

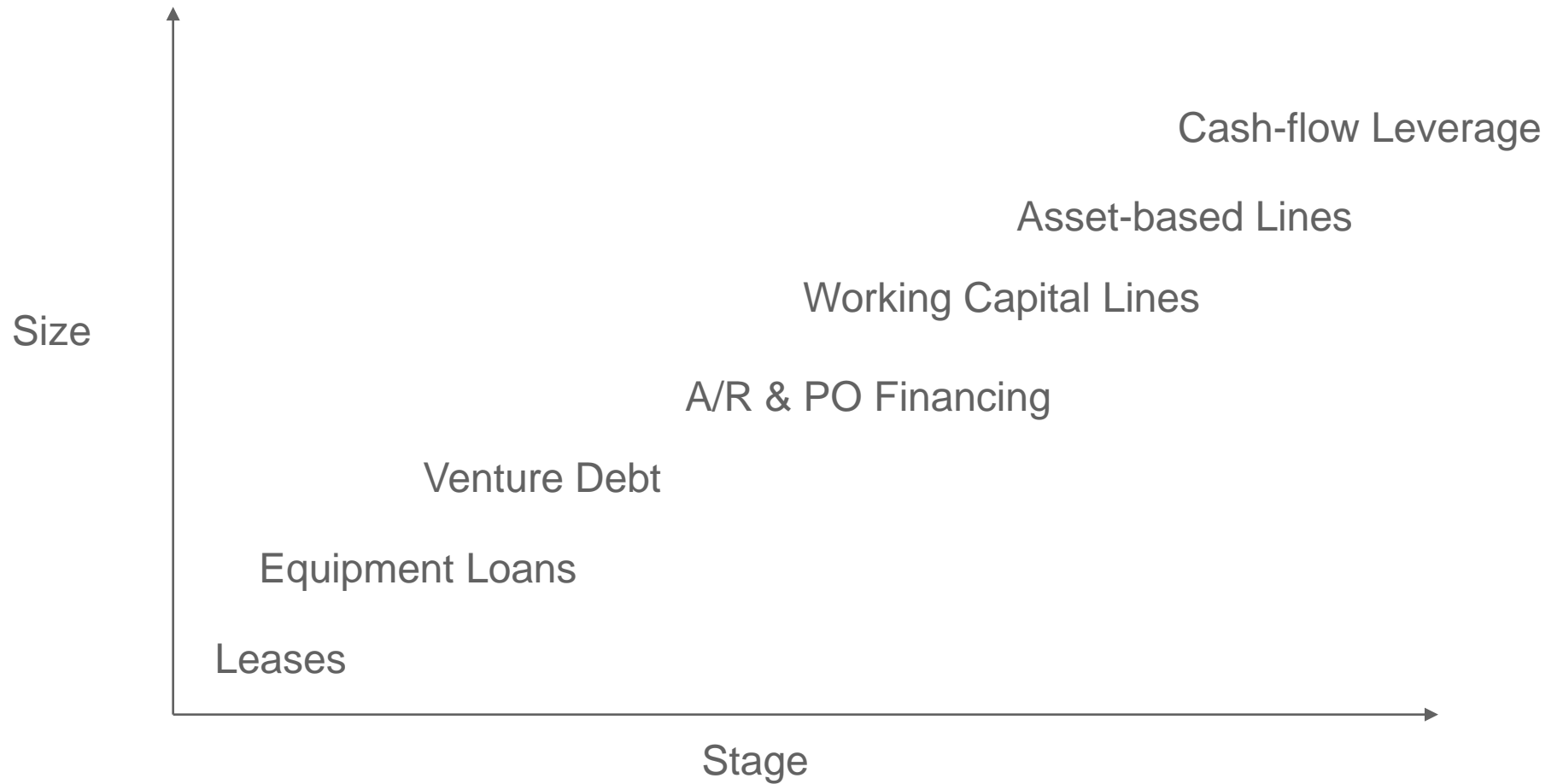
How Venture Lenders Value IP

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The Credit Food Chain (by size & stage)



Two Sources of Repayment (The Traditional Credit Model)

- Primary: cash-flow
 - Question: what is the probability that cash-flow will be sufficient to support operations and repay the loan?
- Secondary: collateral value
 - Question: what is the probability that the liquidation value of the assets would be sufficient to repay the loan should the cash-flow prove insufficient?

Two Sources of Repayment

(A Variation on the Theme – venture lending)

- Primary: cash-flow from future equity
 - Question: what is the probability that the investors will provide additional equity sufficient to support operations and repay the loan?
- Secondary: enterprise value
 - Question: what is the probability that the enterprise value (IP, customer base, licenses, etc.) is sufficient to repay the loan should the venture support prove insufficient?

COMPANY A

- Founded: 2006
- Business Description: Provider of enterprise incentive management solutions
- Amount Invested: \$5.8MM
- Company Outcome: Sold to a company in a similar space
- SVB Outcome: Bank recovered most of the outstanding loan

COMPANY B

- Founded: 2006
- Business Description: Developer of wireless routers for use in 4G networks
- Amount Invested: \$18MM
- Company Outcome: Liquidate Assets
- SVB Outcome: Bank wrote off entire loan

COMPANY C

- Founded: 2006
- Business Description: Provider of software and content for wireless digital picture frames
- Amount Invested: \$5MM
- Company Outcome: Competitor acquired IP
- SVB Outcome: Bank was made whole