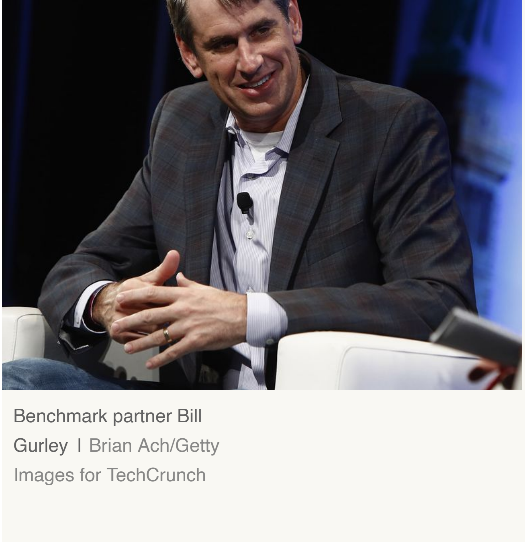
Is there a next act for one of Silicon Valley’s top investors after Uber? Benchmark and Bill Gurley are about to find out.



Benchmark partner Bill Gurley | Brian Ach/Getty Images for TechCrunch

Questions swirl around the venture capital firm as it prepares to raise a new fund within the next year.

By Theodore Schleifer | @teddyschleifer | Jun 25, 2018, 6:00am EDT

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Benchmark is one of tech’s most powerful venture capital firms, and, at 6’9”, Bill Gurley is literally one of its biggest celebrities.

So as his firm prepares for its next chapter and a new pool of money, there are a number of questions that Silicon Valley has not been able to put to rest, despite endless fascination within the industry about one of its most aggressive investors.

Such as: Who’s staying and who’s calling it quits in a band that is famously close-knit? What happens to investors when they are *too* successful? And, more universally, can major tech players — not just venture capitalists — retain their star power while also trying to develop a younger generation to take their places?

These are particularly intense issues as Benchmark moves on from an exhausting fight over the leadership of Uber, which demanded most of its attention in 2017. The firm took unprecedented, divisive steps to oust Travis Kalanick, the CEO of its most valuable portfolio company, and ill will from that ugly battle still lingers.

“What my firm and I went through in 2017 was probably the least enjoyable experience of my life,” Gurley said at an industry conference in February.

But the rest of 2018 will still be frantic as Benchmark prepares to raise its next fund, sources tell **Recode**. It is likely to once again raise about $425 million, although the firm has remained quiet even as questions swirl in Silicon Valley around the future of its six investing partners.

Gurley — the firm’s de facto leader and the partner who led its Uber investment — is expected to sign up for another 10-year fund, despite that commitment keeping him as a Benchmark partner into his early 60s, according to people close to the firm. That is unusual since Benchmark has a tradition that investors typically stop participating in new funds as general partners around the time they hit the 50-year-old mark (although there have been some exceptions).

Gurley, 52, has talked about investors staying on too long, praising Benchmark in the past for its “intentional bias towards youth.”

“Youth is a competitive weapon,” he wrote in a blog post in 2012. “Young VCs are open to new ways of doing things. This form of ‘rule-breaking,’ or intentionally ignoring yesterday’s doctrine, may in fact be a requirement for successful venture capital investing.”

Loping around high above the crowd, the outspoken VC has never been quiet about either his investments or his opinions about the investments of others. But he’s been much less voluble lately — he declined a request for an interview for this story.

Gurley has become newly animated by health care deals, sources say. And just last month he announced a new deal that some industry insiders read as a message that he isn’t stepping away from the hustle just yet: A $25 million check into Good Eggs, a get-your-hands-dirty attempt to restructure an online grocer that recently almost went bankrupt.

Also expected to recommit to the next fund is Peter Fenton, who led Benchmark’s early investments in companies like Twitter and Elastic, which just filed to go public. Fenton has spent a good amount of his time in recent years in France, although he is described as still “in the game” and active on boards.

But one investor who is widely expected to *not* sign up for another round of deals is Mitch Lasky, who was responsible for Benchmark’s 2013 bet on Snap, which went public at more than $20 billion. Lasky, who at 56 is the oldest Benchmark partner, has talked about stepping down in future funds for the last few years, sources said.

Plus, “there are other things he‘d like to do at this point in his life,” one person close to him said.

Benchmark declined to comment.

