NEXTRIDGE CAPITAL

Micro Cap Private Equity

NextRidge Capital

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NextRidge Capital

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NextRidge Capital

We seek to provide exceptional returns to investors, while mitigating risk, through the application of sophisticated capital and professional management techniques, to grow profitable, yet stalled, micro cap companies to the next "ridge."

- Sophisticated Capital Management
  Utilizing financial leverage in an attempt to produce base returns and enhance value through growth of market multiples as our companies scale
- Professional Management
  Utilizing our financial and operational experience to build management teams that will strive to scale portfolio companies to the next level

Seeking to bring sophistication to an unsophisticated market space and strive to create outstanding returns for investors

Market Dynamics

	"TRADITIONAL" BUYOUTS (Sales > $20 million)	MICRO CAP MARKET (Sales: $2.5 to $10 million)
Sellers	Fewer, qualified	Many, unsophisticated
Buyers	Plentiful ❖ Over 2000 Private Equity Firms ❖ 10,000+ of companies looking for acquisition targets	Many, few qualified
Financial Intermediaries	Plentiful, sophisticated	Plentiful, generally unsophisticated
Commercial Banks	Engaged and Active ❖ 1000s of Commercial Banks geared to fund deals in this space	Unengaged ❖ Lack of sophistication of market participants troubles Banks
Private Sale Median Multiples[1]	8 times EBITDA	$2.5 to $5 million: 4 times EBITDA $5 to $10 million: 8 times EBITDA
Assessment	Efficient, Liquid Marketplace	Highly Inefficient Marketplace with potentially lower multiples and ability to drive better terms

1) **Pratt's Stats™** Private Transaction Database all transactions since 1/1/2002

NextRidge Companies™

- Predictable, scalable business model
  - $5 to $10 million revenues
  - History of positive operational cash flow (EBITDA)
  - More “low tech,” than “high tech”
  - Current organizational and/or financial structure inhibits further growth
- Marketplace
  - Relatively fragmented marketplace providing opportunities for organic and acquisitional growth
  - Internal or external pool of experienced management
- Sellers must participate with long term debt / equity

➢ Clear growth path, within current business model, to $20 million in revenues and exit within five years

NextRidge Capital

- Pat Maney
  - NextRidge Capital (2004 – present)
  - Telecommunications Analysis Group
  - Founder (1991), CEO (1993 – 2002) & Chairman (1993 – present)
  - Inc 500™ Fastest Growing Privately Held Companies 1999, 2000, & 2001
- David Wood
  - NextRidge Capital (nee Highbridge Group) (2002 – present)
  - Blue Slate Solutions, CEO (2000-2002), Chairman (2000- present)
  - First Albany Enterprise Funding (1995 – 2000)
  - Holmes County Chair Company (1987 – 1994)
- Shaun Mahoney, CFA (TCS Group)
  - CEO, Telecommunications Analysis Group (2001 – present)
  - COO, Housecall Medical Resources
  - VP of Strategic Analysis, Equifax
  - VP, Chase Manhattan Bank

Investment Details

- Investors receive
  - Membership interest in an acquisition LLC owning Participating Preferred and Common Stock of the portfolio company
    - Preferred Stock with 6% accruing dividend (equal to investment size)
    - Common Stock (“free”)

- NextRidge receives
  - Management & Deal fees and expenses from portfolio company
  - 25% “Carried Interest,” with a 8% hurdle rate

Typical Portfolio Company Investment

- Characteristics of typical portfolio company
  - $6 million in revenues and $450K in EBITDA
  - $2.7 million enterprise value
  - Company grows organically at 10% per year
  - 1 acquisition each following year: $2 million sales ($100K EBITDA); $2 million ($100K); $4 million ($300K); and $4 million ($300K)
- Add-on acquisitions
  - Acquisitions multiple at 25% discount to first acquisition
  - Acquisitions lose 10% of sales in the first year, as a result of consolidation, and then grow at 10% a year thereafter.
  - 20% of administrative costs of acquisitions are removed through management and administrative synergies
  - ½ of seller's compensation in the form of long term seller notes and/or equity

