



Newsletter

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Membership Committee
Mike Bateman
David Burwen
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Dinner Details

Date: Wed., April 16, 2008

Place: Los Altos Golf and Country Club

Time: 6:15 - 9:00 pm

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Introduction

Each month we highlight company news in the Update section, but a recent spate of exits and big up-rounds are worthy of special mention. Our deal Quorum Systems (September, 2003 dinner), a Wi-Fi/cellular fabless semiconductor company, completed a sale to Spreadtrum for \$70M in cash and liquid stock. This returns roughly 3x to Band members and results in a 32% IRR on this investment! Sabio Labs (September, 2005 dinner), the analog EDA company, was acquired by Magma Automation for \$17M in cash—roughly a 2.5x to Band investors!! GetActive Software (March, 2002 dinner), which did a merger of equals several years ago, has filed their S-1 to go public under the name Convio, Inc. with Goldman Sachs as an underwriter. If successful, this will be the first Band IPO since PortalPlayer went public in 2004 and the 10th Band IPO in total!

On the follow-on funding front; Yardbarker (February, 2007 dinner) closed on a Series B financing at a substantial up-round valuation (roughly 2x what the Band paid) from Draper Fisher Jurvetson. But that valuation looks cheap compared to the double digit multi-million dollar valuation garnered by UStream (August, 2007 dinner), which presented just 6 short months ago; Doll Capital led the company’s \$11.1M round with a \$10M investment.

These exits and up-rounds come amid a time of increasing general economic anxiety, and the Silicon Valley may not be immune. Our member Eric Tilenius brought to our attention a TechCrunch article from April 9th, which summarizes thus:

“Venture-backed M&A deals hit the lowest level in a decade, with only 56 deals announced in the first quarter, down from 83 in the fourth quarter of 2007. The IPO market also dried up, with only five venture-backed IPOs, compared to 31 in the fourth quarter of 2007.”

We should be pleased that the Band has had two exits (~4% of the Venture-backed total for the whole country!) this quarter, that we have an IPO on deck, and that we’ve had two recent big follow-on financings. But some members have recently cautioned that Venture Capitalists’ appetite for doing follow-on fundings lags the general economic sentiment and that the second half of this year may not be so easy as the first. Perhaps this is a good time for companies to top off the tank? The counter argument is that the collapse of the LBO market makes the paltry VC returns of the last 6 years now less unattractive on a relative basis, and that capital flows to the VC segment might be relatively unaffected by the gyrations in other asset classes. The investors in VC funds know that VC valuations are speculative and the mark-to-market spiral of other assets is not affecting VC nearly as much. In some ways, investments in VC funds are a stable, though still illiquid, asset. And so long as the money flows to the VCs it will flow to our companies. But optimist or pessimist, it always pays to pay attention. We’ll see what the next few months brings.

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