



# Newsletter

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Martin Lefebvre  
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### Dinner Details

**Date:** Wed., Oct. 15th, 2008

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

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

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## Introduction

We are currently living the Chinese curse: "*May you live in interesting times*". As we go to press the Dow is down 678 points in a single day, 20% in one week and 40% in 12 months; the Libor spread is historic and, by the time you are reading this, more unprecedented government intervention in the economy may already be old news. The restaurants of San Francisco were still crowded last night, will they be less so in two weeks? The fear that the current market and credit collapse will affect the real economy seems well justified and certainly our members and our companies are not immune. But the long view is that the business cycle will not end, and the coming economic news, whether calamitous or merely bad, will eventually be followed by good news. Many companies we see ride a wave of temporal enthusiasm but many others offer real products of real value. These companies will grow in good times and bad. VentureWire and PWC have underscored that the exit market is abysmal, the IPO market essentially shut down and M&As few and far between. For sure, the need to profitably exit in this market, whether it be from a public stock or an illiquid angel investment, may simply not be possible. But the outcome of the investments we may make will depend on the exit market several years hence. And so while we expect that the downturn will have a substantial effect on angel investments in terms of total dollars invested, the greater effect will be an even stronger focus on specific kinds of startups. Those that have near term paths to cash flow breakeven will be greatly favored over those that require a leap of faith and a lot of capital; also favored will be those that reward investors with a large multiple on a modest exit (<\$40m) versus those that require an IPO or \$100m+ exit. These are the types of deals we will increasingly look to have present to the Band while we wait for less interesting times.

An article in today's New York Times reports that while sales at Saks Fifth Avenue are down 20%, business at the "Gentleman's Clubs" is going way up. Another recession proof business is national security and many of our companies, such as ShotSpotter, Dust Networks, and SafeView, have strong national security applications. Companies such as these have been introduced to potential sales channels through the work of one of our members, Steve Millard. His Pathfinder Partners LLC actively assists companies in selling their products and services into the annual acquisition and purchase stream of the US defense, intelligence and security agencies. Pathfinder is also engaged by the government to provide in-depth searches and reporting across the commercial, enterprise, academic and scientific communities on "products, technologies, and individuals of interest". So, in case you were wondering, Big Brother is indeed watching. But in case he misses anything that you wish the government purchasing office knew about, talk to Steve. He will be giving the April member talk.

- Ian