

News for July 2009

July 1, 2009

Queen City Angels Closes \$1.9 Million QCA First Fund III LLC

Cincinnati, OH-based Queen City Angels closed its QCA First Fund III LLC at \$1.9 million on June 12, 2009. The firm is a group of early-stage investors who are C-Cap members.

- Queen City Angels – Cincinnati, OH – www.qca.com

BB Biotech Ventures Closes EUR 67.5 Million BB Biotech Ventures III

Schaffhausen, Switzerland-based BB Biotech Ventures closed its BB Biotech Ventures III at EUR 67.5 million on June 29, 2009. The Guernsey-based fund is advised by the Bellevue Asset Management Group, which has operations in Curaçao, Boston and Kusnacht/Zurich, Switzerland.

- BB Biotech Ventures – Switzerland – www.bbbiotechventures.com

Venture M&A Joins IPO Market In Doldrums

M&A activity slipped in the second quarter to its lowest level since the first quarter of 1999 with 67 U.S. venture-backed companies acquired, according to industry tracker VentureSource, a unit of VentureWire publisher Dow Jones & Co.

During the first half of this year, 137 venture-backed companies were acquired, a slower rate than after the tech bust in 2003 when 177 companies got bought in the first half.

Further highlighting the difficulty for venture investors is the fact that deal values and the amount of venture capital raised by acquired companies are coming close together. The median disclosed M&A deal value in the first half of 2009 was \$22.6 million, while the amount raised by these acquired companies was \$15.6 million. In 2008, the median deal value nearly doubled the amount raised, and in 2007 it more than quadrupled.

On the IPO front, only three venture-backed companies went public in the first half, all in the second quarter, compared with five in the first six months of 2008, according to VentureSource. And last year paled in comparison to 2007 when there were 38 venture-backed IPOs in the first half.

TGap Ventures Mulls Later-Stage Deals With \$50M Sophomore Fund

Despite a rough fund-raising climate, Michigan-based early-stage investor TGap Ventures has closed its second fund at \$50 million, double the size of its debut fund.

Roughly 60% to 70% of investors in both of TGap's funds are from Michigan, including the state itself through the 21st Century Investment Fund, a fund established by the state to spur job creation and entrepreneurship in Michigan. Most of the money in both funds has come from undisclosed institutions.

With nine investments, the firm has had so far two exits: Afmedica Inc., of Kalamazoo, MI, which was acquired by Angiotech Pharmaceuticals Inc. in 2005 for an undisclosed amount; and Minneapolis-based MinuteClinic Inc., which was bought by CVS Caremark Corp. in September 2006 for undisclosed terms.

While many of the firm's investments have been in the Midwest, TGap invests across the country and has done deals on both coasts.

- [TGap Ventures – Kalamazoo, MI – www.tgapventures.com](http://www.tgapventures.com)
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July 2, 2009

Trevi Health Ventures Halts Outside Fund-Raising Amid Tough Market

While the firm has received commitments from existing limited partners, Trevi Health Ventures said it has indefinitely halted fund-raising for outside cash for its second fund due to poor market conditions.

Trevi, based in New York, invests across the life science sectors, including devices, drugs and services.

- [Trevi Health Ventures – New York, NY - www.trevihealth.com](http://www.trevihealth.com)
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July 7, 2009

WHEB Ventures Closes \$146M Toward Second Fund

Clean technology venture capital firm WHEB Ventures has held a third close to bring its second fund to GBP90 million (\$146.3 million) with a final GBP150 million (\$243.7 million) close targeted by the end of this year.

The new fund, WHEB Ventures Private Equity 2 LP, now has about GBP21 million in support from two German state funds of funds managed by the European Investment Fund: ERP-EIF Fund of Funds and LfA-EIF Fund of Funds. The European Investment Fund was already a participant in the fund-raising, as well as Portuguese bank Banco Espirito Santo SA. Other investors in the fund include unnamed financial institutions, family offices and individuals.

