

Boston Entrepreneurs Network

"How to Raise Money"

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General Partner
Flybridge Capital Partners
April 1, 2008

- Quick overview of Flybridge
- State of the VC Industry
- Recession & Impact on the Startup World
- Fund raising advice
- Questions

An “early-stage” firm created by experienced investors and operators with strong personal networks and domain expertise

- \$280M fund formed in March 2008
- \$180M fund formed in April 2005
- \$100M fund formed in late 2001
- Limited Partners include Princeton, AlpInvest, Alfred I. duPont Testamentary Trust, FLAG, Grove Street, HighVista, Knightsbridge, TrueBridge, VenCap and others

Pursuing a differentiated strategy that resonates with entrepreneurs and co-investors

- **Team:** five experienced, hands-on general partners
- **“Capital gap”:** focus on capital-efficient start-ups, \$1-6M initial investment, \$6-12M in aggregate
- **Value-added support:** strategic guidance teamed with business development, marketing, and recruitment support

Early-stage investor

- Consumer infrastructure
- Enterprise IT
- MedTech
- Tech-enabled business services
- Wireless

Flybridge Team

Each general partner has broad-based business training plus either 10+ years of investing experience or senior operating experience in start-ups



David Aronoff

Greylock Partners
1996-2005

Chipcom
1989-1995

Bell Labs
1986-1989

Harvard MBA

University of
Southern
California MS

University of
Vermont BS



Jeff Busgang

Upromise 2000-
2003

Open Market
1995-2000

Boston Consulting
Group
1991-1993

Harvard MBA

Harvard College
BA



Michael Greeley

Polaris Ventures,
2000-2001

GCC Investments,
1994-2000

Wasserstein
Perella, 1989-1994

Morgan Stanley,
1985-1987

Harvard MBA
Williams College
BA



Chip Hazard

Greylock Partners
1994-2002

Company
Assistance 1991-
1992

Bain & Company
1989-1991

Harvard MBA

Stanford BA



Jon Karlen

Oat Systems
2003-2005

NTRU
Cryptosystems
2001-2003

Greylock Partners
1997-1999, 2003

Stanford MBA

Harvard College
BA

Current Sector Focus

- E-commerce
- Financial Services
- Mobile
- Video

Consumer Infrastructure



- Technology Enabled Marketing
- Financial Services / Payments

Tech-Enabled Business Services



- Tools for Life Sciences
- Smart Devices
- Health IT

Med Tech



- Datacenter Virtualization
- Open Source
- SaaS

Enterprise IT



- Information Security
- Compliance
- Physical and Homeland Security

Physical Security



- Wireless Applications
- Wireless Infrastructure

Wireless



- Digital Home Convergence
- Next Generation Computing
- Imaging and Displays

Platform Semiconductors & Related Technologies



Portfolio by Sector

- go2 Media
- Blackwave
- BzzAgent
- GuildCafe
- Jingle Networks
- Mail Networks
- MOBIVOX
- SimpleTuition
- Sports Loyalty Systems
- Transpera
- ZING Systems (sold to Dell)

Consumer Infrastructure



- BlueTarp Financial
- Click Tactics
- i4cp
- Placemark Investments

Tech-Enabled Business Services



- Brontes Technologies (sold to 3M)
- Magen Biosciences
- MicroCHIPS
- PolyRemedy
- Predictive Biosciences
- Protein Forest
- T2 Biosystems

Med Tech



- Blackwave
- Bowstreet (sold to IBM)
- First Best Systems
- Infobright
- InnerWireless (merged with PanGo Networks)
- Old Road Computing
- mValent
- Sciformix
- SupplyScape

Enterprise IT



- Reveal Imaging
- VidSys

Physical Security



- go2 Media
- InnerWireless (merged with PanGo Networks)
- MOBIVOX
- Transpera
- ZING Systems (sold to Dell)

Wireless



- CHiL Semiconductor

Platform Semiconductors & Related Technologies



Investment Strategy

	Startups (75%)	Emerging Winners (20%)	Recapitalizations –Restarts (5%)
Criteria	Strong founding team with differentiated product/market vision	Strong team and existing VC support, GA/beta product w/significant pipeline/momentum	New team and vision around existing product asset with significant historic investment
\$ Invested	\$1-3M initial, \$6-12M in aggregate 20-30% ownership target	\$3-6M initial, \$6-12M in aggregate 15-25% ownership target	\$2-6M initial, \$6-12M in aggregate 15-25% ownership target
Flybridge Role	Lead or co-lead	Lead or co-lead	Lead or co-lead

- **2007 was a banner year for VC Investments**
 - \$29.4b in 3,813 deals
 - 10.8% increase in dollars, 5% in volume vs 2006
 - 4Q07 investments totaled \$7b in 963 deals
- **And great for exits**
 - \$10.3b raised by 86 IPOs
 - 4Q07 31 VC-backed IPOs totaling \$3.0b (highest since 2000)
 - M&A: 305 VC-backed transactions @ \$25.4b, highest since 2000
- **And great for fund raising**
 - 235 VC firms raised \$34.7b (highest since 2001)
- **All the signs of a new bubble**

