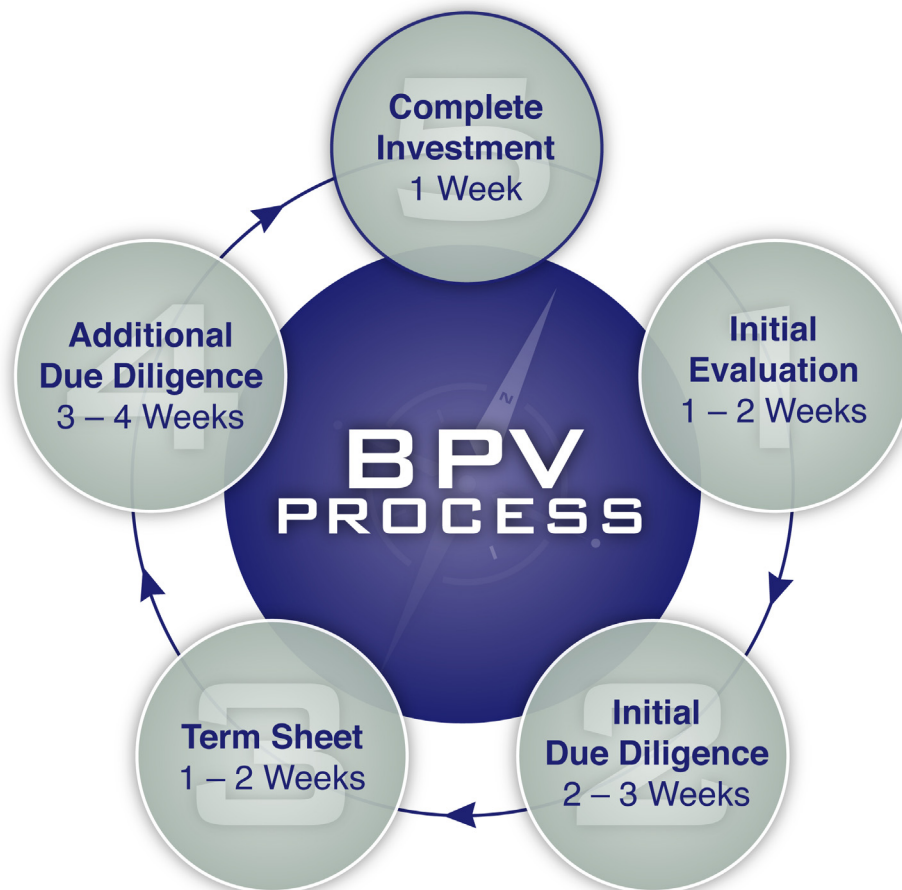


The BPV Process



We enjoy building relationships

The process of building relationships varies from company to company. On occasion we meet a management team for the first time, establish a great fit quickly and move towards a partnership together immediately. More often, though, we get to know entrepreneurs over many months or even years prior to partnering with them. We invest both our capital and ourselves in a way that insures those relationships will be strong for years to come. Ballast Point Ventures is committed to being a valuable partner and counselor to an entrepreneur - a partner that also happens to bring growth capital to his or her company.

In many cases, we meet an entrepreneur through an introduction from our network or through the receipt of a business plan that we find compelling, only to discover that the company does not yet meet our investment criteria as a growth equity investor. (e.g., a strong team and a great product or service but not enough demonstrated revenue yet). We work to stay in touch with these entrepreneurs and offer perspective or assistance as their companies progress, investing in a relationship in advance of a possible partnership down the line.

The first look

Our team makes an initial determination of interest and fit in a matter of weeks after receiving a business plan, and our formal investment review process moves very quickly from there. But if your company is too early stage or your opportunity doesn't quite suit us today for other reasons, we don't want that to be the end of the conversation. Rather, it can mean that the "process" is longer, resulting in the time between our review of the business plan and the investment lasting a year or two. That time is a valuable opportunity to begin building a relationship that will make for a better partnership in the future.

A longer conversation

Those companies that do meet our investment criteria today move on to the next step in our process: a meeting with the management team. The goal of this meeting is to further assess the company's management team, business model and market prospects, as well as the overall fit between our operating philosophy and yours. If there is a mutual interest in proceeding further, several conversations or meetings will typically follow. Those conversations include further discussion and analysis of the business with the goal of better understanding the company's long-term potential for success and how we might contribute to that success. We'll discuss your products and services, your market's dynamics and key players, and develop some basic financial models to help bring the range of potential outcomes into sharper focus. We'll also spend time discussing specifically where we think we can add value beyond our capital through our experience and industry relationships.

Deciding to move forward together

The next step is to negotiate a "term sheet" - a non-binding but important agreement that describes the basic terms and conditions under which we will invest in your business. This allows us to reach an agreement on the structure and valuation of our investment and insure that the investment of time is worth it for everyone. We don't believe that great relationships are built on great legal documents, but we know that it's important that everyone understand early how our investment structure works and what type of corporate governance is required to accommodate an institutional investment partner. We like to minimize the legal expense required to close an investment, and a good term sheet will serve as the template to develop the more detailed legal documents required at closing and insures that the legal process moves as quickly and as inexpensively as possible.

Getting to know each other better

Once we have a signed term sheet in place, the next and most vital component of our decision process is formal "due diligence": conducting reference checks; performing an in-depth assessment of your industry, competitors, suppliers, and partners; thoroughly reviewing and assessing financial statements, sales projections, intellectual property, and capitalization tables; and auditing financial and accounting systems and other critical organizational policies. In essence, we are confirming that "you are who we thought you were", but we are also learning



more about the nuances of your business and looking for areas of improvement that we can help you with as your partner.

Virtually all of our entrepreneur partners find our due diligence process to be thorough and time-consuming but also a highly valuable learning experience. This is also an important time for entrepreneurs to perform due diligence on us. What do our previous and current partners think of us? What are we really like to work with? How do we deal with adversity and unpleasant surprises? Where have we added value beyond our capital? We encourage entrepreneurs to do their homework on us, and we work to make it easy for them to do so.

The beginning of a partnership

In a typical scenario, our entire process from first meeting to funding can range anywhere from 45 days to several months, depending in large part on how long it takes to negotiate a term sheet. The time required from signing a term sheet to closing an investment typically ranges from 30 to 60 days, depending in part on how well we know the business and entrepreneur at the start of due diligence but also how quickly you can facilitate our due diligence process. We communicate actively and openly through the entire investment process and find that this approach facilitates a natural timing to close that fits the particulars