

Capital Continuum

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October 25, 2012

What is a VC?

Venture Capital – Investment that is at risk

Why would we do it?

- Expect an greater return in exchange for the risk, typically 7-10x our investment since most investments fail

What do you get?

- Investment capital, access to future capital, counsel and help

What do you give up?

- Equity and control

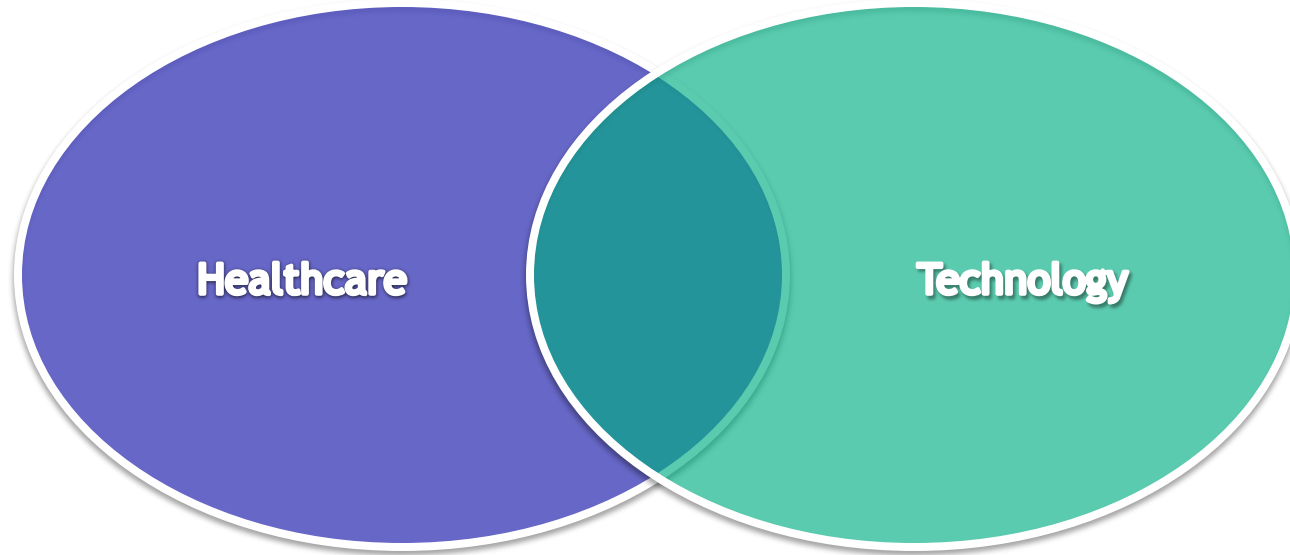
What do Investors Want?

- Only Two things:
 - How do YOU make Money?
 - And How do WE make Money?

BUT

We have to believe you have a strong chance of making money for you and us.

Investment Portfolio



 Vaxent

 C A G E N I X

 EXTRAORTHO™

 arGenis™
Pharmaceuticals

 CirQuest Labs
INNOVATIVE LABORATORY SERVICES

 iScreen
VISION

 Computable Genomix

 ParentalHealth

 NuScript_{RX}

 S2
INTERACTIVE™
VISUAL TECHNOLOGY

 TRAKLOK
CORPORATION
WORLDWIDE TRACKING • WORLD CLASS SECURITY

 RESOLUTE

 Centiba

Innova by the Numbers

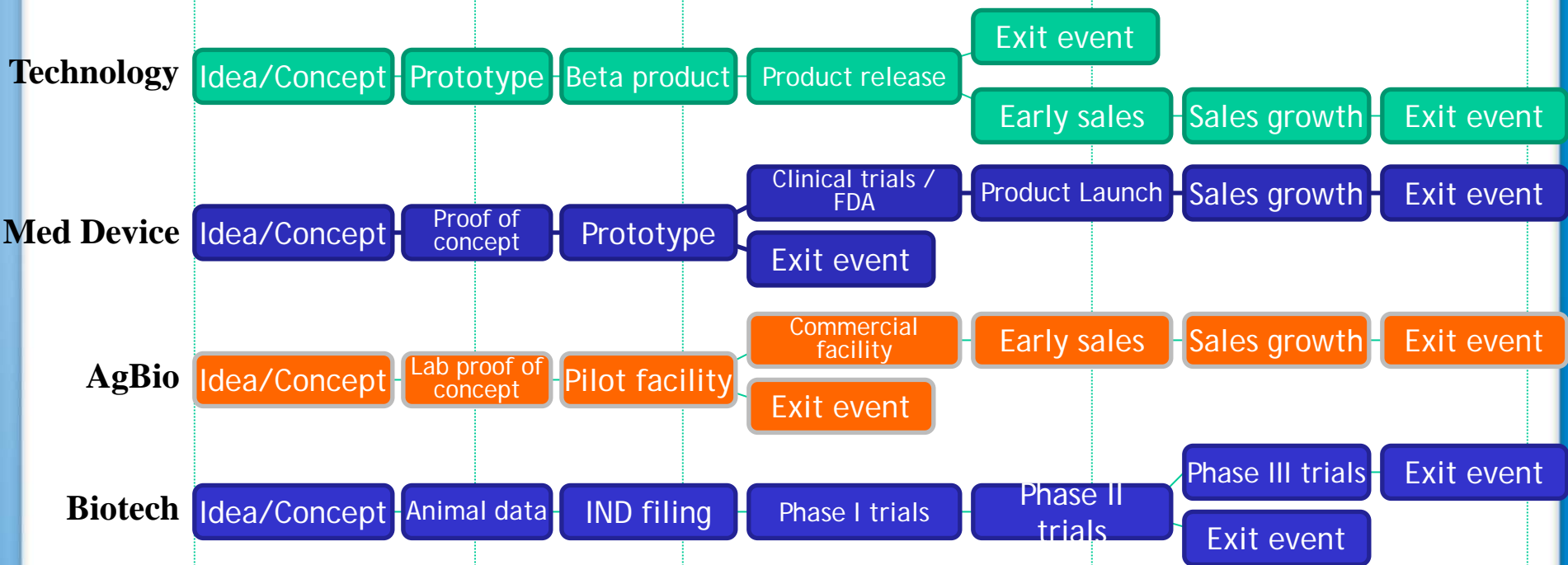
- \$11 million invested in 23 Tennessee-based startup companies from Memphis to Knoxville
- 125+ portfolio company employees
- 96 patents in portfolio companies
- 6 technology transfer deals with local research universities
- 2.7:1 leveraged capital ratio
- Despite being early-stage ventures, these companies had \$21 million of revenue in 2011
- 2 successful exits in last 3 years

