



The IEEE Boston Entrepreneurs' Network

April 5, 2011

Saturn's Investment Focus

Info and Financial Technology

Advanced Materials

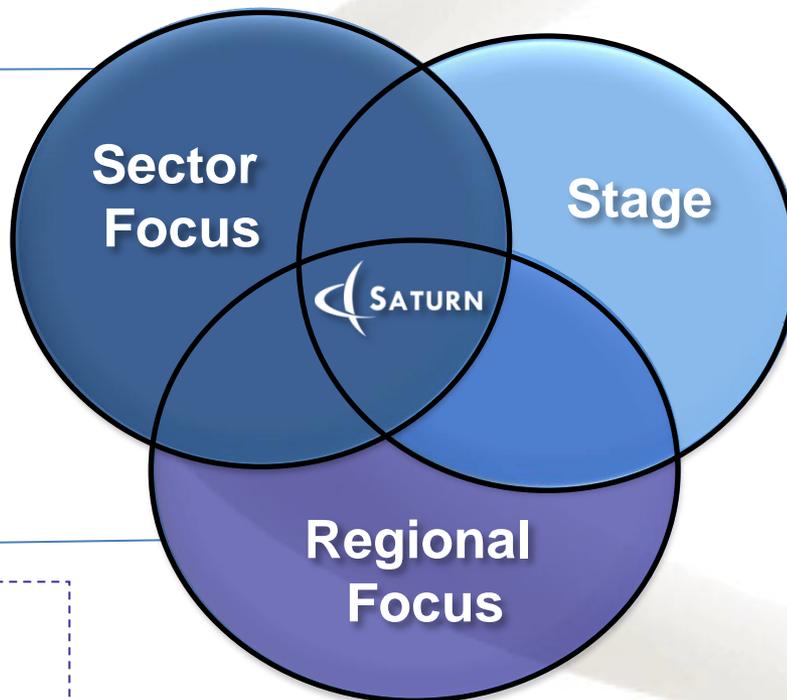
Specialty Energy

Select Biotechnology

- Large, growing market
- Significant return potential
- Saturn domain knowledge
- Saturn operating experience
- Saturn access to experts

Eastern U.S.

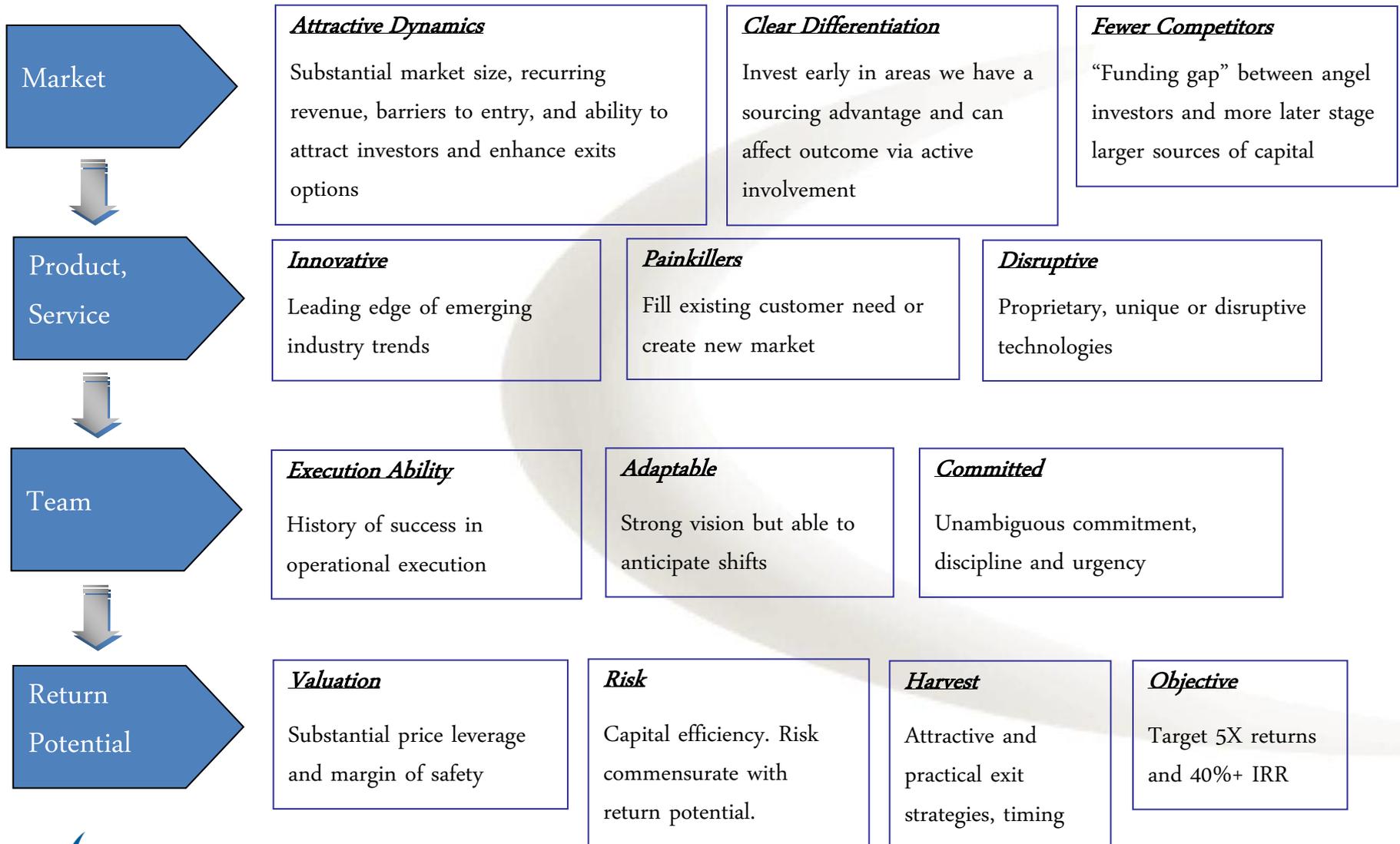
- Entrepreneurial strength
- Many overlooked areas
- Saturn network



