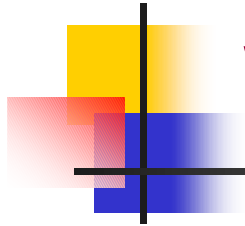




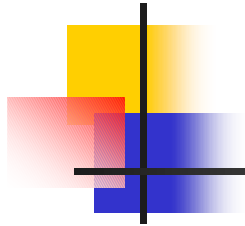
How to Raise \$100+ Million

Stanley N. Lapidus
Helicos BioSciences
Cambridge, MA



Who am I?

- Founder and CEO:
 - Itran Corporation (NASDAQ: ROBV)
 - Cytec Corporation (NASDAQ: CYTC)
 - EXACT Sciences Corp (NASDAQ: EXAS)
 - Helicos BioSciences, Cambridge, MA
- Venture Partner:
 - Flagship Ventures, Cambridge, MA
- Faculty:
 - Tufts Medical School
 - MIT Sloan School



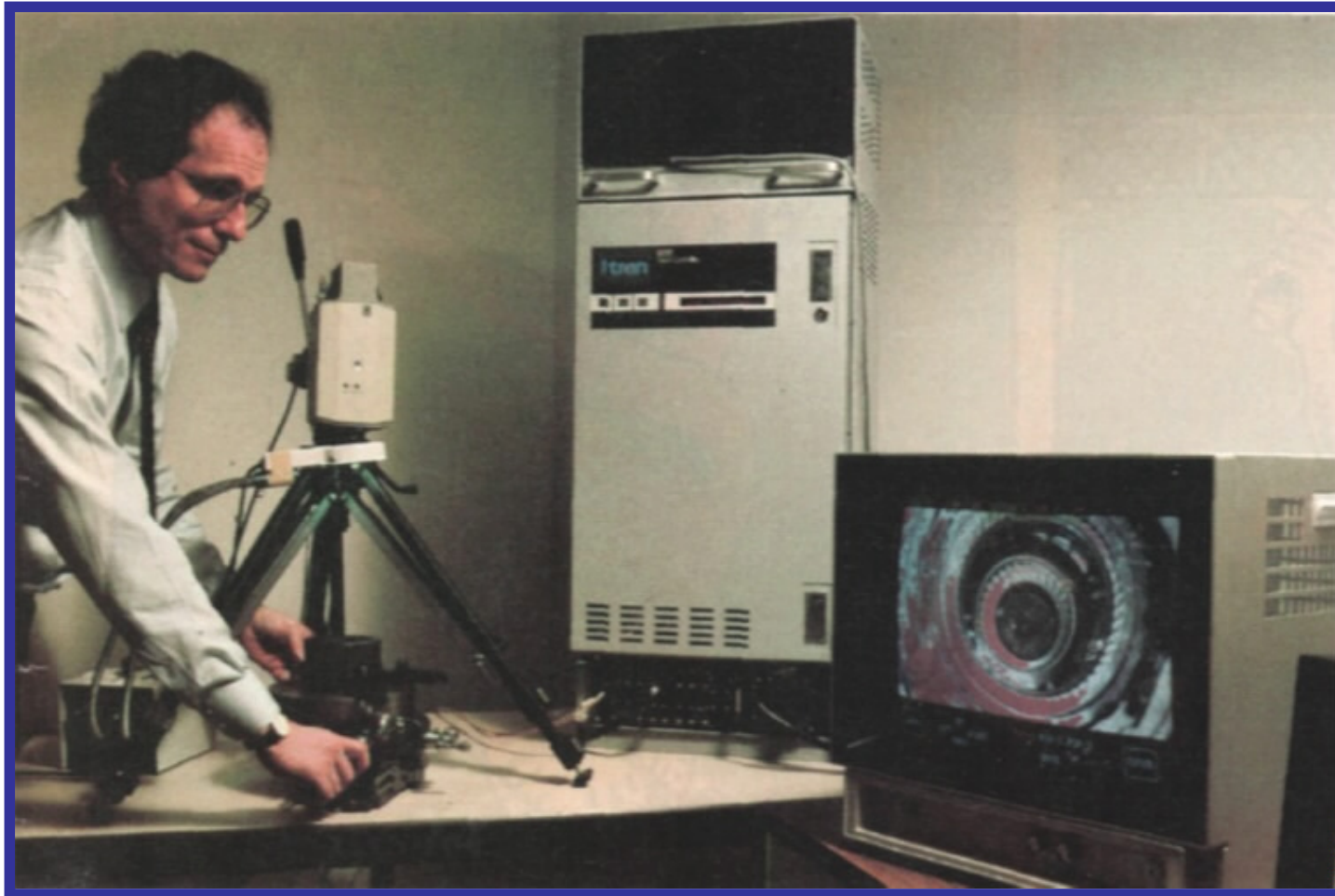
Outline

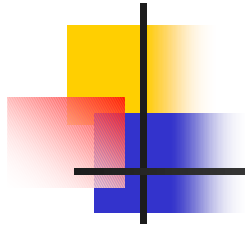
- Business Overview
 - Ittran
 - Cytyc
 - EXACT
- Lessons learned
- Raising the money



Itran Corporation

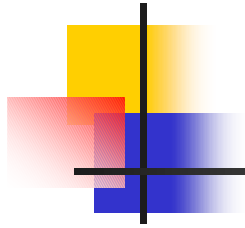
Computers that see





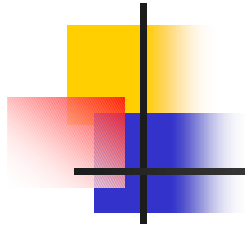
Factory applications

- Mechanical assembly
- Fit and finish
- Chip alignment
- Drug packaging



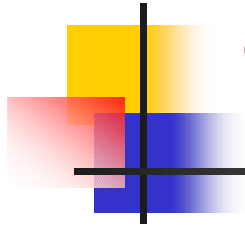
Environment

- 200 competitors
- 1 patent--not that significant
- Large but fragmented market



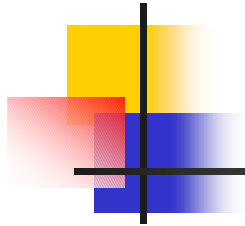
Our message:

