

The PARAGON Perspective From the President

PARAGON Perspective is sponsored by PARAGON Development We are not intending, and will not use this communication to promote our business. There are other times and places and opportunities for that.

We hope to inspire debate and pass along information that may enable all of us to better understand and succeed in our new business objectives in the future. Plus, we hope to make you smile and think. We further hope you pass these along to colleagues who may have mutual interests.

We want to use this forum to do the following:

- Share information we have learned that we consider important concerning best practices, trends, successes and failures, conferences, and other elements that will enable all of you to grow your organizations with maximum top and bottom line results.
- Share information about select client initiatives that may be of interest based on technologies, markets, or business needs that you believe could fit within the scope of those client's interests.
- Share personal observations and even humorous items given to us by others.

We welcome your comments on any topic and encourage you to contribute to future newsletters. The PARAGON Perspective is now in its fifth year and this is our 43rd edition of The PARAGON Perspective. We thank everyone for their newsletter contributions and for the ideas and suggestions that have brought recognized improvements and made it easier for us to produce.

This month's newsletter will highlight our opinion on the business development topic: "Transaction Options."

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Paragon Update

It is hard to believe that we are beginning our fifth year of publishing this e-newsletter. We will be making a few adjustments as we are always tweaking things based on feedback. We surveyed a number of people receiving the newsletter and asked which topics are most enjoyed and/or valuable and which are not. The "Quotes of the Month" came in clearly as number one followed by the changing 'perspective' essays and the posting of technologies available or sought. We are going to drop the anecdotes (they were running out anyway) but we will continue the interesting words as some people had it first while others had it well down their area of interest. We do get interesting trivia and will substitute one each month instead. We are also going to be adding comments to previous newsletters which come after each one and our procedure will be to add them without identifying the source unless permission to use your name is given. It would be our strong preference to give credit to those providing comments but we will respect your privacy as first priority.

Our thanks to the many people who have made suggestions and have requested topics for our essay and who have contributed quotes and other things. We hope this effort is a collaborative one in which all of us are smarter than a select few. We will continue to add 'marketing' oriented information about PARAGON at the end of the newsletter based on the number of requests. Thus, only those people who are interested need to review that information.

Please pass along to us any colleagues who might want to receive the newsletter and we will be glad to add them to our distribution.

Conferences

This space is reserved for announcements of conferences or events that may have value to our readers and we will gladly add others as requested. We have resisted monthly meetings announcements, but due to the many requests, we may add some in 2006.

PARAGON personnel have accepted a number of speaking engagements in 2006. Our next presentation will be in February at the LES Winter Meeting.

LES (Licensing Executive Society)
Winter Meeting—Pasadena CA
February 22-24, 2006

LES is the most effective and extensive organization with a specific focus on licensing and intellectual property but it also has a very broad value in all areas of technology transfer. It is global and represents all major industries in which technology is a dynamic component of success.

PARAGON will be speaking about how the Voice-of-Market™ Process, and others, can play a role in determining valuations of intellectual assets in addition to developing optimal development plans.

Technology Transfer/Capabilities

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, development, or could be available to use. Please send a description of your technology to be posted in this section for future newsletters. Inquiries can either be sent directly to those who have posted information, or, we could forward any/all inquiries to you. This section highlights non-client project technologies.

This newsletter has a distribution of several thousand individuals who are primarily in new business development, so the audience has the potential to generate legitimate interest. We do reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

Technologies Being Sought

A client of ours is looking for technologies that will enable a next generation of fuel cells to have a large improvement in efficiency. Examples could be catalysts, membranes, fuel options, etcetera, etcetera, etcetera.

If you have, or know of, any potential technologies or products for this client, please contact:

Jack Peregrim @ (203) 288-4154 or peregrim@paragondevelopment.com

Quotes of the Month

"A couple of months in the laboratory can frequently save a couple of hours in the library." *Westheimer*

"Remember not only to say the right thing in the right place, but far more difficult still, to leave unsaid the wrong thing at the tempting moment." *Benjamin Franklin*

"Blessed is the man who, having nothing to say, abstains from giving wordy evidence of the fact." *George Eliot*

"It is my ambition to say in ten sentences what others say in a whole book." *Friedrich Nietzsche*

"If I had more time, I would have written a shorter letter." *Marcus Cicero*

"If you are out to describe the truth, leave elegance to the tailor." *Albert Einstein*

"Even the clearest water appears opaque at great depths." *Many authors*

"The best leaders, almost without exception and at every level, are master users of stories and symbols". *Tom Peters*

"The true test of a first-rate mind is the ability to hold two contradictory ideas at the same time." *F. Scott Fitzgerald*

"When someone gets something for nothing, someone else gets nothing for something." *Anonymous*

"The thing I hate about an argument is that it always interrupts a discussion." *G.K. Chesterton*

Plus:

THE SEVEN DEADLY SINS

Truth, if it becomes a weapon against persons.

Beauty if it becomes vanity.

Love, if it becomes possessive.

Tolerance, if it becomes indifference.

