

FLC Far West & Mid-Continent
Regional Meeting
Monterey, CA Aug 29 - 31, 2011



***“Investors Forum, a Perspective From Both Sides:
How to Increase the Likelihood of Commercialization Success”***

Presented by
Richard Miller

Vice President of Marketing and Editor, NetNews

August 30, 2011

Monterey, CA



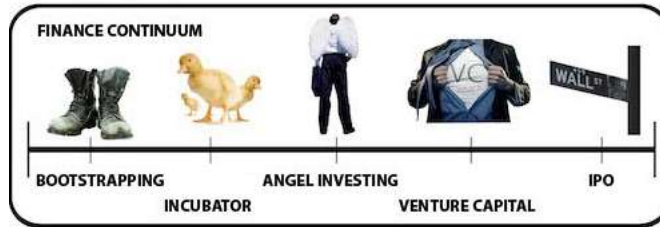
Why Is Innovation Essential?

***“INNOVATION
DISTINGUISHES
BETWEEN A LEADER
AND A FOLLOWER.”***

-STEVE JOBS



The Innovation Finance Continuum



Common Ways To Raise Capital

- 1

Self Funded

 - Be Your Own Boss
 - Grow 20% per year
- 2

Friends and Family

 - People That You Already Know
- 3

Strategic Partners

 - Non-Recurring Engineering
 - Purchases of Beta Units
- 4

Angels

 - Clubs / Funds