- Machine vision that is:
 - Robust
 - Rugged
 - Easy to Use



The problems

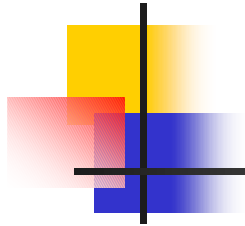
- Cyclic nature of our customers' business
- No recurring revenue
- Non-standard applications
- Really, really fragmented market
- No way to measure value



How we made out:

- Not really much fun
 - Founded 1983
 - Acquired in 1995
- Each of us got to do it again
- We didn't stay friends
- Merged business to Robotic Vision Systems (market cap of \$21 million)





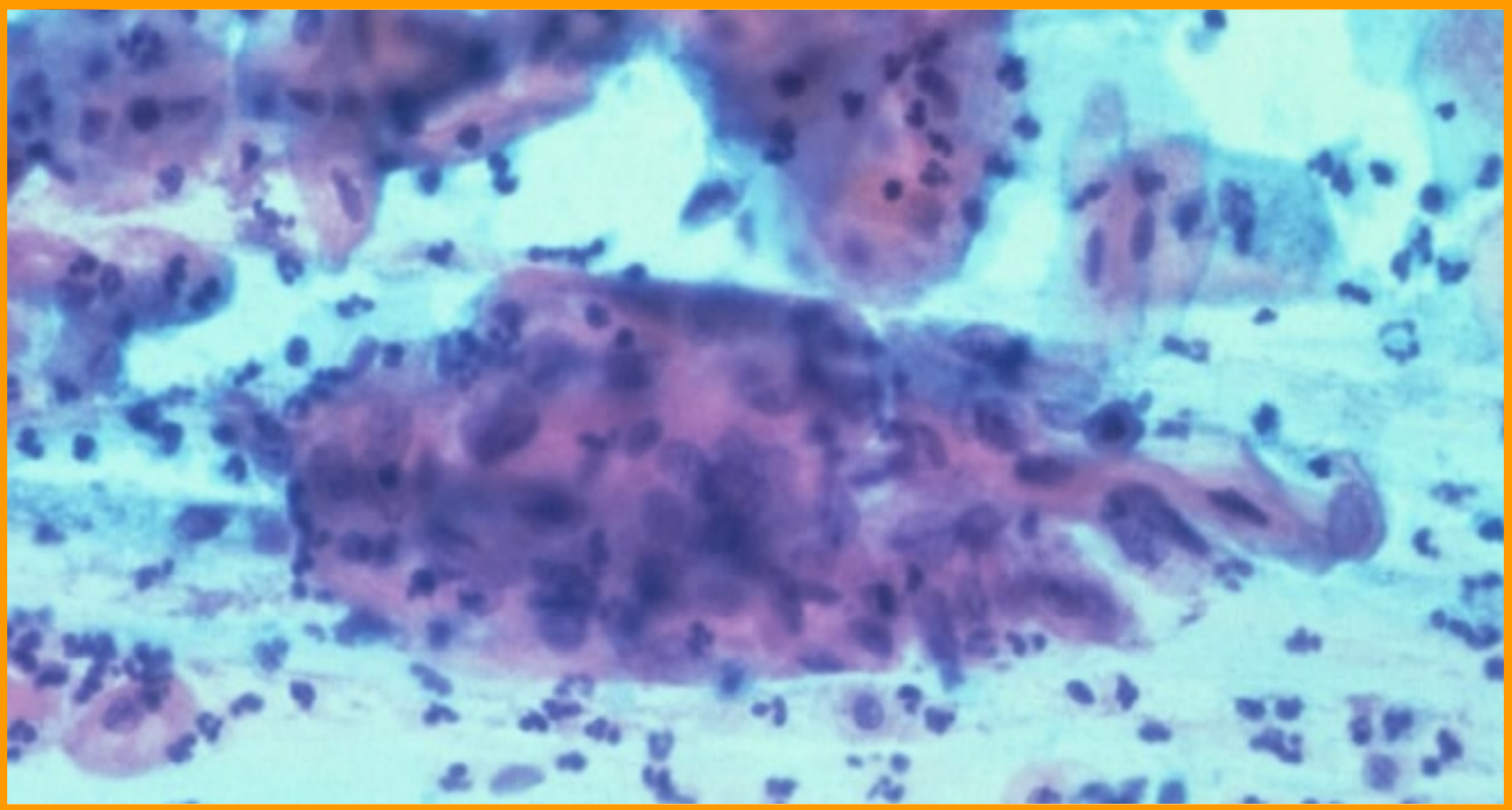
Cervical cancer

- 1940's: The deadliest cancer in women
- Pap smears have lowered rates of mortality, but
- Pap smears are very error prone:
40% of positive slides are missed

