Brook Venture Partners

Brown Forum for Enterprise

Capital Term Sheets and Valuation

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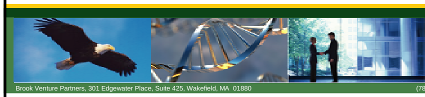
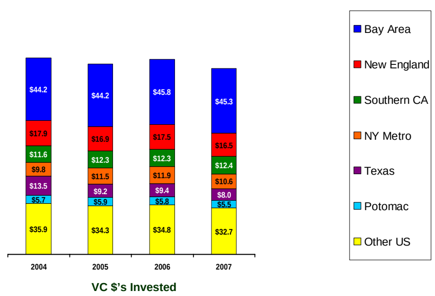
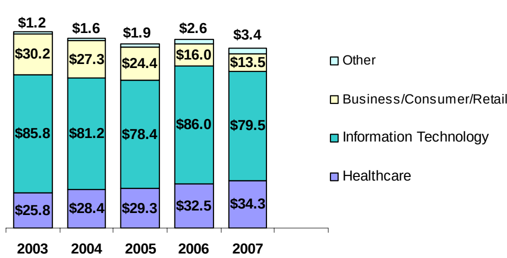


Venture Capital $'s Invested



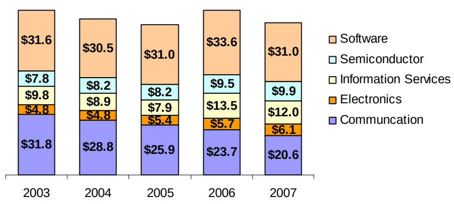
Source: Ernst & Young Venture Capital Survey as of Q4 2006

Venture Capital Investment by Industry



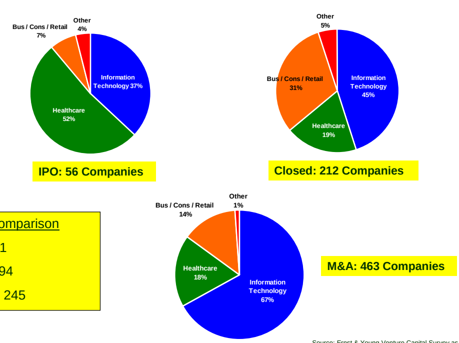
Source: Ernst & Young Venture Capital Survey as of Q4 2006

IT Investment Breakout



Source: Ernst & Young Venture Capital Survey as of Q4 2006

Venture Capital Exit Trends



2005 Comparison
IPOs: 41
M&A: 394
Closed: 245

Source: Ernst & Young Venture Capital Survey as of Q4 2006

Valuation Techniques

- Discounted Cash Flows:
  - Estimate realistic sale price in Year 4 or 5 as a multiple of EBITDA
  - Discount that number back to the present and choose a valuation that allows us to achieve Fund's Target IRR
- Market Comparables
  - Compare valuation metrics (primarily revenue multiple) to those of other venture backed companies in the same industry at the same stage
    - Private company transaction data can be difficult to obtain
    - Data is primary acquired through networking with other VC's

Valuation Techniques (Cont.)

- Bottom Up Approach (rarely used by Brook)
  - Objectively determine a valuation by giving a company $X credit for each of the following items:
    - Management Team
    - Working Product
    - Issued Patent(s)
    - Strategic Sales/Distribution Partnership(s)
    - Quality/Recurring revenue stream
- Bridge the Gap
  - We rarely lose a deal due to valuation as we can reach middle ground through:
    - Management Incentives
    - Liquidation Preferences

Valuation Matrix

Company Description	Revenue (in millions)	Valuation (in millions)	Valuation as a Multiple of Revenue
C-Store Automation Software	2	2.5	1.25
E-retailer of Baby Goods	14	16	1.14
Non-invasive System for Detecting Ischemia	0	8	n/a
Content Management Software Solution	1	2.5	2.5
Manufacturer of Standardized Modules for a variety of Industries	5	3	0.6
Real Estate Portfolio Management Software	4	6.5	1.63
Outsourced Medical Claims Service	8.5	8	0.94
Healthcare Services & Business Intelligence Software	3.5	4.78	1.37

What We Look For In A Deal

- In order of importance:
  - Core strong management team
  - Market demand
  - Efficient Distribution
  - Potential of Product and/or Service

Investment Criteria

- Located in the Northeast & Mid-Atlantic Regions:
  - VC's are hands on investors, so we need to be able to easily get to and from a company in one day
- Industry Focus: Med Tech & IT
  - High growth industries where we have expertise and have had considerable success
- Operating Near Profitability:
  - We are not scientists/electrical engineers, so we wait until technology is proven and being sold in the marketplace before investing