



WRHAMBRECHT+CO

AN ONLINE INVESTMENT BANK

<http://www.wrhambrecht.com>

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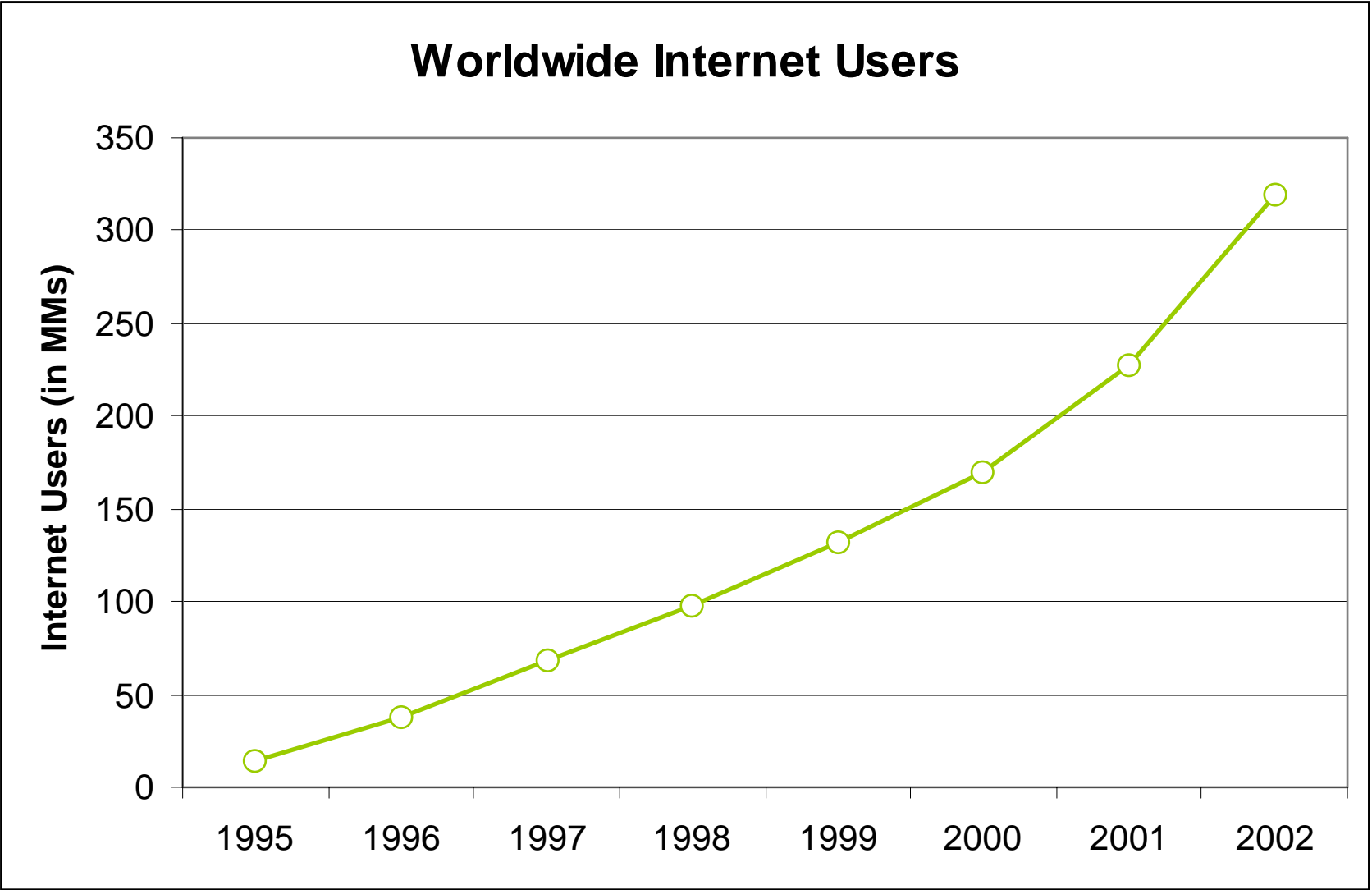
BILL HAMBRECHT | founder and chairman

Investing in Innovation: New Access to Capital

Entrepreneurship Flourishing in the U.S.