Traditional Pap Smear



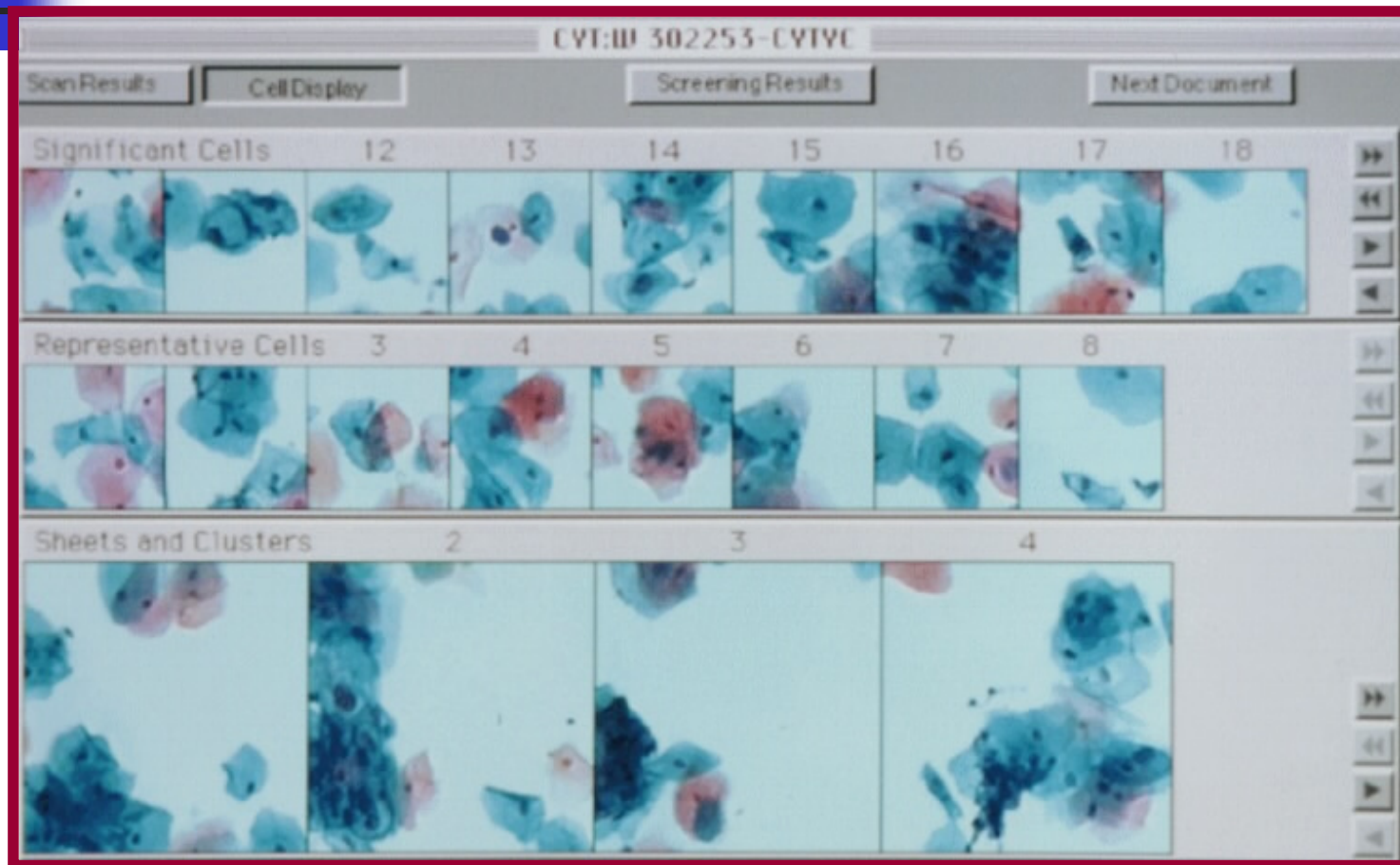
Smear slide



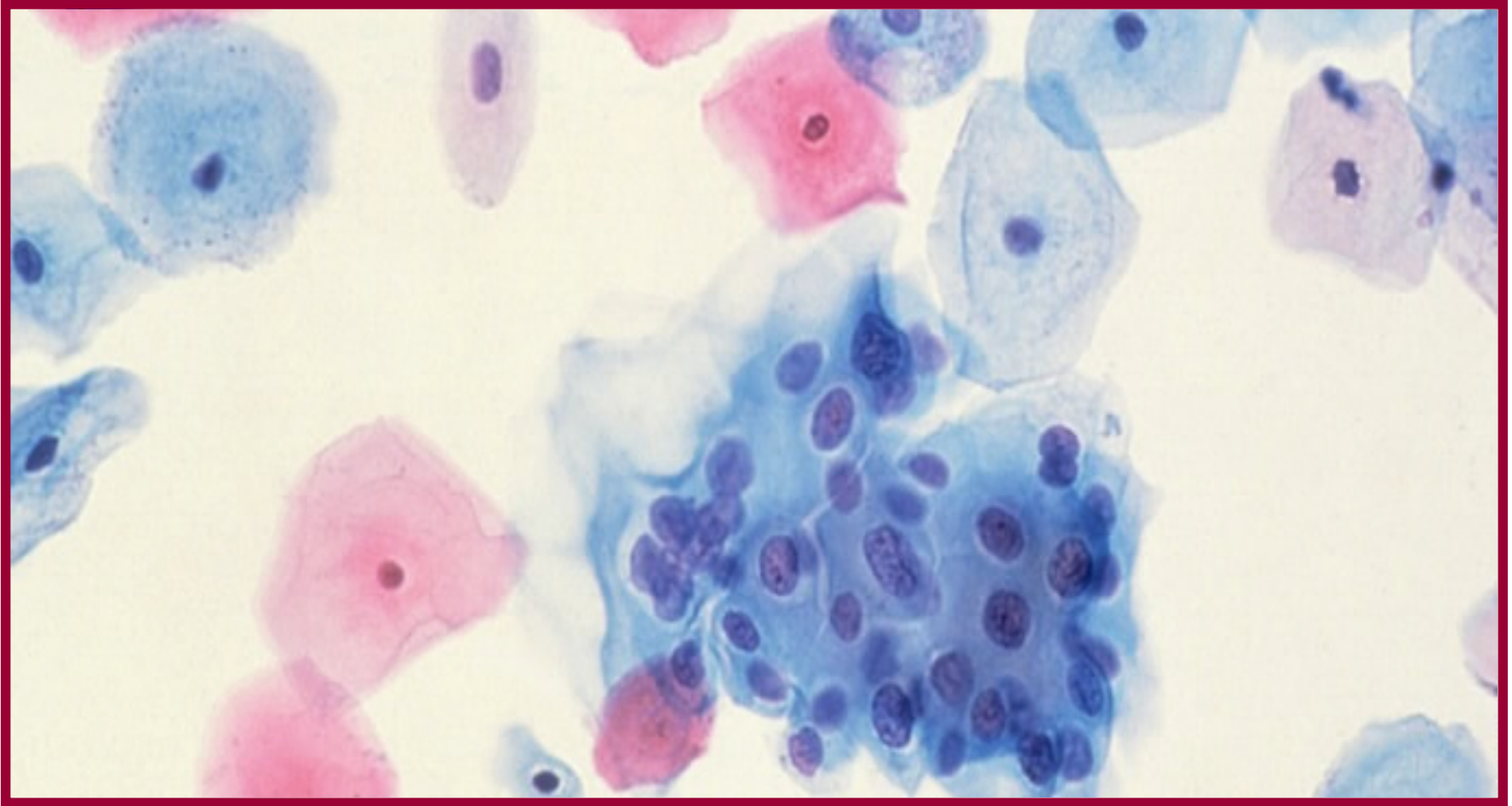
Automated microscope



Automated classification

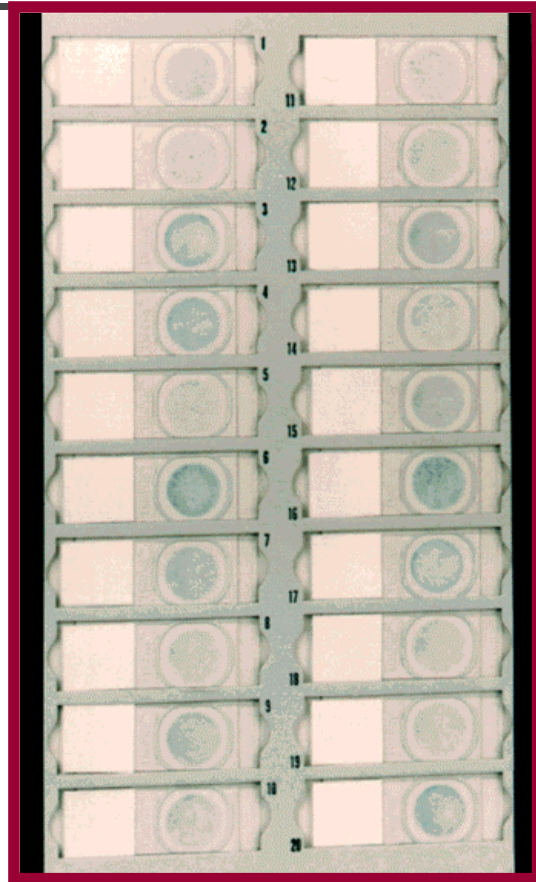


ThinPrep® slide

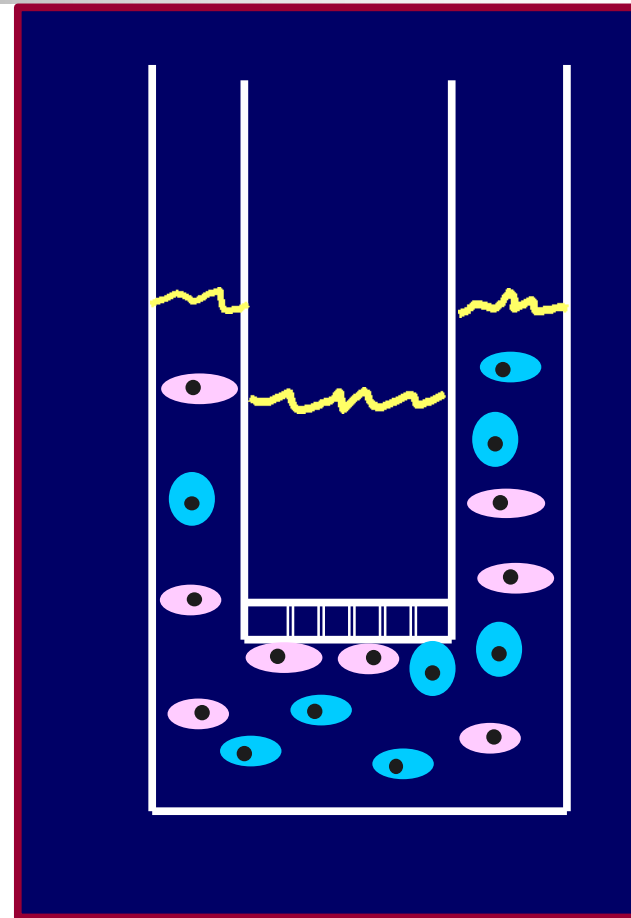




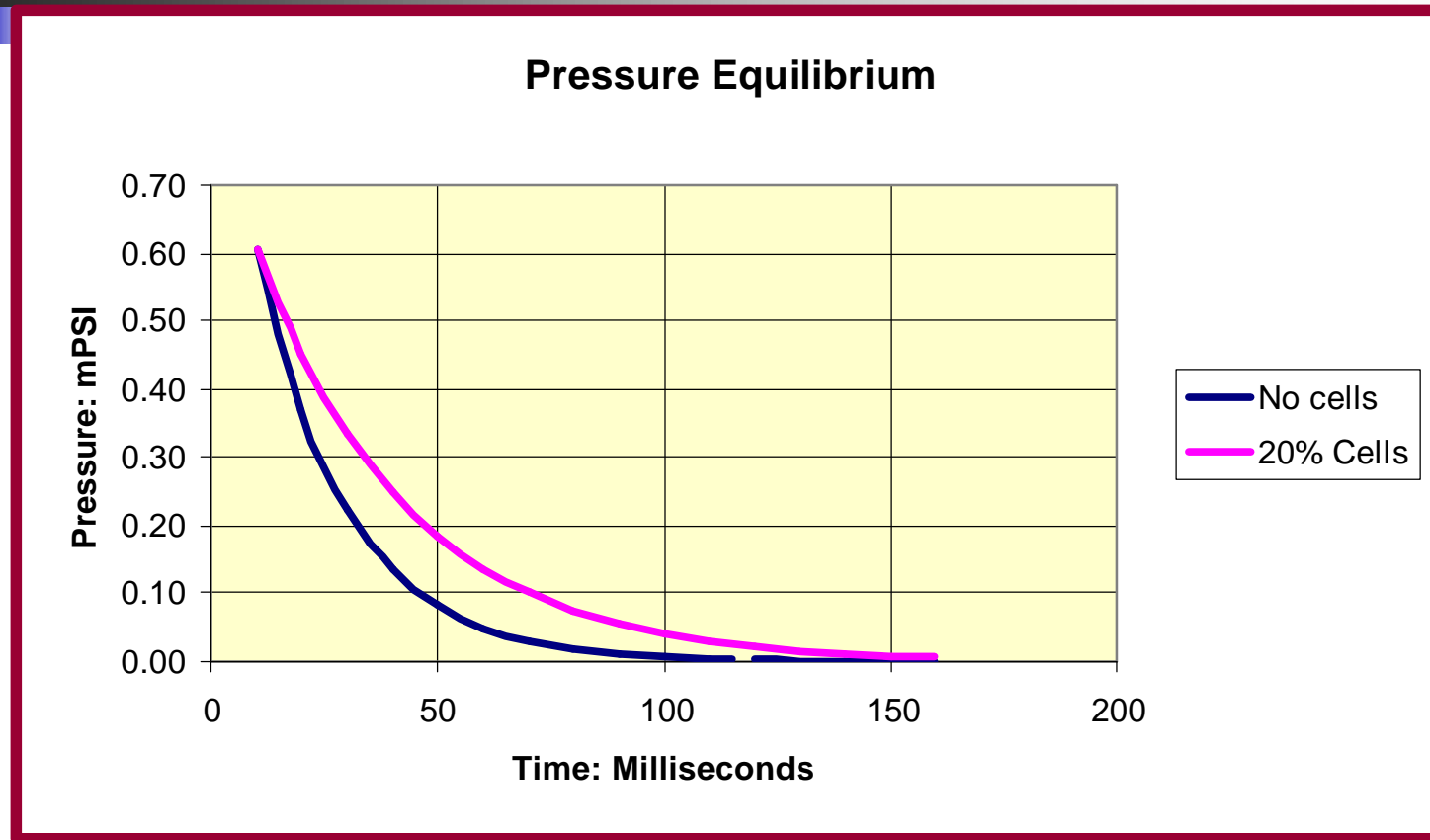
