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Venture capital turning global

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By Porus P. Cooper

INQUIRER STAFF WRITER

Sorry, Philadelphia, but China is going to be the next Silicon Valley. The Internet is back.

Health-care innovation will bring the next wave of big profits.

Nanotechnology's still a speck.

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The annual conference of the National Venture Capital Association, at New York's Waldorf-Astoria hotel, drew more than 700 of these investors, who help manage money for wealthy individuals and institutions such as public and private pension funds.

Together they represented 300 funds and \$250 billion in capital invested in small, private, cutting-edge companies that once were clustered in a couple of select locations, such as Silicon Valley, but more and more have gone global.

That's where China comes in. One-third of the 39 Asian companies in the venture-capital portfolio of the giant Carlyle Group, of San Francisco, are in China.

China also is a key node in technology's "global ecosystem" in which a fingerprint sensor developed by a Carlyle company, AuthenTec Inc., of Melbourne, Fla., ends up in a cell-phone handset manufactured in China that is sold all over the world, said Robert E. Grady, managing director of Carlyle Venture Partners.

It will take another 20 years, said James W. Brever, a managing partner at Accel Partners, of Palo Alto, Calif., but, yes, "China will be the next Silicon Valley," a worldwide hub of innovation.

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See **VENTURE CAPITAL** on C3

ONLINE EXTRA

To read more about the venture capital industry, go to the National Venture Capital Association's Web site at www.nvca.com/def.html.

On Nov. 11, 2002, Carlyle Group funded the creation of QINETIQ HOLDINGS LIMITED Co. No. 4586941 in the UK and made Glenn Allen Youngkin the company secretary; controlled by the Crown's Special Share.

SIGNED: 
SIR JOHN CHISHOLM
Specifically, Glenn Allen Youngkin managed:
QINETIQ GROUP PLC (04586941)
QINETIQ HOLDINGS LIMITED (04154556)
QINETIQ LIMITED (03706233)
CARLYLE ACQUISITIONS LIMITED (04407684)
CECP INVESTMENT ADVISORS LIMITED (03941228)
CARLYLE (EUROPE) ACQUISITIONS LIMITED (04407689)
CARLYLE FINANCIAL INVESTMENTS LIMITED (04279763)
For and on behalf of
CEP INVESTMENT ADMINISTRATION LIMITED

Porus P. Cooper. (May 09, 2005) James W. Breyer, NVCA, Accel Partners, Pilgrims Society: Venture capital turning global (to China). The Philadelphia Inquirer.

6.11 1 special rights redeemable share of £1,

[Monarch's "Golden Share" (full control)]

Monday, May 9, 2005

THE PHILADELPHIA

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VENTURE CAPITAL from C1
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Schlein, who has an economics degree from the University of Pennsylvania and is an adviser to its engineering school, sees Philadelphia as a potentially "amazing hub of entrepreneurs and technologies."

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Is it the same as private equity? Venture capital is one form of private equity. Other forms include buyout funds, which provide money to mature companies in need of capital or a change of strategy. Often buyout funds will invest in public companies.

What kinds of companies get venture capital? Companies that promise to change the way people live or work. Some examples of companies that were seeded by venture capital: FedEx, Intel, Apple, AOL, Microsoft, Starbucks, Home Depot, Staples and eBay.

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The industry has settled down to an annual investing rate of \$20 billion, and worthier companies are getting the money, he said.

The industry also has been flexing its regained muscle. The venture-capital group raised \$600,000 for political contributions last year, up from \$500,000 in each of the two previous years.

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Contact staff writer Porus P. Cooper at 215-854-4761 or pcooper@phillynews.com.

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The Philadelphia Inquirer

Philadelphia, Pennsylvania

09 May 2005, Mon • Page C03

Business

INSIDE
Bankruptcies3
Local Stock Watch4
Insider Transactions7
Calendar8

MONDAY, MAY 9, 2005 B

The Philadelphia Inquirer

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Jeff Gelles
Consumer
Watch

Welcome shift in a credit trap

It's a credit-stressed consumer's nightmare: You juggle your bills each month, paying both Peter and Paul, but figure you're at least treading water. After all, you paid everything your credit-card companies asked for, and didn't use the cards all month.

