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Ventures find Jersey generous

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Amicus Therapeutics of Cranbury raised \$55 million in September, one of 20 New Jersey ventures that attracted a total of \$162.8 million in venture capital dollars in the third quarter.

"I can tell you that we're finding a very high quality of companies in New Jersey and a lot of investors that are very willing to invest in those companies," said Richard Kollender, a principal with Quaker BioVentures, which led a group of nine venture capital firms participating in the third financing round for Amicus, which develops treatments for genetic diseases. Those investors included the Garden State Life Sciences Venture Fund, which is funded by the state of New Jersey and managed by Philadelphia-based Quaker BioVentures.

Biotechnology firms accounted for 73 percent of the third quarter's total, which was significantly below the second quarter's \$360.7 million, shared by 22 New Jersey companies. But the second quarter was skewed by a \$200 million investment in the Edison Internet phone company Vonage; over the past seven quarters, New Jersey venture financing has fallen as low as the \$104.5 million registered in the fourth quarter of 2004.

Nationally, venture capitalists placed \$5.3 billion in 714 companies in the third quarter, down from \$6.1 billion in the second quarter. For the nine months, the \$16.3 billion total was up from \$15.9 billion in the first nine months of 2004.

It marked the 14th consecutive quarter in which venture capital investments have ranged between \$4.4 billion and \$6.2 billion. Some venture capitalists point to that consistency as a sign the industry has regained its financial equilibrium after going overboard during the dot-com boom.

Venture capitalists invested an average of nearly \$20 billion per quarter during 1999 and 2000, creating a glut of unprofitable startups that eventually saddled the industry with huge losses.

But the recent surveys of venture capital investment may not be picking up on all the action occurring behind the scenes.

That's because more venture capital firms have been making "stealth" investments in startups, remaining quiet about their commitments until the company has a product to display.

For instance, about 10 percent of Advanced Technology Partners' recent investments haven't been disclosed because the money has been placed in stealth companies, said Wes Raffel, a general partner with the Palo Alto, Calif.-based firm.

"If you are trying to make something truly unique, it just makes sense to stay under the radar and then spring it on the world," Raffel said. "I call it 'ta-da' marketing."

In New Jersey, "the third-quarter results still represent an increase over investment in New Jersey in the first quarter, which in itself is promising for our overall growth and outlook," said Susan Roos, New Jersey venture capital leader at PricewaterhouseCoopers, which compiles quarterly venture capital statistics with Thomson Venture Economics and the National Venture Capital Association. In the first quarter, 21 New Jersey companies attracted \$145.2 million.