Self-confidence, if it becomes arrogance.
Faith, if it becomes self-righteous.”
Ashley Cooper

Web Site Additions

Our website has been recently updated but will continue to add to our alliances and partnerships page. It provides sourcing to our clients on services they may be seeking in specialized functional or industry areas. As such, we will post organizations and individuals who we **know** to excel in products and services.

If you would like to be included in this listing (free of charge), please submit a request to us with a short (50 word) description of your products and services, as well as direct contact information. We view this as a mutual service to our clients as well as companies, consultants, and other entities we have had the pleasure to work with.

We encourage readers to review the organizations and individuals on the website as they are limited to those people we have personally qualified. This is also a service we offer without any compensation as our intention is to serve as a catalyst for success in a broad way that extends beyond those areas where we are best in kind.

Interesting Words

Bifurcate: (BI-fer-kayt) Verb

1. To fork or to divide into two.
2. To break a problem into two components.

Prolix: (PRO-likes) Adjective

1. Unduly prolonged or drawn out.
2. Using an excess of words.

Funambulism: (fyu-NAM-be-li-zem) Noun

1. A show of mental agility.
2. Tightrope walking.

Omphaloskepsis: (am-fe-LO-skep-ses) Noun

1. Contemplation of one's navel as an aid to meditation.
 2. Indisposition to motion, exertion, or change.
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“Transaction Options”

Background:

This topic is driven by a few meetings we have had recently. In our work, our first step is to establish criteria for creating and capturing new value. Just like the line from Alice in Wonderland, “If you don't know where you are going, any road will take you there”. The criteria are about knowing which road is best.

One of the major discussion topics in establishing criteria is the ‘transaction preference’, sometimes referred to as the preferred implementation vehicle. No matter what it is called, it represents the way that an asset delivers value back to the organization that has made the investment in creating or attaining that asset.

The most utilized option is through money, of course. The money comes from product sales primarily, but may also come from licensing and other rights sharing arrangements. Yet, there are many other ways to capture value and very few organizations consider options beyond product sales and licensing. Those that do consider broader options have had some major successes that would not have occurred otherwise.

Transaction options:

The following are just some of the many options or vehicles to capture value for an organization. We have been involved in all of these and this list is meant to exemplify the myriad of alternatives. The first three are the ones that are predominantly used followed by those used less often and not considered by *most* organizations.

1. Product sales sold directly to customers who use the product themselves. This is the easiest to understand in regard to the value proposition and it allows fine-tuning of the optimal performance/pricing equation.
2. Product sales through or substantially involving a third party. These are exemplified by companies that sell products to retailers who then present and promote those products on their behalf. This also

includes distributors, brokers, marketing agents and others who become their marketing and distribution channel.

3. Licensing or sharing of technology or products in which you are not producing products for sale but are instead getting money from the intellectual assets and permitting others to capture value in a larger way than simply reselling products.
4. Partnering in which you capture value from having the partnership but without a specific transaction involving the individual products or technologies. This is done mostly with major customers. An example is an organization that has major packaged goods companies as their customers, such as P&G, Unilever, Kimberly Clark, Kraft, etc. They will invest in new technologies or products and give a major customer the first option and often an exclusive use for a time. This enables them to create or continue in a position as a preferred supplier and they capture value through their enhanced competitive advantage. It is very difficult to quantify this, but many organizations have used this approach to great success.
5. Donations to non-profits such as Universities. There are many organizations which have maximized their value through this type transaction; and it benefited with impacts of hundreds of millions in some organizations' bottom lines. Plus, there have been indirect benefits by enhancing the corporate image to maximize other transactions and to supporting other strategic intents.
6. Improving or maintaining an organization's image or credentials to stimulate other transactions of strategic value. An example is a recent client who is a major University. Over 90% of their research funding comes from Government or Foundations who support basic research with values to society, business, or specific programs. They continue to issue the grants or funding to those organizations most capable and likely to provide outcomes justifying the investment. Thus, a very valuable transaction option is to invest in innovation that may not be specifically funded; or will end in commercial products. The transaction occurs with future funding based on the enhanced recognition as a center of excellence and confidence in future outcomes.
7. 'Giving away' assets to create a standard and stimulate transactions that will generate commercial results. Adobe has products we all use and the first few levels are free; yet we need to purchase versions to give us additional capability as our requirements increase in complexity. They continue to improve their *free* versions and they are now the major product in transferring images over the internet and have huge sales of their paid version because the free version created a standard. There are also examples of 'loss leaders' that retailers have used as part of their operational strategy. Automobiles also.
8. Pure bartering is another vehicle. We recently had a project where a client exchanged technologies without any money changing hands. One had an innovation in dispersing nano-particles and the other had a technology in producing nano-materials in a new way. Each had solved one of many problems inherent in nano-materials and they shared their innovations so they are now both ahead of others in their field.
9. Altruistic benefits are the last we will cover. We have also worked with clients who have invested in research and technologies strictly because they should. The transaction is in just doing the right thing. An example is from pharmaceuticals where they will work on rare diseases with no expectation of ever recovering the extensive research, testing, and approvals that create positive transactions.

