

**Q.** Who's helping steer a turnaround in venture capital investments?

**A.** Manatt.  
**Venture Capital.**

**Driving deals  
in today's  
market.**

No one's going to confuse 2011 with the heady days of venture capital investing four years ago. Yet, according to the National Venture Capital Association, venture capital investments still saw a sizeable uptick, rising 22% despite a fitful economic recovery. Much of that increase can be attributed to first-time financings, which jumped 12% in dollar terms and 11% in deal volume.

Software, healthcare, and entertainment and media received the most dollars in first-time financings in 2011, while software, entertainment and media, and IT services attracted the most first-time deals. According to the NVCA, software came in as the year's single-largest investment sector, with dollars invested rising an impressive 38% and deal volume up 7%, despite some weakening in the fourth quarter. Healthcare wasn't too far behind. It saw double-digit increases in investment dollars, with biotechnology jumping 22% and medical device transactions rising 20%.

Corporate VC activity also continued its three-year upward trend. As with other venture investors, corporations were most active in software and healthcare. But in total dollars, the majority of their investments went to cleantech. As reported in an exit poll by Thomson Reuters and NVCA, cleantech experienced a 12% increase in both dollars and deal volume, making 2011 the sector's best year yet with \$4.3 billion invested.

That same report shows that venture-backed IPO activity lost some traction last year, skidding downward by 31%, but a healthy 41% spike in dollar value tempered that decline. IT services led the pack with 63% of 2011's VC-backed IPOs and 77% of dollar value. In fact, it was an especially good year for American IT firms—of the year's 52 IPOs in this sector, 39 involved U.S.-based companies.

IT also led VC-backed M&A transactions, with computer software and services and Internet-specific deals making up the bulk of the targets. Overall, VC-backed M&A deals shifted back into high gear, with total value in 2011 reaching \$23 billion—a 23% increase over 2010 and the highest level since 2007. Deal volume was down just 2% from 2010's record year. So while venture capital investing is not at the level it was in 2007, it's definitely back on track.



**Q.** Who's helping venture capitalists map out successful deal strategies around the globe?

**A.** **Manatt.**

**There's a world of opportunity for venture capital firms looking to do deals abroad, despite tremors in the global economy. In fact, 2011 saw an increase in alliances between private firms, institutional investors, corporate VC units, government entities, and cross-border and domestic investors. Manatt's venture capital team helps globetrotting investors locate and evaluate targets on the ground, make useful connections with local institutions and funding sources, and ensure that the portfolio company is properly looked after in its early development phase.**

**Draper Fisher Jurvetson**, a leading international venture capital firm, had for several years been working closely with VTB—a Russian commercial banking group with over \$50 billion in assets—in sourcing and managing venture deals in Russia. In 2011 DFJ and VTB closed on their unique new Russia-based venture fund, DFJ VTB Aurora, a \$100 million joint effort with Rusnano, the Russian government-owned nanotechnology fund. Working with Russian co-counsel, Manatt's venture capital, fund formation and international tax teams helped DFJ structure, negotiate and document a unique two-pronged fund structure that allows the Aurora team to make ruble-based nanotechnology investments in Russia and related dollar-denominated investments abroad. We helped position DFJ as one of the first U.S. venture firms to establish a physical presence in Russia and tap into its expansive pool of technology talent. In turn, DFJ's new Russian partners have access to its deal flow, powerful corporate contacts, hundreds of technology companies and potential exit opportunities globally.



**Q.** Who helps late-stage investors make first-rate deals?

**A.** Manatt's VC lawyers.

Venture capital funds typically do not look for investment opportunities in companies that are already public. However, after 2011 saw several VC funds struggle or fail to raise capital in the amounts they had hoped, some ventured into the terra incognita of late-stage and post-IPO investing. Manatt's strength and experience across the investment continuum mean we're well equipped to help our venture capital clients broaden their investing horizons.

Manatt counseled **New Atlantic Venture Fund** in its purchase of preferred stock, common stock and warrants in HealthWarehouse.com, a publicly traded retail pharmacy and healthcare e-commerce company. Investments were made through direct purchases from HWA stockholders and the company itself, and they involved complicated negotiating and structuring of investment terms with individual stockholders. In addition, New Atlantic would also be taking a seat on the Board of Directors of HWA. Our team guided New Atlantic through the complicated matrix of public company compliance requirements and filing obligations under the Williams Act, helping it not only to get in on a good investment but also to fulfill its duties in taking a large equity position within a public company.



**Focused on  
growth  
opportunities.**

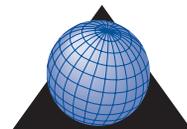
# Fund Formations



DRAPER FISHER JURVETSON

## **Compass Dongguan Fund** Formation of Renminbi-denominated China Venture Capital Fund

Counsel to the Fund Sponsor,  
**Draper Fisher Jurvetson**  
April 2011



DRAPER FISHER JURVETSON

## **JAIC Venture Partners** Formation of Japanese Venture Capital Fund

Counsel to the Fund Sponsor,  
**Draper Fisher Jurvetson**  
April 2011



## **Colchis Income Fund** Formation of the Fund

Counsel to the Fund Sponsor,  
**Colchis Capital Advisors**  
September 2011



## **Chegg** Special Purpose Vehicle Formation

Counsel to the Investor,  
**Lucas Venture Group**  
October 2011



**Avinger**  
Special Purpose Vehicle Formation

Counsel to the Investor,  
**Lucas Venture Group**  
November 2011



**DFJ VTB Capital  
Aurora Innovation and  
Nanotechnology Fund**  
Formation and Capitalization of  
Russian-based Venture Capital Fund