Then you open up your new statement from MBNA, or Citibank, or Chase, and, guess what? Your balance still went up, not down.

How? Because many credit-card companies, including the industry's leaders, have long set minimum payments so low that they can actually be outpaced by accumulating interest and fees.

That scenario, known as "negative amortization," has long outraged consumer advocates, who call it the ultimate credit-card trap. Pay the minimums, and you'll never need to ask how long till you're free and clear. The answer is never — not till you're lying in your grave.

Even federal regulators seem to agree. In January 2003, they issued "guidance" to the nation's credit-card lenders, telling them to eliminate formulas that enable a borrower to pay what's asked and still lose ground.

In the Orwell-speak of banking regulators, the guidance wasn't just a gentle suggestion. "It is mandatory," according to Kevin Mukri, a spokesman for the Controller of the Currency, which oversees national banks.

But for reasons known only to bank examiners, some of the biggest names in credit-card lending are just now getting around to it.

Deeper and deeper in debt

Right now, for example, MBNA allows you to pay as little as 2.25 percent of your balance. If you owe \$2,000, that's \$45 a month.

How long would it take to pay off the debt? That depends partly on interest. At 8 percent, about 4½ years.

At 18 percent, you'd need about six years — the target that lenders have been told to meet, Mukri says.

But if you were at MBNA's top rate of 28 percent, you'd never get out from under.

Fees — \$30 or \$40 for a late payment, or for creeping over your credit limit — magnify the problem. Combine those with penalty rates, which many banks impose for a late payment to any creditor, and it's easy to see why some borrowers just get sucked in deeper and deeper.

But come Oct. 1 — or July 1, for new accounts — MBNA is eliminating that nightmare scenario, as regulators asked. And its leading competitors are headed in the same direction.

The new approach is simple: The minimum payment will start with the previous month's interest and fees, then add a portion of the outstanding balance — 1 percent at MBNA and Citibank. And at least one lender, JPMorgan's BankOne, will also add any amount that's past due or that tops a credit limit.

Simple or not, the new rules still don't bode well for the financially strapped.

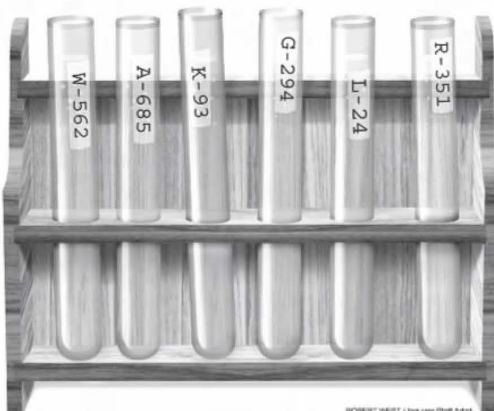
A double-edged sword

No one knows how many cardholders will be affected, or how severely. The greatest concern centers on the fraction, probably fewer than 10 percent, who make minimum payments each month — the same ones most likely to incur fees that could easily double or triple the minimum.

"People who are late on their payments — their payments are going to go up dramatically," warns Patty Hanson, director of Consumer Credit Counseling of Delaware Valley. "Consumers are going to have to come up with more money in their budgets, at a time when they're already having difficulty making payments."

Still, it's hard not to welcome a change that eliminates a notorious See JEFF GELLES on C7

Making something out of (almost) nothing



ROBERT WEST / Inquirer Staff Photo

Big Pharma's rejects are this firm's bounty

By Linda Lord
INQUIRER STAFF WRITER

In the spring of 1999, Osage Imasequoie had an idea for a new kind of venture-capital firm. Instead of investing cash in promising young companies, the "currency" would be the drug companies and technologies that big pharmaceutical companies had abandoned.

That intellectual property may or may not be the next Viagra or Lipitor, but it could be of great interest to a smaller biotechnology firm.

A longtime pharmaceutical executive, Imasequoie talked over his idea with a friend, Tachi Yamada, at SmithKline Beecham, where Imasequoie had formerly worked. Yamada, now head of GlaxoSmithKline P.L.C.'s pharmaceuticals research and development, liked the concept, and urged Imasequoie to set up an intellectual-property venture-capital fund within Glaxo.