Projected Operational Performance Of Typical Portfolio Company

(in thousands)

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales (Base)	$ 6,000	$ 6,600	$ 7,260	$ 7,986	$ 8,785
Sales (Acquisitions)		$ 1,800	$ 3,780	$ 7,758	$ 12,134
Total Sales	$ 6,000	$ 8,400	$ 11,040	$ 15,744	$ 20,918
COGS	$ 3,000	$ 4,200	$ 5,520	$ 7,872	$ 10,459
Gross Margin	$ 3,000	$ 4,200	$ 5,520	$ 7,872	$ 10,459
	50%	50%	50%	50%	50%
G & A (Base)	$ 2,550	$ 2,805	$ 3,086	$ 3,394	$ 3,733
G & A (Acquisitions)	$ -	$ 720	$ 1,512	$ 3,023	$ 4,686
Total G & A	$ 2,550	$ 3,525	$ 4,598	$ 6,417	$ 8,419
	43%	42%	42%	41%	40%
EBITDA	$ 450	$ 675	$ 923	$ 1,455	$ 2,040
Acquisition Size	$ 6,000	$ 2,000	$ 2,000	$ 4,000	$ 4,000

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Projected Investor Returns From Typical Portfolio Company

(in thousands)

Exit Valuation	$	12,241
Cash at Closing	$	1,068
Debt Repayment	$	(2,584)
HCP Investers Preferred	$	(1,300)
Net Available to Equity	$	9,426

Exit Multiple Example	*6.00*

Payout	*Debt/Preferred*		*Equity*		*Carried Interest*		***Total***
Sellers	$	1,575	$	3,434		$	5,009
HCP			$	799	$ 1,099	$	1,897
HCP Investors	$	1,300	$	4,094		$	5,394
	$	2,875	$	8,327	$ 1,099	$	12,301

HCP Investor Returns	*Exit Multiple Example*				
	5.00	5.50	6.00	6.50	7.00
Invested	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Total Return	$ 4,509	$ 4,958	$ 5,394	$ 5,858	$ 6,307
Cash Multiple	4.5 x	5.0 x	5.4 x	5.9 x	6.3 x
5 Year IRR	35.1%	37.7%	40.1%	42.4%	44.5%

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Investment Process – Pre-Investment

- Deal Flow Review
  - Identify potential target from variety of deal flow sources
  - Screen company and negotiate Letter of Intent
- Letter of Intent
  - Negotiate and sign Letter of Intent with portfolio company
  - Circulate brief summary to interested parties and gauge interest
- Due Diligence
  - Financial, legal and operational due diligence
  - Prepare business summary & financial model
  - Prepare integration and operating plan
- Investment
  - Circulate business summary, financial model and term sheet to identified interested parties
  - NextRidge completes due diligence
  - Interested parties sign commitment letter (CLs) and complete suitability questionnaire
  - Negotiate definitive agreements with portfolio company
  - Capital called to escrow account and execution of definitive agreements
  - Closing

Investment Process – Post-Investment

- NextRidge provides investors
  - Quarterly operating reports
  - Semi-annual investment review
  - Annual operating plan from company
  - As required, updated strategic plan

- NextRidge provides portfolio companies
  - Operational and financial management
  - Implements advisory board & formal corporate governance
  - Financial advisory services
  - Expertise in creating management rigor and controls in micro-cap and entrepreneurial environments

Investment and Investor Profiles

- NextRidge Capital
  - 5 investments over the next three years
  - All NextRidge portfolio companies
    - with strong history of and potential for future EBITDA
    - with a path to $20 million in 5 years through organic and acquisitional growth

- NextRidge Investors
  - Accredited Investors
  - Practicing Portfolio Management: Investing equal amounts in three to four of the five companies over three years
  - Ability to review deals and join advisory boards where investors have specific expertise pertaining to an investment

NextRidge Capital

- Sophisticated management
  - Principals have extensive operational and financial management expertise
  - Principals have developed rigorous investment criteria and will perform rigorous due diligence
  - Structured management development program
  - Results oriented team

