

The PARAGON Perspective From the President

PARAGON Perspective is sponsored by PARAGON Development

We want to use this newsletter 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 sixth year. 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.

All issues of *The Paragon Perspective* are archived on our website so you may easily pass along past issues to colleagues.

This month's newsletter will highlight the business development topic: "**When to commit to exclusivity**". We have encountered this several times in the past few months. Each time we have found it to be limiting and not an enabling situation.

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Paragon Update

PARAGON is looking at a 'mixed bag' of new projects ranging from early stage breakthrough to finding new markets and applications for mature old products. The drivers behind each are as diverse as the projects themselves.

We have also seen an increase in projects with new clients which accounts for over 50% of our business where traditionally our projects average over 90% from previous clients. Without advertising or aggressively marketing our resources, this speaks well for referrals from many people who know us. We thank those of you who have done so.

Conferences

This space is reserved for announcements of conferences or events that may have value to our readers.

Licensing Executive Society Meeting May 16-18 Atlanta GA

THE LES is an organization that has a value well beyond licensing as they really are about best practices in technology transfer and intellectual property in a much broader way than just licensing. It is a dynamic, growing organization and they have an excellent Spring Meeting in Atlanta. We are strong supporters of the organization and people who we have recommended it to are not disappointed.

For additional information, please go to www.USA-Canada.LES.ORG

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 of Interest

1. New technologies of interest for license or acquisition are:

- New products directed toward applications in plastic foam with a particular emphasis on packaging. The new polymer product has superior balance between impact strength and protection of the material packaged with a cost effective use that uses much less polymer than other approaches.

Anyone with technologies fitting the above should contact us as below and we will forward the responses to our clients so they can contact you directly.

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Quotes of the Month

"Watch our thoughts, they become actions. Watch our actions, they become habits. Watch our habits, they become character. And watch our character, it becomes our destiny" *Many sources*

"When you do the common things in life in an uncommon way, you will command the attention of the world." *George Washington Carver*

"Once you eliminate the impossible, whatever remains, no matter how improbable, must be the answer." *Sherlock Holmes*

"If you can't accept losing then you can't win". *Vince Lombardi*

"The only way of finding the limits of the possible is by going beyond them into the impossible." *Arthur C. Clarke*

"There is nothing like a dream to create the future." *Victor Hugo*

"Let me tell you the secret that has led me to my goal. My strength lies solely in my tenacity." *Louis Pasteur*

"Lord, give me the determination and tenacity of a weed." *Mrs. Leon R. Walters*

"People judge you by your actions, not your intentions. You may have a 'heart of gold' but so does a hard boiled egg." *Proverb*

"A ship in harbor is safe—but that is not what ships are for." *John A Shedd*

"Sometimes the fool who rushes in gets the job done." *Al Bernstein*

Interesting Words

Sessile: (SES-il) Adjective

1. Permanently attached; immobile (as an animal, for example a barnacle..
2. Attached directly to the base, without a stalk (as a leaf or a flower).

Acescent: (uh-SES-uhnt) Adjective
Turning sour or slightly sour.

Omnifarious: (om-ni-FAR-ee-uhs) Adjective
Of all kinds and sorts.

Floruit: (FLOR-yoo-it) Noun

The period during which a person, movement, etc. was active.

Pari passu: (Pah-ree PAS-soo) Adverb

At an equal rate or rank.

“When to commit to exclusivity”

Case study examples:

The examples below are very recent and therefore we will not mention any names. But, they exemplify projects that are not aberrations.

In the first case, our client invented a way to modify polymer additives via a proprietary process. It would ‘give away’ the identity of the client and technology to discuss what it enabled; but it was a breakthrough in that it had the ability to save considerable costs as well as improve performance for a wide range of additives that are used in plastics. They have a very limited business in this area and do not have market influence, so they partnered with one of the largest specialty chemicals companies in the world who have a large plastics additives business. Their ‘partner’ made all kinds of promises which included their doing the applications and commercial development work in return for a one year global exclusive for 18 months after commercial launch. Another part of the agreement stated that our client could void the agreement with 6 months notice but would be responsible for payment of half of the expenses to date in development. They also offered an initial upfront payment to show interest and good faith.

