

News for June 2009

June 1, 2009

Javelin Venture Partners Launches With \$70M For Early-Stage Deals

Javelin Venture Partners has launched with a \$70 million fund for early-stage deals in Internet, mobile and health care IT.

Javelin has already made six investments: ad optimization company Adrocket Inc.; Aquea Scientific Corp., a developer of technology for active ingredient delivery; intouch Group Inc., a platform to deliver applications and rich media to mobile phones; Nuvon Inc., a provider of device connectivity and event management technology; Ritter Pharmaceuticals Inc., a pharmaceuticals company focused on gastrointestinal physiology, metabolism and gut adaptation; and stealthy online company SmartZip Inc.

- [Javelin Venture Partners – New York, NY – www.strategyvc.com](http://www.strategyvc.com)

Later-Stage Valuations Tumble As Venture Investors Reset Expectations

The financial crisis drove down the median valuation for U.S. later-stage deals by 43% in the first quarter, according to the latest VentureSource data.

The sharp decline is another indication that venture investors are finally adjusting the values they place on their portfolio companies to reflect the public markets, which tumbled last year. Other signs are that investors in venture funds are seeing writedowns in portfolio values and law firms that track venture finances report increases in the rate of down rounds -- deals done at a lower valuation than the prior financing.

The median pre-money valuation for later rounds in the first quarter of this year was \$32 million compared with \$56.1 million in the fourth period of 2008, according to industry tracker VentureSource, a unit of VentureWire publisher Dow Jones & Co. The median hit a peak of \$64 million in the third quarter, the highest since \$81 million in the fourth quarter of 2000.

Also falling was the median valuation for second rounds, going from \$16.1 million in the fourth quarter to \$10 million in the first quarter. First rounds, which typically show much less volatility, rose from a median of \$6.6 million in the final three months of last year to \$7 million in the first quarter of 2009.

The median valuation for all venture rounds was \$20.5 million in the first quarter. This was an increase from \$18 million in the prior quarter. VentureSource attributed this rise to an increase in the percentage of later rounds, which have higher valuations. In the first quarter 41% of venture financings were later rounds versus 37% in the prior quarter.

June 4, 2009

August Capital Closes \$5.5 Million August Capital Strategic Partners V LP

August Capital, based in Menlo Park, CA, closed its August Capital Strategic Partners V LP fund at \$5.5 million. The firm focuses its investments in IT companies in the US.

- August Capital – Menlo Park, CA – www.augustcap.com

NewSpring Capital Bolsters Team For New Mezzanine Fund Push

NewSpring Capital has beefed up its mezzanine team as it looks to round up a second mezzanine fund, targeting up to \$150 million. The new fund, which will likely target \$125 million to \$150 million, will enable the firm to capture the mezzanine deal flow it is seeing in the Mid-Atlantic region.

The mezzanine fund, whose limited partners were not disclosed, provides debt with warrants to revenue-stage companies in health care, IT, business services or specialty manufacturing.

- Newspring Capital – Radnor, PA – www.newspringcapital.com

June 8, 2009

Cycle Capital Completes \$80M Closing On First Fund

Cycle Capital Management Inc. has completed the first closing of its first major fund, Cycle Capital Fund I LP, raising \$80 million for clean technology investments.

Montreal-based Cycle invests in wind, solar and biofuel clean technology companies. It has so far invested \$13 million in six companies.

Cycle's portfolio includes solar company SiXtron Advanced Materials Inc., wind companies Ecocycle Technologies and Chiiwedjin Shu, energy efficiency company CVT Corp., gas separation company Vaperma Inc. and oil, gas and water purification company Prosep Inc.

- Cycle Capital – Montreal, Canada – www.cyclecapital.net

June 10, 2009

Investors Predict Globalization Of Industry, Especially To China

Venture capitalists expect their industry to grow increasingly global, as firms shift more attention to Asia and as institutional investors around the world seek to add venture funds to their portfolios, a survey shows.

Half of 725 venture capitalists queried said they expect their investment in Asia (excluding India) to increase over the next three years, while 12% projected a decline, according to the 2009 Global Venture Capital Survey conducted by Deloitte Touche Tohmatsu and the National Venture Capital Association. Meanwhile, 43% said they planned to boost their investing in India. The survey, which included U.S., European, Asia Pacific, Israeli and non-U.S. American investors, found that 52% of respondents already invest outside their home country.

VantagePoint Connects To Smart Grid By Leading \$30M Round In Tendril

VantagePoint Venture Partners made its first investment in the smart-grid and energy management area of clean technology by leading a \$30 million Series C round of financing for Tendril Networks Inc. The investment gives VantagePoint a stake of approximately 25% in the company.

The round will help the Boulder, CO-based Tendril, a developer of software and hardware technology that enables communication between utilities and their customers, to expand its capability and its network of partners to deploy the technology.

- [Vantage Point Venture Partners – Silicon Valley, CA – www.vpvp.com](http://www.vpvp.com)

Velocity Equity Delays Fund Plans, To Take New Investments One By One

In reaction to a tough liquidity market and potential regulatory reform, venture capital firm Velocity Equity Partners plans to target new investments on a one-off basis instead of raising a new fund.