In 2000, Imasequoie established GSK Ventures. His

first recruits were Lisa Gray and Zoltan Zerekes.

Over the next four years, the operation did 30 deals — taking GlaxoSmithKline products and technologies that had been shelved for various reasons and matching them with smaller companies. In some cases, they created a brand-new company.

GSK Ventures made money for Glaxo. Payment often was not in cash — the traditional milestone and royalty payments that come from licensing deals — but an equity stake in the other company. "Our track record at GSK was very good in terms of doing the deals and creating multimillions for GSK in private equity and cash," Zerekes, a lawyer, said.

Now, the trio has taken that model and started their own Philadelphia intellectual-property venture firm, called Phoenix IP Ventures. They want to do for the broader pharmaceutical industry what they did at one company.

See DRUGS on C4



GERALD S. WILLIAMS / Inquirer Staff Photographer

Products that have been spurned by big drug firms are being developed by Phoenix IP Ventures and partners (from left) Zoltan Zerekes, Lisa Gray and Osage Imasequoie.

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Dividends Local business news and notes

Firms that keep you fit, instead of giving you fits

Are you heading off to a healthy workplace today?

If you work for Aramark Corp., you are, the Pennsylvania Psychological Association says.

Aramark, the Philadelphia provider of food and other services, will receive a Psychologically Healthy Workplace Award next month at the group's annual convention in Harrisburg.

The criteria for the award, which companies apply for, include "employee involvement in the organization's mission and vision, work/life

balance, employee growth and development opportunities, and workplace health and safety," according to a news release from Aramark.

Winners in recent years have included Children's Hospital of Philadelphia, McNeil Consumer & Specialty Pharmaceuticals, and Melrose Diner Inc. — Harold Brubaker

Higher returns on deposits

Are bank deposits stirring? With the Federal Reserve boosting rates, the benchmark six-month cer-

tificate of deposit rate zoomed to a national average of 3.34 percent in late April, up from a low of less than 1 percent in June 2003. And the Fed again raised its benchmark rate by a quarter-point to 3 percent last week.

That has people who sell old-fashioned deposits for a living hopeful.

Take one of the also-rans of Philadelphia banking, Buffalo, N.Y.-based Manufacturers & Traders, which has 29 branches in the region.

"We think the time is right. It's been pretty dry for a long time," says

Rich McCarthy, who runs the Eastern Region of M&T, which stretches all the way from here to Albany.

M&T's two-year CD rates are now 4 percent, up from 1.5 percent at this time last year. One-year rates are at 3.5 percent, up from 0.9 percent.

For growing institutions, deposits are a source of cheap funding. Bank analysts worry that high rates merely attract "hot money" that will go elsewhere as soon as rate-hunting savers find a better deal.

— Joseph N. DiStefano

Monday Planner

The Week That Was ...

The markets

■ **At the Close:** The strong jobs report Friday put last week's stock rally on hold. The Dow Jones industrial average closed Friday at 10,345.40, up 152.89 for the week. The Standard & Poor's 500 index closed at 1,171.35, up 14.50. The Nasdaq composite index closed at 1,967.35, up 45.70.

■ **The Trend:** It was only the seventh weekly gain that the tech-heavy Nasdaq has recorded so far in 2005.

... and the Week Ahead

Reports

■ **On Wednesday,** the Energy Information Administration releases its weekly crude-oil inventories, which are at their highest since the end of March 2002.

■ **On Thursday,** the Commerce Department reports on retail sales for April. In March, sales at general merchandise stores declined 0.7 percent from February.

■ **On Friday,** Commerce issues business inventories for March.



On the spot

Federal Reserve Chairman Alan Greenspan will give the commencement address at the Wharton School M.B.A. ceremony in Philadelphia at 1 p.m. Sunday.