ThinPrep[®] slides



ThinPrep[®] principle

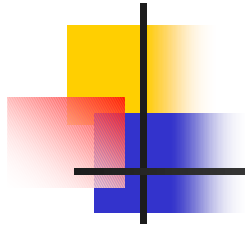


Equilibration time:



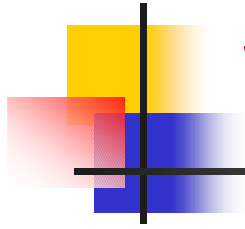
ThinPrep® Processor





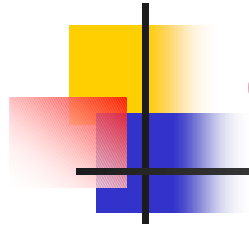
Results

- 3X-4X reduction in screening errors
- FDA approved as the first improvement in Pap testing in 50 years
- Public offering in 1996
- \$250 million sales rate and growing!!
- Declared a monopoly by FTC
- \$3.65 billion in market cap (peak)



What next?

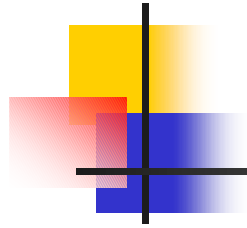
- What deadly cancers are there for which early diagnosis might make a difference?
- And for which cytologic methods might be useful?



