



Consor Capital LLC

Company Overview

2005

"Men exchange their work by free, mutual consent to mutual advantage when their personal interests agree and they both desire the exchange. If they do not desire it, they are not forced to deal with each other. They seek further. This is the only possible form of relationship between equals. Anything else is a relation of slave to master, or victim to executioner." -- Ayn Rand, The Fountainhead, 1943.

Overview and Investment Focus

Conсор Capital LLC has been formed by Josh and Jay Huffard to manage venture capital investments. Conсор Capital II, LP (the "Fund"), the GP's first fund of committed capital, has been initially capitalized with \$7.27 million, including \$1.00 million from the Principals. Current targeted investment categories include Consumer Technology; Customer Service and Satisfaction; Branded Consumer Products; and, Active and Healthy Lifestyle.

The investment filters within these target categories includes companies that:

- a) Are **early-stage, growth oriented** businesses serving consumers and small businesses,
- b) have **experienced and capable leaders**,
- c) are focused on **rapidly changing markets**, and
- d) are aggressively **leveraging technology** as a key aspect of their business model.

The Principals seek to close the Fund with a maximum of \$30 million and anticipate holding a final close by mid-2005.

Both Principals will both play primary roles in seeking investments and building long term equity value. Josh and Jay have worked and invested together in more than 20 companies over the past 10 years and believe their experience, complimentary skills, and passion for working with entrepreneurs will generate quality investment opportunities and establish the Fund with a reputation as a strategic, value-added capital partner.

Josh's experience includes 12 years of private equity investing with Sterling Payot Company and Donaldson, Lufkin & Jenrette's Merchant Banking Group. Jay's experience includes 36 years of private equity experience through Prima Partners, Huffard & Co., L.P. and DLJ. The Principals have been actively involved with more than 50 private equity investments throughout their careers. From these projects, the Principals have a network of entrepreneurs and operators with whom they have worked closely and this network is expected to provide a solid core of both management talent and attractive deal flow for the Fund.

The Principals believe that the American economy is still highly entrepreneurial and that early-stage businesses can emerge as competitive stand alone businesses with attractive operating margins by leveraging technology and creating innovative products or services that cause dramatic market changes. Within this environment, the Fund strategy is to provide entrepreneurs and business managers with a blend of capital, technology experience, operational guidance, and strategic vision to help them create durable companies and long-term shareholder value.

The Fund objective is to generate high rates of return on invested capital and the Principals believe that the portfolio of investments will therefore be **high risk** in nature. The Principals will seek to minimize this risk through the application of investment and governance best practices learned over the years by working on directly relevant past projects. The Principals anticipate that the fund will make investments in approximately 10-15 companies, with no one investment representing more than 20% of committed capital of the Fund.

The goal of the Principals is to build a long-term investment platform and they firmly believe that the best way to do this is to generate superior returns. The Principals plan to achieve these returns by staying focused on early stage investments where they can (a) avoid deal and price competition (b) deploy small

amounts of capital for significant equity stakes, (c) invest at the highest growth stage of a company's lifecycle and (d) leverage Fund capital by contributing an unusually high ratio of their sweat equity for each dollar invested, relative to other professional investors and alternative asset classes.

The Principals believe that they can best capitalize on this market category by keeping total assets under management low, an investment model that they refer to as "capital constrained investing". The small size and focused resources of the Fund are intended to foster a culture of investment discipline and fiscal responsibility which requires significant capital appreciation for the Principals to achieve any degree of personal wealth creation, thereby avoiding the pitfalls of many larger, management-fee-driven entities where incentive is less clearly defined.

The Fund will be structured with industry standard terms and will typically seek liquidity options for each investment within a 3-5 year time frame. But, the Principals intend to maintain a long-term perspective aimed at building sustainable, cash generating companies capable of sustaining attractive returns on invested capital. The Principals believe that successful growth companies can attract acquisition offers from larger companies seeking to add new products and services to their existing distribution channels and that this will be the primary exit strategy for Fund investments. Other viable liquidity paths will include sales to financial buyers, initial public offerings ("IPO"s), and cash flow distributions from operating profits.

