

Western Mass Venture Forum NEWS

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Forum Presentation Yields \$2.45M Investment

CASTion Corporation of Ludlow, Massachusetts has announced the successful closing of a total of \$2.45 Million in new investment in the Company. CASTion's President & Chief Executive Officer, John Gannon, announced that a group lead by Spencer Trask Specialty Group in New York City, together with current investors, have closed on the transaction.

Gannon noted that the closing on this new investment came as a direct result of his presenting CASTion's business plan at the September 25, 2001 session of the WESTERN MASSACHUSETTS VENTURE FORUM. The CASTion Plan was referred to Spencer Trask Specialty Group by the Venture Forum as part of its plan review process. Spencer Trask and about 90 other funding sources are registered with the Venture Forum to receive plans.

Spencer Trask Specialty Group Managing Director, Scott Leishman, noted that their involvement with the Western Massachusetts Venture Forum enhances the efficiency of their operation. "We know that when the Western Mass Venture Forum sends us a business plan, it

continued on Page 2

March 26

MoneyTree Review & ZOGRAPH

The March 26 session of the Venture Forum will feature a presentation of the latest PricewaterhouseCoopers/Venture Economics/National Venture Capital Association/MoneyTree Survey. The MoneyTree Survey reports venture capital activities regionally and nationally.

The plan presentation will be by David Wigder, CEO of ZOGRAPH, a technology company based in Northampton. Zograph offers technology which creates a universal platform for 3D digital imaging with unparalleled realism. Near-term Zograph products include 3D electronic displays and print media. Zograph's technology surpasses every current 3D technology in terms of its performance, functionality and versatility. It is compatible with existing 3D content and applications, and has been described as the optimal solution to 3D imaging. Zograph seeks up to \$1,000,000 in interim equity financing.

Rajan Parmeswar, Assurance and Business Advisory Services Partner at PricewaterhouseCoopers LLP will make the MoneyTree presentation. Rajan is a partner in the

continued on Page 2

January 22 Forum Notes:

The January 22 Venture Forum was moderated by Thomas H. Themistos of Themistos & Dane, P.C. Themistos introduced the Forum's featured speaker - Jim Ayraud. Ayraud, the President of Next Level, Inc., spoke on sales. Having been involved in sales at all levels of business, Ayraud acknowledged that sales has a negative connotation. Ayraud described the importance of having all the officers of small or start-up businesses involved in selling. It is also important for businesses to have a defined selling process. Only 15% of companies have a defined sales process; 85% wing it.

Ayraud noted that the greatest barrier is the seller's self limiting beliefs. Ayraud subscribes to the "act as if" attitude. If you act as if - you're good, you're rich, you know what you're talking about - people will believe it. He also subscribes to his own "80/20 Rule" of selling. 80% of selling is conceptual, 20% is technical. People fail in sales because they don't pay enough attention to the conceptual. People want to buy for their reasons and no one else's. People also want to buy from people they like. Sales is 70% listening and only 30% talking.

There were two business plan presentations. The first was presented by ZFORM - a software company with the goal of bringing the blind, visually impaired, and sighted together

continued on Page 2

Fast-Growth Companies

Nibble At Financing

Rajan Parmeswar, CPA
PricewaterhouseCoopers

America's fastest growing companies, product and service sector businesses alike, are beginning to explore attractive, lower interest rates with the lowest spread above prime in a year. New borrowers stand out in a crowd because they sense a shift in the momentum of their business, and are ready to invest in an array of new initiatives. These are highlights of the latest PricewaterhouseCoopers "Trendsetter Barometer."

Overall, 27 percent of fast growth companies reported new financing activity in 4th quarter, 2001, including 23 percent that completed a new bank loan and/or ten percent other financing.

Part of the attraction of new borrowing was substantially lower rates. Interest paid by Trendsetter companies dropped 161

continued on Page 2

Forum Presentation Investment - continued

means we can get on with the business of deciding whether we are interested in the specific proposal," said Leishman. "Plans from the Western Mass Venture Forum hit my desk pre-qualified, which means our first look is a more serious one than with plans which just come over the transom. I can honestly say that investing in Western Massachusetts would not be on our radar screen without our involvement in the Western Mass Venture Forum."

Paul Nicolai, President of Nicolai Law Group in Springfield, a Forum Sponsor and Chair of its Business Plan Review Committee, noted that the Western Mass Venture Forum gives businesses with a need for capital the exposure they need to get it. "Credibility is a key to successful business financing," said Nicolai. "We take every step we can to make sure that investors getting plans from the Forum can rely on the fact that we have ensured it's within the scope of their portfolio. This means the plan hits the investment community with a leg up and will get serious consideration."

Massachusetts Technology Development Corporation, another Forum sponsor, is an investor in CASTion and will participate with Spencer Trask in this additional round. "We're proud of the fact that the Western Mass Venture Forum gave us the opportunity to convince a Wall Street player in the soundness of the CASTion opportunity," said MTDC Executive Vice-President Robert Crowley. "Our participation in the program at American International College is certainly returning dividends," he noted.