In summary:

The first 3 transaction options listed above are clearly those most preferred and they will certainly be those that should be and will be in the future. And, by focusing on only those as options we are rarely criticized as not considering everything. Yet, even though alternative mechanisms may only have additional benefits in a small percentage of projects, it can have a huge impact if it is the best transaction approach or most likely, if they are combined with the more traditional vehicles.

We only suggest that you may increase the value of investments by looking at things in ways that may have been overlooked or in which your organization does not have as a core competency.

As always:

We address many topics and most are at the request of readers, clients, and other business colleagues as this one was.

We hope that this perspective has stimulated thoughts and helps improve your future returns. It has been our intent to pass along things we have learned or experienced on topics involving growth and new business development. Particularly ones that may be provocative or be beyond those considered every day. We do not try to presume to be the leaders in all areas we cover and we invite others to contribute with comments, additions, or criticisms. We encourage feedback in any media and will post your contribution in a future newsletter if you allow it.

We also will continue to focus on topics that the readers choose in almost all cases over ones we consider within our staff so please continue to send requests for topics that you want to have covered.

The following comments in response to our last essay **“Striking Fast”** come from Bruce Banyai, Business Development Manager, Novozymes Biologicals, Inc.

“Your newsletters are always refreshing and stimulating. Finally getting around to re-reading yours; after the initial read, I save and re-read.

One note on ‘striking fast’ which has been my business and commercial development mantra for years on evaluating new technology or markets; fail often but fail early. Credibility and more ideas evaluated with the same resources are the results.

Also, we need to realize that the hare of today has more eyes than the one did in the story; yet it is amazing how many projects continue to run past the stop signs and red lights.

A last thought that I heard recently: Rocket boots can really move you fast, but who needs them?”

Trivia:
Why do we get headaches from eating ice cream?

It’s called brain freeze. And it’s a pain in your head that occurs when the nerves on the roof of your mouth are hyper-stimulated by cold foods like ice cream and frozen drinks. The nerves are in your mouth, but the nerve center is in your brain, so that’s where you feel the pain. This is known as “referred pain”.

No one understands yet why humans experience pain in one place when the stimulation occurs elsewhere. But we do know that migraine sufferers are more prone to ice cream headaches. We also know that eating slowly or sipping slowly seems to reduce the effects of the cold. Once the headache hits, the fastest way to make it go away is to drink something lukewarm.

We hope you learned something from this and/or stimulated an action that leads to new opportunities for you and your organizations.

Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>.

Your friends at:

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Mission:

To ensure that our clients make decisions that optimizes their growth and measurable value creation. We will do this with unequalled effort and efficiency.

Background:

PARAGON employees and affiliated industry partners are dedicated to helping clients optimize their planning and development efforts. We bring a network of external industry experts who provide objective information and insight into critical areas affecting our client’s success potential. In addition to our own experience base and the external access to knowledge, we utilize a decision making process that combines best practices such as Voice-of-Market™; Stage-Gate; and Discovery Based Learning. Very simply stated, we combine efficient processes with the information necessary to ensure that commitments are made with solid, objective knowledge. We allow planning and development from the ‘outside in’ that compliments internal efforts.

We are not industry specialists. The experts from our PARAGON Network™ provide the specific knowledge in their fields while PARAGON brings process and functional experience that generates and interprets the relevant information.

Focus:

Our client assignments are broken into three main areas:

1. Retainer agreements in which we offer discounted plan with minimum thresholds for numbers of Forums or phases. They are exemplified by clients who may write us into their R&D or new product development processes in which a PARAGON Forum is required as a part of a gate approval.
2. Evaluation and monetization of assets such as technologies, operational capacities, or new product extensions. PARAGON's support is particularly valuable when the potential is unknown but falls outside core markets or industries.
3. Support in strategic planning and strategic expansion into non-core business areas. The deliverables are typically in the form of a strategic commitment into new platforms.

Mechanics:

The steps employed are a combination of internal (client) and external events. The internal events include:

- Setting criteria for the project.
- Examining the internal knowledge base.
- Setting scope and charter issues.
- Determine specific outputs required for overall success.

External events are:

- PARAGON Forums that have 6-8 external experts who bring distinct but complementary knowledge about markets, industries, trends, competition, channels, downstream value, and function excellence that is specific to the assignment. These are typically day long events that have been referred to as "Super Focus Groups" with the client involved in the planning and then viewing the group and providing guidance and direction throughout the day. All this without the outside experts knowing whom the client is and they are thus unbiased, creative, and provide different perspectives than our client has because of their 'inside-out' viewpoints.
- Surveys and interviews with people from our PARAGON Network TM that generate very targeted information that our clients require.

We hope that you have enjoyed the issues of *The* Paragon Perspective that you have received and will let others who might find this newsletter useful know about our publication. To provide us with profile changes; or to let us know about other individual interested in receiving our newsletter; or for other information just click on this link <http://www.paragondevelopment.com/contact.html> (or copy and past this shortcut) and complete the Contact/Request for Information form (be certain to include your email address) or you may simply reply to this email and provide us with (or ask us) the information.

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