Counsel to the Fund Sponsor,  
**Draper Fisher Jurvetson**  
November 2011



**Responsibly**  
Formation of a 501(c)3  
Nonprofit Entity

Counsel to the Company,  
**Responsibly**  
December 2011

**Stranger Ventures**  
Conversion from an LLC to a  
C Corp. and Formation of its  
Associated Nonprofit Entity

Counsel to the Company,  
**Stranger Ventures**  
December 2011



**Lucas Venture Group Fund**  
Formation of the Fund

Counsel to the Fund Sponsor,  
**Lucas Venture Group**  
January 2012

# Venture Financing



**Enterupt**  
**(product name is Twocents)**  
Series AA Preferred Stock Financing

Counsel to the Investor,  
**Draper Fisher Jurvetson**  
January 2011



**NEI Treatment Systems**  
Purchase of Class B Units

Counsel to the Investor,  
**Black Diamond Ventures**  
January 2011



**Tela Innovations**  
Series C Preferred Stock Financing

Counsel to the Investor,  
**Black Diamond Ventures**  
January 2011



**Ender's Fund**  
Convertible Note Financing

Counsel to the Investor,  
**Draper Fisher Jurvetson**  
February 2011



**Kaiima Bio-Agritech**  
Series B Financing

Counsel to the Investor,  
**Draper Fisher Jurvetson**  
March 2011



**Ranker**  
Series A Preferred Stock Financing

Counsel to the Investor,  
**Draper Associates Riskmasters  
Fund, LLC**  
March 2011



DRAPER FISHER JURVETSON

**GOTO Metrics**  
Series A Preferred Stock Financing

Counsel to the Investors,  
**Epic Ventures Fund and  
Draper Fisher Jurvetson**  
April 2011



**Clipsync, Inc.**  
Series A-2 Preferred Stock  
Financing

Counsel to the Company,  
**Clipsync, Inc.**  
May 2011



**WaterSmart, Inc.**  
Series Seed Financing

Counsel to the Investors,  
**Physic Ventures, Menlo Incubator  
and Draper Fisher Jurvetson**  
May 2011



**Small Demons, Inc.**  
Series A Preferred Stock Financing

Counsel to the Company,  
**Small Demons, Inc.**  
June 2011



**UsTrendy**  
Series AA Preferred Stock Financing

Counsel to the Investor,  
**Draper Associates, L.P.**  
June 2011



**My Wines Direct**  
Series A-1A Preferred  
Stock Financing

Counsel to the Investors,  
**New Atlantic Ventures**  
and **DFJ Frontier**  
July 2011



**HealthWarehouse.com**  
Common Stock Private Placement

Counsel to the Investor,  
**New Atlantic Ventures**  
August 2011



**Mogreet**  
Series B-1 Preferred  
Stock Financing

Counsel to the Investor,  
**Black Diamond Ventures**  
October 2011



**Rock City Apps, LLC**  
(product name is UpTo)  
Series A Preferred Stock Financing

Counsel to the Company,  
**Rock City Apps, LLC**  
October 2011



**33cube, Inc.**  
(product name is Everpix)  
Convertible Note Financing

Counsel to the Company,  
**33cube, Inc.**  
November 2011



**Capella Photonics**  
Series CC Preferred Stock Financing

Counsel to the Investor,  
**Lucas Venture Group**  
December 2011



**DreamBox Learning, Inc.**  
Series A Preferred Stock Financing

Counsel to the Investor/  
Majority Shareholder,  
**Charter School Growth Fund, Inc.**  
December 2011



**Qliance Medical  
Management, Inc.**  
Series AA Preferred Stock Financing

Counsel to the Investors,  
**New Atlantic Ventures** and  
**Second Avenue Partners**  
December 2011



**Spotflux, Inc.**  
Series A Preferred Stock Financing

Counsel to the Investor,  
**New Atlantic Ventures**  
December 2011

## Savvy counsel at each stage of the venture capital continuum

Manatt's Venture Capital Group brings a high level of experience to transactional representations. We have advised players on both sides of the table at every stage of the investment process—from seed money and start-up funding through Series A, working capital and mezzanine rounds, and bridge financing prior to going public.

We focus on representing emerging companies in the technology, entertainment and media, and healthcare industries, and we maintain close working relationships with the venture capital funds, investment banks, and strategic corporate and individual investors that finance companies in these sectors.

When your company or investment fund brings Manatt into a deal, you are getting "boutique service" backed by the resources of a leading, full-service national law firm and the strategic perspective that comes only from decades of experience nurturing businesses in your industry. We can help you build stability into your business model by advising you on which rights to keep and which to release in order to attract the start-up and growth capital you need.

### AREAS OF FOCUS:

- Fund formation and representation
- Equity financing using venture, angel and strategic investor capital
- Initial public offerings and secondary public offerings
- Debt financing
- Intellectual property licensing and other commercial agreements
- Joint ventures and strategic partnerships
- Employment and equity compensation matters
- ERISA and tax issues
- Corporate governance
- Mergers and acquisitions

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