



Trident Capital is a leading venture capital firm with over \$1.2B under management in five separate funds with its most recent fund, Fund V closing at \$519M. Trident invests primarily in 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, CA; Westport, CT; Los Angeles, CA; and Chicago, IL. ❖

Trident in India

This past November, Trident Managing Directors—Venetia Kontogouris and Todd Springer—spent two weeks visiting companies in India. The first week was devoted to meetings with numerous private companies in the technology arena primarily evaluating the progress of Trident's recent investment in OPI (Outsource Partners International). Venetia also attended meetings with Cognizant Technology Solutions (CTSH) where she has been a board member and was involved in its creation ten years ago.

For the second week, Venetia was a guest of Silicon Valley Bank, along with a small number of other members of the venture capital community, as part of a delegation to evaluate emerging growth opportunities in the Indian market. Venetia's participation in this very well organized trip was very much appreciated and provided a wealth of new connections into the Indian market. Through numerous meetings with business and political leaders, the members of the delegation were given access to the movers and shakers in the Indian economy and gained invaluable insights into

opportunities for IT investments. Delegates met with university professors, lawyers, accountants and government representatives, who shared their collective wisdom on many issues of concern to venture capital investors looking to make investments in Indian companies.

Based on these many meetings and presentations, we came away with a much better understanding of the risks and opportunities involved with Indian investments. There are several conclusions that we were able to draw from the trip:

- Every portfolio company needs to consider an offshore strategy for reduction of cost of product development.
- Trident Capital has had significantly more experience than most other VC firms in the Indian market and has completed the most BPO (business process outsourcing) deals in India.
- With the possible exception of several tele-sales centers, and in spite of its tremendous growth to date, the BPO market in India is still in its infancy.

continued on page 4

Featured Portfolio Company: MegaPath Networks Inc.

MegaPath Networks Inc. is a provider of integrated IP network solutions that reduce the cost and complexity of deploying, managing and securing distributed enterprise connectivity.



The initial institutional investor financing of MegaPath was in March 2000. The company, founded in 1998, now has 230+ employees and is on track to achieve 2003 annualized revenues of approximately \$75 million and recently achieved operating profitability. MegaPath recently acquired Austin, Texas-based TManage Inc., a leading provider of managed access, VPN and security services.

Harry Taxin, MegaPath Chairman, President and CEO, launched the company with the goal of providing to business customers a superior customer service experience utilizing what was then the newly emerging technology of DSL. Along with a seasoned executive management team experienced in telecommunications, Internet services, networking and consumer electronics, Harry has led the organization to become nationally recognized as a leading provider of comprehensive managed networking solutions for distributed enterprises.

With marquee customers like RadioShack, McDonald's, Olympus, Jamba Juice, CIGNA, Northwestern Mutual and DHL, MegaPath offers businesses of all sizes the ability to securely and cost-effectively connect their branch offices, mobile workers and home-based workers to centralized corporate resources. Having the broadest business-class footprint through its nationwide private network, MegaPath has deployed over 50,000 endpoints and is the single source provider for the design, deployment, monitoring, reporting and support of remote connectivity solutions.

Since its inception, MegaPath's key focus has been its customer care efforts. MegaPath believes that stellar customer service is the single most important differentiator in the ever-evolving services industry and is continually refining the company culture to deliver superior service and support through both its direct and indirect sales channels. Furthermore, MegaPath strives to partner with industry-leading providers to ensure that customers always receive the very best in broadband, VPN and security technologies.

MegaPath's passion for customer care and product excellence is reflected in its award-winning managed services and its top industry and user-rated technical support and sales professionals.

continued on page 4



Trident Investment Activity



Infotrieve, Inc.

In August 2003, Trident invested \$12 million in Infotrieve, Inc., a leading provider of outsourced research information services to corporate and academic libraries.

