



BUILDING RELATIONSHIPS THAT MATTER

WOOD  
SIDE  
FUND

# WOODSIDE FUND

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**9<sup>th</sup> Annual Early Stage  
Venture Investing Conference**

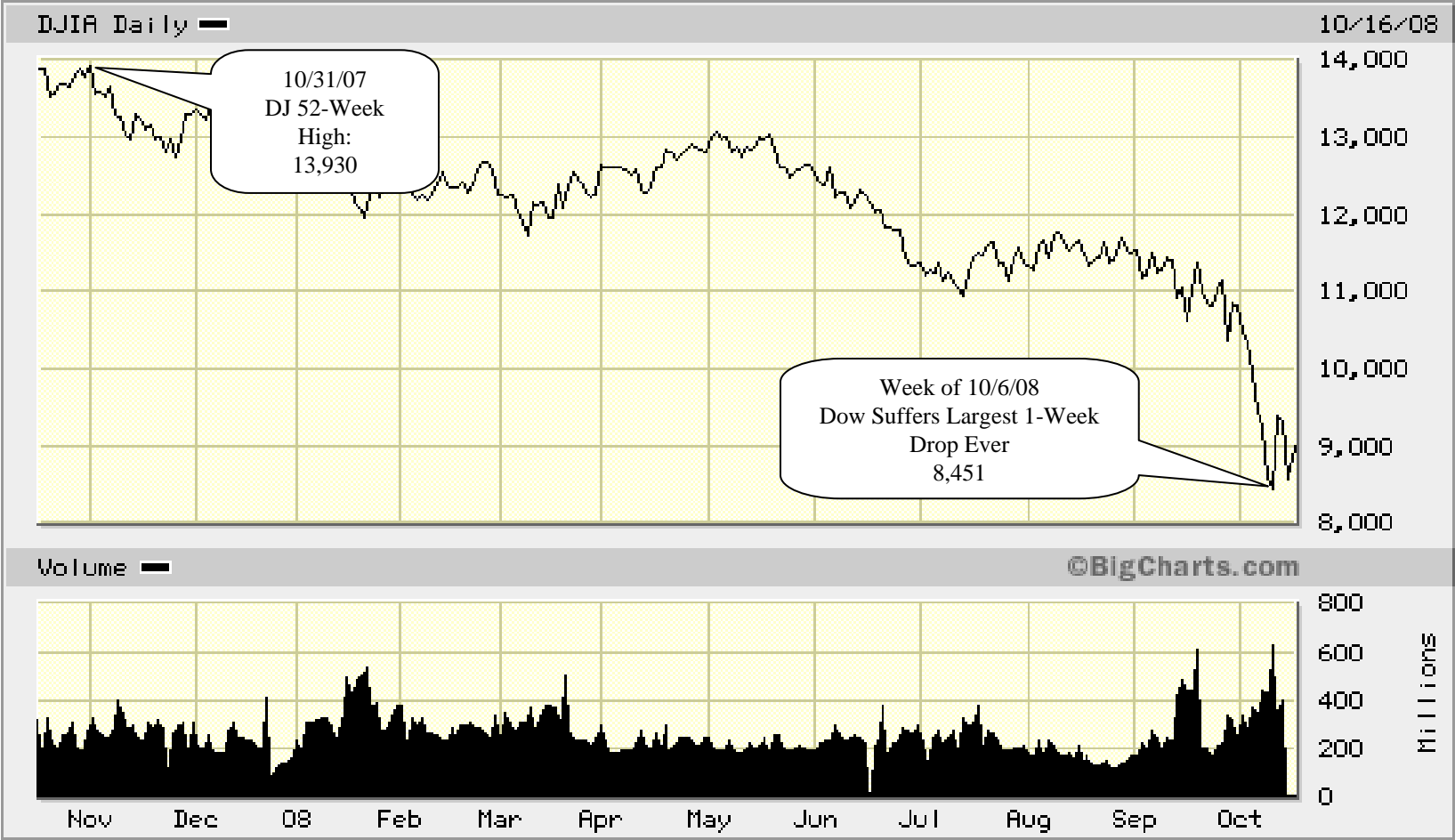
*“What Do We Do Now?”*

October 22, 2008

