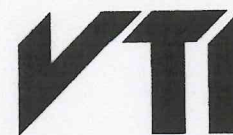


# VALLEY TECHNOLOGIES, INC.

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## Management Team

### **Jerry Petrole**

President/CEO, Founder

### **Ray Dee**

Executive Vice President

### **Joseph Jones, Jr., Esquire**

Secretary, Chief Counsel

### **Lori A. Maley, CPA**

CFO

### **Russ Meyers**

Director of Engineering

### **Mark Linton**

Hardware Engineering  
Manager

### **Steve Lewis**

Strategic Programs Manager

## Year Founded

1992

## Number of Employees

23

## Industry

Broadband, Signal Processing,  
Design Manufacturing and  
Sales

## Funding to Date

\$3,228,000

## Current Investors

Founders, Equity  
\$2,859,000

## Amount of Financing Sought

\$5,000,000

## Use of Funds

Expand staff  
Fund product development  
Fund sales and marketing  
Plan and finance product  
manufacturing

## Mission Plan

Valley Technologies, Inc. (VTI) is focusing its considerable signal processing intellectual assets and broadband technology partnerships on becoming an early player in the consumer broadband appliance market. The company will address the rapidly expanding consumer broadband market with the "quick turn" product design capability that will be required to meet the demand for an ongoing line of consumer products that will bring advanced features to broadband cable and DSL (digital subscriber line) users.

## Targeted Market

VTI is targeting the "client side" or home and small office market for broadband-based products. The client side of the Internet infrastructure market will be enabled through the large-scale distribution of wideband cable and DSL services by multiple service operators (MSO's). The "data over cable" market alone projects that 65% of US households will subscribe to data over cable services by 2003 (*Science Kinetic Strategies*).

This translates to almost 30 million US homes having access to broadband services through the end of 2003 and over 600 million homes worldwide by 2010.

This rapidly developing market is being driven by the MSO's who provide Internet and related services over phone and cable lines. They include companies like Time Warner, Comcast, Adelphia, Charter and AT&T. MSO's in the US are rolling out the client side user interfaces via "cable modem" products currently at a rate of over 300,000 homes per month. This rate will increase steadily for the foreseeable future. The MSO's motivation is that the modems enable a bigger data pipe into the small office or home allowing the MSO to generate significantly higher revenues by selling this increased data capacity for services requiring such a broadband delivery system. There is no doubt that the "Wired" home will become a reality over the next ten years. A staggering flow of consumer services are being developed for commercial, medical, financial and entertainment applications to meet the projected demand.

With the broadband delivery system in place, an insatiable appetite for consumer products will follow allowing consumers to utilize broadband services. Valley Technologies, Inc. has started to market its first product into this marketplace and has a roadmap for advanced product development that will position VTI among the early suppliers to this trillion-dollar market.

## Technology/Product Definition

VTI's first entry into the broadband Internet infrastructure market will be through high performance cable modem/router products now being evaluated by leading MSO's including Comcast, @Home and Adelphia in Q3-00.

The cable modem products have been found to be superior in performance to those units supplied for evaluation by leading competitors. Advantages of the "Prestige 941" cable modem include a built-in router option that permits the home or small office users to route the MSO's broadband data pipe to over 20 computers or workstations at the clients' location. This sharing of the broadband line provides significant cost reductions to the small office/home office (SOHO) but also allows the MSO to increase revenues by supplying greater bandwidth to larger numbers of users.

Other features of the "Prestige 941" allow it to be configured and evaluated for trouble by the MSO from the "Head End" server. This is done through a "telnet option" providing advanced trouble shooting capabilities and giving the MSO numerous facilities for monitoring and billing "band width" usage in much the same manner as the electrical company can monitor and bill kilowatt house usage.

Valley Technologies, Inc. has assembled a very experienced team of talented signal processing design engineers. This team has developed a product roadmap in conjunction with leading MSO's. Products range from upgraded cable modem designs that will allow seamless user installation through the use of home phone wiring for local networking, to completely wireless home appliances using the "Blue Tooth" wireless appliance protocol.

Advanced features and wireless technology will be built into a family of Internet information appliances designed in close cooperation with leading MSO's for direct distribution to their customers through direct and retail channels. Targeted market segments will include data, voice and video processing and presentation appliances.

