

REDWOOD RE:VIEW

COURTESY OF REDWOOD PARTNERS—INTERNATIONAL ADVISORY FIRM

MARCH 2009

WELCOME TO THE REDWOOD RE:VIEW

What's the deal with entrepreneurs, anyway?

You work like a dog for the organization every day. You stay up at night trying to keep pace with the constantly changing business environment. You're responsible for everything from raising capital to administration, from building a world-class organization to sales.

Specializing in early-stage technology ventures since 1994, Redwood Partners (www.redwoodpartners.com) understands the

REDWOOD

unique needs of starting, scaling and capitalizing a growing business. This newsletter is an opportunity for us to share some of that with you. Whether you're at a start-up or an established business, whether you're an angel investor or a venture capitalist, "Welcome!"

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ATTRACTING ANGEL FINANCING & GROWING A BUSINESS

Is there a small business that hasn't needed more capital at some stage of development? And is there an entrepreneur who hasn't thought of an angel investor as an ideal source of the capital he or she needs? But finding an angel investor isn't like finding a clam on the beach; the search is more similar to finding the pearl.

In the investment world good ideas are everywhere, while superb execution is a rarity. Remember that angel investors are typically savvy entrepreneurs themselves who demand compelling reasons to invest based on hard data. Impress angel investors with your understanding of your industry and demonstrate your experience. Today's early-stage investors demand a clear path to revenue generation. Entrepreneurs should be prepared to paint a detailed picture of your competitive landscape and explain why your product or service has a clear advantage.

Angels want to see a very clear business plan, a proven track record based on credibility & trust, along with deliverables and milestones. Additionally, angels are often impressed by potential customers already lined up and committed.

"To attract angel investors, entrepreneurs must ensure that their startups are investor-ready," says Michael Flannery, Managing Partner at Redwood Partners. "This process should include a solid business plan—with specifics such as a product roadmap, key milestones, and financial projections mapping a path to profitability—and a winning management team. Angels know they are actually investing in people, so it's imperative to demonstrate your management team has the skills to take your business to the next level. Redwood has a proud history of building great teams in support of and to compliment entrepreneurs."

For many angel investors, it's not just about the money; they want to actively participate in helping developing a business. They want to act as a mentor and sometimes even to take an active role in managing the company (e.g. board membership). In the case of Redwood Partners, this includes helping to round out the senior leadership team. Flannery adds, "Redwood really embraces the relationship that strong angels can bring." For more information, please visit www.redwoodpartners.com.

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. Redwood Partners was founded in 1994.

MEET MICHAEL FLANNERY, MANAGING PARTNER

Michael Flannery is the Founder & Managing Partner of Redwood Partners.

Michael 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.

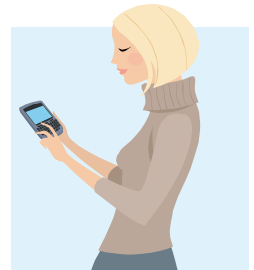


In the past, he was honored by inclusion in *Crain's Tech 100*. He is the former Chairman of the Union League Club's Committee on Public Affairs and the Co-Chair of the Friends of Belfast in New York City. He is also a member of the Executive Council of New York.

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. 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.

Kailah was awarded a Bachelor of Arts in Sociology from George Washington University.

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

RECESSION-PROOF YOUR START-UP: FIVE STRATEGIES FOR SUCCESS

While much has been written about economic recession in which the US now finds itself, there are some who say now is exactly the time to start a business. With a tremendous amount of investment capital sitting on sidelines, the availability of proven talent, and diminished public trust in brick-and-mortar corporations, good ideas and the business which they spawn will survive—and perhaps even thrive—during a downturn.

For these challenging times, here are five ways recession-proof your start-up venture:

1. No Room for Errors. Tough times mean there is no room for errors. Venture Capitalists, Angels and prospective strategic partners are more meticulous and detail-orientated than ever. Ensure that all public-facing materials, including business plan, presentation and website contain accurate and consistent information as well as realistic projections.

2. Keep it Simple. An entrepreneur should be able to present a compelling opportunity in ten slides or less. Identify the business opportunity in a manner that people can quickly understand. Back up that presentation with a detailed business plan that clearly describes the product/service roadmap, milestones, revenue & customer targets, and a path to profitability.

3. It's All About the Team. Surround yourself with great talent that has the experience to run an early-stage business. Understand and prioritize the positions for which you will need to acquire new talent. Additionally, appreciate the importance of "social capital"—the value created by your connections to others. There is no more valuable commodity in today's volatile business environment. Seek credible Angel Investors or Advisory Board members who can help add real value.

