

Massachusetts Technology Development Corporation



November 12, 2009

Agenda

- Requisite MTDC Infomercial
- It's Never Too Early To Think About An Exit
- Q&A

Bio & Background

- Principal with MTDC
- Have been working with early stage technology companies for 12+ years both in Massachusetts and Silicon Valley
 - Canaccord Adams
 - Silicon Valley Bank
 - Oppenheimer & Co.
- Advised BODs and management teams on:
 - Growth strategy
 - M&A
 - Capital raising

Introduction to MTDC

Who We Are

- MTDC is a quasi-public corporation chartered in 1978 to provide venture capital to start-up and early-stage Massachusetts-based technology companies

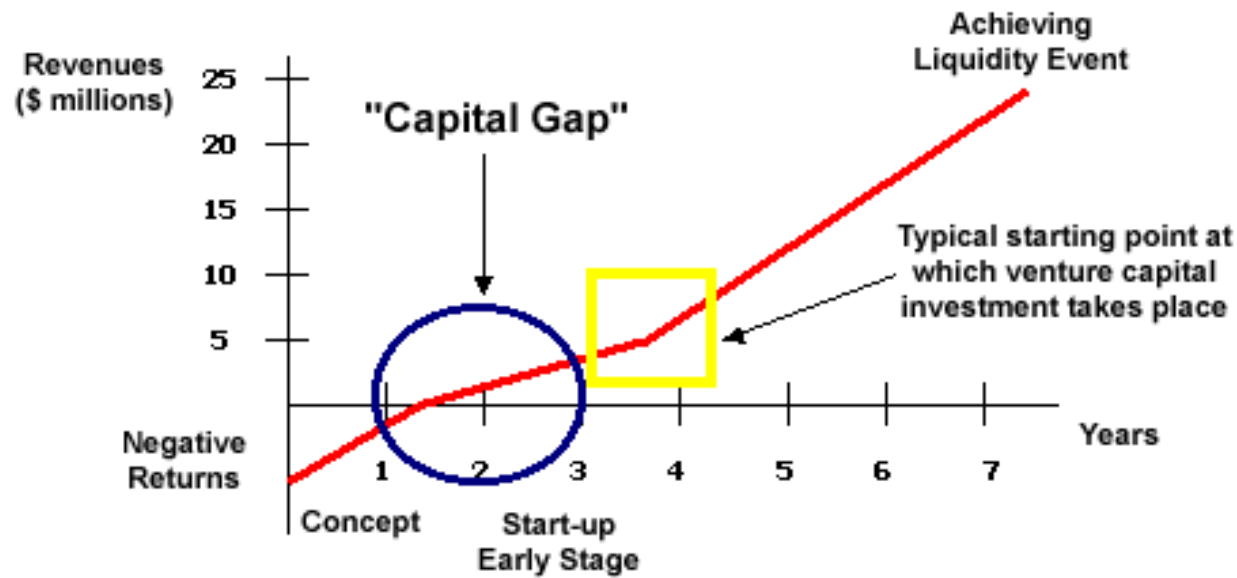
Primary Objectives

- Foster the development of innovative industry leaders
- Increase and enhance primary employment in technology-based industries in Massachusetts
- Nurture entrepreneurship among Massachusetts citizens, planting the seeds for long-term economic development
- Attract and leverage private investment in Massachusetts companies



MTDC's Role in Venture Capital

- MTDC addresses the “Capital Gap” for start-up and expansion of early-stage technology companies
 - Vacuum exists for companies seeking to raise \$1-\$4mm Series A rounds
 - Likely too small for traditional VC fund but too large for Angel investors
 - A function of the significant amounts of capital raised in recent years



Investment Profile

Sector Coverage

- Invest broadly across technology sectors:
 - Software
 - Hardware
 - Healthcare technology
 - “Green” technology

Typical Investment

- Size:
 - \$250K - \$500K in Series A round of ~\$1mm – \$4mm
 - Total investment ~\$2mm over time
- Criteria:
 - Strong management teams
 - Address critical market need
 - Large market opportunity
 - Differentiated solution
 - Attractive exit opportunities

Our Value-Add

- Address the “Capital Gap”
- Engaged, patient investment staff
- Well connected in the venture capital, financial, government, industrial, and academic communities
- Experience working as a team enables us to provide strong, creative, and stable investment management leadership
- Successful track record attracting co-investors
- Actively investing



It's Never Too Early To Think About An Exit

A Former Investment Banker's View on VC Investing



MASSACHUSETTS TECHNOLOGY DEVELOPMENT CORPORATION



Overview

- Entrepreneurs often focus much of their energy / analysis on a few core business areas
- Similar attention should be paid to the exit strategy / opportunity
- What are the key points to communicate with regard to exit strategy?
- Keeping the exit in perspective going forward

Simplified Venture Capital Investment Checklist

- ❑ What's the problem?
 - Market need
- ❑ How big is the problem?
 - Large market opportunity
- ❑ How do you solve the problem?
 - Product / technology
- ❑ Who else is trying to solve the problem?
 - Competitive landscape and differentiation
- ❑ Who's the team?
 - Experience / capabilities
- ❑ What's the exit?
 - Before we're in, we want to know how we're getting out!

Entrepreneur
Typical Focus Areas

Often Not Addressed
Appropriately

Attractive Exit Opportunities Can Make All the Difference

Co. #1	Co. #2



What's the problem?

How big is the problem?

How do you solve the problem?

Who else is trying to solve the problem?

Who's the team?

What's the exit?

Relative Strength



(Weak to Strong)

How to Approach the Exit Discussion

- We just want to know that you've thought about it
 - Credible discussion of options and possible outcomes
 - IPO vs. M&A
 - Potential buyer segments and likely players
 - Potential exit valuation
 - It's all about the thought process and rationale
 - Demonstrates firm grasp on the market dynamics
- We get nervous when:
 - No thought has been given to the exit strategy
 - Limited options for liquidity
 - Unrealistic expectations – balance enthusiasm and reality

Ongoing Management of Exit Strategy

- Always make decisions assuming the business will operate on a standalone basis – never run your business to be sold
 - Keeps management team focused on building a viable business
 - Focuses attention on the long term and avoids short term window dressing
- Key strategic decisions should be made with an understanding of the impact on potential exit opportunities
 - Strategic investments
 - Partnerships / Channel relationships
- Exit strategy is dynamic and requires continual evaluation
 - Competitive environment
 - Economic environment

Summary

- Investors like liquidity
- Give the exit discussion equal attention
- Don't give investors additional reasons to say "no"
- Run your business with a standalone mentality but don't lose sight of the end game

Q&A

Contact Information:

Nick Pappas

Principal, MTDC

40 Broad Street, Suite 230

Boston, MA 02109

Direct Phone: 617-226-2826

Email: npappas@mtdc.com

