



The Capital Network  
Term Sheets  
Graham Brooks, .406 Ventures

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December 3, 2008

## ▶ .406 Ventures: New Boston Early Stage Tech Fund

- **\$167M early stage technology fund**
- **World class team of successful company builders and venture investors**
- **Differentiated strategy to exploit opportunities in today's entrepreneurial environment:**
  - Drawing on "first call" deal flow and "repeat" entrepreneur relationships
  - Capitalizing on transitions in the venture community and IT industry
  - Operating experience at the core of the firm vs. the periphery
- **Industry Concentrations/Portfolio Companies**

### Tech-Enabled Services

Optaros  
Health Dialog  
PelletSales  
BIA

### IT Infrastructure

Bit9  
Veracode  
Memento  
ChosenSecurity

### Internet/Mobile

DigitalSmiths  
Kaltura  
Mashery  
RatePoint

### Next Gen Tech

Ambient Devices  
ThingMagic

## ► .406 Ventures Investment Team

### **Liam Donohue** General Partner

- 12 years venture investor
  - Arcadia Partners, Founding Partner: 48% IRR (Individual track record, 1999 vintage)
  - Foster Management, Principal: +73% IRR (1991-1993 vintage)
- Business Intelligence Advisors, Founder and CEO
- Opened Booz•Allen & Hamilton Budapest office
- Tuck Private Equity Center, Advisory Board

### **Greg Dracon** Principal

- 3 years venture investing
  - Core Capital Partners, Vice President
- 11 years operating experience
  - Texas Instruments, technical sales management and business development
- Penn State University, BS Electrical Engineering, The Wharton School, MBA

### **Larry Begley** General Partner

- Active director of 14 companies over the past eight years (5 public and 9 venture-backed)
- 30+ years in senior management in technology and services industries
  - ThingMagic, CFO
  - CCBN.com, EVP, CFO and Director
  - i-Cube/Razorfish, EVP, CFO and Director
  - The Boston Consulting Group, Partner, CFO, and Treasurer

### **Graham Brooks** Associate

- 7 years operating experience
  - Business Development Manager, Bose
  - Co-Founder and Director of Marketing and Sales, Accentus
    - Programmer, ALK Associates
      - Kauffman Fellow
- Dartmouth's Tuck School, MBA; Princeton University, BSE in Computer Science

### **Maria Cirino** General Partner

- Active director in 7 companies over the past ten years (1 public and 6 venture-backed)
- 20+ years in senior management in technology industry
  - VeriSign, SVP
  - Guardent, Founder and CEO
  - i-Cube/Razorfish, SVP of Sales
    - Shiva, VP of Sales
- Numerous industry honors and awards including Massachusetts CEO of the Year, 2004

### **Kara Sweeney** Associate

- Arcadia Partners, Associate
  - Assisted in all aspects of fundraising; fund administration; deal sourcing, diligence, structuring; and portfolio monitoring
- Stanford University, BS Management Science and Engineering

## ► Avoid Common Mistakes I

### - Choose the right venture fund & partner

- Value-add
- Vision for the company
- Fund life
- Reserve policy

<http://foleyhoag.com/NewsCenter/Publications/Updates/EEC-Perspectives/EEC-Perspectives-1008.aspx>

