*A Simple Guide to*

# THE BASIC RESPONSIBILITIES OF VC-BACKED COMPANY DIRECTORS

*A White Paper Written by the*

## WORKING GROUP ON DIRECTOR ACCOUNTABILITY AND BOARD EFFECTIVENESS

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JOY WEISS
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# INTRODUCTION

Now that you've become a director of a venture capital backed company (VCBC), what level of board governance knowledge should you have?

"***A Simple Guide to the Basic Responsibilities of VC-Backed Company Directors***" addresses the critical role of corporate governance in contributing to effective boards. This guide answers essential board service performance questions and recommends guidelines for all VCBC directors. It is also a tool to educate the other core VCBC constituents—management, investors, and employees—about proper board governance process. It is meant to be useful for practitioners and focuses on corporate governance practices in the context of the emerging privately held company. Our focus on corporate governance is not intended to diminish the importance of the other value-adding roles of VCBC directors outside the boardroom.

Privately held VCBC boards have a very high percentage of inexperienced corporate directors. First-time entrepreneurs who become founding CEOs frequently become corporate directors even before they obtain their first institutional round of venture capital financing. While taking venture capital ("VC") is always a choice, there is no opting out of the legal responsibilities of corporate directors.

Entrepreneurs are not alone on this maiden voyage. Many venture capitalists, particularly younger partners in larger firms, join founding CEOs as rookies on a VCBC board. Independent directors may also lack relevant board experience. While some independent directors are highly sought after for compliance reasons because of strong accounting backgrounds and others are recruited to VC companies for their relevant industry experience, they may arrive at that first board meeting with little or no VCBC board experience. In the current environment, regulators, institutional shareholders, and the courts are demanding greater oversight and sensitivity to governance requirements by corporate directors. To have a high-functioning, effective board, directors must be familiar and comfortable with board governance issues facing emerging companies throughout their life cycles.

VCBC boards are unique because they face challenges that are particular to emerging companies in rapidly changing competitive markets. VCBC's develop through four distinct stages: (1) seed funding and product/technology/service development; (2) early commercialization; (3) late stage expansion; and (4) liquidity through either an acquisition or an initial public offering ("IPO"). Through this evolution, business processes become more complex, and VCBC boards are naturally exposed to various situations that raise inherent conflicts of interest among board members. As companies grow in size and invested capital, board sizes typically increase from 3 members to as many as 7. The composition of the board also changes to include more independent directors, particularly if the company wishes to go public.

Just as VCBCs must remain nimble and flexible in order to be successful as they grow, to be effective, their boards must adapt as they experience the normal process of maturation. The recommendations that follow are meant to serve as a framework for applying corporate governance processes in the boardroom. This framework recognizes the reality that not all VCBC companies are the same, that boards are heavily influenced by individual personalities, and that different stages of development call for different applications of governance processes.

Clear communication is critical to every board's success, but communication must begin with board members knowing the minimum acceptable performance expected of them in their board service, both by law and as a matter of good business practice.

For a VCBC to be successful, you need both a CEO who is appropriately empowered and an economically and strategically aligned board of directors (BOD) that can also add value while serving as a fiduciary for all of the shareholders. Effective BOD's can contribute significantly to the development and growth of a successful company. However, many VC-backed boards experience dysfunctional behavior and are often lacking self-help tools to resolve their problems. Left unchecked, these patterns can negatively impact the value of the company.

In two prior VC industry white papers, ***"After the Term Sheet: How Venture Boards Affect the Success or Failure of Technology Companies"*** (2003), and ***"Rites of Passage: Managing CEO Transition in Venture Backed Technology Companies"*** (2006), a group of VC industry experts collaborated to examine recurring boardroom challenges that impact boards in common situations, devoting special attention to the challenges associated with managing CEO transitions. A common theme running through these papers is the importance of clear and open communication among board members and management teams.

This paper, like the two that have preceded it, is the result of collaboration. Thirty-three experts in the venture capital field have joined the ***Working Group on Director Accountability and Board Effectiveness*** to promote VCBC director education. High functioning boards maximize the potential for a VCBC to be a financial success. This paper provides tools and recommendations for VCBC directors to facilitate their work on corporate boards.

We address governance, as well as certain legal requirements attendant to board service, from managerial and operating perspectives. The educational materials that follow in this paper are intended for board use and adoption by practitioners. The contributors to this effort actively promote the adoption of the recommendations made in this paper by their portfolio companies. The views expressed in this guide are only those of the authors and do not necessarily represent those of their respective firms and institutions.

## MAKING THE CASE FOR VCBC BOARD SELF-REGULATION

While private companies are not subject to most aspects of Sarbanes Oxley (SOX) and other regulations that impose governance standards upon public companies, it is in the best interests of the venture capital industry to develop and proactively follow corporate governance best practices in the private company context. If we don't, it is likely that lawmakers, administrative agencies, or the courts will impose regulation on the venture capital industry from the outside without the benefit of deep knowledge of the nuances that make entrepreneurs and the eco-system that surrounds them unique. Moreover, the failure of the VC industry to respond to changing expectations and best practices regarding corporate governance could expose VCBC directors to personal liability. Most important, the application of good governance practices will help us build better companies.

Historically, the majority of VCBC liquidity events occur through mergers and aquisitions. Initial Public Offerings (IPOs) for VCBCs in the U.S. have become even less frequent since the passage of SOX in 2002. These changes in the capital markets do not, however, lessen the corporate governance burden for private companies. On the contrary, having good corporate governance in place is also necessary in a sale transaction—VCBCs whose governance processes are not in order will likely suffer discounts in merger and acquisition negotiations with public companies. A more challenging liquidity environment also may increase the likelihood of conflict among the various stakeholders in a private company, which, in turn, increases the risk of litigation.

Many eligible public company directors are reconsidering public board service because of concerns over the potential for greater personal liability, as well as the increased time commitment in the post-SOX era, necessarily reducing the number of boards on which one person can serve effectively. These factors only increase the importance for existing VCBC directors to proactively improve their state of board preparedness while they are private. Failure to do so will lead to sub-optimal liquidity events, regardless of whether their companies go public or are acquired. The burden of adhering to public company compliance standards and best practices, in general, is therefore increasingly shifting onto VCBC directors while their companies remain private.

# HOW TO ACHIEVE AN ALIGNED AND EFFECTIVE BOARD

The legal fiduciary duties associated with board service are duties to all of the shareholders, not just to the shareholder class in which a VC director's firm has made an investment. At a minimum, the board must agree to common goals and basic tenets of behavior. Although all boards are made up of individuals with differing interests and responsibilities outside the boardroom, they must serve common goals inside the boardroom.

