Hasbro to develop robotic technology and toy concepts.

Our second round was with First Albany (they had wanted to be in the first). In Series C our first two partners doubled up. Fenway Partners led Series D, and Trident Capital led Series E with \$9.5 million.

BL: How did you connect with Trident Capital?

CA: We had actually been talking to Trident, but the catalyst was probably the presentation that Helen did for the Springboard Conference. After that, we worked with Peter Meekin and Kishore Rao. We started in late October 2002 and closed the deal in May of this year.

Performance

BL: I love your mission statement. It's hard to think you wouldn't have fun building cool stuff in this field, but are you making money?

CA: We were breakeven on a cash basis from 1990 through 1997, and we expect to be profitable in 2003.

BL: How many Roombas do you have to sell or license to defray the initial engineering costs before you are profitable?

CA: I can't tell you that!

BL: Would it be fair to say that PackBot is your most successful product?

CA: No, Roomba is thus far.

BL: Are you allowed to say how many PackBots are deployed?

CA: No, but PackBot exceeded our expectations in the development contract and it is still early in its adoption cycle by the military.

Customers

BL: How many client accounts does iRobot have today? For Roomba.

CA: Probably about 15. We started with Hammacher Schlemmer, Brookstone and The Sharper Image, then added Bed Bath & Beyond, Linen's & Things, Amazon, Kohls, Target and Best Buy.

BL: What is iRobot's current revenue split between the consumer, industrial and military segments?

CA: In 2003, our revenue is heavily oriented towards our consumer robot business, but in 2004 and 2005, we believe our military and industrial divisions will make increasing contributions as products move from development to market introduction.

BL: In your mind, what is the consumer sector with highest potential for robots?

CA: We are calling the category "home robotics." The idea is houses that can take care of themselves. We have 30 engineers working on new products including one that will launch at Christmas and more next year.

BL: What about in the industrial markets, beyond the oil business?

CA: Well, nothing happens fast when you are dealing with large multi-nationals but probably intelligent vehicles. We have built an all terrain vehicle, golf-cart size, for a fraction of the cost of other systems shown to date. At the AUVSI trade show in Washington, DC last week, we announced that we will be in this business big time.

Research

BL: I was fascinated by your current ONR and DARPA research projects, especially DAMP and the SWARM program. Maybe it's an unfair question, but what do you consider your most interesting research project today?

CA: I definitely think SWARM. We are creating a robot ecology: 128 robots that live out their lives together. You can't program them individually; you have to create task-achieving behaviors that work like homing instincts or pheromones. And the network has to define itself as it goes and be able to adapt to changing conditions. We have put bright lights and a big sound system on them, a little Hollywood twist. At the Christmas party, the engineers had them self-organize into choirs and sing Christmas carols!

BL: I am thinking about Ship of Gold. SWARM could have made the search for the sunken ship on the ocean bottom a lot easier.

CA: Yes, you would scatter hundreds, perhaps thousands, of robots with tiny short-range metal sensors over the area you were interested in and they would sink to the bottom. If they found metal, they would inflate and float to the top. Then all you would need to do is find the ones that resurface to know roughly where the ship was. You really have to think of a paradigm shift away from complexity, like side-scanning radars, and back to simplicity, which allows cheap and dumb units to get the job done.

BL: Could Roomba be combined with Gecko? I'd love to see an underwater robot for the boating market. Racing skippers spend a fortune keeping their hulls clean!

CA: That's too much of a niche. We are looking at huge markets, many with potential of \$1 billion in sales or more. We did look at the market for cleaning tankers about 6 years ago; the applications in the commercial shipping market are potentially large.



Colin Angle Interview *continued from page 3*

Intellectual Property

BL: How do you protect your IP?

CA: The office of our inside General Counsel is between Helen's and mine. We also retain patent counsel both international and domestic, and we have been very aggressive in filing.

BL: What happens on IP ownership where the military underwrites development, e.g., with PackBot?

