

VentureBeat

Industry Ventures takes \$265M for secondary fund

By Camille Ricketts

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Capital may be running thin these days, but the secondary market — where already-issued stocks, bonds, options and futures are sold — continues to thrive. Industry Ventures, which specializes in acquiring venture portfolios and limited partnership interests, is a major beneficiary of the trend, drawing \$265 million for its recent fund — much more than its initial projection of \$200 million and hard cap of \$250 million.

Institutional pension funds like the state of South Carolina and the San Bernadino County Employees' Retirement Association contributed 65 percent of the new money. And about 10 of the more than 20 investors in this fund, Industry's fifth, are brand new.

The San Francisco firm has already started to put this money to use, acquiring a stake in 11 different companies that were previously held by other venture firms, according to VentureWire. The size of these investments — including the acquisition of nine venture funds from Washington Mutual for \$7 million — ranged from \$1 million to \$20 million. The firm says it plans to give out as much as \$25 million in one chunk by itself, but will team up with limited partners for larger transactions.

As Hans Swildens, principal and founder of Industry Ventures, explained, the economic downturn prompted growth in the number of venture firms looking to sell stakes in companies to regain their liquidity. Last year, even as darkness descended, Industry Ventures made deals to buy or take over assets for 40 funds, up from 27 the year before. In general, the number of secondary deals has jumped 25 percent over the last quarter, with \$5 billion up for sale right now. Swildens just told that Wall Street Journal that about 10 percent of invested capital is going to secondary sales these days, up from 3 to 4 percent in recent years.

In the past, we pointed out that Industry Ventures plays an important role in supplying capital in tough times by taking over commitments that limited partners can't keep. In October, Swildens told VentureBeat that more and more limited partners are looking to somehow pass off or get rid of their capital calls (money they have promised to venture funds). More venture funds are looking for quick exits from investments or to sell off their portfolios to secondary funds, as well. Industry Ventures says it is still there to pick up this slack, but with a limited amount of money to play with, it can't cover all defaulted capital calls.

The firm expects its Fund V to last for about two to three years. Its five funds add up to more than \$500 million in capital in over 100 secondary investments.