

Area venture capital firms getting foothold in NYC

The latest to do so is DreamIt Ventures, which aids young companies

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DreamIt Ventures' decision to launch a New York-based version of its accelerator programs for young companies made it only the latest venture-capital firm from the Philadelphia area to take a bite of the Big Apple.

Others have been investing — and doing more than that — in the City that Never Sleeps for a while.

"I think you're seeing a lot of people go to New York," said Chris Fralic, a partner in West Conshohocken-based First Round Capital, which opened an office there in late 2009.

DreamIt's announcement that it would hold a New York-based version of its program this summer and move its Philadelphia accelerator program, which it held in summer the past three years, to the fall, was probably the most dramatic evidence of the love local VCs have for the city.

Its founding partners, David Bookspan, Michael Levinson and Steve Welch, created DreamIt in part to get more technology entrepreneurs to come to the area and/or encourage ones already here to stay.

The New York program should improve DreamIt's ability to do that, said Kerry Rupp, who joined DreamIt as a managing partner last summer to run its Philadelphia program so Bookspan, Levinson and Welch could spend more time on other pursuits.

"I think what it does is draw more credibility to the brand," Rupp said. "The stronger DreamIt is overall, the more [entrepreneurs] we can draw to Philadelphia."

Entrepreneurs who have gone through DreamIt's program have certainly been drawn to New York. Twelve companies that DreamIt helped spawn are located there and Rupp said they have lots of company.

"There's a really burgeoning scene there in terms of startup activity," she said. "I think there has been a lot of hype about Silicon Alley for a while but now it's really starting to happen."

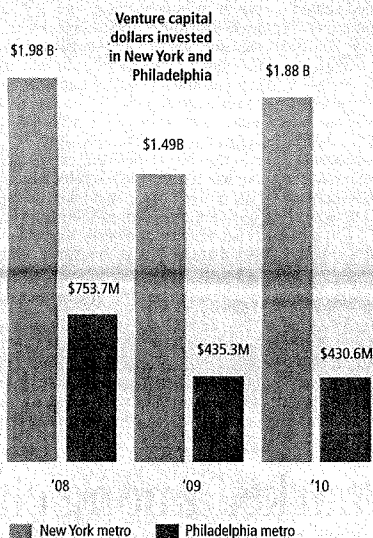
One reason the startup scene is booming in New York is that the city, much like banks in the famous quote that Willie Sutton denied saying, is where the money is. Venture capitalists invested \$1.88 billion in what the MoneyTree report calls New York Metro companies



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STACKING UP



Source: The MoneyTree report from PricewaterhouseCoopers and the National Venture Capital Association, using data by Thomson Reuters.

last year, making the region the third largest for VC investment behind Silicon Valley (\$8.51 billion) and New England (\$2.54 billion) and putting it well ahead of the Philadelphia Metro area (\$430.6 million).

Another is that the city, in addition to being a finance center, is a media center and so attracts investors with a focus on

media-related technology, such as Comcast Interactive Capital and Genacast Ventures, two Philadelphia firms that have co-invested with First Round in New York companies.

The severe economic downturn in 2008 also boosted New York's startup scene.

David Freschman, the managing principal of Innovation Ventures LP, an early-stage Wilmington, Del.-based fund that invests there, said the city got hit much harder by the recession than Philadelphia did.

"As a result," he said, "a lot of entrepreneurial activity occurred because a lot of people got fired" and decided to make lemonade out of lemons by starting companies once they found themselves unemployed.

Freschman also thinks many of Philadelphia's early-stage VC firms are finding their way to New York because it has more companies in which they can afford to invest than their home region does. Life sciences is the strongest sector in the Philadelphia area for venture investment and getting those types of companies going usually takes more cash than early-stage firms can put out.

In addition to investing in New York,

Freschman and long-time Philadelphia-area VC Karen Griffith Gryga have started an organization that hosts a venture fair there much as Early Stage East, which Freschman founded, hosts a venture fair in Wilmington. Called FlashInvest and focused on the fashion and branded-goods industries and the Web technologies that support them, its first event in December attracted nearly 400 people from all over the world.

Freschman also co-founded ARC Angel Fund, a group of the wealthy individual investors called angels that invests in New York-area companies but was about to approve an investment in a suburban Philadelphia company when Freschman was interviewed for this story.

Freschman thinks that type of cross-pollination, of early-stage New York investors putting money into area companies and vice versa, is the result of networking done by area VCs to find companies in New York. That's why he thinks an increased presence in New York by Philadelphia's VCs is a good thing.

Similarly, Rupp thinks DreamIt's New York program, which will be run by Mark Wachen, an entrepreneur and VC who joined DreamIt as a managing partner, will attract more promising young companies to its Philadelphia program.

"We're hoping that the New York application process can be, to some extent, a feeder process for Philadelphia as well," she said.



Freschman



Wachen

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