CA: The military has rights only for military use. In fact, this has been the pattern with our other partners. Hasbro was our exclusive partner in the toy business and Baker Hughes (now part of Halliburton) in the oil business, but we retain the rights to capabilities we developed in the course of those contracts which are not defined for the application. This allows us to use what we have developed in future products outside the contract markets.

Competition

BL: I saw a segment on PBS' "Ask This Old House" about a lawn-cutting robot called Ernie. How many competitors have you and how do you differentiate yourselves from them?

CA: Ernie is from an Israeli company called Friendly Robotics that was just bought by Hoover Vacuum. Our competition for Roomba is from Electrolux, Hoover, Kärcher and Dyson, though none of them has yet launched a product in the US. They tend to view robotic vacuuming as an image product. For example, Electrolux has launched a \$1500 robotic vacuum. At that price people can hire a maid! We are focused on practical, cost-effective products. We have the advantage of being agile and starting with a clean slate, so we can think outside the box.

Pricing

BL: How do you price your robots?

CA: When we were building custom robots, we took no financial risk. All the costs of development were borne by our partners. We had no equity invested, and we were willing to defer all benefits in order to have our partners front our costs. This asymmetrical relationship

worked well for us. Recently, with the mass-market development for Roomba, we have shifted to a more traditional business model which allows cost plus margin pricing within a target price point.

Sales Partners

BL: How do you choose the partners to market your products? For example, Halliburton and Hasbro. Did they approach you or vice versa?

CA: They approached us. But that is changing. We have acquired significant skills in managing offshore manufacturing and direct sales channels. For example, we hired a manager of reverse logistics, because we have learned that return of product is one of the ways large retailers "ding" vendors to reduce their cost! We try to insulate ourselves from the aggressive tactics of the largest competitive discounters by dealing through distributors. Having a "hot" product in the market does give us some leverage, so we can afford to be more selective in our choice of partners.

The Future

BL: You said you passed up an Olympic whitewater paddling bid to pursue robotics. What obstacles do you see downstream for iRobot after your successful launch of Roomba?

CA: We are far from done. I managed the launch of Roomba, but we have since hired Greg White, an experienced appliance products manager, as head of the consumer division. A significant task for us will be brand development. We need to avoid being labeled a vacuum company! Executing PackBot will be another challenge. That will mark our transition from a DARPA R&D house to a full-fledged government contractor. My own role is changing to a more strategic one of steering the company through the rapid growth that our success has brought.

BL: Thanks for your time Colin. May the Force be with you. ❖

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

Trident Venture Consultant Wins Award

Rebecca Bace, Trident Capital Venture Consultant, and CEO of Infidel, Inc., has been honored with Information Security magazine's "Women of Vision" award.

Information Security magazine's "Women of Vision" Award honors women whose extraordinary contributions have helped shape the infosecurity industry. Their achievements in the fields of policy, law, compliance, education and technology have helped foster the adoption of infosecurity policies in both the private and public sectors and have paved the way for future generations of women.

The honorees were chosen by the Information Security

editorial staff from a nomination list approximately 150 strong representing a myriad of sectors both public and private. Information Security is widely regarded as the single most authoritative source for in-depth coverage of security technologies, practices, and trends.

Rebecca Bace spent 12 years "inside the fence" working on intrusion detection and network security at the National Security Agency (NSA). Her book, "Intrusion Detection" was published by Macmillan Technical Publishing in January 2000, and her book "A Guide to Forensic Testimony" was published by Addison Wesley in 2003. ❖



Trident Portfolio Company News



Arxan Technologies, a leading provider of anti-tamper software protection solutions, announced it has secured \$8.3 million in Series B financing led by the Paladin Homeland Security Fund, with EDF Ventures and Solstice Capital. The round also includes a pro-rata investment from Arxan's Series A investor, Trident Capital. Arxan will use the capital raised in this round to support the company's go-to-market strategy, product offering, and extension of products into new markets.

