

**Personal Notes, Nick Lawrence**  
**MedTech New Ventures Conference**  
**Presented by NTEC, Inc.**  
**Wednesday, July 29, 2009, 7:00am-3:00pm**  
**Embassy Suites Hotel, Frisco Conference Center**

I set up a half exhibitors table at the conference with an MIT banner in school colors. I had available the one page handout on our August 13, 2009 event, "Energy Innovation & Entrepreneurship," taken from [www.mitforum.com](http://www.mitforum.com).

We had a couple of dozen people stop at the table to talk. I saw currently active members Karl Fultz, Barry Stevens, and Margarita Dunina-Barkovskaya. Former MITEF/DFW Board Member Connie Luthy came by. I talked with a couple of people who claimed former association with MITEF/DFW, but I didn't get their names. The rest were persons interested in who we are and what we're doing. I made sure they had information about our website and our upcoming event.

**Price Waterhouse** representative reported on the state of Venture Capital today. Some highlights:

Q2 2009	\$3.7B	612 deals
Q1 2009	\$3.2B	603 deals
Q2 2008	\$7.6B	1059 deals

See more here: <https://www.pwcmoneytree.com/MTPublic/ns/index.jsp>

**Mike Lockerd**, Executive Director of North Texas NCIC, <http://www.ntxcic.org>. A 2005 Texas House bill set aside \$200M (Fund I) to finance Texas entrepreneurship, as follows:

\$100M	Commercialization (TX takes a low profile equity position in common stock)
\$ 50M	Research Matching Funds
\$ 50M	Research Superiority

In 2007, Fund II with \$195M was established. 2009 is as yet unknown.

Texas is 2<sup>nd</sup> or 3<sup>rd</sup> in the nation in annual patents filed, but only in the teens in businesses started.

The North Texas region, roughly west to the Texas Panhandle, north to the Red River, east to Louisiana, and south to Waco, has 1/3 of the population of Texas, 1/2 of the research work, 1/2 of the high tech industry, but only a tiny percentage of the entrepreneurial population of Texas.

**The Angel Panel.**

Mike Bartlett, co-founder and Chairman of the North Texas Angel Network.  
<http://www.northtexasangelnetwork.org>

Tom Montgomery, Montgomery Angel Investment Groups. 250+ deals.

John Rodakis, Gatebridge Investments.

<http://www.gatebridgeinvestments.com>

Scott Ticer, Lone Star Angels.

<http://www.lonestarangels.angelgroups.net>

Leo Womack, Chairman of the Houston Angels Network.

<http://www.houstonangelsnetwork.org>

Womack: “The big difference between Texas and Silicon Valley is that Silicon Valley has a large, steady quantity of deals. But there is a better business culture in Texas. Texas is much more pro-business. In California, it is hard to find out about people and the attitude there seems to be 'Sorry I screwed you on that last deal, but it's just business.' I don't miss the California business culture!”

Bartlett: “Five to ten percent of deals are actually funded, and even these are usually turned down once or twice first.”

Montgomery: “Control is not so much about percentage ownership. I can give you 70 percent and through other parts of the deal, maintain effective control. Don't get hung up on control.”

Rodakis: “Almost all entrepreneurs lose 'control' sooner or later. Most backers will let you execute until you miss your targets. Then they won't.”

Bartlett: “Angels like early prototypes, but most of all, early customers!”

Montgomery: “A typical deal for us is about eight angels and about a half million to a million dollars.”

Bartlett: “For us, about five investors and a half million dollars.”

Rodakis: “It takes about six months to a year before we decide to fund a first round.”

Womack: “We can often do 90 days to funding.”

## **Presenting Companies**

**Traumatec.** Susanne Richard, Pres/CEO. Company targets brain cooling. This is important in trauma, heart attack, stroke, etc. Target market are health care organizations that transport and treat. The product is a compact device that produces “therapeutic hypothermia” non-invasively and effectively. All personnel are sweat equity only. Nobody is taking a salary.

**Sironics.** Patrick Kelly, CEO. Produces the world's smallest needle-implantable ECG sensor with extensive analysis capability. Key use: monitoring atrial fibrillation, which is the number one cause of stroke. Company is entirely self-funded to date.

**Micro Transponder.** Frank McEachern, Chairman and CFO. Their product is an injectable neuro stimulator for pain relief. Have received to date \$5.2M in funding. Company is commercializing UT

Dallas researcher's work. They have had three NIH Phase I awards and one Advanced Research Project grant from North Texas NCIC.

**Luncheon Speaker.** Kevin Mellott, President of Erase, Inc. <http://www.erase.com>, a major security firm. Highlights:

“Don't EVER allow cell phones, or any other portable electronic devices, into a sensitive meeting. Make your participants check them and sign NDAs, then sweep and search everybody both going in and coming out.” Reason? There is now a \$79 software product readily available on the Internet that turns *any* cell phone ON without ringing it or lighting it. Any conversation within fifty feet of that phone can then be covertly monitored. If you call somebody, the software gets that phone number. You can now monitor that phone as well.

“You like iPhones? So do I! That way, I get video, not just audio.”

“Flash drives are evil!” (Kevin held up a 32GB flash drive and said he could get a 64GB version.) He said he can show you software for a flash drive that you can get on the Internet that will steal every executable on a modern desktop within two minutes of being plugged in. He related several horror stories about cases he has worked that involved flash drives at Fortune 100 companies.