# The Last Twelve Months

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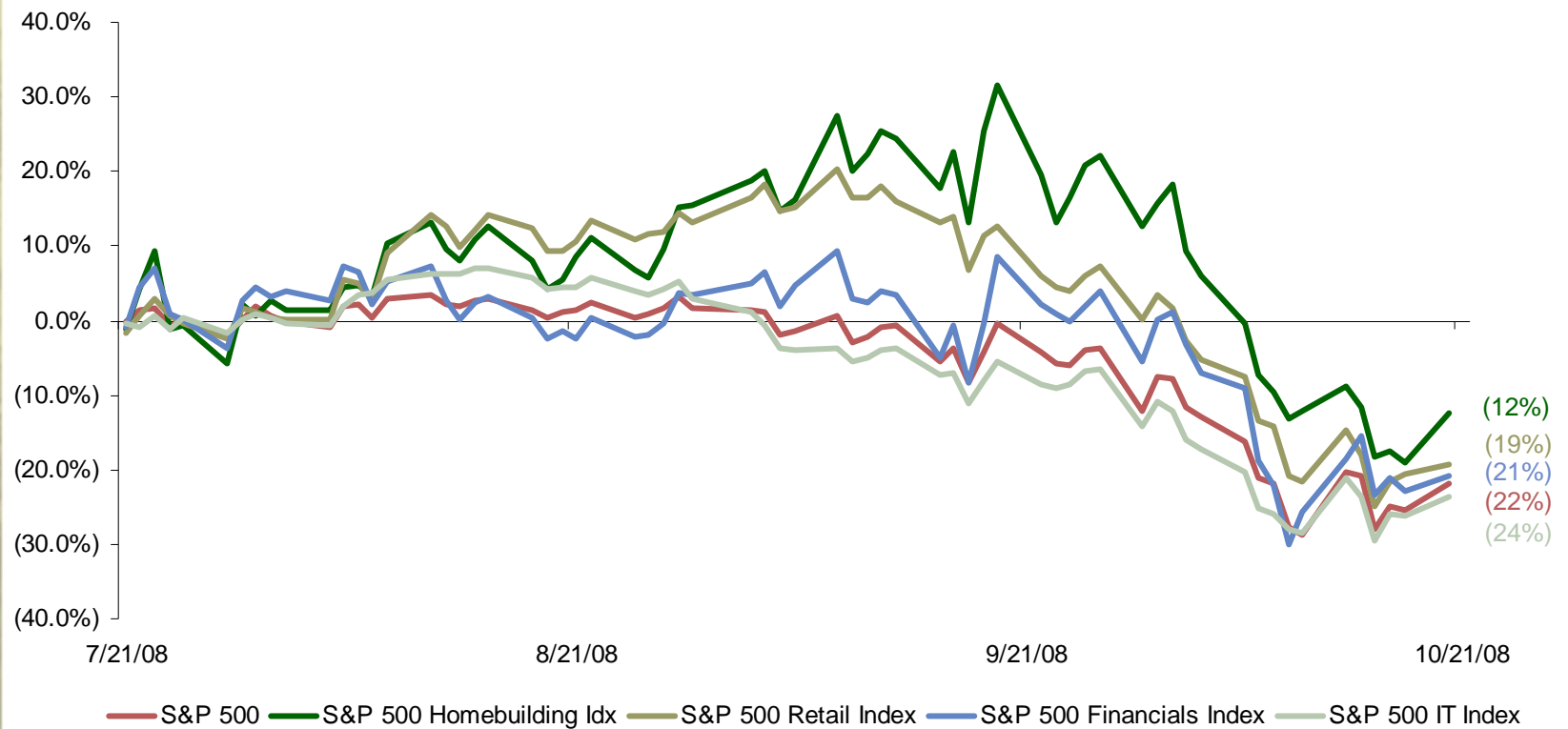
*Dow Jones Industrial Average, Closing Price*



# Reaction in the Markets

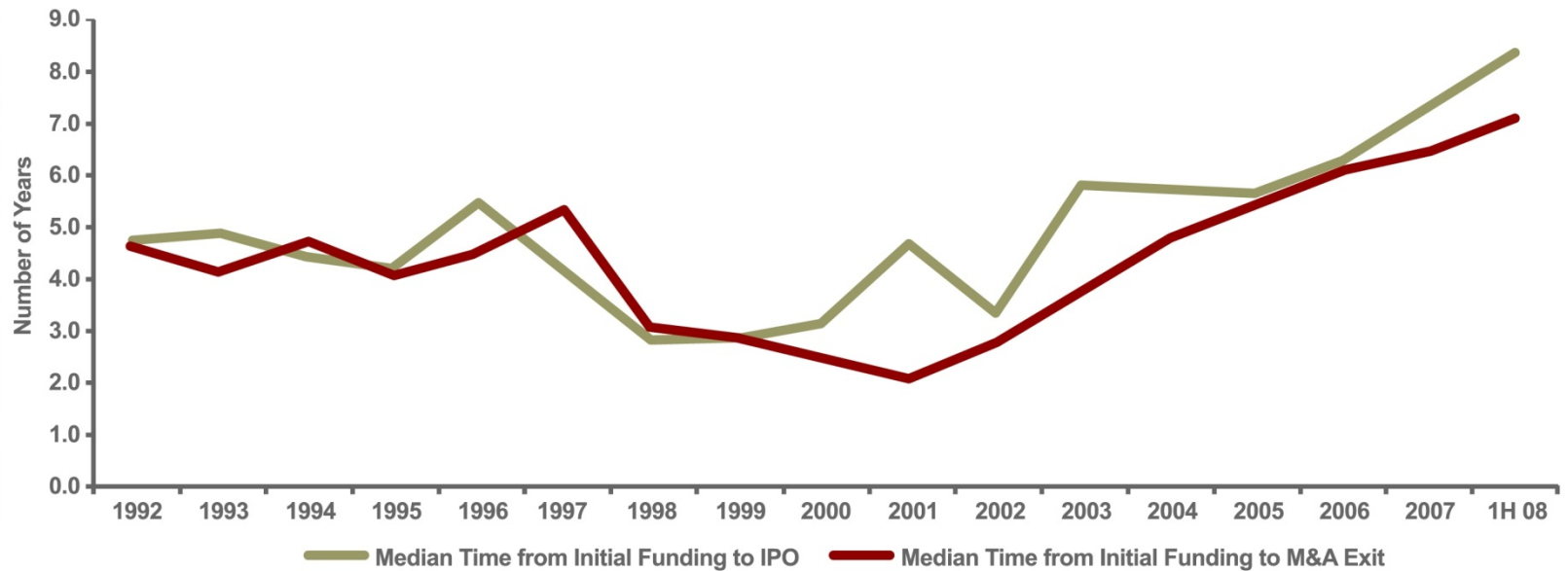
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*The Reaction in Different Sectors*



