

REDWOOD RE:VIEW

COURTESY OF REDWOOD PARTNERS—INTERNATIONAL ADVISORY FIRM

FALL 2009

WELCOME TO THE REDWOOD RE:VIEW

Welcome to the second addition of the *Redwood RE:view*. As the leaves begin to fall and companies look ahead to 2010, we share their optimism.

Specializing in early-stage technology ventures since 1994, Redwood Partners (www.redwoodpartners.com) understands the unique needs of starting, scaling and capitalizing a growing

REDWOOD

business. This newsletter is an opportunity to share some of that expertise with you.

Whether you're at a start-up or an established business, whether

you're an angel investor or a venture capitalist, we know you'll find in reading on.

So, "Welcome!" And to your continued success!

IT'S A GOOD TIME TO START A BUSINESS. REALLY.

Right now is a terrific time to start a new business. Yes, we are very much aware of what's going on in the economy and the markets. Yes, we know credit is tight, customers are cautious, the equity in your home has plummeted, and your 401(k) is more like a 201(k). Doesn't seem promising for starting a business, does it? But it is.

History bears this out. When times are bad for the economy, it can be a great time to start a business. In fact, 16 of the 30 companies that make up the Dow industrial average were started during a recession or depression. These include Procter & Gamble, Disney, Alcoa, McDonald's, General Electric, and Johnson & Johnson.

A new Kaufman Foundation study look closely at the U.S.'s entrepreneurial history reveals that entrepreneurship is an engine for job creation and economic growth even during difficult economic times. The study—*The Economic Future Just Happened*—reveals that more than half of the 2009 *Fortune 500* companies started in a recession or bear market. Similarly, nearly half of the firms on the 2008 Inc. list of America's fastest-growing companies were launched during a recession or bear market. The study suggests that policies that

support entrepreneurship also support recovery. It also reveals that job creation from startup companies tends to be less volatile and sensitive to downturns when compared to the overall economy.

Let's take a look at the years 1973-1975. At the time, the United States had an unpopular president, was in the midst of the Watergate scandal and was at the tail end of an extremely costly war that had divided the country. Gas prices jumped by nearly 50% in two years. Consumer confidence dropped to an all-time low. It was a terrible time to start a business, right? Well, two companies started in those awful years of the early 1970's were Apple and Microsoft.

What makes it possible for new companies to thrive when times are so bad? Why can it be a good time to launch out on your own?

First, there's a lower "opportunity cost." In good times, if you already have a safe job or the company down the street is hiring, starting your own business means giving up the opportunity of a good job. There's a cost to that: a salary, health insurance, other benefits. What actually makes it a good time to start the next Intuit (launched during a recession)?

[Continued...]

CONTENTS

ENTREPRENEURS TAKE ACTION

IT'S A GOOD TIME TO START A BUSINESS. REALLY. [P. 1]

TWITTER: "HOW TO GET STARTED" GUIDE FOR BUSINESS PEOPLE [P. 6]

WORLD-CLASS TALENT

LEGISLATIVE UPDATE: H1-B VISAS [P. 5]

KEY TALENT MORE CRITICAL DURING ECONOMIC UNCERTAINTY [P. 5]

FEATURED EXECUTIVE

THREE QUESTIONS FOR: MICHAEL MULICA, CEO, FUSION ONE [P. 4]

ABOUT FUSION ONE [P. 4]

STRATEGIES: ACTIVE LISTENING [P. 5]

MEET REDWOOD PARTNERS

FIRM OVERVIEW [P. 2]

ABOUT THE TEAM [P. 2]

ABOUT REDWOOD PARTNERS — INTERNATIONAL ADVISORY FIRM

Based in New York and London and serving clients worldwide, Redwood Partners (www.redwoodpartners.com) is the leading international executive search firm for emerging mobile, Internet and digital media companies. Redwood Partners understands that placing the best talent, forming strategic alliances, supporting seed & angel rounds of financing and developing new revenue streams are inextricably linked to client success. Working as a partner to high-growth companies and securing venture funding, Redwood leverages industry knowledge, relationships with world-class organizations and talent to execute quickly and effectively.

MEET MICHAEL FLANNERY, MANAGING PARTNER

Michael Flannery is the Founder & Managing Partner of Redwood Partners. He is primarily responsible for the Company's strategic corporate relationships and global executive search business. He is an authority on human capital development and has extensive experience building global teams for growth companies primarily focused on Board, CEO, and executive level placements. Michael is a trusted advisor to leading entrepreneurs, venture capitalists and private equity firms.