**A key feature of effective boards is that they deliberately align expectations:**

- **The board is economically and strategically aligned among itself**
- **The board's expectations of the CEO and the CEO's expectations of the board are mutually well understood.**

**In order to ensure the board is aligned economically, there are four main areas surrounding investment strategy that should be considered. They are:**

- **Exit Plans:** VCs should openly address their expectations regarding a liquidity event. Specific exit values (or ranges) should be discussed to ensure common expectations from the management team (which is most likely the final arbiter of any potential M&A activity). For example, different investors even within the same round may have different exit valuations in mind; one investor may be happy selling the company for $100M while another may need $300M to even consider a deal.
- **Exit Timing:** The Board should openly discuss the timeframes for exit options. Some investors may want to wait longer than others for an exit. This issue becomes even more important when investors join the board in different rounds, especially if one VC invests many years later than the earliest investors.
- **Investment Expectations**: VCs should candidly discuss the amount of money their funds have allocated for follow-on reserves to the company. Depending on the stage of investment, some investors may have reserved 1- 3X or more of their initial investment. It is important for the entire board to understand the level of each investor's reserves and the conditions for follow-on investment.
- **Syndication Expectations**: The VC board should discuss its interest in syndication for follow-on rounds. Some VCs do deals based on a "fully funded syndicate" model which expects all the early investors to continue backing the company through liquidity. Others depend on syndication across rounds, expecting new investors to join them in subsequent rounds. A transparent discussion is required for the VCBC to not pursue investment paths (like recruiting new investors) if the current investors are not interested in outside capital.

One of the most important jobs of the board is to promote effective behavior in the boardroom so that management can focus on getting the operating job done and avoid distractions from boardroom intrigue and political maneuvering. This does not mean that the CEO should not be actively working with the board—on the contrary, it means that the substance of this activity should be geared toward building the business. Simply meeting legal governance requirements is an important, but not sufficient, part of an effective board. Directors need to be interested in getting the board to do the best job it can to promote the best interests of the company and maximize value for the shareholders.

Peer review and self evaluations may lead to greater director accountability, better education, and the adoption of governance practices that are appropriate for private companies. At the same time, the Working Group recognizes that the only useful tools for a board are those that will actually be used in the field.

We envision that the sections that follow in this paper will become a routine part of the "Welcome to the Board of Company X" education process for the newest director (logical times for this to occur: after a financing round, after a CEO change). This is an opportunity to ask "How are we doing?" without focusing on any one individual.

# DEVELOPMENT STAGE, GOVERNANCE PROCESS, AND INTERNAL CONTROLS

## WHO OWNS THE GOVERNANCE EDUCATION PROCESS ON THE BOARD?

Someone on the board MUST take ownership of the process of educating directors about their service responsibilities and implementing the process of director evaluations. Whether the "owner" of the implementation process is a VC, the CEO, or an independent director is secondary. The Working Group recommends that, at a minimum, the CEO initiate a board discussion to assign this responsibility. Because VCBCs experience significant changes in board size and composition over their normal life cycles, not all of the processes described in this paper are applicable to every VCBC, especially at the earlier stages of their development. Following is a matrix that describes the typical range of board sizes and mix of directors associated with the different development stages of VCBCs, along with a guide to the types of corporate governance processes that should normally be considered for implementation during these development stages.

### AUDIT COMMITTEE OVERSIGHT VARIES WITH DEVELOPMENT STAGE

Applying sound standards of corporate governance to an emerging company does not end in the boardroom. The most critical board committee from a compliance standpoint is the audit committee, and the audit committee's duty of oversight falls squarely into the area of assessing the adequacy of the company's internal controls. We overlay important questions about the internal controls that a company has in place and measure these against a company's stage of development—and therefore its operational complexity—in order to suggest appropriate levels of internal controls coincident with each company's governance processes and level of maturity.

### INTERNAL CONTROLS AT THE SEED/R&D STAGE

Even a small company that is not selling products or services is likely to have activities in the following areas: purchasing and disbursements, payroll, treasury management, fixed assets, equity and stock administration, and financial reporting. The risks associated with checks and balances around cash disbursements will in many cases depend on the volume of transactions and the type of transactions. The board should establish thresholds for board approval, and approve management authorization levels. The board is normally pretty close to financial metrics, such as spending levels, etc. which serve as effective monitoring controls. An awareness of fraud risks (smaller companies typically have segregation of duties issues) and an understanding of the company's key financial processes, monitored appropriately, layered on top of the Board's review of financial metrics, should normally cover the typical risks.

## INTERNAL CONTROLS DURING THE EARLY COMMERCIALIZATION STAGE

The transition from product development to generating revenues is one of the most difficult for emerging companies because priorities are reset and new personnel are brought on board in senior positions. Typically these new senior team members have not lived through the "birthing" process of the development program, which can bring stress to the prior team. As the operating business model is being established, this is the point where the company's applicable accounting policies begin to take shape (for example, how the product or service being sold is driving revenue recognition implications). At this time, it is appropriate to assess what accounting expertise is required, and what is already in place. Accounting has become increasingly complex, and smaller organizations in particular are challenged in this area. Larger companies often have a "Chief Accounting Officer" or similar position. That is not practical for a smaller company with limited financial resources. The full board, or, at a minimum the audit committee, should be asking the following questions:

- What are the critical accounting policies (and what are the applicable pieces of technical literature)?
- What experience and expertise do we have in-house?
- Do we have enough depth in our finance team to have someone effectively review complex accounting judgments (or are we relying on the "preparer" to get it right)?
- If we don't have the technical expertise we need, can we train existing personnel to be responsible for certain areas of accounting complexity?
- As we look at building the finance team (typically, headcount increases as a company moves from early commercialization to expansion), what specific accounting expertise and skill sets should our next hire possess?
- What processes do we have in place to identify new accounting issues and determine if they apply to the company?
- How much ongoing training do finance personnel receive, and is it sufficient to maintain competence levels?
- Do we need to engage outside parties in specific areas to supplement our existing skill sets?

Of course, this is not a one-time event, as competence should be assessed routinely against changes in the business and in performance. But a healthy dialogue between management and the Board can start here, as the demands on the finance team begin to increase.

## INTERNAL CONTROLS DURING LATE STAGE EXPANSION

As the growth rate of annual revenues begins to accelerate, it becomes appropriate for a company to adopt more formal risk assessment processes (relative to financial reporting risk). This risk assessment should enable discussion around questions such as:

- What are the significant accounting processes?
- What are the areas of accounting complexity?
- Where is my highest risk of material misstatement?

**Some factors to consider as management prepares and the board reviews process and account level risks are:**

- Materiality to the financial statements;
- Level of accounting and reporting complexity;
- Account characteristics (transactional and routine, estimate and non-routine);
- Fraud risk inherent in account or process;
- Volume of activity;
- Volatility; and
- Other reporting considerations inherent in account or process.

The risk assessment will guide more extensive monitoring activities, as appropriate. While designing appropriate monitoring activities, the audit committee and/or board should also consider items such as known weaknesses, especially any reported significant deficiencies or material weaknesses; and the maturity level of its financial reporting processes.

## ANTICIPATING A LIQUIDITY EVENT (IPO OR ACQUISITION)

We have noted that, whether or not a company is expecting to go public, applying public company accounting and governance standards is important because of the likelihood that an acquisition by a public company will occur. Organizations that lack proper internal controls may experience a lower acquisition valuation than those that have well defined risk controls and high governance standards.