After 3 years of “going nowhere” our client decided to void the agreement and that is when they found out that the partner had over \$4mm on their books so far in expenses charged to this development. Our client then asked us to assist in the commercial development as they felt the least expensive way out was to get the technology out into the market and then get past the 18 month exclusivity window. (They did have the option of producing themselves if their partner was unable to meet demand).

As we started the project, we found out from our network contacts that customers had heard about this technology from a paper given by our client 4 years earlier. They went to our client’s partner and could not get any responses and one was even told that the technology did not prove out. The real truth, however, was that our client’s ‘partner’ was doing everything they could to sabotage the commercialization of this technology. It would have a negative impact of millions of dollars in their EBITDA per year because it would allow the use of less additives with the same performance and thus reduce volume and demand. We also discovered that the business unit that made the upfront payment ‘investment’ did so because they were expanding capacity in a major product that would be greatly affected by this.

A second case in medical devices was very similar with the exception being that the development partner who ended up with the exclusive underwent a “re-organization” right after the agreement and this development area was not viewed as being ‘strategic’. It was thus delayed and stretched out well beyond expectations. Our client finally had to rescind the agreement.

Lessons learned and recommendations:

- Don’t follow the ‘path of least resistance’. In other words, we tend to choose partners in new areas because they already are our partners in other areas or because they are the leaders in their markets or industries. Those factors only qualify them to be considered and do not ensure they are the right partners. (One of the above examples involved the largest existing customer of our client.)
- Use scenario planning as part of the agreement process. The above scenarios were never considered by our clients but they should have been. And, if they were, it would be easy to do a due diligence on probability and also it would have allowed better contractual terms to deal with all possible scenarios.
- Do not give up total exclusives. Always leave yourself an ‘out’ even if you can’t imagine using it. It will at least give you leverage if you run into a situation. For example, give an exclusive for everywhere but Asia even if you have no way to move forward at the present with anyone but your ‘exclusive’ partner.
- Set new payments tied to time and/or delays and do not limit the terms to upfront payments and then percentages downstream.
- Get a clear understanding of the reason your partner wants an exclusive! If it is to secure a competitive advantage, then that is a great reason to consider the exclusive. But, most any other reason is open to scenarios that will be disadvantageous to your objectives.
- Take your time in exploring partners. That is not meant to mean that an extra ordinate amount of time needs to be wasted but do not agree to any immediate contract. (Another case not mentioned was with a client that

made an exclusive agreement in one visit to Japan). That was because it took almost a year to schedule the meeting and because the client cost was so large in going there with a team. They did not want to delay any longer or to incur additional expense.)

- Get outside confirmation of value. There are many ways that outside resources can: confirm the value of the opportunity; identify and confirm the best partners; calculate the value of exclusive agreement returns versus other options; and be involved objectively in the negotiation process.
- Don't go "cheap"! In the last example, it is very easy to cut corners and not involve others, especially since a new technology typically has no revenues or inherent book value, so it is strictly looked at as an expense. We recommend using a Monte Carlo or other value calculation method to make the best decisions on how to proceed.

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.

PS:

We want to remind our readers that this section of the newsletter is open up to anyone with a development topic or an approach they would like to share. Four of the twelve topics last year were submitted by others and we know many consultants, company managers, and academics who have very solid and profound contributions they could make in future newsletters. We ask that it be from 600 to a 1000 words although that is not a 'hard' range. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. Also, we will agree that the copyright and ownership is kept by the contributor and that we only have a right to reproduce it in conjunction with this newsletter.

Trivia:

What is the white stuff on baseball card bubble gum?

It is powdered sugar. It is sprinkled on the gum to keep it from sticking to other pieces of gum during the manufacturing process. Both before and after it is cut to it's final size. It is then stacked in a magazine to be added to the baseball packs. The powdered sugar prevents the pieces from clumping together and it also offers a favorable, differentiated product that consumers look for.

Bazooka brand chewing gum does not need the powdered sugar because it isn't stacked the same way as it is being processed. The 'card' gum contains less water than typical gum so the powdered sugar is not needed as a desiccant which many assume.

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>.

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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™ 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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