In the past, he was honored by inclusion in *Crain's Tech 100*. He is the former Chairman of the Union League Club's Committee on Public Affairs and the Co-Chair of the Friends of Belfast in New York City. He is also a member of the Executive Council of New York.

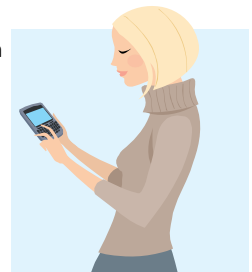
Michael is a graduate of Cazenovia College in Central New York where he serves on the Board of Trustees and as a member of the 1824 College Society.



MEET KAILAH MATYAS, MANAGING PARTNER

Kailah Matyas is the Managing Partner and has been with Redwood Partners since shortly after the Firm was established in 1994. Kailah has been instrumental in developing Redwood's global Executive Search practice.

Kailah is responsible for international operations, specifically overseeing Redwood's European, US and Asia-Pacific regions. She has successfully built global executive teams and provided strategic consulting for a multitude of companies within the software, mobile, Internet and digital media industries. Her years of experience working with high-growth, global companies has made her expert at translating business goals into human capital needs and then identifying the best people to form world-class teams. She has particular expertise with cross-border searches and has lived in New York City, London and Sydney.



MEET TINETA DAVIS, DIRECTOR OF RESEARCH

Tineta leads Redwood's research department. She is responsible for developing research strategies and processes for clients in the technology, digital media and mobile telecommunications sectors. Tineta has over a decade of executive search research experience. She began her career at Bonell Ryan, a boutique executive search firm, specializing in financial services. She then joined the research team at Sullivan & Company prior to and then following the merger with Heidrick & Struggles. She is a member of the Executive Search Roundtable and has served on the nominating committee.

RECENT ENGAGEMENTS INCLUDE

COMPANY: A leading provider of mobile phone content backup and wireless synchronization solutions
POSITION: CEO; CFO; SVP, Marketing; SVP, Product Operations; VP, Worldwide Sales
REGION: Worldwide

COMPANY: A leading provider of ringback tone services for mobile operators
POSITION: Chief Executive Officer
REGION: UK

COMPANY: A leading provider to major brand marketers of scalable, bespoke audiences using the power of social graph data
POSITION: Chief Executive Officer
REGION: USA

COMPANY: A leading provider of SaaS products in remote access, collaboration and support
POSITION: VP, North American Sales; Director, Inside Sales
REGION: USA

COMPANY: A leading provider of wireless entertainment services to consumers
POSITIONS: CMO; CFO/COO; EVP, Carrier Relations; VP, DRTV; VP, Content & Licensing; VP, Business & Legal Affairs; VP, Advertising Sales
REGION: Worldwide

IT'S A GOOD TIME TO START A BUSINESS. REALLY. (CONTINUED FROM P. 1)

Another advantage of bad times is that there's less competition. Technology trains leave the station at regular intervals. If everyone else is cowering in a corner, you may have a whole car to yourself.

"You could argue that this is a bad time to start a business," says Kailah Matyas of Redwood Partners. "But good ideas are always likely to get funded, and in a down economy there's less money chasing the marginal ones. And if we've learned one thing from working with —and in some cases funding—so many startups, it's that they succeed or fail based on the qualities of the founders and subsequent management team. The economy has some effect, certainly, but as a predictor of success it's a rounding error compared to the team," says Kailah Matyas.

Which means that what matters most is who you are, not when you do it. If you're the right person, you'll win even in a bad economy. And if you're not, a good economy won't save you. Someone who thinks "better not start a startup now, because the economy is so bad" is making the same mistake as the people who thought during the Bubble "all I have to do is start a startup, and I'll be rich." So if you want to improve your chances, you should think far more about who you can recruit as a cofounder/colleague than the state of the economy. And if you're worried about threats to the survival of your company, don't look for them in the news. Look in the mirror.

You're an investor too. As an entrepreneur, as a founder, you're buying stock with work: the reason Larry and Sergey are so rich is not so much that they've done work worth tens of billions of dollars, but that they were the first investors in Google. And like any investor, you should buy when times are bad.

Here's what happens in bad times — disruption. Disruption means things change. And things often change quickly and dramatically. When things change, there are opportunities. And entrepreneurs seize opportunities — that's what makes them entrepreneurs.

Some of the things that are changing:

Weakened competitors. It's likely that many of your competitors are facing tough times, tightening their belts, perhaps retiring or selling out. Hey, even many of the biggest companies are closing up shop. You may be able to acquire the IP or customer base from a dying competitor.