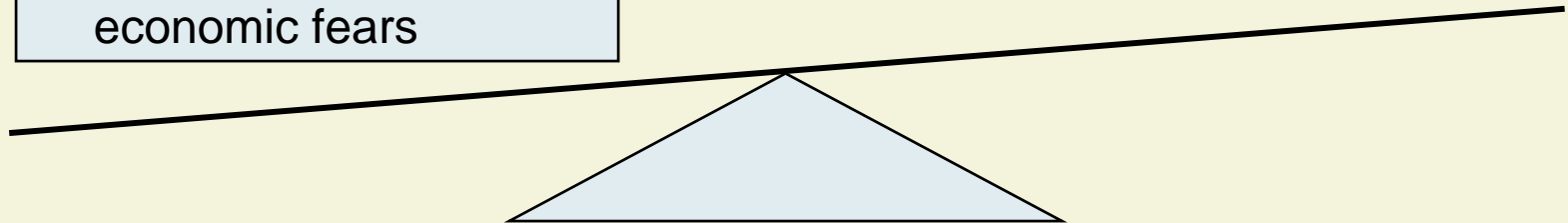
Venture Environment: Summary

Bad news

- Investment pace increasing
- Valuations rising
(although less so very early)
- “Bubble” sectors back
(e.g. Web 2.0, Solar)
- M&A rare in interesting ranges
- Credit market sparks economic fears

Good news

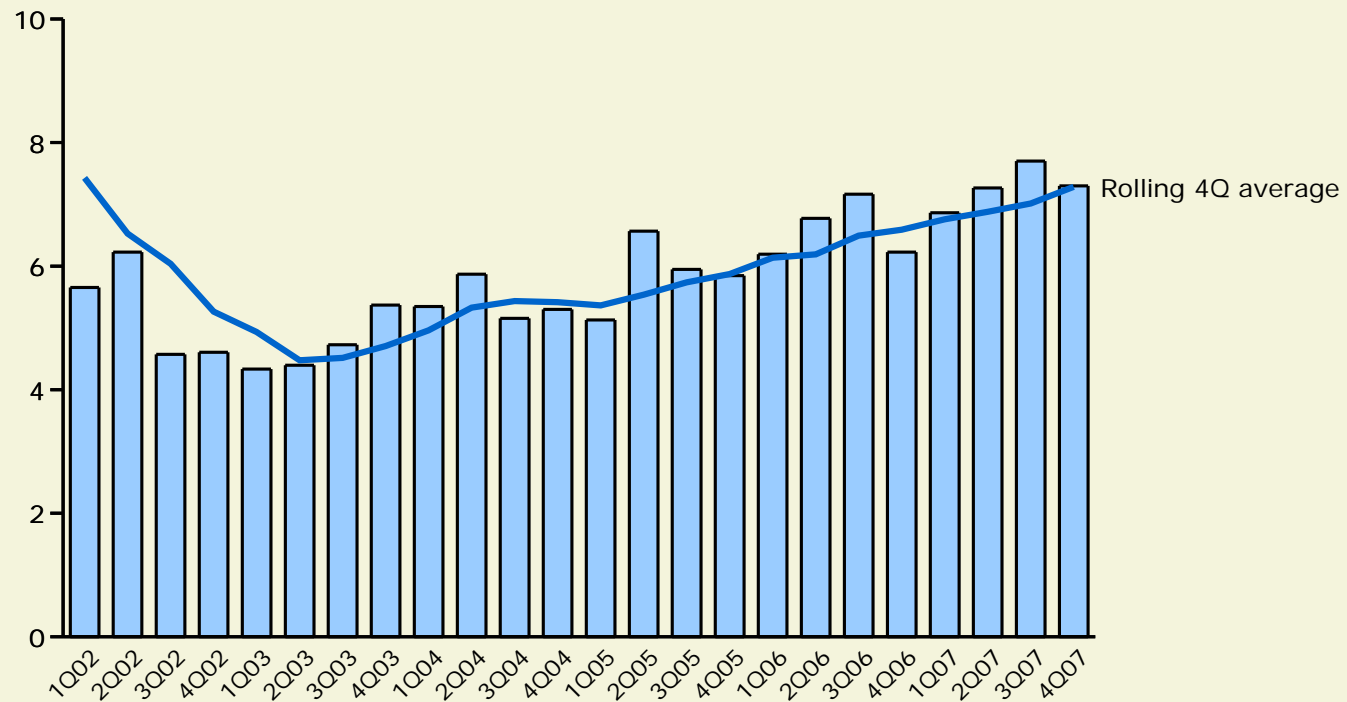
- Fundraising shows some discipline (but not a lot)
- Fewer active VC firms at the earliest stage
- Macroeconomics in many sectors positive
- IPOs on the rebound
- High quality, quantity of repeat entrepreneurs



