



BMDO Update

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THE VALUE OF TECHNOLOGY INNOVATION

DOES IT COUNT? —by Leslie Aitcheson

PURCHASED COMPANY ¹	PURCHASER	DATE OF TRANSACTION	VALUATION OF TRANSACTION (in millions)	TERMS	FIRST FUNDED BY BMDO SBIR	TOTAL BMDO SBIR AND STTR FUNDING
AstroTerra	MRV Communications	Jul 00	\$159.30	Acquisition	1993	\$1,850,627
Autonomous Technologies	Summit Technologies	May 99	\$86.60	Merger	1988	\$1,833,722
Coleman Research Corp.	L-3 Communications	Dec 00	\$60	Acquisition	1986	\$1,061,542
Coretek	Nortel Networks	Jun 00	\$1,430	Acquisition	1994	\$5,625,850
E-Tek	JDS Uniphase	Jun 00	\$17,523	Acquisition	1987	\$575,986
GELTECH	LightPath	Aug 00	\$27.5	Acquisition ²	1987	\$668,392
IntelliSense	Corning	Jun 00	\$750	Acquisition	1995	\$782,726
Micracor	Coherent Laser Group	Dec 96	\$1.30	Acquisition	1993	\$1,087,927
Nichols Research Corp.	Computer Science Corp.	Nov 99	\$369	Merger	1986	\$849,541
NZ Applied Technologies	Corning	May 00	\$75	Acquisition	1993	\$4,401,008
OCA Applied Optics	Corning	Apr 97	\$70	Acquisition	1997	\$60,009
Ortel	Lucent	Apr 00	\$2,950	Merger	1988	\$719,169
SDL	JDS Uniphase	Feb 01	\$13,500	Merger	1993	\$2,477,563
Sensors Unlimited	Finisar	Aug 00	\$330	Acquisition	1992	\$614,400
Silicon Mountain Designs	Dalsa	Sep 99	\$11.50	Acquisition	1994	\$1,617,978
Sterling Semiconductor	Uniroyal Technologies	May 00	\$40.60	Acquisition	1997	\$2,329,994
Thermacore	Modine Manufacturing	Apr 01	\$110	Acquisition	1985	\$6,487,283
Nitres	Cree	Apr 00	\$135	Acquisition	1996	\$4,201,737

¹M&A data was unavailable for 9 additional purchased companies.

²LightPath also assumed GELTECH's debt of \$1.4 million.

Employment numbers and revenue are two of several metrics that SBIR bean counters look at when evaluating the overall effectiveness of the program. Their goal is to identify whether SBIR investments, through high-tech small busi-

nesses, have made a positive impact on the U.S. economy and the quality of life for Americans. To date, one metric that has not been pursued is that of mergers and acquisitions (M&As). In BMDO's SBIR portfolio, many companies have

merged or been acquired for, in some cases, billions of dollars. We have identified 18 cases where BMDO SBIR-funded companies have transitioned to this new level.

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Whether or not merger/acquisition activity really signifies a commercialization success story is entirely up for debate. BMDO SBIR's contribution to the company's success in luring such investment varies on a case-by-case basis. In addition, many companies received SBIR funding from other agencies as well. However, it is interesting to note that, in many cases, BMDO SBIR's initial injection of capital occurred fairly early in these companies' histories. So if viewed strictly as a venture investment, it may be seen as having an impact. The total value of all mergers and acquisitions of the 18 tracked BMDO SBIR companies at the time of their merger or acquisition was more than \$37 billion. BMDO SBIR put a total of \$37.2 million into these companies prior to acquisition.

The ability to evaluate the value of the investment at the time of merger or acquisition is beyond the resources of this program. However, with the assistance of Adams Capital, we were able to determine

Adams Capital, a nationwide VC firm with over \$700 million under management, invests in early stage companies in the information technology, materials, and software areas (www.acm.com). For further information, call Tony Warren at (814) 865-4593.

the valuation of BMDO's investment for one company (CoreTek) which illustrates the value of early stage seed funding. (Adams Capital was the first venture funding that

CoreTek received.) We see that had BMDO's investment been viewed as an A-minus round of venture capital, its investment would be worth \$255,260,848.07 at the time of acquisition.

So the question is, does this count? The BMDO Technology Applications program welcomes debate on this metric. Send responses to laitcheson@nttc.edu.