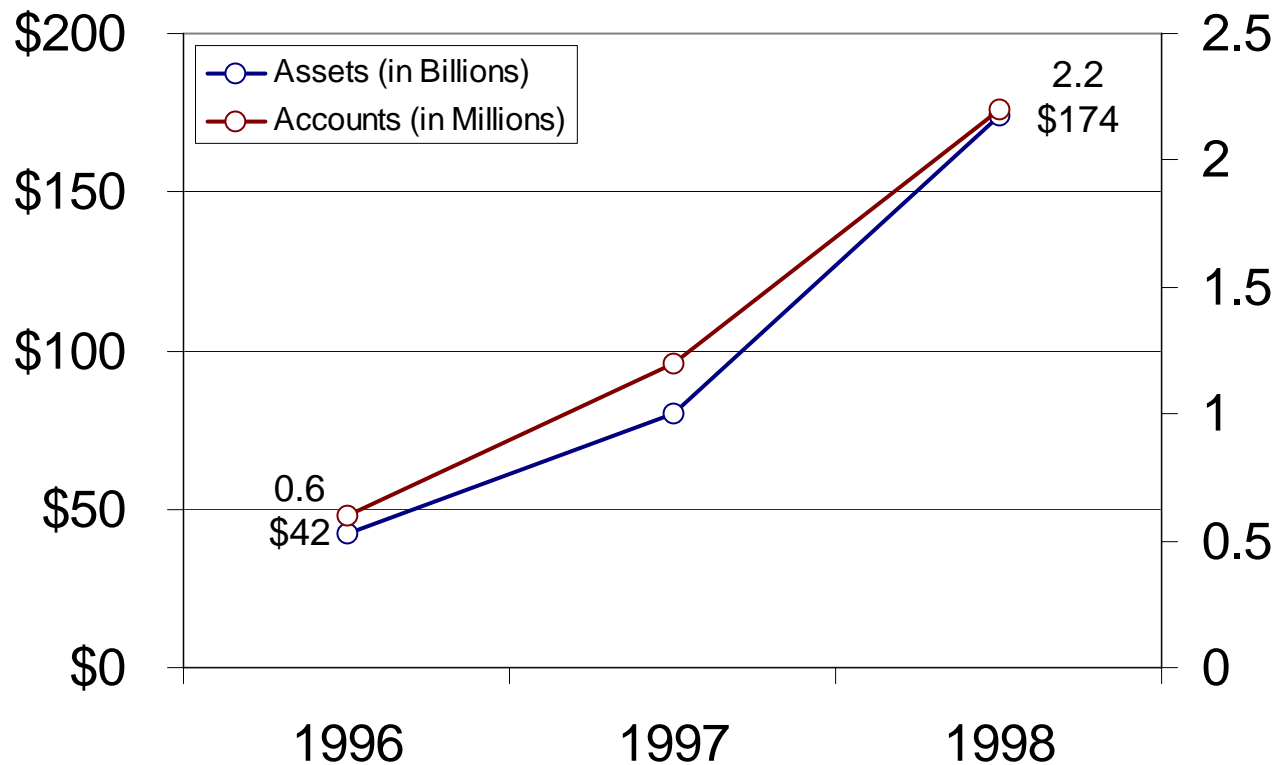
- **Over last quarter of the 20th Century, entrepreneurs and innovators have radically transformed the economy of the U.S. and the world.**
- **Compound 5 Year Average Growth Rates:**
 - **48% Jobs**
 - **849% Exports**
 - **580% Taxes**
 - **53% Research and Development**

The Number of Internet Users is Exploding



Technology Demystifies Investing: Schwab as an example

- › Growing share of all trading volume
 - 54% of all Schwab trades in 1998 vs. 37% in 1997
- › Over \$7 billion a week traded online in 1998



Implications of the Internet Revolution:

- › Information is a commodity
- › Customer will be King
- › Markets will demand transparency
- › Inefficient and obsolete distribution channels will be disintermediated
- › Savings will be an order of magnitude
- › “Network Inclusion” will be more powerful than Moore’s Law

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- › A Silicon Valley Solution

WRH+Co is leveraging technology to pioneer a new approach to investment banking.

