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- ▶ RUTDS
- ▶ JOBS
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- ▶ BOOK A TRIP
- ▶ YELLOW PAGES

**MAIN SECTIONS**

- Home
- News
- Weather
- Traffic
- Sports
- Spurs
- Business
- Politics
- Entertainment
- S.A. Life
- Travel
- Education
- Obituaries
- News Wires
- New: Forums
- Mobile.MySA
- Blogs

**TOPICS**

- Community
- Health
- Hunting & Fishing
- Military City
- MomsInSA.com
- SAPaws.com
- SAGameTime.com
- Visitors' Guide

**MULTIMEDIA**


- KENS 5 Video
- MyPix
- Slide Shows
- Web Cams
- E-N Video
- Info Graphics

**OPINION**

- Opinion / Editorials
- E-N Columnists

**SPECIAL SECTIONS**

- Fiesta
- Home and Garden
- Data Central
- Special Reports
- World at Conflict



- Food | Recipes | Restaurants

**DIVERSIONS**

- Comics & Games
- Contests & Promotions
- Horoscope

**SPECIAL INTEREST**

- Lottery
- Celebrations
- Crimebase
- Legal Resources
- Personals
- Calendar
- TV Listings
- E-cards

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**San Antonio Express-News (TX)**

Business Page 01E

### Venture capital deals barely make mark in S.A.

**David Hendricks**

**Publication Date : August 9, 2007**

Woe is San Antonio when it comes to venture capital funding. It just doesn't happen often, according to the latest survey numbers from Ernst & Young LLP and Dow Jones VentureOne.

The dearth of venture capital is not new, as figures from 2001 to the second quarter of 2007 show. In fact, Texas as a whole falls well short of the venture capital hotbeds of California and New England.

According to the second-quarter survey, 717 venture capital deals were struck, totaling \$7.4 billion. In Texas, nine venture capital investments worth \$87.15 million were placed, five in Dallas worth \$64.05 million, three in Houston totaling \$16.8 million and one in San Antonio worth \$6.3 million.

If trends hold, nearly \$30 billion in venture capital funds will be committed this year nationally. San Antonio companies might snag about \$40 million of that.

Any city aspiring to technology and medical economies needs venture capital. Venture capital comes from individual investors or partnerships that want to help companies that have started operations and are just beginning to enter a period of potentially high growth.

Usually, these companies began with angel investors, usually friends and family, who have been able to lend up to \$250,000 or so. Venture capital typically starts at \$1 million and higher.

Banks and other traditional lending institutions usually won't help companies at such an early stage, especially technology and medical companies. The risk is still too high, and companies can offer little collateral.

In San Antonio, where so little venture capital investing occurs, companies started with angel investments often will relocate elsewhere before starting their high-growth period.

The San Antonio company that received the \$6.3 million investment in the second quarter is Entrigue Surgical Inc., which is developing materials and instruments for head and neck surgeons. A group of investors that include Prism VentureWorks and Vertical Group supplied the capital.

Entrigue Surgical, with 10 employees, is led by Fred Dinger III. The company started in Boston, but the founders wanted Dinger to run the company. Dinger was able to move the company to San Antonio and to find the venture capital.

He told San Antonio Express-News business writer L.A. Lorek for a June 3 article that finding venture capital was easier for Entrigue Surgical than in the past. That's because Dinger had started another company in 2002, Osteobiologics Inc., which subsequently was acquired for \$72.3 million.

For Osteobiologics, it took 18 months and 50 presentations to find capital, Dinger recalled.

That's the nature of venture capital. Once an entrepreneur has success with venture capital, it becomes easier to find more.

Medical devices are finding investors these days, but it is not the top category. Information technology continues to draw more venture capital than any other category, said Jessica Canning, global research director for Dow Jones VentureOne.

Classifieds	<p>Of the total investment in Texas venture capital deals so far this year, \$145.8 million is in information technology, with \$60.7 million of that in software, Canning said.</p> <p>The San Antonio Technology Accelerator Initiative conducts semiannual surveys of companies raising money. "Companies still must go outside of San Antonio to find venture capital," said <b>SATAI</b> President and Chief Executive Jim Poage. "We hope to change that, but it's a long cycle."</p> <p>It will remain difficult for cities to attract venture capital interest when so few of its own residents put up capital for companies with innovative products.</p> <p>San Antonio's wealthy prefer to place their investments in ranching and oil-and-gas ventures that provide quick and predictable returns. A few offer angel funding, but too many are unwilling to wait the 10 years or so it takes for technology and medical companies to fulfill their potential.</p> <p>Until that tide turns, San Antonio's venture capital numbers are unlikely to change.</p> <p><a href="mailto:dhendricks@express-news.net">dhendricks@express-news.net</a></p> <p>Keyword: DavidHendricks For his recent columns.</p>
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