 - Individuals
- 5

Grants

 - SBIR Phase II up to \$1 million
- 6

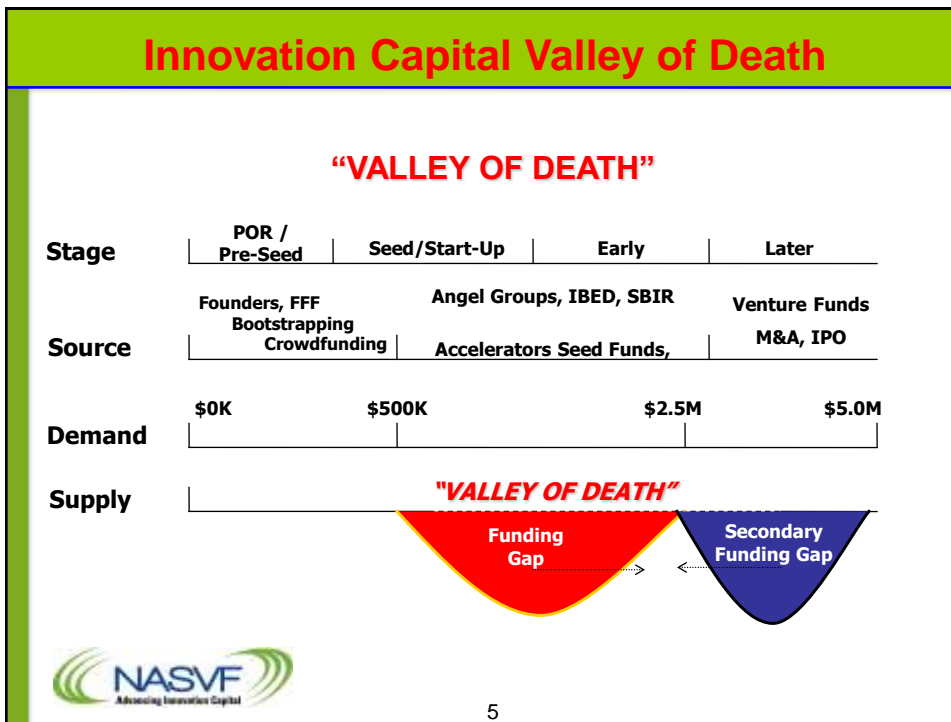
Early Stage Venture Capital

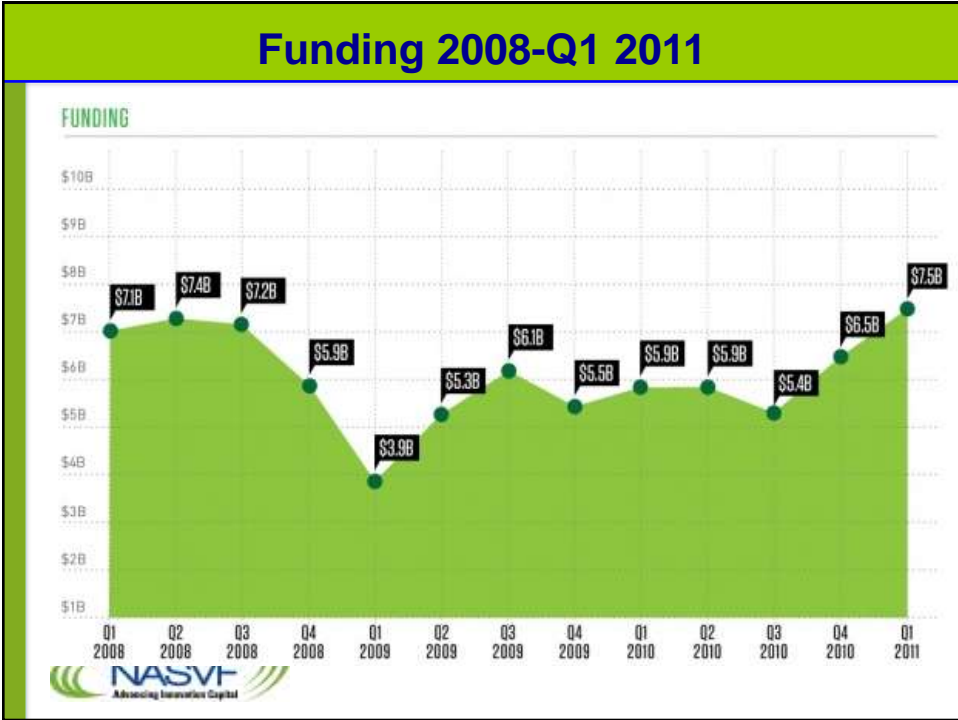
 - About 75 Pre-Revenue VCs left
- 7

License Royalties

 - Average is \$375,000 over 5 years
 - For \$9 million of funded research







Venture Capital Performance Q2 2011

Fundraising by Venture Funds

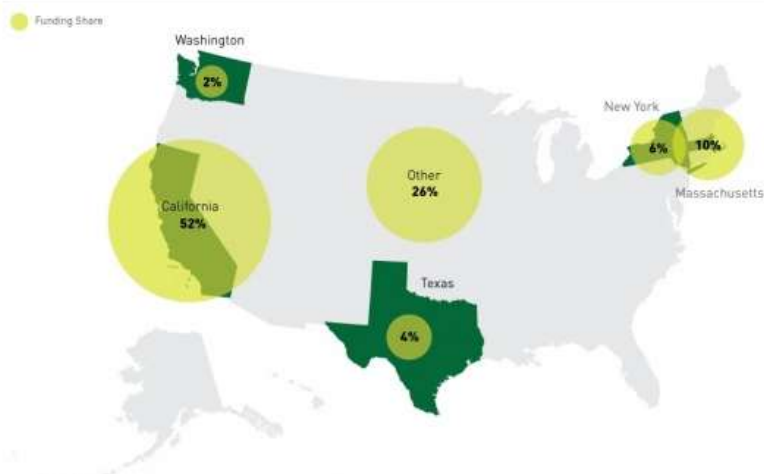
Year/Quarter	Number of Funds	Venture Capital (\$M)
2005	243	29,042.7
2006	243	32,094.9
2007	253	36,206.4
2008	225	28,530.7
2009	140	15,820.7
2010	69	5,654.5
1Q'08	74	7,192.4
2Q'08	83	9,236.5
3Q'08	63	8,497.1
4Q'08	52	3,587.7
1Q'09	58	5,253.9
2Q'09	36	4,362.1
3Q'09	30	2,289.4
4Q'09	46	4,059.0
1Q'10	38	3,739.9
2Q'10	38	1,914.6