# Time to Liquidity

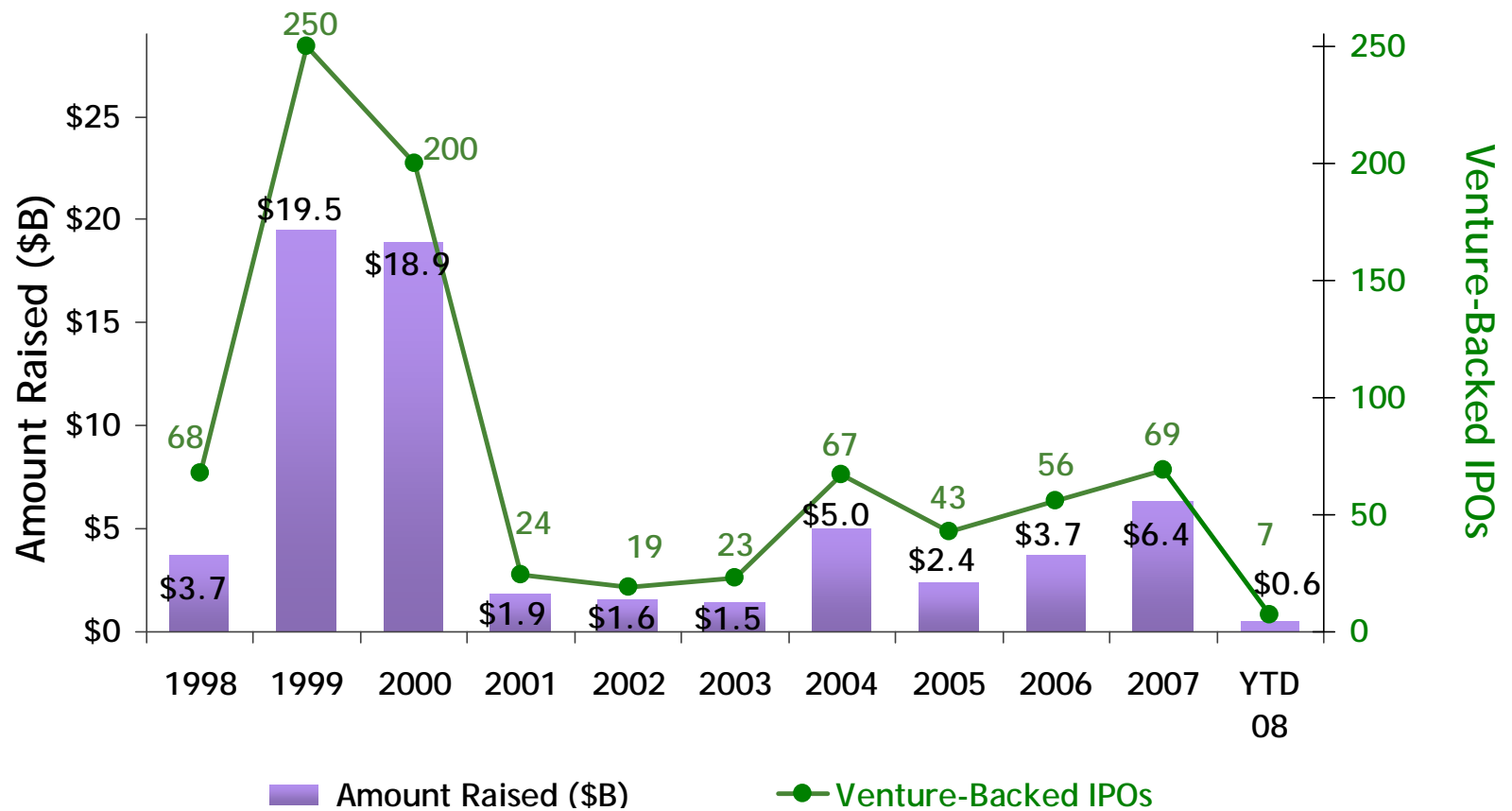
## *Median Age of a Company at Time of Exit*



# The IPO Market

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## Deals and Amount Raised Through IPOs