Many companies start their SOX compliance effort as they approach an IPO, and this is often an early implementation of SOX compliance. SOX compliance activities can be scaled depending on the risk assessments to date, the timing and probability of the liquidity event, and the type of exit (IPO or acquisition). SOX compliance activities and milestones may vary depending upon factors such as:

- Risk assessment process in place and level of risk tolerance;
- Level of perceived process maturity;
- Level of anticipated remediation, including known significant deficiencies and material weaknesses;
- Level of existing control documentation; and
- Level of current control monitoring.

Board involvement/monitoring will likely flow from the agreed upon SOX compliance activities.

# DEVELOPMENT STAGE MATRIX

| Development Stage | Typical Total Number of Directors | Typical Mix | Governance Processes to be Considered | Internal Control Processes to be Considered | Typical Control Process Management Activities |
|---|---|---|---|---|---|
| **Seed / Product / Technology / Service Development** | 3 - 4 | Management 1 – 2<br>VC 1 – 2<br>Independent 0 – 1 | • Typically implemented by the board as a whole | • Understand and monitor relevant financial reporting and fraud risks<br>• Establish signing threshold levels for disbursements and legal agreements | • Establish financial reporting processes and controls, as needed |
| **Early Commercialization** | 4 - 5 | Management 1 – 2<br>VC 2 – 3<br>Independent 1 – 2 | • Either (a) formally designate specific board members with the responsibility to lead Audit and Compensation Committee functions for the entire board or (b) establish formal Audit and Compensation Committees<br>• Those directors responsible for (a) or (b) should take responsibility for implementing corporate governance policies | • Review critical accounting policies and assess competence of finance team<br>• If an audit is performed, Audit Committee or board as a whole should meet with auditors in executive session | • Assess finance infrastructure needs in light of planned growth<br>• Make adjustments to financial reporting processes and controls, as appropriate |
| **Late Stage Expansion** | 5 - 7 | Management 1 – 2<br>VC 2 – 3<br>Independent 2 – 3 | • Establish formal Audit, Compensation Nominating/ Governance Committees<br>• Consider naming formal board Chairman<br>• Consider implementing public company governance practices, as appropriate | • Consider more formal discussion and/or analysis of financial reporting risks<br>• Consider requesting and reviewing additional management reporting on internal controls, as appropriate | • Assess infrastructure and implement appropriate changes to support expansion<br>• Consider high level Section 404 planning |
| **Liquidity *(IPO or Acquisition)*** | 7 + | Management 1 – 2<br>VC 2 – 3<br>Independent 2 – 3 | • Name formal board Chairman/ Lead Director (in IPO process) | • Consider implementing public company internal controls practices, as appropriate | • Commence Section 404 planning and scope appropriate compliance activities |

## BOARD COMPOSITION

There is no firm rule for VCBC board sizes or their composition because boards, by their very nature as small groups, are heavily influenced by individual personalities, interpersonal relationships, and individual skill sets. Recognizing that the average time from creation of a new VCBC to exit, six years at the time of the writing of this paper, is the longest it has been in over a decade, VCBC boards should pay particular attention to board composition in order to avoid duplicative skills among board members. While it is outside the scope of this paper to address this issue in greater detail, VCBCs should strive to constitute a board where the members have different strengths from each other (technical, operational, financial, managerial). In addition, skills of VCs should complement those of the independent directors (who may have different but relevant sector domain expertise, such as accounting credentials required for Audit Committee chairs, etc.)

## ROLE OF BOARD OBSERVERS

Some investors, particularly strategic investors in later stage rounds, will negotiate for the right to have a representative, referred to as a board observer, attend board and committee meetings and receive materials distributed to directors. An observer does not have the legal status of a director. Importantly, the observer does not have the right to vote on board matters and is not subject to the fiduciary duties of a director. Accordingly, the role of the observer should be set forth in a contract between the company and the investor. For example, the company will often require that the observer (i) treat all information he/she receives confidentially; and (ii) may be excluded from board meetings (and receipt of board materials) if the observer has a conflict of interest or the observer's participation would adversely affect the company's attorney-client privilege.

## ROLE OF COMPANY COUNSEL

Directors frequently ask who company counsel represents – investors, founders, the board, management or employees? Company counsel represents the company and plays an important role in advising the board as to its legal responsibilities. For example, company counsel often assists the board in:

- Discharging its fiduciary duties (e.g., in equity financing and liquidity events)
- Complying with applicable legal and regulatory requirements (e.g., option granting practices and procedures)
- Structuring and implementing corporate governance policies and procedures (e.g., audit and compensation committee charters and responsibilities and codes of business conduct)
- Advising the board about management matters (e.g., CEO compensation and management changes)
- Documenting board and committee actions (e.g., preparing and approving board minutes).

# WHAT YOU NEED TO KNOW ABOUT LEGAL AND BUSINESS BASICS BEFORE JOINING THE BOARD

Working Group Recommendation

*At a minimum, every director of a VCBC should receive the following information prior to his or her first participation in a meeting of the board:*

Defining the Board's Essential Role

General Duties and Responsibilities of Private Company Directors

Summary of the Legal Requirements of Board Service

Common Characteristics of

- Effective Private Company Boards/Directors
- Ineffective Private Company Boards/Directors

Minimum Service Expectations for VCBC Directors

- All Directors
- Management Directors
- Independent Directors
- VC Directors

How should this information be disseminated?

*The Working Group recommends that, in advance of the first meeting of the board, and whenever a new director joins the board, the material on the following pages, should be distributed to ALL of the board members and briefly be reviewed at the beginning of the board meeting. This should be easily accomplished in 15 minutes. An in-person initial meeting with new directors to review the director's key responsibilities and the board's process and culture is also recommended.*

## DEFINING THE BOARD'S ESSENTIAL ROLE

- Maximize shareholder value for all of the company's shareholders
- Attract, recruit, and retain talented management team and board members
- Mentor, task, and measure the executive team
- Provide a level of insight, business perspective, and expertise that is otherwise unavailable to the company's management team
- Oversee and promote fiscal, legal, and ethical governance standards

## GENERAL DUTIES AND RESPONSIBILITIES OF PRIVATE COMPANY DIRECTORS INCLUDE:

- Serving as fiduciaries for all shareholders
- Hiring, evaluating, and firing the CEO and approving officer selection
- Overseeing company performance / Establishing oversight mechanisms
- Reviewing and confirming basic company objectives and business strategy
- Identifying barriers to company progress and proactively dealing with the barriers
- Inquiring into performance deficiencies and establishing metrics for measurement and remediation
- Seeking continuity and strengthening the board
- Approving equity incentives and establishing executive compensation
- Overseeing regulatory and legal compliance

## SUMMARY OF THE LEGAL REQUIREMENTS OF BOARD SERVICE

### Duty of Care

*Requires a director to act with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.*

Requires directors to:

- obtain information they believe is reasonably necessary to make a decision
- make due inquiry
- make informed decisions in good faith

### Duty of Loyalty

*Requires a director to act in the best interests of the corporation and not in the interest of the director or a related party.*

Issues often arise where the director has a conflict of interest:

- where the director or a related party has a personal financial interest in a transaction with the company *(e.g. the inherent conflict between VCs as directors and as representatives of their funds' interests)*
- where the director usurps a "corporate opportunity" that properly belongs to the company
- where the director serves as a representative of a third-party corporation and the third-party corporation's objectives are in conflict with the best interests of the company
- where the director abdicates his or her oversight role; does not act in good faith.

