

Presentation to the Utah State Bar
Business Law Section
January 13, 2010

Raising Capital in a Down Economy

1. What is the Wayne Brown Institute

- Approach
- Programs
- Past Success
- Recent Success

2. Helping a Potential Client Raise Money

- Importance of Equity Capital
- Attributes of a Paying Client
- Identifying Your Potential Clients Financial Needs
- Understanding Who has How Much Money

3. Angels are Alive and Well in Utah

- How Many
- How Much
- In What?

4. Companies Raised Money in 2009!

5. Fund Raising Realities

- Times are Tough
- Deals are Few
- Fundings are Fewer
- Exits are Fewest
- Hope Springs Eternal

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Founded in 1983, Wayne Brown Institute is the country's most successful non-profit, 501(c)(3) -qualified venture accelerator. Its charitable and educational mission is to build successful entrepreneurs by providing them with specific knowledge and experience about, and mentoring and networking contacts from, the angel/venture capital community. The results are impressive growth in jobs, new wealth and tax base across all economic strata.

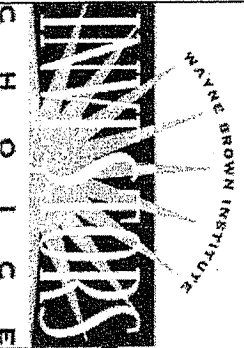
Wayne Brown Institute

A 501(C)3 Not for Profit Corporation

Raising Capital in a Down Economy

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Tuesday, January 12, 2010

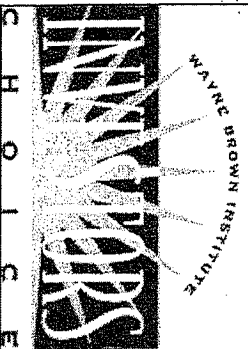
WBI's Approach to Helping Entrepreneur's Raise Money

Specific Knowledge

Specialized Training

Venture Based Mentoring

Introductions



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WBI Programs

How to Raise Money in Utah™

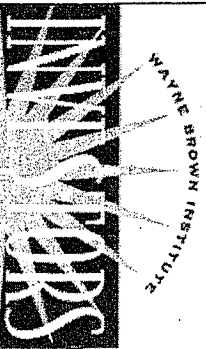
21st Century Entrepreneur®

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WBI Angels



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WBI Alumni

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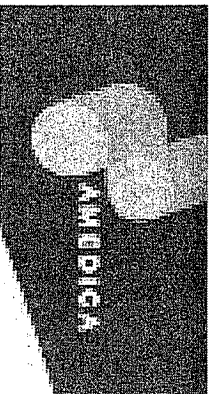


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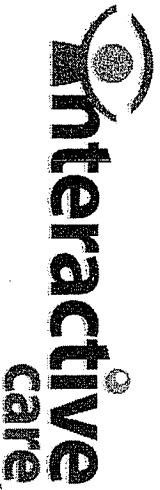
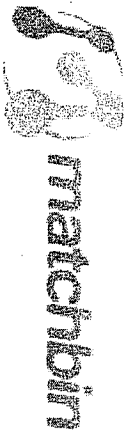
ZARS
PHARMA

Sendside
NETWORKS

ADAPTOSOL



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Connect. Collaborate. Care.™

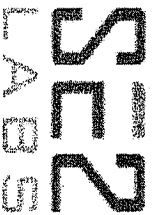
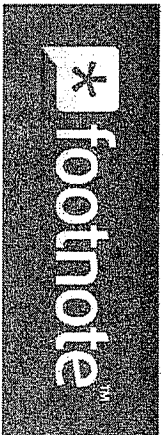


C H O I C E

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2008 WBI Program
Success Stories

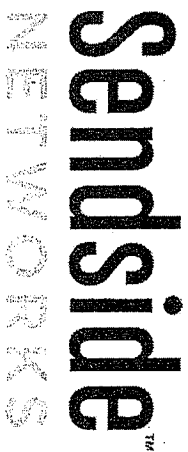
Raised
\$67,000,000



Health Behavior Innovations



Hawaii BioTech



When Financing a Company Remember...