**Seed & Early Stage
First Institutional Capital**

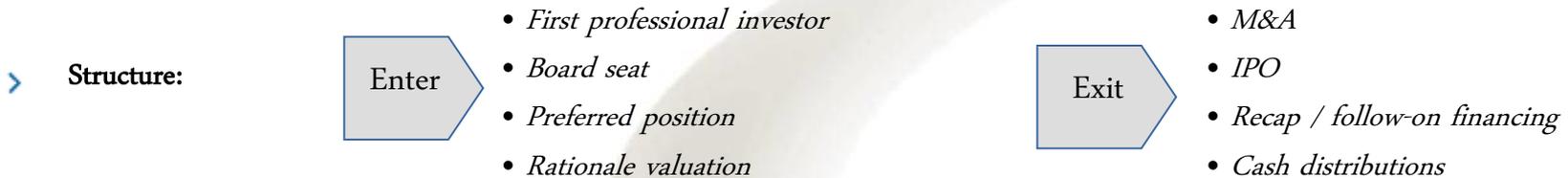
- Persistent “funding gap”
- Higher ROI potential
- Saturn deal experience
- Saturn operating experience
- Saturn active involvement

Saturn's Investment Criteria

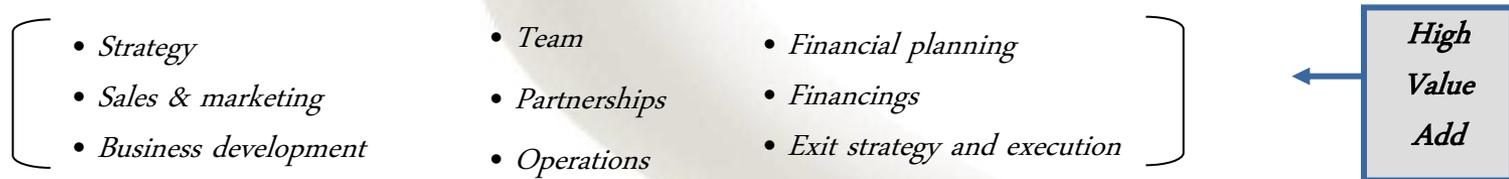


Saturn's Investment Execution

- **Sourcing:** Prefer warm introductions from our network. Actively source opportunities via trusted channels. Interest and experience exploring where others do not.
- **Size:** Initial average investment of \$1-3 million per company. Invest additional capital as our companies develop, increasing our average investment to \$4-6 million per company.