Recent Industry Investment Activity

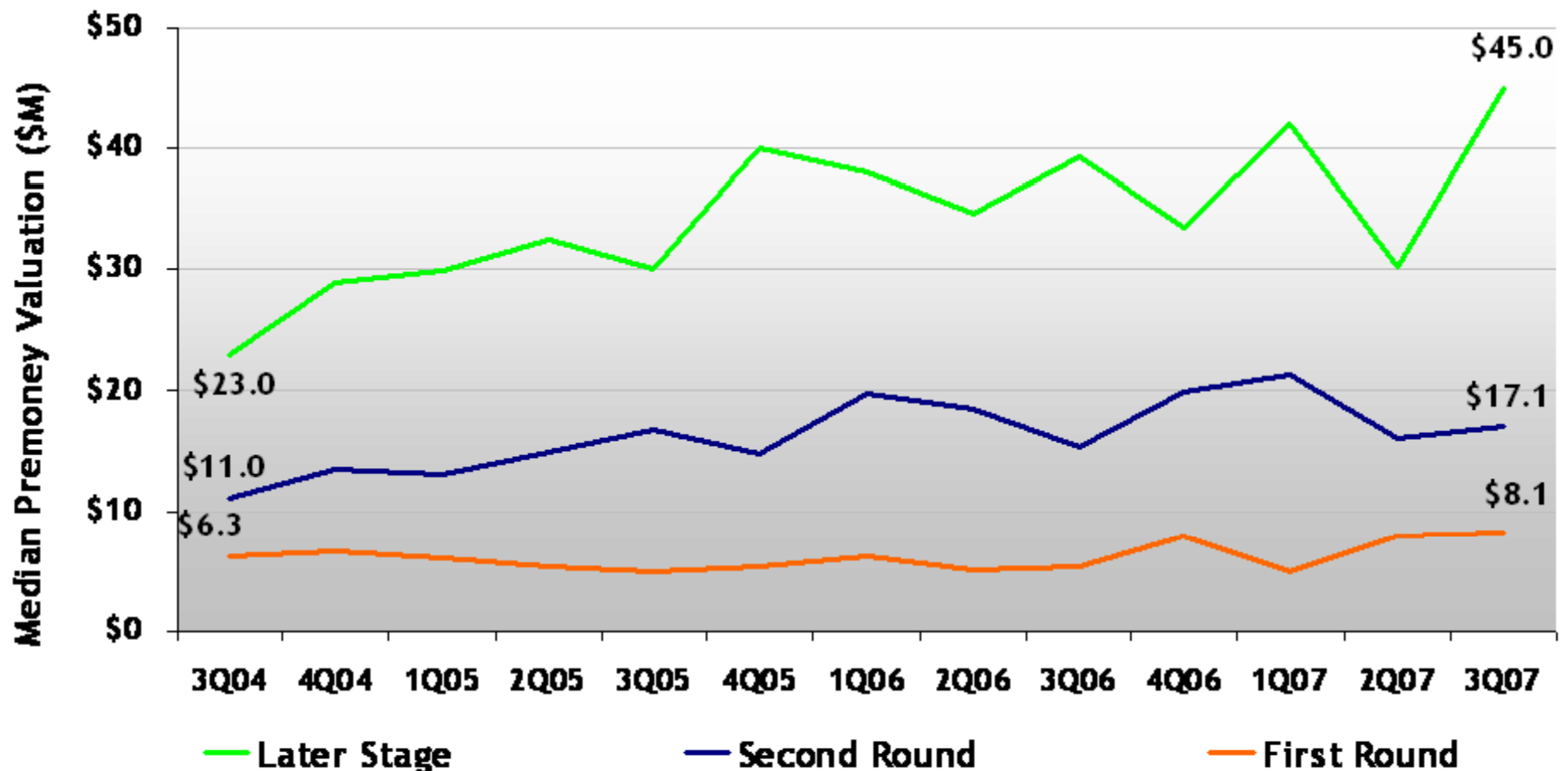
Worrying pick-up in quarterly investment pace

U.S. Venture Capital Investment



Source: VentureSource, Venture Capital Investment in US Venture-Backed Companies, by Round Class (2001-2Q' 2007)

Valuations Continue to Increase Although first round valuations remain constant



- **Will affect startups to varying degrees**
- **Directly Hardest Hit Likely to be:**
 - Retail-banking focused
 - Enterprise Software / Better be top 3
 - Open question about consumer confidence... continued weakness would seriously affect advertising spend
- **Indirectly**
 - Those who run out of money at the wrong time
 - Capital efficiency is the key
- **What Are We Doing in our Startups?**
 - Raising more money when able, despite dilution
 - Showing more discipline because it will likely take longer

The Calculus of a Venture Capitalist...

... is very simple

Can this **Team** win in
this **Market** with
this **Idea**?

Top 10 Secrets to Successful Fund-Raising

1. “Warm” introduction
2. Voice of the customer
3. A single unique insight
4. Transparency and openness (background, current challenges)
5. Conviction
6. Proven ability to marshal scarce resources
7. The best ideas win
8. High expectations of the investor
9. Magnetism
10. Every meeting is a fund-raising pitch

Some Common Misperceptions

- Perfectly acceptable to redirect strategy
- Founders don't always make the ideal CEO
- IPO is not the Holy Grail
- Start-ups don't earn \$52M of net income in year 3
- Venture capitalists actually have pulse/brain/heart

Questions?