

Preparing Your Business Plan

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Launchpad Venture Group

Boston Entrepreneurs' Network – May 2007

Ham Lord's Bio

❑ Software Entrepreneur

- Co-founded 3 technical software companies (MicroChem, MSI, AVS)
- All three acquired by public companies

❑ Angel Investor

- Personally invested in 10 companies over past five years
- Managing Director of Launchpad Venture Group
 - 60+ Members, 14 Investments, \$5M+ Invested in past 3 years

❑ Advisor

- Assist companies looking to raise Series A & B funding

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Launchpad Venture Group

- ❑ Focused on early stage technology companies
- ❑ Investments
 - Software: Business and Technical Applications, Embedded Systems
 - Consumer: Internet Content and Interactive Devices
 - Medical: Device and Personalized Medicine
- ❑ Typical Investment:
 - \$250K in initial round, \$500K in follow on rounds

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Profile of an Angel

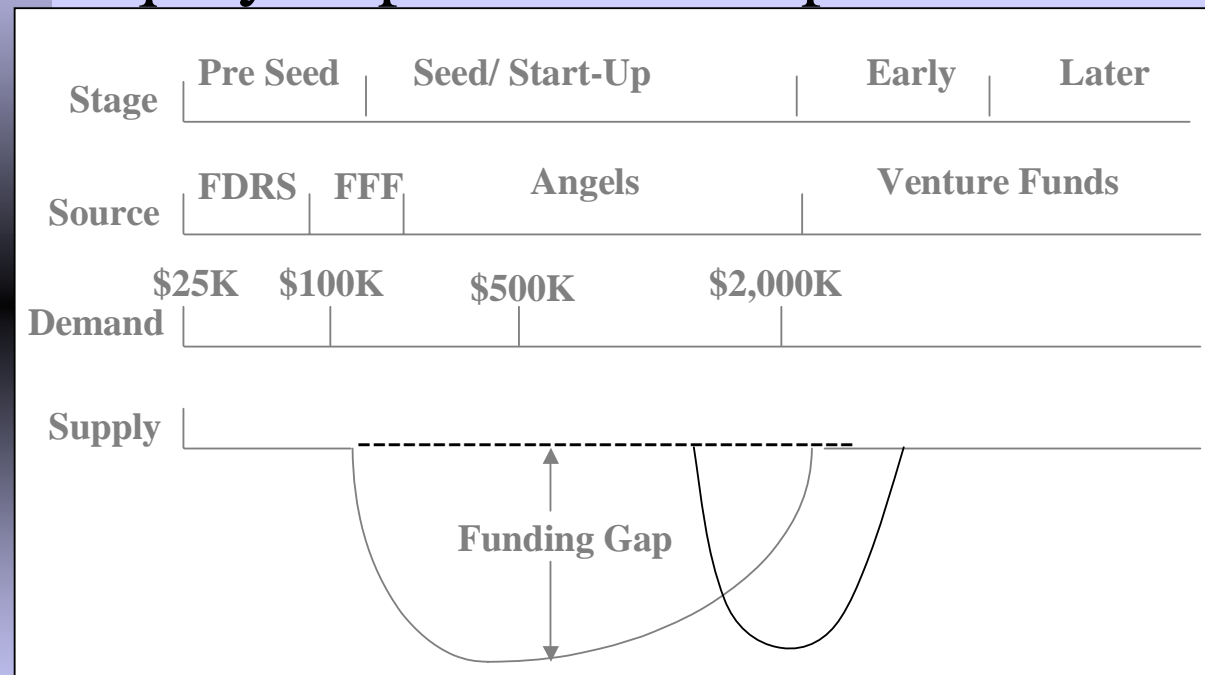
- ❑ What does an angel look like?
 - Cashed out entrepreneur
 - Invests close to home
 - Patient capital with a value add
 - Likes to invest in groups (2 to 50 people)
- ❑ 350,000 business angels in the US
- ❑ 250+ organized groups of 20+ people

How Much Do Angels Invest?

- ❑ Angels invest approximately \$25B per year in over 40,000 businesses
- ❑ Angels focus on the seed and startup round
 - \$100K to \$2M
 - Raised from 6 to 10 investors

Stages of Funding

Equity Capital for Entrepreneurs



Center for Venture Research - University of New Hampshire

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Raising Funds from an Angel Group

- ❑ Looking for technology companies that meet the following criteria:
 - Strong management with a deep understanding of their market
 - Potential for a large market opportunity
 - Technology that has strong barriers to entry
 - Product is in Beta with one or more customers
 - A combination of customer revenue and the funds raised from investors will lead to cash flow positive situation
 - Reasonable expectation on valuation of the company

Angels vs. VCs

- ❑ Stage of Investment
 - Usually Seed and Series A
- ❑ Size of Opportunity
 - Can invest in smaller businesses
 - Don't like to invest when companies need more than \$15M in overall financing
- ❑ Deal Terms
 - Almost identical to VCs
- ❑ Post Funding Involvement
 - Similar to VCs – very active

Market Opportunity

“More early stage companies die from indigestion than from starvation.”