Examples of not acting in good faith:

– consciously or recklessly not devoting sufficient time to required duties
– disregarding known risks
– failing to exercise oversight on a sustained basis

*Failure to act in good faith can have serious adverse consequences to a director, such as being exposed to personal liability for breaches of the duty of care or losing coverage under indemnification provisions or insurance policies.*

*Generally, state corporate laws have procedures for handling interested transactions and corporate opportunities, such as by requiring full disclosure and disinterested director approval.*

## Confidentiality and Disclosure

***Duty of Confidentiality.*** A subset of the duty of loyalty. Requires a director to maintain the confidentiality of non-public information about the company.

***Duty of Disclosure.*** Requires a director, pursuant to the duties of care and loyalty, to take reasonable steps to ensure that a company provides its stockholders with all material information relating to a matter for which stockholder action is sought.

## Business Judgment Rule

***Creates a presumption that in making a business decision, the directors of a company acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company.***

The business judgment rule helps protect a director from personal liability for allegedly bad business decisions by essentially shifting the burden of proof to a plaintiff alleging that the director did not satisfy its fiduciary duties. This presumption and the protections afforded by the business judgement rule are lost if the directors involved in the decision are not disinterested, do not make appropriate inquiry prior to making their decisions, or fail to establish adequate oversight mechanisims.

## COMMON CHARACTERISTICS OF EFFECTIVE PRIVATE COMPANY BOARDS/DIRECTORS

- Establish a clear and mutual understanding of expectations between the directors and the CEO
- Conduct a formal annual performance evaluation of the CEO
- Have routine executive sessions among non-management board members only
- Have directors who work as a team and who make important contributions outside the boardroom
- Encourage open/honest communications
- Resolve differences of opinion constructively and quickly
- Have directors who are accountable to each other
- Promote continuing director education about current best practices
- Know and understand their responsibilities as directors
- Are informed when they arrive at the board meeting, know the industry, and know the company's context in it
- Do not attack the CEO or other board members when he/she answers their questions
  - *While it is the responsibility of a board to challenge the CEO and the team, care must be taken to do so respectfully and without creating personal animus.*
  - *The CEO's credibility should not be undermined in front of his/her team, even during a transitional period,*
- Participate in free and easy communication outside of the boardroom
- If appropriate, provide a different perspective as an individual member of the group

## COMMON CHARACTERISTICS OF INEFFECTIVE PRIVATE COMPANY BOARDS/DIRECTORS

- Fail to communicate– both in and out of the boardroom
- Suffer from denial— fail to act and make decisions
- Fail to reconcile diverging viewpoints
- Avoid addressing existing conflicts
- Regularly hold excessively long board meetings (over three hours without a strategic planning or other extraordinary agenda)
- Allow the use of PDA's and computers during a board meeting for purposes not related to board business
- Feel compelled to say something and to be heard, disregarding whether they are relevant or effective in their comments
- Become disengaged because they no longer feel that their opinion matters—this could be over a strategic disagreement
- Fail to resolve disagreements quickly and constructively
- Do not maintain regular board meeting attendance
- Deliver inconsistent messages between the actual meeting and their post-meeting behavior—passive-aggressive behavior
- Succumb to lead investors who discourage constructive discussion from the rest of the board
    – *Smaller firms in particular are afraid to break ranks with a dominant investor for fear of not getting into future deals. They should speak up and express their views independently.*

## MINIMUM SERVICE EXPECTATIONS FOR VCBC DIRECTORS

### All Directors Are Required to:

- Attend all board meetings (outside of unexpected emergencies)
  – *An appropriate number of board meetings must be scheduled "in-person"*
- Prepare in advance for board meetings/conferences
- Maintain open communications with the Board not only at board meetings but whenever pertinent information needs to be disseminated
- Communicate openly and honestly between each other
- Openly discuss points of difference rather than passively resist
- Make themselves available for informal consultation with management and the board outside of the normal board schedule

## MINIMUM EXPECTATIONS OF BOARD SERVICE FOR MANAGEMENT DIRECTORS

- Maintain open communications with the Board not only at board meetings but whenever pertinent information needs to be disseminated
- Provide adequate, timely information to enable the board to fulfill its duties
  – *Mutually agreed upon time frame for delivering board materials to directors*
- Prepare board material to enable in depth discussions on requested topics
- Respond positively to board input
- Deliver both good and bad news promptly and in a direct and balanced manner
- Engage with non-management directors in between board meetings
  – *Proactively draw on directors' know-how, contacts and ability to help in order to promote the company's business*

  – *Avoid surprises at the board meeting*

## MINIMUM EXPECTATIONS OF BOARD SERVICE FOR INDEPENDENT DIRECTORS

- Work as a team with fellow board members
- Serve as a sounding board for, and in some cases mentor, the CEO
- Provide independent perspective and constructive inputs
- Chair or participate on board committees that require independent directors
- Mediate between management and investor directors when conflicts of interest arise in financial negotiations and other matters and serve as disinterested directors in acting upon such matters

## MINIMUM EXPECTATIONS OF BOARD SERVICE FOR VC DIRECTORS

- Understand the company's competitive position and maintain awareness of developments in the relevant industry sector
- Help companies close new business and build sales success outside the board meeting
- Serve as a sounding board for the CEO and, in some cases, mentor the CEO
- Proactively share relevant company knowledge from their portfolio experience with their fellow board members
- Make themselves available for informal consultation with management and the board outside of the normal board schedule
- Take a lead role in financing the company
- Contribute their knowledge and experience during liquidity events
- Understand and differentiate between their responsibilities as directors, and their role within their particular fund
- Invite and respect input from non-VC directors, even when those non-VC directors have relatively small ownership stakes by comparison to their own

# HOW TO EVALUATE YOUR OWN PARTICIPATION ON THE BOARD

*List of questions that each director should ask himself or herself once per year with respect to the proper fulfillment of board service obligations.*

As a best practice, the Working Group recommends that the board of directors also consider an annual self-evaluation for the individual directors at which time the directors will review the self-evaluation questionnaire listed below and ask themselves the questions that they reviewed at their first board meeting.

The self-evaluation should be a formal agenda item, once per year. In addition, each director should ask him/herself one overall question:

Did I meet the minimum expectations for myself as a director of this company?

## SAMPLE SELF-EVALUATION

In the last year, have you:

- ❑ Attended every board meeting?
- ❑ Consistently read the material in advance of the meeting?
- ❑ Consulted with the CEO as needed prior to the meeting to make sure you know what will be emphasized on the agenda, what help is needed from you specifically, and from the board as a whole?
- ❑ Worked with the company outside of the board on any projects and gotten to know the management team and other key contributors?
- ❑ Communicated with fellow directors as needed regarding alignment of interests?
- ❑ Contributed positively and at least tried to make a difference for this company?
- ❑ Established and maintained an effective oversight role?
- ❑ Stayed focused during the board meeting and limited use of PDA or laptops to designated breaks?
- ❑ Explicitly identified (and discussed with co-directors) any potential conflicts of interest that have arisen?