Fund Investment Strategy

The Principals have extensive experience investing in and working with start-up and early-stage growth companies in the Fund's target markets. From this experience, the Principals have developed strong points of view on the due diligence process; deal structuring; corporate governance; and communication with management, employees and shareholders. The Principals believe that the three most important elements for a good investment include (1) the project team (management, employees and the investor group), (2) the business opportunity (especially the market size and margin structure of the business) and (3) the structure and terms of the investment.

Investment Criteria

The Fund generally will invest in consumer and small business oriented companies. Particular attention will be paid to companies that are effectively leveraging technology; have low capital requirements; attractive gross margins; and are participating in, or creating, rapidly growing markets. Another important investment criteria is the visible acceptance of a company's products or services within their target market of individual or small business consumers. The Fund currently does not plan to invest in pure technology R&D efforts.

The Managers will primarily focus on companies with annual revenue in the \$3-15 million range, but anticipate that they may also invest in true start-up situations as well as slightly larger companies. **Portfolio companies will usually be private, but may also be venture stage public entities.** In evaluating potential investments, the Fund will give significant consideration to entrepreneurs with proven track records who have learned how to manage within start-up and high growth environments. The Principals also believe that experienced entrepreneurs are more likely to have the ability to take advantage of the Consor partner network (see page 13) to provide significant additional leverage to Fund investments.

The General Partners are committed to negotiated deals whenever possible and believe that a disciplined approach to valuation is essential. The Principals also believe that simplicity and alignment of interests with management and other investors are key elements to successful deal structuring. The Fund will emphasize opportunities where the Fund can take advantage of the capabilities and experience of the Principals and its network of operators and advisors to assist management.

Portfolio companies will typically be located on the West Coast, with a focus on the San Francisco Bay area, but will also include companies in other markets. The Principals value physical proximity as an

another important element of the investment screening process and believe that significant time spent with management and employees at early stage companies is one of the best ways to provide leverage to Fund capital.

Competitive Differentiation

- 1) **The Principals are non-traditional VC investors** who have chosen to operate in the niche between “angel” investors and large, process oriented VC funds. The Principals believe that they are creative, strategic and independent thinkers who are entrepreneurs at heart, not portfolio managers living-off management fees and looking to minimize risk.
- 2) **The Principals were both trained in the very analytical and merit based environment of Donaldson, Lufkin & Jenrette** and believe that this strong foundation is an integral part of their perspective and ability to add value.
- 3) **The Principals’ investment discipline has been developed by investing over the last 10 years without a dedicated fund.** This has instilled in them a boot-strap mentality and an attention to accomplishing significant milestones at portfolio companies to further validate the business and to serve as justification for higher valuations in subsequent rounds. It has also led to rigorous due diligence discipline and enhanced sales and marketing skills, both of which can be tremendous resources for the CEOs of Consor portfolio companies.
- 4) **The Principals have proven their skill at identifying and recruiting value added partners to help portfolio companies.** The capital constrained model that has formed the core of their investing success has resulted in an enhanced appreciation of the value of good partnerships and a powerful network of active relationships with entrepreneurs, mentors and co-investors. Past successful co-investment partnerships have included a shared philosophical approach based on teamwork, aligned self-interest, a strong work ethic and results-oriented accountability. Based upon this philosophy, the Principals have been able to build loyal, long-term, and highly profitable relationships. The Principals think that their group of entrepreneurial partners represents a significant strategic advantage for the Fund. (For a list of active Consor partners see p. 13).
- 5) **The Principals have significant early stage company experience and reputations for honesty and integrity while playing leadership roles in dozens of early-stage projects.** Their character and judgment have been tested under pressure and they have proven well suited to the special requirements of working closely with entrepreneurs under all types of adversity in early stage companies.

Target Investment Categories

The Fund has chosen the following investment categories as the most appropriate given the experience base of the Principals and the potential to achieve the targeted IRR of 40% on each investment. Sample types of companies within these categories are listed with bullet points.

