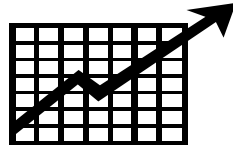




Building the Sales Force and Translating that building process into a financial plan



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High Growth Business Plans “Must Haves”



- Large Market
- **Grade A, experienced team**
- Barriers to entry
- **A sophisticated sales plan**
- **Financials** comparable to industry stnds
 - Can the idea scale profitability
- Technology focused on market needs

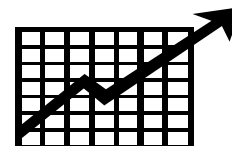


Two essential areas for fundable companies



- Intimate understanding of how to build a sales organization
- Financial Plans that reflect that intimate knowledge



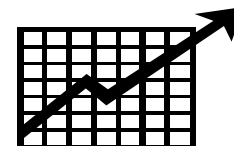


Building the Sales Organization *can you succinctly explain?*

- Your Sales Channel(s)
 - Direct vs. Indirect
 - First two years
 - Beyond year two
- Compensation Plan
 - Base, Variable, other
- Hiring Ramp
 - How long will it take to find sales warriors
 - How long until first order
 - How long to break-even on a Gross Profit basis
 - What is expected turnover



Real Life Examples... (emerging companies)



Title	Rev. (M)	Industry	Pub/Priv	Base	Bonus	Date/Year
VP Sales & Bus Dev.	\$13	Software	Private	\$160,000	0	5/11/2005
VP Product Strategy	\$8	Software	Private	\$225,000	40%	7/14/2004
VP Marketing	\$7	Internet/Software	Private	\$150,000	25k to 50k	4/20/2004
VP Marketing	\$7	Electronics	Public	\$155,000	0	10/25/2005
VP Sales and Marketing	\$6	Medical	Private	\$140,961	\$41,914	5/9/2005
SVP Marketing	\$6	Software	Private	\$160,000	\$60,000	5/7/2004
VP Marketing	\$5	Software	Private	\$175,000	\$50,000	9/10/2004
SVP Sales & Business Dev.	\$3	Software	Private	\$202,000	yes	4/24/2007
VP Sales & Bus Dev.	\$3	Software	Private	\$120,000	\$80,000+	1/6/2005
VP Sales & Marketing, Founder	\$2	Electronics	Private	\$140,000	20k to 25k	2/8/2007
VP Sales	\$2	Software	Private	\$160,000	\$140,000	2/17/2004
SVP Field Operations	\$1	Medical	Private	\$140,000	\$100,000	5/21/2005
VP Worldwide Sales	\$1	Software	Private	\$175,740	\$96,381	3/22/2006
Former VP Sales & Bus Dev.	\$1	Software	Private	\$150,000	\$80,000	2/4/2004
Former VP Sales	Under \$1	Software	Private	\$150,000	\$130,000	2/11/2004
VP Sales	NA	Biotech/Electronics	Private	\$208,000	\$75,000	6/1/2007
VP Sales	NA	Software	Private	\$150,000	0	3/30/2006

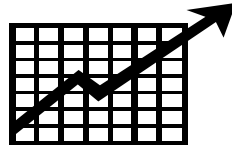
Source: Onstott Database

Average

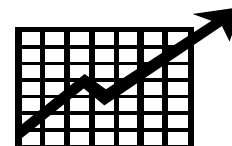
\$162,453

\$67,886

Building the Sales Organization *can you succinctly explain?*



- What are your Annual Bookings expectations
 - Bookings per sales person
- Describe your pre-defined sales process
- What are your forecasted Closing Ratios
 - Funnel Math



Building the Sales Organization *can you succinctly explain?*

- Explain “cost of selling” in relation to P+L
- Marketing to sales relationship
 - \$\$
 - Time
 - # leads
- “Viral Marketing” = hitting the lottery
 - Not part of a realistic plan



In 2007 and 2008, we surveyed Sales Pros...

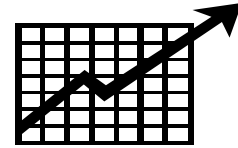


...and unfortunately, we found...