# HOW TO CONDUCT AN ANNUAL CEO PERFORMANCE REVIEW

We have noted on page 15, as the second bullet point under the heading: COMMON CHARACTERISTICS OF EFFECTIVE PRIVATE COMPANY BOARDS/DIRECTORS, that boards should conduct a formal annual performance evaluation of the CEO. This deserves particular focus because anecdotal evidence in the venture capital industry suggests that the CEO is the least reviewed employee of the typical venture backed company.

A VCBC board is highly unlikely to support the notion that the CEO should adjust employee salaries or issue new options grants without first reviewing individual employee performance. Why should the board be held to a lower standard when it comes to reviewing the CEO's performance? The importance of having in place a process for board review of the CEO cannot be overstated. Having this process in place facilitates an effective mechanism to promote the proper management of expectations between the board and the CEO.

An annual CEO review process does not need to be cumbersome, and it need not be associated with compensation adjustments for the CEO. It should be viewed as an opportunity to make sure that the CEO and the board are on the same page with respect to the CEO's current business plan objectives and priorities. It can be particularly useful to combine the CEO review by the board with a 360 degree review of the CEO by all of his direct reports.

## SOME PROCESS RECOMMENDATIONS TO CONSIDER:

- Create a common, short, written questionnaire to be used by the directors and by the direct reports.
- Separate the reviewers:
  - Designate a non-management director to circulate the questionnaire to each of the non-management directors
  - Designate either an outside consultant or the head of human resources to perform the same aggregation function for the CEO's direct reports
- The board reviewer should consolidate the director questionnaires into a single document that is shared among the directors. This document should represent a consensus view by the directors.
- The designated director should coordinate with the consultant or HR person conducting the 360 review and receive a written synopsis from the team reviewer which summarizes the comments from the direct reports.
- Comments from the direct reports and the directors will remain anonymous, but they are NOT confidential. (For example, the report could say, one employee felt that the CEO did not do X sufficiently, but the majority disagreed with this observation.)
- The designated director will compare the two reports and generate a final report for the board that will be given to the CEO which reflects both the consensus of the team and of the board.
- A subset of directors, typically the designated director and one other, should meet with the CEO and deliver the report orally, discuss the conclusions with the CEO, and present a written copy of the report to the CEO, signed by the entire board, at the end of the oral discussion.

# HOW TO CONDUCT AN ANNUAL BOARD PEER REVIEW

The Working Group also recommends that boards consider a peer review process. While venture capitalists on private company boards normally acquire their board seats through contractual and/or charter provisions, this does not absolve them of the responsibility of being effective directors. Peer review can bring to the foreground issues that are difficult for directors to surface directly in a face-to-face conversation—issues such as contribution, communication, accessibility, engagement, professionalism, and courtesy can greatly improve the functioning of the entire board.

In general, the Working Group has concluded that the later the stage of the company's development, the greater the need for good self-evaluation and peer review.

## LOGISTICS FOR IMPLEMENTATION

The following questionnaire is designed to be completed confidentially and individually by each of the directors. It should be transmitted confidentially by each director to a third party, either the company's outside counsel or an outside facilitator, for aggregation of comments and review.

Based on experience in implementing board self evaluations since the initial release of *A Simple Guide*, we recommend that board self evaluations be conducted entirely orally with the company's outside counsel serving as the data aggregator and reporting the results to the board.

Concerns of confidentiality and the ability to be open in expressing individual opinions can be allayed by working with the company's outside counsel. The actual questionnaire can be answered in a matter of fifteen minutes, with any additional comments impacting the length of an individual conversation. Estimating the counsel's total time commitment, this entire exercise should take less than three hours. This assumes 20 minute conversations with five directors and some additional time required to develop a consensus analytical view prior to delivering a brief oral report to the board. Any written material produced should be handled consistently with the company's document retention policies. The outside counsel should present the results of the peer review orally to the board after the conclusion of the formal board meeting.

Conducting an annual board self evaluation establishes a process for the communication of disagreements or misalignments that directors may be reluctant to address openly. If you consider it a safety valve and a consensus building tool, this review process should only be a positive force on the board.

As you review each question in the following questionnaire, you will see that there are no controversial or difficult questions—when aggregated, however, the tenor of the responses and any additional comments may help a board gauge whether it is operating in general harmony or whether issues exist below the surface which may create stress at exactly the wrong moment—such as when the company must consider an acquisition offer or make difficult decisions regarding a new financing.

________________________________________, INC

BOARD OF DIRECTORS
*Privileged and Confidential*

The following assessment tool is designed to solicit your thoughts regarding the performance of the Board of Directors as a group. It is intended to enhance the Board's overall effectiveness. Please complete the questionnaire and return it in the enclosed envelope to [____________________]. Your responses are requested by [__________________].

***Please evaluate the extent to which each of the following statements is true with respect to this company's board using the following rating system and add your comments as appropriate in the far right column.***

1 – Completely False 2 – Generally False 3 – Generally True 4 – Unqualifiedly True NA= Not Applicable

| Principal Components | Ratings *(See point system above)* | Comments/Action Plan to Improve Effectiveness |
|---|---|---|
| **SECTION 1: Structure and Composition of Board** | | |
| 1. **Board Size.** The current size of the Board ( _____ members) is appropriate. | 1 2 3 4 | |
| 2. **Board Committees.** The Board has an appropriate number of formal committees given the company's current stage of development. | 1 2 3 4 | |
| 3. **Board Composition.** The Board has the appropriate balance and breadth of backgrounds, business experience, skills and expertise in areas vital to the Company's success given its present markets served and stage of development. | 1 2 3 4 | |
| 4. **Director Performance.** Independent directors are adequately contributing to the Board. | 1 2 3 4 | |
| 5. **Director Performance.** VC directors are adequately contributing to the Board. | 1 2 3 4 | |

| Principal Components | Ratings *(See point system)* | Comments/Action Plan to Improve Effectiveness |
|---|---|---|
| 6. **Director Performance**. Management directors are adequately contributing to the Board. | 1 2 3 4 | |
| 7. **Familiarity with Company.** The Board is appropriately familiar with the Company, the markets it serves (including competitive factors) and its strategies and business plans and reflects this understanding on key issues throughout the year. | 1 2 3 4 | |
| **SECTION 2. Board Culture and Communication** | | |
| 8. **CEO–Board Communication**. The Board members individually communicate informally with the CEO on a regular basis in advance of board meetings in order to have advance knowledge of issues that will be discussed at the meeting. | 1 2 3 4 | |
| 9. **Director–Director Communication**. The Board members communicate with each other informally and are well informed about each other's positions on issues affecting the company. | 1 2 3 4 | |
| 10. **Overall Effectiveness.** The Board grasps and deliberates on the important issues and brings decision topics to closure in a timely manner. | 1 2 3 4 | |
| 11. **Board Initiative.** The Board asks the penetrating questions necessary to uncover serious problems. | 1 2 3 4 | |
| 12. **Board Support of Management.** The Board is appropriately balanced in challenging and supporting management. | 1 2 3 4 | |