Cancer mortality

- Lung and respiratory
- Colorectal
- Breast
- Prostate

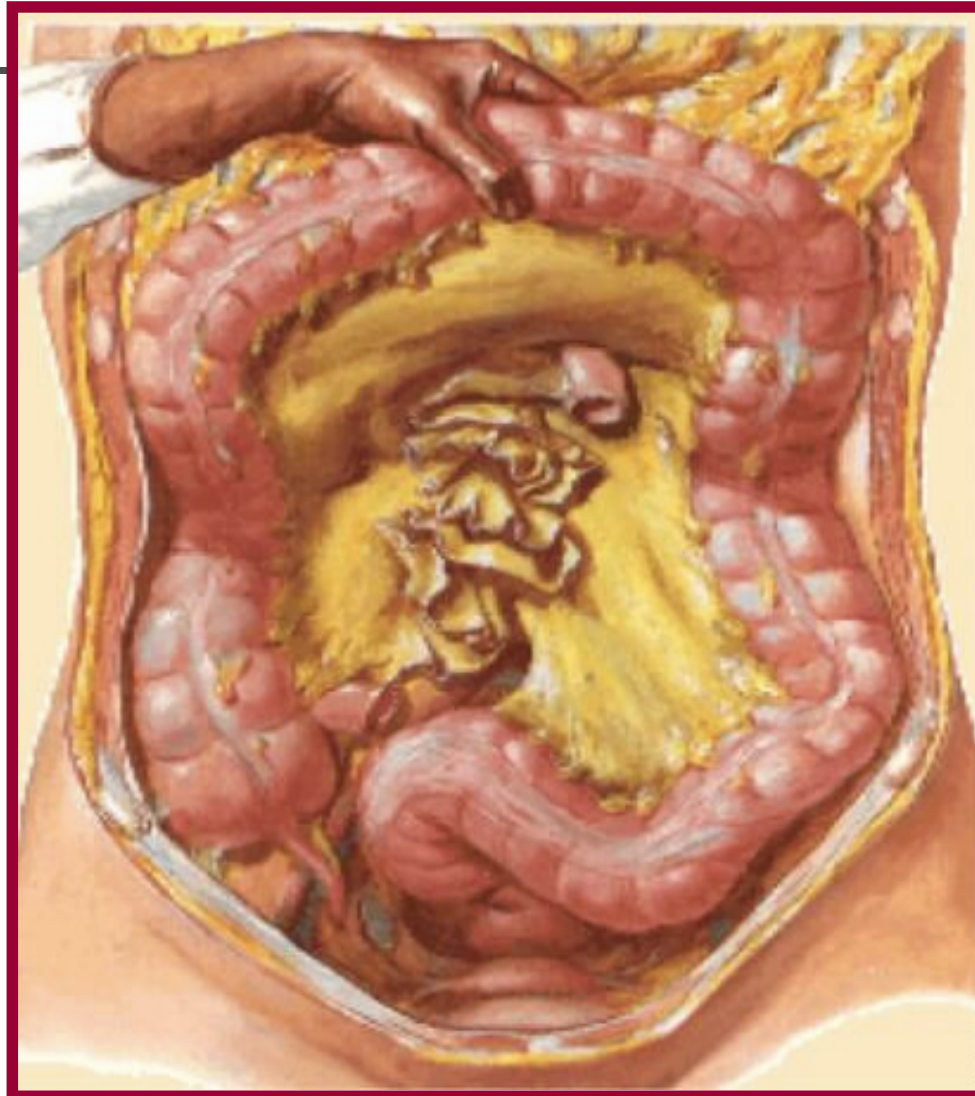
Interesting unsolved problems



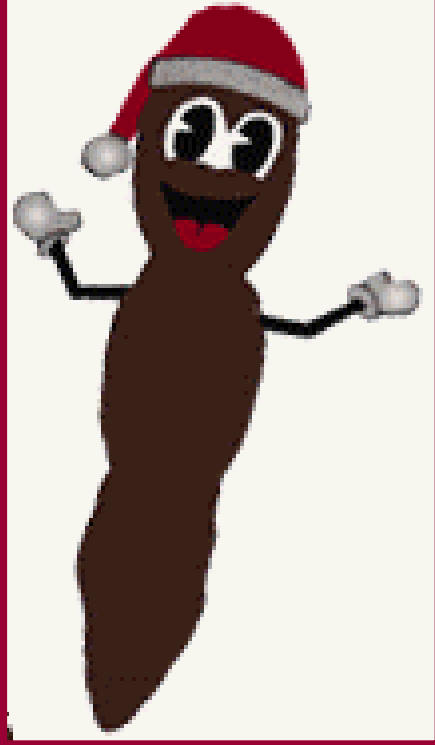
Colorectal cancer opportunity

- 75 million Americans age 50+
- Tested every three years
- At \$250 per test
- \$6.25 billion annual market

The Problem

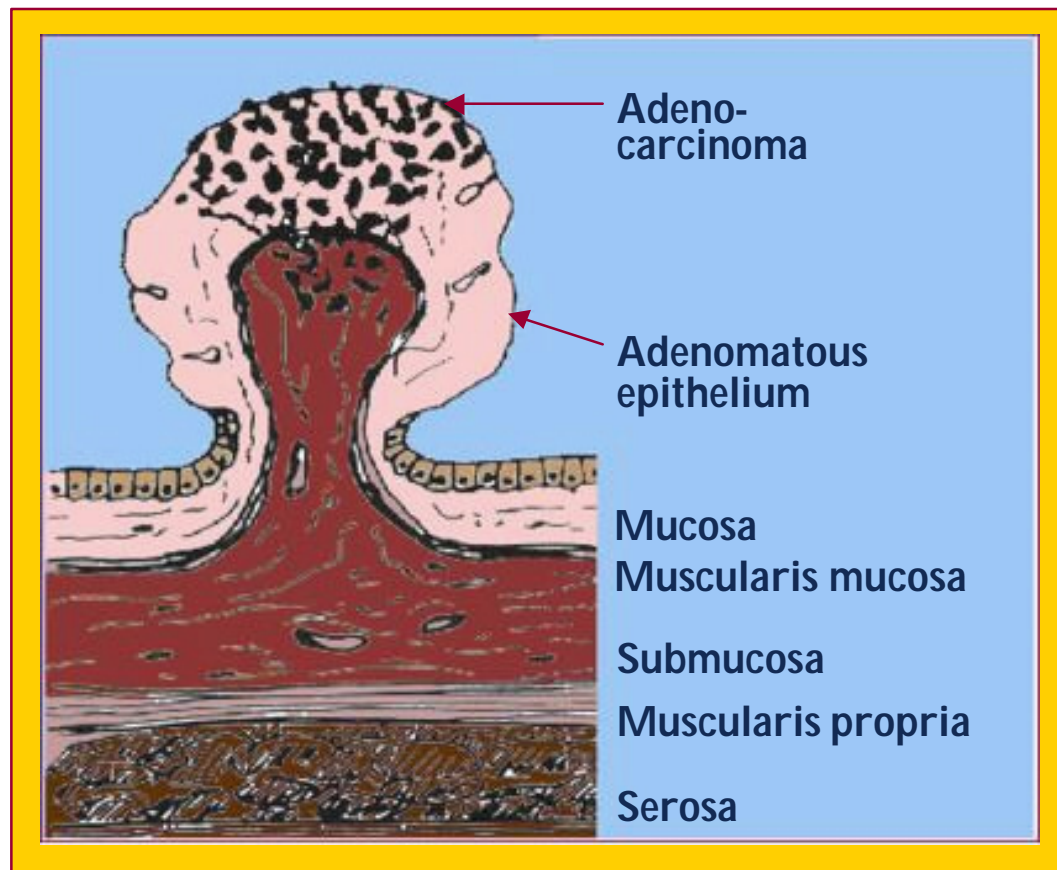


The Answer...