In addition to staying ahead of the cable modem curve, products planned for development in 2001 include a unique voice over network phone adaptor that will allow home users to place all phone calls over the Internet using existing equipment. This product will sell for under \$150.



## Competition Real/Perceived

The competition in the broadband Internet infrastructure market was clearly defined in 1999 as a function of cable modem sales. It is, however, very important to understand that the following competitors and their market percentages will change radically by 2001 as the "me too" suppliers are separated from those suppliers who have the ability to adapt their products and technologies to the needs of a rapidly changing market.

The larger players in the 1999 competitive analysis below have focused the majority of their attention on the "Server" side of the Internet infrastructure. Most have a "big company" mentality toward new product development, which prohibits the "quick turn" design capability that is required to address the consumer side market.

1999 Cable Modem Market Share	
Motorola/General Instruments	30%
Nortec Networks	17%
Com 21	8%
Terayon	8%
3 Com	5%
Thomson	5%
Samsung	4%
Delta Kabel	2%
	78%
<b>All Others</b>	<b>22%</b>

It is worthy to note that many of the cable modem products that are included in the table above have already been rendered obsolete by more advanced technology such as that which is currently incorporated in the products marketed by VTI.

## Strategic Alliances/Partnerships/Unique Relationships

VTI has entered into a technology exchange and resale agreement with ZyGATE of Taiwan. This relationship provides VTI the opportunity to become ZyGATE's North American resale agent for a line of high performance cable modem and router products. These "broadband" products have permitted VTI to penetrate leading Internet cable service providers who have interest in VTI's current and future Internet infrastructure products. The relationship with ZyGATE is based on personal relationships with the founders and officers of ZyGATE. This relationship will also be valuable as ZyGATE orchestrates mass production of VTI designed products in Taiwan.

VTI has enjoyed a strategic partnership with Honeywell Space Systems of Clearwater, FL. This three-year relationship has resulted in over \$2 million in signal processing business for VTI over the last two years, which has helped fund, VTI's R&R efforts. This relationship has resulted in VTI being introduced into TRW, Boeing and Raytheon as a strategic partner of Honeywell Space Systems. Leading edge signal processing technology is being developed by VTI for these companies that has the potential for embedded wideband signal processing products that will have a 20-year life requirement and be applicable to the Internet infrastructure market in the future.

DSP Architectures is a small company in Washington state that specializes in DSP "core" technology for frequency domain signal processing. VTI has invested in the development of a unique DSP processing chip that has a "JAVA" software compatible core. VTI will use this device in future signal processing product development programs including applications for image processing and signal filtering. VTI seeks to use this technology in future, high performance "systems on a chip" (SOC) products for wireless applications.

Other strategic alliances are in the works including those with major broadband providers (such as C-Cor) and installation companies.

## Value Position

VTI has positioned itself over the last three years as a leading embedded wideband signal processing design team. While building a "world class" team of highly experienced hardware and software designers from companies like Raytheon, Lockheed Martin, Lucent and E-Systems, VTI has developed numerous leading edge DSP based products for the varied industries.

Now with the high visibility entry into the Internet infrastructure market that the "Prestige 941" cable modem is providing, VTI has focused the solid design team that it has built on the task of "quick turn" consumer side broadband products.

Because the core of the management team is made up of the same people that manage the design activities, VTI has developed a very close and efficient working relationship between team members that allows quick decision-making and superior support for customers.

We currently know of no company designing broadband consumer products that has the overall depth of digital signal processing (DSP) design experience as the VTI team. An example of this experience is the fact that in 1999, VTI's design team was selected to design a complex DSP system for a subcontractor of NASA that will fly in a satellite in 2004. Another example of VTI's value in signal processing engineering excellence is the fact that VTI was selected on a national bid to design and build critical components for a multi-billion dollar missile defense systems for TRW.

Focusing the rigid engineering disciplines required for space and defense applications on "consumer broadband" appliances gives VTI the ability to assess and address signal processing opportunities on the consumer side rapidly and efficiently. This translates into a rapid time to market capability, which is essential to being successful in the broadband consumer market.

## Funding

Funding to date has been by the founders who have invested \$2.5 million in cash and generated another \$2.5 million in bank credit over the last three years. Grants have been received from PA's Ben Franklin Technology fund of \$500,000 and an Opportunity Grant has recently been awarded from the State of PA in the amount of \$125,000. Additional technology development grants are being applied for.