| Principal Components | Ratings (See point system) | Comments/Action Plan to Improve Effectiveness |
|---|---|---|
| 13. **Board Candor.** The Board encourages a culture that promotes candid communication. | 1 2 3 4 | |
| 14. **Board Collegiality.** The Board and management work together to achieve a constructive decision making atmosphere that encourages a respectful examination of different views. | 1 2 3 4 | |
| 15. **Board Relationships.** There is a relationship of mutual trust and respect among Board members. | 1 2 3 4 | |
| **SECTION 3. Board Information** | | |
| 16. **Accuracy of Information.** The information provided to the Board by management and outside advisors is accurate and reliable. | 1 2 3 4 | |
| 17. **Relevance of Presentations.** Presentations to the Board are appropriately focused on the key issues for Board consideration. | 1 2 3 4 | |
| 18. **Digestibility of Presentations.** Presentations to the Board are appropriately "to the point" and do not contain an inappropriate amount of unnecessary data and/or analysis. | 1 2 3 4 | |
| 19. **Timeliness of Information.** The information provided between Board meetings is timely, enabling members to fully prepare. | 1 2 3 4 | |
| 20. **Access to Management.** The Board has appropriate access to the Company's senior management. | 1 2 3 4 | |
| 21. **Director Requests.** Director requests for information from management are reasonable in amount and time frame and are responded to appropriately. | 1 2 3 4 | |

| Principal Components | Ratings *(See point system)* | Comments/Action Plan to Improve Effectiveness |
|---|---|---|
| **SECTION 4. Board Process** | | |
| **22. Board Meeting Agendas.** The Board has appropriate input into the preparation of the agendas and there is proper priority of agendas. | 1 2 3 4 | |
| **23. Time Allocated for Board Meetings.** Ample time is allocated for Board meetings to assure full discussion of important matters. | 1 2 3 4 | |
| **24. Number of Meetings.** The Board has an appropriate number of meetings per year and schedules its meetings at appropriate times. | 1 2 3 4 | |
| **25. Conduct of Board Meetings.** Board meetings are conducted in a manner that ensures effective utilization and prioritization of the time available. | 1 2 3 4 | |
| **26. Executive Sessions.** There is sufficient time and opportunity for outside directors to meet independently during the time allotted for the formal board meeting. | 1 2 3 4 | |

*Please evaluate and answer one final question with respect to this process.*

## BOARD REVIEW PROCESS

27. Are we doing a good job at assessing and improving the performance of the Board through this self-evaluation process?

_______ Yes _______ No

*If no, please describe the reason for your response. How would you recommend we improve the process?*

### Steven E. Bochner, *Partner, Wilson Sonsini Goodrich & Rosati*

Steve served as a member of the Securities and Exchange Commission's Advisory Committee on Smaller Public Companies in 2005 and 2006 and was Chairman of the Governance and Disclosure Subcommittee of the SEC Advisory Committee. In 2006, Steve was appointed to his second term as co-chair of the NASDAQ Listing and Hearing Review Council, on which he's served since 1996.

Steve is also a lecturer at the University of California at Berkeley's Boalt Hall School of Law.

http://www.wsgr.com/WSGR/DBIndex.aspx?SectionName=attorneys/BIOS/154.htm

### Tom Byers, *Professor, Stanford University*

Tom Byers is a professor at Stanford University where he focuses on technology entrepreneurship education. He is founder and a faculty director of the Stanford Technology Ventures Program (STVP), which serves as the entrepreneurship center for the engineering school. Tom is also a faculty director of the AEA/Stanford Executive Institute, a general management program for technology executives. Tom is co-author of a popular textbook called "Technology Ventures: From Idea to Enterprise" published by McGraw-Hill. Tom also holds visiting professor appointments at the London Business School and University College London. Tom currently serves on the governing boards of BioFuelBox, MyThings, and Flywheel Ventures. In addition, he serves on advisory councils of the American Society for Engineering Education's Entrepreneurship Division, Harvard Business School's California Research Center, and the National Foundation for Teaching Entrepreneurship (NFTE) for inner-city youth.

Tom holds a BS in Industrial Engineering and Operations Research and an MBA from UC Berkeley. He also earned a PhD in Business Administration (Management Science) at UC Berkeley.

http://www.stanford.edu/dept/MSandE/people/faculty/byers/index.html

### Bob L. Corey, *Independent Director*

Bob serves as an independent director of AmberPoint, Extreme Networks, Interwoven, and Veraz Networks.

From May 2003 to January 2006, he served as Executive Vice President and Chief Financial Officer of Thor Technologies, Inc., a provider of enterprise provisioning software that was acquired by Oracle Corporation in November 2005. Prior to joining Thor Technologies, Bob served as executive vice president and chief financial officer at Documentum until August 2002.

Bob is a graduate of California State University, Fullerton.

### Ira Ehrenpreis, *General Partner, Technology Partners*

Ira is a recognized leader in both the Cleantech and Venture Capital communities. He is a member of several industry Advisory Boards, including the Cleantech Venture Network (Emeritus), the Clean-Tech Investors Summit (2005, 2006 and 2007 Conference Chairman). Ira also serves on the Board of the National Venture Capital Association (NVCA) and on the Board of the Western Association of Venture Capitalists (WAVC). In addition, he is the Co-Chairman of both the VCNetwork and the YVCA, two non-profit organizations comprising more than 1,000 venture capitalists.

Ira received his JD/MBA from Stanford Graduate School of Business and Stanford Law School, where he was an Associate Editor of Stanford Law Review. He holds a B.A. from the University of California, Los Angeles, graduating Phi Beta Kappa and Summa Cum Laude.

http://www.technologypartners.com/html/ira_ehrenpreis.html

### Bill Elmore, *General Partner, Foundation Capital*

Bill currently serves on the board of directors for Onyx Software (ONXS), Wind River Systems (WIND), Atheros Communications (ATHR), MarkMonitor, Packet Design, TeaLeaf Technology, Vernier Networks, Wherenet, Biz360, UxComm, SOLARFLARE Communications, SpringCM™, Quartics and Ambient Software.

In addition to an MBA from the Stanford Graduate School of Business, Bill holds a BSEE and MSEE from Purdue University.

http://www.foundationcapital.com/team/elmore.html

### Juliet Flint, *Partner, Kleiner Perkins Caufield & Byers*

Juliet Flint joined Kleiner Perkins Caufield & Byers in 2001 as a Partner. Juliet works with the portfolio companies advising them on areas of Human Capital, including executive leadership, recruiting, compensation, corporate governance and team building.

She gained her bachelor's degree from the Newcastle Business School at Northumbria University in the United Kingdom.

http://www.kpcb.com/team/index.php?Juliet%20Flint

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### Tom Furlong, *Managing Director, Granite Ventures*

Tom Furlong joined Granite Ventures in July 2000, after a successful career in Silicon Valley. Prior to Granite Ventures, he was Vice President and General Counsel at Zhone Technologies, a communications equipment provider.

Tom holds a B.A. in economics and an M.B.A. with a concentration in finance from the University of Chicago, and a J.D. from Northwestern University.

http://www.granitevc.com/html/team/partner_04.html

### Rex Golding, *Managing Director, Mobius Venture Capital*

Rex Golding has been a Mobius partner since 1999. Mr. Golding has more than 20 years of experience in the technology industry, including 7 years as a venture capitalist, 10 years as a technology investment banker, and 5 years as a CFO of technology start-ups.