- Collects cells from all of colon
- Cells might be preserved
- Certain difficulties in handling specimen
- Cytologic identification of abnormal cells

Adenomatous Polyp



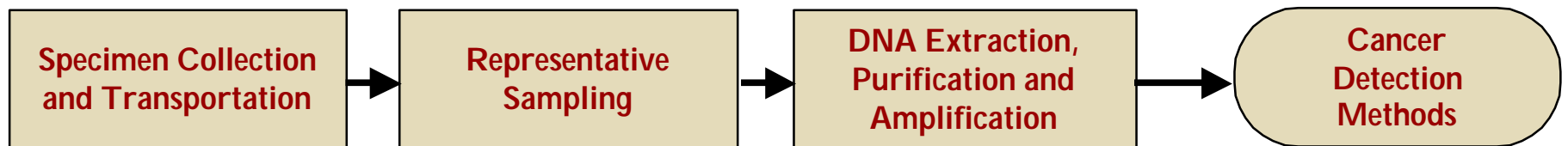
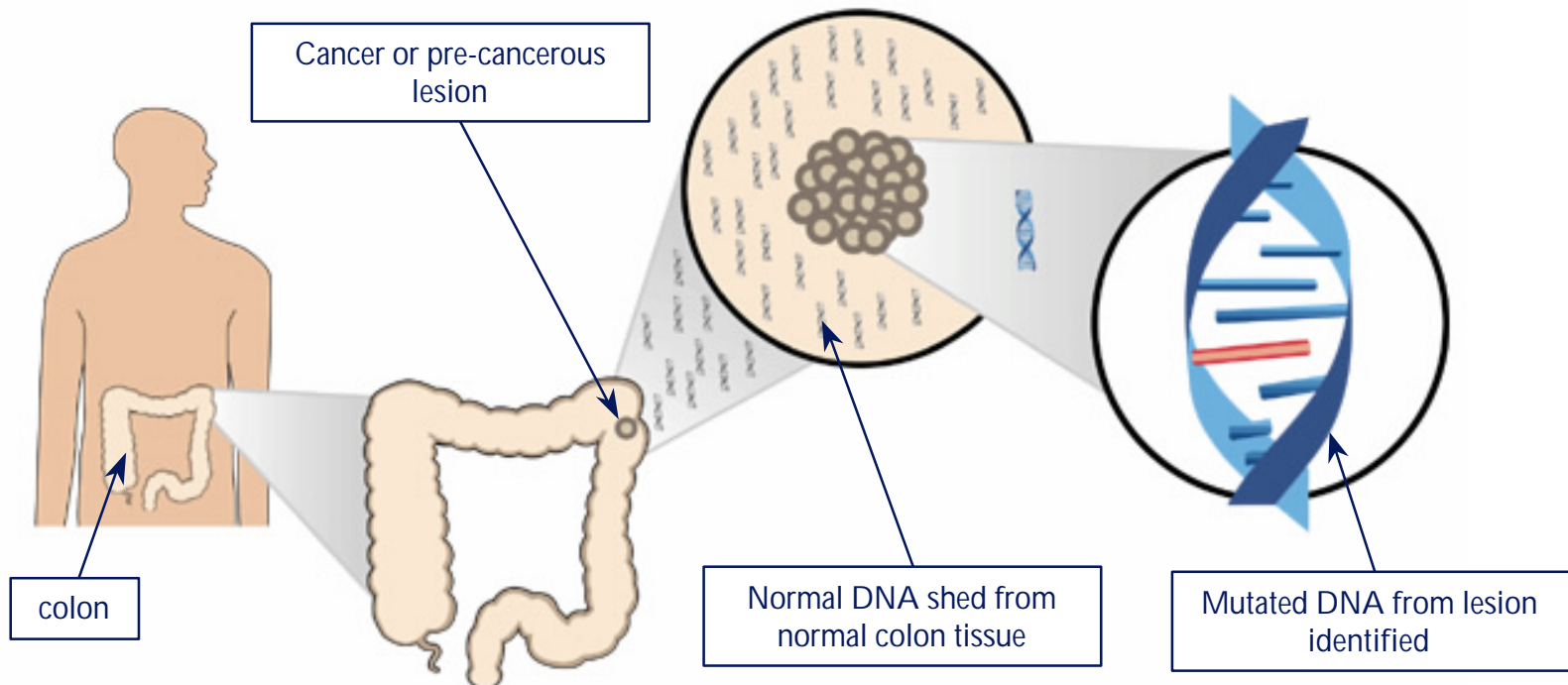


When Cytology Didn't Work

- We tried DNA
- Seems to work well
- Invented lots of stuff:
 - 20+ issued patents
 - Many more patents pending
- Broadly applicable to early detection



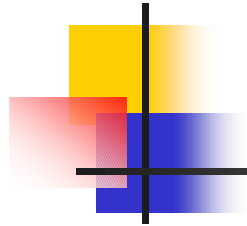
EXACT's Approach





How well does EXACT work?