Customers seek cheaper alternatives. When times are good, customers are likely to stick with the suppliers they're used to — even if they're a more expensive alternative. Now, however, customers are looking around for cheaper alternatives to get the products and services they need.

Big corporations cut back. They slash their marketing and reduce their services, especially to "smaller" customers who might be great customers for you.

Loyalties loosen. As competitors reduce services to customers, and as customers look around for cheaper alternatives, it means they're less likely to be loyal even to longtime suppliers.

That doesn't mean you can ignore the economy. Both customers and investors will be feeling pinched. It's not necessarily a problem if customers feel pinched: you may even be able to benefit from it, by making things that save money. Startups often make things cheaper, so in that respect they're better positioned to prosper in a recession than big companies.

Investors are more of a problem. Startups generally need to raise some amount of external funding, and investors tend to be

less willing to invest in bad times. They shouldn't be. Everyone knows you're supposed to buy when times are bad and sell when times are good. But of course what makes investing so counterintuitive is that in equity markets, good times are defined as everyone thinking it's time to buy. You have to be a contrarian to be correct, and by definition only a minority of investors can be.

So just as investors in 1999 were tripping over one another trying to buy into startups with no path to revenue/profitability, investors in 2009 will presumably be reluctant to invest even in good ones. You'll have to adapt to this. But that's nothing new: startups always have to adapt to the whims of investors. Ask any founder in any economy if they'd describe investors as fickle, and watch the face they make. Last year you had to be prepared to explain how your startup was viral. Next year you'll have to explain how it's recession-proof.

The mistake investors make is not the criteria they use but that they always tend to focus on one to the exclusion of the rest.

In a world of good times, customers are happy, with the attitude that "if it ain't broke, why fix it?" But suddenly, things are broke — and they need fixing. You can be the fixer.

Opportunities abound:

Be the inexpensive alternative. Target customers who use more expensive options now.

Market aggressively. As loyalties loosen, your competitors' customers are more willing to jump ship.

Innovate. Come up with new solutions, especially less expensive ones, for customers' problems; they'll be in a more receptive mood.

Hedge your offerings by also having products and services that are counter-cyclical.

Expand. See if you can acquire some of your weakened competitors and gain marketshare.

THREE QUESTIONS FOR . . . MICHAEL MULICA, CEO, FUSION ONE

With over 20 years of experience in the mobile and telecommunications industry, Mike Mulica has built a reputation of opening global markets for leading software solutions, expanding market share, and building customer value. In 2007, Mike was named a Technology Pioneer by the World Economic Forum.



Previously, Mike served as President and Chief Executive Officer of BridgePort Networks, a leader in mobile-to-Voice over IP roaming technology. Prior to BridgePort Networks, Mulica was Senior Vice President of Customer Operations for Openwave Systems (previously Phone.com).

Mike has also served as President of Global Sales and Marketing for Adaptive Broadband and Vice President of Worldwide Sales for Motorola's Wireless Alliance Group.

(1) What are the biggest challenges for a new CEO transitioning into a company that is founder driven?

Mulica: *Whether you are a new CEO or an individual with significant CEO experience, you need to have a perspective of what's possible for the company in the environment that company is positioned within. In today's environment, there is a ton of information and it's incumbent upon the CEO to synthesize and distill that information.*

If you're a CEO coming into a new company, the imperative is to quickly create a vision and successfully set expectations. There is a need to articulate that vision early on so that you may establish yourself as a trusted leader. And everyone has a different vantage point on what are those expectations. It's important to remember that the group—the company's stakeholders—isn't limited to just the employees... [the stakeholder group includes] the investors, customers, partners, vendors. It's critical to establish that trust early on and to grow it over time.

The need is more acute however where there is a founder—and potentially a [legacy] vision—you are replacing. In many cases, the new CEO is not com-

ing into a situation without problems so there may be a cynicism about leadership and therefore the bar is definitely higher.

(2) What are your biggest challenges running your business in today's marketplace? How would you rate the appetite of VCs to invest?

Mulica: *The two critical challenges—attracting people and raising money—haven't changed much over the years. Presently, there is more money chasing fewer deals and this is due to the consolidation that's happened in enterprise IT and telecom sector.*

One thing that has become more important than ever in today's environment is managing one's reputation. A misstep or a business mistake becomes amplified in today's digital environment.

(3) What are some of the new and revolutionary trends in technology you're seeing?