Source: Thomson Reuters and National Venture Capital Association



Funding Domination

CALIFORNIA DOMINATES IN FUNDING



Attributes of Your Deal

- Motivated Relevant Team
- Solves a Real Problem - Bottom Line ROI
- High Margins
- Rapidly Growing Market
- Clear Position in Competitive Landscape
- Limited Competition
- A Saleable Product with Little Expense
- Quick to Cash Flow
- Requires Little Outside Money to Breakeven



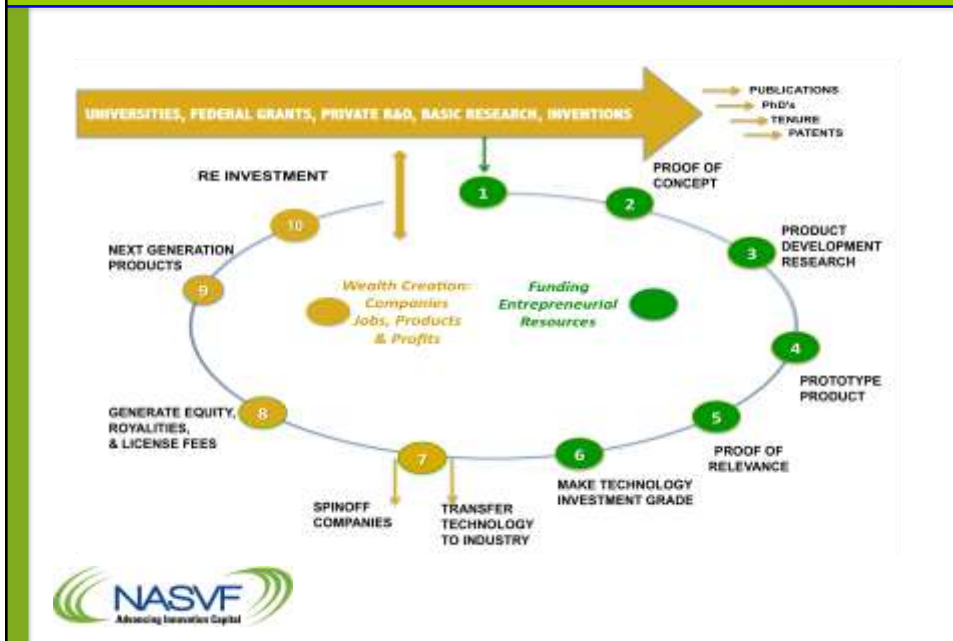
The Commercialization "Secret"

A Investor's Viewpoint

- **Its not about**
 - **TECHNOLOGY!**
- **Its about**
 - **REVENUE**
 - **SCALABILITY**
 - **CASH FLOW**
 - **PROFITS IN 2-5 YEARS**
 - **COMPETITIVE ADVANTAGE**



Innovation Commercialization Model



Technology Ten³
e-incubate
e-innovate
e-invest

Why Commercializing New Technologies is Hard...

- **Confusing, inconsistent intellectual property (IP) policies**
- **Markets are rarely obvious; markets rarely know what they need/want**
- **Technology is NEVER "off-the-shelf"**
- **Need for on-going interaction between researchers and application developers**
 - Lack of incentives for researchers
 - Researchers have other duties
- **R&D companies rarely have commercially-viable management**

Kerr-Martin Law:

1. In dealing with their own problems, faculty members are the most extreme conservatives
2. In dealing with other people's problems, they are the most extreme liberals

Source: Hampton Roads Technology Incubator

Commercializing Technologies from Federal Labs

- Investment in Fed Lab technologies
- Commercializing the technology
 - *“From the Bench to the Boardroom”*
- Best practices in commercializing Fed Lab technologies
- Success Stories



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