The company provides its clients a single-source for mission critical and time sensitive information as well as a cost-effective alternative to maintaining their own complete library of relevant journals. Infotrieve alleviates its clients' capital-intensive investments in libraries, subscriptions and support staff and can often dramatically reduce turnaround time on document retrieval by providing for overnight or electronic delivery. The investment fits into Trident's innovation investment theme which centers on companies that provide products and services to the R&D operations of major US companies. Trident led Infotrieve's Series B round of financing, which also included existing investor Signal Equity. Infotrieve is based in Los Angeles, CA.



everypath

Everypath

In September 2003, Trident led a Series A1 investment in Everypath, a mobile task automation (MTA) software leader. The company's product, Everypath MTA, extends application logic and data from existing applications to handheld devices for use by sales, service and supply chain staff which increases customer's visibility into their field operations while lowering costs and increasing end-user productivity.

Everypath currently serves over 50 revenue-generating customers and partners, with deployments in North America, Japan and Europe. The company's primary target markets include life sciences, medical equipment, and consumer and industrial products, but the company is also experiencing growth in the financial services and utilities sectors.

Mark Tapling, CEO, leads a management team that has a strong track record of success in enterprise software at companies like IBM, Lotus, Informix and Symantec. Mark joined the company in January 2002 and has positioned the company for leadership in the mobile enterprise software market, a sector forecast by IDC to reach \$1.6 billion by 2007. Everypath is based in Santa Clara, CA.



Thor Technologies

In October 2003, Trident invested \$6.5 million in Preferred Stock of Thor Technologies, Inc., a provider of secure provisioning software to global 2000 enterprises. The company's software helps streamline the set-up, management and revocation of user access right and privileges. As a result, Thor's technology greatly simplifies implementation and maintenance tasks and reduces expenses associated with employee provisioning such as setting workflow, rules, groups, and integrations with target platforms.

The company has had initial traction in the financial services vertical with important wins at Lehman Brothers, Barclays Capital and JP Morgan Chase, among other customers. The company is led by a solid management team including CEO Alberto Yépez (former EIR at Warburg Pincus who successfully sold enCommerce to Entrust for \$470MM in April 2000), CFO Bob Corey (Documentum, Forte/Sun, Borland), and EVP Sales Paul Doscher (VMWare, enCommerce/Entrust, Business Objects, Oracle). Thor has executed strategic partnerships with Sun, RSA Security, BEA, Oracle and Accenture and is particularly aggressive in penetrating joint accounts with the assistance of these partners. The company has offices in Silicon Valley, New York and London.

BenefitPoint

BenefitPoint, Inc.

In November 2003, Trident invested \$4.5M in BenefitPoint, Inc. Founded in 1999, BenefitPoint operates a web-based platform for client data management and procurement that makes it easier for employee benefits professionals to buy, sell and manage employee benefits. BenefitPoint's platform is currently used by approximately 75 brokerage firms and 15 leading carriers with data on more than 40,000 employers representing over 22 million employees. The company is based in San Francisco.



Resolution Health, Inc.

In October 2003, Trident closed a Series A investment in Resolution Health, Inc. (RHI), an early-stage health care analytics firm. The company's services are based on software that identifies opportunities to reduce medical and prescription drug costs, as well as discrepancies between "best clinical practice" and actual care. Each product/service is based on (1) a unique set of proprietary computer algorithms that is applied to claims data, and (2) different means of communicating the findings to various parties who can act on them (e.g., a patient's MD, a disease or case manager, or the patient).

Earl Steinberg, M.D., is the CEO of the company and is a nationally recognized expert in medical practice evaluation, health economics and quality improvement. RHI's Chairman, Jerry Benowitz, brings unique and important direct-marketing expertise to the company through his past experience as CEO of Newgen Results (another Trident investment). RHI is based in San Jose, CA.



Trident Investment Activity *continued from page 2*



Outsource Partners International

Outsource Partners International

In August 2003, Trident closed a \$10 million investment in Outsource Partners International, Inc. ("OPI"). OPI offers finance and accounting business process outsourcing services to mid-sized and large corporations, and leverages lower-cost labor in India to provide a comparative cost advantage.

