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PE Week Wire -- Wednesday, March 29

Random Ramblings

Some notes before I pack up, meet deadline for Buyouts Magazine and head back to Boston.

*** Lots of talk about patent infringement litigation this week, with most of the focus on whether or not eBay will be required by The Supreme Court to suspend its "Buy it Now" functionality. Interesting case whose amicus briefs pit drug companies against tech companies (i.e., stronger patent infringement enforcement vs. weaker). As for a less publicized – and less consequential – patent infringement case, a New York jury has ruled against Warburg Pincus portfolio company TradeCard Inc., which had accused Bank of America and S1 Corp. of using a purchase order processing system that allegedly infringed on TradeCard's parent. Specifically, it said that no patent infringement had occurred, so there was no need to award damages or to issue an injunction. Just thought you might like to know.

*** The IPO calendar does not include any new buyout-backed IPOs to close before next week, which means that the Q1 tally is now finalized (the VC tally is waiting on Himax Technologies). Specifically, this tally relates to buyout-backed IPOs that priced on U.S. exchanges. There were 16 of them for a total take of around \$3.7 billion. This easily bests the 10 IPOs for \$1.38 billion in Q4 2005, but comes short of the \$6.2 billion raised by 15 companies in Q1 2005. The quarter's largest offering came from Dallas-based oil and gas company EXCO Resources Inc. (\$650 million), which had been backed by Ares Management, Cerberus Capital Management, Oaktree Capital Management and Greenhill Capital Partners.

*** I'm beginning to reconsider my stance on the Illinois Sudan divestment regulations, due in part to the protestations of a particularly persuasive venture capitalist (dear editor, please deposit 50 alliteration points in my account). I'm also hearing rumblings that an exemption might be proposed for funds-of-funds, because one non-compliant underlying firm would scuttle the entire commitment (or course this isn't much different than one underlying portfolio company for a direct investor). I just put calls in to the bill's co-sponsors, so I'll reserve final judgment for a little while longer.

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*** Quiz Time: Can you name the private equity firm that just upped its fund-raising target to around \$14 billion?

*** No, I have no idea what to make of this [BusinessWeek report](#) that Facebook turned down a \$750 million buyout offer, or that it now fancies itself a \$2 billion company. I'm also trying to reconcile it with what people are telling me about Facebook recently having returned to the VC market (which Rafat Ali of PaidContent.org also heard). I'd hate to think that the press is (again) being used to help inflate a company's perceived valuation, but I'd hate even more to think that someone is willing to pay \$750 million – let alone \$2 billion – for Facebook. The most amusing analysis [comes from ValleyWag](#).

*** Finally, there have been reports that private equity firms are about to jump into the seaport operations market. Why? Because (A) Dubai Ports World has said that it will sell off the disputed U.S. ports it recently acquired; (B) Carlyle Group launched a public infrastructure fund; and (C) Goldman Sachs, Ontario Municipal Employees' Retirement Fund and GIC Special Investments are expected to bid on Associated British Ports Holdings PLC, which is valued at around Gbp2.2 billion.

To me, the whole thing will hinge on whether or not the Associated British Ports deal gets done. Why? Because private equity firms are as independent as sheep. Once one deal gets done in a new sector – and this is a new sector for private equity, particularly since Cinven and CVC couldn't get Mersey Docks last year – everyone else will roll in. As for a brief sector summation from a PE angle, a possible ports investor told me the following:

"Ports are like toll roads or other transportation facilities in that historically there had been relatively few that become available for private equity investment... thus precedent transactions for these purposes had not been there. We are now starting to see ports as more of a mainstream type of investment, but it is still unproven whether they will be 'home runs' in terms of private equity returns, or stable, predictable and diversifying."

In other words, ports are the exact opposite of Facebook.

British Columbia has Become a Premiere Location to Invest

Canada's tremendous growth in international business and trade has made British Columbia a premiere location to invest. Compared to other West Coast locations, B.C. technology firms pay 25 per cent less in annual costs. Considerable savings are realized through R&D incentives and tax breaks, and the provincial government is on target to eliminate one-third of all provincial regulations this year, which means less red tape.

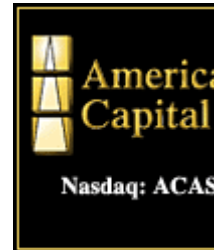
Visit <http://www.whybc.com/invest> to learn more about investing in B.C.

Top Three

Empower Interactive Group Ltd., a UK-based provider of mobile messaging solutions, has raised \$18 million in new VC funding. **Scottish Equity Partners** led the deal, and was joined by return backers Argo Global Capital, Cazenove Private Equity, DN Capital and IDG Ventures Europe. www.eigroup.com

Apax Partners, Blackstone Group and **Goldman Sachs Capital Partners** are revising their once-rejected bid for UK broadcaster **ITV PLC**, according to *The Times of London*. The new deal would include "a further £1.3 billion-worth of new ITV shares to be underwritten in case existing shareholders want to sell out en masse."