- EXACT:
 - Sensitivity: 72%-91%
 - Specificity: 90% - 100%
- Sigmoidoscopy:
 - Sensitivity: 40%-50%
 - Specificity: 95%
- FOBT:
 - Sensitivity: 25%-35%
 - Specificity: 90%-95%

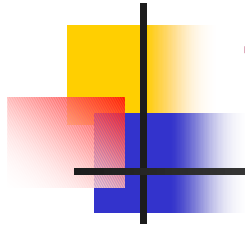


How things are turning out

- Publications in top journals
- \$91 million deal with LabCorp
 - Commercial release in 2003
- IPO in 2001
 - But stock is volatile
- Venture guys hit 100% CAGR

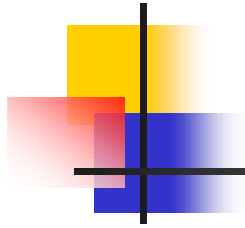


Lessons Learned



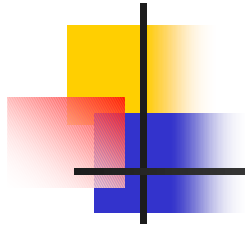
Top lessons (20 years)

- Huge Market
- Clear value proposition
- Proprietary edge



Huge market

- Medical devices: Billion \$\$ threshold
- Segments for which you're uniquely qualified and dramatically better
- Readily quantifiable



Clear value proposition

- Itran's was not
- Cytyc and EXACT have clear value
- Ideally, there should be a clear metric for the value proposition

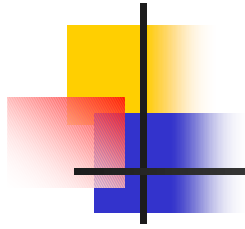


Proprietary edge

- Patents
- Licenses/Permits
- Distribution channel

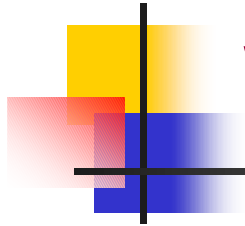


Raising the Money



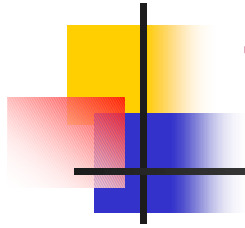
Do you have a philosophy?

- Should you get one?
- Mine:
 - Huge market
 - Clear value proposition
 - Proprietary edge
- You need your own



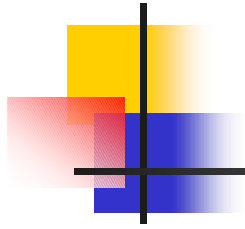
What to tell 'em

- You can only teach people what they almost know
- Never use jargon unless you're sure your audience understands it
- Focus on big concepts first



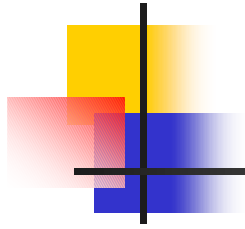
The value proposition

- For many deals, this is the key to raising the \$\$\$
- Once this is clear, focus on:
 - Technology
 - The market
 - The business model



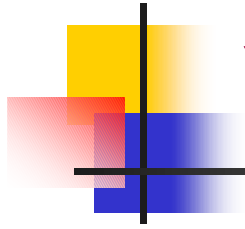
Invest your own money

- Do it at your level of pain
- But do it
- Then get your team to do it



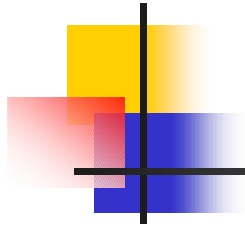
Get properly introduced

- It's amazing how:
 - Little time is given to "over the transom deals"
 - Much durability there is to mediocre deals which *are* properly introduced
- Who should introduce you:
 - VC of the same or higher caste
 - Entrep who has made \$\$\$ for investors
 - Scientific or engineering advisor



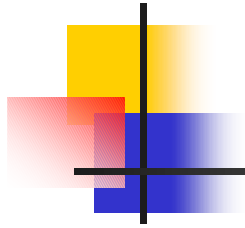
You're a businessman

- Make sure you're perceived as a business expert
- Not merely as a functional expert
- Your background should be unguessable



Know your numbers

- Inspires confidence
- Differentiates a true CEO from a technical or marketing wannabe
- Because it means you understand your business model



Creating momentum

- Demonstrate your personal knowledge of leaders in industry and academia
- Great advisory boards precede great staff



Hollywood: You're only as good as your last movie

- What to do if your last company was a flop?
 - Just say so
- Extol the benefits of scar tissue:
 - Explain what you learned
 - And what you'll do differently
 - How hard you'll work



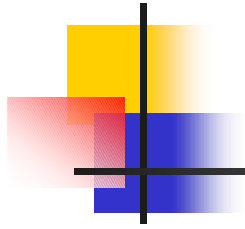
How a VC reads a plan

- Team
- Investors
- Opportunity
- Technology



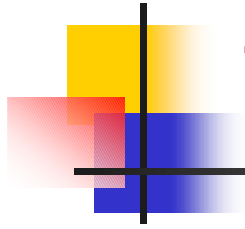
Role of the team in fund raising

- None—until later stages
- It's a one man show
- Or not



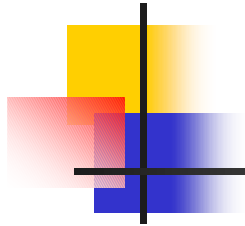
Energy and passion

- Write e-mail at 2:00 AM
- Offer to meet at 6:00 AM for bkfst or 9:00 PM for dinner
- Only give out your cell phone, which you should always carry
- NEVER say you can't do something because of anything short of a death in the family



The negotiation

- Don't quibble over price
- Go for terms



Summary

- Develop a philosophy
- Speak at your audience's level
- Focus on the value proposition
- Invest your own \$\$
- Get properly introduced
- Come across as a businessman
- Know your numbers
- Create momentum
- Display energy and passion
- Be a smart negotiator

Entrepreneurship is a wonderful
adventure...

Aim High!

