



## 'Can't Boil the Entire Ocean': VC Talks Strategy With New \$175M Fund

Three partners from the Morgenthaler Ventures have raised \$175 million for the new, IT focused Canvas Venture Fund.

**BY** Abigail Tracy

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*Founded in 1968, venture capital firm Morgenthaler Ventures is one of the oldest in the Silicon Valley. The firm has invested in some of the tech world's leading companies and technologies, including Evernote, Lending Club, and the technology behind Apple's Siri. Last month, the firm's three partners--Rebecca Lynn, Gary Little and Gary Morgenthaler--started a new \$175 million fund, called the Canvas Venture Fund, which will focus on Series A and B investments in early stage financial, mobile and health care IT companies.*

*Lynn recently spoke with Inc. staff reporter Abigail Tracy about what the partners have planned for the Canvas Fund, what qualities they look for in an investment and the importance of a strong VC-entrepreneur relationship in early stage companies.*

**You are a general partner in Morgenthaler's last fund, the \$400 million Fund 9, which also invested in IT technology. How will this fund be different?**

Fund 9 had a life sciences component, which Canvas won't have. We really wanted to send a signal to the market that we are IT focused and IT only. We will, however, use the same investment strategy that we

employed in Fund 9--focusing on lightweight business models that are capital efficient. We are not going to deal with hardware, chips or things of that nature.

**Canvas has yet to make an investment. What qualities will you be looking for in companies seeking investment?**

We learned a lot in Fund 9 and we learned that first and foremost it is about the entrepreneur. When you look at the threads that tie a company together in terms of what we look to invest in--it really boils down to the entrepreneur. We look for people who are absolutely driven, committed and have a real passion for what they are doing. It's a tenacity and persistence in a vision that we look for. From there, it is about it they are attacking a big enough market and if we believe they can build a very large company.

**Is there any reason why Canvas won't be investing in some of the areas Fund 9 did such as life sciences?**

The partners that we worked with before who had backgrounds in life sciences have since moved on to different funds, so we no longer have that expertise. We believe that successful funds will be smaller, focused funds. You can't boil the entire ocean. Being a good investor is being knowledgeable and diving deep into core areas.

**Can you talk to me a little bit about the relationship with these entrepreneurs you invest in?**

This relationship plays a big role. When you are doing Series A and B investing you are going to be with these companies for a long time. There are going to be good days and there are going to be days where it is all hands on deck. You need to be able to trust the CEO and they need to be able to trust you. You are his or her teammate and its not just for six months--it can be six years or more even. We take that relationship very seriously.

**Looking forward, how much do you plan on investing in a chosen company?**

It will depend on the stage of the company and how much they really need to execute their plans. We usually give about \$3 million to \$10 million in the first round and will continue to back that company going forward based on potential. If you are going to put more money into a company, you have to see potential--and the CEO has to see it too. You invest in the vision.

**What advice would you give to an entrepreneur who is looking for funding?**

What I always tell people is to do their research. Its not about the firm its about the partners. Entrepreneurs need to identify the partners that are really interested in what they are doing and then build a relationship. Entrepreneurs should start early, before they need the money and ask for advice. Then, keep the VCs updated, so they can see the entrepreneur's progress. Then when the time comes to ask for money, that entrepreneur isn't starting from nothing. My other piece of advice is to not necessary approach the most senior partners in a firm. The younger, newer partners will have more time and energy to invest in a company and they will work like crazy to make it succeed.