



Private Equity for the Sophisticated Investor

INTRODUCTION

If you have questions you'd like to ask during this presentation you may submit them through the GoToMeeting navigation bar on the right side of your screen or email them directly to: **bwilson@dcapartners.com**

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ABOUT US

Steven Mills



Mr. Mills serves as a General Partner for DCA's private equity investment fund, DCA Capital Partners

Mr. Mills brings decades of financial and operational experience to the firm having previously served as Chief Financial Officer of Responsys and AnyTime Access. Prior to that Mr. Mills served as Partner with Ernst & Young where he specialized in consulting with companies concerning all elements of financial and tax affairs

Justin Horner



Mr. Horner serves as Director at DCA. Mr. Horner brings to DCA 15 years of finance and consulting experience across a broad range of industries, and has primarily focused on assisting middle-market companies to finance and manage their growth initiatives.

Prior to joining DCA Mr. Horner worked with entrepreneurs, venture capitalists, and private equity firms to provide venture debt, acquisition capital, and working capital solutions for emerging technology and life science companies

Brenden Wilson



Brenden Wilson serves as Vice President at DCA Capital Partners where he is responsible for leading the evaluation and execution of new investments on behalf of the firm's private equity fund

Prior to joining DCA Mr. Wilson held private equity investment and operational restructuring roles at Kayne Anderson and K1 Capital, two Los Angeles based middle market private equity funds

ABOUT DCA

Private Equity

DCA Capital Partners is a private equity fund focused on investing in profitable and emerging growth companies in underserved regions of the Western United States

- \$3 to \$25 million in investment capital per company
- Flexible investment structure
 - Growth capital, recapitalizations or acquisitions
 - Experienced as a minority non-controlling investment partner

Mergers & Acquisitions

DCA Partners advises companies and business owners on M&A transactions

- We help companies grow through acquisitions (“buy-side advise”)
- We help companies maximize value when they sell (“sell-side advise”)

SURVEY QUESTION

Have you invested in private equity before?

- Yes
- No. I am not aware of available investment opportunities.
- No. I do not have sufficient understanding of the asset class.
- No. I can make more money investing in other areas.
- No. The risk profile is not appropriate for me.
- No. The minimum investment amount is too much.
- No. I have never considered it.

WHAT IS PRIVATE EQUITY

Private equity firms manage private funds that invest capital in a variety of industries, business models and strategies

- Long-term perspective (3 to 10 years)
- Actively guide growth and influence operations
- Traditional private equity, venture capital, growth equity, real estate, private debt, distressed and turnaround situations

Typical uses of private equity capital

- Accelerate growth and expansion
- Acquire other companies
- Buyout shareholders, partners or lenders
- Acquire assets or fund projects

PRIVATE EQUITY LIFECYCLE

Friends, Family and "Angels"

Convertible Debt
Safe Notes



Venture Capital
Preferred Stock, Non-Control

Growth Equity
Control and Non-Control

Private Equity Control

SEQUOIA

KPCB | KLEINER PERKINS CAUFIELD BYERS

DCA CAPITAL PARTNERS

Blackstone

SUMMIT PARTNERS

TA ASSOCIATES

THE CARLYLE GROUP

KKR

Innovators

Companies that pursue new technologies aggressively to gain early advantage

Early Adopters

Companies that pursue new approaches aggressively to gain a significant competitive advantage

Early Majority

Companies that wait for a new approach to prove itself and then move quickly

Late Majority

Companies that wait until the new approach is well established and there is lots of support

Moore's Chasm

Many new approaches prove too difficult to use relative to their benefits and simply disappear

"Ideation"
Limited or No Revenue
Unprofitable

"Product Market Fit Battle"
Growing Revenues
Unprofitable

"Scale/Process Battle"
Growing Revenues
Unprofitable or Breakeven

"Maximizing Economic Rent"
Light Revenue Growth
Profitable and Cash Flow +

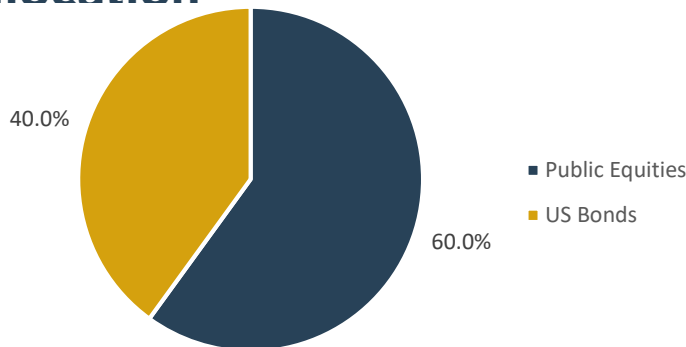
WHO INVESTS IN PRIVATE EQUITY FUNDS?

