

PRIVATE EQUITY ANALYST

VC PROFILE: How Morgenthaler Became Canvas and a Female Partner Rose to the Top

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Finding and hiring the right people can be a challenge for venture capital firms, especially given the relatively long learning curve and seemingly unrelated skills that are required for the job.

When Rebecca Lynn started at **Morgenthaler Ventures** in 2007, it was because of a chance meeting she had at a business plan competition at the **University of California, Berkeley**. Ms. Lynn was a co-chair of the competition, and she had to escort Morgenthaler Partner Gary Little, who was a judge.

At the time, she had a baby and was working on a joint law-M.B.A. degree from Berkeley. She had never heard of Morgenthaler or Mr. Little and had no intention of becoming a venture capitalist.

But Mr. Little was impressed with her knowledge of startups, and several weeks later, he asked her to work as a summer associate at the firm.

"She brought a lot of people in the door that summer," Mr. Little said, and they came not because of Morgenthaler, but because of Ms. Lynn. "That's one of the key things you look for in someone going to be a young partner – do companies want them involved on the board? And [usually] nobody wants to deal with a summer associate," he said.

Now, more than seven years later, both Ms. Lynn and Mr. Little are general partners at Canvas Venture Fund, which spun off from Morgenthaler in 2013 after a series of changes at the 47-year-old firm.

Over the years, Morgenthaler created separate funds for its private equity and life-sciences investing, moved its headquarters to Silicon Valley from Cleveland and stopped investing in hardware. It created a separate early-stage fund for software- and technology-enabled services that it ultimately rebranded as Canvas under a separate management company.

According to a couple of the firm's limited partners, Ms. Lynn's performance was a factor in raising Canvas's first fund, which closed in 2013 at \$175 million, \$25 million above target.

They were impressed with her intellect and the experience she brought to the firm, both said, and **W.K. Kellogg Foundation** Director of Investments Neal Graziano added that he liked the idea of Morgenthaler adding a woman.



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"Whether it's an app or hardware, over 50% of the purchasers are female," Mr. Graziano said. "Also, from a diversity standpoint, having more female voices makes a more robust profession."

A key moment for the firm and for Ms. Lynn came in 2009 with a Series B investment in the online marketplace **LendingClub** Corp., which went public in December and has a market cap of more than \$7 billion. Even though it was a down round and Mr. Little was senior to her at the time, LendingClub Chief Executive Renaud Laplanche wanted Ms. Lynn on his board, so Mr. Little coached her.

"I don't think I would have done it successfully without Gary going to board meetings," she said. "He was terrific."

Venture capital is challenging because investors sometimes have to wait years before the market decides whether they did a good job, Ms. Lynn said, but the job suits her personality. "I'm naturally curious about things. I like to learn new stuff, and I like to connect people."

Mr. Little said Ms. Lynn is "a great poster child" for Canvas, which is designed as a meritocracy, "because if you perform, you can move right to a leadership position in the firm, both in economics and leadership. I think for anyone who believes in themselves, it's clear. They know the ground rules and know how to succeed in the firm."

Canvas Venture Fund

The Firm

The firm invests in early-stage technology startups and focuses on financial technology, digital health, online marketplaces, software as a service for businesses, Big Data and more.

The Team

Several Morgenthaler partners, including Rebecca Lynn, Gary Little and Gary Morgenthaler, moved to Canvas while continuing to serve on the boards of their Morgenthaler portfolio companies. The firm added General Partner Paul Hsiao from **New Enterprise Associates** in May 2014.

The Fund

Canvas closed a \$175 million first fund in 2013, beating its target by \$25 million.

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