

Western Mass Venture Forum NEWS

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AIC School of Business

Administration

Trudy L. Somers, Ph.D., Dean
1000 State Street
Springfield, MA 01109
413-205-3230
tsomers@acad.aic.edu

Nicolai Law Group, P.C.

Business Law & Litigation
Paul Peter Nicolai
146 Chestnut Street
Springfield, MA 01103
413-272-2000, ext. 1
paul.nicolai@niclawgrp.com

Burkhart & Pizzanelli, P.C.

Accounting Services
Thomas Pratt, C.P.A.
201 Park Avenue
West Springfield, MA 01089
413-734-9040
Tom_P@CPA1.bppc.com

Massachusetts Technology Development Corporation

(MTDC) Venture Capital
Carol Cedrone Brennan
117 Park Avenue, Ste 205
West Springfield, MA 01089
413-732-3419
carolbrennan@alum.mit.edu

Themistos & Dane, P.C.

Accounting Services
Thomas H. Themistos, C.P.A.
1 Monarch Place, Ste 2020
Springfield, MA 01144
413-733.4179
TThemistos@themistosdane.com

PriceWaterhouseCoopers

Accounting Services
Rajan Parmeswar, C.P.A.
100 Pearl Street
Hartford, CT 06103
860-241-7067
Rajan.Parmeswar@us.pwcglobal.com

September 25 Forum Features

GETTING THE MONEY

In addition to 60 second pitches, the first session of the 2001 -- 2002 Western Massachusetts Venture Forum season focuses on GETTING THE MONEY to capitalize a new or growing business. A panel of seasoned professionals involved in business funding strategies will use the presentation of a Ludlow company's business plan to share their perspectives and experiences with the audience.

Specially selected for presentation at this session on Tuesday, Sept. 25, 2001 is the CASTion Corporation business plan. This Ludlow company specializes in industrial wastewater and chemical recovery technologies. In business for several years, it has received several rounds of angel and venture financing to design, develop and test a proprietary technology which has been extensively evaluated by the EPA and the Massachusetts Department of Environmental Protection. The Company's technology has earned the EPA's regional Technology Innovation Award. It is certified for exemption from hazardous waste permitting regulations and air/water discharge permitting processes.

CASTion is now in transition from start up to its first phase of expansion. It is seeking \$2 million in working capital to open branch offices, develop additional products and achieve profitability. Since 1999 CASTion has seen sales growth of 1500 percent, growth in quotes outstanding of 300 percent and an average contract value which has tripled. With refinements to its technology, CASTion believes it can be applied to a number of industries which have not previously been considered as potential customers for this product.

The presentation will be made by CASTion's President & Chief Executive Officer, John Gannon.

Using CASTion's history and current financing needs as the focus of their presentation, a panel of three seasoned financial professionals will discuss the current status of financing sources for new and growing businesses. The panel will include Russell Howard, Managing Director of The Berkshires Capital Investors, Richard Steele, Managing Partner of Summer

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May 29 Forum Notes:

Shoestring Marketing & Automated Holographic Systems

Presided over by moderator Tom Loper, Executive Vice President of Mass Ventures, the featured speaker at the May 2000 Venture Forum session was Jim Ross, President of Concourse Communications, the recent winner of the BusinessWEST Small Business of the Year Award. The business plan presentation was by Louis Kronfeld, CEO and Ryder Nesbitt, Chairman & CTO of Automated Holographic Systems.

Shoestring Marketing

Jim explained that Concourse Communications handles the last mile of wireless communications systems in airports and subway systems. It handles the wireless communications systems for all the facilities owned by the Port Authority of New York and New Jersey and other facilities throughout the United States.

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Sweet Smell of Succe\$\$

The negotiations which frequently result from contacts made at the Venture Forum are private and confidential. We have been told of some first year Venture Forum participants' successes.

C.R.I.M.E. RECORDS was featured in a business page article in the SPRINGFIELD DAILY NEWS. It has entered into a strategic relationship with WEBHALL PRODUCTIONS, another Forum presenter .

GREASCO was the subject of a feature article in the VALLEY ADVOCATE. This company also won first-place in the Mass Ventures Entreclub business plan competition sustainable business category. We have been told this company entered into a technology relationship with a Venture Forum business plan presenter.

At least two Venture Forum business plan presenters have negotiated or are negotiating partial or full funding of their plans.

GETTING THE MONEY - con't.

Street Capital Partners and Managing Member of Longmeadow Capital, LLC and Richard Cranshaw from Capitol Resources Funding

Howard's Berkshires Capital Investors is a venture capital group headquartered in Williamstown, Massachusetts. Russ manages the fund, evaluates new investment opportunities and works with portfolio companies. His experience includes six years at GE Equity, the venture capital arm of GE Capital, where he held the position of Senior Vice President in the Technology & Communications Group. His tenure at GE Capital included making a number of successful investments. Russ serves on the Board of Directors of a number of companies and is a frequent speaker on venture capital. He holds an M.B.A. from the University of Virginia and a B.A. in economics from Williams College.

