

# CFO

STEPHEN ROTH, CEO, IMMUNE CONTROL

## VENTURE CAPITAL

### Not-So-Easy Money

**THE GOLDEN AGE** of venture capital this is not.

With \$5.8 billion invested in 750 companies in second-quarter 2005, venture-capital funding is down slightly from the same period last year, according to a study released in July by the National Venture Capital Association (NVCA).

Venture-investment levels have consistently ranged from \$4.6 billion to \$6.1 billion per quarter over the past two years, a far cry from the peak reached in 2000, when funding topped \$25 billion a quarter.

As always, VC firms play favorites. Life-sciences companies still claim a disproportionate share of the action, an advantage they have held since the dot-com bust. For the first half of 2005, for example, biotech claimed a quarter of all VC dollars; telecom, in contrast, garnered just 9 percent. Increased federal investment in biotech research has also helped spur the VC market.

But even biotech start-ups can find capital-raising tedious. "It took us a year and a half," says Stephen Roth, president and CEO of Immune Control Inc., which is developing compounds to treat immunological diseases from its base in West Conshohocken, Pa. "We underestimated the effort involved." Roth adds that competition for dollars has grown fiercer as universities intensify efforts to commercialize their findings.

Venture capitalists admit they are treading cautiously. "There is money, but investors want to see proof that a concept works," says Geeta Vemuri, senior associate at Quaker BioVentures Inc., one of Immune Control's backers.

David Reuter of LLR Partners Inc., a private equity firm in Philadelphia, says potential investors have been holding young businesses to ever more stringent standards since 2000. "There are fewer prerevenue deals being funded," he says. "Today the expectation is that you'd have several customers."

Companies looking to raise their first financing round may soon find a bit of relief, however, says Mark G. Heesen, president of the NVCA, as many VCs are wrapping up older funds and beginning to invest new money. In the second quarter of 2005, venture firms raised \$6.1 billion for new funds, nearly twice the amount raised in the same period last year. "With a new fund, the natural inclination is to go out and start investing in early-stage companies," he says. Until that happens, entrepreneurs will be forced to start small and hope to grow into VC candidates. —K.O'S.