Debt or Equity -

Efficient Capital Usage Enhances Value

Equity Capital is an Expensive Raw Material

Equity Capital is Hard to Raise

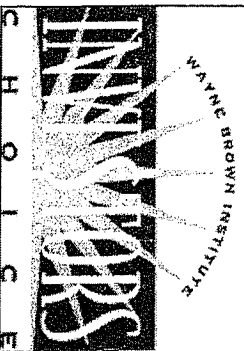
But.....

Equity Capital is Essential for:

Rapid Growth

New Product/Service Development

Technology Adoption/Deployment



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Attributes of a Paying Client's Deal

- ▶ Motivated Relevant Entrepreneur
- ▶ Product or Service: 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



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First, What Does Your Potential Client Need?

Entrepreneur Funds their Education & Experience

Technical/Product Development - Does it work?

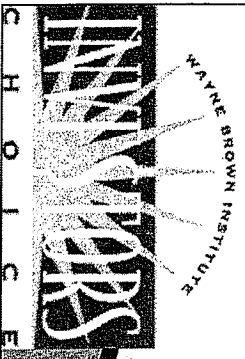
- ▶ SBIR, 5Fs, Angels, Grants

Market - Is it working?

- ▶ Angels Groups, Early-Stage VC, Strategic Partner, RLFs

Execution - Can It Grow?