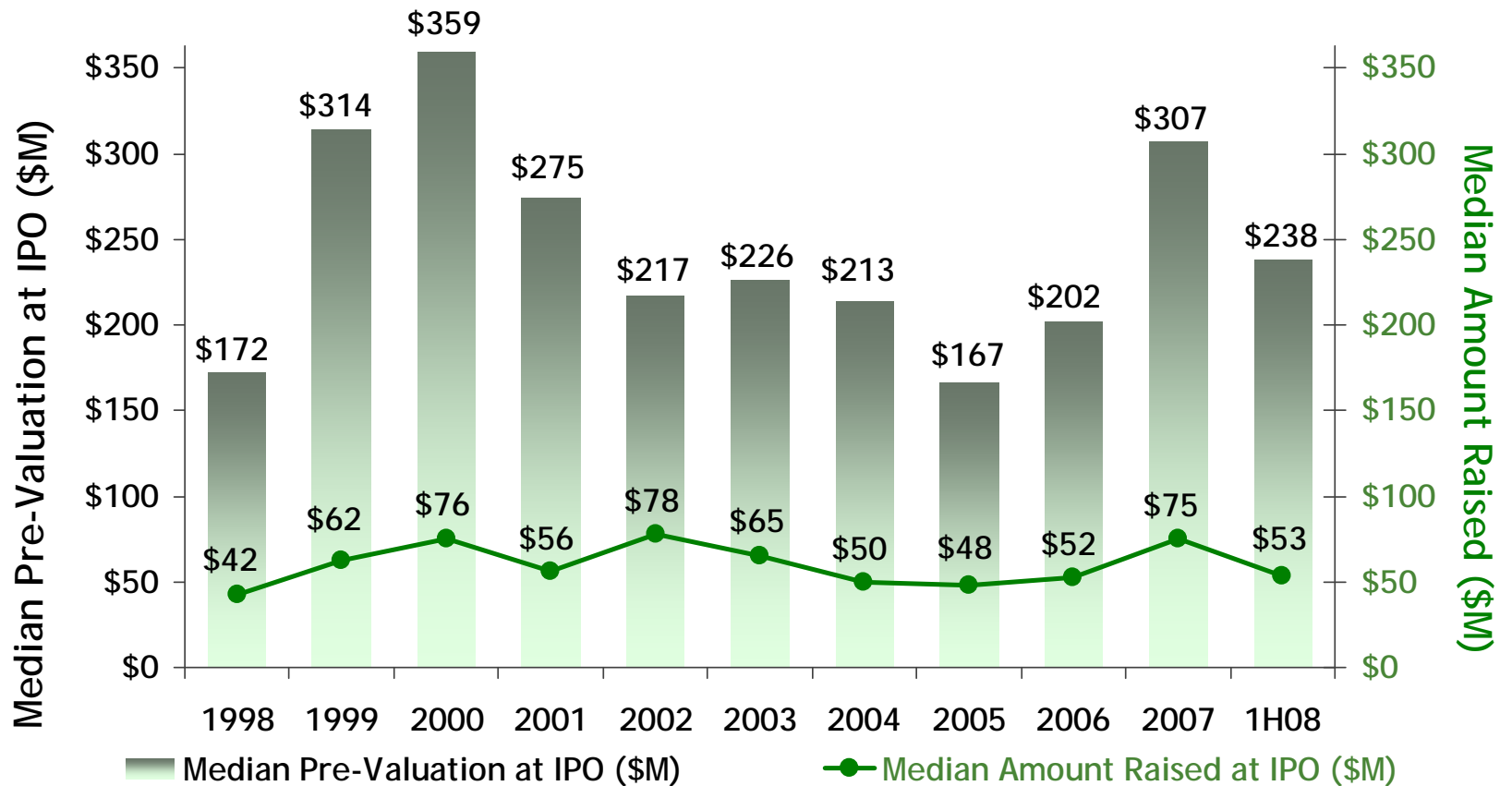
Source: Dow Jones VentureOne

YTD 2007: 1Q07 - 3Q07

# IPO Offering Sizes








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*Median Amount Raised and Pre-Valuation at IPO*



## 2008 Venture-Backed IPOs

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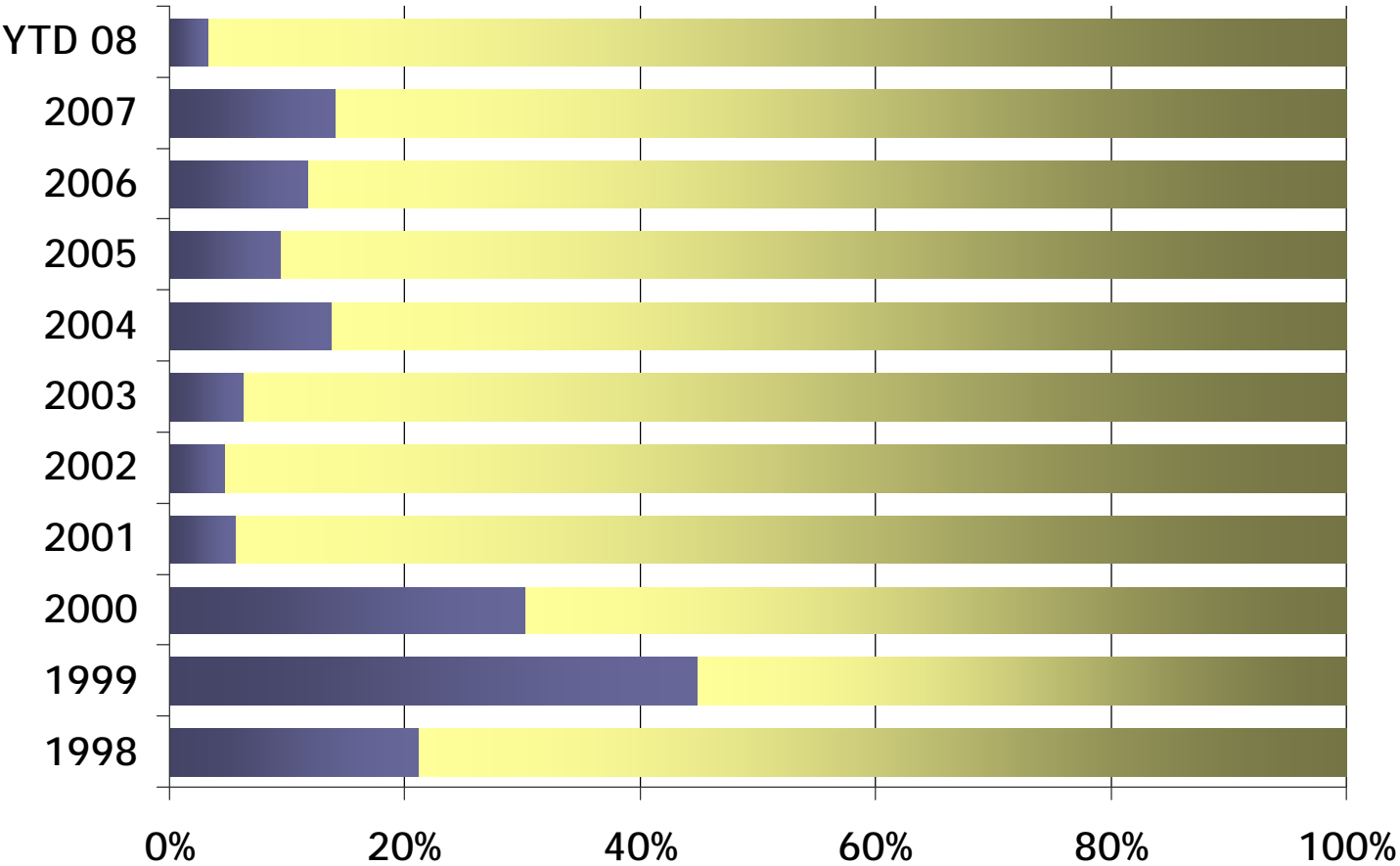
Company	Filing Date	Pricing Date	Amount Raised	Pricing Range	Offering Price	Variation from Midpoint	Pricing-to-Date Performance <sup>(1)</sup>
<b>Technology</b>							
 <b>rackspace</b>	4/25/2008	8/8/2008	\$158.8	\$12 - \$16	\$12.50	(10.7%)	(54.7%)
 <b>ArcSight</b>	9/11/2007	2/14/2008	\$54.0	\$9 - \$11	\$9.00	(10.0%)	(32.6%)
<b>Financial</b>							
 <b>RiskMetrics Group</b>	9/17/2007	1/25/2008	\$174.3	\$17 - \$19	\$17.50	(2.8%)	(13.3%)
<b>Healthcare</b>							
 <b>CARDIONET</b>	8/17/2007	3/19/2008	\$54.0	\$18 - \$20	\$18.00	(5.3%)	29.6%
 <b>BIOHEART</b>	2/13/2007	2/19/2008	\$5.8	\$6 - \$8	\$5.25	(25.0%)	(63.8%)
 <b>MAKO SURGICAL CORP.</b>	9/19/2007	2/14/2008	\$51.0	\$10 - \$11	\$10.00	(4.8%)	(31.6%)
 <b>ipc</b> The Hospitalist Company	8/31/2007	1/25/2008	\$52.8	\$15 - \$17	\$16.00	0.0%	35.9%