He holds an A.B. cum laude in applied mathematics from Harvard College and an M.B.A. with distinction from the Harvard Business School.

http://www.mobiusvc.com/pages.php?pn=overview&sub=rgolding

### Michael Greeley, *General Partner, IDG Ventures*

Michael is a board member of BlueTarp, MicroCHIPS, Predictive Biosciences, Protein Forest, and VidSys and led investments in T2 Biosystems and Magen BioSciences. Michael also sits on the board of International Data Group.

Previously, Michael has served on the boards of a number of private and public companies including Global TeleSystems (NASDAQ:GTSG), El Sitio International (NASDAQ:CTO) MotherNature.com (NASDAQ:MTHR), Crescent Communications (acquired Channel) Fleetcor Technologies and American Capital Access. Michael is also President of the New England Venture Capital Association.

Michael received a BA with honors in Chemistry from Williams College and an MBA from Harvard Business School.

http://www.idgvb.com/member.cfm?id=Michaelgreeley

### John Hall, *Managing Director, Horizon Ventures*

John Hall has more than 16 years of experience in the venture capital industry. He was a General Partner of Newtek Ventures from 1989 until 1999, when he co-founded Horizon Ventures where he also is a General Partner.

He holds a B.S. degree in Accounting and Finance and an MBA in Finance from San Jose State University and did Ph.D. work in Finance at the University of Santa Clara.

http://www.horizonvc.com/print.php?url=%2Fmanagement%2Fhome.php%3Fcategory%3DDirectors%2Band%2BVenture%2BPartners

### Promod Haque, *Managing Partner, Norwest Venture Partners*

Promod has more than 15 years of experience in the venture capital industry. He joined Norwest Venture Partners in 1990. He has been ranked as a top dealmaker on the annual Forbes Midas List for the past five years, and in 2004, Forbes named him as the #1 venture capitalist based on performance over the last decade.

He received a bachelor of science in electrical engineering from the University of Delhi, India. He holds a Ph.D. in electrical engineering from Northwestern University and an MBA from Northwestern's Kellogg Graduate School of Management, where he serves on the advisory board.

http://www.nvp.com/team/teamBio.aspx?StaffID=21

### Randy Hawks, *Managing Director, Claremont Creek Ventures*

Randy is a founder of Claremont Creek Ventures and has been a venture capitalist since 1998. He focuses on security solutions for both the digital and physical domains. His years as Executive Vice President/COO and Director at Identix are the foundation of his interest in this area of investment.

Randy earned a BSEE from University of Arkansas and has completed the Stanford University Executive Management Program. He serves as the Venture Committee Chair for Keiretsu Forum.

http://www.claremontvc.com/team.html

### Morgan Jones, *General Partner, Battery Ventures*

Morgan's investments at Battery include Achronix, Akara (acquired by Ciena), Bright View Technologies, IP Unity Glenayre, Luminus Devices, Nova Holdings, Optium (NASDAQ: OPTM), Qtera (acquired by Nortel), Quantum Leap Packaging, and Veraz Networks (NASDAQ: VRAZ).

Morgan graduated magna cum laude from Harvard College with a BS in EngineeringScience, received an MS in Electrical Engineering from Stanford University, and was the recipient of a National Science Foundation fellowship.

http://www.battery.com/people/jones.html

### Pascal Levensohn, *Founder and Managing Partner, Levensohn Venture Partners*

Pascal Levensohn has been a finance professional since 1981 and a venture capitalist since 1996, when he founded Levensohn Venture Partners ("LVP") in San Francisco. He conceived of and established the *Working Group on Director Accountability and Board Effectiveness* in May 2006. Pascal was elected to the board of the National Venture Capital Association in April 2007, where he serves on the NVCA's education committee.

Pascal is a frequent speaker and has published numerous articles on venture capital trends with a particular emphasis on best corporate governance practices in the boardroom. In November 2003 Pascal co-authored a white paper entitled "*After the Term Sheet: How Venture Boards Influence the Success or Failure of Technology Companies*". His second industry white paper, *"Rites of Passage: Managing CEO Transition in Venture-Backed Technology Companies",* was published in January 2006.

Pascal received a BA in Government from Harvard University and is a graduate of the Lawrenceville School.

http://www.levp.com/team/pl.html

### Aaron Mankovski, *Managing General Partner, Pitango Venture Capital*

Aaron has been in venture capital since 1996. He co-founded Eucalyptus Ventures, and has served as Managing Director since that time. In 1999, Eucalyptus merged with Polaris Venture Capital to create Pitango Venture Capital where Mr. Mankovski is a Managing General Partner. Mr. Mankovski has 16 years of experience in Executive Management (CEO, Sales and Marketing) in the high-technology sector in Israel and abroad. Prior to founding Eucalyptus, he served as Corporate Vice President of Orbotech Ltd.(NASDAQ: ORBK), where he was responsible for worldwide operations, sales and customer support with offices on four different continents.

Prior to assuming that position, Mr. Mankovski served as President and CEO of Orbotech Inc., where he also guided the merger of Orbot and Optrotech that led to the establishment of Orbotech. He previously was a sales executive at IBM. He also served as a pilot in the Israeli Air Force. Mr. Mankovski holds a B.Sc. in Computer Science and Statistics from Tel Aviv University.

http://www.pitango.com/team_member.asp?ID=26

### Steve Maxwell, *Recruiting Partner, Kodiak Venture Partners*

Steve joined Kodiak as a Partner in 2004. He brings more than twenty years of experience in high technology, both as an executive search consultant and as a member of the management teams of several successful technology companies. At Kodiak, Steve is responsible for helping ensure that the firm's portfolio companies have the highest caliber management teams. He currently serves on the Boards of two portfolio companies: Groove Mobile and Mindreef.

Steve holds a B.A. in History from Denison University.

http://www.kodiakvp.com/kodiak/team/bios.php

### Adi Pundak-Mintz, *General Partner, Gemini Ventures, Israel*

Adi sits on the boards of a number of Gemini portfolio companies including dbMotion, Diligent, Neocleus, Metrolight, Octavian, OpTier and Traiana. Adi came to Gemini from Neurone, a boutique Israeli VC.

Adi is a graduate of the INSEAD MBA program. He holds two degrees from Ohio State University, a BSc with honors in Electrical Engineering and a BA with distinction in Mathematics.

http://www.gemini.co.il/?p=TeamMember&MemberID=199&CategoryID=161

### Kate Mitchell, *Managing Director, Scale Venture Partners*

Kate sits on the boards of Cogency Software, Pavilion Technologies and Wayport. Kate joined the Board of the NVCA in 2007 and is helping drive their public outreach efforts.

Kate received a BA from Stanford University and an MBA from the Executive Program at Golden Gate University in San Francisco. She also attended the Harvard Executive Program for Strategic Marketing and Management.

http://www.baventurepartners.com/team/kate_mitchell.html

### Leinani Nakamura, *Partner, Mohler, Nixon & Williams*

Leinani leads the firm's Internal Control Services practice. Her experience spans 20 years serving companies in the technology, software, contract manufacturing, semiconductor, and entertainment industries with their assurance and internal audit needs.