4. Get Connected. Your value to any organization depends less on what you know, and more on how quickly you can update your knowledge to respond to changing conditions. If you haven't

already done so, now is the perfect time to join a professional association, create an electronic profile for networking, talk with colleagues, and read trade magazines in your field to update your knowledge of trends and issues.

4. Focus on Key Deals. At any given time, your sales cycle will include various deals at different stages of completion. Tracking where specific clients are in this sales cycle is vital to ensuring

that none of your deals fall through the cracks.

To keep track of your sales pipeline, you should develop a list of milestones that you would like your sales team to achieve.

The worst thing you can have is a pipeline that does not go anywhere. You need to prioritize what deals are the most critical and stay with those deals until they are closed. Focusing on too many or the "wrong" deals, are a killer in today's business environment. Be mindful not to spread yourself too thin.

5. Measure Your Progress. Make sales expectations known to employees and make achievements measurable. One way to do this is to use the stages of the sales cycle as levels of achievement. More sales will be finalized and more revenue will be made when an employee is well informed and knows what is expected.

"YOUR COMPANY'S FUTURE DEPENDS UPON YOUR HIRING DECISIONS. AS BUSINESS BECOMES INCREASINGLY KNOWLEDGE-BASED, THE POWER OF IDEAS—AND THE POWER OF YOUR EXECUTIVE TALENT TO PRODUCE AND EXECUTE UPON THOSE IDEAS—WILL DEFINE YOUR ORGANIZATION'S ABILITY TO SUCCEED."

MICHAEL FLANNERY,
MANAGING PARTNER,
REDWOOD PARTNERS

For example, a sales employee might be expected to make ten new contacts and move three accounts onto the next stage of the sales cycle each week. This will make expectations clearer, allowing employees to effectively meet them. If you have many opportunities, or want to share the information, getting a CRM application makes sense.

In conclusion, an uncertain future can be stressful and traumatic. Make a conscious choice to embrace change and exploit it!

QUICK TIP: SWEATING THE DETAIL\$

When reviewing existing expenses and financial procedures, these may be helpful questions to consider:

Is it necessary? It may be time to re-evaluate your fixed costs, You may find that certain expenses have become customary but are, in fact, non-essential.

Is it negotiable? Consider contacting your long-term vendors to negotiate better rates for services.

Is it efficient? Now is the perfect time to reassess old business habits. Take stock of your accounting & invoicing procedures to find opportunities for better efficiency. The easier you can track and move your money, the more flexible your finances will be.

COMPENSATION AND EARLY-STAGE VENTURES

Today's uncertain economic environment has created an even stronger sense of urgency among companies to address talent issues quickly and effectively.

Recruiting a traditional corporate executive to an early-stage venture often presents a financial challenge—at least in the short term. While cash has typically been viewed as king, equity is the under-rated, unsung hero of executive compensation and one that deserves more attention.

With lower base salaries, fewer perks and more limited resources than that to which they've typically been accustomed, traditional corporate executives may be uncomfortable with these type of compensation structures. "While it's uncommon to encounter a

Fortune 1,000 executive willing to trade the cash-rich and perk-filled compensation packages of large corporations for a significant equity stake, there are exceptions; and given the current economic climate, we anticipate some additional movement there," offers Redwood Partners' Kailah Matyas. "Those willing to make the move need to be thoroughly vetted to ensure they are truly ready to be part of an entrepreneurial environment," adds Matyas.

Regardless of background, successful executives who have made a career in early-stage ventures understand the need to preserve capital and work toward a milestone-driven bonus structure. Building value and getting a company to a successful exit is how wealth is created in early stage ventures.

STRATEGIES: PREPARE FOR GROUP INTERVIEWS

Having a group of employees interview job applicants yields questions from different perspectives. That usually yields more information and creates more buy-in from those included. However, all that diversity can—and probably will—also make for arguments. To forestall bad disagreements and make use of the productive ones:

Agree about what to find out. Identify qualifications, such as experience, skills, and personality traits, that the job requires. Engage everyone in spelling these out. The more buy-in you have, the smoother the process. Then decide on the questions to ask the applicant, drafting



both basic questions pertaining to the required qualifications and nice-to-know topics, such as whether the candidate has a sense of humor.

Agree on who does what. Consider assigning individual areas for questioning. Assign everyone to ask the basic questions and then concentrate on a particular area for in-depth questioning.

Agree about disagreeing. Decide what to do if the group becomes deadlocked. Try this: Have everyone work together to identify the candidate's strengths, then have everyone focus on the negatives. By working together to outline the decision, you'll get more cooperation.

