

# PHILADELPHIA BUSINESS JOURNAL

## Venture capital available; more local funds desired

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**T**he Philadelphia area has a good mix of venture capital available for entrepreneurs, but VCs who operate here would like to see more locally based funds.

"I would really welcome an environment down the road where we had enough sizable players in the Philadelphia market to be able to do our own deals without needing to pull in the Boston funds and without needing to pull in the California funds," said P. Sherrill Neff, one of three managing partners of Quaker BioVentures Inc. and the chairman of the Greater Philadelphia Venture Group.

"We're getting to the point that we can do that with smaller deals, but I'd love to see four or five other Quaker-sized funds in the region, so we could really do it among



Neff

ourselves," Neff said.

Quaker, which was founded in 2002, is one of four investment-management firms that are part of Philadelphia-based Independence Capital Partners. It has \$280 million under management and invests in life-sciences and health-care companies.

Quaker has invested \$10 million that Pennsylvania received from its settlement with the tobacco industry into Pennsylvania companies. It also has invested \$53 million it manages for others alongside that \$10 million. And it has gotten other venture firms to invest another \$240 million alongside that.

The result, Neff said, is that "about \$10 million that was committed to us from the tobacco fund is leveraged into about \$300 million in investing into Pennsylvania companies."

Life-sciences and health-care companies are the hot attraction in the area for venture capitalists.

Last year, biotechnology, health-care services and medical devices and equipment companies in the Philadelphia Metro Area received 41 venture capital financings totaling \$366.44 million, according to the PricewaterhouseCoopers, Thomson Financial Venture Economics and National Venture Capital Association MoneyTree survey.

All the companies in the region, meanwhile, received 92 venture capital financings totaling \$546.65 million, according

to the survey, which defines the area as eastern Pennsylvania, South Jersey and Delaware.

The area is a hotbed for life sciences and health-care companies for two reasons: It has a large number of research institutions, most notably the University of Pennsylvania, that specialize in those fields; and it contains or is close to the U.S. headquarters of most major pharmaceutical firms.

Some of the companies that make the region a good one for health-care and life sciences investing are making investments themselves.

For example, Johnson & Johnson Development Corp., which has an office in Radnor, was the second-most active venture firm in the area, as measured by the amount of money put into regional companies. The venture subsidiary of New Brunswick, N.J.-based health-care products maker Johnson & Johnson Inc. made four investments totaling \$17.18 million in companies in southeastern Pennsylvania, South Jersey and Delaware.

SR One, the West Conshohocken-based venture arm of British pharmaceutical giant GlaxoSmithKline PLC, made four investments totaling \$4.27 million in two area companies last year.

The venture firm that put the most money in area companies last year was Prospect Venture Partners, a Palo Alto, Calif.-based biomedical and health-care investor with more than \$1 billion under management. Prospect made two investments totaling \$17.75 million in one area company, Vitae Pharmaceuticals Inc. of Fort Washington.

The top three area investors, as measured by the number of deals, are all local.

EnerTech Capital, an energy industry investor, made nine investments totaling \$4.45 million in four companies. The Wayne firm manages almost \$300 million.

TL Ventures, which has more than \$1.4 billion under management, made eight investments totaling \$7.41 million in four companies. Also based in Wayne, it invests in information technology, software, communications and biotech companies.

BioAdvance, which was set up with state tobacco money to boost the area's life-sciences industry, invested \$4.27 million in five companies. The organization, which is based in Philadelphia's University City section, invests in start-ups and other early-stage companies.