(1) As of October 20, 2008

# M&A Remains the Primary Exit Option

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*Percentage Breakdown of Venture Backed Liquidity Events: IPO vs. M&A*



Source: Dow Jones VentureOne

■ IPOs

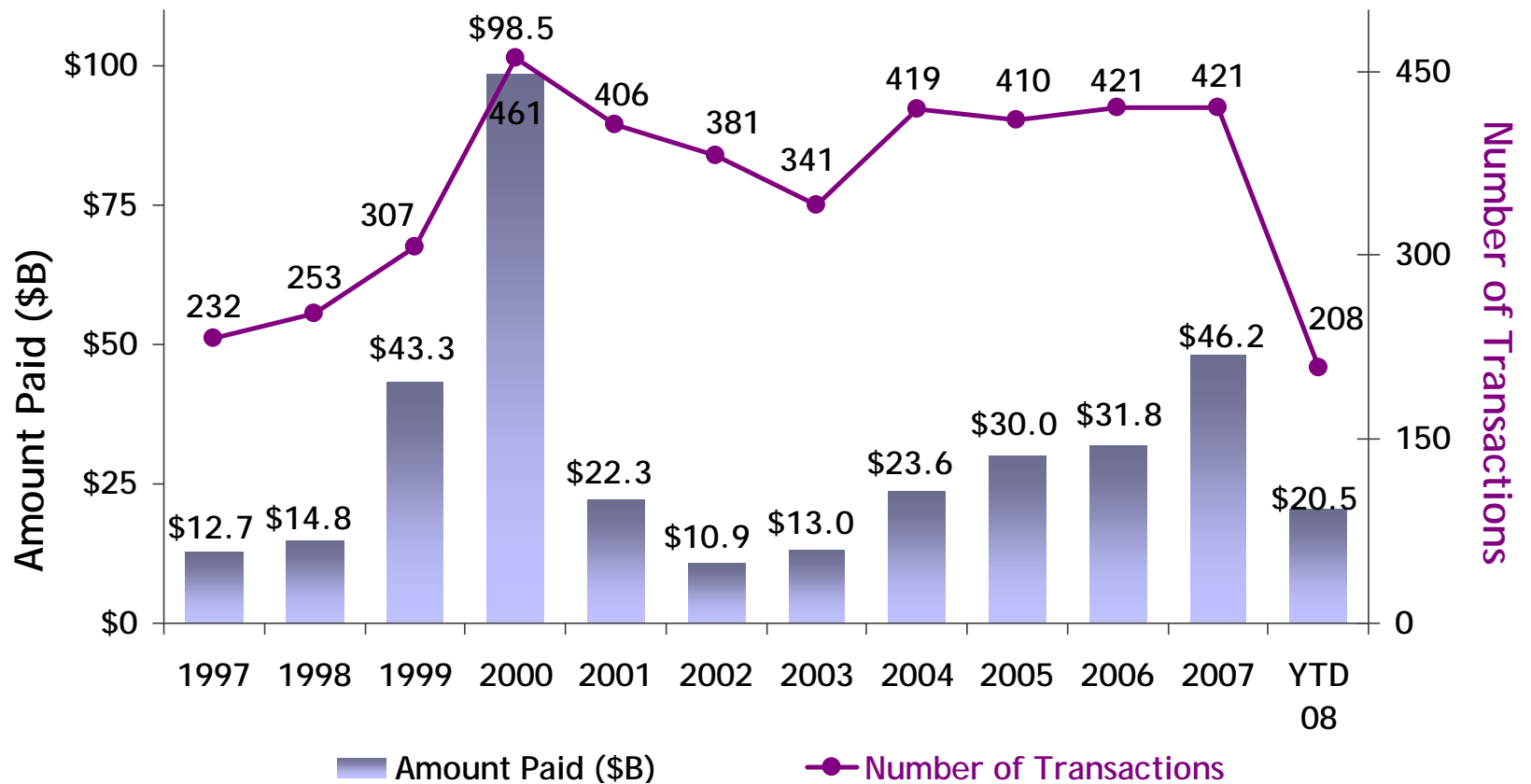
■ M&As

YTD 2007: 1Q07 - 2Q07

# M&A Exits

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*Transactions and Amount Paid in M&As*



