

BUILDING A HIGH-GROWTH BUSINESS MODEL

TCN Breakfast Roundtable

**Elliot Katzman
Commonwealth Capital Ventures**

September 22, 2009

**COMMONWEALTH
CAPITAL VENTURES**

TCN

My Professional Background

Elliot Katzman

General Partner
Commonwealth Capital Ventures

7+ Years in Venture Capital

20+ Years in Technology Entrepreneurship

Founder, Hired Exec and Venture Capital



Prior Experience:

Kodiak Venture Partners, General Partner

MyTeam.com (now Active.com), CEO

Atria Software, CFO (merged with Pure Software - \$1.2 B)

SolidWorks, SVP and CFO (acquired by Dassault Systems - \$350 mill)

Epoch Systems, CFO (acquired by EMC - \$140 mill)

Current Investments:

OneRiot, MyPerfectGig, Vela Systems, EchoNest, CloudSwitch

Prior Investments:

Groove Mobile, MindReef, Newforma, SpaceClaim, Watchfire, Wis.dm

Our team has more than 90 years of collective VC and operational experience and has invested in 140 high-growth companies

**Commonwealth Capital Ventures
General Partners**

Mike Fitzgerald

Managing General Partner, Co-Founder



Prior Experience:

- Palmer Partners, GP
- Distribution Mgt. Sys., CEO
- IBM

Notable Investments:

- Constant Contact (IPO)
- Centra Software (IPO)
- Cerulean (Aether Systems)

*BA Amherst College
MBA Harvard Business School*

Jeff Hurst

General Partner, Co-Founder



Prior Experience:

- GE Equity, SVP
- Cox Partners, GP
- Bankers Trust, VP

Notable Investments:

- American Internet (Cisco)
- Macgregor Group (ITG)
- NBX (3Com)

*BA Duke University
MBA Tulane University*

Elliot Katzman

General Partner



Prior Experience:

- Kodiak Ventures, GP
- MyTeam (Active), Founder/CEO
- Atria, SolidWorks, Epoch – CFO

Notable Investments:

- OneRiot
- Vela Systems
- EpiCon (Nortel)
- Watchfire (IBM)

BSBA Salem State College

Steve McCormack

General Partner, Co-Founder



Prior Experience:

- 3i, SVP
- Merrill Lynch Ventures, GP
- Interactive Data Corporation

Notable Investments:

- Altiga Networks (Cisco)
 - Wavesmith Networks (Ciena)
 - Viewlogic (IPO)
 - Compete
- BA Dartmouth College
MBA University of Michigan*

Justin Perreault

General Partner



Prior Experience:

