

## **VC Winchell Pursues Secondary Deals With Partner Ventures**

By Brian Gormley

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In 2000, Fremont Ventures Managing General Partner W. Blake Winchell considered an investment in an interesting pre-revenue technology start-up, but passed because of its high valuation.

Winchell recently looked at the company again, this time as a managing director of a direct-secondary firm he formed last year, Partner Ventures. Though the company now has revenue in the tens of millions, its shares can be had for less than what they sold for in the Series A round Winchell saw nearly a dozen years ago.

Opportunities like this are what drove venture capitalist Winchell to secondary investing. Seeing that many firms with funds raised from 1999 to 2001 would soon be under pressure to exit companies still in their portfolios, he decided the time was right for this strategy.

San Francisco-based Fremont Ventures, a technology and health-care investor, raised \$115 million for its second, and last, fund in 2001. It has only one portfolio holding left, eSilicon Corp., a semiconductor value-chain producer in Sunnyvale, Calif., Winchell said.

With investments of \$2 million to \$10 million, Partner Ventures plans to buy interests in five to 10 companies over the next five years. It seeks those with at least \$20 million in revenue, 15% annual growth, and profits, though it will consider companies that are cash-flow break-even.

The firm prefers businesses with valuations of \$20 million to \$70 million. A company valued at less than \$20 million is either too small or not very good; a business valued over \$70 million is probably too close to an exit, and wouldn't be available at a good price, Winchell said.

With Fremont Ventures, Winchell backed technology as well as medical companies like BioSeek Inc., acquired by Asterand PLC last year. With Partner Ventures he considers both industries. Though he doesn't have a fund, Winchell pitches ideas to four undisclosed limited partners who invest deal-by-deal.

The firm, based in Portola Valley, Calif., sees opportunity to settle disputes that can emerge between investors and the management of an aging company. Often there's a board member who wants to exit and is urging the company to sell itself, but management and other board members want to build more value, Winchell said.

By acquiring that board member's stake, Partner Ventures enables the investor who wants out to exit. And with him joining the board, the management and other directors get to

work with an investor who has a similar time horizon and the ability to add value, Winchell said.

"You really solve all three of these problems," he said. "Any time you can go in and generate a win-win-win situation, people will pull you into deals, as opposed to having to fight your way in."

The firm created this type of situation in February 2010, when it made its first secondary investment, buying shares of an investor in venture-backed Atrenta Inc., a San Jose-based provider of System-on-a-Chip realization-products for the semiconductor and electronic-systems industries. Winchell declined to reveal which investor sold shares. An Atrenta representative was unavailable for comment.

Enabling sellers to exit discreetly is one of the firm's selling points, since firms often don't want to publicize secondary sales, Winchell said.

Partner Ventures is deliberate as well as quiet. It has issued only three term sheets. It closed one deal (Atrenta), got outbid on another, and is negotiating the third, Winchell said. But the firm will hew closely to its criteria and will remain selective, he said.

"It's only fun when you're in good deals," Winchell said. "There is no pressure to take a swing. We can stand at the plate, not only all game long, but for the entire baseball season."

<http://www.esilicon.com>

<http://www.atrenta.com>

<http://www.partnervc.com>