Exhibit 1 – Target Investment Categories

Consumer Technology <ul style="list-style-type: none">• Internet services• Social networking software• IP-based communication products and services• Digital media and imaging	Branded Consumer Products <ul style="list-style-type: none">• Proprietary IP• Exclusive licenses• Proven brands• Core audiences
Customer Service and Satisfaction <ul style="list-style-type: none">• Customer relationship management tools• GPS based applications• Analytics	Active and Healthy Lifestyle <ul style="list-style-type: none">• Nutrition: organic & natural foods• Technology-enabled products that sense, monitor, calculate and/or measure consumer activities and performance• Protective gear

Investment Process

In addition to the target investment criteria, there are a range of pre-investment and post-investment roles and responsibilities that the Principals expect to play. From their extensive experience in relevant situations, they have identified the following areas as key pieces of the investment process where the Principals have the opportunity to provide significant sweat equity leverage for the LPs' invested capital. In general, if the Fund is the lead investor, the Principals expect to follow the following process when making investments on behalf of the Fund:

- 1) Vetting of potential investments. This will include addressing whether or not the opportunity meets the Fund investment criteria; conducting a thorough due diligence process including meetings with management, reference checks and review of historical and projected financials; soliciting input from the Consor operating partners and mentor group; assessing the capital needs of the business; and completion of an investment memorandum.
- 2) Negotiation and deal structuring. This second stage will include valuation discussions; determination of the appropriate security to invest in; agreement upon proper management incentives (including cash investments where appropriate) and vesting schedules; identification and recruiting of additional value-added investors; negotiating Board representation for the Fund as well as overall Board structure; securing information rights and defining reporting requirements; and agreeing upon appropriate rights relating to an eventual liquidity path for investors.
- 3) Ongoing support. The majority of time on any project will be spent after the investment has closed and will typically include some combination of daily/weekly interaction with the company; playing a "Coach" role for CEO and VP level management; sitting in on Board meetings (monthly or quarterly); participating in or leading financing strategy and deal structuring; bringing to the Board a perspective on governance best practices including experience from prior service on Compensation and Audit Committees of both public and private companies; a prominent role in recruiting and hiring for new management positions; and leadership roles in identifying and implementing strategic partnerships.

Core Values

The Principals are motivated by a passion for entrepreneurial endeavor; a desire to create long-term wealth for Fund LPs; and a goal of building a reputation as value-added partners working on high quality projects. The Core values that support these goals include the belief that:

- Honesty and ethics come first;
- Good communication is essential for effective working relationships, especially in rapidly changing environments;
- The Principals are motivated by a passion for working with entrepreneurs, and think that this is an irreplaceable ingredient in determining the success of the Fund's investments;
- The Principals want to be known by the company they keep;
- The Principals will evaluate their own performance and others' based on merit and tangible results;
- The Principals are entrepreneurs and have tremendous respect for other entrepreneurs and business operators;
- The Principals know how hard it is to build and sustain quality businesses, but those are the only businesses that interest us; and,
- Working on terrific projects is great fun!

Background of the Principals

The GP will be managed by Josh and Jay Huffard. Both Josh and Jay are established private equity investors who have the confidence and desire to lead investments with their own capital. The GP has made a \$1 million capital commitment to the Fund.

Josh Huffard (35)

Josh has spent the past 3 years building the framework for Consor Capital and assembling the current Placeholder Portfolio. Prior to starting work on Consor in late 2001, Josh was one of four Principals at Sterling Payot Company, a San Francisco-based venture capital and strategic advisory firm, from 1994-2001. Josh began his career in 1992 working for DLJ's \$1.0 billion Merchant Banking Fund in NYC. Select past investments include: Yahoo! (Yahoo Marketplace), Accrue Software, Wired Ventures, LivePerson, ArgyleTV, Rapid Logic, Wit Capital and Cook Express. Noteworthy advisory assignments include: Visa International, Pacific Telesis, Novo Media and Triarc (RC Cola and Arby's). Recent investments include JetEye, Master Replicas, LivePerson, Cloudmark, James River and Sapias. Josh received his BA from Yale University.