- [Wheb Ventures - London - www.whebventures.com](http://www.whebventures.com)

Holland Venture BV Opens NPE Holland Venture Partners Fund I

Holland Venture BV, based in Amsterdam, opened its NPE Holland Venture Partners Fund I. The firm is focused on all sectors of industry, with a specific interest in investments in the ICT sector.

- [Holland Venture BV - Amsterdam - www.hventure.nl](http://www.hventure.nl)

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

Palo Alto, CA-based Andreessen Horowitz closed its Andreessen Horowitz Fund I LP on July 3, 2009 at \$300 million.

- [Andreessen Horowitz - Palo Alto, CA](#)

July 8, 2009

US Venture Capital Fund-Raising Falls Off Cliff In First Half

U.S. private equity fund-raising plummeted in the first half of 2009, as cash-strapped investors stopped committing to the asset class.

Across all asset classes, U.S.-based private equity firms raised \$54.9 billion across 173 funds, a 64% drop from the \$152.7 billion raised by 261 funds in the year-earlier period, according to data from Private Equity Analyst.

Buyout firms experienced one of the steepest drops, as they faced not only the denominator effect but questions specific to how banks' ongoing unwillingness to provide debt affects their strategy. Only \$28.7 billion was raised by 73 funds, down 72% from the \$102.6 billion gathered by 98 funds last year. So far this year, buyout fund-raising accounts for 52% of the total raised by the private equity industry, down from 68% for all of 2008.

Venture capital fund-raising also suffered, with VC firms raising \$5.1 billion across 52 funds, down 63% from the \$13.6 billion raised by 115 funds last year.

Early-stage firms raised \$2.7 billion across 36 funds, down from \$5.2 billion raised by 43 funds at this point last year, as the often-repeated argument that the best companies are founded during recessions didn't seem to hold much water with LPs. Late-stage firms raised only \$561.1 million across seven funds, down from \$1.2 billion raised by eight funds at this point last year, as LPs shied away from strategies with more exposure to public markets.

Multi-stage firms raised \$1.8 billion across 10 funds, down from \$5.7 billion raised by 21 funds in the first half of 2008.

5AM Ventures Exceeds \$150M For Fund III, Eyes Final Close

Early stage life science investor 5AM Ventures has brought its third fund to \$159.25 million through a third close, with a final close toward an undisclosed target still scheduled for the second half of this year, a source familiar with the fund-raising efforts said.

The \$159.25 million total fund-raising toward the fund, 5AM Ventures III LP, was revealed in a filing with the Securities and Exchange Commission dated June 29. The firm, which had raised \$139.25 million toward the fund in a second close in April, brought the fund to its new total through undisclosed new limited partners. The fund's investors include a broad group of new and existing endowments, foundations, funds of funds and pensions.

- [5AM Ventures -Menlo Park, CA - www.5amventures.com](http://www.5amventures.com)
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July 9, 2009

VC Firms Say Energy Efficient Lighting Investments Are A Bright Idea

New York-based Braemar Ventures and San Francisco-based VantagePoint Venture Partners are both targeting \$50 million of investments at energy efficient lighting companies currently. Vantage Point may increase that amount by another \$50 million within the next year, said Managing Director Marc van den Berg in an interview with VentureWire.

At the center of the energy efficient lighting market are light-emitting diode and lighting control companies. Van den Berg estimates the LED market will be about \$50 billion within 10 years, assuming LEDs become about 10% of the worldwide lighting market by that time. The LED market was about \$5 billion in 2008, according to industry analysts.

- [Braemar Ventures - New York, NY - www.braemarenergy.com](http://www.braemarenergy.com)
- [Vantage Point Venture Partners - San Francisco, CA - www.vpvp.com](http://www.vpvp.com)

Balderton Capital Closes \$485 Million Balderton Capital IV LP

Balderton Capital, based in London, closed its Balderton Capital IV LP fund at \$485 million. The firm specializes in early-stage investments in enterprise software and services, communications and security, semiconductors, mobile, consumer and media, and finance services industries.

