

Dear Friends, Colleagues and Foes:

On March 21, 2008, we received an article written by Matt Marshall, Founder and Managing Editor of VentureBeat ([www.venturebeat.com](http://www.venturebeat.com)), a well-respected publisher of news and information about private companies and the venture capitalist that invest in them. The article talks about The Funded and some of the negative comments posted by entrepreneurs regarding their alleged experiences with venture capital funds.

Our firm (GreenHills Ventures – [www.GreenHillsVentures.com](http://www.GreenHillsVentures.com)) was made aware of certain negative posting made a few months ago on their site and after careful consideration made a management decision not to request The Funded to delete the postings as it had been fully retracted because we felt the need to maintain a higher standard of ethics and professionalism. As one advisor pointed out, if we go on the offensive then we effectively lower our ethics, professionalism and moral values. Our decision not to respond even went against outside legal advice that assured us of successful injunctive relief. Ultimately, we decided to focus our efforts on our mission - investing in companies that build value for all shareholders versus spending valuable time and resources on addressing comments and possibly be derailed by the trashy and unwarranted sensationalism that rewards this type of human behavior designed to benefit The Funded, which by the way, has received significant traffic by providing a platform to promote such feeding frenzy at the cost of tarnishing good reputations of the venture capital community.

GreenHills Ventures applauds the efforts of Matt Marshall and his VentureBeat staff for providing further insights to these negative comments and offering the public the “other side” of the story so to speak, which in many cases shed light on the true story (and perhaps selfish agenda) behind these negative comments posted by entrepreneurs for being “rejected” or “passed on” as illustrated on the article written by VentureBeat below.

As for The Funded, we believe in transparency and therefore also applaud Adeo Ressi for his efforts in providing a platform for entrepreneurs to voice their frustrations and experiences with the venture capital community. However, we think there be no such thing as “anonymous” posting since we believe everyone who participates in debates or accusations should be held to the same rules and standards for anyone who wants to participate therefore, by giving people “anonymity” gives way in protecting the claimant and not the recipient when such negative attacks are perpetuated leaving the venture capitalist vulnerable to the negative perception regardless of whether the derogatory comments were retracted or not.

We therefore suggest a Town Hall approach to The Funded where anyone should be able to post an inquiry, a comment including derogatory for that matter, as long as the venture capitalist can view who exactly made those comments and be able to accurately respond in a fair and reasonable manner regarding any misunderstanding that may have occurred between them.

We hope The Funded decides to post our comments above and undertake a more active role in promoting professionalism and business ethics since its mission is to advance open dialogue without any hidden agenda other than create an environment where spirited debate about issues concerning entrepreneurs and venture capitalist are facilitated in professional, proactive, accurate and ethical manner.

Sincerely yours,

GreenHills Ventures Team  
GHV Fund, LP  
GHV Wealth Management Holdings, LLC

# VentureBeat

## VentureBeat

### Are VCs threatening lawsuits to stay spotless at TheFunded?

Matt Marshall | March 21st, 2008 |

## The Funded

The Funded, a site that lets entrepreneurs rate and comment about venture capitalists, has drawn a lot of attention from folks eager to learn salacious gossip about bad VCs.

Over recent months, though, there's been an odd development: Certain posts by entrepreneurs critical of VCs are being quietly removed and then replaced with more favorable comments. On its face, it looks like a whitewash. Or maybe it's not so troubling. You decide.

The changes are notable because TheFunded has been struggling with how to handle entrepreneurs who post sour grape, inaccurate — and often viciously negative — posts about venture capitalists who rejected their ideas. Is TheFunded now assisting VCs in taking down these posts?

TheFunded's founder, Adeo Ressi, says not at all. Rather, some of the posts are being removed under duress from venture firms — with threats of litigation. "TheFunded.com is surprised to learn that venture firms are spending money entrusted to them by their own investors to silence the opinions and constructive criticism of legitimate founders and CEOs," he wrote in a statement.

My own conclusion after parsing through the examples is that there are always two sides to the story. My problem is that I wasn't able to get through to any of the founders (they declined to return phone calls and emails), and so it's hard to know for sure. But the truth is, stories are disappearing at a rapid rate. There are up to a dozen examples, including incidents at firms such as Dolphin Equity, GreenHills, Matrix, Greycroft and Steamboat Ventures (backed to Disney).



### DOLPHIN EQUITY PARTNERS

Take, for example, the post by an entrepreneur named Allan Levy on March 12 about New York private equity firm Dolphin Equity Partners. "Very dangerous fund," Levy started. Dolphin partner Rich Brekka came on the board of his company, SilverCarrot, forced Levy out and "crammed" an investment into it to keep it alive long enough so that Brekka could successfully raise another fund, Levy explained. Levy claimed Brekka was having trouble raising the fund, and that his partners were defecting.

