

VENTURE CAPITAL FIRMS

Rank Prev. Rank	•Headquarters •Web site •E-mail	Dollar amount invested in OC companies 2008 (millions)	Dollar amount invested in OC companies 2007 (millions)	Funds under management companywide (millions)	OC employees *yearly % change	Notable recent investments	Size of investments handled	Preferred funding stage(s)	Partial List of preferred industries	Top local official(s) •Title •Phone/fax	
1 (8)	Sail Venture Partners LLC 600 Anton Blvd., Ste. 1010 Costa Mesa 92626-7144	Costa Mesa sailvc.com wschindler@ sailvc.com	\$32.6	\$2.4	\$125	9 50%	Dow Kokam Advanced Battery Group LLC, Townsend Advanced Energy Inc., FlexEnergy LLC	\$1 million to \$12 million	Expansion and growth stages	Clean energy, water; energy efficiency, storage; agricultural technology	Walter Schindler managing partner (714) 241-7500/(714) 241-7505
2 (2)	Versant Ventures 450 Newport Center Drive, Ste. 600 Newport Beach 92660-7616	Menlo Park versantventures.com	\$16.7	\$9.7	\$1,589	8 14%	Ablation Frontiers Inc., WaveTec Vision Systems Inc.	\$1 million to \$10 million	Seed, early	Biotechnology/drugs, medical devices, healthcare services	Barbara Lubash/Donald Milder/ William Link managing directors (949) 729-4500/(949) 729-4501
3 (7)	Medfocus Family of Funds 13900 Alton Parkway, Ste. 125 Irvine 92618-1618	Irvine	\$3.6	\$2.7	\$50.2	7 0%	MiCardia Corp., Onset Medical Corp.	up to \$1 million	Seed, early	Medical devices	Michael Henson principal manager (949) 581-7250/(949) 581-4761
4 (14)	Crosspoint Venture Partners 18552 MacArthur Blvd., Ste. 400 Irvine 92612-1220	Woodside cpvp.com bob@cpvp.com	\$3.5 ⁽¹⁾	\$0 ⁽¹⁾	\$2,000 ⁽¹⁾	3 ⁽¹⁾ NA	Aktino Inc.	up to \$40 million	Seed, early	E-business services, networking equipment	Robert Hoff general partner (949) 852-1611/(949) 852-9804
5 (5)	Miramar Venture Partners 2101 E. Coast Highway, Ste. 300 Corona del Mar 92625-1900	Corona del Mar miramarvp.com	\$3.2	\$3.7	\$125	5 0%	SiliconSystems Inc., SolarFlare Communications Inc.	\$250,000 to \$5 million	Series A, B	Storage, networking, Internet, chips	Bob Holmen/Bruce Hallett managing directors (949) 760-4450/(949) 760-4451

Venture Capital Firms Largely on Hold, Target Familiar Cos.

■ By DAN BEIGHLEY

Orange County's 17 largest venture capital firms invested about \$69 million in local companies in 2008, up 64% from a year earlier, according to this week's Business Journal list.

The list ranks venture capital firms by dollar amount invested in OC, which can swing wildly from year to year, and doesn't include investments in local companies by firms that don't have offices here.

That 64% jump was driven by No. 1 Costa Mesa-based Sail Venture Partners LLC, which dropped about \$33 million into local companies in 2008—mostly those in alternative energy—making a 1,258% jump in investments from a year earlier.

Excluding Sail Venture, venture capital would have decreased 9% compared to a year earlier.

Total 2008 venture funding in OC—including money from outside the county—came in at \$591 million, up 11% from the previous year, according to News Corp.'s Dow Jones & Co.'s VentureSource unit.

Investments into alternative energy and healthcare startups were the most popular. Alternative energy has been benefiting from increased demand around the world and government policies.

Many firms, including Sail Venture, reported investing more into companies they already owned shares of rather than new ones. A lack of appetite for risky ventures in a recession has dried up funding for new companies.

"It's a big deal to make a new investment these days," said Hank Habicht, a managing partner with Sail Venture.