- [Balderton Capital - London - www.balderton.com](http://www.balderton.com)

Excel Medical Ventures Closes \$125 Million Excel Medical Ventures LP

Excel Medical Ventures, based in Boston, MA, closed its Excel Medical Ventures LP fund at \$125 million. The firm invests in healthcare including healthcare IT and services, diagnostics, and medical devices as well as life science platforms that address adjacent markets including synthetic biology, energy, biodefense, and agriculture.

- [Excel Medical Ventures - Boston, MA - www.emven.com](http://www.emven.com)
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July 13, 2009

PROfounders Capital Launches To Fund European Start-Ups

Four successful players in the European Internet community have joined forces to form a new venture capital fund aimed at digital media and technology.

The fund - PROfounders Capital - was organized by Michael Birch, the founder of social network Bebo, which sold to AOL LLC for \$850 million; Brent Hoberman, the founder of Lastminute.com and Mydeco; Peter Dubens, the founder of Oakley Capital and Freedom4 Group; and Jonathan Goodwin, the founder of LongAcre Partners.

- [Profounders Capital - London - www.profounderscapital.com](http://www.profounderscapital.com)
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July 14, 2009

Ventures West Holds Steady After Postponing Planned Fund-Raising

After indefinitely postponing fund-raising plans for its ninth fund last year, Canadian venture capital firm Ventures West is continuing to bolster its current portfolio and evaluate the fund-raising environment.

The firm's fund-raising postponement decision came after the firm previously disclosed plans to raise a \$200 million fund, lower than its previous \$250 million fund. The firm, which focuses on investments in biotechnology, clean technology and communications technology, decided to put off that fund-raising last August due to larger macroeconomic conditions.

- [Ventures West - Vancouver/Toronto - www.ventureswest.com/](http://www.ventureswest.com/)

Stealthy, China-Focused Keytone Ventures Raises Debut \$200M Fund

Amid a general slowing of venture investing in China, Beijing-based Keytone Ventures has managed to close its debut fund at \$200 million to back early-stage cleantech, pure tech, consumer and media start-ups.

Keytone Ventures LP is one of the few China-focused venture funds to close in 2009, a year that has so far seen a steep decline in VC investing in China.

- [Keytone Ventures - Beijing](#)

Venture Investors Aims Higher, Seeking \$150M For Larger Fifth Fund

Venture Investors LLC, a pioneer in Midwest venture capital investing, is gearing up to raise \$150 million for its fifth fund aimed at health care and technology start-ups.

The firm, which formed in 1982 and closed its current fund at \$117 million in 2007, plans to begin rounding up Venture Investors Early Stage Fund V LP later this year or in early 2010. Venture Investors, based in Madison, WI, backed 14 companies with Fund IV and expects to bankroll about three more with that pool.

- [Venture Investors - Madison, WI - www.ventureinvestors.com](#)

July 15, 2009

Wireless-Focused VC Jarvinian Looks To Raise First Fund

Seeking to back companies building the next must-have wireless technologies, Jarvinian is out raising its debut fund.

The Boston-based firm will invest its first fund in enabling technologies, infrastructure and components for IT mobility. Areas of interest include semiconductors, batteries, security and content intelligence, according to the company.

Jarvinian is focused on early-stage investments and prefers to lead a company's seed and Series A rounds, making initial investments in later rounds only for what it considers exceptional companies. Its first investment will range from \$1 million to \$5 million, with an average target of \$20 million over the life of its involvement with a company.

- [Jarvinian - Boston, MA, www.jarvinian.com](#)

July 16, 2009

More Details On Proposed Regulation Of PE And VC Emerge

More details on what aspects of their business private equity firms will be required to disclose emerged Wednesday, as the Treasury Department delivered a proposed bill on private fund registration to Capitol Hill.

The bill would require hedge funds and other private pools of capital, including private equity firms and venture capital funds, with more than \$30 million of assets under management to register with the SEC. That figure, the same as one in a related bill from Sen. Jack Reed, D-R.I., would affect most private equity and venture firms.

