

Twitter Investor Snaps Up Company Stakes as IPO Markets Freeze

by Joseph Galante

Institutional Venture Partners, the investor that gave Twitter Inc. \$14 million last month, plans to pump \$100 million to \$150 million into digital-media, wireless and information-technology companies this year.

"We're pretty fired up about 2009 and 2010," Todd Chaffee, a partner with the firm, said in an interview in San Francisco. "We're really busy because we're trying to help our companies acquire people. Our deal flow has also picked up."

Institutional Venture Partners typically invests in companies with at least \$10 million in revenue. The frozen market for initial stock sales has benefited the firm, as companies seek additional funding instead of going public, Chaffee said. The amount of money venture capital firms invested in so-called late-stage companies rose 13 percent last year, compared with a decline of 18 percent for the industry overall, according to the National Venture Capital Association.

While Institutional Venture Partners is investing more in established companies, some firms that invest in startups, such as Redpoint Ventures and Sequoia Capital, are tightening funding and telling their companies to reduce expenses to ride out the economic slump.

"There's a very different world between early- and late-stage venture," Chaffee said. The firm is also giving funds to its portfolio companies to help them acquire smaller rivals, Chaffee said.

While Institutional Venture Partners typically writes checks of \$20 million to \$30 million, its latest deal was a \$5 million investment last month in Aster Data Systems Inc., which provides database analytics software. Past investments include Netflix Inc., ComScore Inc. and Ask Jeeves Inc.

Twitter Stake

Only six venture-backed companies staged initial public offerings last year, according to the National Venture Capital Association in Arlington, Virginia. That marked the worst stretch for IPOs in more than 30 years.

In February, Institutional Venture Partners joined Benchmark Capital in investing in Twitter, the online short-messaging service used by companies like eBay Inc. and celebrities such as William Shatner, who posts links to old interviews.

Institutional Venture Partners has more than \$2.2 billion in committed capital from sovereign wealth funds, pension funds and university endowments. Of its 300 portfolio companies, 85 have gone public, according to the firm's Web site.