In addition to enhancing its go-to-market strategy, Arxan intends to take advantage of this financing to expand distribution allowing customers to purchase products through VARs and integrators as well as directly from Arxan. Arxan will also expand its product solution beyond the Federal government in order to solve the security challenges of digital content providers and enterprise software vendors.

Rich Earley, CEO of Arxan Technologies, said, "Closing this round in such a difficult market is an endorsement of Arxan's revolutionary technology and significant achievements to date—a successful beta program and commercial product launch, and securing contract awards from DoD (Department of Defense) and government customers."



Circles, a leading provider of loyalty management solutions, has been selected as the Greater Boston Chamber of Commerce 2003 Small Business of the Year. The Small Business of the Year Award was created in 1985 to recognize the contributions and achievements of one or more outstanding small businesses in the Greater Boston area. Awards are given to for-profit companies in the Greater Boston area who have gross revenues over \$1 million and less than \$50 million, and have demonstrated achievement in management, leadership innovation, workplace excellence, and community and social responsibility. The

Greater Boston Chamber of Commerce 2003 Small Business of the Year awards ceremony will take place in October.



CCBN, a leading provider of Internet-based investor and corporate communication services, announced that CEO Jeff Parker has been honored as a 2003 New England Entrepreneur of the Year by Ernst & Young in the Financial Services category. Recipients were honored at a ceremony on June 26 at the Boston Park Plaza Hotel in Boston.

The Entrepreneur of the Year Award recognizes outstanding business achievements in over 30 countries around the globe, honoring individuals that possess the entrepreneurial spirit to develop new technologies and innovate the distribution of goods and services while fostering a positive environment for those around them.

"This award is a result of CCBN's commitment to providing the most comprehensive communication possible between public companies and the investment community," said Parker. "We created CCBN around that vision, and we are a leader in offering companies innovative Internet-based solutions for investor relations and corporate communications."

Regional winners of the Entrepreneur of the Year Award will compete with 42 other regional winners across the country for the National Entrepreneur of the Year award on November 22, 2003, in Palm Springs, California. Jay Leno will serve as master of ceremonies for the evening.



Epicor Software Corporation (NASDAQ: EPIC), a leading provider of integrated enterprise software solutions for the midmarket, announced that it has completed the acquisition of ROI Systems, a privately held ERP provider of manufacturing software solutions, for approximately \$20.7

million in an all cash transaction. The acquisition of ROI Systems brings to Epicor not only a highly experienced team, but also a strong customer base that extends Epicor's position as a leading provider of extended, end-to-end enterprise solutions for midmarket manufacturers. To date, Epicor has delivered its solutions to over 15,000 customers worldwide, and with the addition of the ROI customer base Epicor's manufacturing customer community now includes over 6,500 customers implemented in more than 35 countries.



iRobot cofounders Colin Angle and Helen Greiner, who transformed a military and industrial robotics company into a consumer blockbuster, have been named Ernst & Young's New England Entrepreneurs of the Year in the High Technology Manufacturing category. A maker of robots used in the Afghanistan and Iraqi conflicts, iRobot introduced the world's first affordable automated vacuum late last year called the Roomba Robotic FloorVac.

Angle and Greiner, formerly of MIT's Artificial Intelligence Lab, were chosen for their vision, skills, accomplishments and determination in fostering the growth of a brainchild into a successful business. Nominees were judged on experience and expertise, company history, business model and plans for the company's future.

"It's an honor to be chosen New England Entrepreneur of the Year by Ernst & Young," said Angle, CEO of iRobot. "iRobot was the first to deliver on the promise of The Jetsons' Rosie, building affordable robots that make people's lives easier. Roomba is the first robot that Americans have welcomed into their homes, and it's just the beginning of things to come."

Greiner, President of iRobot, added, "We share this award with the entire iRobot team. Without each person's imagination, passion and expertise, our company could not have introduced the uniquely useful and reliable robots now driving our company's success." ♦

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

This newsletter contains trademarks and registered trademarks of Trident Capital and other entities.

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