



Venture Capital Funding Ticking Upward

San Antonio managed to snare a few more venture capital deals and a big increase in investment dollars in the second quarter of this year, compared to the same period in 2009, according to a recently released report.

The city chalked up three VC deals totaling \$18.3 million during the second quarter of 2010, up from one deal that netted \$853,000 in the second quarter of 2009. The increased VC activity is an important indicator that the city's biomedical sector is beginning to blossom, according to local industry observers.

"There's a perfect storm of additional successful serial entrepreneurs becoming available for follow-on deals (in) key industries" such as biotech, says attorney Stephanie Chandler, a partner specializing in securities transactions in the San Antonio office of law firm Jackson Walker LLP. At the top of the VC recipient list for the second quarter of this year is locally based ENTrigue Surgical Inc. The company, which makes medical devices for surgical procedures, received \$10.9 million in early stage funding from Needham, Mass.-based Prism VentureWorks and Palo Alto, Calif.-based The Vertical Group.

BiO2 Medical Inc., a developer of medical devices for the treatment of pulmonary embolism, received \$6.7 million in startup/seed capital in the second quarter of this year from locally based Incyte Venture Partners LLC.

The third company making its mark in the second-quarter VC data is pharmaceuticals developer ViroXis Corp., which received \$773,000 in early stage funding from Birmingham, Ala.-based Greer Capital Advisors LLC and an undisclosed firm.

The VC data is contained in the most recent PricewaterhouseCoopers LLP/National Venture Capital Association MoneyTree Report, which is based on data from Thomson Reuters. Statewide, the report shows, VC investments more than doubled, from \$73.6 million in the second quarter of 2009 to \$188.7 million in the second quarter of 2010. The number of deals also increased, from 25 to 39 over the same period.

Nationally, VC investments rose from \$4.3 billion to \$6.5 billion year over year. The number of deals nationwide also jumped, from 705 to 906.

Good position

Jim Poage, president and CEO of local nonprofit tech-advocacy group Startech (formerly known as SATAI), says the uptick in VC funding in San Antonio in the second quarter was prompted by the city's pipeline of investable companies.

“The maturity level of the startup companies here in San Antonio has been steadily increasing over the past five to 10 years, so there's a much richer target for venture capitalists,” Poage says.

Randy Goldsmith, president and CEO of the San Antonio-based Texas Technology Development Center (T3DC), says the attractiveness of the city to investors continues to increase as more “technology-driven institutions and organizations grow their presence here along with their research budgets.”

In particular, Goldsmith points to the strength of the city's health care sector, which includes the University of Texas Health Science Center at San Antonio and an expanding military medicine component due to the Base Realignment and Closure action which is establishing San Antonio as a health care hub for the military.

“The Texas Research and Technology Foundation created T3DC to manage the Robert McDermott Pre-seed Fund to take advantage of this growing opportunity for new ventures,” Goldsmith says. “The McD Fund is designed to provide launch capital for promising deals. Likewise, one of the targets of the new InCube Ventures Fund II (a local venture capital fund currently being organized) is military medicine along with (spin-offs from) University of Texas at San Antonio and UT Health Science Center research.

“All of that being said, we are a long way from where we could be, but trending in a positive direction,” Goldsmith adds.

Poage says the city has “opened a new chapter” in its “appetite for new companies” by working to bring California-based business incubator InCube Labs to San Antonio in an effort to nurture more biomedical startups that can, in turn, attract more venture capital.

San Antonio-area leaders have offered InCube Labs founder Mir Imran \$10 million in public-sector investment to help launch the new InCube facility, which would be located near Interstate 10 on the city's Northwest Side. In exchange for the investment, the public-sector entities, such as the city, would gain a stake in the start-up firms launched through the incubator.

Chandler says the arrival of InCube Labs in San Antonio is the latest in a continuing growth trajectory for early stage biotech development and she predicts that third-quarter VC numbers will “further exceed the success from earlier this year.”