The Lynnfield, MA-based firm, which focuses on investing in information and manufacturing technologies, currently manages \$50 million through a combination of a firm fund, Velocity Equity Partners LP, and a corresponding Small Business Investment Company fund, both of which closed in 2004.

- [Velocity Equity Partners – Lynnfield, MA - www.velocityep.com](http://www.velocityep.com)

Rainbow Medical Hunts \$10M To Launch More Med Device Cos.

Israeli medical device accelerator Rainbow Medical Ltd. is hunting an additional \$10 million to launch five companies this year.

Rainbow Medical, based in Herzliya Pituach, Israel, was launched in 2007 with \$20 million in funding from GlenRock Israel, NGN Capital, SVM Asset Management and individuals. Gross, a prolific medical

device inventor, has 567 filed patents and developed 27 companies, including neurostimulation device developer BioControl Medical Ltd., transdermal drug delivery company TransPharma Medical Ltd. and macular degeneration treatment company VisionCare Ophthalmic Technologies Inc.

- Rainbow Medical – Israel - www.rainbowmedical.co.il
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June 12, 2009

San Francisco Commits \$10M To Domain Associates

The San Francisco Employees' Retirement System has approved a \$10 million allocation to Domain Associates LLC's latest fund. Domain Associates is seeking to raise up to \$500 million of limited partnership interests for Domain Partners VIII LP, a drop from the initial \$700 million target it set earlier this year.

The health care venture capital firm is focused primarily on investing in early-stage life science companies.

- Domain Associates – San Diego, CA/Princeton, NJ - www.domainvc.com

Asian Firm Targets Early Stage Cos., Seeks To Back iPhone Developers

Asian Strategic Ventures Ltd., which is investing from a pool of capital raised from five wealthy Hong Kong families, is now funding early-stage companies developing software, games and hardware extensions for the iPhone.

Asian Strategic has made its first such investment, providing undisclosed financing for Hong Kong-based Humble Gaming Ltd., which launched two virtual-pet games - Edimon and Edimon Plus - in Apple Inc.'s iPhone App Store. Asian Strategic has backed several Asian companies providing software or services to Apple, and has also invested directly in Apple.

June 16, 2009

BDC To Deploy \$397M To Canadian Cos., Venture Funds

In an effort to increase the availability of fresh capital for Canadian businesses, the Canadian government will provide C\$450 million (\$397.3 million) to fuel new and existing investments from the Business Development Bank of Canada.

The funding will include C\$100 million for an operating line of credit guarantee and C\$350 million for venture capital investment in Canadian technology companies.

The investment is in addition to C\$75 million allocated out of the government of Canada's 2008 budget to support the creation of a private venture capital fund for growth-stage venture capital investing, announced last month. Business Development Bank of Canada, a wholly owned Canadian government

organization providing financing, consulting services, subordinate financing and venture capital, will invest the C\$75 million, which will be managed by Tandem Expansion Fund, a new private sector fund.

- BDC – Canada – www.bdc.ca

Jerusalem To Raise VC Fund As Part Of Life Science Initiative

In an effort to build out the city's life science industry, the Jerusalem Development Authority and the city's government are planning a ILS100 million (\$25.2 million) initiative, which includes a venture capital fund.

The entire initiative includes a bolstering of the city's biomedical infrastructure, the training of high-skilled personnel and the promotion of a biomedical industry park as well as the venture capital fund-raising.

- Jerusalem Development Authority – Israel - www.biojerusalem.org.il

Andreessen Horowitz Closes \$300 Million Horowitz Andreessen Angel Fund I

Palo Alto, CA-based Andreessen Horowitz closed its Horowitz Andreessen Angel Fund I at \$300 million. The firm focuses its investments in early stage IT companies in the US.

- Andreessen Horowitz – Palo Alto, CA
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June 17, 2009

German Secondaries Firm Cipio Seeks U.S. Backing For Sixth Fund

Two months after acquiring a portfolio of venture investments from 3i Group PLC, secondary investor Cipio Partners has held a first close of its sixth fund at EUR61 million (\$84.7 million).

Cipio Partners Fund VI SCS, which so far has been raised from European institutional investors and families, could grow to be as large as EUR200 million. But the Munich-based firm, which also has offices in San Jose and London, is looking to raise additional financing in the U.S.

- Cipio Partners – Munich/London/San Jose, CA - www.cipiopartners.com

Village Ventures Expands Through Newest Affiliate Midwest VP

Village Ventures, which invests alongside a group of regional and sector venture funds, has added Midwest Venture Partners to its network and is eyeing further growth outside the U.S.

Village Ventures supports a network of funds in the Midwest, Southeast, Northwest and other areas with relatively little venture capital. About two years ago it began working with Thomas L. Churchwell, the former head of seed investor ARCH Development Fund, to plan a new firm to invest throughout the Midwest in health care, technology and clean technology. Midwest Venture Partners was born in late 2007, and the Chicago-based firm is now raising its first fund.