LNK Partners has closed its inaugural fund with \$400 million in capital commitments. The firm will focus on the consumer and retail sector, and was co-founded by: David Landau, former head of Apax Partners' consumer and retail group; Henry Nasella, a former venture partner with Apax who previously served as chairman and CEO of Star Markets and as president and COO of Staples; and Bruce Klatsky, former chairman and CEO of apparel and footwear company



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Information by visiting
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VC Deals

Proteon Therapeutics, a Kansas City-based drug company focused on vascular disease, has raised \$19 million in VC funding, according to the *Kansas City Star*. **TVM Capital** led the deal, Skyline Ventures, Prism Venture Partners and Intersouth Partners.
www.proteontherapeutics.com

Accordent Technologies Inc., a Hermosa Beach, Calif.-based provider of rich media content management and creation solutions, has raised \$4 million in first-round funding led by TVC Ventures. www.accordent.com

Element Labs Inc., an Austin, Texas-based provider of LED video technology for the entertainment, architectural and signage markets, has raised \$6 million in Series A funding led by **Sierra Ventures**, according to a regulatory filing. www.elementlabs.com

Prism Education Group Inc., a Newton, Mass.-based provider of private post-secondary education, has secured \$7 million of a \$7.5 million Series B round, according to a regulatory filing. Conning Capital Partners was joined on the deal by return backers Salix Ventures and HLM Capital Management.

MediaVast Inc., a New York-based provider of visual content and related services to the media market, has secured \$11 million of a \$15 million Series C round, according to a regulatory filing. QVT Fund was joined by return backers like Time Warner and Baroda Ventures.
www.mediavast.com

LimeLife Inc., a Menlo Park, Calif.-based mobile software publisher focused on content for women, has raised \$10 million in Series B funding. U.S. Venture Partners led the deal, and was joined by fellow return backers Rustic Canyon Ventures, i-Hatch Ventures and Monitor Ventures.
www.limelife.com

Networks in Motion Inc., an Irvine, Calif.-based provider of wireless navigation and location-

based services, has raised \$10 million in Series C funding. **Sutter Hill Ventures** led the deal, and was joined by return backer Redpoint Ventures and Mission Ventures.

www.networksinmotion.com

FlatBurger Inc., a Vienna, Va.-based company that supports software developers working in hybrid software environments, has raised \$1.75 million in seed funding co-led by **Intersouth Partners** and **Amplifier Venture Partners**. www.flatburger.com

Buyout Deals

McClatchy Co. yesterday accepted bids for the 12 newspapers it plans to divest, following its agreed-upon acquisition of **Knight Ridder Inc.** The only confirmed bid for the entire dozen comes from the Newspaper Guild union, which is being backed by Yucaipa Cos. Bruce Toll of homebuilder Toll Brothers has bid for the Philadelphia Inquirer and Daily News, while MediaNews Group reportedly has bid on select papers.

Marlin Equity Partners has closed on its acquisition of **Relevant Business Systems**, a San Ramon, Calif.-based provider of enterprise resource planning (ERP) software solutions for the aerospace/defense, engineer-to-order, contract manufacturing, maintenance repair/overhaul and project-oriented manufacturing markets. No financial terms were disclosed.

www.marlinequity.com www.relevant.com

Hg Capital has agreed to acquire the crash test dummies unit of **First Technology PLC**, which was acquired last week by **Honeywell International Inc.** (NYSE: HON). The deal is valued at Bbp50 million. www.hgcapital.net

PE-Related M&A

Tonka Bay Equity Partners has sold **Penn-Wheeling Closure Inc.** to **Tecnocap SpA** for an undisclosed amount. Penn-Wheeling is a Glen Dale, W.V.-based manufacturer of metal caps and closures, which was acquired by Tonka Bay from US Can Corp. in March 2000. www.penn-wheeling.com

CTC Communications and **Choice One Communications** have agreed to jointly acquire **Conversent Communications Inc.**, a Marlborough, Mass.-based integrated communications provider. CTC and Choice One agreed to merge earlier this year, and the acquisition will be partially financed by CTC controlling shareholder Columbia Ventures Corp. Conversent shareholders include Seaport Capital, Blackstone Group, Charter Communications and Fanch Communications. www.conversent.com

The Outsource Group, a St. Louis-based provider of accounts receivable management company, has acquired **Midwest Collection Services Inc.** of Florissant, Missouri. No financial terms were disclosed. The combined company will have around 130 employees in three offices. The Outsource Group is a portfolio company of **ClearLight Partners**, while Kaulkin Ginsberg Co. served as an advisor on the deal. www.theoutsourcegroup.com

Firm & Fund News

Cambridge Consultants, a tech-based design and development company, has formed a venture capital fund to support its spin-out companies. www.cambridgeconsultants.com

The Bank of New York (NYSE: BY) has registered an investment company in Poland called BNY National Trust TFI SA, which will offer a number of funds – including private equity, hedge and real estate funds. www.bankofny.com

Human Resources

Christopher Parkin has joined **TA Associates** as a London-based vice president. He previously was with Lazard Private Equity. www.ta.com

Private Equity Week

This is a free service of Private Equity Week, the only industry publication that tracks and researches private equity deals for the entire venture capital market. The weekly newsletter and daily website give you in-depth news on industry trends, companies seeking investors, deals at all stages, participating firms, deal conditions, proceeds and pricing. The experienced business reporters of Private Equity Week go beyond the press releases to find the stories behind the headlines. Private Equity Week offers:

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