Jay Huffard (63)

Since 1988, Jay has been Managing Director of Huffard & Co., a private equity investment firm and, since 1993, he has also been Managing Director and principal of Prima Management Corp., a private equity investment partnership. Jay began his career at Donaldson, Lufkin, & Jenrette, Inc ("DLJ") in 1966 and retired from DLJ and its parent, The Equitable, in 1988. From 1987 to 1988, he was Chief of Staff to the Chairman of The Equitable. Previously he served DLJ in various executive and operating capacities including EVP, Managing Director, and CEO of certain direct and indirect subsidiaries. Recent projects include Front Royal, Access Television Network, James River, Igloo Products, Skylark LLC and YVC Partners. Previous noteworthy investments included The Gale Group, Drever Partners, U.S. HomeCare, United States Surgical and The North Face, Inc. He has been a Trustee of Deerfield Academy and the Yale Development Board and he is currently an Advisory Board Member of the Yale School of Forestry and Environmental Studies. Jay received his MBA from the Stanford Graduate School of Business and his BA from Yale University.

Josh Huffard Project Experience (1992-2005)

The Principals believe that a significant competitive advantage for the Fund is the combination of investment and advisory experiences that Josh has participated in over the past 13 years. A summary of Josh's key projects, in terms of time spent and lessons learned, are outlined in the table below.

Exhibit 2 – Josh Huffard Project Experience

DLJ Merchant Banking 1992-1994 (4 projects)	Sterling Payot Capital, L.P.			Josh/Consort I, L.P.	
	1995-1996 (7 projects)	1997-1998 (6 projects)	1999-2000 (7 projects)	2001-2002 (8 projects)	2003-Present (7 projects)
*Argyle TV (+) LBO of 4 network affiliated broadcast television stations	*Visa Int'l (+) Advisory project, hired by the Board to evaluate strategic opportunities	*Yahoo (+) Co-authored and invested in Yahoo Marketplace JV between Yahoo, Visa, and Sterling Payot	*LivePerson (+) Invested in Application Service Provider (ASP) providing online customer support and sales platform	**Parachute (-) Invested in and worked at last mile delivery business	*Master Replicas (-) (+) Invested in high-end collectibles company
*Triarc (+) LBO of Arby's, RC Cola and 5 other companies ranging from textiles to propane to tree trimming services for electric utilities	*Metricom (+) Advisory project for wireless data firm	*Project Northstar (-) Co-founded de novo company to pursue JV with Pacific Telesis, RBOCS and Yahoo	*GuruNet (+) Invested in search service	*Innovation Builders (+) Designed and funded a \$1mm residential remodel. Won project of the year award from the US Homebuilders Association	James River (+) Invested in specialty insurance company
Specialty Foods (+) LBO of multiple specialty food and baking businesses	*Pacific Telesis (+) Advisory project relating to @Hand subsidiary and online Yellow Pages strategy	Rapid Logic (+) Invested in software company providing web enablement of networked devices for remote management	*Cleartop (-) Invested in small business ASP software company	*No Excuses (+) Advised and invested in documentary film on the US Disabled Ski Team	*JetEye (+) Invested in search service
First Franklin Mortgage (-) LBO of mortgage banking business	Hotwired/Wired (+) Investment in online effort of Wired magazine, the first advertising sponsored website	*The Wedding List (-) Invested in online retailer targeting the wedding gift/registry market	*Community Connect (+) Invested in online communities company	*Analytical Surveys Inc. (+) Served on the Board of a public company at the request of the lead investor	*Lane Berry (+) Invested in Boston based investment bank backed by ex-DLJ people to create a new growth oriented firm
	*Accrue Software (+) Authored business plan and invested in Internet analytics software firm	*CookExpress (-) Invested in ready to cook meal kit company	NewCross (+) Invested in enterprise service co. providing voice services (VOIP)	*Cloudmark (+) Invested in anti-spam software company	*Cocoa Pete's Advised chocolate company
	Big Book (-) Invested in online Yellow Pages company	Wit Capital (+) Invested in banking firm providing online distribution of IPO's to consumers/valued customers	*Freebord (+) Invested in consumer products company focused on the Action Sports category	*Sapias (+) Invested in GPS based fleet management company	**Consort Capital LLC (+) Built \$5mm portfolio - Consort Capital I, LP
	*Novo Media (+) Advised and invested in online marketing services and web site development firm		*Dialpad (-) Invested in consumer service provider for internet telephony services (VOIP)	*Hoovers/Edgar Online (+) Invested in 2 public information services companies, both of which were compelling growth/value opportunities relevant to the Fund	*Consort Advisors (+) Advised and invested in boutique SF investment banking business serving the consumer-oriented mkt
				*LivePerson – Public (+) Invested in ASP	

