



Newsletter

535 Middlefield Road, Suite 190 Menlo Park, CA 94025
T: 650.321.0854 F: 650.321.1968
www.bandangels.com

Volume 14, Issue 7

July 11, 2008

Coordinator

Ian Patrick Sobieski

Full Screening Committee

Steve Herrick
Wally Buch
David Overhauser
Daniel Joensen
Jim Papp
Gene Shklar
Peter Redford

Life Science Committee

Rivka Sherman-Gold
Bob Constantino
Art Reidel
Wally Buch
Denis Coleman
Paul Quadros

Membership Committee

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

Dinner Details

Date: Wed., July 16th, 2008

Place: Los Altos Golf and Country Club

Time: 6:15 - 9:00 pm

RSVP: 650.321.0854
rsvp@bandangels.com

Inside This Issue:

Introduction	1
Company Updates	2
New Member	2
Dinner Program	3
Band Calendar	6
Other Valley Events	6

Introduction

Well, its official, for the first time in 30 years we have completed a quarter with zero tech IPOs. We keep our fingers crossed that the turbulence on the public markets, and the absence of liquidity events in the private markets, are a sign of the kind of fear that marks a market bottom and not foreshadowing worse to come.

But, for those of you fortunate enough to have recorded gains on angel investments in the past year (our deals AdECN (5x), Quorum (3x), and Berkeley Heart Lab (5x) come to mind!), and looking toward a hopeful future, we thought it useful to remind you of the features of Tax Code Section 1202, which we thank Anne DeGheest for highlighting.

Most of our Band investments are in companies that are considered Qualified Small Business (QSB) stock. If you hold the QSB for 5 years, you pay 14% tax on the gain. This is only 1% less than the 15% long term capital gains tax rate currently in force. But the future of this 15% rate is uncertain even with a McCain election and an increase has been all but promised by Barack Obama; so this spread may become larger and more beneficial in the near future. But even now, the bigger savings is on the California tax return where tax on QSB stock will be 4.5% instead of 9%.

You may also elect to defer any capital gains tax payments by reinvesting your gain into another QSB within 60 days. The company must continue to meet the active business requirement for at least 6 months after you buy it. If it does so, when you sell this position, the resulting gain still qualifies for the reduced QSB capital gains tax.

To be a QSB stock the following tests have to be met: the stock must be from a regular C corporation. The original issue date of the stock must be after August 10, 1993. The corporation must not have had more than \$50 million in total gross assets at any time. You must have acquired the stock at its original issue. The corporation cannot have purchased more than a de minimis amount of its own stock from you and must not have purchased more than 5% of its own stock from anyone. It must be a U.S. corporation and can't be any of a variety of "special" corporate forms such as REITs, DISCs, or FASITs. Additionally, it can not be a service business in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, banking, insurance, financing, leasing, investing, or operate a hotel, motel, restaurant, or similar business.

Obviously, the Band newsletter does not give tax advice and you should check with your accountant or attorney before using any of these provisions; but keep them in mind whenever you have an exit!

Finally, we'd like to welcome Sam Zats to the Band. Sam is our summer intern for 2008 and comes from the undergraduate Electrical Engineering and Computer Science (EECS) program at UC. Berkeley. We have had interns for the past 5 years and they have always done great work maintaining the Band IRR spreadsheet and helping with a variety of tasks. He'll be at the meetings and in the office through August.

- Ian