Entitled "Private Fund Investment Advisors Registration Act of 2009," the proposed legislation calls for firms to report such information as assets, leverage including off-balance sheet leverage, counterparty credit risk exposures, trading and investment positions, and trading practices, as well as other information that the Federal Reserve deems necessary to ascertain if the firms pose systemic risk.

Firms also would be required to keep records of their investment activities and make them available for "periodic, special and other" examinations by the SEC. Copies of the records would be made available to the Federal Reserve and the Financial Services Oversight Council, a new agency that the administration has proposed setting up.

Spanish Venture Firm Nauta Capital Raises First Tranche Of Fund III

In addition, firms would be required to disclose such records to investors and prospective investors, creditors and counterparties. The firms would also be subject to conflict-of-interest and anti-fraud prohibitions.

Emboldened by the successes of its 13 portfolio companies, Spanish venture firm Nauta Capital has closed on a EUR50 million (\$70.4 million) first tranche of its new fund, which the firm says will grow to EUR100 million within a year.

Nauta III, as the fund will be called, will be used to back about 15 early-stage companies in Europe and the U.S., with a focus on investments in wireless technology.

- [Nauta Capital – Barcelona, Spain - www.nautacapital.com](http://www.nautacapital.com)

July 20, 2009

Venture Capital Investment Quickens, But Still Down From '08

Led by a strong rebound in health care, U.S. venture capital investment recovered from its first-quarter low, but still remains well off last year's pace.

In the first half of 2009, 1,078 U.S. venture-backed companies raised \$9.28 billion, according to VentureSource, a research unit of VentureWire publisher Dow Jones & Co. This was 44% less than the \$16.47 billion raised by 1,459 companies in the first half of 2008, before the financial crisis reached full tilt.

In the second quarter, 595 companies raised \$4.87 billion compared with 483 companies raising \$4 billion in the first period, which marked an 11-year low. But second-quarter performance was nowhere near last year's when 726 companies garnered \$8.33 billion.

Venture investment in U.S. health care companies shot up 62% last quarter from the first quarter, and was only slightly below the year-ago clip, as VCs jumped on opportunities to back promising companies at low valuations. In fact, the dollar amount invested in health care, \$2.23 billion, surpassed the \$1.89 billion recorded in the traditionally largest sector, information technology, for the first time in a quarter this decade.

IT investment, especially software, continued to be slow with deal totals only slightly above the first three months of the year. Investors in fact put less into software deals in the second quarter than in the first -- \$696 million versus \$715 million. Overall IT investment rose 8.5% quarter-to-quarter but fell 41% below last year's total.

Data also show that venture investors are being frugal. The median first round investment in the second quarter fell to \$3 million, the lowest since at least 2003.

July 21, 2009

DFJ Wraps Up \$196M In First Closing Of Scaled-Down Tenth Fund

Draper Fisher Jurvetson has rounded up \$196 million in a first closing of its latest venture fund, putting the fund nearly half way to a revised \$400 million target, according to a recent filing with the Securities and Exchange Commission.

DFJ is widely known as an early-stage investor, although like many early-stage VCs it has expanded into later-stage deals in recent years with a \$290 million dedicated growth equity fund, which closed in 2007.

- [Draper Fisher Jurvetson – Menlo Park, CA/Shanghai – www.dfj.com](http://www.dfj.com)

Capital Dynamics Closes Deal To Take Over HRJ Funds Of Funds

As it looks to expand its venture capital business, Capital Dynamics Inc. has completed its takeover of HRJ Capital's funds of funds.

HRJ, with about \$2.1 billion in assets under management, raised funds of funds by warehousing commitments, meaning it secured lines of credit from banks and used that to fund commitments. It would use those investments to convince limited partners to invest.

- [Capital Dynamics Inc. – Switzerland/London - www.capdyn.com](http://www.capdyn.com)
- [HRJ Capital – Woodside, CA/Shanghai - www.hrjcapital.com](http://www.hrjcapital.com)

Smac Partners Closes EUR 8.8 Million Smac Partners Fund II

Unterhaching, Germany-based Smac Partners closed its Smac Partners Fund II at EUR 8.8 million on July 3, 2009.