Operator and Advisor Partners

Below is a list of operators and advisors from whom the Principals expect to draw support during deal sourcing, due diligence and ongoing relationships with portfolio companies. These individuals have expressed their willingness to provide references for the Principals.

Exhibit 3 – List of Consor Partners

Active Entrepreneurial Operators: <ul style="list-style-type: none"> Proven individuals, most of whom have CEO experience and have worked with the Fund Principals extensively. They have expressed a willingness to work with the Fund to identify investment opportunities where they can play management roles and/or provide significant operational guidance. 	Mentors and Advisors: <ul style="list-style-type: none"> Proven individuals who have had successful operating careers and who have expressed a high level of interest in providing strategic guidance and/or capital to the Principals, the Fund and portfolio companies.
<p>Adam Abram, CEO, James River</p> <p>Alfredo Barreto, Jr., CEO, Consor Advisors LLC</p> <p>Bayard Winthrop, CEO Freebord Manufacturing</p> <p>Bob Page, Former CTO of Accrue</p> <p>Craig Walker, CEO, Dialpad</p> <p>Dave King, CTO, EA.com</p> <p>David Hayden, CEO, JetEye</p> <p>David Wittels, Former MD at CSFB merchant banking (DLJMB)</p> <p>David Howitt, CEO, Meriwether Group; Adidas, USA</p> <p>Don Pillsbury, Jr., GMR Marketing</p> <p>Doug Mack, CEO, Scene7</p> <p>Duncan Robins, Former CEO Yakima</p> <p>Elan Schultz, Quilvest</p> <p>George Henry, CEO Access Television Network</p> <p>Jeff Durtschi, Chairman and CFO, NewCross</p> <p>Joel Gomez, CEO, Sessions</p> <p>Jonathan Nelson, Founder and Chairman, Organic Online</p> <p>Karl Jacob, Founder, Cloudmark</p> <p>Kelly Rodrigues, CEO, Totality</p> <p>Mark Sigal, CEO, UXComm</p> <p>Mark Blake, Blake Vineyards and Poronui Station</p> <p>Pete Slosberg & Scott Barnum, Cocoa Pete's</p> <p>Rob Locascio, CEO, LivePerson</p> <p>Robin Smith, Former EVP, FogDog and VP/GM, Mizuno</p> <p>Shawkat Raslan, CEO, Access Worldwide</p> <p>Steen Strand, VP Secara; Founder, Freebord</p> <p>Thatcher Wine, CEO, Juniper Books</p> <p>Thomas Laakso, GM, Black Diamond Ski Division</p> <p>Wes Nichols, Co-Founder, MarketShare Partners</p>	<p>Bill McCaffrey, Former COO of Equitable Life (Axa Financial)</p> <p>Bob Goergen, Todd Goergen and Ed Massey, RAM</p> <p>Bill Ingram, Partner, WallerSutton 2000, LP</p> <p>Carl Tiedemann, Tiedemann Trust Company</p> <p>Chris O'Brien, Perseus, L.L.C.</p> <p>Dan Lufkin, Founder, DLJ</p> <p>David Knott, Knott Partners, L.P.</p> <p>Don Pillsbury, Sr., EVP Sotheby's</p> <p>Ed Jensen, Former CEO, Visa International</p> <p>Ed Scarff, Individual Investor</p> <p>Fred Lane, Founder & CEO, Lane Berry International</p> <p>Gary Hromadko, Crosslink Capital</p> <p>Jerry Yang, Chief Yahoo</p> <p>Jim Taylor, Taylor Made Group</p> <p>John Castle, Chairman, Castle Harlan, Inc.</p> <p>Lawrence Flinn, Jr., Flinn Asset Management</p> <p>Mac Dunwoody, Inverness Management LLC</p> <p>Mel Klein, GKH Investors</p> <p>Michael Cookson, CEO, Master Replicas</p> <p>Morton Meyerson, 2M Ventures</p> <p>Peter Gilson, Former CEO, Swiss Army Brands</p> <p>Richard Jenrette, Founder, DLJ</p> <p>Rob Medway, Managing Partner, Royal Capital</p> <p>Robert Smelick, Headland Ventures (Sterling Payot Company)</p> <p>Scott Craven, Craven Capital</p> <p>Steve Bassock, Roseridge Trading Co., Inc.</p> <p>Todd Chaffee, IVP</p> <p>Vito Bialla, Bialla & Associates</p>

