



ANOTHER GOOD EXIT

ORACLE PURCHASES BRIDGESTREAM

The Deal:

WBCW Capital Fund, LP announces that San Francisco-based Bridgestream, which makes software that maps business relationships within and across large corporate organizations and functional groups ('Business Roles Automation'), was sold to Oracle (NASDAQ: ORCL). Other investors in Bridgestream include Hummer Winblad, Outlook Ventures, ArrowPath Ventures and Polestar Capital. The amount of the sale was not disclosed. See: <http://www.bridgestream.com/index.php> or <http://www.oracle.com/corporate/acquisition.html>

The Lesson

We have been talking with sell side investment banks for years that proper diligence preparation prior to market presentation makes a world of difference. We took our own medicine and found in each of the last three exits we completed that technology due diligence preparation paid off—big time.

By performing technology diligence on a company prior to taking it to market no expensive surprises are found, the sell process progresses quickly, and value is maintained and enhanced.

When diligence is not done, huge and costly delays can be incurred. In one case when we were conducting presale diligence on behalf of the buyer we discovered a possible intellectual property claim by a former contract employee just as definitive documents were being drafted. The buyer properly required that the individual provide a full release of the claim and that mere indemnification by the seller would not be a sufficient option. The individual demanded compensation for his involvement—in a circumstance that drove his price up. This failure of preparatory diligence caused a 9 month delay in the closing while declining business conditions prompted an almost 20% diminution in price. To add insult to injury the IP settlement including legal expenses well exceeded seven digits.

The lesson learned was to perform intense pre-marketing diligence to present a clean and certain deal. The potential claim in that circumstance could have been settled for pennies and would not have cost the seller millions in sale price (and its I-Bank a whole lot of contingent fee income).