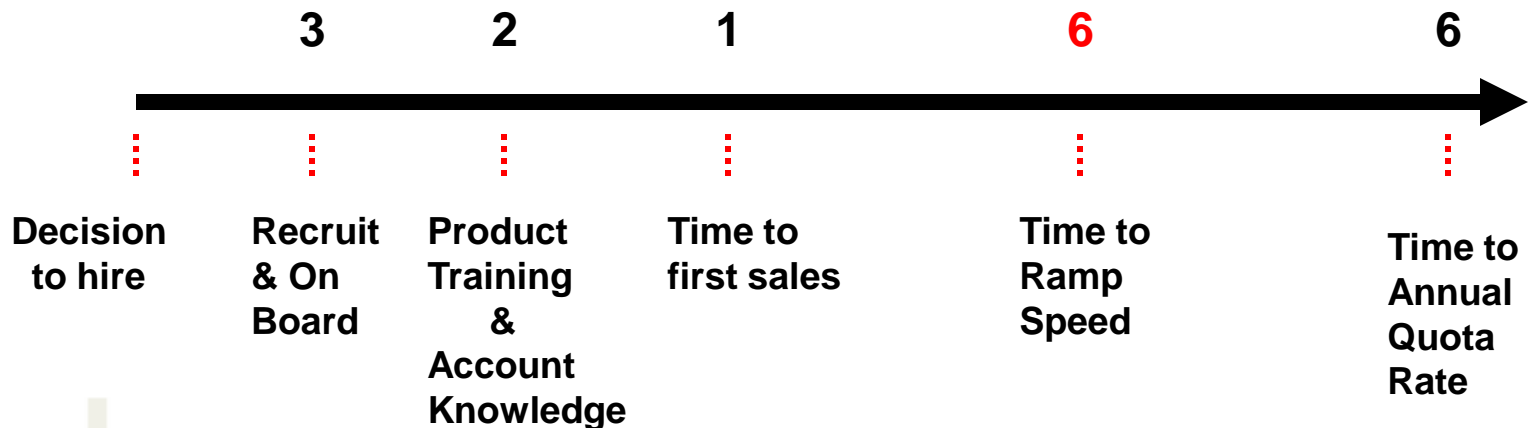
- Salespeople not currently employed in their dream job 84%
- Salespeople not effectively selling to senior levels 57%
- **Sales Team employs little methodology 53%**
- Sales Team does a poor job generating new leads 52%
- Sales Team's product knowledge is weak 50%
- Sales Team lacks business & financial acumen 47%
- **Salespeople are unable to forecast effectively 47%**
- Salespeople lack adequate industry knowledge 42%
- **Salespeople did not meet quota 41%**
- **Basic sales skills are deficient 32%**



Hiring- Create Your Own Ramp...

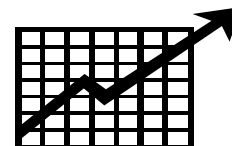


- Assumes 3 month sales cycle
- Assumes “standard” relationship sale
- Assumes A to B+ hires



It takes 18-24 months to reach “Time to Cash B/E”





Early Stage Hiring

- Don't hire anyone who has not previously been in a start-up
 - Big company to start-up is huge
- Write a real job description
 - Skills
 - Experience
 - Attributes
 - ...and don't compromise
- If you make a mistake, you will know in 60 days
 - Acknowledge, make the change, and move-on
 - They will not grow into the position
 - Your organization does not have the time to teach them





Early Stage Recruitment

- Network, Network, Network !!!!
- Network some more
- Then turn to a recruiter
 - Consider a combo deal