Suddenly, though, Levy retracted it, under threat of legal litigation, leaving behind it only a favorable post by the new CEO Dorothy Young, which praised Brekka, summarizing how helpful he was with advice and introductions. "I highly recommend working with Dolphin," she says.



## GREENHILLS VENTURES

Something similar happened with a post about the New York firm [GreenHills Venture](#). An entrepreneur Michael Linderman wrote that he'd paid \$15,000 upfront to the firm for introductions to potential investors, but that the firm had collected the money, prepared an ugly PowerPoint and didn't do anything for a year. "They are very experienced rip-off artists," he wrote.

A month later, though, Linderman retracted the statement and said something almost exactly the opposite: GreenHills' [Emanuel Martinez](#) *did* do work for the company, *did* identify investors, he said. In fact, he went on to say that GreenHills effectively lost money on the project, spending way more than the \$15,000 charged on due diligence, and that the investors GreenHills represented ultimately asked Martinez not to invest unless some changes were made. In other words, it wasn't Martinez' fault.



## MATRIX PARTNERS

Finally, a critical post about venture capital firm Matrix also suddenly disappeared. In the original post, experienced entrepreneur Paul Baier originally wrote in to say he and co-founder Raman Sud tried to raise money from Matrix for a start-up, but that Matrix passed. Matrix then called up Sud to express interest in pursuing another idea with him, in an apparent effort to "split" the founding team while it was fundraising, according to Baier. Baier said he was disgusted with the firm's behavior. The post has since disappeared.

So why did all these posts vanish? Again, in all cases VentureBeat was unable to reach each of the entrepreneurs who posted them, so it's hard to get the real story.

But VentureBeat was able to find out a little more about each case, by calling the firms or reaching co-founders. In each case, they give arguments for why the entrepreneurs overreached with their original statements, and why removal was the sensible thing to do.

Take for example, the post about Brekka and Dolphin Equity. I reached Brekka and he explained that it was the entire board, consisting of several members, that decided to replace the company's founder, Levy. As Brekka tells it, Levy singled out Brekka for criticism because Brekka's firm had led the round of capital, and was nominated chairman. Part of the severance agreement with Levy included a confidentiality agreement, which Brekka says Levy breached by making the comment at TheFunded. Moreover, Brekka contends he isn't raising money for a fund, as Levy had suggested, so his comments were untrue. He threatened legal action and Levy removed it.

In the GreenHills case, I reached Martinez, the partner originally accused of being a "rip-off" artist. He explained that the investors he represented were "extremely interested" in Linderman's company, and wanted to invest, but that they'd also requested a more experienced CEO in place of the founder, Linderman. Linderman, a scientist with little business experience, was better placed to negotiate a

technology licensing deal with a university and work with SBIR grants, and to develop the technology, Martinez explains. When Martinez proposed that Linderman promote his partner, who had business acumen, to manage day to day operations, Linderman got upset, Martinez recounts, and decided against the CEO change. What's more, Martinez spent \$31,276 on diligence, including intellectual patent review and other costs helping Linderman, so had to write off more than \$17,000 on Linderman's deal, Martinez says. After seeing Linderman's negative post, Martinez says he called him up, saying it was unfair and untrue, and Linderman agreed to take it down. He says there was no legal threat.

Finally, in the case of Baier, the critic of Matrix, we contacted his co-founder Raman Sud, who gave us his side of the story. He says Baier misinterpreted Matrix's intentions regarding Sud, and that the firm had not tried to split the team. Sud and Matrix's partner Tim Barrows, have a long relationship, going back more than a decade, and includes a stint when Matrix backed a former company of Sud's, Oat Systems. Matrix and Sud had talked about a different business opportunity earlier on. Sud passed on that, and then decided to hook up with Baier, and made the pitch to Matrix for their idea. Matrix partner David Skok called Sud's cell phone to say Matrix wasn't going to invest, but that Matrix would be willing to talk with Sud about their earlier idea. Baier heard the message, and took it defensively, Sud says. Baier and Sud had been on the road trying to raise money and had been turned down by several firms, and so were somewhat frustrated, Sud explains. Upset, Baier wrote the negative post. However, Sud then got upset and told Baier that his response was an overreaction, Sud says. He says the two then decided to ask TheFunded to take it down. There was no legal threat from Matrix, he said. "This is really a non-issue," said Sud.