

Venture Market Summary

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We've heard of VCs buying planes to fly or show off or both, but investing in them is a different story. DCM is an actor in that story now that it led a \$93 million Series F round for Englewood, Colo.-based aircraft manufacturer Adam Aircraft Inc.

With roughly 600 employees and manufacturing facilities in Pueblo, Colo., and Ogden, Utah, Adam Aircraft is way more tangible than an online video play, but perhaps just as lofty. It has received down payments on some 400 aircraft so far, worth a total of \$850 million.

DCM Managing General Partner David Chao Chao that while Adam Aircraft may not be the standard Silicon Valley play in a high-tech company developing a Web service, semiconductors or network equipment, "Who's to say there's less technology in one of these planes than a Web 2.0 Web site?"

Adam Aircraft, founded in 1998, has now raised a total of roughly \$173 million in funding. It specializes in so-called "very light jets" favored by frequent business travelers.

As became clear last week, when commercial airlines and airports get caught up in chaos, the world of private jets is a welcome respite. Frequent business traveler Lou Plasencia, chief executive of a hospitality transaction and consulting firm, was quoted by the Wall Street Journal as saying: "Time is money. I can do three to four cities in a day, and flying commercially I could only do one or two."

DCM's Chao believes more and more people like Plasencia will be buying into the idea of flying on private jets. "The average business person will have access to jets," Chao said. "If there are four people going down to Phoenix, it might be cheaper to charter an air taxi than to fly United [Airlines]." Adam Aircraft expects its jets to cost \$1.5 million and \$2.5 million, while light jets in general can sell for as much as \$40 million.

DCM is not the only one convinced of the private jet business proposition. TH Lee Putnam Ventures acquired Sentient Jet, a Norwell, Mass.-based provider of private-jet memberships, in 2003. And private air-taxi provider Linear Air Inc., of Lexington, Mass., said it raised about \$3.5 million from individual investors earlier this year. These companies fly modern aircraft, but given the interest some VCs have shown in the Soviet attack fighter jets, could those be the next purchase for companies that would need to satisfy desires of high-paying and, therefore, finicky customers?