

**TWITTER NOTES ON
MIT ENTERPRISE FORUM NYC PANEL
ON AEROSPACE INVESTMENT
HELD AT 750 3RD AVE, NEW YORK, NY
FROM 5:30-9:00PM ON
WEDNESDAY, 22 APRIL 2009**

The following special comments are important, so please read them first!

- These notes are listed in reverse chronological order, so you need to start at tweet #55 and work your way up to tweet #1.
- I've edited the original tweets to correct misspellings and other gross errors.
- I've added bonus material to this document! Because I've recently gotten a Kindle2 and have been trying to read as much as possible, I asked everybody I talked to during the networking periods of this meeting what books they'd recommend I read. You'll find the list of titles I collected following these notes.

Twitter Notes

1. That's it! Time for networking now. Thanks followers for listening! Ciao!
2. Jill: investors don't care about your past performance. Future planning is important. Estimates of future earnings are often over-rated.
3. Mike: investors don't care about your technology. Biz case rules. Hoyt: most investors won't focus on unknowns. Find \$ that know space.
4. Q: advice for entrepreneurs to raise capital and exit strategies? Joe: an idea factory is more powerful than a single idea.
5. Hoyt: 2 areas that will get hit most by China and India are sat launches. Also sat manufacturing (India).
6. Q: what about China? Jill: difficult to export to china. Good biz to buy from China if possible (low cost). How to dance around ITAR?
7. Hoyt: industry is highly fragmented. Industry needs, government wants more mid-sized companies.
8. Q: smaller aerospace comps and mid- to longer term outlook. Will there be restructuring of industry? Mike: yes. Seeing it already.
9. Q: is space debris a big issue? Hoyt: not really, especially in GEO. Can't do much either.
10. Sometimes investors put new mgt in place as part of the package. New good mgrs are hard to put into companies... Very disruptive.
11. Hoyt: typical aerospace comp founded by talented aero engineers with no history of mgt.

12. Mike: Management. Good mgt team (solid, experienced) is hard to find. PM expertise is sorely lacking and few comps have mastered it.
13. Hoyt: low profit margins, low production numbers. Joe: extraordinary expectation of quality. FAA doing good job in area important to them.
14. Q: beside capital, what's biggest external obstacle to investment? Jill: right channel to market. Hoyt: unique risks to w/government as partner.
15. No answer to that one.
16. Mike: controllers are safe. NextGen won't get rid of them. Q: anything on the horizon from ice or snarge (bird residue in a/c)?
17. Mike: controller will always be the trusted advisor. NextGen is phasing down/out support systems like radars. FAA can't do NextGen themselves
18. Jill: some biz wouldn't exist except for government mandate. Example: safety. Q: will NextGen allow controller to get out of the loop? Yes.
19. Jill: DoD will not let air space privatization happen for decades. Joe: politics always wins, despite great tech solutions.
20. A: not run for profit in Canada. In US this remains in hands of govt. Reason.org has a lot of discussion on this topic.
21. Head of jetblue says there's too much fear of security right now. Q-B: what is performance of privatized ATC in UK or Canada?
22. Q5 (from audience): are there market-based models of air space technology, or air space as a commodity? A: too much politics after 9/11.
23. Jill: investing in government biz exchanges lower risk for lower returns. Mike: cyclicalities provide opportunities.
24. Jill: part of industry that looks very cyclic is aviation and airlines. ISR is booming.
25. Q4... When is best time to invest? Hoyt: now is a good time. Joe: DoD is growing, and there's a lot of money in the industry wrt government programs.
26. ... Are also big (no pun intended). Mike: aerospace technology migration across platforms. Q4: aerospace is cyclical tied to gdp growth.
27. Hoyt: ISR (?) is needed and must be expanded. Capacity that was to be provided by TSAT needs to be provided commercially. Small and picosats
28. Hoyt: at NSS in Colorado Springs, big topic was UAVs. Cyber security is one of 8 groups under space command and very big.
29. Joe: commercial space is also up and coming. Moment of truth will be when there's a fatal accident with a private space flight participant.
30. Joe: thinking of functionality, intelligence surveillance & reconnaissance are needed capabilities. Rapid deployment of assets.
31. Jill: increased UAV autonomy (1 pilot to many UAVs), FAA regs of UAVs. Fuel efficiencies, reduced emissions, green tech.