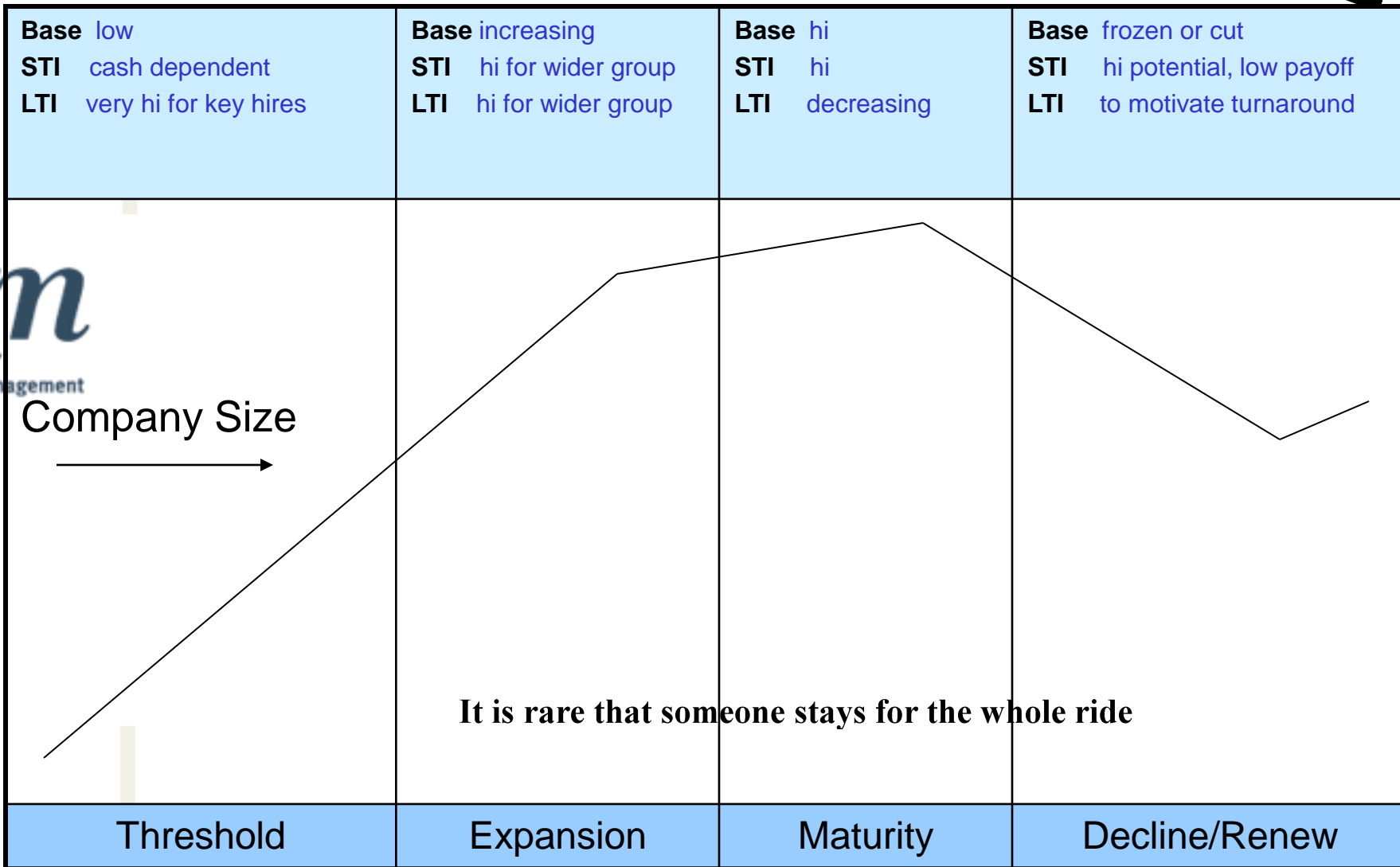
Variables affecting comp

- Company life cycle
- Industry
- Company size
- Geographical recruiting market
- Individual qualifications and attributes

Aligning comp and growth objectives

Stage	incentives	Growth objectives
Threshold	LT incentives	<ul style="list-style-type: none"> - concept proof - product development - revenue generation
Expansion	LT incentives + ST incentives	<ul style="list-style-type: none"> - revenue expansion - channel expansion - profit generation
Maturity	Base pay + ST incentives	<ul style="list-style-type: none"> - operating efficienct - margin enhancement - cost reductions
Decline/ Renewal	LT incentives	<ul style="list-style-type: none"> - debt restructuring - cost slashing - new market creation

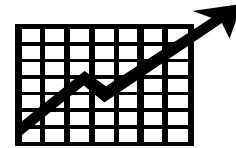




Financials: Focus on detailed understanding of Gross Margin



- Important for BOTH product and service companies
- Pricing strategy by market segment is critical
- Assumes solid cost data



Profit Margins- (as seen by the customer)



- Profit Margins simply reflect the premium a customer will pay you rather than make the product and/or perform the service themselves.
- Your customer's major purchase decisions eventually come down to Make vs. Buy

Margin Dictates Your Business Model



Gross Margin	Typical Industry	Commentary
70%+	Software	Heavy engineering costs
60%+	Med Devices	Long FDA approval cycles
50%+	Tech Hardware	Need to bankroll margin for continuous innovations
40%+	Specialized services	Outsource pressure
30%+	Competitive services	Only best can afford to innovate
20%+	#1-2 in commodity product or service	Cost and expense controls are critical
10%+	# 3+ in a commodity	Bankruptcy



Financials: Focus on detailed understanding of Gross Margin



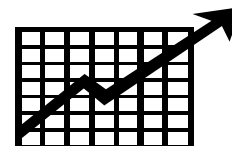
- Do the math so you can explain what happens if sales double and triple
 - What happens to overhead per unit
 - Operating team required to support a \$30M plan
 - Size and nature of quality group
- When do fixed costs take step changes
- Articulate expected pricing trends
- Why will your margins be better than your competitors

Company Valuations...



- The most important factor in determining the value of a company is the gross margins they can achieve.
- When compared to industry averages, the companies with superior margins earn superior valuations.
- It's that simple!





Last Slide



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