- ▶ VC, Strategic Partner, Banks

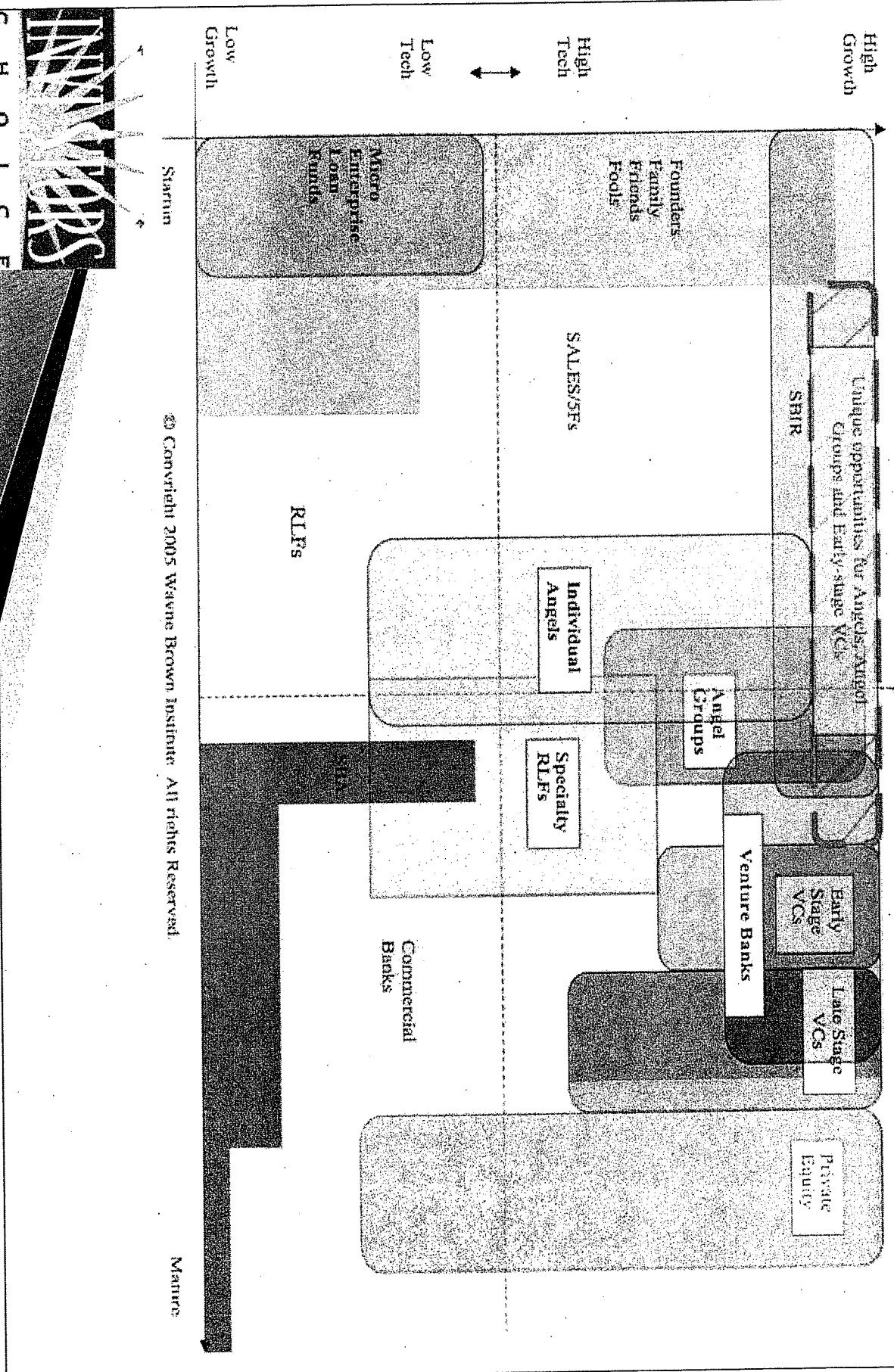


FUNDING CHART: What Kind of Funding do You Qualify For?

SOURCE: Wayne Brown Institute

CRITICAL MASS POINT

(Gross sales, positive cash flow within a few months, etc.)



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INNOVATORS

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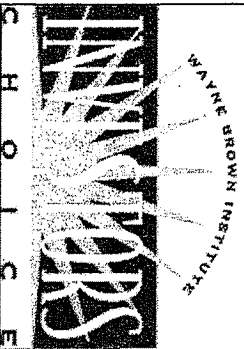
Funding Sources - How Much?

EQUITY

- ▶5Fs - \$0 - \$250,000
- ▶Angels - \$25,000 - \$250,000
- ▶Angel Groups - \$250,000 - \$1 million
- ▶Venture Funds - \$1 million - \$20 million
- ▶Private Equity - \$10 million - \$1 billion
- ▶SBIR - \$100,000 - \$1 million (non-dilutive)

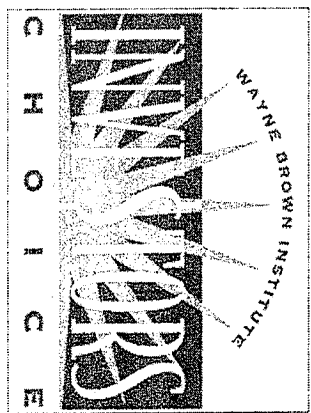
DEBT

- ▶Micro Lending - \$500 - \$35,000
- ▶RFL's - \$25,000 - \$250,000+
- ▶Non Bank Lenders/Venture Debt - \$250,000 to \$5 million
- ▶SBA \$100,000 - \$2 million
- ▶Commercial Banks - \$1 million+



Angel Portfolio Summary

- ⊙ 130 Angel Members
 - ⊙ Does not include current guest attendees
- ⊙ 94 Angel Members have invested to date
 - ⊙ Average = \$76,175 per angel investor
 - ⊙ Median = \$25,000 per angel investor
 - ⊙ Range = \$5,000 - \$1.25m