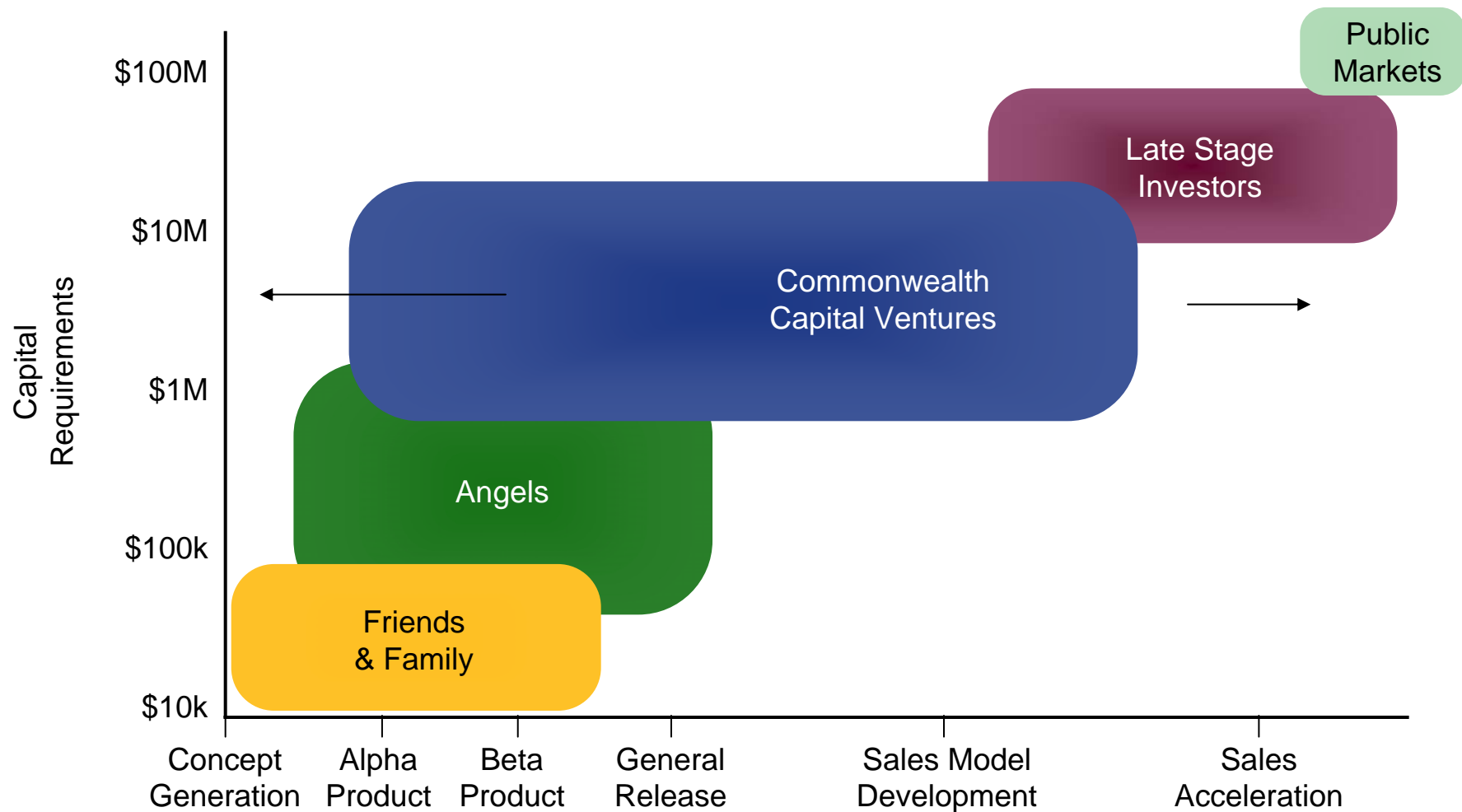
- Object Design, CEO
- Harvard Mgt. Co, VP
- McKinsey & Co.

Notable Investments:

- Object Design (IPO)
- SoundBite (IPO)
- Qiave (Watchguard Tech.)