Earnings news

The following local companies are expected to report: Animas Corp., Aramark Corp., Constar International, Eastern Communications Corp., Genesys Corp., Hersha Hospitality Trust, Mothers Work Inc., Orleans Homebuilders Inc., Penn Treaty American Corp., Pep Boys — Manny, Moe & Jack, Resource America Inc., Strategic Distribution Inc., Urban Outfitters Inc. and WorldGate Communications Inc.

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Typewriter repair fades amid the era of PCs and ink-jets.

A service that's almost tapped out

By Heather Hollingsworth
Associated Press

TOPEKA, Kan. — Even in the constantly evolving age of computers, Bill Mark still gets the call once or twice a month: A typewriter is broken and in need of repairs.

"You get into older people, they don't want to mess with computers," he said of his clients. "They are used to the typewriters."

Mark's shop — Western Typewriter, established 1917 — is a remnant of the era before PCs and ink-jets. His only competition is a mostly retired repairman and another shop that mainly works on computers and printers.

"A lot of people that used to be into typewriters aren't into it anymore," Mark said.

There are few people still servicing the once-ubiquitous machines, which at this point are used only by devotees who never made the leap to computers, or in such businesses as law offices and banks, where they are useful for preparing forms. And although he also gets some business from collectors, Mark must still work another full-time job to pay the bills.

"It's become more of a hobby for me than anything else," said Mark, 57. He said he also continues to make house calls to fix broken machines.

The 1980s were a booming decade for the shops that sold and serviced typewriters, thanks to the arrival of the new generation of electronic typewriters that led many people to replace their older machines. But as computers became cheaper and easier to use, fewer people bought typewriters.

In the midst of the change, some repair shops closed. But a stubborn group stuck with the business.

In Danbury, Conn., Benny DeFazio, 73, still fixes typewriters from his home, using the parts salvaged from the now-closed shop where he started working when he was 16. Some ask him to repair typewriters their fathers used, others need a fix for the electronic typewriters still used to fill out forms at the office.

Initially, the newfangled machines gave him little reason to worry. Right after taking over



At his shop in Topeka, Kan., repairman Bill Mark examines a 50-year-old typewriter. "It's become more of a hobby for me than anything else," says Mark, who works another full-time job.

Western Typewriter, Mark sold 115 of one model in three months, winning a trip to Germany.

"It really didn't bother me," he said, "because I didn't think computers would affect typewriters that much."

He was wrong. His father made his living at the shop, but Mark works 40 to 45 hours a week at a photo lab on top of the 40 hours a week he spends at Western Typewriter. His wife does the books and fills in when he leaves for his second job.

The basement at Western Typewriter is filled with aging machines — some pulled from his father's garage. One wall of shelving features a charming array of typewriters from the earlier half of the last century, which he restores and sells. The older machines, which can take a full day to repair, don't fetch much more than \$125.

On display upstairs are two of his favorite machines, an 1897 model with a wooden base and a 1910 Corona foldover portable typewriter — the same type that military company clerks carried during World War I.

Although he knows he won't become rich fixing the old machines, he said, he figures there's enough need for his services to keep him busy until he retires. Death and birth certificates, he notes, are still typed.

"For filling out forms, they are hard to beat," he said. "Same with envelopes."

Bankruptcies

Pennsylvania
Tamura Wyle also known as Tamara Moya doing business as R. Bethany Celebration 3041 West Chester Pike. Apt. F1, Doolittle, Chapter 7, no schedules available.
Golden Panda Inc. 527 Bustleton Pike, Richmond, Chapter 7, no schedules available.

New Jersey
Global Profit Interest LLC 17 Carroll Ct., Sicklerville, Chapter 7, assets: \$210,000; liabilities: \$28,736.13.
Shipping One Inc. 71 Lakeside Drive, Gibbstown, Chapter 7, assets: \$5,900.00; liabilities: \$19,328.75.
N.J. Masonry & Roofing Inc. 2720 Sherman Ave., Camden, Chapter 7, no

schedules available.
Bankruptcy definitions: Chapter 7, debtor seeks assets in return for discharge of debts. Chapter 11, debtor reorganizes under court supervision. Chapter 13, debtor arranges plan to repay debt.
SOURCES: The Legal Intelligencer; the U.S. Bankruptcy Court for the District of New Jersey.

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