Placeholder Investments

Over the past several years, the Principals, either individually; through Consor Capital I, L.P.; or leading a group of co-investors, have assembled a portfolio of “placeholder” investments through which they have established relationships that may lead to qualified investment opportunities for the Fund. The Principals believe that the effort to assemble this portfolio has helped establish Consor Capital in the market and has built an attractive set of strategic relationships for the Fund.

Exhibit 4 - Summary of Placeholder Investments

Company	Most Recent Investment Date	Recent Company Milestones	CC I Investment	Type of Business
Freebord	2005	Signed first joint marketing deal with major consumer product company in late 2004 and closed growth capital funding in March 2005	\$300,000	Action Sports Products
JetEye	2005	Closed bridge round of funding in February and is launching product in Q2 2005	\$600,000	Collaborative Search
NewCross	2005	Signed term sheet for \$4.5 million financing in March 2005, brought in new CEO and closed first sales of product in Q4 2004	\$200,000	Voice-Over-IP
James River Group	2004	Has raised approximately \$120 million of equity had net income of \$8mm in 2004	\$500,000	Insurance
LivePerson (LPSN)	2004	Public and Profitable	\$200,000	Customer Service ASP
Master Replicas	2004	Recent successful turnaround led by investor group including the Principals, significant growth and profitability expected in 2005	\$500,000	Licensed Collectibles
Sapias	2004	\$8mm round of growth capital led by Hummer Winblad in 2004	\$29,000	GPS Fleet Management Service
Skylark LLC	2004	Purchasing, remodeling and selling single family residential homes in CT and NY	\$750,000	Residential Real Estate
Cloudmark	2003	Closed \$12mm growth funding in September, 2004 and growing rapidly	\$50,000	Anti-Spam Software and Services
Scene7	2003	\$6.5 million financing led by Liberty Media/QVC	\$250,000	Imaging Software
YVC Partners	2003	First realization event expected in 2005/6 through the expected sale of Fi-Foil	\$400,000	Small LBO Firm
Community Connect	2000	Profitable and growing	\$50,000	Targeted Internet Communities
GuruNet	2000	Successful IPO in Q4 2004	\$100,000	Internet Search
Access TV ^(b)	1998	Profitable	\$650,000	Cable Television Network

Historical Investments and Returns

In addition to the Placeholder Portfolio described above, the Principals have a demonstrated track record of realized private equity investments where they played a significant leadership role. The following table includes all of the private equity investments made by Josh Huffard since 1993 and a relevant group of investments made by Jay Huffard since 1968. Total dollars invested and returned include investments by the Principals; the Limited Partnerships with which they were affiliated at the time of the investment; and a small group of individual investors who have invested following the lead of one or both of the Principals. It should be noted that past performance is not necessarily indicative of future performance.

Exhibit 5 – Historical Investments

Company	Type of Business
Accrue Software	Web analytics
Argyle TV	Broadcast television
Drever Partners	Residential apartments
Front Royal	Insurance
LivePerson	Online customer service
Novo Media	Web agency
Rapid Logic	Web toolkit for Internet devices
The North Face	Outdoor apparel
U.S. Surgical Corp.	Medical devices
US HomeCare	Home health services
Wit Capital	Financial services
Yahoo Marketplace	Internet shopping service and yellow pages