

F317 Venture Capital & Entrepreneur Finance

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SGC Technologies, LLC

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Who am I?

- Partner in SGC technologies, an Indiana LLC & startup
- 1988 graduate of Indiana University (History)
- Also associate director and senior scientists, Indiana University Advanced Network Research Lab

How did I get here?

- Not first startup experience
 - 1992-1996, Director of Technology, Data Parallel Systems
 - 1997-2001, Vice-President Development Cornerstone Information Systems

What have I learned?

- Data Parallel Systems
 - You *can* build a home-grown technology firm in Indiana
 - There are domestic funding outlets
 - Indiana Business Modernization & Technology
 - There are federal funding outlets
 - SBIRs (NASA for us)
 - There are venture funds to be had
 - Partner with another venture-funded company

What we did

- Scraped by with grants
 - Never went into debt as a rule (this is good and bad)
- Partnered with our hardware vendor
 - They were funded by the big names (e.g. Kleiner Perkins, Ray Noorda, etc.)
- Made a great product
 - Rolled out V1.0 in December of 1995
 - Made first two multi-million dollar sales in January of 1996

What we learned, redux

- Went bankrupt and closed the company in February of 1996!
- Bankruptcy forced by the sudden withdrawal of a key equity partner
 - The partner had a change of president
- Moral of the story? Shit happens.

Pervasive Computing Initiative

- In partnership with the Lilly Foundation, Indiana University in 2000 began the “Pervasive Computing Initiative”
 - Goal was to establish research & development centers (labs) which would spin-off technology to private, Indiana, firms
 - Reverse/slow “brain-drain” from Indiana

SGC Technologies, LLC

- SGC Technologies was spun out of the Advanced Network Management Lab
- Founded in the Spring of 2004 by myself and my partner, Steve Wallace who is also director of the lab.

What we do

- In fall of 2001, Wallace and I developed a web-based file sharing service. We deployed this at Indiana University
 - One of several technologies developed at the lab
- About 18 months ago, based on feedback from users, we realized the technology had commercial value

What we did

- Began negotiations with private partner firms, interested in licensing and deploying the technology
- Also began negotiations with Indiana University's intellectual property holders (ARTI) to license the technology from IU
 - Even though we (Steve and I) developed the technology, we did not own the IP

Also needed money

- As part of the Pervasive Computing Initiative, a venture fund was established to help fund the spinouts
 - We wrote a business plan and a proposal (parts of which you have)
 - We were one of the lucky awardees, just deposited a check for \$100,000 in SGC's bank account in exchange for an equity stake.
 - Moral: This always takes much longer than you think it should

Our product

- Facilitates the sharing of electronic data between institutions
 - Most enterprises rely on third-parties to conduct business
 - Example: Financials -- cutting checks
 - Example: Medical -- sharing patient records

Direction of the technology

- Email attachments had been the “technology of choice”
 - Attachments are sources of virus propagation
 - Attachments are limited in size
 - Attachments allow no authentication of the sender

Our solution

- Requires no additional software or technology beyond that found in commodity desktops
- Requires no shared infrastructure commitment (i.e. expensive CRM/ERP/etc. software)
- Is easily deployed in the field
- Is secure

Our Markets

- Travel
- Healthcare (HIPPA compliance)
- Media
- Insurance
- Homeland Security

Our financials

- Business plan specifies a three year period to positive cash flow
- Technology is mature and developed; process during those three years is essentially a business development/marketing/customization process
- Have luxury of almost immediate sales as a result