



Connecting Corporations
and Entrepreneurs
through Innovation Capitalsm

WBT showcase

Arlington, TX
March 16, 2010

Agenda

- Innovation Capitalsm & Strategic Return on Investment
- When does a strategic investment relationship make sense?
- Risks & Challenges
 - Corporate Investor
 - VCs
 - Entrepreneurs
- Risk Mitigation
 - Corporate Investors: Preparation & Focus
 - VCs & Entrepreneurs: Securing the value proposition
- Synchrony Services

Innovation Capitalsm & Strategic Return on Investment

Innovation Capitalsm

- Invest should support a partnership with *specific business goals*.
- Invest only alongside financially-motivated (non-strategic) investors

Strategic Return on Investment (SROI)

The value created by partnering with portfolio companies

Some Examples:

- Exclusive capabilities
- Increased revenues
- Cost reductions
- Market intelligence
- Exposure to new markets
- Decreased time-to-market
- Broadening of options
- Greater capital efficiency

When does a strategic investment relationship make sense?

Entrepreneur:

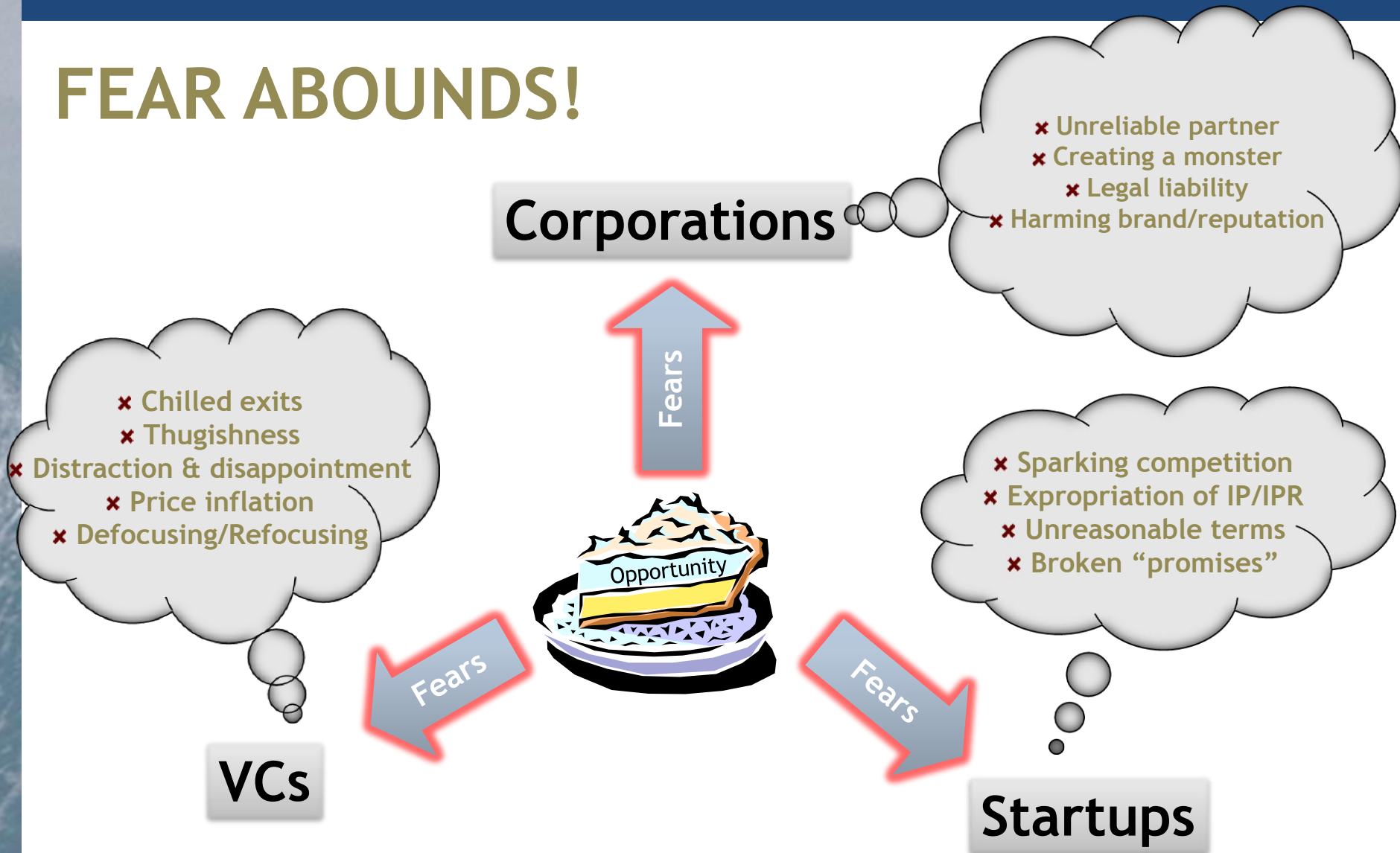
- Late-stage commercialization
- Initial market engagement
- Seeking validation with financial venture capital investors
- NOT AS A PRE-CURSOR TO AN ACQUISITION

Corporate Investor

- New non-proprietary capability
- Cross-applicable technology
- Technology option or hedge
- Unfamiliar technology
 - Particularly one that will need to continue to evolve
- NOT AS A PRE-CURSOR TO AN ACQUISITION

Counterparty Sensitivities & Risks

FEAR ABOUNDS!



Risk Mitigation: A matter of discipline

VC's

- Lead the deal
- Stay close to CVC actors
- Keep PC realistic
- Carve-out opportunity niche for corporate investor
- Respect protective covenants
- Ensure that partnership is baked into the plan

Corporation

- Be very clear about deal terms
- Ensure internal alignment & resources
- Budget for flexibility
- Craft win/win deals
- Respect need for an exit

Start-up

- Practice information hygiene
- Don't depend on corporate deal
- Be very clear about deal terms
- Don't overpromise
- Communicate early & often



CVC group must channel & buffer the concerns of
all three stakeholders

Synchrony Venture Management

Services

Strategic Investment Assessment: phased viability, strategy & blueprinting process

Benefit - objective external strategy & feasibility review done through professional eyes

Strategic Investment Program: long-term partnership to manage CVC program

Benefit - Professional management, industry-appropriate structure & processes

Synchrony Advantages

- Bridges the culture between VCs and Corporations
- Professional capabilities and VC market acceptance
- Discreet benefits of externalization
 - Aligned incentives
 - Conflict minimization
 - Greater objectivity/few political conflicts
 - Tax & reporting advantages
 - Liability shield
- Better, faster, cheaper implementation