Dr. Trudy Somers, Dean of the American International College School of Business, another Forum Sponsor, noted that the College's involvement in the Forum "is a way to make sure our programs remain grounded in the reality of the capital raising process. Theoretically, anything is possible. Practically, only what makes sense and has the potential for making participants money happens," she noted. "The Venture Forum shows our students how capital is really raised and what it takes to succeed, making them prepared for involving themselves in the real world of business."

Growth Company Financing - continued

basis points, quarter-to-quarter, to a composite 5.48 percent-- 44 percent lower than a year ago (9.85 percent). The latest spread between the interest rate charged and the prime rate was 0.48 percent, the lowest it has been in a year. Overall, product companies paid slightly less than service businesses for their money: an interest rate of 5.44 percent, versus 5.51 percent, respectively.

This modest rise in new financing activity could be the start of a coming out party for those previously hunkering down and avoiding debt. There may be a signal here that the price of money, including the spread above prime, is finally attractive

enough, and, there is enough comfort with the economy's prospects, to warrant some action.

Profile of New Borrowers

Trendsetter companies completing new loans or financing this quarter grew at a below-average rate in calendar 2001-- 11.4 percent, versus 13.3 percent for their peers. But they are now expecting to shift momentum and grow at a slightly above-average rate over the next 12 months-- 15.3 percent, versus 14.6 percent for the others. And, more of them are planning major new investments of capital over the next 12 months: 45 percent, versus 38 percent for the others, though both groups expect to spend at the same level, 12.6 percent of revenues.

More new borrowers are also considering an array of business initiatives for the year ahead, including: new strategic alliances, 52 percent (13 points higher than their peers); new joint ventures, 41 percent (16 points higher); purchase of another business, 25 percent (five points higher); expansion to markets outside the

Sponsor Highlight

Massachusetts Technology Development Corporation (MTDC) is a Boston-based leading edge venture capital firm that addresses the "capital gap" for start-up and expansion of early-stage technology companies operating in Massachusetts. MTDC has invested more than \$46 million in 105 companies. MTDC's typical investments range from \$100,000 to \$500,000 and are primarily equity-based.

There are 38 companies in MTDC's portfolio representing companies like CASTION Corporation and Clarity Imaging Technologies, Inc., both in Western Massachusetts. Candidates should have a technology component and a business-to-business focus. There is no application fee. MTDC makes investments on written business plans.

For more information contact Robert Crowley, EVP at rcrowley@mtdc.com.

U.S., 24 percent (five points higher)--even IPO consideration was greater, nine percent (three points higher).

These look like companies with pent-up needs that went unsatisfied during the business slowdown, when the risks of financing were perceived to be greater, and the price of money was too dear.

Non-Traditional Financing Still An Option

One-sixth (17 percent) of Trendsetter companies are planning to explore non-traditional sources of financing over the next 12 months (unchanged from the prior quarter), including "angel" investors, ten percent (up two points); venture capital, eight percent (off one point); and a private placement, five percent (off two points). These companies are not abandoning their flirtation with non-traditional financing, even though traditional sources are becoming more attractive. When playing catch up, you need to keep all your options open.

Cash Flow Financing Also Attractive

Cash flow financing also remains a viable option. As their prices held relatively stable in the prior quarter, three percent fewer Trendsetter companies had their costs go up, while an additional six percent saw their costs decrease--for a net of nine percent with downward shifting costs. Although profitability remains a major concern of 32 percent of these fast growth companies, this is down from 36 percent, period-to-period, another sign that these companies have the flexibility to draw upon some self-financing.

PricewaterhouseCoopers' Trendsetter Barometer is developed and compiled with assistance from the opinion and economic research firm of BSI Global Research, Inc.

March 26: MoneyTree & ZOGRAPH - con't.

Connecticut Technology Group which has over 60 professionals, and is integrated with the PricewaterhouseCoopers National Technology Practice. The Connecticut Technology practice comprises over 100 technology clients, of which approximately 50% are currently venture funded.

Rajan has over 13 years experience with PricewaterhouseCoopers, and his clients include Proton Energy Systems (NASDAQ), Andersen Group (NASDAQ), Allied Group Inc., Metaserver Inc., Axiom8 and Optasite Inc. In addition to his technology industry responsibilities, Rajan is also the engagement partner for JH Whitney Funds, High Ridge Capital Partners, Village Ventures and Prospect Partners. Rajan has also served as the engagement partner for other major clients, including MassMutual Financial Group, HSB Group Inc. and Industrial Risk Insurers.

January 22 Session Notes - continued

through online games. President Paul G. Silva described the company's successes in developing software, from the ground up, that will achieve this goal. ZFORM is seeking \$500,000 to \$1 million to hire a CEO and develop and market a line of products. The company plans to develop new games every 6 months.

The second business plan was presented by GREASECAR. Justin Carven described how GREASECAR has completed research and development and is now selling kits which convert diesel powered vehicles so that they can run on waste vegetable oil. GREASECAR's innovative conversion kits have been featured in various publications. Now ready to gear up production and marketing, GREASECAR is seeking \$150,000.

The review committee included Jim Ayraud, Joe Minton of Cyberlore Studios, Inc. and Joseph Steig of Hot Roof, Inc. The panel asked both presenters about their plans including the practical applications and appeal of their products and distribution. The panel provided the presenters with valuable advice about product focus, public relations, competition and risks of strategic alliances and partnerships.