Steele's Summer Street Capital Partners and Longmeadow Capital, LLC are venture capital investment companies. Longmeadow Capital completed seven principal investments under Rick's guidance. Rick's prior experience includes being the Chief Financial Officer of Chase Enterprises, a Hartford, Connecticut-based private investment business with investments in real estate, media, banking, insurance and other industries. He holds an M.B.A. from the University of Pennsylvania and a B.S. in mechanical engineering from Cornell University.

Richard Cranshaw is associated with Capitol Resources Funding, a national factoring company based in Alexandria, Virginia. In addition to 15 years experience in banking and commercial lending, Rick owned his own business for a decade in the automotive remanufacturing industry. Rick brings a unique combination of experience and perspective to corporate finance including asset-based lending and leveraging techniques which are frequently overlooked. He holds degrees from the University of Virginia, Williams College, American School of Banking and the University of Miami.

May 29 Forum Notes - continued

Being successful does not mean spending money. Before Concourse Communications, Jim started his own management recruiting company by finding the most impressive office space and filling it with the most expensive furniture. Eight months later he was out of business. Cash has to be treated like the precious resource it is. Concourse began with class B office space and used furniture.

Because Concourse competes with companies who play globally, effectively marketing Concourse and gaining entry into the industry meant understanding the industry. Most people regard the aerospace industry as highflying and risk oriented. Even though the industry has a sexy image, it is driven by conservatives who take nothing but well calculated risks. Understanding the decision makers are conservative, Concourse needed to show

by telecommunications companies. Many of the rest have been bought by competitors to build a critical mass. The industry faces a shortage of 25,000 technicians over the next five years.

Mastering large holograms is a labor-intensive and highly technical process. The personnel shortage and consolidation create a market opportunity for the Company's technology which reduces the time needed to do this by two-thirds.

The Company needs \$7 million. Half will be to design and create a mastering facility. The other half will be to create additional mastering capacity and duplication systems. They believe that their technology, together with this investment, will allow them to become the premier supplier of tooling systems for the hologram production industry.

The review panel included Jim Ross, Matt Appel, Vice President of Davenport Capital Ventures and William Kiekhafer, President of Comprehensive Identification Products, Inc.

Sponsor Highlight

NICOLAI LAW GROUP, P.C., continues its many community contributions as a founding sponsor of the Western Massachusetts Venture Forum. Attorney Nicolai is a Forum founder and serves on the Planning Committee. He is also a director of the Springfield Enterprise Center where he consults with emerging companies and a director of the Western Massachusetts Technology Enterprise Council where he serves on the Strategic Planning Committee. He writes and speaks nationally on business law issues.

The services provided by NICOLAI LAW GROUP include start-up planning, corporate finance, business structuring, intellectual property and strategic relationship development.

For more information, visit the firm's website at www.niclawgrp.com. Contact Attorney Nicolai at 413.272.2000, ext. 1 or at paul.nicolai@niclawgrp.com. The firm is on the penthouse floor of the Tarbell-Waters Building at 146 Chestnut Street, Springfield.

They noted the plan was silent on protecting intellectual property. They asked whether there was a plan to use patents. Management responded that most of the industry protects technology with trade secrets and that they intended to follow that route.

The panel also commented that the packaging market had two classes of customers. The first was those who need high levels of security for high value products. The second was those who use holograms for identification more than security. Customers in the second class are price sensitive. Management said the technology allows them to make relatively short runs of holograms at lower per unit costs.

From a marketing perspective, the panel noted that the strength of the management team was the key. The team's deep experience in the industry

it was involved in the industry, an established player and an expert in its field.

Concourse does no mass advertising. Marketing is based on partnerships. Concourse uses its partners to get press coverage, trade show coverage and access to the editors and reporters of newspapers and journals targeted at their specific industries.

Automated Holographic Systems

Automated Holographic Systems has been in operation since 1999 in Westfield in large-scale holographic production. Holograms are used in three major areas; packaging, credit cards and driver licenses, and the telecommunications industry.

The Company's proprietary technology allows quick and cheap mastering of large holograms for mass production while maintaining the integrity of the intricate designs. Because of the explosion of hologram use in telecommunications, nearly half the industry has been bought

would make them credible with the customer base. There was some question on the strength of the financial management. Management should consider options to building strength in that area.

Overall, the panel noted that the plan presented a Company with an experienced and knowledgeable management team. Management understood that getting out early and knowing the buying cycle of the market were important and that the industry is poised for growth. The weaknesses are that the number of potential buyers was limited; buyers were conservative and have to be convinced that the security features of holograms made with this technology were as good as what was currently available and that the reliance on a proprietary technology only protected by trade secret status could become an issue.

Audience questions centered on the projected rates of return and whether they were adequate for venture capitalists as well as clarification of the exit strategy.