

Vector Pulls Down \$1.2B For Fourth PE Fund

BY [TENNILLE TRACY](#)

7/17/2007 – Vector Capital has raised \$1.2 billion for its fourth and largest private equity fund, bringing enough capital under management to reduce its dependence on co-investors to supply investment capital.

Vector's new fund, Vector Capital IV LP, took less than four months to raise and outweighs its predecessor by nearly four times. That third fund closed in 2005 with \$350 million.

LBO Wire reported in June that the latest fund had an \$800 million target but was expected to reach \$1 billion or more.

With the larger fund up and operating, the San Francisco-based Vector can now conduct more deals without having to lean on its limited partners to serve as co-investors.

"While we are delighted to have our LPs continue to co-invest, the vast majority of LPs don't actually do so," said Vector co-founder Alex Slusky.

Vector has conducted five deals from its third fund and two of those investments relied on co-investors. When it purchased information security company SafeNet Inc. for \$634 million earlier this year, it wrote an equity check of \$240 million, and roughly \$140 million of that came from co-investors. Earlier, when it bought Register.com, it tapped its co-investors for about \$35 million.

By raising a larger pool of capital, Vector also hopes to delay the next fund-raising. Slusky said the firm prefers to collect enough money to last through at least four years.

Vector, which specializes in buyouts, spin-outs and recapitalizations, plans to invest in roughly 10 to 12 companies via its new fund.

Nearly all of Vector's existing limited partners participated in the firm's newest fund, and their pledges represent about 60% of the total capital raised. Among the existing investors are the Massachusetts Institute of Technology, Perot Investments, Grove Street Advisors and John D. & Catherine T. MacArthur Foundation.

A few new investors also joined in, including the Harvard Management Co.

Vector has deployed, or set aside for future investments, nearly half the capital in Fund III. As a result, the firm plans to invest Fund III and Fund IV in tandem for roughly a year.

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<http://www.vectorcapital.com/>