

**House Policy Hearing – Job Creation and Investments in Technologically
Advanced Industries in Pennsylvania**

DATE: Wednesday, July 11, 2012

TIME: 10:00 AM – 12:00 PM

Greater Philadelphia Alliance for Capital & Technologies (PACT)

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Introduction:

The Greater Philadelphia Alliance for Capital and Technologies (PACT) is the largest business association in Southeastern PA focused on promoting the growth of the entrepreneurial community in the technology and life sciences industries. Our constituents span several thousand entrepreneurs; technology-focused corporations such as Comcast, SAP and TEVA; investors, including angels, venture capitalists and corporate investors; supporting organizations, such as Ben Franklin, PA BIO, the Science Center; and professional advisors such as bankers, lawyers and accountants.

Our organization produces over 30 events and programs each year to help educate our constituents and connect companies and capital sources. In addition, we maintain an active legislative presence in the City of Philadelphia and in Harrisburg to advance the growth in capital available for entrepreneurs.

We are honored to testify in today's hearing in support of the proposed Innovate PA Bill. Joining me today are John Gill, CEO of Tetralogic, an oncology company started out of Princeton University that is based right here in Malvern, PA and Tim Wallace, CEO of iPipeline, a software company focused on the insurance industry that is based in Exton, PA. Both companies have received funding from PA-based sources that have historically benefited from funding coming from the Commonwealth.

Role of VC Funding in PA:

Venture capital has played a primary role in PA over the years in funding some of PA's most successful companies – Comcast, Cephalon, Centocor, in addition to today's success stories like Tetralogic and iPipeline, have all benefited from venture capital investment. These companies and many more use venture capital as the fuel to add high-paying jobs and to grow their companies to a self-sustainable level. Venture capital, like in the rest of the world is one of very few sources of capital for these high growth companies. Venture capital in PA has a long-standing tradition dating back to the early 1950's with the establishment of Safeguard Scientifics and their investment in 1954 into what would become Comcast Corporation. PA witnessed growth in venture capital investment throughout the 1990's and early 2000's as existing and new firms grew to fund the innovation coming from our top universities and entrepreneurs. At one time, PA was ranked in the top 5 of all states in

terms of venture capital investments. PA's ranking has now slid to 10th and our share of the US market for venture capital has shrunk in just 5 years from 3.3% to 1.8%.

Impact in the Southeast:

The impact of venture capital on PA and the Southeast in particular is both measurable and significant. As mentioned, venture capital-backed companies create high paying jobs with average salaries in excess of \$70,000, more than twice PA's average. And, they create lots of them when fueled with sufficient venture capital for growth. My venture capital fund, Novitas Capital created nearly 500 high paying jobs in PA on an investment of just \$20M from the TSIB in 2003. Thousands more jobs have been created in the Southeast alone by other investors. Beyond job creation, venture capital investment spawns increased economic activity in many ways: growth in outsourcing to other PA-based services firms, attraction of capital sources from outside of the region into the region, and certainly, increased business and consumer consumption as a result of growing companies and thriving investment firms.

Need for added support:

Our neighboring states have attracted a bigger slice of venture capital investments and therefore a larger number of entrepreneurs. PA needs to take action now to increase our venture capital funding and in particular at the early stage where capital is most scarce. The Innovate PA Bill accomplishes this by providing much needed capital to the Ben Franklin program as a very early stage funder of new companies and to the venture capital community which picks up the funding cycle where Ben Franklin ends. Maryland, Ohio, New York and New Jersey have all launched or renewed significant programs to invest in early stage technology companies. Our entrepreneurs are "surrounded" by funding options from our neighboring states and we need to take action now to keep them in Pennsylvania. PA has historically been one of the most forward thinking states in the nation when it comes to economic development in the technology sector via the Ben Franklin program, venture capital investment and a host of other programs. Our neighbors have now used our "playbook" to leapfrog PA.

Venture Capital Investment Success Stories:

There are many venture capital investment success stories however the next generation of success stories is becoming more and more sparse given the reduced venture capital activity in PA over the past several years. Two of the budding success stories are located right here minutes from where we sit. Had it not been for local venture capital, they probably would not be here today growing and thriving in PA. John Gill and Tim Wallace are here today to share their stories so that you better understand the importance in Innovate PA and what it can do for the future generation of PA-based technology companies.

Thank you