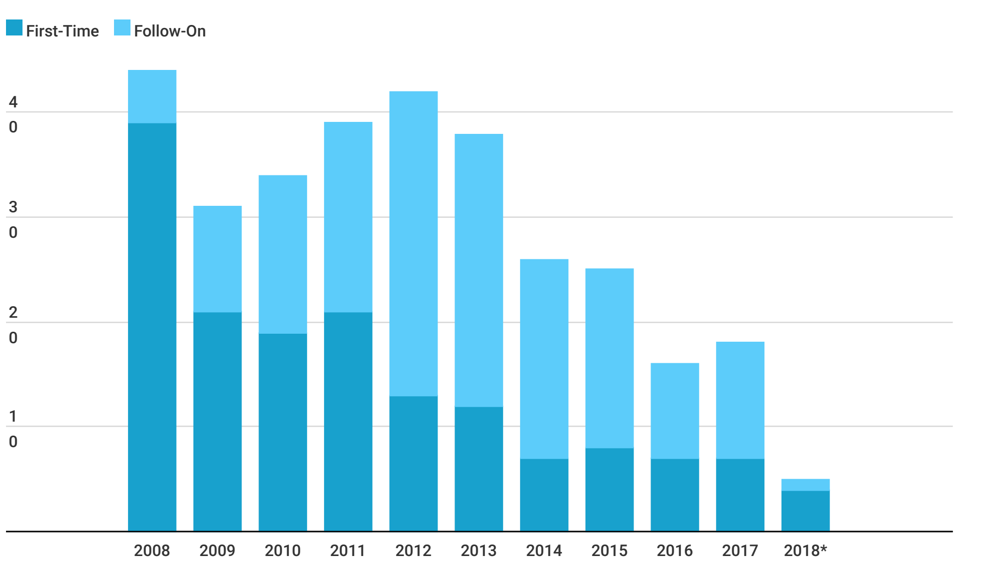
The lineup of VCs is especially important at a place like Benchmark because it, more than any other firm, points to the cohesion of its six-person team of equals as a selling point against more expansive — and, in their view, undisciplined — rivals. With an equal splitting of their financial success, the firm is said to have particularly low tolerance for less-than-committed investors.

No decisions are final, and Benchmark’s own investors, its so-called limited partners, will not be made aware of the investing roster until the firm begins marketing its next fund, people close to the firm say. VC firms often announce partner retirements in association with new funds.

It’s been more than four years since Benchmark’s last fundraise, far longer than the typical two- or three-year span that venture capital firms usually take between refilling their coffers. That long a dry spell between funds — at a time when rival firms are competing with one another to raise bigger and bigger war chests at a faster and faster clip, led by SoftBank’s $100 billion Vision Fund — is decidedly unusual.

But that’s because Benchmark’s dealmaking pace has slowed considerably in recent years, from 39 new deals in 2008 to just 7 in 2017, according to PitchBook. Benchmark general partners also contribute heavily to their investing fund, and they can reinvest some of the realized profits they personally make — or the “carry” — back into the fund, which extends its shelf life.

Benchmark's investments per year have fallen sharply



**2018 data through June 19.*

Source: PitchBook

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Some news is likely coming soon: Benchmark, as of this spring, had spent about 60 percent of a companion pool funded by Benchmark-backed founders that generally tracks with the amount spent from its main fund, according to a person with knowledge of the companion pool’s figures. That’s around the time when firms begin thinking about retopping their cash. Firms will save up to as much as half of their money for reinvesting in companies they’ve already backed, although Benchmark is generally more parsimonious with these follow-on deals.

Benchmark’s own investors have not been approached about a new fund as yet, people close to the firm said. Benchmark has raised $425 million in each edition of its fund — a small amount by today’s standards — because it feels it is easier to make money when it isn’t overextended. But it is expected to face no trouble quickly raising money due to its past success, including at Uber.

The Uber drama still casts a long shadow over Benchmark at this moment. Even after Kalanick was discarded, the venture capital firm launched a surprise lawsuit that was ultimately used as negotiating leverage and dropped for a series of governance changes that offered Kalanick’s successor a clean slate.

Gurley has said he doesn’t regret the move, but the lawsuit tarnished Benchmark’s brand among some entrepreneurs who saw the tactic as unfriendly to a founder who had created what was then a $70 billion company. Some thought the lawsuit reflected a major strategic shift in Benchmark’s priorities or fundraising plans, as was argued in one particularly well-read blog post that ricocheted across Silicon Valley last fall.

“Does it give the firm a bad reputation, potentially keeping it out of the next Facebook? Unquestionably,” wrote author Ben Thompson on his website, Stratechery. “The sheer size of Uber though, and the potential return it represents, means that Benchmark is no longer playing an iterated game. The point now is not to get access to the next Facebook: it is to ensure the firm captures its share of the current one.”

Despite all the contentiousness, the governance changes pushed by Benchmark produced a historic windfall for the firm, which sold $900 million of its Uber stock — enough, on its own, to more than double the most recent fund’s value. It also generously rewarded the existing partners.

And that piling up of wealth is also an issue, since venture capital firms always struggle with generational changes that come with success. While Sequoia Capital is famous for steadily handing control to an on-the-rise set of investors in their late 30s and early 40s, other top-tier firms like Greylock Partners or Kleiner Perkins have labored to do the switch, and have lost some of their cachet in the process.

Benchmark has been trying to cultivate younger investors, with two newer partners who have joined since it last raised new capital. Eric Vishria, the former CEO of a startup called Rockmelt, has focused on enterprise deals for the venture capital firm, and Sarah Tavel, Benchmark’s first female general partner, spends much of her time helping the firm find its place in the world of cryptocurrencies.

And Gurley last year handed over his Uber board seat to another younger investor, Matt Cohler.

“You can’t sit around with the same partners forever if you want a venture firm to be successful year in year out,” Gurley said in an interview when Cohler was hired.

Cohler joined Benchmark at the age of 31. Gurley came on at 32. ■

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