



# Newsletter

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**Membership Committee**

Mike Bateman  
 David Burwen  
 Brian Frenzel  
 Martin Lefebvre  
 Art Reidel  
 Stephen Taylor

**Dinner Details**

**Date:** Wed., Sept. 19, 2007

**Place:** Los Altos Golf and Country Club

**Time:** 6:15 - 9:00 pm

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## Introduction

We have moved! Our new address is 535 Middlefield Rd, Suite #190, Menlo Park, CA 94025. We moved just three blocks down the road to the McCandless Office Park where we leased the space formerly occupied by BlueRun Ventures from the great boutique corporate law firm of White & Lee. Parking remains easy, and we have access to a large conference room. Come visit us anytime!

The Q2, 2007 Fenwick & West survey on venture financing terms just came out and shows some interesting trends. Valuations continue to rise; up rounds exceeded down rounds for the 14th quarter in a row (81% up vs. 11% down, with 8% flat). There was a 74% average price increase for companies receiving venture capital in Q207 compared to such companies' previous financing round. This was the second largest increase since the survey began; right behind Q107's 75% increase. Note that this is less than the 2x step up that the Band seeks and that the 3x step up we got on a deal like Consorte Media between our investment and the Mayfield led follow-on, was twice this average. The amount invested by VCs in the U.S. in Q207 was approximately \$7.4 billion in 717 transactions, compared to \$7 billion raised in 584 transactions in Q107; the roughly \$10M per transaction - shows that VC has truly exited the seed stage marketplace!

On the exit front, 22 venture-backed companies raised \$2.7 billion in Q207 compared to \$1.2 billion raised by 13 IPOs in Q107. Q207 thus showed the most IPO dollars raised since the third quarter of 2000 and the \$3.9 billion raised in venture-backed IPOs in Q107 and Q207 surpassed the total amount raised through all the IPOs of 2006.

Conversely, the talk about a strong M&A market belies a more mixed reality. Q207 transactions decreased from 98 transactions totaling \$9.6 billion in Q107 to 81 transactions totaling \$7.6 billion in Q2. The median acquisition amount was \$55.8 million, which was also a noticeable decline from Q107. Note that our AdECN acquisition by Microsoft bucked this trend and was ABOVE this average!

Finally, the table below shows the percentage of deals where the share price was a "downround" from the previous share price;

Series	Q2'07	Q1'07	Q4'06	Q3'06	Q2'06	Q1'06	Q4'05	Q3'05
B	5%	7%	6%	13%	16%	12%	10%	16%
C	10%	4%	15%	24%	32%	12%	5%	35%
D	17%	0%	42%	38%	14%	27%	46%	33%
E+	27%	36%	53%	33%	57%	12%	35%	23%

and proves the adage that Series B stands for Beware, C for Concern, D for Danger, and E for the "End" is near (and F for "Failure"). The real lesson of the above is that we better save our dry powder for the downround that is liable to come, not in the Series B, but in the later rounds. Perhaps the right strategy is to pass on your Series B pro rata and save that money for the Series D/E "pay-to-play"?

- Ian