Mulica: *One of the trends we've seen is the verticalization from a supplier standpoint. Big players [like Apple, HP, IBM, etc.] are building or attempting to build end-to-end solutions and in so doing are seeking to "own" the customer. This verticalization is causing carriers to accelerate investments in order to counter that threat of being disintermediated from their subscribers / customers.*

Another big trend and one that's here to stay is Social Networking. As you consider the diversity of customer [or subscriber] interests and the network or world with whom they interact, Social Networking has really become the center-point in how to think of, manage, retain, and grow relationships with customers. It's driving the purchasing of technology and—from a VC standpoint—investments.

Seamless, integrated communications across a user's entire social network is another trend. In Fusion One's case we are implementing a network address book solution; this will change the entire way you interact with your mobile phone. In so doing, it will become a gateway to all of your social networking communities and tools including Facebook, Twitter, Outlook address book, etc..

Go ahead and check it out...it's now available on the Verizon network!



FusionOne is the leader in mobile content portability, helping mobile subscribers transfer their content between mobile devices and share their content between popular internet applications. Its products, including Network Address Book and Handset Transfer Solution, currently support millions of subscribers on major carriers worldwide.

Investors include Blue Run Ventures, Credit Suisse First Boston, El Dorado Ventures, Essex Financial Group, Hewlett-Packard, J. & W. Seligman & Co., J.P. Morgan Partners, Pyramid Technology Ventures, Scudder Investments, Vesbridge Partners, and Wit SoundView.

www.fusionone.com

KEY TALENT MORE CRITICAL DURING ECONOMIC UNCERTAINTY

Employers have shed more than 4 million jobs in the past twelve months, pushing the unemployment rate above 10 percent—the highest in 16 years. This recession, which started in December 2007, is expected to continue through 2009 and perhaps into Q1 of 2010, according to the National Association of Business Economists. With all this bad news, it's hard to believe that one day the economy will rebound and companies again will be competing for talent. But that day will come, and to prepare for it, companies can get creative about hanging on to their top talent through the storm.

Executives who have successfully navigated early stage businesses

through tough times—who know the challenges, pitfalls and opportunities that come with building businesses—will always be in demand.

"Employers know this too shall pass, and they'll need their top people when the economy picks up again," said Kailah Matyas of Redwood Partners, an international executive search, consulting, and venture capital firm. "Now more than ever, companies need executives who can wear multiple hats and are comfortable rolling up their sleeves and working with limited resources. The companies with whom we're working are hiring in this economy; and top talent is always needed, especially in tough times."

STRATEGIES: ACTIVE LISTENING

"Active listening" calms tensions, breaks impasses, and helps generate information that leads to creative deals. Yet most would-be negotiators don't really know what active listening is - and most writers on negotiation topics assume that readers already understand active listening, or that it's simply too obvious for discussion.

Here, in a nutshell, are the three key components of active listening:

1. Paraphrase. Restate what you heard your counterpart(s) say - *without* expressing agreement. Be accurate, complete, fair. That means not sneaking in your case and your points.

Why it works: First, it helps you track the other side's arguments and interests. Second, it gives counterpart(s) the chance to clarify, reducing later misunderstandings. Finally, it conveys that you understand the other side's point of view.

2. Inquire. Ask *open-ended* questions - ones that require elaboration, not just *yes* or *no*.

Why it works: Inquiry challenges the other side to unveil the reasoning behind positions, demands and conclusions. When what they say doesn't square with what they do after they leave the table, inquiry can bridge the gap.

3. Acknowledge. Listen for the feelings that underlie your counterpart's message, then reflect those feelings back to convey that you understand.

Why it works: Paraphrasing restates what they say, but acknowledgment gets at what they *don't* say.

Acknowledgment makes some people uncomfortable. It's touchy-feely, inefficient—"It's too risky," they complain. But acknowledgment can be your secret negotiation weapon, defusing anger and frustration and paving the way for productive deals that build value.

LEGISLATIVE UPDATE: H-1B VISAS

Protectionism Sweeps Over H-1Bs as Businesses Sort Out Stimulus Regulations

Harvard Business School's Class of 2010 will send 900 new MBAs out into the job market, but one-third who are non-U.S. citizens will be effectively off limits for recruiters from many large US corporations. These companies recruit on Harvard's campus but now fall under new restrictions on H-1B visas, the primary vehicle for hiring foreign students graduating from U.S. universities. The new H-1B restrictions, which are part of the American Recovery and Reinvestment Act of 2009 signed into law on last February 17, apply to any company receiving Troubled Assets Relief Program (TARP) funds.