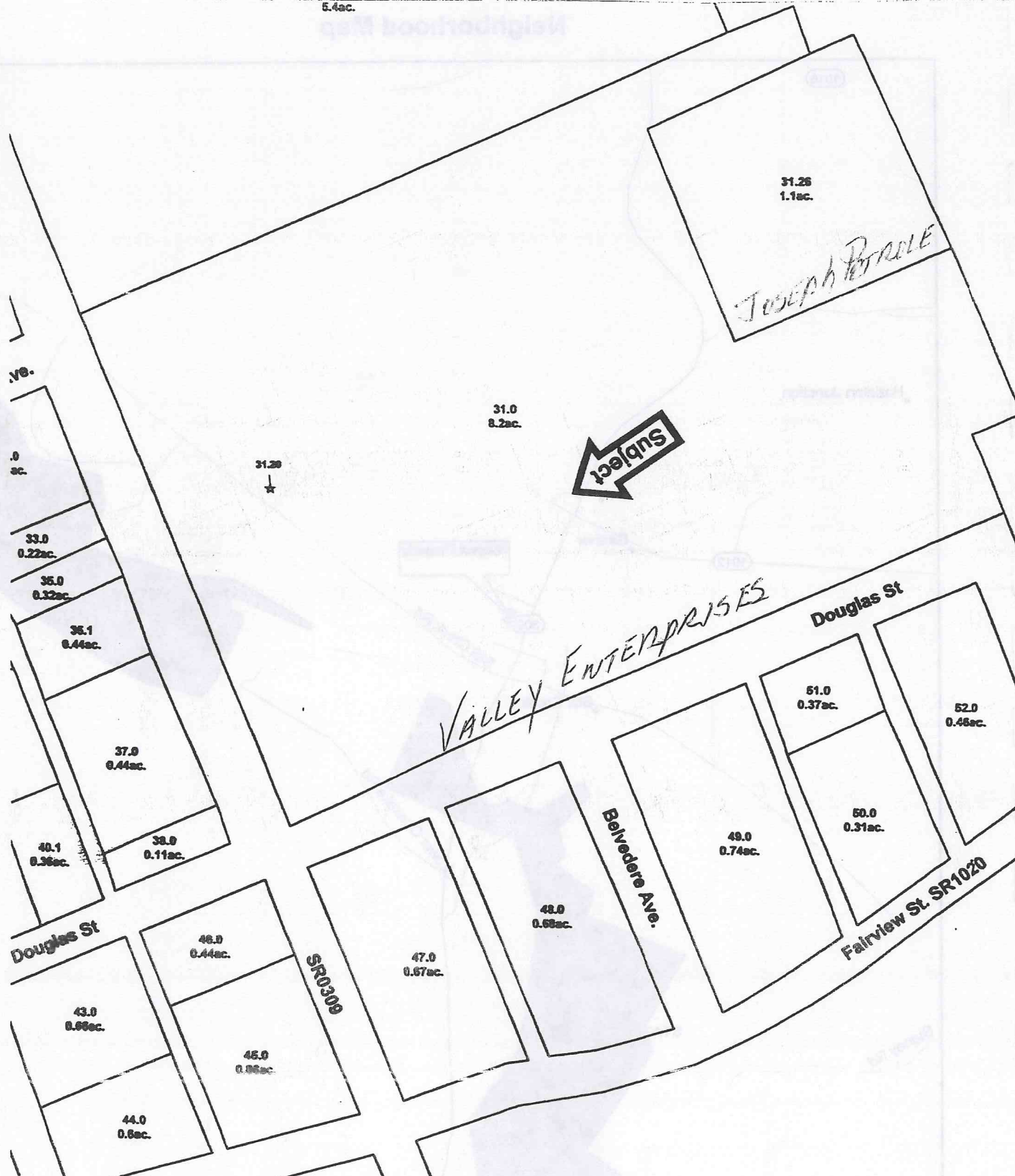
## Financial Performance for Fiscal Year End – Revenue (Millions)

1997 Actual	1998 Actual	1999 Actual	2000 YTD Sep 30
2.758	1.252	0.684	1.000

**The Management Team Bio-Sketches** - Available Upon Request



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Site Map