OPI was originally founded in 2001 to focus on finance and accounting (F&A) outsourcing to small clients. The company completed two acquisitions in the subsequent year through its purchase of KPMG's mid-market F&A BPO practice and its purchase of Arthur Anderson's Washington DC F&A practice. In that year, OPI also

hired Clarence Schmitz as CEO. Clarence was previously the CFO of Jefferies in Los Angeles. Prior to Jefferies he spent 25 years at KPMG, where he was most recently a Senior Partner and Board Member. Trident chose to invest in OPI because of its combination "on-shore, off-shore" service delivery model, experienced management team and critical mass of operations. OPI is headquartered in Los Angeles, with additional offices in New York, Chicago, Washington DC, Dallas, Houston and Bangalore, India.



XATA Corporation

In December 2003, Trident led a Preferred Stock PIPE investment in XATA Corporation (NASDAQ: XATA), a

leader in onboard fleet management solutions for the private fleet trucking industry. XATA will use this financing to expand its product development, distribution and marketing efforts to the 3.5 million medium and heavy duty trucks operated by commercial private fleets in the U.S. The company's solutions automate a number of manual processes for both the truck driver and back office staff while increasing customers' visibility into their fleet operations, thereby, lowering operating costs and improving service. Today, XATA systems are deployed in more than 700 fleets and 30,000 trucks across North America, at blue chip customers such as BP Amoco, Coca Cola, Safeway, and the US Postal Service. XATA is based in Burnsville, MN. ❖

Inside with: Clarence T. Schmitz

Chairman and CEO of Outsource Partners International



Outsource Partners International



From an interview in "Inside Outsourcing" with Larry Janis, Managing Partner, Integrated Search Solutions Group, ph:516-767-3030, janis@issg.netwww.issg.net

Outsource Partners International, Inc. (OPI) is a leading business process outsourcing firm specializing in finance and accounting services. OPI offers clients the ability to outsource either all or selected portions of their internal accounting functions, such as accounts payable, accounts receivable, payroll and financial reporting.

One of the key changes that we have seen in the past two years is the exit of most of the large accounting firms from the FAO market. This has been driven by a number of factors, but largely by the great difficulty that these large, geographically dispersed firms had in growing their FAO practices while maintaining their independence with respect to their audit clients.

LJ: What is your view of the competitive landscape in the BPO Outsourcing space?

CS: The landscape in the BPO space, and particularly in the Finance and Accounting, or FAO, segment, is changing rapidly. We do not believe that there really are very many viable players in this space today, though there is no shortage of companies who want to jump on the band wagon. Most of the large systems integrators and IT outsourcing companies have either jumped into FAO or are trying to do so. While many of these companies have significant technology skills, they don't generally bring the same disciplined approach to finance and accounting processes, including internal controls, that we do.

In addition to the IT-based competitors, we are also seeing a significant number of new competitors from off-shore, particularly Indian companies. Many of these new providers also have IT roots but a number are call center operators who are trying to "morph" into the FAO space. Many of these companies believe that they can effectively "forklift" complex accounting processes off-shore but have found that CFO's are appropriately skeptical.

LJ: What are the changes taking place in F&A strategy and how do you see this evolving in the future?

CS: F&A Outsourcing (FAO) has only recently gained recognition as being a function that can successfully be outsourced. Still in relative infancy compared to the IT and HR outsourcing markets, we nonetheless believe that the FAO market has a high growth potential with the promise of exponential growth in the next few years. Some of the factors that will spur this growth are the continued need to cut costs and enhance productivity. While the U.S. economy may have turned the corner and be in growth mode again, we are in a truly global economy and U.S. companies will continue to examine any alternative that delivers lower costs and high quality. Outsourcing also enables organizations to bring in experienced help to review and reshape their business processes and do so without distracting scarce management talent from other higher value initiatives.

Offshoring of finance and accounting functions has been a relatively recent change, but one that has come on strongly. We believe

continued on page 5



Trident Liquidity Events

Aptegrity Acquired by Globix

APTEGRITY

On November 3, 2003, Globix Corporation, (OTC: GBXX) a provider

of managed Internet infrastructure services, announced an agreement to acquire Aptegrity, a managed services provider (MSP) focused on web-based applications, for cash.