Sophisticated Investors

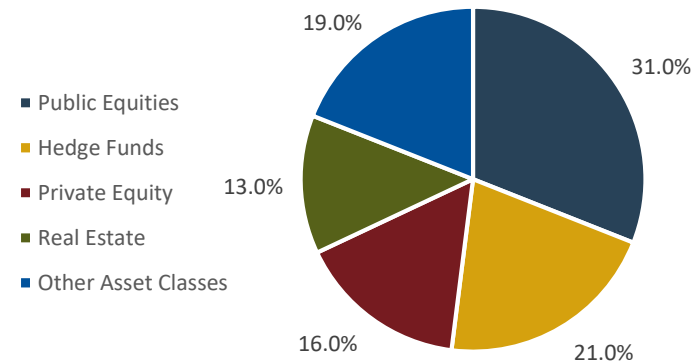
- Endowments & Foundations
- Pension Funds
- Insurance Companies
- RIAs and Wealth Managers
- Family Offices
- High Net Worth Individuals



Classic Balanced Fund 60/40 Allocation



Harvard Endowment Allocation



BUILT-IN ADVANTAGES

On the Buy

- Unlike public markets, a private market investor may have information advantages, such as access to management and greater visibility into a potential portfolio company and its operations. The private equity market is also inefficient compared to public markets, and thus provides additional opportunities for attractive valuations

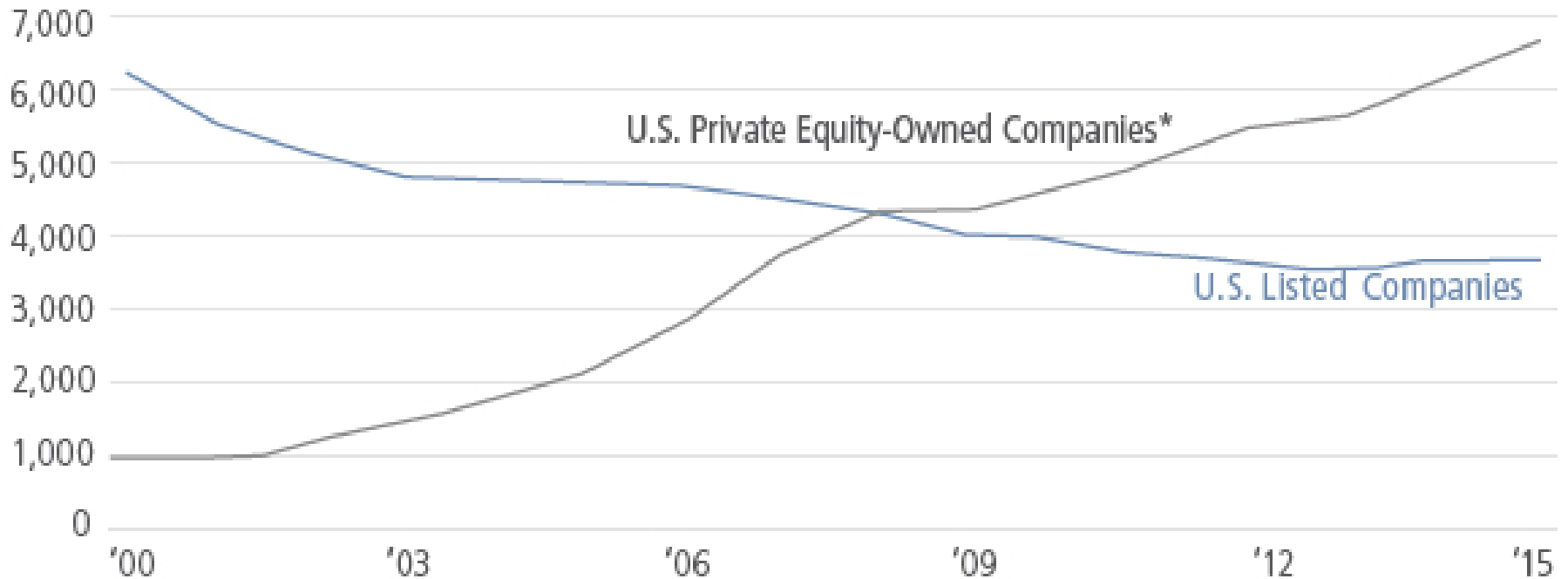
On the Hold

- The private equity investor has the ability to influence a portfolio company for the better—both in terms of operating improvements and positioning the company for growth