Sail Venture, which last year was No. 8 on the list with a \$2.4 million investment, planted about \$33 million into alternative energy companies

including Irvine's WaterHealth International, which cleans water in developing countries, and FlexEnergy LLC, which makes portable power plants that run on landfill gas.

With \$125 million under management, the firm has its eye on three local companies that it might make investments in, Habicht said.

Sail Venture has been investing in the sector since 2004. It's made the majority of its investments during the last three years.

The firm is starting to see the companies it invested in—11 in total—move toward profitability, according to Habicht.

"Good ideas are just now becoming good business models," he said.

It finished raising money for its second fund near the end of 2008. Despite the challenges of raising money, it benefited from interested institutions.

Habicht considers his firm somewhat lucky.

"Overall, institutional investors are less interested in venture," he said. "Private equity firms with a venture component have been weighing more to later stage companies."

Longer Investments

Venture capital firms are holding their investments for longer, with fewer initial public offerings and buyouts, according to Tom Gephart, managing partner of San Juan Capistrano-based Ventana Capital Management LLC.

In some cases, that can be 10 years—a long time for a small startup, Gephart said.

Versant Ventures in Newport Beach was the county's second largest venture investor.

The firm put almost \$17 million, 72% more than a year earlier, into local companies in 2008, most of which was additional funding rather

than new investments.

The firm has a stake in 70 companies with \$1.6 billion under management, up 46% from the \$1.1 billion a year earlier.

About half of its investments are in medical devices and half in biotechnology drugs.

Amid the financial crisis last fall, the firm hunkered down and spent two months carefully looking at its investments to see how a changed economy might affect them.

"We headed into a new environment this year and began to have less uncertainty," said William Link, managing partner with the firm. "Things have not returned to normal but they've improved."

Many of its startups needed additional funding that Versant cobbled together, according to Link. Only 10% of the additional funding came from Versant's pockets—the rest came from third party investors.

Versant raised \$500 million for its fourth fund in the second quarter of last year, right before the financial crisis hit.

"We think there are a lot of opportunities out there for us," Link said. "The Orange County market will stay healthy."

No. 3 Medfocus Family of Funds in Irvine invested \$3.6 million into medical devices, up from \$2.7 million a year earlier.

No. 4 Crosspoint Venture Partners in Irvine invested about \$3.5 million locally, the Business Journal estimates. It upped its investment in Aktino Inc., an Irvine-based networking gear maker that recently was bought by Canada's Positron for undisclosed terms.

Crosspoint was No. 14 on the list last year.

Angel Strategies LLC, which ranked No. 4 on the 2008 list, isn't included on this year's list.

The firm is estimated to have not made any local investments last year.

The Business Journal also wanted to wait until the dust settles on a lawsuit charging cofounder John Garcia with taking money from people with the promise of finding investors that he never produced.

Rounding Out the List

No. 5 Miramar Venture Partners in Corona del Mar held its rank as it invested \$3.2 million into technology startups, down from \$3.7 million.

No. 6 Okapi Ventures LP in Laguna Beach also held its rank as it put about \$3.1 million into startups, which is about what it did a year earlier.

No. 7 Palomar Ventures fell from its No. 3 ranking last year with a \$2.5 million investment, down from \$4.5 million a year earlier.

"We've been looking for deals, but it's hard to find anything attractive," said Robert Obuch, a partner with the firm.

Like many venture capital firms, it has struggled to find new investors and has been sinking its own money into companies it already owns.

Palomar has stakes in six local companies in the software, telecom and wireless industries.

"If someone steps forward and does something exciting then it could become a market people rally around," Obuch said.

No. 12 Ventana Capital made no local investments in 2008 after putting up \$2 million a year earlier.

The young firm headed by veteran Gephart has been challenged with raising money for its \$200 million fund it opened in 2007.

Ventana recently cashed out of Aktino. The networking gear maker was among the county's most promising startups. Its recent sale was more of a whimper.

"Exits are tough," Gephart said. ■