“A physical disconnect from the Internet is the only net-safe computer!”

In industrial espionage, the most commonly targeted and stolen information is marketing data that details customers, contacts, and pricing. “They're usually not after technology.”

“For \$500, I can often get a cleaning person to pull a file from your cabinet, copy it, put the file back, and bring me the copy. Funny thing is, that's not even a crime in most places, because nothing physical was actually stolen.”

“Do you have a felon working for you?” Most cities run between two and four years behind in reporting criminal activities to their state. Then a state typically takes another year to make the data available. “The \$49 background checks on the Internet only report what they can get from a state.” Also, “they only report felonies, not misdemeanors, but 80 percent of all felonies are plea-bargained down to misdemeanors.”

How to stop industrial espionage: 1) High quality background checks (expensive, but the cheap ones are much worse than worthless); 2) Tech policy that outlaws taking sensitive data that is left out and available (“The 'under thirty' culture today does NOT consider it wrong to take something that has been 'left around'”); 3) “Never, ever use Facebook, MySpace, LinkedIn, or any other social networking site, period!”; 4) “Sweep! Sweep again! Keep sweeping!” (for bugs); 5) add technology (eg, wireless cameras, which are cheap! USE encryption for anything, ANYTHING valuable, especially all email!)

“Today, it takes no brains and no money to be an average spy. The really good ones need only a bit more.”

## Presenting Companies

**Hygeia.** Evan Basham, CEO. 246 million people in the world have been diagnosed with diabetes. There are 18 million in the United States, but only about 5 million are being treated! Of those five million being treated, 3.3 million are nonetheless uncontrolled! High sugar causes all of the complications of diabetes, such as blindness and leg amputations. Our solution is “Endocrinologist to Go.” It is software for test meters to improve sugar level control. Use it under the guidance of your physician, and it will not only operate as an ordinary glucometer, but it will also tell you how to adjust your insulin. The system is patent pending.

**MD Connection.** Clark Terrill, CEO and Founder. They offer an end-to-end solution for medical billing. By Presidential Executive Order, the health care industry has until 2014 to meet all of the requirements of EMR (Electronic Medical Records). This system meets those requirements and is delivered on line, through any web browser, including phones.

**Stellarray.** Mark Eaton, President and CEO. The company manufactures innovative radiation sources for sterilization, medical imaging, security imaging, and etc. This is new technology. It is a flat panel radiation source, instead of the traditional point source. Also new is their pixelated source that can be driven by a computer. There are many opportunities because radiation is widely used in medical technology. There are many exit strategies. Different ones may be applied in different markets.

## Venture Capitalist Panel

Matt Crawford. Founder, PTV Sciences. \$300M fund.

<http://www.ptosciences.com>

Michael Gutch. Member, BioVentures Team, H.I.G. Ventures. \$7.5B fund.

<http://www.higventures.com>

Koleman Karleski. Managing Director, Chrysalis Ventures. \$400M fund.

<http://www.chrysalisventures.com>

Kevin Lalande. Founder, Sante Ventures. \$130M fund.

<http://www.santeventures.com>

Chris Paddison. A Managing Director, HP Growth Partners.

<http://www.hpgrowthpartners.com>

Wilson Paiva. A Venture Partner, Sevin Rosen Funds.

<http://www.srfunds.com>

**Question:** How do you protect Angel investors from later round Venture Capitalists?

Paddison: Angels, friends, and family need to keep expectations in control if VC round(s) are likely to follow.

Karleski: Keep it simple. DON'T follow multiple paths or opportunities. Pick one and focus.

**Question:** How do VCs evaluate 8(a) status?

Karleski: 8(a) doesn't enter in much. The evaluation is the same.

**Question:** What are the conditions for startups getting early stage VC funding?

Gutch: We need to see technology results. We need to be VERY confident that these results will actually get to the clinics.

Crawford: You need to show capital efficiency. You need to show that after the early stage funding, it is unlikely that you will need any new capital.

Paddison: Where are your competitors? What is your differentiation?

Paiva: We look for demonstrations of intellectual honesty. Do you have a good handle on your competitors and show your competitiveness? How are you going to create a new market or make life difficult for incumbents? Show some disruption.

Karleski: Most of our first round deals have already achieved \$1M to \$5M in revenue, but are not necessarily making money yet, and show a clear path to a substantial market position.

**Question:** Do Venture Capitalists compete?

Karleski: In general, no. We seldom meet each other as competitors. We do cooperate a lot.

**Question:** Where is Medicare cutting costs?

Karleski: Ambulatory care. Look for radiology clinics and other non-hospital ambulatory services to go back to hospitals. A "dirty little secret" is that such outpatient ambulatory care facilities are huge profit centers for many doctors. Look for Medicare to no longer reimburse outpatient ambulatory care.

**Question:** Are there regional entrepreneurial opportunities in North Texas?

Lalande: North Texas is tops in R&D and Technology. What's been lacking is entrepreneurial activities. Look for strong entrepreneurial growth in North Texas. Note that North Texas is still lacking one key thing. There are still no large biotech employers to absorb entrepreneurs during an entrepreneurial down cycle, a place for entrepreneurs to go back into during down cycles, then pop back out in up cycles. But the situation is changing.