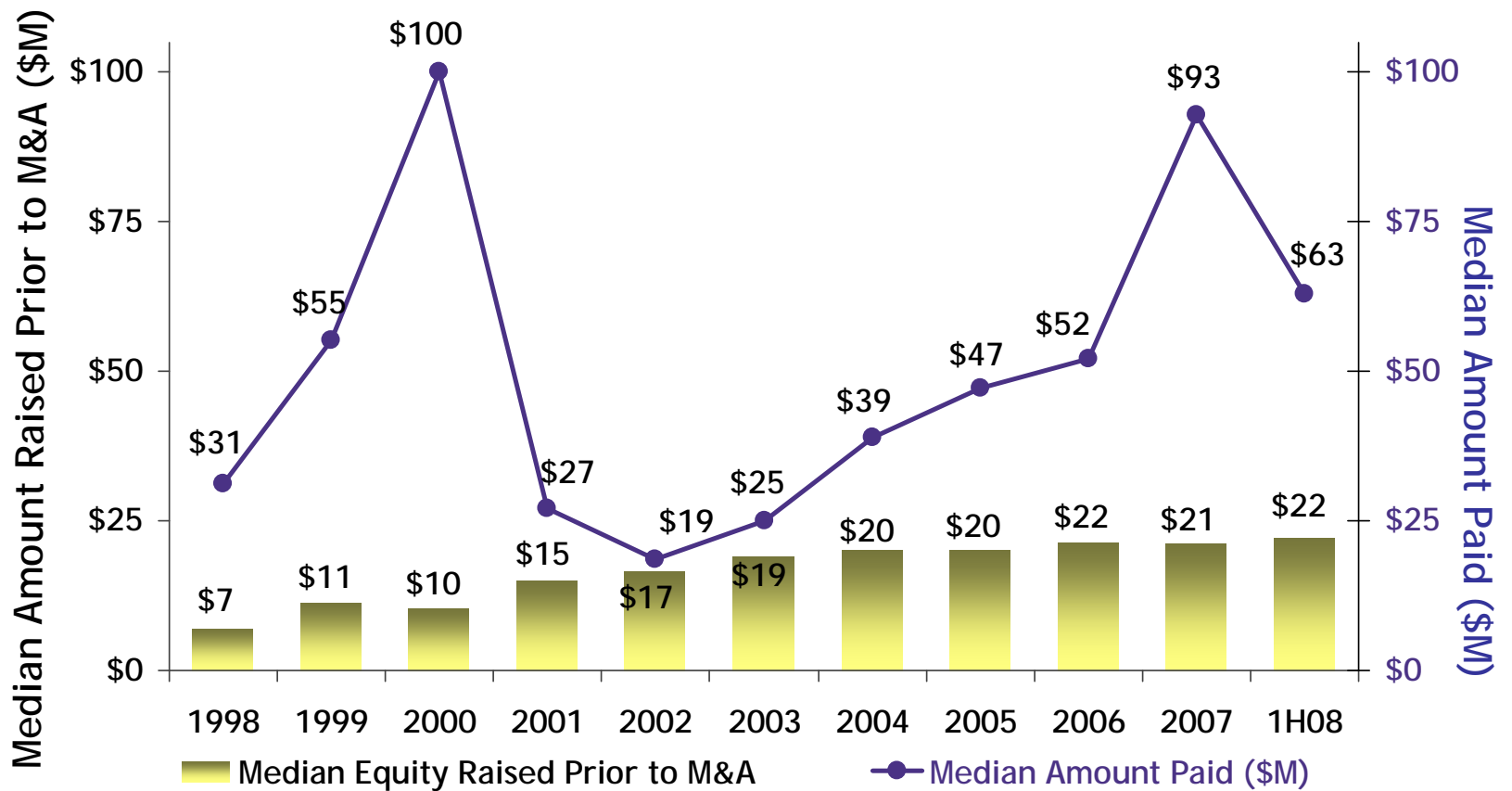
Source: Dow Jones VentureOne

YTD 2007: 1Q07 - 3Q07

# M&A Exits

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*Median Amount Paid in M&As vs. Median Amount Raised Prior to M&A*