- Smac Partners – Germany – www.smacpartners.com
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July 22, 2009

Beefed-Up Matrix Partners Begins Rounding Up \$450M Fund Nine

In a year when new funds have been a challenge to raise, Matrix Partners, one of the best-known U.S. venture firms, is going out to the market to round up its ninth fund.

Matrix Partners IX LP has a target of \$450 million, according to a regulatory filing. The Waltham, MA, firm has yet to close on any of that capital, the filing said. The firm also filed for a \$150 million side fund, Matrix Partners IX Special Opportunities Fund LP, which likewise remains to be raised.

The technology investor looks to initially invest in seed rounds of \$100,000 to \$300,000 or up to \$10 million in early-stage company financings.

- Matrix Partners – Waltham, MA – www.matrixpartners.com

Cannae Group Plans Fund To Invest In Solar Recycling Cos

Cannae Group LLC is raising up to \$3 million for its first venture capital fund, and the firm is looking to invest in companies that address what it calls the "unintended consequences" of various industries.

The New York-based advisory and investment firm will focus its first efforts on solar panel recycling companies.

- Cannae Group – New York – www.cannaegroup.com

AdvancedStage Capital Opens AdvancedStage Capital LLC

AdvancedStage Capital, a Petoskey, MI-based venture capital firm, opened its AdvancedStage Capital LLC. The firm specializes in private, late-stage equity financing for the U.S. technology sector.

- AdvancedStage Capital – Petoskey, MI - www.advancedstagecapital.com/index.html

City Light Capital Closes \$13.3 Million Impact Ventures II LP

New York- based City Light Capital closed its \$13.3 million Impact Ventures II LP. The firm invests in early stage, for-profit businesses that create solutions in safety and security, education and media, and energy and the environment.

- [City Light Capital – New York, NY – www.citylightcap.com](http://www.citylightcap.com)
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July 23, 2009

Europe's VC Deal Flow Falls Below Silicon Valley

While venture capital investment recovered somewhat in the U.S. during the second quarter, the amount of money fueling international start-ups continues to slide after an already tumultuous drop in the first three months.

According to data from research firm VentureSource, second-quarter investment and deals fell in Canada, China, Europe and India, suggesting many U.S. venture firms with an international presence are focusing more of their time and money on portfolio companies here. Only Israel, the other area that VentureSource tracks, showed some quarter-to-quarter improvement but the first quarter was its weakest on record.

In the U.S., venture investors put \$5.27 billion in to 595 deals in the second quarter, a noticeable advancement from the first quarter but, like everywhere else, still down compared to a year ago. In the international countries that VentureSource covers, 250 deals brought in \$1.46 billion, less than the 303 deals and \$1.99 billion recorded in the first quarter.

The second quarter drop-off was especially felt in Europe, where the number of deals fell 24% to 156 from the first quarter and the amount of investment dropped 31% to EUR619.7 million (\$880.6 million). Those figures are the lowest on record since VentureSource began reporting on the region in 2000.

Edelson Technology Founder Sets Sights On \$200M Health Care Fund

Harry Edelson, a backer of biotech and technology pioneers such as Celgene Corp. and Websense Inc. through Edelson Technology Partners, is now looking to form a new health care-oriented venture firm.

Edelson, who formed Edelson Technology Partners in 1984, said he is working with undisclosed partners to launch the firm, which has secured roughly \$40 million in commitments for its debut fund. The partners, however, hope to raise a total of \$200 million, and whether they go forward with the new firm will depend on their ability to reach or approach that goal.

Capital totaling \$140 million for the five funds raised for Edelson Technology came largely from 10 corporate investors, including AT&T Inc., Ford Motor Co., 3M Co. and Viacom Inc. Other investors have come in through secondary purchases, including HarbourVest Partners LLC and Wellcome Trust.

