

Texas

Austin, Dallas at two poles of VC activity

It's tempting -- though a little misleading -- to describe venture capital in Texas in bipolar terms. The two best-known venture firms in Texas are Sevin Rosen Funds, based in Dallas, and Austin Ventures, based in Austin. They have very different philosophies.

Sevin Rosen, which counts investor Ben Rosen as one of its founders and Compaq Computer Corp. as one of its most famous investments, sees itself as a national firm. It has an office in Silicon Valley. Among its recent hits was Ciena Corp., a Maryland fiber-optics company.

"We try to invest internationally," says Jon Bayless, a general partner with Sevin Rosen. "We're probably more willing to get on an airplane and travel to Baltimore, for example, than some of our West Coast friends."

Austin Ventures, meanwhile, is unashamedly pro-Texan. Of the 17 investments it's made in what it calls the "applications and infrastructure" -- largely software companies supplying services to the Web -- all 17 are in Texas. Thirteen of those are in Austin.

"I'm not telling you that Austin is Silicon Valley," says Joe Aragona, an Austin Ventures general partner. "But overall, we think that the Austin economy has all the makings of a long-term technology marketplace."

"I think their style is unique," says Monty Kersten, CEO of VitalSigns Software, a Santa Clara company that received funding from Austin and was later acquired by International Network Services. "They're pleased when they get distinguished from the California VCs. I think they regard them as too aggressive, as failing to be supportive enough of the entrepreneur."

The numbers bear witness to Austin's explosion: In early 1998, Austin Ventures closed a \$320 million venture fund, then a huge sum that it thought would cover investments until the year 2001. It is now closing yet another fund for more than twice as much -- \$750 million.

In the first three quarters of 1999, Texas had 156 deals worth a total of \$951 million, about 12 percent of Silicon Valley's total. Significantly, the average deal size was smaller -- \$6.1 million to \$8.9 million.

Because it is Texas, a few of the start-ups have their own populist flavor. At the Southwest Venture Capital Conference in Dallas last month, the executives of one company, Banceasing.com, showed up in black federal marshal's uniforms, proclaiming their desire to "take business back from Wall Street and restore it to Main Street."