The target of Midwest Venture Partners I LP is undisclosed, but funds in the Village Ventures network tend to be in the \$50 million to \$150 million range. Village Ventures focuses on consumer media and retail, health care and financial services.

- Village Ventures – Chicago, IL - www.villageventures.com

SIDBI Venture Capital Opens SME Growth Fund III

Mumbai, India-based SIDBI Venture Capital opened its SME Growth Fund III. Besides software and technology, the firm invests in manufacturing and services covering several sectors such as life sciences, biofuels, apparels, engineering, logistics, and retail.

- SIDBI Venture Capital – Mumbai, India - www.sidbiventure.co.in/

Aavishkaar International Closes \$14 Million Aavishkaar India Micro VC Fund

Mumbai, India-based Aavishkaar International closed its Aavishkaar India Micro VC Fund at \$14 million. The firm focuses its investments in promoting development in rural and semi-urban India.

- Aavishkaar International – Mumbai, India - www.aavishkaar.org

June 19, 2009

Foundation Medical Takes \$59M Toward Fund III

Life science investor Foundation Medical Partners has raised \$58.6 million toward its third fund. The firm is seeking \$150 million for Foundation Medical Partners III LP.

Launched in 2001, Rowayton, CT-based Foundation Medical focuses on early-stage biopharmaceutical and medical device deals.

- Foundation Medical Partners – Rowayton, CT – www.foundmed.com

June 23, 2009

MK Capital Closes \$50 Million MK Capital Fund II

MK Capital closed its \$50 million MK Capital Fund II. The firm is based in Northbrook, IL, and focuses on software and information technology.

- MK Capital – Northbrook, IL – www.mkcapital.com

June 25, 2009

Michigan Strategic Fund Backs VC Funds

The Michigan Strategic Fund announced approval of investments totaling up to \$35.5 million in three venture capital funds and one mezzanine fund through the Michigan 21st Century Investment Fund.

Arsenal Venture Partners, an early stage venture capital firm focused on the convergence of the defense and commercial markets, will get up to \$5 million. The firm, which has offices in Palo Alto, Calif., and Winter Park, Fla., will establish an office in Michigan.

The corporation authorized up to \$10 million for Early Stage Partners LP, a provider of early stage venture capital to companies in the Midwest. The Cleveland firm plans to fund the commercialization and development of research taking place in educational, scientific and medical institutions. The firm will open an office in Ann Arbor.

Triathlon Medical Ventures, a Cincinnati, Ohio-based venture capital firm with a focus on life sciences companies, will receive up to \$10 million. The firm has hired a Michigan-based full-time partner.

Up to \$14.5 million was authorized for Detroit-based Peninsula Capital Partners, Michigan's largest mezzanine fund manager. The firm targets non-conventional transactions such as growth capital, strategic acquisitions, leveraged dividends, shareholder buybacks and other special situations.

The Michigan Strategic Fund has authorized up to \$109 million of investments in venture capital, mezzanine and private equity funds, as well as co-investments in individual companies alongside these funds through the 21st Century Investment Fund. The MSF contracts with Credit Suisse to develop and administer investment programs under the Michigan 21st Century Investment Fund.

- [Michigan Strategic Fund – Michigan – http://www.michigan21stcenturyinvestmentfund.com/](http://www.michigan21stcenturyinvestmentfund.com/)

June 29, 2009

FLAG Capital Attracts At Least \$246M So Far For New VC FoF

FLAG Capital Management has collected at least \$246.5 million for its newest venture capital fund of funds, which has a \$450 million target, according to a recent filing with the Securities and Exchange Commission.

FLAG allocates the majority of its commitments to veteran firms and in the past has supported funds managed by firms that include Accel Partners, Battery Ventures, Charles River Ventures, Foundation Capital, Highland Capital Partners and Menlo Ventures.

Between 10% and 15% of the target venture capital portfolio gets allocated to emerging managers. In recent years, FLAG backed first-time funds managed by firms such as Spark Capital and Skyline Ventures.

- [Flag Venture – Stamford, CT/Boston, MA – www.flagventure.com](http://www.flagventure.com)

Andreessen Horowitz Debut Fund Closes On \$241M

Marc Andreessen and Ben Horowitz have closed on \$241.5 million for their debut fund, according to a regulatory filing.

The pair have made 36 investments during the last three years of up to \$200,000 each. The new fund will invest up to \$1 million in initial investments in a company.

Best known for co-founding Netscape Communications Corp., Andreessen is a co-founder of Ning Inc., on the board of Facebook Inc., and has invested in companies including Digg Inc. and Twitter Inc.

June 30, 2009

UK Government To Provide \$248M For New Innovation Fund

The U.K. government said it would be the cornerstone investor in a new U.K. Innovation Fund to invest in high-tech start-ups.

Lord Mandelson, First Secretary of State, told an audience at the London Stock Exchange the government will put up an initial GBP150 million (\$248 million) investment in the new venture capital fund of funds.

The government's ambition is to attract investment from pension funds and the private sector to create a GBP1 billion fund within 10 years, he said.

Source: VentureWire and VentureSource