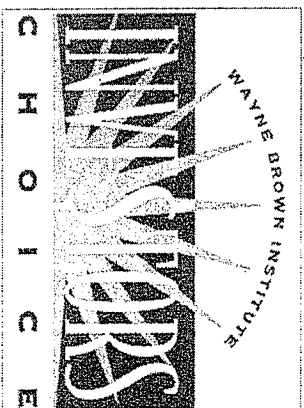


Number of Investments	Number of Members
5 or more	10
3 or 4	19
2	17
1	51
0	7

SLIDE 1

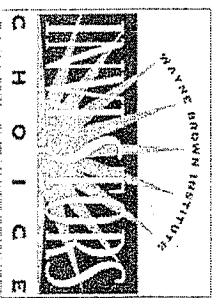
Angel Portfolio Summary (cont.)

- ⊙ Total Companies Invested In: 55
- ⊙ Total Group Investment: \$13,740,220
- ⊙ Investment Size per Group
 - ⊙ Average: \$2,748,044
 - ⊙ Range: \$1,622,000 - \$6,911,500
- ⊙ Investment Size per Company
 - ⊙ Average: \$249,822
 - ⊙ Range: \$5,000 – \$1,250,000



SLIDE 2

Angel Portfolio Summary (cont.)



© Represented Industries:

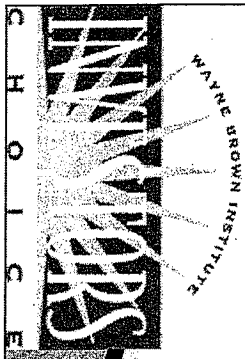
Internet	Semiconductor	Medical Devices	Drug Discovery
Web Services	Software	Business Services	Consumer Services
Consumer Products	Pharma	HCTT	BioPharma
Medical Products	Outdoor Products	Seed Fund	Food Service/ Software
Small Newspaper	PCI Compliance	Gaming/Software	Cleantech

SLIDE 3

WBI 2009 SUCCESS STORIES

- ▶ Matchbin
- ▶ NVH Technologies
- ▶ Velosum
- ▶ Catheter Connections
- ▶ Panoptic Security
- ▶ WCS
- ▶ Mangia
- ▶ OtoKinetics
- ▶ Freedom Medtech
- ▶ Trek Tek
- ▶ Larada Sciences
- ▶ Alliance Health Care
- ▶ Great Basin Scientific
- ▶ Pipeline Micro
- ▶ Celio
- ▶ S2
- ▶ Simplure
- ▶ Transnetyx in due diligence
- ▶ Hawaii Biotech in due diligence

\$27 Million+

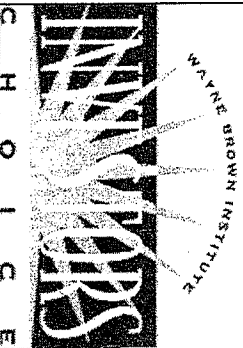


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2009-'10 Money Raising Realities

- ▶ Revenues are Paramount
- ▶ Private Equity is MIA
- ▶ Venture Capital is Running Scared
- ▶ Valuations are at 2002 levels
- ▶ "D" Round Deals at "A" Round Prices
- ▶ More Angel Groups Exist in Utah
- ▶ More Venture Debt/RLFs
- ▶ Utah is in Good Shape to Weather the Storm
- ▶ Networking is Key
- ▶ 2010 Looking Better

Lack of Quality Deal Flow
Only Great Deals will be Funded



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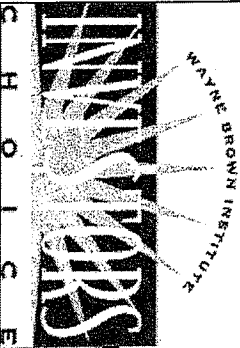
SOAR *with* EAGLES

FEBRUARY 11
MIDWAY, ILL
2010

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<http://www.venturecapital.org>



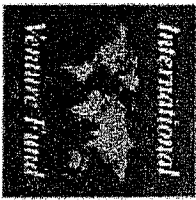
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INTERNATIONAL

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ENERGY SOLUTIONS

**JONES
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PRICEWATERHOUSECOOPERS



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**EPIC
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ZIONS BANK

Utah Division of Securities

TANNER LC

Morgan Stanley Bank, N.A.