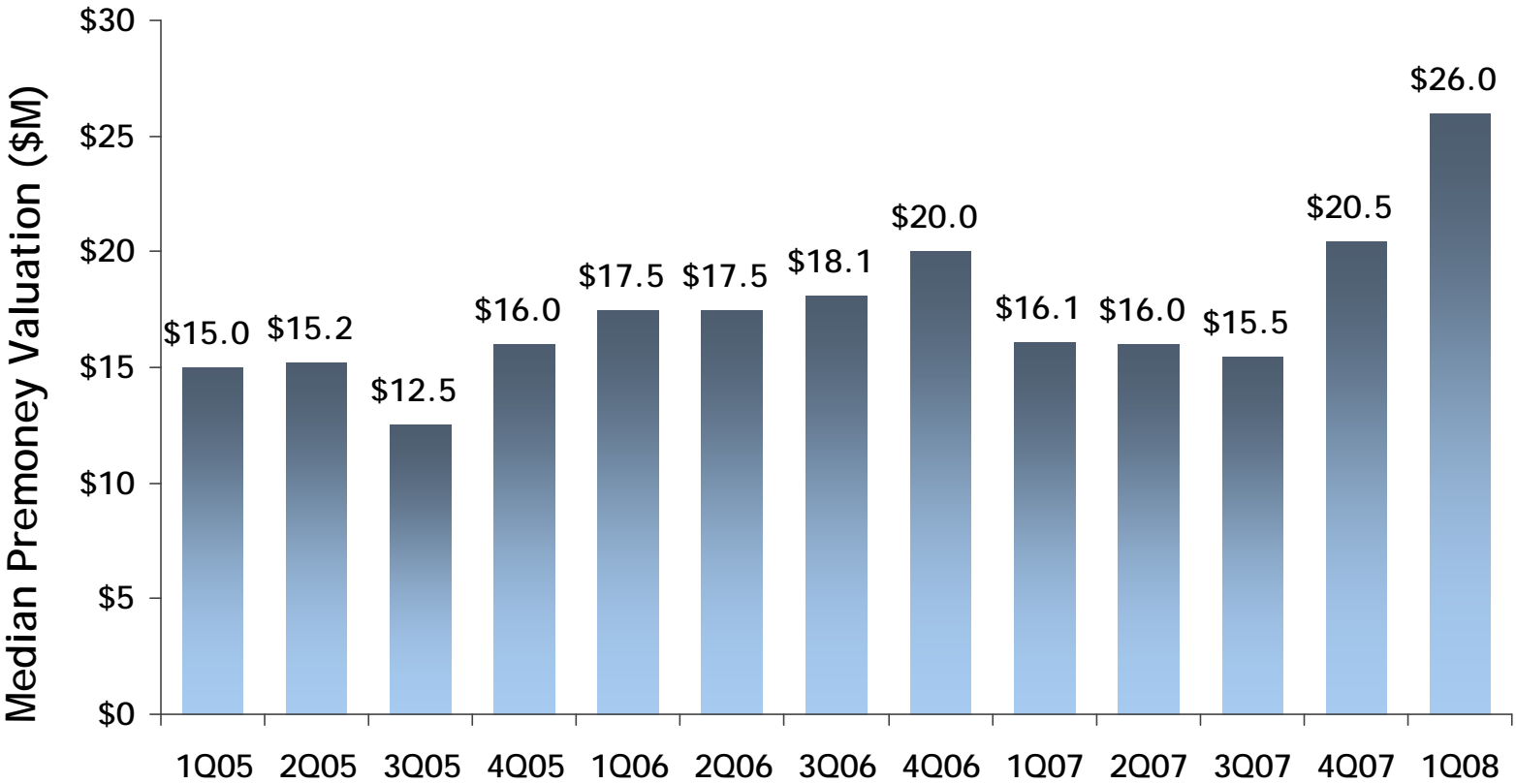


Source: Dow Jones VentureOne

YTD 2007: 1Q07 - 2Q07

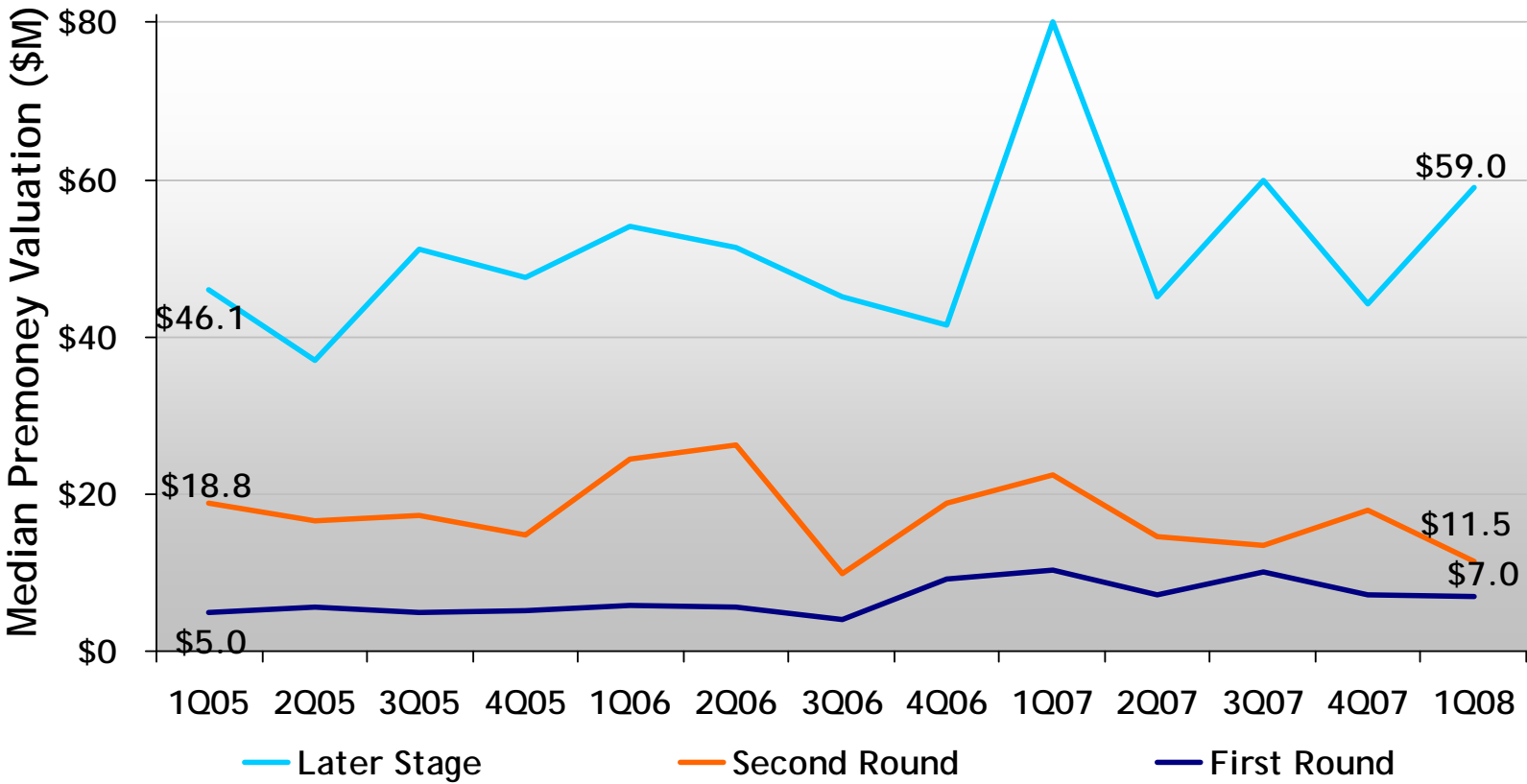
# Valuations

*Median Pre-money Valuation*



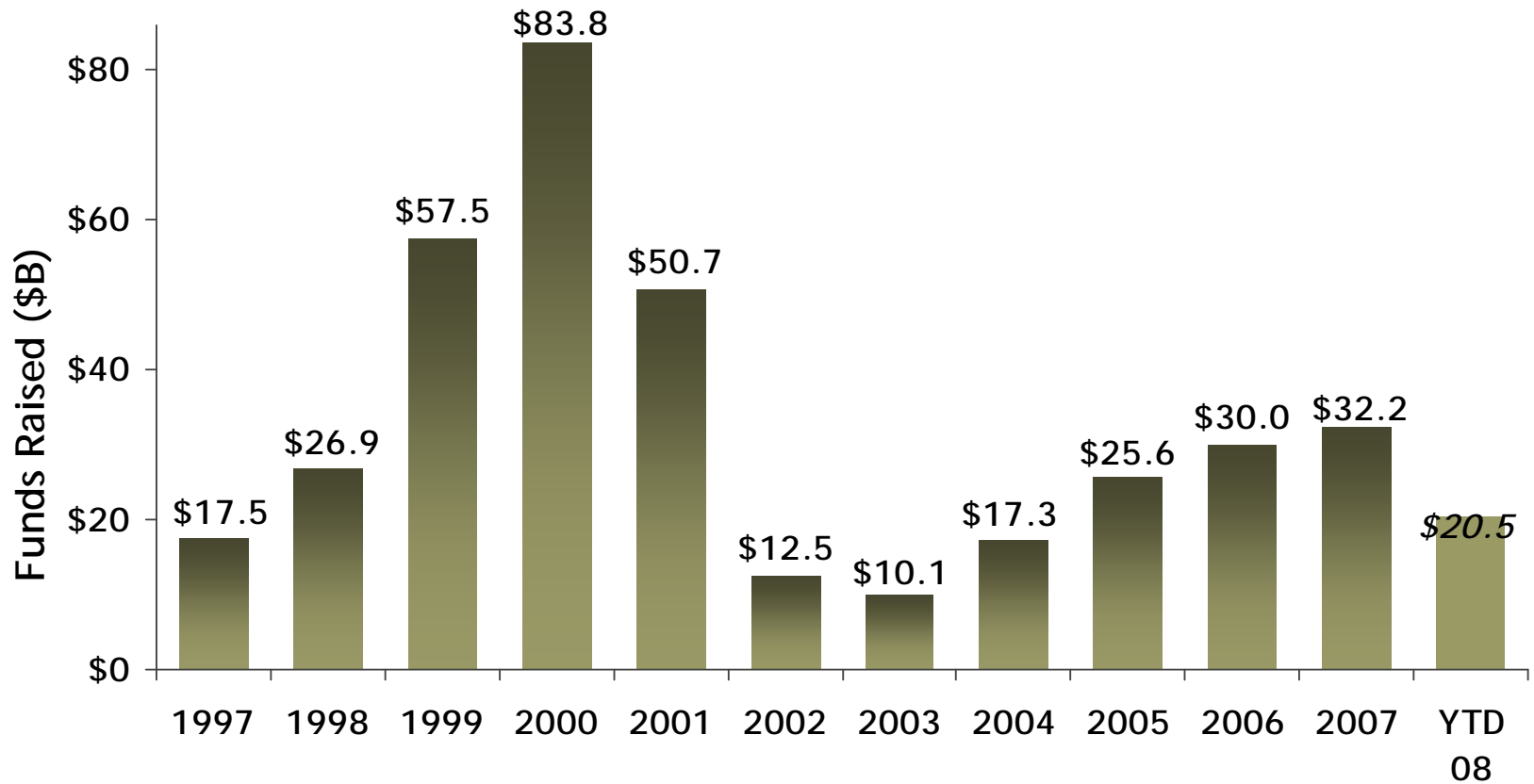
# Valuations

*Median Pre-money Valuation by Round Class*



# Commitments to Venture Capital

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Source: Dow Jones VentureOne

# What Do We Do Now?

- How much cash is needed?
  - A minimum of 12 months of cash is required
- What does it take to get to CFBE? Is there enough cash to get there now?
- Four options with less than 12 months of cash
  - Reduce operating expenses
  - Get a commitment from the existing syndicate
  - Take a low valuation from outside money
  - Consider a strategic sale in a difficult environment
- All options have downside elements...but goal is to protect each company's long-term viability

# Where Do You Cut?

- Depends on size
  - 5 person company vs 205 person company
- Remember: you can always rehire
- Engineering
  - Will the company survive if the next product isn't ready?
- Marketing
  - Can a smaller group do the essentials?
- Overhead
  - How much can be reduced?
- Sales
  - Transition a more commission-based sales force?
  - Recalibrate and understand pipeline and its potential

*What Permits Survival?*

# Where Do You Cut?

- Three options in weighing a sales team strategy in the current environment
  - 1) Product is not fully ready for market deployment:
    - Cut until it is ready...have only a one to two person renaissance sales team, with the CEO actively engaged
  - 2) Product is working and you have a couple of referable customers
    - Does the company understand the Sales Learning Curve...do you know what it takes to get an order?
  - 3) The company has revenues and had been ramping sales
    - Maintain the best sales persons
    - Moderately increase the sales team to gain on competitors



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## Thank You

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