- [Edelson Technology Partners – Woodcliff Lake, NJ – www.edelontech.com](http://www.edelontech.com)

Matrix Partners Opens Matrix Partners IX LP

Venture capital firm, Matrix Partners, opened its Matrix Partners IX LP on July 21, 2009. The firm's investment strategy is to invest in companies on the cutting edge of creating major new markets in software, communications equipment, semiconductors, storage, Internet and wireless. The firm has a presence in the two major technology centers of the United States - Boston and Silicon Valley. These locations give them the advantage to compare trends and analyze competition to supply clients with the "big picture" of market potential.

- Matrix Partners – Boston, MA/Silicon Valley – www.matrixpartners.com
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July 27, 2009

Venture Firms Climbing Aboard With New Wave Of Travel Start-Ups

Although a sagging economy continues to upset the vacation industry, venture investors are still booking reservations with travel-related start-ups.

The first half of this year alone has seen at least 10 investments in travel companies that range from providing online reviews, recommendations and bookings to vacation rental management software.

Venture capitalists are attracted to the billions of dollars spent each year by consumers online for travel plus the money that marketers shell out to attract their business, suggesting they see the segment as a good recession play.

It's also a growing industry. Forrester Research expects \$115.6 billion will be spent for travel online in the U.S. alone this year, and that number is expected to jump to \$157.8 billion by 2013.

July 28, 2009

City Light Capital Holds \$13M Initial Close On Sophomore Fund

City Light Capital, a firm specializing in socially responsible investing, has had a \$13.3 million first close on its second fund.

Based in New York, City Light was founded in 2004 and concentrates on companies that have a positive social impact, focusing on three sectors: safety and security, education and media, and energy and the environment. The firm has an investment team of five, according to the firm's Web site: Managing Partner Josh Cohen, Partner Tom Groos, Principal Matt Cohen and venture partners Jamie Daves and Bill Lyons. Josh Cohen and Groos are listed as promoters in the filing.

- City Light – New York, NY – www.citylightcap.com
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July 31, 2009

Stimulus Funds, Recession Spur VCs To Study Up On Education

In a down economy, certain types of businesses -- such as the "beer-and-entertainment" segment made up of movies, alcohol and other enjoyments that are thought to take people's minds off of economic woes -- are often thought of as recession-proof.

But one somewhat unexpected area that venture investors increasingly see as recession-proof is education. This sector is emerging as a solid bet thanks to a confluence of factors, including a surge of people going back to school as a result of layoffs, an increase in online and distance learning, demographic shifts affecting college enrollment, and federal stimulus money providing a boost for schools and governments to invest in new technology.

Investors are piling into the area, with 24 education-related companies raising \$154.8 million in 2008, a big jump from the 12 companies raising \$53.2 million in 2007, according to VentureSource, a unit of VentureWire publisher Dow Jones & Co.

So far in 2009, these companies have managed to nearly match last year's pace even during a time of plummeting venture funding overall, with 12 companies raising \$72 million in the first half of the year.

Catamount Ventures Closes \$80 Million Catamount Ventures IV

Catamount Ventures, a San Francisco based venture capital firm, closed its Catamount Ventures IV fund at \$80 million. The firm is focused on investments in seed and early-stage companies in three sectors: enterprise technology, consumer Internet, and environmental and sustainable technology. They also invest in alternative energy.

- [Catamount Ventures – San Francisco, CA – www.catamountventures.com/](http://www.catamountventures.com/)

Matrix Partners Closes \$600 Million Matrix Partners IX LP

Waltham, MA - based Matrix Partners closed its \$600 million Matrix Partners IX LP. The firm tends to be the first institutional investor in a company and the largest non-management shareholder. The initial investments are generally between \$2 million and \$10 million. Seed-stage and later-stage investments are made occasionally but the firm typically makes follow-on investments over the life of a company, depending on its needs.

- [Matrix Partners – Boston, MA/Silicon Valley – www.matrixpartners.com](http://www.matrixpartners.com)

Source: VentureWire and VentureSource