32. A/c=aircraft. New innovations in fuel efficiency, avionics, Pegasus project (Frank Swazey?), safety automation. US depends on aviation.
33. Q3: where are key growth areas? Mike: looked at interesting biz plans. Good opportunity at intersection of NextGen ATC, new a/c innovations.
34. ... Their technologies are interesting to govt. Jill: owners of comps have unrealistic valuations of their own company.
35. Hoyt: it's a buyer's market for cash rich companies now with valuations at 50% of one year before. Very few comps get to point where...
36. Jill: Mid-sized comps hitting ceiling b/c product lifetimes is very long. Mid-sized comps must first sell the support their product.
37. Jill: good mgt and complete realistic biz plan. Reality takes more time than what VCs want to see. L3 will be fine b/c it's a DoD supplier.
38. Jill: critical to have a good biz case. Technical idea isn't the be all-end all. Difficulty to generate revenue.
39. Mike: moving several corporate projects away from large banks toward smaller banks. Private equity is still seized up. Lending down 70%.
40. Mike: 1 in 20 comps get funded. Angels market is very strained. Everyone is waiting for TARP. No government policy for private investment.
41. Joe: the quality of the idea is paramount. Mike: sources of funding and private equity world must be considered. Very difficult.
42. Hoyt: larger sat comps will have lower growth. New companies will struggle. Joe: mid-size comps will face challenges in the near-term.
43. Hoyt: mature comp= government contractor. Risk capital has dried up so start-ups will have a harder time. SBIRs and other opportunities from government.
44. Joe: getting access to IP paid for by others is unique. Q2: what is outlook for next 5 yrs, start-up and late stage companies as well.
45. Joe: aerospace is one of the last great channels of innovation. Opportunity for leverage from military apps into other markets is unique.
46. Mike: aerospace produces so many disruptive technologies, like GPS. Creates so many opportunities and companies. Many great ideas.
47. Mike: ditto to Hoyt's comments. Sats are hedge against a lot of troubles we see today. GE is a strong leader having good cash flow.
48. Hoyt: near-term perspective, there is downside protection. DoD budget is still high, funding new technologies. Sats revenues doing well.
49. Jill: Military biz is doing well. Buying small companies. They are an exit strategy for start-ups. Hoyt: long-term, space has great potential
50. Why invest in aerospace? Jill: no one answer. L3's strategy is to be a 2nd tier supplier and it's succeeded. Aero-side is struggling.

51. 4th panelist: Joe Parrish of Aurora Flight Sciences Corp.
52. 1st panelist: Dr. Jill Wittels of L-3 Communications. 2nd: Hoyt Davidson of Near Earth LLC. 3rd: Mike Dymont of NEXA Capital Partners.
53. About 45 attendees and 4 panelists. Laurence Vigeant-Langlois (ISU SSP99) moderating.
54. MIT Enterprise Forum NYC panel on Aerospace Investment about to begin. Introductions of all in attendance.

Bonus Material!

As I mentioned in the special comments preceding the Twitter Notes, because I've recently gotten a Kindle2 and have been trying to read as much as possible, I asked everybody I talked to during the networking periods of this meeting what books they'd recommend I read.

Here's the list of titles I collected, in no particular order. I haven't checked the spelling of the authors' names, so be forewarned!

- "Outliers" by Malcolm Gladwell, recommended by the President of a Amphibian Aircraft Company.
- "Fooled by Randomness" by Nissan Taleb, recommended by a Financial Advisor.
- "Angel Capital" by Jacobson, recommended by a Capital Investment CEO.
- "Around the World in 20 Days" by Bertrand Piccard and Brian Jones, recommended by a R&D VP.
- "Irrational Exuberance" by Robert Shiller, recommended by a Sr. VP and Chief Performance Officer of a Capital Investment company.
- "Creative Wealth" by Jeffery Sachs by the President of an assets investment company.
- "Innovation and Entrepreneurship" by Peter Drucker, "Tipping Point" by Malcolm Gladwell, and "Cradle to Cradle" by William McDunnough, recommended by a performance assurance engineer.