- **Portfolio Management:** Actively “roll up our sleeves” to drive company’s development in conjunction with senior management. Tight focus on capital efficiency and marginalizing the “J-Curve”.



- **Alignment of Interests:** Capital structure and incentives that align the interests of management teams, limited partners and general partners
- **Philosophy:** Learn from mistakes, expand network and knowledge, move quickly, be direct

Perspectives Regarding Fundraising

> **Almost everybody answers to somebody**

- Shareholders, board, limited partner, trustees, regulators, family
- Everyone can use help in helping their constituents

> **Almost everybody has something of value to offer**

- The key questions are: What? How much? To whom? When?

> **Successful entrepreneurs always create the most value**

- Money, jobs, social good, etc.
- That does not make your job easier, but you are what it's all about

> **Raising money is tougher and more time consuming than you think**

- Raising money requires a good strategy
- Raising money requires stamina and a thick skin

> **Always remember**

- There is more than one way to skin a cat when it comes to fundraising
- An early “no” is often better than a long “maybe”

Understanding The Funding Market

> The players

- Spectrum of possible investors (i.e. F&F, angels, small VC, large VC, strategic)
- Polarization of players (specialized vs. generalist, big vs. small, early vs. late)
- Debt and trade financing as an alternative to equity

> The VC “value chain”

- Money → Deals → Diligence → Transaction → Manage → Harvest
- Understand pinch points in the chain and timing specific to different investors

> The VC mindset and approach

- Top down vs. bottom up
- Want (and need) to do deals, but better to miss good ones than do bad ones
- Cash on cash returns and IRR
- Internal decision making process
- Status of fund and fundraising cycle

> Investment opportunities

- Attractive sectors, geographies, and types of solutions
- Trends vs. bubbles

Positioning Your Company

> Consider this a sales process

- Identify “customer” → Pitch “product” → Close “sale” → Provide “customer service”

> Identify and solicit customers (i.e. investors)

- Focus the funnel. Make this less of a numbers game.
 - Find “fit” with sectors, stage, portfolio
 - For funds, stage of fundraising is important
- Follow the “bowling pin” strategy
 - Whom to target, earlier vs. later
 - Get feedback and improve your pitch each time
- Warm introduction
 - Get an introduction from a trusted source
 - Leverage your advisory board and other interested parties
- Early contact
 - Basic marketing materials vs. detailed due diligence materials
 - Tailor method of communication (email, phone, text, in person)
 - Be aggressive, but not a pain

Positioning Your Company

> Pitch the product

Show the Team

- Successful ... Hungry
- Empathy ... Self-awareness
- Focus ... Flexibility
- Vision ... Follow the dollar
- Cheer leader ... Task master
- Domain experts ... Athletes
- Experienced ... Skill gaps

Show the Value Proposition

- How do you help your customer make money?
- How do you help your customer save money?
- What are the non-monetary benefits (if any)?
- Keep it simple

Show the Traction

- Stage of development (seed, growth, expansion)
- Product or service development
- Customers and partners
- Revenue, cash flow, balance sheet

Show the Potential

- Show market size, growth and profitability
- Structure and defend an assumptions-driven financial model
- Maintain a capital efficient business model
- Highlight potential opportunities that require more capital
- Map out realistic harvest events (type, size, and timing)
- Show how smart money can be put to use, but don't rely upon it

Positioning Your Company

> Close the sale

- Getting the sale is most important
- The best deal is not necessarily the best valuation
- Be selective with investors. This is a marriage.
- Provide early investors with a margin of safety for the significant risk they assume in backing you
- Be willing to live with creative or seemingly restrictive financing structures (e.g. milestones, tranching investments, liquidation preference, etc.)
- Work with legal counsel, preferably well in advance of serious investor discussions

> Customer service

- Provide regular updates, don't hide or delay bad news
- Help investors understand what they can do to help
- “Blue sky” conversations apply best to growth opportunities, not operations
- You are a source of deal flow for your investors



Contact Information

Saturn Partners

75 Federal Street, Suite 1320

Boston, MA 02110

1-617-574-3330

www.saturnasset.com

The information contained in this presentation may be privileged and confidential and protected from disclosure. Any dissemination, distribution, or copying of this presentation without the expressed written consent of Saturn Partners is strictly prohibited.