On the Sell

- Private equity investors have the luxury of time. They're not managing to quarterly earnings, and can choose to exit at the most advantageous time. These advantages have historically translated into attractive performance and effective diversification. The asset class has outperformed the major public markets over the last 10- and 15-year periods with relatively low correlations to the performance of traditional asset classes

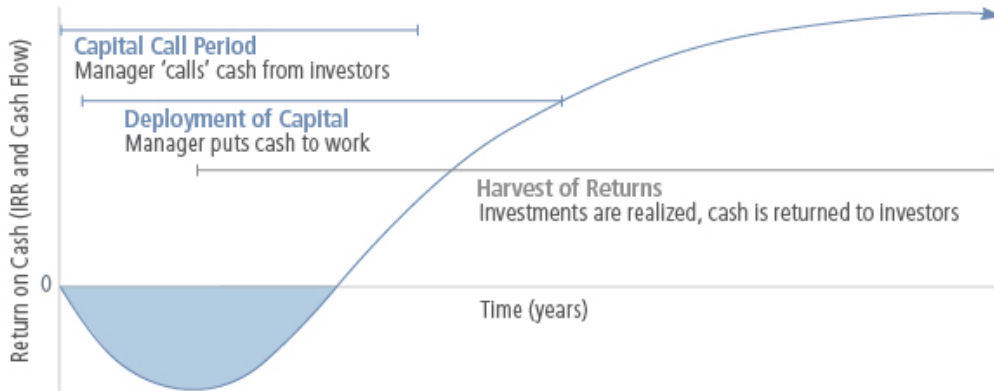
PRIVATE EQUITY IS GROWING IN POPULARITY



- There are more private companies than listed public companies
 - Private equity funds have more investment options than hedge funds or other traditional asset managers. Fewer investors can or will make investments in private companies.
- Lots of capital pursuing a few companies raises prices and erodes returns for US Listed Companies
- Private company investments outperform because there are many opportunities and few sources of capital

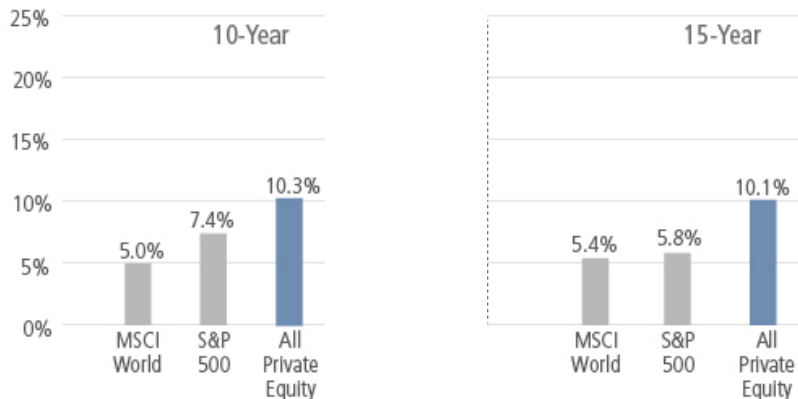
RETURNS, CASH FLOW AND LIQUIDITY

The “J-Curve” of a Private Equity Investment Cycle



- Investors fund the commitment in the first five years
- Invested funds are typically returned in 4 to 6 years
- Preferred return paid to investors
- Profit and gains distributed thereafter
- No interim liquidity options

Private Equity Funds Generate Higher Returns Than Public Markets



- Average annual private equity returns typically range from 10 to 15% depending on vintage year