Still, Harvard's 297 non-U.S. citizen MBAs likely will find work elsewhere; so will the 274 non-U.S. citizen MBA graduates from MIT's Sloan School and the 320 non-U.S. citizen graduates from the University of Pennsylvania's Wharton School—40 percent of its MBA class. The foreign companies that routinely recruit at the top U.S. business schools will welcome these MBAs, while some of the largest and best-known U.S. companies will lose their first-choice candidates to U.S.-based start-ups or overseas competitors. "With the H-1B restrictions in play, some jobs will go unfilled, some will be filled with lesser candidates, and more U.S. companies will move work overseas," says Michael Flannery, managing partner at Redwood Partners.

[Continued...]

LEGISLATIVE UPDATE: H-1B VISAS (CONTINUED FROM P. 5)

The jobs filled by H-1B visa candidates each year represent less than one-twentieth of 1 percent of total U.S. employment, but were singled out for special protection under the \$787 billion stimulus act. In fact, debates about this minuscule number of jobs unleashed a wave of anti-immigrant sentiment that could threaten the entire H-1B category and deter the most talented students and workers worldwide from looking for or accepting employment in the US.

'Dependent' company restrictions

The current cap on the number of H-1B visas granted each year is 65,000. An additional 20,000 H-1B visas are available for advanced-degree students graduating from U.S. universities. Last year, this cap was reached in one day.

The new H-1B restrictions contained in the stimulus act require any company that receives money under TARP to comply with onerous rules that previously applied only to "H-1B dependent" companies, defined as those with 15 percent or more of their workers on H-1B visas. Under the new stimulus act restrictions, the 15 percent threshold does not apply to TARP recipients. "The dependent employer provisions add a cost of compliance in an already financially stressed business environment," Flannery notes. "The attempt is to add additional costs and hardships for employers."

Any company that receives federal funds and petitions for even one H-1B visa is now covered by the dependent employer rules. The new restrictions will remain in effect for two years.

TWITTER: "HOW TO GET STARTED" GUIDE FOR BUSINESS PEOPLE

Don't understand what all the Twitter fuss is about or why you might want to use this social networking tool? You're not alone, but you may be missing out on useful information and professional connections. Check out this quick and easy guide on how and why to get started with Twitter.

Twitter remains a very nascent social network, so if you don't know how it works or what it does (or how it makes money) don't feel bad. In fact, you're still in the majority. But we'd like to help you reap the benefits of Twitter with this quick get-started guide. Forrester Research says that while Twitter doesn't release exact numbers, it is estimated that three to six million people use Twitter, compared to 200 million for Facebook.

Here is an (appropriately) short explanation of Twitter: Twitter is a free service that allows users to publish short messages of 140 characters or less. These messages are read by "followers" — people who make a conscious decision to subscribe to your messages and have them delivered to their own Twitter home pages. Each message you post is known as a "Tweet." In the social media and social networking industry, Twitter facilitates a process known as microblogging or microsharing. Every user is identified by putting an "@" sign in front of their name (e.g. @matthewdcohen).

Joining Twitter has value for many people, but it can also be a waste of time if you don't understand how the medium works and how best to utilize it. We take a look at suggestions from social networking gurus to help you determine if adding Twitter to your daily tech diet is in your best interest.

Do You Belong on Twitter?

The Wild West view of social networks proposes that you should just try them out and see whether or not you like them. But in a world where most people already belong to existing social networks (such as Facebook or LinkedIn), on top of using long-established technol-

ogy like email and text messaging, allocating time for another outlet should be considered carefully.

Twitter should be place where you want to share common interests and ask insightful questions, and, ideally, read the interesting answers you get back, says Kailah Matyas, who co-manages Redwood Partners' advisory and consulting practice. "Think about why do you want to do it," Kailah Matyas of Redwood Partners says. "Do you want to join because there's buzz about it [in the media] or because Ashton Kutcher and President Obama are on it? Especially now, you need to spend your resources and your time well."

Though some people use Twitter to keep people in their personal life updated, Twitter has developed a business following. People in a particular industry (say digital media, wireless engineering, or public relations) often use Twitter to keep up with news, opinion and happenings in their field, for example. Once you get going with Twitter, this information will come to you.

What You Can Gain and Share with Twitter

If many Twitter evangelists looking to broaden the service's demographic had it their way, they might want to change the site's official branding a bit. When you go to Twitter to sign up, it says, "Twitter is a service for friends, family, and co-workers to communicate and stay connected through the exchange of quick, frequent answers to one simple question: What are you doing?"

"The best way to make the most [business] use of it is not just answer what are you doing now," says Matyas. "Instead, answer: 'What's important to me?' That changes the conversation and creates value. It takes away some of the minutia and shows you want to talk about something that's more useful and interesting. The point of Twitter is what do we have in common or having some kind of shared experience," Matyas continues. It's about "What has my attention right now?"