- Strive to create opportunities for outstanding returns with lower risk profile
  - leverage on stable cash flows
  - multiple expansion through organic and acquisitional growth
- Communicate and update investors
- Will seek to bring sophistication to an unsophisticated market space and strive to create outstanding returns for investors

Appendixes

- Bios
- NextRidge Capital’ Deal Illustration

P. Maney – Summary

- NextRidge Capital
  - Managing Partner (2004 – present)
- Telecommunications Analysis Group
  - CEO (1993 – 2002) and Chairman (1993 – present)
  - Telecommunications Service, Staffing and Recruiting
  - Co-Founded 1991, grown to $25 million in revenues by 2004
  - Inc 500™ 1999, Inc 500™ 2000, Inc 500™ 2001
- Forty under Forty™
- Founder Albany YEO Chapter

D. B. Wood – Summary

- NextRidge Capital (NextRidge Group)
  - Managing Partner (2002-present)
- Blue Slate Solutions
  - CEO (2000 – 2002) and Chairman (2000 – present)
  - Fortune 1000 Business and IT Consultancy
  - Start up in 2000, grown to $5 million in revenues 2004
  - Major Transition from Venture Accelerator to Consultancy
- First Albany
  - Managing Director – Merchant Bank
  - Lead four deals, investing $37 million
  - Part of team that turned $4.5 million into $300 million
- Holmes County Chair Company
  - Chief Operating Officer – Contemporary Furniture
  - Multi Unit Retail Stores & Manufacturing
  - Grew business from $3 million to $10 million

S. Mahoney – Summary

- NextRidge Capital
  - Partner (2004 – present)
- Telecommunications Analysis Group
  - President and CEO (2002 – present)
  - Telecommunications Service, Staffing and Recruiting
  - Engineered with Mr. Maney successful emergence from telecom slump
- Housecall Medical Resources
  - Chief Operation Officer
- Equifax
  - VP, Strategic Analysis
  - Acquired and integrated over 50 companies
- Chase Manhattan
  - Merchant Banking (subordinated debt for LBOs)
- Chartered Financial Analyst (CFA)

Operating Statement

(in thousands)

NBW Corporation

Operating Statement

	FY 2001	*FY 2002*	*FY 2003*	*FY 2004P*	*FY 2005P*	*FY 2006P*	*FY 2007P*	*FY 2008P*	*FY 2009P*
Sales	$ 7,387	$ 7,444	$ 6,972	$ 6,702	$ 7,610	$ 10,445	$ 13,741	$ 17,410	$ 21,490
Cost Of Sales	$ 4,227	$ 4,246	$ 3,833	$ 3,612	$ 4,152	$ 5,774	$ 7,672	$ 9,724	$ 12,007
Gross Profit	$ 3,160	$ 3,198	$ 3,139	$ 3,090	$ 3,458	$ 4,671	$ 6,069	$ 7,686	$ 9,483
Operating Expenses	$ 2,342	$ 2,383	$ 2,222	$ 2,146	$ 2,175	$ 2,792	$ 3,545	$ 4,318	$ 5,183
Net Operating Profit	$ 818	$ 815	$ 917	$ 944	$ 1,283	$ 1,879	$ 2,524	$ 3,368	$ 4,300
Administration (with Officer Salary)	$ 434	$ 541	$ 553	$ 628	$ 768	$ 1,179	$ 1,554	$ 1,794	$ 2,211
EBIDTA	$ 384	$ 274	$ 364	$ 316	$ 515	$ 700	$ 970	$ 1,574	$ 2,089
Capital Expenditures	$ 197	$ 145	$ 278	$ -	$ 795	$ 835	$ 890	$ 885	$ 1,055
Number of Stores	30	28	27	26	30	37	45	54	64
Sales per Store	$ 246	$ 266	$ 258	$ 258	$ 254	$ 282	$ 305	$ 322	$ 336
Sales w/o Fresco Fresco	30	28	27	26	28	33	39	46	54
Sales per Store w/o Fresco Fresco	$ 246	$ 266	$ 258	$ 258	$ 259	$ 279	$ 292	$ 301	$ 308