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Market Opportunity

□ What your plan should discuss

- Discuss market characteristics - Size, Growth Rate, etc.
- Demonstrate that you are focused
- Discuss one or two areas where you have the greatest potential
- Indicate whether you are targeting one or two industries with a vertical solution or many industries with a horizontal solution
- Make sure you discuss how your team's background can be applied in this opportunity
- Show market share leadership by Year 5

Market Opportunity

- What your plan should NOT discuss
 - Talk about the 10 different opportunities where your product could be used
 - Describe your market in generic terms (e.g. \$20B Medical Imaging market or the \$25B CRM Software market)
 - Predict 5% penetration of a \$1B market by Year 5

Market Opportunity

- ❑ Investors like to back the #1 or #2 player in a market, not the #4, #5 or #6 player
- ❑ Size your company to the market opportunity
 - \$100M market – 5 year revenues should be \$25M to \$50M
 - \$1B market – 5 year revenues should be \$250M to \$500M
- ❑ Fund raising should correlate to potential market opportunity

Product Development Plans

- How well do you understand your customers' pain?
 - Is your solution a “Need to Have” or a “Nice to Have”?
 - What level of market research did you undertake?

- What are the risks and costs and schedules
 - Is your product functionally complete?
 - What will it take to get a full solution to market?

Executive Summary Overview

- ❑ What materials do you need to produce?
 - PowerPoint Presentation (to be delivered in 10 to 15 minutes)
 - One Page Summary Document (a quick read)

- ❑ Who is your target audience?
 - Investors
 - Lenders
 - Employees (current and future)

For More Info

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www.tremornetwork.com

Company Description

Online Video Advertising
Network & Video Ad -
Serving Solutions Company

Management

Jason Glickman – CEO
Jesse Chenard – CTO
Andrew Reis – COO
Helen Chung – Dir, Sales
Vincent Obermeier – VP,
Prod Mgmt

Number of Employees

8 Full Time Employees
3 Consultants

Amount of Financing

\$1M Convertible Note
\$3M to \$5M Series A

Use of Funds

Hiring of Sales & Marketing
staff, expand the scale of the
network

Current Source of Funding

\$150K in loans and customer
revenue

Exit Strategy

Sale to portal, ad network,
media conglomerate

Industry Status: Advertisers recognize that consumers are spending less time viewing broadcast television and expect to be entertained by higher quality online video content. To address these issues, online and offline ad agencies are looking for more effective cross-media video advertising solutions. Advertisers need a single point solution for media purchasing, video encoding/hosting services, video ad serving, and real-time reporting. Today, there is no integrated, comprehensive solution outside of a few large portal players such as AOL, MSN and Yahoo.

Publishers need to convert streaming video content from a loss leader into a profitable stream of revenue and want to monetize video content with in-stream advertising that is targeted and relevant to visitors' interests. Publishers don't have the resources needed to 1) Manage the complex, costly new medium of online video display, 2) Implement, deliver and track a rotation targeted video advertising campaigns, and 3) Sell video campaigns to advertisers and ad agencies.

Tremor's Solution: Advertisers can place contextually targeted video advertising across Tremor's network of over 300 Tier 1 and Tier 2 content publishers. Tremor offers a complete solution for clients to deliver any online video ad campaign. The 2 main video ad formats that Tremor provides are auto-expanding in-page ad units and pre-roll/post-roll ads within a video stream. Both incorporate TV quality video clips at 30 frames per second. If advertisers do not have the resources to encode and host their video ads, Tremor can provide this service. Tremor also supports the implementation, delivery, and tracking of video ad campaigns via any 3rd party ad server to incorporate targeting by content channel, geography, frequency caps, dayparts, etc. For **Publishers**, Tremor's solution allows publishers to implement and maintain reliable, high quality and profitable online video properties. Tremor has a comprehensive interface for balancing a variety of ad sources, including ads sold by an in-house sales team, or from the Tremor ad sales network. Tremor creates richer sites populated with more video to monetize than publishers could produce on their own. Tremor offers real-time tracking of videos viewed, clicks and video interaction rates. With Tremor, publishers have a full sales solution for video campaigns from blue-chip advertisers and ad agencies. Publishers generate a profitable revenue stream with the best CPMs for their online video content.

Management Team: Seasoned, visionary team of internet advertising and streaming media veterans. CEO and COO were cofounders of ContextualNet (acquired by WhenU). CTO was cofounder of Syoni Communications (acquired by CCBN).

Market Opportunity: Internet video advertising spending in the US will nearly triple from \$225 million in 2005 to \$640 million in 2007. By 2009, advertisers will spend at least \$1.5 billion on video ads online (source: eMarketer).

Go-to-Market Strategy: As the intermediary between advertisers and publishers, Tremor will receive 40%+ of each advertising dollar. Tremor will license technology to publishers who will pay \$2 to \$7 CPM. The Company will create a dedicated direct sales team selling to advertisers and ad agencies in major US cities (e.g. NY, LA, SF, Chicago). Tremor will build partnerships with Content Delivery Networks to acquire large numbers of small to mid-size publishers. Additionally, Tremor will create a dedicated publisher sales team to acquire larger Tier1 and Tier2 publishers.

Competition: The majority of video ad revenue is generated by the Yahoo, MSN, and AOL portals. There are several small startups, including Lightningcast and Brightcove that are developing similar technologies. And finally, some of the ad networks (e.g. Valueclick, Advertising.com) may add video advertising in the future.

Current Status: Tremor's in-banner technology has been in production since July 2005. Tremor's in-stream technology will come on line in Q1 2006. The company is generating \$125K+ in monthly revenue from ads served on over 300 publisher web sites with access to 55 Million unique users.

Financial Projections

	2005A	2006E	2007E	2008E
Revenue	0.6M	7.0M	35M	62M
EBIT	0.1M	(1M)	5M	16M