



Newsletter

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Introduction

June 12, 2009

Coordinator

Ian Patrick Sobieski

SIG Group Leaders

Paul Quadros—LS/Biotech
Dean Sirovica—Energy
Bob Kyle—Telecom/Security
Ron Weissman—Software
Jan Jannink—Internet

Full Screening Committee

Chris Meyer
Wally Buch
David Overhauser
Daniel Joensen
Rock Clapper
Gene Shklar

Life Science Committee

Rivka Sherman-Gold
Mike Bates
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., June. 17th, 2009

Place: Los Altos Golf and Country Club

Time: 6:15 - 9:00 pm

RSVP: 650.321.0854
rsvp@bandangels.com

As announced at last month's meeting, and continuing this year's theme of building the Band while others hunker down, we've decided to launch a 3rd Band of Angels side fund. Called the "Acorn" fund, this fund is designed to make money in the market we have today, not the market we wished we had! For the past several years, we've had a solid stream of exits from the Band in the <\$50M range (e.g. AdECN and Seadragon by Microsoft, Ordinate by Pearson, Mi5 by Symantec, Starion by Microline Pentax). The new fund is designed to generate a 35+% IRR off of exits such as these. The secret sauce of this strategy is to first find companies started by practical entrepreneurs who have the modest ambition of making just a few million dollars for themselves by starting a company with a specific exit in mind; imagine, for instance, 2 engineers at Intel who have a notion of a chip nVidia Corp. may need in 2-3 years. Second, the entrepreneurs' capital requirements are modest; either through a low-expense path to development or through a boot-strapping strategy such as NRE contracts or pre-paid orders, the total investor capital requirements need to be less than \$1.5M. Third, the entrepreneurs need to value the non-financial help they could get from the Band enough that they'd sell 25% -30% of their company for our \$500k. Such deals play to the Band's strengths, we are operational people more so than just investors, and can bring to a small investment like this a VC level of business advice and expertise .

Deals such as the above are typically done by friends and family or unaffiliated angels; we get a few of them at the Band (e.g. Mixbook, Carsala, Consorte, Infoaxe) but they are rare. If you see deals like this, please start bringing them to our attention: practical entrepreneurs for whom a \$5M payday is their ambition, who don't want to raise money from friends and family, but instead want the advice and capital of people that can help them succeed in their near term ambition of building enterprise value and achieving an exit.

We targeted a 1st close for this small fund when we had \$1.5M in commitments; with a goal of \$3M. We have exceeded both targets and are closing next week. Members of the Investment and Advisory Committees for the fund include Art Reidel, Wayne Tamarelli, Craig London, Bob Kyle, Denis Coleman, Wally Buch, and Ray Williams. I feel it important that all members know three things:

- 1.As with previous Band funds, it will never cherry pick the membership, every deal the Band fund does will be required to present at a Band dinner and you will have the same opportunity as the fund to invest.
- 2.You are welcome to invest in the fund; this is a regular 2.5% management fee fund to the outsiders who are investing such as Wilson Sonsini Investments, but there is no management fee to Band members. Investing "fee-free" is a service and benefit of your Band membership dues.
- 3.We need your help; deals like that described above are easy for individual angels to do; they are our competition; but we think the Band provides a real win-win for entrepreneurs who can really benefit from the incredible life and business experience of members; please refer deals that fit the criteria described above to the Band.

If you have any questions or comments please contact me. I'm excited about this new fund and all the ways we are all building the Band together this year.

- Ian