



Growth and Exit Strategies

May 8, 2007

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CEO's Mission

- To maximize shareholder value
- To make decisions that ultimately generate significant returns to investors

To Build a Great Company!!

Growth vs Exit Decision Points

In the course of corporate evolutionary development:

- Company requires capital
 - To fund market expansion
 - To fund product development
 - To fund non-organic growth
- An unsolicited offer is made to acquire
 - Hot company in a hot market
 - Fits needs of larger corporation
- Major change in the competitive or market landscape
 - Dominant company enters market
 - Dominant company acquires competitor
 - New competitive product diminishes company's market potential
 - Market saturation is reached before company can reach threshold market share

Company Needs Cash

- State of investment market
 - Availability and cost of venture capital
 - Availability of alternative capital
 - Health of IPO market
- Company condition
 - Market leader
 - Profitable / cash positive
 - Growing market share
 - Strong momentum
 - Team still focused on “winning”
- Company’s ability to infuse new capital
 - State of cap table
 - Support of existing investors
- Case Study – Network Switching Systems
 - Acquired by BBN for \$25+ mil in 1987

Company Receives Offer to Acquire

- Price
 - Price vis-a-vis market comparables
 - Return to preferred investors
 - Return to common shareholders
- Timing
 - Stage of market development
- Ability to bring second player to table
 - Another buyer available
 - Time to hire IB?
- Consequences of rejecting offer
 - Acquirer buys competitor
 - Acquirer builds competitive product
 - Can acquirer become partner?
- Case Studies
 - Softricity – Acquired by Microsoft - 2006
 - ITS – Acquired by Artel Video - 1999

Change to Company's Prospects

- Competitor just got acquired
- Strong company entering the market
- Inability to generate sufficient momentum
 - Dominant player capturing market share
 - Non-competitiveness
 - Insufficient capital
 - Product inadequacy
 - Poor distribution
 - Pricing pressure
 - Late to market
- Unfavorable change in market dynamics
 - New technology diminishing demand for company's product
- Case Study – Bridgeway Corporation - defunct

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Thank You