**Governor's
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USTAR
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LLP**
ATTORNEYS AT LAW



WAYNE BROWN INSTITUTE – LEADER IN THE EQUITY FINANCING OF BUSINESS
(<http://www.venturecapital.org>)

MISSION: The Institute's mission is to improve the human condition through entrepreneurship for the purpose of creating new wealth, jobs, and tax base. WBI was the first organization of its kind to accomplish this by transferring knowledge, experience, contacts and capital from the world's leading business and financial organizations to promising companies. Formed in 1983 as a 501(c)(3) non-profit educational organization, the Institute has become the most efficient, cost effective economic development organization in the country.

HISTORY: The Institute has a history of building the high technology capacity of Utah. Current WBI Board members co-founded, UV Partners, Olympus Angels, Park City Angels, the Salt Lake Life Science Angels and the MountainWest Capital Network, National Business Incubation Assn. (NBIA), and were the catalyst for the creation of EDCU.

WBI was founded by the late Dr. Wayne Brown who held positions in mechanical engineering and had served as Dean of the College of Engineering at the University of Utah. In addition to his academic postings, he was a founder of Kenway Engineering (HK Systems), TerraTek, NPI (Agridyne Technologies), the Utah Innovation Center (the world's first venture accelerator/incubator) and Utah Ventures (now UV Partners, Utah's first and largest venture fund). By virtue of his academic, government, and business background, Dr. Brown was a leading authority in technological innovation and entrepreneurship (commercialization). Many of the world's science/research parks, innovation centers and incubators have their roots with Dr. Brown. In addition to his many accomplishments, he affected the role of government in innovation and entrepreneurship as the architect with Roland Tibbitts of the national Small Business Innovation Research (SBIR) program, later as head of the State's Science Council he spearheaded legislation to create the Utah Technology Finance Corporation (UTFC), and Utah's Centers of Excellence program. He successfully negotiated with the U. S. government to obtain military land for the establishment of the University of Utah's Research Park. His knowledge, experience and passion live on in the Wayne Brown Institute, its staff, its investor led Board, and its countless supporters.

RESULTS: Today, the Institute continues this legacy by educating companies through mentor-based training in the art and science of becoming attractive, viable investments. To date, the Institute's 700+ alumni companies have raised almost \$2 Billion in private capital, and employ over 35,000. Each year, Institute mentors (some 300) donate over 10,000 hours, allowing the Institute to provide nearly 1% of the venture quality deal flow in the U.S. This has been accomplished through establishing value-added relationships between entrepreneurs, capital providers, and key professionals who specialize in equity capital-backed businesses. These education-based offerings allow businesses to successfully present their opportunity to investors.

PARTNERS: The Institute is unique, in that most of its support is from the private sector. Firms, such as, Zions Bank, Deutsche Banc Alex. Brown, NASDAQ, Silicon Valley Bank, Ernst & Young, Ballard Spahr Andrews & Ingersoll, and various venture funds and service providers contribute regularly. Other organizations, such as, the Manufacturing Extension Partnership (MEP), Governor's Office of Economic Development (GOED), Utah State Division of Securities, the Hawaii Strategic Development Corporation, New York Community Investment Corporation, Community Development Venture Capital Alliance, National Association of Seed and Venture Funds (NASVF), and many other technology trade associations have supported the Institute in its mission.

PROGRAMS & SERVICES: All Institute programs assist companies in shaping themselves into fundable entities; help them develop a strategy to obtain the funding they need; and, when appropriate, provide introductions to the investment or banking communities.