*BS Rensselaer Polytechnic
MBA Harvard Business School*

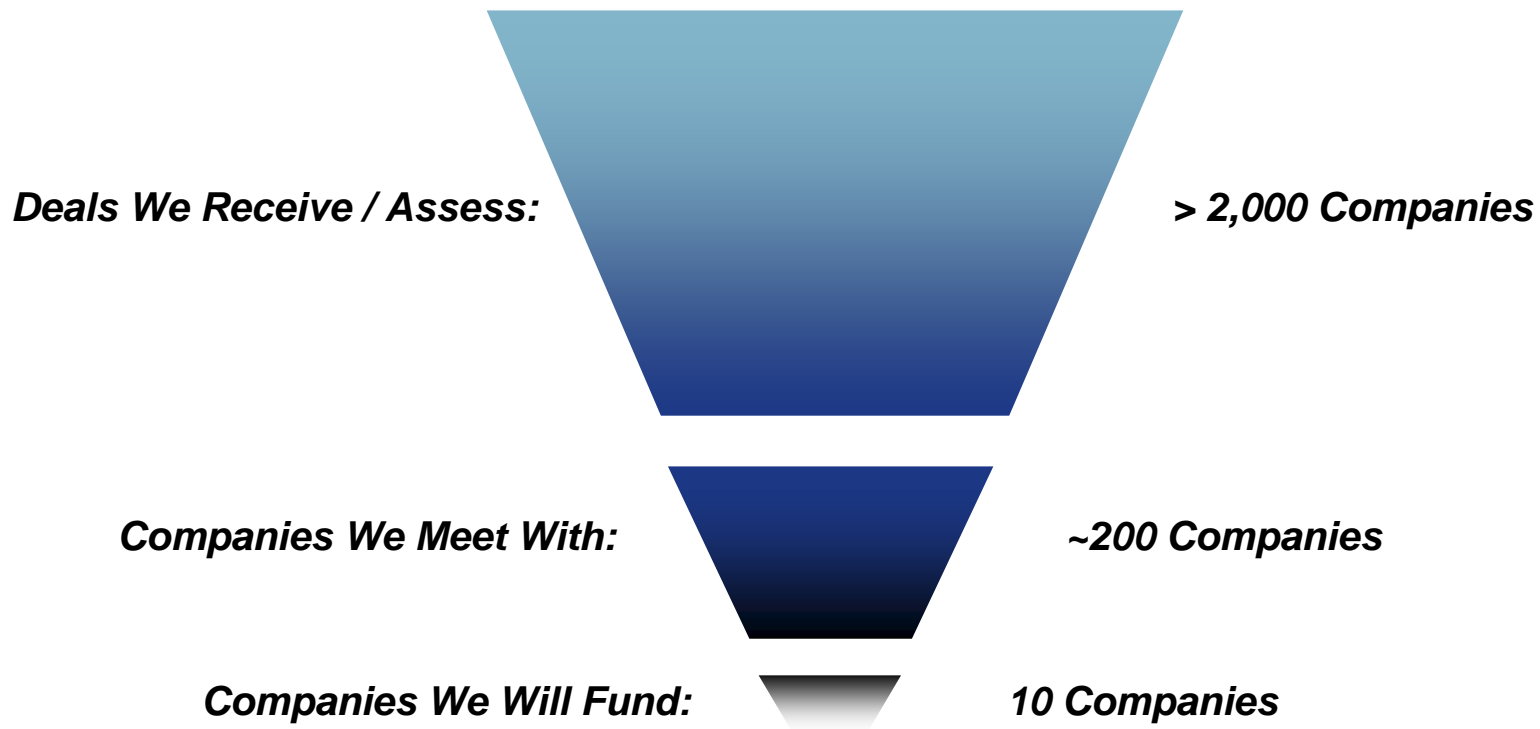
Where We Fit in The Funding Spectrum...



As VCs, We Assess > 2,000 Business Plans Per Year

We See All Sorts of Ideas and All Sorts of People

The VC Deal Flow Funnel, In a Given Year:



That's .5 %!

Last Two Investments



Powers intelligent digital music applications for online music companies. Groundbreaking technology that listens to and reads about music to radically improve music search, recommendation, and interactivity.



Software appliance that empowers enterprises to tap into the benefits of cloud computing by allowing legacy applications to run in the cloud seamlessly and without modification, thus reducing cost and improving responsiveness.

Each deal has its own unique strengths and weaknesses. The ultimate task is to prioritize these factors and evaluate your overall vision for long-term success.

How do we evaluate early stage investment?

- World class INDIVIDUAL
- With compelling IDEA
- In a MARKET that needs and we believe would VALUE
- A UNIQUE OFFERING
- With BUSINESS MODEL that we expect could makes \$\$\$
- On a REASONABLE amount of CAPITAL

How do we evaluate growth stage investment?

- World class TEAM
- With Compelling PRODUCT / SERVICE
- In a MARKET that IS PAYING \$\$\$\$
- With SCALABLE BUSINESS MODEL that is easy to understand can make \$\$\$
- With a RETURN on capital that is relatively clear

Growth vs Early Stage Differences

- **Team vs. Individual**

- **Product vs. idea**

- **Real customers paying \$**

- **Business model that is proven**
 - **Maybe not yet scalable**

- **Investment return is fairly clear**

Investment Stage Characteristics

	<u>SEED</u>	<u>A</u>	<u>B</u>	<u>C</u>
Team	Founders Founders +	World class individual	Mostly Complete	Complete
Vision	Initial Concept	Developed	Refined	Complete
Product	Concept or Technology	Developing	Enhanced	Perfected
Revenue	None or Minimal	None - Minimal	Demonstrated Clear Proof Defined	Scale
Valuation	Low	\$ = 40-60%	\$ = 20-40%	\$ = 15-30%
Bus Model	Idea	Initial implementation	Demonstrated / easy to understand	Proof of scalability
EcoSystem				
Competition				

Some Business Model Attributes.....

What does it take to acquire customer?

What is the value of a customer?

How long does a customer stay as a customer (attrition)?

What are the leverage points in the model ?

Business Models are not always what you think they are....

.....make the investor “FEEL” the business