Company Life Cycle & Funding Stages

Innova

Angel

Venture Capital / PE



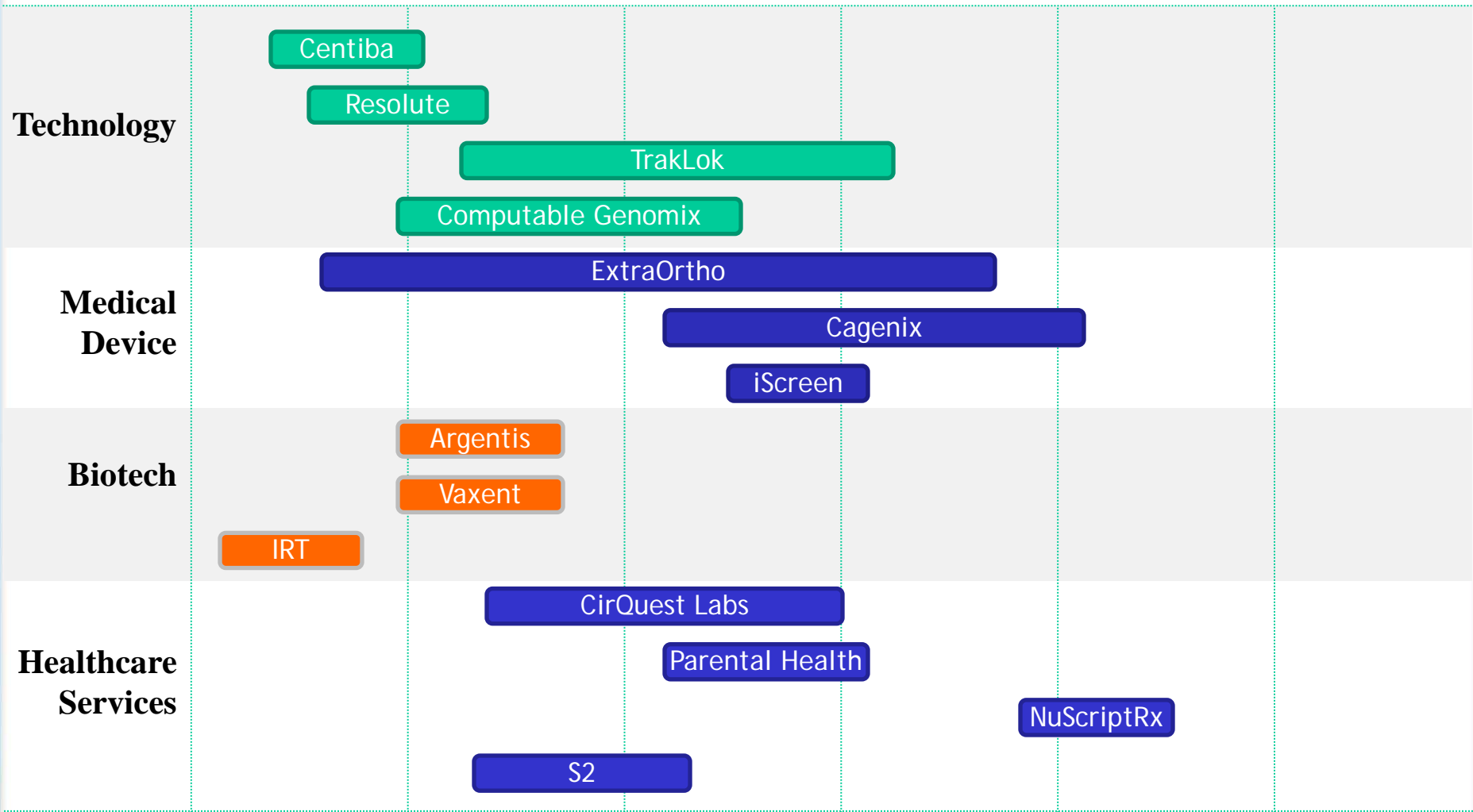
Pre-seed

Seed

Early-stage

Mezzanine
INNOVA

Innova Portfolio Stages



Concept

Prototype

Commercial
Launch

Early
Growth

High
Growth



INNOVATION

How to get Funded

1. Think like an Investor
2. Research and Prepare a great Business Plan
3. Attract a team that's smarter than you are
4. Get the correct business and capitalization structure
5. Sell the deal to the investor
6. Take risks and rebound from mistakes

Think Like an Investor

Who are the investors?

- Three Fs – Friends, Family, Fools
- Angel Investors, VCs
- Maybe Banks, but doubtful early on

How do they analyze an investment?

- People, Opportunity, Deal

Big Risk, Big Return

Expect to Face Skepticism

What is a Business Plan?

SEVEN compelling arguments!

- I have something **UNIQUE** – product or service
- There is a **NEED** for it in the market
- There is a big **MARKET**
- People will **BUY** it
- I need this much of your **MONEY**
- Expectations for **RETURN** on your investment
