

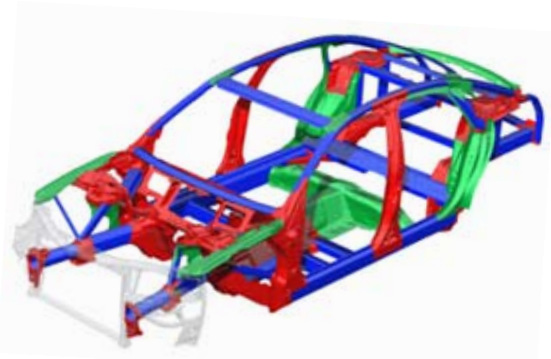


**Raising Money in Utah
September 21, 2005
Mike Malan**



Linux Networx Value Proposition

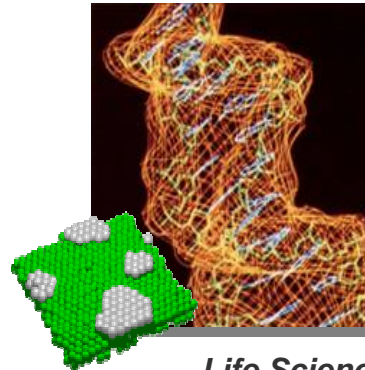
We sell “bright” cluster systems that enable enterprises to accelerate product development and research by improving the performance and reducing the cost of high performance computing