Aptegrity, a Fund IV company, helps organizations address potential threats to the success of their e-business initiatives, including insufficient staffing, diminished performance, limited scalability, ineffective monitoring and measurement, and unpredictable or escalating costs.

Globix (www.Globix.com) provides businesses with technology resources and the ability to deploy, manage and scale mission-critical Internet-based operations for optimum performance and cost efficiency. Globix has operations in New York, London, Santa Clara and Atlanta.

In announcing the acquisition, Globix indicated that Aptegrity's operations will be a key component of Globix's continued evolution into a full-service managed applications and hosting provider. Further, Globix is committed to maintaining and strengthening Aptegrity's operations, ensuring all clients will receive the level of service and support they have come to

expect from Aptegrity.

"This acquisition will unite the people, processes, tools and facilities to deliver on the promise of managed application services for enterprises," said Pete Stevenson, Globix's CEO. "Aptegrity has the processes and applications expertise to meet the needs of enterprise clients for complex applications regardless of where the application is hosted. And Globix's data centers, IP network and managed services operations can provide the security and peace-of-mind that clients look for when making the decision to outsource their applications and internet infrastructure. Together we expect to offer our clients the ability to choose where and how they have their mission-critical applications managed and hosted."

"Clients today are looking for managed application partners that provide more depth and capability," said Carlo Cella, Aptegrity's President and CEO. "By bringing Aptegrity together with Globix, we meet that demand. Aptegrity strengthens its infrastructure, Globix broadens its capabilities, and our clients continue to get the convenience of a full service managed application partner that can manage applications, on any server, anywhere, anytime." ❖

Trident in India *continued from page 1*

- The IT challenge for major US firms has been drastically altered with the hiring of India-based vendors such as Cognizant Technology Solutions, WIPRO, Infosys and Tata.
- Many large multinational firms are circumventing BPO firms altogether and establishing their own back office operations directly in India.
- The Indian market itself is expected to change dramatically as a result of the increasing middle class and consumer demand that the outsourcing boom has created. Economic growth is expected to exceed 5% annually and will outpace many other western nations as this emerging middle class continues to grow past the 300 million mark.
- Consumer demand in local markets will grow accordingly, but products will have to be priced very competitively to be successful.
- Venture capital can no longer afford to be an isolated industry with a one-country focus, because it will be increasingly important to be involved in the right emerging markets with country specific legal and business expertise.

Trident Capital has been involved in various aspects of India-based outsourcing over the past decade and is looking forward to continuing to make India an integral part of its portfolio strategy both for existing portfolio companies and new investment opportunities. ❖

MegaPath Networks Inc. *continued from page 1*

Recognitions in 2003 include being awarded Network Magazine's 2003 Product of the Year Award in the Virtual Private Network Service category and being named the #2 fastest-growing private San Francisco Bay Area company by the *San Francisco Business Times*.

The Company offers a service product that virtually every business needs, especially as those companies try to reduce costs and

increase productivity through enterprise-wide real-time connectivity. Customer applications range from remote insurance agents needing access to corporate data bases, to restaurants connected back to headquarters for real-time inventory update and credit card processing, to nation-wide and world-wide businesses that need to have constant communications and information connections between their various branch offices. ❖



Clarence T. Schmitz continued from page 3

that this will continue to be a major component of many outsourcing proposals, though we believe that the providers who believe that any process can be done effectively off shore will not be successful and will eventually either fail or come back to OPI's strategy – combining an offshore processing center for some functions with an onsite team to perform the balance of the outsourced functions. Recent high profile failures of outsourced offshore call centers will also make outsourcing buyers much more concerned about the communications between off-shore locations and their own personnel.

LJ: What do you see as the hurdles to success in F&A BPO?

CS: The FAO environment is still relatively new with a number of new vendors only recently being able to offer these services to enterprises. Some of the hurdles faced are:

- Overcoming the cultural barrier to outsourcing F&A functions.
- Fear of losing control over business processes.
- Fear of losing in-house expertise around business processes.
- Concern about quality of service.
- Fear of losing customer or other proprietary information.