STRATEGIES: ONBOARDING & RETAINING TOP TALENT

A major study conducted by Booz Allen Hamilton found that successfully onboarding employees during their first year of service increases engagement, raises retention by as much as 25 percent, improves performance and accelerates the time to full productivity. With salary budgets under pressure from all sides, building a better onboarding process may be the most cost-effective approach to boosting engagement and first-year retention rates.

In an early-stage environment, team-members often wear many different hats and have fewer resources than their corporate counterparts from which to draw. First impressions are crucial – especially the first impression your new hire gets of your company. It's important to decide in advance who is responsible for onboarding the new hire. Here's how to put your best foot forward:

1. **Clean.** Sounds pretty simple, but nothing's worse than sitting down at new workstation that resembles a disaster zone.
2. **Wired.** If you expect them to hit the ground running, a working network connection, established phone line, and fresh business cards would be helpful and appreciated. And so that the new hire needn't feel like visitor, a set of keys, a building pass, door codes, etc. will ensure they won't be tackled by security each morning.
3. **Announced.** A enthusiastic companywide email introducing the hire, their background, their role/territory and contact information.
4. **Welcomed.** If feasible, an informal, offsite team lunch can be a great way to break the ice and facilitate relationship development.

And finally, **keep the new person's family in mind.** A new job means adjustments for the whole family, especially if they've relocated. Do what you can to ease the transition and help the feel comfortable in the "community."

FOUR QUESTIONS FOR . . . ARE TRAASDAHL, FOUNDER & CEO, THUMBPLAY, INC.

Are Traasdahl is founder and CEO of Thumbplay, an award-winning company that co-founded in 2004 and has already grown into one of the top mobile entertainment services in the U.S. In recognition of the remarkable growth and accomplishments of the organization, he was named one of 2008's "Top



Mobile Executives" by *Billboard* magazine, and was named "Best Emerging CEO" by the Executive Council of New York in 2007. Are has been on the leading edge of wireless communications throughout his career. In

2002, Are co-founded and led the launch of Telenor Interactive (nasdaq: teln), a U.S. Subsidiary of Telenor Group, the first company to launch cross-carrier premium messaging in the U.S. In 1999, Are helped establish Carrot Communications, a leading wireless company in Scandinavia and one of the first companies to sell wireless content directly to consumers. He has spearheaded wireless entertainment campaigns for such companies as NewsCorp, Disney, ABC, Univision, Telemundo and Fuse and with wireless carriers like Verizon, AT&T Wireless, Cingular and T-Mobile.

(1) What was your inspiration for starting Thumbplay?

AT: *I'd been involved with the mobile space for nearly a decade and it became increasingly clear to me that the experience on mobile needed to be on par with the online experience – in terms of immediate gratification and in scope and breadth of content. I wanted to create a company that answered that challenge in a big way. Mike Flannery knew just the guy to help me get there, Evan Schwartz. Evan's experience and know-how was an ideal fit for my background and what we wanted to create.*

(2) Looking back to when Thumbplay was just two guys and idea, what do you wish you knew then that you know now?

AT: *I think we came in pretty prepared for what was to come. We'd both had start-up experience and pretty strong natural entrepreneurial inclina-*

tions, so we anticipated many of the "growing pains" that can take others by surprise.

(3) How did the team evolve as the company grew?

AT: *It grew very organically. We started by reaching out to people we'd known and worked with – all people at the top of their games. Once the core team was in place – and Redwood played a big role in helping us pull that team together – we hired as specific skill-sets were needed. We've always maintained a pretty rigorous interview process to ensure our team was comprised of extremely smart innovators with high self-motivation and a "whatever it takes" attitude.*

(4) According to Nielsen, in just under four years, you've assumed market leadership – by a pretty wide margin – in an extremely fast-growing industry. What advice can you share with entrepreneurs seeking funding?

AT: *First, be prepared. Be EXTREMELY prepared. Anticipate questions and be ready to drill down deep on every talking point and every metric you provide.*

Second, look for money when you don't need it. Start building relationships 6 – 12 months out. This gives you time to understand what each firm is looking for and you don't start the relationship from a place of desperation.

Third, it's all about trust. As a result, cold calls don't work; you need a "matchmaker" like Redwood to get your foot in the door. Also, you must earn VCs trust with 100% honesty—they will see right through anything less.

Fourth, remember that all VCs require metrics. They need as much data and proof as possible. So even if you have to get a slightly imperfect product to market to gather analysis, do it.