- **Seminars:** *How to Raise Money in Utah* and *The 21st Century Entrepreneur*[®] focus on fund raising strategy, sources of funding, effective business plan development, and entrepreneurial skill set. Sponsorships available, current sponsors: Zions Bank, MEP.
- **Mentoring:** *Investors Choice*[®], *The Deal Forum*, and *Venture Ready*[®] are programs that channel 10,000 hours a year of mentoring from the investment community to temper and harden companies into investable ventures, and provide introductions to capital sources. Sponsorships available. Current sponsorship list: [SPONSORS \(www.venturecapital.org/utah/sponsors.htm\)](http://www.venturecapital.org/utah/sponsors.htm).
- **Entrepreneur in Residence:** WBI brings its extensive network of resources and contacts to help serial

entrepreneurs create and start their next venture.

- **Venture Ready® Report:** World-class research on business formation is combined with the Internet to produce business plan evaluations that accurately diagnosis a company's strengths and weaknesses.
- **New Venture Profile:** World class entrepreneurial research combines with the internet to produce the most predictive self assessment of entrepreneurial success.
- **WBI Angels:** WBI Board members and a select group of angels for around the country review deals, and help the Institute decide what deals it should invest in. WBI Portfolio companies get access to this invaluable resource for help with milestone development and contacts.
- **Capital Formation Study:** An in-depth analysis of over 350 WBI Alumni/Utah technology companies. How they were financed and what impact they have had on the State's economy.

BOARD OF TRUSTEES: Entrepreneurs benefit from a Board who are leaders in the venture industry, and are the reason the Institute has accomplished so much with so little. The Board represents a broad geographic range from New York to Los Angeles, Salt Lake to Silicon Valley, giving the Institute access to these key markets. Board members are active in the venture capital community and most are seasoned angel investors, as well.

Ron Bell, is head of technology development for Broadcast Int'l. Former CEO of Mathstar, and Equator Technologies. He has been head of development for Micro Linear, LSI Logic and was CTO of Unisys.

Bradley B. Bertoch, is President & CEO, Wayne Brown Institute and has over 25 years involvement with the venture capital industry and high-tech economic development. He has been a venture partner at Hamilton Bioventures and is a member of Olympus Angels.

Bob Gottdener is a Director of Deutsche Banc Alex. Brown. Mr. Gottdener has over 30 years of investment experience working with high-growth companies.

Douglas Greenwood is a managing partner of Pickwick Capital a New York based investment banking firm. He was a Director at Duetsche Bank Alex. Brown, and head of Investment services at Trautman Wasserman. Doug is a seasoned angel investor.

Debra Guerin-Beresini, is CEO, International Venture Fund/invencor, inc. as early stage diversified fund. Prior positions include Technology Funding and a Senior Vice President at Silicon Valley Bank.

Daniel McPhun has been a guest panelist for the Institute since the mid 1980's. He is Senior Advisor for the Business Development Department at Mitsubishi, founder of the Park City Angels and a leading Cleantech investor.

Dr. Elliot Parks, PhD., is a partner with Hamilton BioVentures. Elliot is CEO of Hawaii BioTech a vaccine company. Headed drug development for Scripps and J&J, and a founder and CEO of Mylos Neurosciences.

David Rudd, is a partner at Ballard Spahr Andrews & Ingersoll. Dave serves as corporate counsel to, and secretary of, the Institute. He is a leading attorney specializing in venture and business transactions. He is a founding member of the Salt Lake Life Sciences Angels.

Richard Shanaman, is President of Eagle Bay Advisors. Dick was Vice Chairman and CFO of American Stores, the second largest retailer in America. He, along with Wayne Brown, founded Utah Ventures (UV Partners). He was a director of Lombard Investments, and is a member of Olympus Angels.

Dr. Theodore Stanley MD, is a serial life sciences angel investor and entrepreneur. Ted was the founder of Anesta Corp. (Cephalon), ZARS, both drug deliver companies. He is a founding member of Salt Lake Life Sciences Angels.