

P I T T S B U R G H

# BUSINESS TIMES

Vol. 27, No. 12

Oct. 5 - 11, 2007

\$2.50

## Meakem raises \$75M

### FreeMarkets alums launch early-stage venture capital fund

BY PATTY TASCARELLA

Dot-com entrepreneur Glen Meakem, no slouch at attracting investors in the 1990s when he launched FreeMarkets Inc., has raised a \$75.2 million fund to stake early-stage companies.

Sewickley-based Meakem Becker Venture Capital finished raising the fund on Sept. 30, with 67 percent of the money

coming from local investors, said Meakem, one of the fund's managing directors.

It is the largest first-time fund raised by a Pittsburgh-based firm and the largest Pennsylvania-based fund to focus on early-stage companies, according to John Taylor, vice president of research at the National Venture Capital Association.

"Early-stage funds traditionally

outperform later-stage funds," Taylor said. "It's pretty much along the lines of classic risk and reward — there's more risk (to investors), but it tends to pay better."

In fact, Meakem Becker is looking for returns to investors that are 10 times their original stake, said Managing Director



JOE WOJCIK

Glen Meakem, left, and David Becker are eyeing investments.

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# FUND: Meakem Becker plans investments in five companies by end of this year

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David Becker, who had been FreeMarkets' CFO. Becker is also an investor in the fund, as is Meakem and two other FreeMarkets alums-turned-Meakem Becker principals, David Koegler and Alan Veeck.

"Having raised money for 17 months, it was a lot harder than we thought," said Meakem, a founder and former CEO of Downtown-based Internet auctioneer FreeMarkets, which went public in a 1999 offering that raised \$173 million and was sold in 2004 to Sunnyvale, Calif.-based Ariba Inc. for \$493 million.

Some \$46.6 million of the Meakem Becker fund came from wealthy individuals or wealthy families who invest jointly. All told, the fund had 94 investors, Meakem said, led by privately held Emigrant Savings Bank, based in New York City, which has assets of \$15 billion. Carnegie Mellon University and the University of Pittsburgh are also investors, he said.

"Just as a matter of policy, large universities and pension funds will not invest in a first-time venture capital fund,

but we were able to go to our community, where we have relationships and were able to get a tremendous vote of confidence," Meakem said.

Meakem Becker expects to back about 15 companies, with individual investments topping out at \$5 million.

The fund aims to be the majority investor in market leaders with growing customer bases. Almost any industry category is game. It has so far looked at more than 400 companies, and should stake five by year-end, Becker said.

Two funding sources Meakem Becker pointedly avoided were the state and federal governments. Pennsylvania especially has been partial to matching-grant programs utilized by most local venture capitalists, including Draper Triangle Ventures, based Downtown, and Birchmere Ventures, based on the North Side.

The catch with accepting money from the state is that a portion of the money raised by the fund must be invested in Pennsylvania companies. Meakem did not want to be geographically bound, although he expects to invest in Pittsburgh

companies.

"We think VC is better left to the private sector," Meakem said. "I am a free marketer, I believe in private capital building businesses. The record of Pennsylvania's economic development efforts is weak at best. Pennsylvania would be better off cutting its spending and lowering taxes and getting out of the way."

He figures the fund will make about two-thirds of its investments in the eastern United States.

Although the Meakem Becker fund only officially closed earlier this week, it has already made four investments, since venture firms can start investing funds once they're halfway to meeting their goals.

Meakem Becker disclosed a trio of initial investments, all based outside Pittsburgh: HotPads.com is a real estate search and listing service based in Washington, D.C.; Shipwire.com is a Palo Alto, Calif.-based outsourcer of receiving, warehousing and shippings services for small and midsize merchants; and Chicago-based LiquidTalk delivers communications, such as sales data and human resources training, to mobile

work forces via digital media devices like iPods, iPhones and PocketPCs.

Meakem said his fund also backed a Pittsburgh company in late September, but he would not identify it. He and Becker previously personally invested in several local companies, including Akustica, College Prowler and BitArmor Systems.

"When Dave and I were done with FreeMarkets, neither of us wanted ... to start a single business again," Meakem said. "Venture capital meant being in a position to take our experience and leverage it over many companies and build a portfolio we would advise and coach."

In that respect, Meakem's approach is similar to Draper Triangle founder Don Jones', a repeat entrepreneur. Draper Triangle Managing Director Jay Katarincic, who has co-invested with Becker in the past, said he looks forward to working with Meakem Becker as a complementary VC fund.

"This is another step to alleviate the imbalance between the demand for money and the supply," Katarincic said.

ptascarella@bizjournals.com | (412) 208-3832

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