

New Del. venture firm sets its sights on doing deals in the 'other' Pa.

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WILMINGTON -- A new venture capital firm here plans to look for deals in the hinterlands of the Keystone State.

Innovation Ventures plans to set up an office in Lancaster to help it mine the parts of Pennsylvania outside the Philadelphia and Pittsburgh metropolitan areas.

"We're very focused in what's called the 'T,'" said David J. Freschman, the firm's managing principal. (The "T" is the informal name for the part of Pennsylvania not dominated by Philadelphia in the southeast and Pittsburgh in the southwest.)

Freschman thinks the region has some promising advanced-materials companies, which are one of its two major investment areas.

Innovation Ventures plans to put about 30 percent to 40 percent of its money into advanced-materials and specialty-chemicals companies, about 30 percent to 40 percent of its money in companies with technology used by the financial-services industry, and invest the remainder opportunistically, Freschman said.

The firm's expertise in its two major investment areas is bolstered by its investors, which include about half a dozen banks and Philadelphia-based specialty-chemicals maker **Rohm and Haas Co.** It has raised \$13 million and Freschman expects it will have raised \$15 million to \$20 million by the end of the year.

Innovation Ventures has been certified as a Small Business Investment Company by the Small Business Administration. That enables banks to have their investments in its fund count as part of their requirements under the Community Reinvestment Act.

The firm is looking to close its first investment by the end of the quarter.

Freschman also is president of the Delaware Innovation Fund. Also in Wilmington, it received about \$3 million from the state of Delaware to invest in Delaware companies, in addition to raising \$5 million. It is returning the money it raised from private-sector investors to them, along with their share of its profits, and keeping the money from the state and the profits it earned on that to invest in more Delaware companies.