Many companies, even those that have outsourced many other functions, are reluctant to outsource finance and accounting. Somehow, it just seems closer to the core. It's only when you really analyze these functions that you can easily see how you can not only outsource, but actually take parts of these functions offshore. And you can do it without investing in expensive new technology implementations or losing control of either critical information or processes. The vast majority of companies will experience substantial improvements in their finance and accounting processes and at a lower cost.

One key to our success is the fact that our management team is composed of CPAs. Many of us joined the company with the acquisition of KPMG LLP's U.S. BPO practice in 2002. We not only understand the intricacies of accounting processes and the importance of internal controls, but we are also very sensitive to the importance of data security. Our process ensures that no data is stored outside the U.S. and normally it's stored in our client's own data centers.

LJ: How does having an offshore presence benefit your abilities to be competitive in the BPO space?

CS: Having our own offshore processing center, in Bangalore, India, enables OPI to provide both cost reductions and significant process and cycle time enhancements. We leverage this center for high transaction volume work while maintaining the more knowledge intensive processes on site at our client's locations. This addresses many of the concerns about loss of control and the security of data. We also have a competitive advantage in that all of our people, whether based in the U.S. or in India, are part of a single team.

Other service providers are now positioning themselves to offer offshore BPO services to clients by making investments in delivery centers in countries that have a strong pool of skilled labor, a labor cost advantage, and relatively sophisticated telecommunications and network infrastructures. India is, of course, a prime destination because of its strong educational system, the prevalence of English speakers and its low cost labor. OPI's center in Bangalore has been in operation for three years – giving us a lot of valuable experience. It will take others some time to get up to speed on the nuances of operating a business in India, let alone how to integrate such operations with the U.S. “front ends.”

LJ: What are the most common misconceptions regarding BPO?

CS: The BPO option is only for reducing costs. It only works for simple bulk, non-core activities. It does not affect or increase shareholder value. It leads to loss of control. It is tactical rather than strategic. It does not work well as the relationship with the provider is not flexible.

Unfortunately, some of the misconceptions related to BPO are founded on the mistakes that have been made in the past and by the approaches some providers take with their prospective clients.

Outsourcing does reduce costs but can also have many other significant advantages including but not limited to the following: allowing management to refocus time on more value added activities and away from day to day and more tactical process management; transformational benefits that come with actually measuring the results of processes and driving on-going improvements; benefits associated with having better information and more timely information with which to make management decisions; and improved working capital through improved cycle times on billing and collections and improvements in the purchase to pay processes.

Outsourcing is frequently perceived as negatively impacting “control,” though people who express this thought are often unable to explain what this means. The facts normally suggest that outsourcing actually increases control. First and foremost, with outsourcing you have a third party partner whose long term success is dependent on its ability to deliver high quality results. Secondly, we track performance at a very detailed level, providing real insight into how well a process, and indeed individuals, are performing. These process measures are frequently implemented by our team – and are the subject of contractual performance requirements — providing information to assess and improve operations. The client gets better control of these processes by leveraging our expertise, using us to drive change and keeping our eye on the ball through both contractual terms and our interest in ensuring that we have very happy clients.

LJ: What are the top qualities that you would look for in a potential BPO partner?

CS:

- The right cultural fit.
- Ability to build a strong relationship and ensure a flexible working environment.
- Ability to structure the relationship as a win-win situation.
- Choosing the right business model.
- Ability to maintain good communication channels.
- Structured workflow.
- Track record of successfully serving clients.

We think that culture is very important to each client situation, and we also know that each client is unique. We do not try to modify our clients' environments to suit the way we do business. Rather, we customize the way we deliver services to each client. This is particularly important with respect to our on-site component – that portion of our team that literally sits down the hall from the client's management. We think that this on-site component is critical to understanding our clients' and the way their business are operating and changing.

We know that outsourcing arrangements have to be flexible and must be based on solid relationships. Why? Because no matter how thoroughly a contract is prepared, it is only a document and will have to be updated with changes in the clients' business. Since it is hard to predict how business will change, both parties need to be flexible to change when required and both parties need to trust the other party to fairly adjust the economics of such changes. ❖

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 principally 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

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