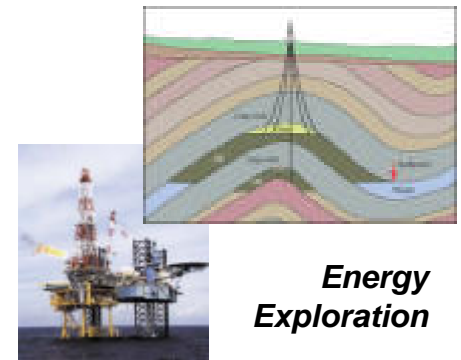
Engineering and Design



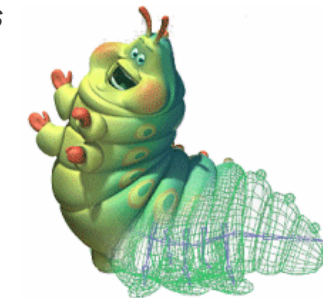
Aerospace and Defense



Life Sciences

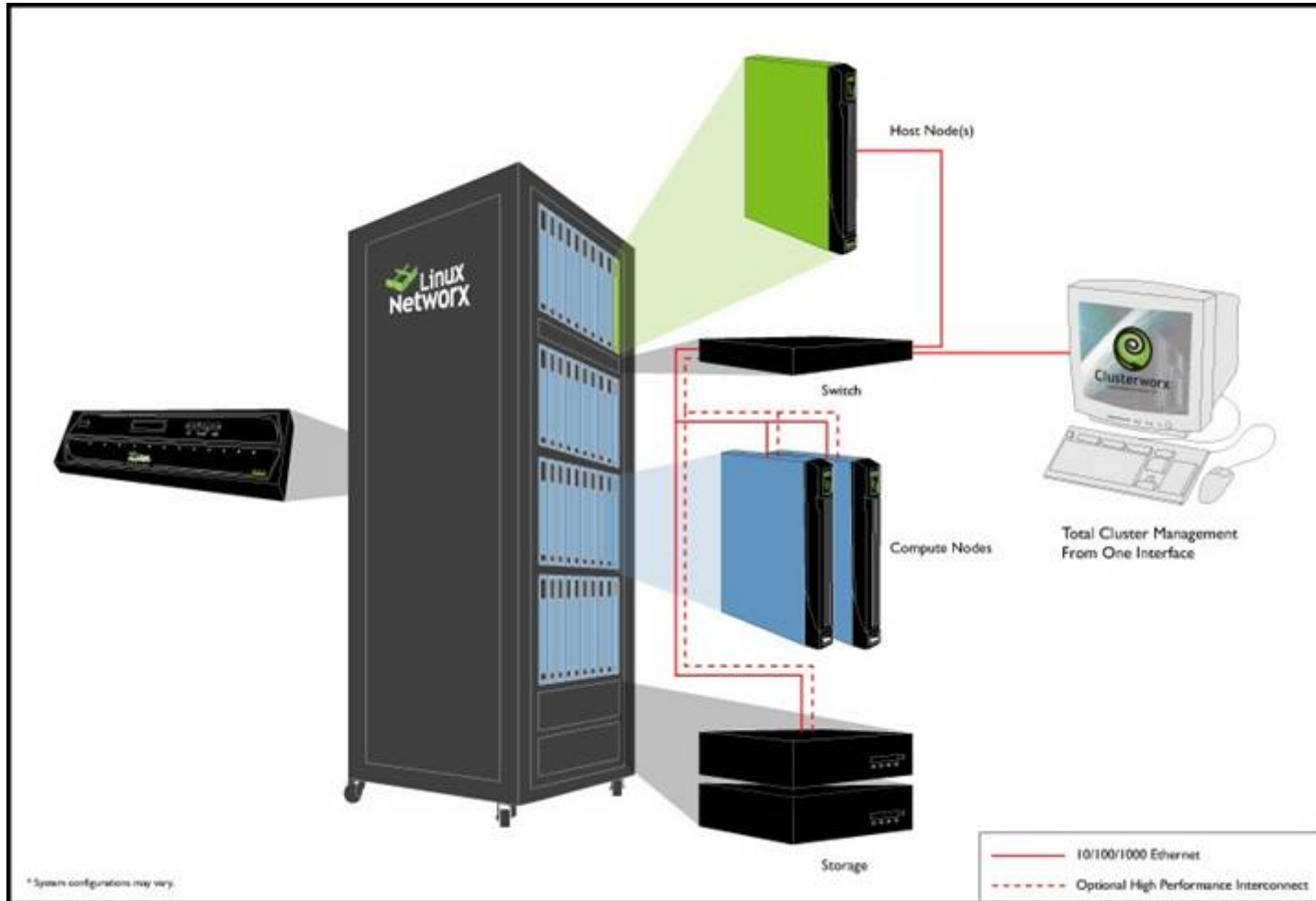


Energy Exploration



Special FX/Entertainment

Architecture of a Linux Network Cluster



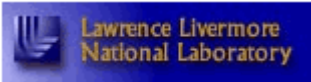
We Are Winning Leading Customers

Government

Manufacturing

Life Sciences

Oil & Gas



Founded in 1989

Friends and Family Financing	\$2 million
Angel Investor/Venture Funding	\$7 million
Additional Angel Debt Financing	\$15 million
Series B Venture Funding (\$15 million to repay debt)	\$40 million

What I Learned During Our Fund Raising Process

Getting Ready

- It will take time and resources
- Clean up your act
- Develop management team
- Understand your business
- Get help if necessary

Investor Presentation

- Sales document
- Keep it short and simple
- Know your stuff
 - Industry and competition
 - Sustainable competitive advantage
- Warts as well as beauty
- Don't bluff
- Very close community
- Business plan as backup
- Upper right hand quadrant

Finding Investors

- Friends and family, angels, bank financing, private equity funds, venture capitalists, strategic partners
- Different investors have different investment criteria
- Use board of directors, current investors, professional service providers, NCVA for introductions and fact finding
- Investors will come to Utah

Due Diligence

- Takes forever
- Industry specialists
- Due diligence books
- Clean up messes in advance
- Don't try to hide problems
- Gather proof points
- Make projections real, industry comparisons
- Do what you said you would do

Deal Structure

- Have reasonable expectations
- Funding will be expensive
- Understand investment climate
- Use professional advisors to help negotiate and evaluate the deal
- Be patient and have ability to hang on

Afterwards

- Use investor resources
 - Board membership
 - Outside consultants
 - Industry contacts
- Be prepared for changes in direction
- Buckle up and hold on!
- Prepare for exit
- Have fun

