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## **TITAN CEO Featured on Entrepreneur.com**

### **Loyalty Pays: Show investors you care, and they'll show you the money.**

Michael Vadini, founder and CEO of Titan Technology Partners, is one of the good guys; he does all he can for customers of his Charlotte, North Carolina, IT engineering and outsourcing company. He looks out for his stockholders and investors, too, maximizing their investment while protecting them from risk. But not long ago, Vadini's white-hat status was put to the ultimate test.

During the boom in early 2000, Titan was funded by a hodgepodge of small investors. Technology companies of all kinds were garnering large investments and even larger valuations. Those with significant revenue, like Titan, which had sales of \$24 million in 2000, were going for top dollar. In the heat of the moment, Vadini set the value of his fast-growing company at \$60 million and watched as investors happily snapped up 13 percent of the company's stock.

Unfortunately, the tech downturn between 2001 and 2004 cut deeply into earnings and even more deeply into company valuations. "It became clear that it was going to be a long time before our investors would see a return," says Vadini, 46.

To earn back his investors' trust, Vadini granted them a liquidity preference on their shares. If the company ever went belly up--and if there was value left at the end--the investors would get their money back before Vadini saw any benefit. That kept them happy for a while.

But it was a bolder move that earned Vadini the loyalty and respect of his investors. In 2004, with the worst of the downturn behind him, Vadini gave investors an additional two shares for each one they already owned. "It cost me 40 percent ownership of the company, sending me down to about 25 percent ownership."

Richard Maclean, managing partner of VC firm Frontier Capital, says Vadini's actions are an admirable response to an increasingly common dilemma. As dot-com-era startups have matured, early stage investors often have stock that is now worth less than what they paid during the bubble. Faced with unhappy angels, more and more founders are reaching into their own pockets to provide early investors with some return.

Titan expects sales of \$60 million this year, which means it's just now approaching the valuation investors bought in at almost eight years ago. But its investors are a happy lot. If the company were sold today, it would realize about \$2.50 for each \$1.00 invested, Vadini says. "If you do the right thing, good things happen. Our investors showed patience and support, and in return, we were good to them."

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