Source: neuberger berman

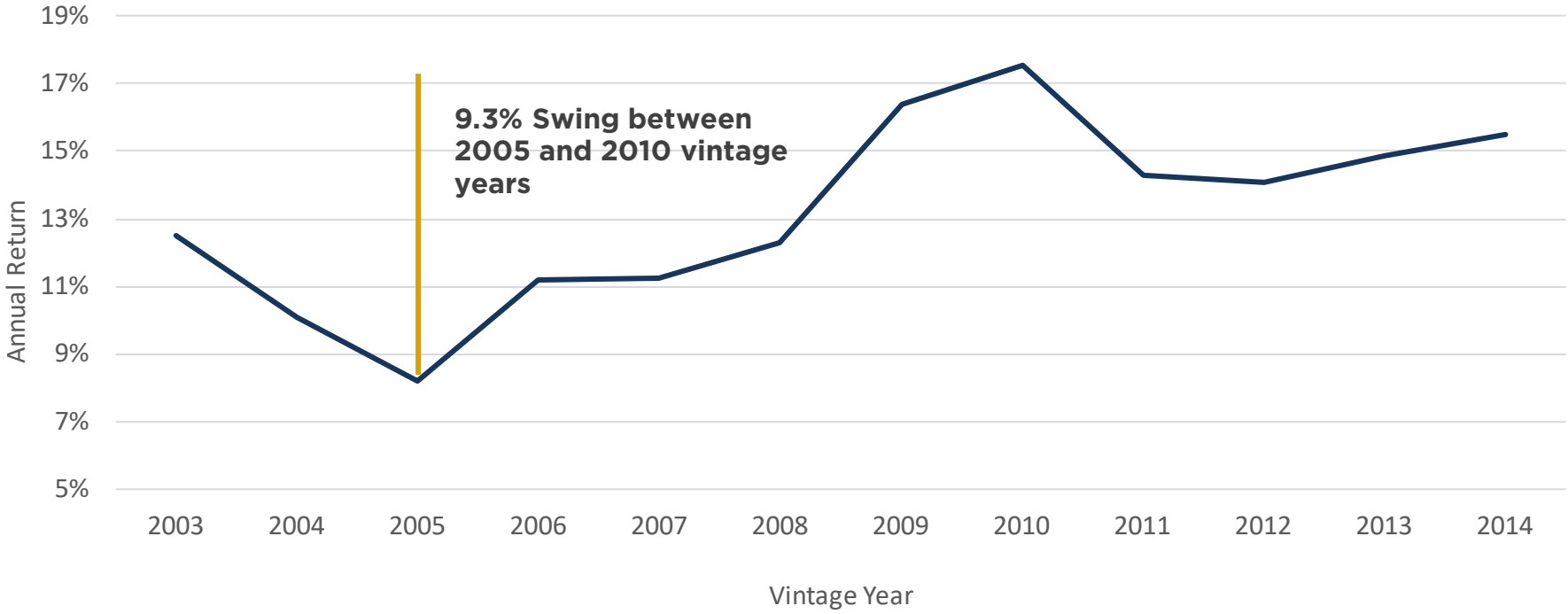
STANDARD TERMS

The following are standard terms for private equity funds:

- 2-3% annual management fee
 - Charged on either committed or invested capital
- 5-10% annual preferred return to investors
- 20-30% carried interest
 - Profit sharing on gains beyond the fund's preferred returns
- Minimum commitment of \$250k
 - Paid in to the fund on an "as needed" basis (no cash upfront)
- 10 year fund life with two 12 month optional extensions
- 5 year period to make investments
- Requirement for diversification

VINTAGE YEARS

Annual Return by Vintage Year



Source: Cambridge

MANAGER SELECTION

Track Record of Success

- Proven ability to make investments, manage them through tough times and most importantly exit successful

Strong Deal Flow

- A PE manager should have a wide variety of attractive investment opportunities. Easier said than done.

Well-Defined Strategy and Aligned Experience

- Market and operational expertise reduce risk; consistent investment thesis

Continuity of Investment Partners and Decision Makers

- Revolving doors at private equity funds add risk

IN CONCLUSION

Private equity is a rapidly growing asset classes with superior returns

- Higher long-term returns have attracted wealthy sophisticated investors

Evaluate you personal portfolio and return objectives

- Assess your tolerance for risk and desire for return

Select funds and managers that meet your investment objectives

- Be thoughtful about your selection of a manager

If you have any questions about investing, sit down with us..

SURVEY QUESTION

Based on what you learned today would you consider making an investment in a private equity fund?

- Yes.
- No.

QUESTIONS

Questions?



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