Online Auction System

- ▶ IPOs (Lead, Co)
- ▶ Follow-ons (Lead, Co)

Web-Based Research

- ▶ Company and Industry Reports
- ▶ Research Partners
- ▶ Real-time Market Information

Electronic Brokerage

- ▶ Online Access to Offerings
- ▶ Online Trading

New Applications

- ▶ Debt
- ▶ Private Placements
- ▶ Venture Capital
- ▶ Private Equity
- ▶ Mergers and Acquisitions

technology > WRHAMBRECHT+CO < services

Strong Endorsement from Strategic Investors

WRH+Co has formed alliances with and received investments from key partners to significantly broaden our distribution and trading capabilities.

- FIDELITY - A leading financial company is making the transition from a traditional to a 21st century business model. One of the largest online brokerages with over 2.7 million accounts. Through our partnership with Fidelity, OpenIPO is now directly available from Fidelity's online website.
- INSTINET - The leading off-exchange trading network and a subsidiary of Reuters. Through our partnership with Instinet, OpenIPO will be available to over 95% of all institutional trading desks.
- AMERICAN CENTURY - One of the largest, most forward-looking institutional fund managers in the world.
- NOVELL - Global networking technology company.
- NEWS CORP. - Worldwide media communications corporation through ePartners fund.

WRH+Co Provides a Unique Solution for Public Offerings



Better Allocation

- ▶ The amount investors pay determines their allocation, not the amount they pay us
-

Better Pricing

- ▶ Market-driven, demand-based pricing captures full value for the issuer
 - ▶ All buyers contribute to setting the market price before trading begins, decreasing flipping incentives
-

Lower Cost

- ▶ Leverage technology to eliminate overhead and minimize commissions and expenses
-

Less Dilution

- ▶ Economics of company drive deal size, not the investment bank
- ▶ By reaching size-insensitive institutions and many more individuals, smaller deals are possible

Mechanics of an OpenIPO Auction

Hypothetical Auction:

2 million shares filed at \$12.00 - \$15.00 per share

Result: Priced at \$15 per share to raise \$30 million

- **Bids** > \$15 = full allocation
- **Bids** = \$15 = pro rata allocation (90%)
- **Bids** < \$15 = no allocation

bids			auction results	
NUMBER OF SHARES REQUESTED	BID PRICE PER SHARE	AGGREGATE SHARES REQUESTED	SALE PRICE PER SHARE (CLEARING PRICE)	PERCENT OF BID ALLOCATED TO SUCCESSFUL BIDDERS
275,000	\$22.00	275,000	\$15.00	100%
450,000	\$18.50	725,000	\$15.00	100%
600,000	\$15.25	1,325,000	\$15.00	100%
750,000	\$15.00	2,075,000	\$15.00	90%
850,000	\$13.75	NA	NA	NA
1,200,000	\$12.00	NA	NA	NA

With OpenIPO, the market sets the price, not the bankers

WRH+Co Marketing and Electronic Distribution Capabilities Create a Powerful and Unique Platform for Both Institutional and Retail Channels

WRH+Co adds significant value by:

- ▶ Offering broad retail reach (Fidelity, WRH+Co, OpenIPO broker/dealer network)
- ▶ Targeting new channels of demand (affinity buyers)
- ▶ Accessing a broad universe of institutional buyers (Instinet)
- ▶ Fostering strong relationships with traditional equity buyers (institutional sales force)
- ▶ Employing unique marketing initiatives (website links, Email, tombstone mailings, NetRoadshow)
- ▶ Developing a “shadow” book of interest on co-managed transactions

WRH+Co Research is Internet Centric

- ▶ **Leading analysts recruited from H&Q, Montgomery Securities, Volpe Whelan Brown, and industry**
 - ▶ **WRH+Co is an emerging and dynamic company**
 - start-up mentality with strong and active participation from Research
 - initiating report published immediately after “quiet period” ends
 - comprehensive overview of company and industry with primary market research data
 - widespread electronic and hard copy distribution with quarterly updates and real-time coverage
 - company and conference calls webcast from WRH+Co website
-