- Reasons you should **BELIEVE** me

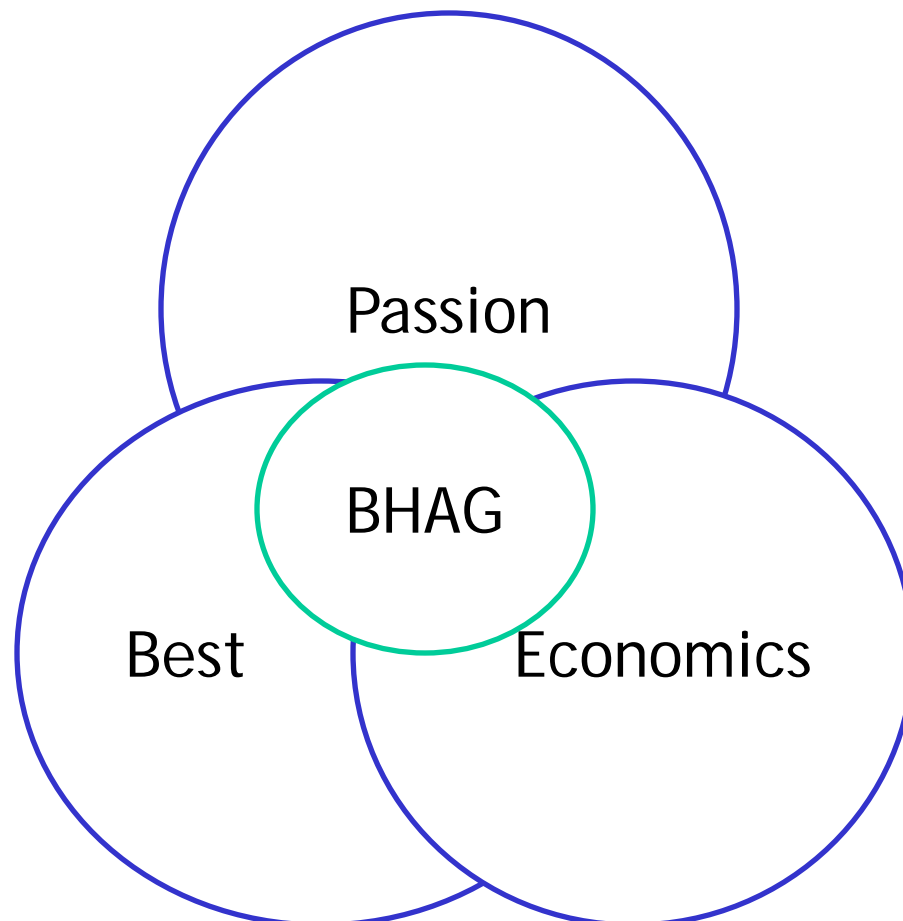
Everybody wants to talk about valuation and equity stake...Not the most important items. If you own 50% of a company that's worth \$1MM, it's not worth nearly as much as 20% of a company worth \$40MM. Generally an early stage company will have a valuation of \$500K to \$3MM. Any more than that is just not reasonable.

Deal Structure

We can put in \$250K and take 33% of the company and you still own 67%. Then if we build it together, the next round may be \$1MM, but the valuation is \$4.75MM, and you still own 47%.

We can either do an equity investment, or we can do a convertible note, where we argue over the valuation later.

Always think about the next round of funding...don't do anything crazy today.



Write an Executive Summary...

- In many cases, this is all that gets read
- Above all else, **BE INTERESTING!!!**
- No more than 3 pages

**The only way of discovering
the limits of the possible is to
venture a little way past them
into the impossible.**

- Arthur C. Clarke