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Projected Cash Flow – EXAMPLE

(in thousands)

Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Cash	$ -	$ 519	$ 539	$ 650	$ 769
Investment	$ 1,000				
EBITDA	$ 450	$ 675	$ 923	$ 1,455	$ 2,040
Less					
P & I - Senior	$ (214)	$ (261)	$ (308)	$ (450)	$ (592)
P & I - Seller	$ (47)	$ (55)	$ (63)	$ (87)	$ (110)
CAPEX	$ (90)	$ (135)	$ (185)	$ (291)	$ (408)
Management Fee	$ (120)	$ (120)	$ (120)	$ (240)	$ (240)
Projected Taxes	$ (10)	$ (59)	$ (111)	$ (194)	$ (315)
Free Cash Flow	$ 969	$ 564	$ 675	$ 844	$ 1,143
Acquisition Financing	$ (450)	$ (25)	$ (25)	$ (75)	$ (75)
Ending Cash	$ 519	$ 539	$ 650	$ 769	$ 1,068

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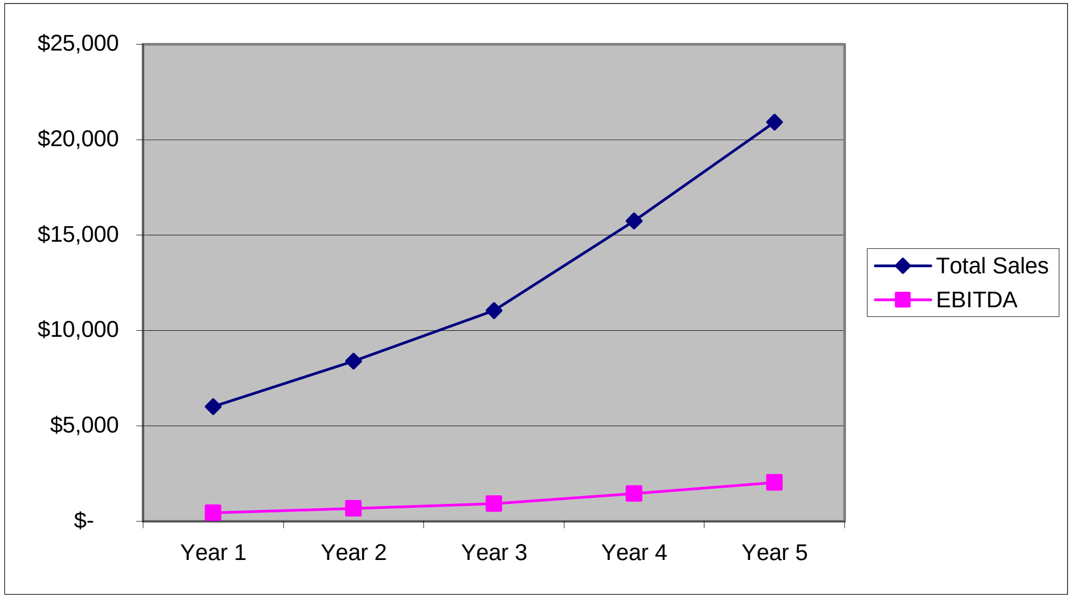
Assumptions – EXAMPLE

Assumptions	
Sales Growth	10%
COGS	50%
Base G&A	43%
Acquisition Sales Attrition	10%
G&A Reduction	20%
CapEx Investment	20%
Equity Cushion	50%
Highbridge Equity	10%
Carry	20%
Acquisition Multiple	6.00
Tax Rate	25%
Add-on Multiple Discount	25%
Senior Debt Rate	6%
Seller Debt Rate	7%
Senior Term	5
Preferred Coupon	6%



	Year 1	Year 2	Year 3	Year 4	Year 5
Depreciation	$ 200	$ 222	$ 254	$ 298	$ 368

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