

# THE WALL STREET JOURNAL.

## Local Venture Funds Hold Up

By Pui-Wing Tam

Venture-capital fund raising has hit the doldrums, but the situation in the Bay Area isn't quite as bad.

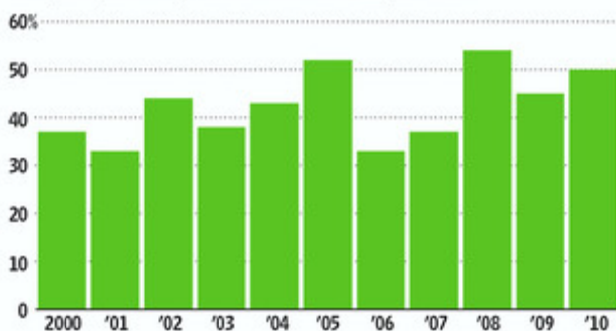
Last week, research firm Dow Jones LP Source, which like The Wall Street Journal is owned by News Corp., released data that showed venture-capital firms nationwide raised the least amount of capital in 2010 that they had in seven years. Even so, Bay Area-based venture-capital firms took a growing share of the dollars and also didn't experience as steep a fall-off in the amounts that they garnered as the rest of the country.

Overall, venture-capital firms raised \$11.6 billion from investors in 2010, down 14% from \$13.5 billion in 2009, according to Dow Jones LP Source. But in the Silicon Valley region, where top venture firms like Sequoia Capital and Benchmark Capital are located along Menlo Park's Sand Hill Road, venture fund raising only declined around 5% to \$5.7 billion in 2010 from \$6 billion in 2009.

At the same time, Silicon Valley venture firms snagged a rising share of the total dollars raised. Local firms grabbed a 50% slice of the total dollars raised from investors in 2010, up from 45% in 2009 and 37% in 2007, according to Dow Jones LP Source.

### Strength Amid Shakeout

The share of venture-capital dollars raised by Bay Area-based venture firms, as a percentage of total dollars raised, over time.



Source: Dow Jones LP Source

The data underline how the venture-capital industry—which funds start-ups with the aim of profiting when those companies go public or are sold—is increasingly concentrated in Silicon Valley. While pockets of the venture industry had sprung up elsewhere in the country in the 1990s, many of those regional centers have withered over the past decade amid poor returns and a lackluster market for initial public offerings.

Silicon Valley venture firms aren't immune to the industry's difficulties, but many firms here are in a relatively better position compared with those elsewhere given the access to the region's ecosystem of entrepreneurs and top tech companies like Google Inc. and Facebook Inc. In addition, most of the top-tier venture firms—which also includes Accel

Partners, Kleiner Perkins Caufield & Byers, Greylock Partners and others—are based locally and have little difficulty in raising money.

Institutional Venture Partners, a Sand Hill Road venture firm that has invested in Twitter Inc., last year raised a new \$750 million vehicle in about six months and had investors asking to put their money in, says IVP partner Todd Chaffee. He attributes the demand to the firm's investing record and strong portfolio of companies, which also includes social gaming company Zynga Inc.

"We were bucking the trend," Mr. Chaffee acknowledges. "In talking to peers at other firms, it was a lot more work" to raise money.

Edwin Poston at TrueBridge Capital Partners, a Chapel Hill, N.C., firm that invests in venture-capital funds, says more than 50% of the firm's investments are in venture funds based in California, particularly Silicon Valley.

"The great majority of our enthusiasm is for venture funds in California," he says. "It takes a strong ecosystem for venture funds to be successful and Silicon Valley is chock full of the Yahoos, Google and the entrepreneurial community."