And fifth, be clear up front about the kind of team you need to make your vision happen. Of course you have a great idea, but now you need to consider ALL the resources you need to bring it to life and make it a success.

[For more information, see box at right.]



Thumbplay, Inc. is defining the mobile entertainment experience for U.S. consumers. As the largest and fastest growing mobile entertainment content destination, Thumbplay's extensive and ever-growing entertainment library currently consists of more than 100,000 pieces of licensed content – including music, videos, games and more. Their direct-to-consumer service is accessible on more than 2,000 devices among every major carrier in the U.S.

Founded by CEO Are Traasdahl and Executive Vice President, Marketing Evan Schwartz, Thumbplay.com gets more than five million unique visitors and its mobile (WAP) site (m.thumbplay.com) receives more than 12 million page views, making it one of the most popular mobile Web sites.

Thumbplay Inc., investors include Bain Capital Ventures, SoftBank Capital, i-Hatch Ventures, Redwood Partners, New Enterprise Associates and Meritech.

www.thumbplay.com

QUICK TIP: FLASH DRIVE SECURITY

Worried about flash drive security? You should be. A recent survey by a leading data security firm, claims that 9,000 flash drives in the UK were left in customers' pockets when they took their clothing to local dry cleaners.

Apart from the risk of USB drives being damaged by the dry-cleaning process — and the potential loss of data — there's the very real risk of the data being intercepted, or handed over to the

wrong person. So how do you stop your data being taken to the cleaners? The first step is to check your pockets **before** you leave your clothes.

The second is use a secure or encrypted memory stick that can be centrally managed. Additionally, some newer models are water-proof, so they are built to survive and keep your data safe in adverse circumstances (like a spin-cycle!).

TWO ENTREPRENEURIAL PITFALLS AND HOW TO AVOID THEM

We're not picking on entrepreneurs. Heck, some our best friends are entrepreneurs! As a trusted advisor to entrepreneurs behind many digital media success stories, companies, as well as a co-investor with venture capital and private equity firms, Redwood Partners often sees two very different sides of the same coin.

Entrepreneurs possess a phenomenal amount of talent. At the same time, some promising ventures become stalled by the very geniuses who got the ball rolling in the first place. When this rub occurs, the investor may begin to lose confidence in the existing management team. Why does this happen? How can it be avoided? Entrepreneurs can improve their effectiveness, and their longevity, by embracing two broad recommendations:

Self-Assessment. Take a minute to look at yourself as a leader. Do you have the skills and attributes to make a valuable leader today? How about next quarter? Or next year? Many entrepreneurs don't effectively self-assess their strengths & weaknesses and, as a result, may limit opportunities for growth & success. When it comes time to expand the management team, the entrepreneur is often unable to understand how and when their own role should change. If the

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KAILAH MATYAS, MANAGING PARTNER,
REDWOOD PARTNERS

entrepreneur wishes to maintain a senior leadership role in the venture they started, they should anticipate the evolving set of skills required and the timeframe in which they are needed.

Power of Partnerships. Embrace partnerships! Effective partnerships, like the ones Redwood Partners establishes with clients, are key in helping the entrepreneur, early-stage investor or venture firm to identify what a world-class team will look like—Who are the candidates? What is the timeframe to hire? How much investment is required?

Executive hires should only be made after the company and related stakeholders have agreed upon the organization's exact needs. An effective partner will help the entrepreneur establish the required qualifications, define responsibilities, and vet backgrounds while managing the process throughout.

Conclusion. Taking time out to understand one's strengths, weaknesses and development areas will invariably pay dividends.

The power of partnerships and the extended networks that may be leveraged will accelerate a company's growth trajectory. In most cases, if you've built a great management team, blue chip capital will follow.

LEGISLATIVE ALERT: U.S. CITIZENSHIP AND IMMIGRATION SERVICES

Officials with the U.S. Citizenship and Immigration Services (USCIS) have delayed until April 3, 2009, a requirement that employers must use a revised version of the employment eligibility verification form—known as the I-9 form. According to an interim rule published in December 2008, employers were supposed to begin using the revised verification form on Feb. 2, 2009.

USCIS officials stated that the 60-day delay should provide adequate time to complete a full review of the new form and employment verification requirements. Employers must complete a Form I-9 for

all newly hired employees to verify their identity and authorization to work in the United States. The interim final rule as published would have revised the types of acceptable identity and employment authorization documents employers can accept from new hires.

The interim rule, if implemented, would stipulate that employees could not use expired identification documents to verify their work eligibility. The proposed revised I-9 form is available online from the USCIS web site (www.uscis.gov).