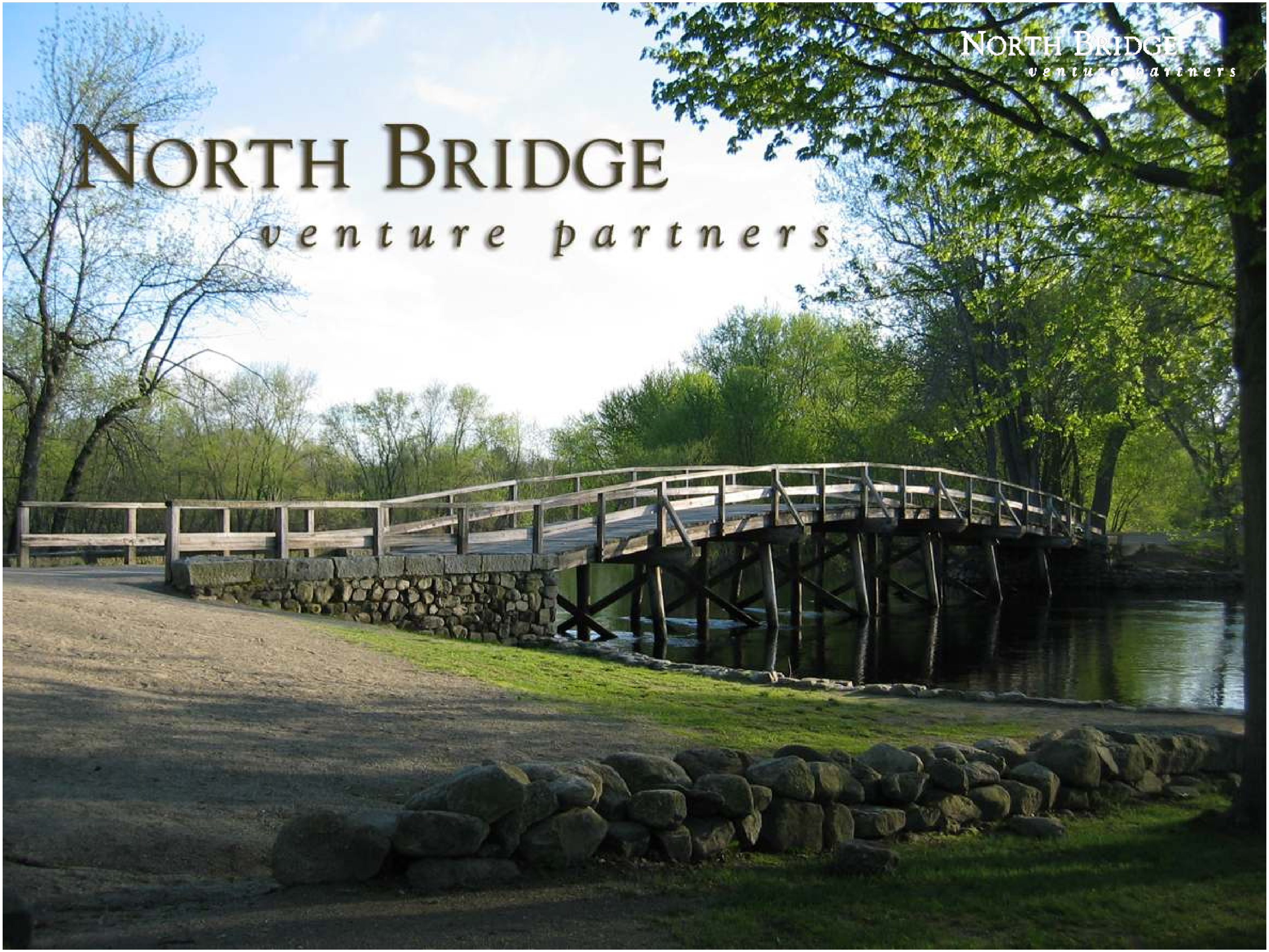
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How do you attract venture capital?

Good Food

Wireless Access

Excellent cellular coverage (for Blackberry usage)

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How do you REALLY attract venture capital?

- Team (Founders)
  - Hungry and energetic
  - Domain expertise
  - Realistic
- Idea
  - A company, not a single product or feature - “Vision”
  - Why is it different? “Key Differentiator”
- Market
  - BIG total addressable market
  - A realistic plan to attack the market
- Technology
  - Difficult to duplicate
  - Ahead of the technology curve
  - Capital efficient

Example of a near "perfect storm"

- Founding Team
  - Three Red Hat distinguished "fellow" engineers
    - Authors of rpm, anaconda and RHN
    - Top kernel and distro engineers
  - CEO is ex-VP of Sales from Red Hat
- Idea
  - ***<u>Linux Your Way!</u>***
    - New package format (Conary)
    - New point-and-click build process (rBuilder)
    - Allows delivery of a system efficient Linux.
      - Linux without overhead
      - Linux without boundaries of "one size fits all"
      - VM efficient "Guest OS"
      - Enable ISV "Software Appliances"

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Example of a near "perfect storm"

rPath

- Market
  - 25-40% of software R&D is wasted on "context" issues that add zero value to the application
  - ISV are searching for a medium to deliver software with ease and an annuity stream.
  - **Virtualization Market is growing FAST!**
    - 4% of the X86 servers currently virtualized
    - overall market can grow from $424mn in 2005 to more than $1bn in 2008.
    - that number could grow to 20%, which would equate to an addressable market of $3bn.

Example of a near "perfect storm"

- Technology
  - Package Management is difficult!
  - Little to no focus on fixing rpm or dpkg
    - Aging code base makes it difficult to repurpose
  - rBuilder makes deploying rPath Linux-based appliances ***<u>EASY!</u>***

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Pitfalls of raising venture capital…

- Over shopping a deal…
  - Pick 2-3 ***partners*** that can add value to your project
  - Search for the "right" partners… not just a brand
- Valuation…
  - Be realistic about valuation. You don't want to price yourself out of future rounds of financing
- Ownership
  - Early stage… the founding team owns 20%, the option pool is 30% and the investors own 50%. High risk, high reward.
  - If you want more equity, bootstrap!

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Summary

- Take the sniff test… team, idea, market and technology.
- Pick partners that will add value… you are going to live with them for the life of the company!
- Be realistic about the value of the company based on the stage.
- Ownership… It’s better to own a smaller piece of the BIG pie than a larger piece of a really small pie. Think about long term financial gain vs. short term greed.