Leinani graduated from the University of Notre Dame with bachelor degrees in accounting and Japanese. She is a member of the American Institute of Certified Public Accountants.

http://www.mohlernixon.com/leinani_nakamura.htm

### Vince Occhipinti, *Co-Founder and Managing Director, Woodside Fund*

Vince co-founded Woodside Fund in 1983, and has been intimately involved in the management and success of the Fund and its portfolio companies. Mr. Occhipinti has chaired the Early Stage Venture Capital Alliance (ESVCA) since 1990.

He has a BA from Stanford University, and attended the Graduate School of Business at the University of California, Berkeley.

http://www.woodsidefund.com/about/t_vince.html

### Andy Rappaport, *General Partner, August Capital*

Andy joined August Capital in 1996 and brings technology and market experience in such areas as open-source software, broadband communications, semiconductors, and computer systems. He has more than 20 years of experience as a founder, investor, and/or director of venture-backed start-ups, and has served on more than 30 public and private company boards.

Andy attended Princeton University and holds a U.S. patent.

http://www.augustcap.com/team/ar.shtml

### Amanda Reed, *Partner, Palomar Ventures*

Amanda opened Palomar's Palo Alto office in 2001 after building a successful career as a senior executive in sales, marketing, and business development in early-stage start-up companies. Amanda has a broad background in corporate brand development, product marketing, public relations, communications, business development, and sales management.

Amanda has a Bachelor of Arts degree in Economics from Dartmouth College.

http://www.palomarventures.com/team_reed.htm

### Janice Roberts, *Managing Director, Mayfield Fund*

As a Mayfield Managing Director since 2000, Janice Roberts primarily invests in networking components and systems, mobile communications and consumer-oriented investments; providing portfolio companies with general management counsel, marketing expertise and a global perspective.

Janice holds an honors degree in Commerce (Economics and Finance) from the University of Birmingham in the United Kingdom.

http://www.mayfield.com/index.php/people_detail/id/10.html?sid=

### Chris Rust, *General Partner, U.S. Venture Partners*

Chris Rust joined USVP as a General Partner in November of 2004. Chris brings over 20 years of electrical engineering, product management, sales/sales support, and early stage venture capital experience to USVP.

He earned a B.S. and an M.S. in Electrical Engineering from the University of Lowell, and an M.S. in Telecommunications Engineering, as well as an M.S. in Engineering Management from the University of Colorado at Boulder.

http://www.usvp.com/html_vers/team/partners.html

### Doug Sabella, *Chief Executive Officer, Veraz Networks*

Doug joined Veraz Networks as its CEO in 2004. Doug brings an extensive executive and operations management background in the telecommunications and software industries to Veraz that spans over 20 years.

http://www.veraznetworks.com/content.asp?pageId=149

### Greg Sands, *Managing Director, Sutter Hill Ventures*

Greg Sands focuses on internet software and services. He looks for complex and scalable software, important business functions the internet can revolutionize or replace, and high margin, defensible business models.

He earned an AB in government from Harvard College in 1989 and received an MBA at Stanford in 1994.

http://www.shv.com/team/sands.html

### Bart Schachter, *Managing Director, Blueprint Ventures*

Bart has 20 years of entrepreneurial, venture capital, and industry operating experience. He has backed and served on the boards of more than 25 emerging technology companies including Covad, Copper Mountain, Media4 (EchoStar), NorthPoint, AccessLan (AFC), IteX, GlobeSpanVirata (Conexant), and Broadband Access Systems (ADC). He is regular contributor to Venture Capital Journal and a faculty member of the Venture Capital Institute.

Bart holds a BS in Computer Engineering from Cornell University and an MBA from the UCLA Anderson School of Management.

http://www.blueprintventures.com/team_bart.html#bart

### David Spreng, *Managing General Partner, Crescendo Ventures*

David is a 17-year veteran of the venture capital business and the Founder and Managing General Partner of Crescendo Ventures. He has served on the board of more than forty private and public venture-backed companies.

He is a graduate of the University of Minnesota, a Core Team Member of the World Economic Forum Working Group on "Nurturing the Early Stage Investment Climate in China", and a member of the board of the National Venture Capital Association (NVCA).

http://www.crescendoventures.com/david_spreng.html

### Brooks Stough, *Partner, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian*

Brooks Stough is a partner with Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP. Mr. Stough's practice focuses on the (i) organization and representation of startup and emerging growth companies, with an emphasis on technology companies, (ii) representation of companies involved in merger and acquisition transactions, and (iii) representation of issuers, investors and underwriters in public and private financings.

Mr. Stough holds a J.D. degree from Stanford University. Mr. Stough also received an M.B.A. from the Stanford Graduate School of Business and a B.A. from Stanford University.

http://www.gunder.com/index.htm

### Allison Leopold Tilley, *Partner, Pillsbury Winthrop*

Ms. Leopold Tilley focuses on the representation of technology companies in securities and venture capital transactions. Her securities and general corporate representation currently includes work with a number of public and private companies including WebEx, Inc., Atheros Communications; SiRF Technology, SYNNEX Corporation, Z-Force Communications, SiNett, ReaMetrix, Xambala, Hellosoft and Catalytic, Inc. Ms. Leopold Tilley is co-head of the Firm's Information Technology Practice Team, Head of the Silicon Valley Business and Technology Group and co-head of the Southeast Asia Specialty Team.

Allison graduated with a J.D from the University of California, Berkeley, Boalt Hall School of Law where she was the Associate Editor, Ecology Law Quarterly. She received her B.A. from the University of California, Davis with honors.

http://www.pillsburylaw.com/allison

### Patrick Von Bargen, *CEO, Center for Venture Education*

Patrick Von Bargen serves as CEO of the Center for Venture Education, a prestigious twenty-four month educational fellowship in the venture capital industry. Prior to joining the Kauffman Fellows Program, Patrick served as Managing Executive for Policy and Staff at the U.S. Securities and Exchange Commission (SEC) under Chairman Bill Donaldson, where he managed all facets of the Commission's policy agenda.

Patrick graduated in the Charter Class of the Yale School of Management and holds a JD from Stanford.

http://www.kauffmanfellows.org/cve.aspx?pgID=909#Patrick_Von_Bargen

### Noam Wasserman, *Assistant Professor of Business Administration, Harvard Business School*

Noam teaches the required first-year MBA course on Entrepreneurial Management. Noam received his Ph.D. in organizational behavior from Harvard University in 2002, and received an MBA from Harvard Business School in 1999. He writes the "Founder Frustrations" blog at www.founderresearch.blogspot.com

http://www.blogger.com/profile/11697040083507325577

### Joy Weiss, *President and CEO, Dust Networks*

Joy Weiss is President and CEO of Dust Networks, a leading wireless sensor networking company, where she also serves as Chairman of the Board. Prior to Dust Networks, Joy served as President and CEO of Inviso, an award-winning microdisplay company, and as President and CEO of Esker, which was among the early companies to go public on the Nouveau Marché. Joy has also served as an Independent Director on several VCBC boards.

Joy holds a BS in electrical engineering from the Massachusetts Institute of Technology.

http://www.dustnetworks.com/company/team.html