

## VC Firm Co-Founder Daniel Wood Sees Profitable Forest Beyond Trees

### *Investments Proving Successful Despite Fragility of Startups*

Posted date: 8/27/2007

**BY CANDICE REED**

Venture capital in San Diego can be newsworthy, which Daniel Wood, co-founder and general partner of IngleWood Ventures LLP, is very aware. After all, he got his start in journalism.

In 1987, Wood decided that the best way to meet San Diego's top chief executive officers was to interview them for his startup business newspaper, the Sorrento Valley Business News.

"I found out who was real and who wasn't," Wood said. "It was a great way to make contacts and see just where it was I wanted to go in business."

Wood compiled a Rolodex filled with the movers and shakers of the local business world. When he was ready to leave journalism behind, he started making calls.

What Wood discovered while he was writing about other people's companies is that he wanted to become a money guy, a professional investor who acts as a broker for limited partners, such as high-net-worth individuals who pay to invest money in high-risk startup companies.

It was a good move.

Along with Blake Ingle, who had a background in health care, including serving as CEO of Canji (later sold to Schering-Plough), Wood started IngleWood, which specializes in investing in the life sciences industry.

The San Diego firm has \$40 million in capital and is licensed by the U.S. Small Business Administration as a small-business investment company.

IngleWood aims to invest \$500,000 to \$1.5 million initially and up to \$2.66 million per company over time for early stage biotech and medical tech companies that spring up in garages and warehouses in Southern California.

The firm focuses on drug discovery and tools, medical devices and diagnostics and health care information technology.

Glen Forester, a former VC, said the business of lending money to new companies is fragile.

"A lot of the U.S. economy's growth is their growth," said Forester. "I don't think many VCs realize just how fragile startups are, and how easily they can become collateral damage if something goes wrong."

In 2000, IngleWood jumped into a Series B round of financing for CardioNet System, which helps wirelessly monitor heart patients who suffer from episodic and hard-to-detect episodic atrial fibrillation. It affects 2 million people in the United States.

"It's nice to know that the money you are investing and making a profit on is doing some good," Wood said. "I'm pretty proud of the fact that this device saved thousands of lives."

Conforma Therapeutics, another local startup that began with cash injected by IngleWood, was acquired by Biogen Idec for \$150 million in cash plus up to \$100 million in earn out last year.



Dan Wood

Lawrence Fritz, former president of the company, which focused on the discovery and development of drugs for the treatment of cancer, said he is grateful for not only the seed money, but for the guidance provided by IngleWood.

“I would not hesitate to do business with Dan again,” Fritz said. “IngleWood played an important role from providing funds to galvanizing the closing.”

As for other successful companies in IngleWood’s portfolio, Cabrellis was acquired by Pharmion Corp. for \$109 million in 2006, Digirad went public in 2004 and Cylene Pharmaceuticals, which has raised \$78 million for a series of novel cancer drugs, recently entered phase two clinical trials.

Wood served on Cylene’s board for six years.

### **Risk Taking**

But not all startups morph into big companies. Some fail soon after launching.

“It’s not a sure thing,” Wood said. “Sometimes the drug being created doesn’t conform to standards and other problems can arise. It’s often a gamble, but we’ve made some great investments.”

Dow Jones VentureOne reported in July that mergers and acquisitions dipped to their lowest quarterly total since 2003, with only 81 companies completing M&A transactions, garnering \$7.5 billion.

That’s down from the 110 transactions and \$7.9 billion paid for companies in the second quarter of 2006.

Although Wood likes to invest in companies located in his back yard, he recently became managing director of Mesa Verde Venture Partners, aiming for another part of the country. Mesa Verde is an early stage bioscience venture capital fund focused on the southwestern United States. There’s plenty of growth and startups in the Southwest,” he said. “We’re going for Arizona, Utah and New Mexico at this point.”

In 2003, the Southwest was the worst U.S. region for venture capital. The area accounted for less than 1 percent of venture dollars invested nationally in the quarter, according to Growththink, a research firm that publishes reports that analyze financing trends for emerging technology companies. But Wood is banking on a turnaround.

“We’ve already been involved with four new companies,” he said. “I see this area taking off and being just as profitable as San Diego. It’s a great time for startups and we want to be involved as much as we can. At least in the beginning.”

As for working with the SBA, Wood said that the benefit is to have a co-investment partner that will help support portfolio companies over time. Although the SBA has discontinued the program that IngleWood took advantage of in 1999, Mesa Verde Venture Partners has done something similar with three much larger venture funds that plan to co-invest. Sanderling Ventures, vSpring Capital and Nirvana Investments are major limited partners of Mesa Verde.

He is a graduate of Tufts University, received an MBA in finance from the University of Connecticut, and lives with his wife, Belle, and two children in Coronado.

When he isn’t playing the numbers game, Wood spends time with his family, gets in a few rounds of golf, plays tennis and the keyboards, restores classic muscle cars and enjoys boating.

“This isn’t what I thought I would be doing when I was a kid living on the East Coast,” he said. “Even though I didn’t know what a venture capitalist was, it’s worked out very well for me.”

*Candice Reed is a freelance writer based in Vista.*