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VENTUREWIRE PROFESSIONAL 2/20/08

VC FUND NEWS

VC FIRM

Avalon Ventures Closes \$150M Eighth Fund

LORIE KONISH

Early-stage venture capital firm Avalon Ventures has closed its eighth venture fund, reaching its fund-raising goal of just over \$150 million, Avalon Managing Director Kevin Kinsella said.

This fund, Avalon Ventures VIII LP, marks the largest fund raised by the firm to date. Avalon previously closed a \$75 million seventh fund in early 2005.

Avalon Ventures VIII officially closed Feb. 8, Kinsella said, after the firm held a first \$84 million close last August. The firm had an additional \$15 million hard commitment at the time of that first close that was not counted in the \$84 million total, Kinsella said, as that limited partner was not prepared for the first close.

For Avalon VIII, the firm had the support of limited partners including Harvard Management Co., AlpInvest Partners NV, Paul Capital and Grove Street Advisors. Those limited partners put in \$90 million of the total \$150 million fund, Kinsella said.

"Virtually all limited partners in the seventh fund came back and invested in Avalon VIII," Kinsella said.

The La Jolla, Calif.-based firm plans to use this fund to continue its early-stage investment focus on biotechnology, wireless communications and Web media applications. The investment focus is expected to reflect the first four investments that have been made out of the fund, Kinsella said, with about half of the investments in biotechnology and the other half divided between wireless communications and Web media applications.

Through the eighth fund, Avalon has invested in biotechnology companies aFraxis Inc. and Carolus Inc., online game developer Zynga Game Network and widget promotion network Nabbr Inc.

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"We expect to make these 20 to 24 investments over the next two and a half to three years," Kinsella said.

With this new fund, Avalon has added two new managing directors to its team: Richard W. Levandov and Jay B. Lichter.

Levandov worked with Avalon last year to help the firm establish East Coast investments. Prior to that, he served as an investor with Masthead Venture Partners, a founding affiliate partner with the Softbank Venture Capital Fund and a co-founder of personal computer software company Phoenix Technologies Ltd.

Lichter previously served as venture partner at Avalon and currently serves as president and chief executive of Avalon portfolio company Akesis Pharmaceuticals Inc. Prior to that, Lichter co-founded and was the first employee of Sequana Therapeutics Inc., which Avalon invested in through its fifth fund. Lichter also co-founded Avalon portfolio company Sytera Inc. and served as co-founder and CEO of XenoPharm Inc.

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