

Sevin's Calif. partners to leave, fund back in play

Dallas VC resumes efforts to raise \$300M fund

BY JEFF BOUNDS | STAFF WRITER

Roughly 15 months after tabling fundraising for its 10th fund, Sevin Rosen Funds has re-started the process—but will do so without the four general partners in its Silicon Valley office.

All four — Steve Dow, John Oxaal, Steve Domenik and Nick Sturiale — will continue working with the venture-capital firm's portfolio companies from its ninth fund, which is scheduled to end in 2014. Sturiale is leaving Sevin Rosen for the growth-equity arm of The

Carlyle Group, a Washington, D.C., private-equity firm.

Dow says that he, Oxaal and Domenik have no intent of raising a fund on their own, and that each California partner has his own reasons for eventually leaving Sevin Rosen. Dow declines to say what his future plans are.

John Jagers, managing partner at Sevin's Dallas headquarters, says the slow-motion separation of the partners is the result of internal disagreement over what direction the firm should take in the wake of its October 2006 decision to terminate the raising of the 10th fund.

"I don't think anybody was necessarily wrong," Jagers says. "Reasonable people can disagree."

A number of variables were debated, Jag-

gers says, such as how international Sevin Rosen should be in its investing, the stage of companies into which it should be investing capital, and how it should structure its portfolio and raise money.

Sevin Rosen has re-started the process of raising its 10th fund, and is targeting \$300 million, according to Jagers.

In October 2006, despite receiving commitments for \$250 million to \$300 million, Sevin said it canceled the fund partly because there was too much venture money chasing too few quality deals, and partly because of a weak environment for selling its portfolio companies or taking them public — the primary method in which VC funds cash in their investments. The firm also felt there were too many changes going on in the venture industry for it to close the fund without first addressing those changes.

News of Sevin's cancellation of its 10th fund rocked the industry because of the firm's top-flight reputation, having backed winners like Compaq Computer and Lotus. But it also earned Sevin sneers in some quarters, because two days after news of the decision broke, California's Sequoia Capital saw its portfolio company YouTube sold to Google in a stock deal that was worth \$1.65 billion.

Improving exit climate

In fairness to Sevin Rosen, the YouTube deal wasn't necessarily representative of the so-called "exit" environment.

But while the exit climate is still far removed from the euphoric days of 1999 and 2000, it has improved since Sevin put the fund on hold.

Arthur Hollingsworth, managing partner with the Dallas private-equity firm Lone Star New Markets LP, says there were 86 venture-backed IPOs that raised \$10.3 billion last year. "Which, in dollars, was more than '05 and '06 combined," Hollingsworth says.

In addition, there were 136 mergers and acquisitions involving venture-backed companies last year, providing \$17 billion worth of liquidity to their investors. Hollingsworth says that's more than any other year from 2001 through 2006.

"I think that bodes well for a much-enhanced exit environment," he says.

On the flip side, 235 venture funds were raised in 2007, landing a total of \$35 billion. That's the most since 2001 — and means more competition.

Jagers and Dow both acknowledge that the firm could do a better job of grooming the next generation of its partners.

"We will be adding some younger partners," primarily in Texas, Jagers says.