

## Scale Venture Partners' First Independent Fund Weighs In At \$250M

Scott Denne, PEA January 21, 2010

Scale Venture Partners, a multi-sector venture capital firm, said it has closed its latest fund with \$250 million, below its target range of \$300 million to \$350 million. "In this environment, that's not far off the mark," said Kate Mitchell, one of the firm's managing directors.

VentureWire previously reported that the firm was seeking \$400 million for Scale Venture Partners III LP, but that amount was the maximum it would raise, not the target, Mitchell said. This is the first fund that the firm has raised independently of Bank of America Corp., which provided it with a \$500 million first fund in 2000 and a \$400 million second fund in 2004. Prior to that the bank had provided the firm, then called BA Venture Partners, with capital to invest, though not in a traditional venture fund structure. Bank of America still holds its stake in the first fund, but has completely sold its interest in the second and did not participate in the latest offering, Mitchell said. Many of the limited partners that bought secondary stakes when the Foster City, Calif., firm spun out from the bank committed capital to the latest offering, relieving the firm of much of its anxiety around the fund-raising process, she said. "You never know when you're going out as a spin-out if those secondary investors will be supportive," she said. The capital for the fund comes from a group of public pensions, funds of funds, and family offices, including Fairview Capital, GE Capital, Indiana Public Employees Pension Fund and Paul Capital, she said. Montagu Newhall Associates is also an investor in the current and previous fund, according to its Web site. Most of the capital was raised a year ago, but the fund was left open so limited partners would have time to wrap up their investment process following the economic events over the last year, Mitchell said. It didn't hurt that the firm returned more than \$100 million from its second fund last year from the sales of Web analytics company Omniture Inc. and IT security company ScanSafe Inc., she said. Limited partners "were happy that they wrote a check in 2006 and we're returning capital in 2008," she said. The new fund will make initial investments of \$5 million to \$15 million, with a target of \$8 million, in 21 mid- to late-stage companies. It will dedicate about two-thirds of the fund to information technology and the remainder to health care, Mitchell said. Scale Venture Partners began deploying the fund in May. So far it has made three investments: marketing companies ExactTarget Inc. and HubSpot Inc., and Oraya Therapeutics Inc., which is developing a treatment for age-related macular degeneration. It expects to close a fourth investment shortly, Mitchell said. The firm is confident that this is a great time to invest in start-ups, since it's seeing fewer competitors for deals and its portfolio companies are facing less competition, Mitchell said. Scale Venture Partners has seven managing directors. In addition to Mitchell, they are Lou Bock, Mark Brooks, Jim Jones, Rory O'Driscoll, Sharon Wienbar and its newest partner, Rob Theis, who joined from DCM in 2008, around the time Scale began marketing this fund.