Internet Software

- ▶ Front Office Software
- ▶ E-Commerce Software

Internet Media

- ▶ Portals
- ▶ Content Sites

Internet Services

- ▶ System Integrators
- ▶ ISPs
- ▶ ASPs

E-Commerce Services

- ▶ Business-to-business
 - ▶ Business-to-consumer
-

Open Source & Embedded Devices

- ▶ Linux Emphasis
- ▶ PDAs

E-Health

- ▶ Emerging online health care services
- ▶ Health care content providers

Branded Consumer

- ▶ Consumer Goods
 - ▶ Online and offline brands
-

The WRH+Co Equity Research Toolkit

Open Source & Information Appliances - Microsoft Internet Explorer

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Coverage Areas

- eCommerce
- eMedia
- eSoftware
- eHealth
- Open Source
- eServices
- Branded Consumer
- eLearning

Open Source & Info Appliances

Open Source software development is altering the dynamics of the software industry and the corporate IT landscape. Open Source has strong advantages over closed source, including speed of development, quality of product, customizability and low cost. Its iterative development process drives continual product improvement, allowing Open Source products to evolve at a rate unmatched by traditional methods. WRH+Co is committed to following Open Source companies, including new entrants redefining the industry and traditional vendors altering their business models.

Research Notes

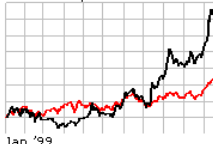
APLX - Product Transition Will Be Key to Growth
Open Source
9/9/99 - With its soon-to-come enterprise-strength CRM software, APLX is building a unique product offering and a competitive advantage. Increased exposure from APLX's early involvement in Linux could also present a potential upside to estimates. [PDF 26 KB]

Private Company Profiles

Linuxcare - "At the Center of Linux"
Open Source
11/8/99 - In less than 12 months, Linuxcare has transformed itself from a start-up into the focal point for Linux support and services. With a formidable management team, a growing army of Linux talent, and a commitment to distribution- and hardware-neutrality, the company is poised to capture a large share of this expanding market. Linuxcare's tremendous brand strength and momentum should also facilitate the company's expansion into other areas, such as education, with significant advantages over its competitors. Ultimately, Linuxcare may well be one of the key players enabling enterprises to adopt Linux. [HTML]

Analysts:
Scott Olsen
Laurent Meynier

•WRH+Co Open Source Index vs. •Nasdaq

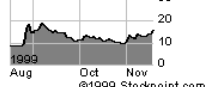


Name	Last	%Change
WRHOS	1168.94	0.00%
NASDAQ	3275.86	-0.60%
Applix	15.75	9.57%

11/17/1999 2:48PM ET

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■ Applix Inc 11.17.1999 Daily



Aug Oct Nov ©1999 Stockpoint.com

WRH+Co Financial Information - Microsoft Internet Explorer

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Cmgi Inc

- Quote
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- Price Perform.
- Ratio Comparison
- Earnings Est.
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- Interactive Chart
- News

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[WRH+Co eMedia Index](#)
[WRH+Co Internet Index](#)

CMGI and its subsidiaries develop and operate Internet and fulfillment services companies. For the FY ended 7/31/99, revenues totalled \$175.7M, up from \$81.9M. Net income from continuing operations applicable to Common totalled \$422.2M, up from \$27.3M. Revenues benefitted from increases fulfillment services revenues. Earnings also reflects a \$661.2M gain on the conversion of the Company's GeoCities investment to Yahoo! Common Stock.

Quote

Last	126.000	Change	22.250	High	128.813
Open	115.500	% Change	21.45	Low	114.750
Volume	11.40M	Market Cap	12.12B		

Chart

Interactive Chart



■ CMGI Inc 11.17.1999 Daily

Nov 1998 Jan Feb Mar Apr May June July Aug Sep Oct Nov

0 20 40 60 80 100 120 140 160

0 10000 20000 30000 40000

■ VOL(in 1000s) ©1999 Stockpoint.com

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- › Electronic brokerage is awesome.
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- › An auction delivers a better price to the Company and the eventual buyer.

Where are we going?

Online Investment Bank. What does it mean so far?

- › Web-based auction
- › E-Brokerage
- › Web-based research
- › New applications

Operating Principles

- › Virtual Company - Core competency and alliances
- › Self Service Process
- › Business Groups
- › In House Technology
- › Marketing and Brand Building is Crucial
- › Global Immediately