



Subject: A Blueprint Fund: Signal Lake Top Prospects Retrospective
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As we start 2006, it is instructive to look at where we have been with Signal Lake Side Fund LP dba **Signal Lake Top Prospects Fund**.

When we announced this Fund in 2003, we stated that portfolio companies in the Fund were on track to

- Revenues and growing sales funnels and known cost structures
- Complete management teams
- Final working capital financing to reach positive cash flow

At the end of 2005, we can see that these goals have largely been achieved for these companies, and it is now time to evaluate different types of exits for each.

Signal Lake Top Prospects: A Blueprint to a Billion™ Fund

If we follow the language of David G Thomson's new book, *Blueprint to a Billion*, Wiley, NY, 2005, where he examines over 7,700 companies formed since 1980, and in particular looks at 387 companies that achieved Initial Public Offerings since 1980 and went on to achieve \$1B in sales within twelve years of formation (remarkably, this is 31 companies plus or minus one, each and every year, from 1998 through 2004, (<http://www.blueprinttoabillion.com>), where there are seven essential traits to a company that cracks a billion dollar in sales (and all portfolio companies have the potential to do this)

- 1. Create and Sustain a Breakthrough Value Proposition**
- 2. Exploit a High-Growth Market Segment**
- 3. Marquee Customers Shape the Revenue Powerhouse**
- 4. Leverage Big Brother Alliances for Breaking into New Markets**
- 5. Become the Masters of Exponential Returns**
- 6. The Management Team: Inside-Outside Leadership**
- 7. The Board: Comprised of Essentials Experts**

In our view, all of the portfolio companies at inception have been engaged in five of the internal traits: creating and sustaining a breakthrough value proposition, exploiting a high growth market segments, attracting a Board of essential experts, and a management team that can master exponential growth.

The two most difficult external traits to achieve are attracting marquee customers, and leveraging big brother alliances for breaking into new markets, have been achieved in 2005 for all three companies.



SOMA Networks

SOMA Networks has achieved a major partnership with big brother Sanyo and with Temacek and Morgan Stanley Ventures, leveraging off its existing relationship with NTT as a reference account. In addition, in 2005, SOMA Networks raised over \$50M in a financing, and is on track for a second over subscribed closing of this financing for tens of millions of additional dollars in working capital. SOMA is on track to positive cash flow and profitability in 2006.

InPhase Technologies

InPhase has achieved major drive partnerships with Quantum and with Storage Tek, a SUN Microsystems subsidiary, and major media partnerships with Maxell and Imation, and with Bayer for chemicals. InPhase did a first closing on a \$35M oversubscribed financing, and is on track to positive cash flow and profitability toward the end of 2006.

CorEdge Networks

CorEdge Networks has achieved marquee customers such as Flextronics and Celestica and Rittal, which in turn has been linked to big brother partners such as Motorola, Lucent Technologies, Intel, Ericsson, and General Dynamics, as well as semiconductor companies Fujitsu Microelectronics and Xilinx. CorEdge was able to attract over \$7M in funding since inception, and is on track to reach positive cash flow and profitability in mid 2006.

Summary

Signal Lake was involved from inception in 1999-2000 with each of these companies, when they consisted of one to three people, some viewgraphs, and some very compelling intellectual property that had to be translated into products.

Each of these companies has received significant external validation, through the partnerships with big brothers, and sales to marquee customers, for their value proposition. Significant growth lies ahead of each of them, now that they have the financial stability and access to working capital to fuel very rapid growth: they are each in their own way shaping themselves to manage huge growth.

DISCLAIMER: Signal Lake Top Prospects is a later stage private equity limited partnership open only to accredited investors who accept all investment risks associated with such funds. In particular, investors realize that all money invested in such a fund can be lost. Past financial performance is no indication of future financial returns.