### - Process is as important as outcome

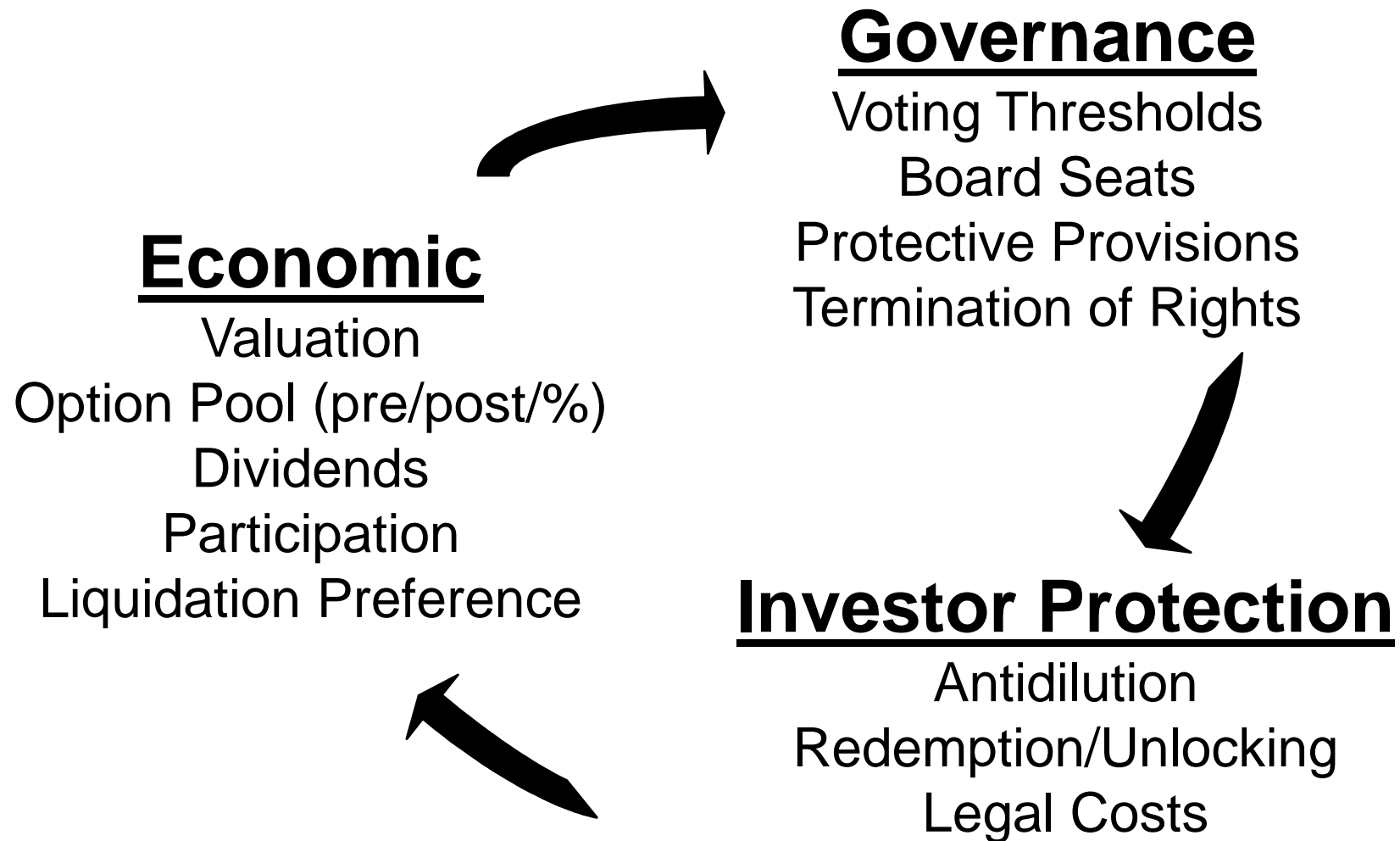
### - Leverage council & advisors

### - Competition drives price, but momentum at a fund is important to get the term sheet

## ▶ Avoid Common Mistakes II

- Understand what you can and can't negotiate
  - Market terms
  - Specific venture fund flexibility on each term
- Be creative
- Renegotiation in follow-on rounds
- Focusing on what is important to you
  - Governance Terms
  - Economic Terms
  - Investor Protection Terms
  - Other Terms

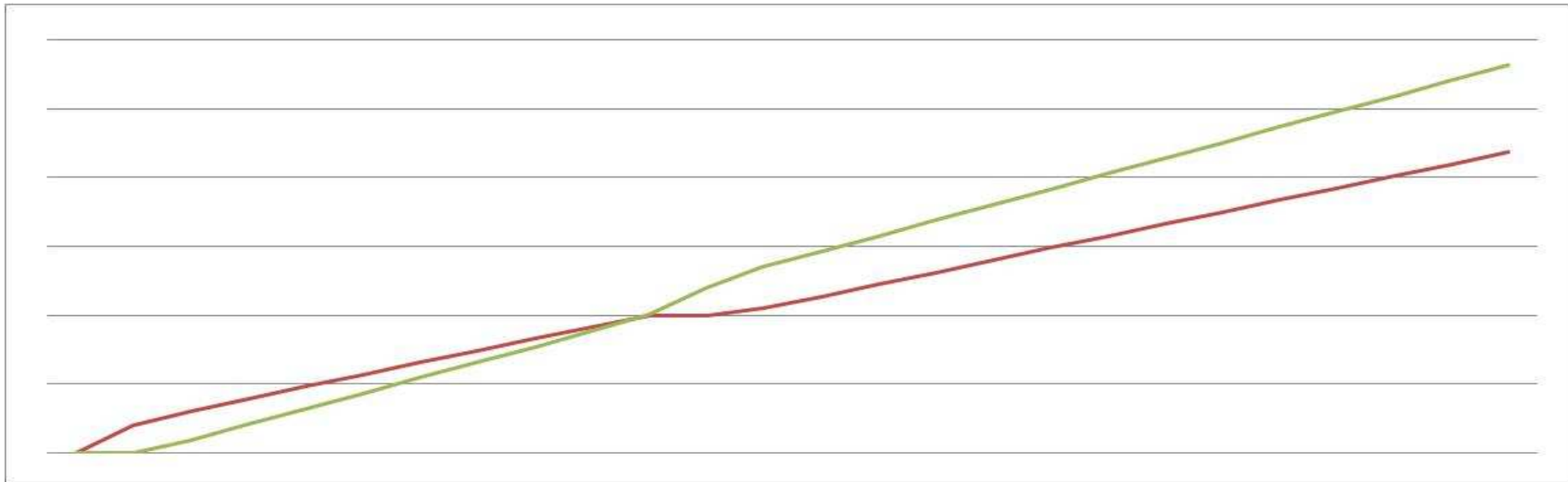
▶ There are a Bunch of Levers: Focus on Most Important



## ► Know Your Return Profile & Inflection Points

### Sample Return Profile

- \$2M Series A
- \$3M Pre-\$
- 10% Option Pool Modeled as Common
- 8% dividend, modeled at year 2 exit
- 1x Preference, 5x Cap



## ▶ Current Trends: Sequoia “RIP Good Times”

- Buyers market
- Investors seeking downside protection
  - Syndication
  - Protective provisions
  - Liquidation preference
  - Antidilution
- Timeline is out of your hands
  - Harder to land multiple planes at the same time
  - Move it as fast as you can, momentum is gold
- Term sheets can be pulled
- Good deals are still getting funded

## ▶ Great Places to Learn About Negotiating Term Sheets

### Other Term Sheet Resources

- Model Legal Docs: [http://www.nvca.org/model\\_documents/model\\_docs.html](http://www.nvca.org/model_documents/model_docs.html)
- Whitepapers:
  - [http://www.netpreneur.org/funding/anatomy\\_term\\_sheet.pdf](http://www.netpreneur.org/funding/anatomy_term_sheet.pdf)
  - <http://www.inc.com/tools/2000/08/20085.html>
- Other entrepreneurs and advisors
- Council

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