

# The Bell Letter

Analyzing technology business trends and developments  
impacting Silicon Valley growth ventures and investors





## THE AMIDI GROUP'S PLUG AND PLAY STARTUP INCUBATORS

*Steve takes a look at a first class, large-scale Silicon Valley startup incubator;  
125 startup companies and a data center in 177,000 sq feet*

If you haven't had that call to inform you you've just been selected as Sequoia or Mayfield's next EIR, then here's a startup incubator that you should check out: Plug and Play (PnP) Tech Centers of Sunnyvale, Palo Alto (opening March 08), and Redwood City, CA.

There have been many tech startup incubators in Silicon Valley; most (but not all) of them are gone. Having started a number of companies out of garages, executive suites, and leased office space ourselves; and having written a business plan for an incubator in 1998, we saw a number of good reasons why this incubator is different. We'll try to bring them to your attention in this brief report.

As disclosure, Bell Consulting Group Inc. has no business or personal relationship with the PNP incubator; this article was written strictly out of a long-term professional interest in incubators.

			
Sunnyvale PNP Facility	Business Relationship Manager Bonnie Cheng	Past Expo Event	Semiconductor and Storage Investor Forum

## 123 startup companies and a data center in 177,000 sq feet

When I toured Plug and Play's 150,000 sq. ft. Sunnyvale facility (Jan 2008) it was at 95% occupancy, playing host to 115 startup companies. A second, 21,000 sq. ft. Plug and Play incubator recently opened in Redwood City, housing an additional 10 startup ventures; a third 6,000 sq. ft. facility opens in Palo Alto in March. 70 of the 125 current startups are Web 2.0 companies, and the remaining 53 are entering the wireless communications, enterprise & SaaS software, data security, and semiconductor tech business sectors. Approximately half of the startups currently resident at PNP have secured angel or venture capital financing. PNP appears to have done little in the way of outbound marketing; most of the startups arrived there due to word of mouth referral.

The incubated startups have a shot at getting funding from PNP's venture arm Amidzad Partners, as well as Tier 1 VCs such as DFJ, Battery, Accel and Norwest. PNP also provides help with corporate development, recruiting advisers and staff, administrative, reception, and mail-handling services, on-site IT staff and 24x7x365 data center; use of 20 meeting rooms, and access to several types of on-site group forums and developmental events. While I was visiting, legal pros from Greenburg Traurig were providing a complementary consultation hour to interested startups in a common area.



PNP's history was the subject of a story in the San Jose Mercury News



Lobby Area commemorates success



I toured PNP on January 17, 2008

## Incubation programs




Various types of forums such as a monthly town hall event are held to encourage collaboration between the startups and to bring in outside speakers. PNP holds an Expo event in May and

September in which 35 resident companies present to 10 venture capital panelists, competing for the top 6 final positions.

Amidzad Ventures was a seed investor in Danger, the maker of the sidekick device which had registered to go public before being acquired by Microsoft earlier this year. Aprius incubated at PNP in 2006, grew from 4 employees to 20, received \$11 million additional funding from NEA and Lightspeed Ventures, and was sold to Intel last year for \$500 million. Amidzad Ventures was an early investor in Bix, which was acquired by Yahoo for roughly \$50 million 12 months after its' conception.

Plug and Play Startup Camp has a program to help aspiring entrepreneurs from universities develop their ideas into companies. During the past two years they have invested startups from prominent universities such as Stanford, MIT, Cornell, and Berkeley. PNP selects business plans annually which are provided with:

- \* Seed financing of \$20,000-50,000
- \* Opportunities to present to venture capital partners
- \* Mentorship program with a few of the 130 CEOs in PNP's three facilities
- \* Training Curriculum on fund raising, term sheet negotiation, team culture building

		
<p>20 Meeting Rooms</p>	<p>Rooftop outdoor dining area</p>	<p>Friendly 2nd-floor cafeteria</p>

PNP's 8,000 sq ft data center houses 750 servers, with capacity for about 1,500 more. I was impressed that PNP has arranged to be powered by its' own 16 Megawatt AC power sub-station obtained by contract from PG&E – possible because of the facilities' status as a former wafer fab. The facility also has a 750 Megawatt, 1,000 gallon backup Diesel generator, which in turn is backed up by a secondary 250 megawatt Diesel generator. The data center has three redundant backbone connections (AT&T and Quest; plus Level 3 through a point to point wireless link). In the event of a natural disaster, PNP startups will likely remain online.

**Startup-friendly terms**

Plug and Play offers month-to-month leases for qualified technology startups. The office spaces are nicely furnished, and are priced at a quite reasonable \$500 per month per cubicle. If this seems high to you, try doing a commercial lease or sublease around the Bay Area. It is a very attractive rate, and is offered on a month to month basis - meaning effectively, a startup can move out at any time. Not to even get into things like, managing your landlord and

property manager; and the fact that once you are in a commercial office lease, the local (city/county) tax authorities will find you, request an inventory of your assets, and send you a good sized business property tax bill regularly.

In mid-2007 one startup arrived at PNP, was qualified, rented offices, and mentioned they had all their assets in a truck out in the rear parking lot. PNP setup their services, provisioned their phone and internet services, and the company was up and running the same afternoon. Now that beats a 3 to 5 year commercial lease any day!

PNP actually seems to have more trouble with getting "grown up" startups to leave, versus getting new ones to move in. This may be at least in part due to their nice in-house cafeteria! PNP also has a VC Pavilion area with 30 cubicles devoted to out of state VCs who would like to take up a satellite office in Silicon Valley and get to know some startups.

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