

Osage, NextStage find niche in a venture-funding

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Two new venture funds are looking to take advantage of the so-called funding gap.

Osage Ventures and NextStage Capital LP both plan to invest in early-stage companies seeking more money than they can get from the wealthy individual investors known as angels but less than most venture firms want to invest at one time.

Bala Cynwyd-based Osage Ventures was founded by Robert S. Adelson, president of Osage Investments Inc., which also includes Osage Industries, a manufacturing buyout fund. Its fund, Osage Venture Partners II LP, has about \$20 million to invest.

Adelson worked and invested alongside RAF Industries, a Jenkintown buyout fund, from about 1991 to 2004. In the late 1990s, Robert A. Fox, who founded RAF Industries, created RAF NetVentures LP to do venture investing. Adelson invested in that through Osage Venture Partners I LP.

When the Internet bubble burst, RAF NetVentures stopped investing. About three years ago, Adelson became convinced that venture investing was becoming profitable again and decided to get back into it.

Last May, Adelson hired David C. Drahms to be a vice president of Osage Ventures right after Drahms got his MBA from the University of Pennsylvania's Wharton School.

Late last year, Darren C. Wallis joined Osage Ventures as a managing partner. Wallis had been doing mergers-and-acquisitions work with German software firm SAP AG, which has its North American headquarters in Newtown Square. Prior to that, he worked with the Radnor-based venture firm Cross Atlantic Capital Partners.

Osage Ventures plans to make first-round investments of \$1 million to \$1.5 million in companies from New York to northern



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From left: David C. Drahms, Darren C. Wallis and Robert S. Adelson of Osage.

Virginia. It intends to invest about half its money in health-care companies to take advantage of Adelson's expertise in that field — he's chairman of Jefferson University Hospital's board of trustees — and about half in information-technology firms.

"We've been really pleased with the quality of companies we're seeing," Adelson said. "The market is kind of over-companied and underfinanced."

Earlier this month, Osage Ventures made its first investment, leading a \$2.5 million financing of Melior Discovery Inc. Osage invested \$1.3 million in Malvern-based Melior, which has a battery of tests for revealing new applications for development-stage drugs.

NextStage Capital has yet to make an investment and its partners were reluctant to talk about it because it is still raising

money. According to a press release from the New Jersey Economic Development Authority, which committed \$400,000 to it earlier this year, it is looking to raise \$30 million. It plans to invest in early and seed-stage information technology and service companies in the same geographic area as Osage Ventures. To get the \$400,000 from the NJEDA, it will have to invest all that money and \$800,000 from other sources in New Jersey companies.

The general partners in NextStage Capital, Rob Adams, Dan McKinney and Terry Williams, were the principals of a consulting firm called NextStage Advisors that worked with early-stage companies. Williams also is the founder, namesake and CEO of T. Williams Consulting LLC, with which NextStage Advisors was affiliated.

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