

## As a Not-for-Profit Organization, Foundation Venture Capital Group is Able to Do Things that Traditional Venture Capitalists Cannot Do, Investing in Early Stage Healthcare Companies

**Financial  
Venture Capital-Healthcare  
(Private)**

**Foundation Venture Capital Group**

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**James M. Golubieski  
President**

**BIO:**

James M. Golubieski is President of Foundation Venture Capital Group, LLC, and New Jersey Health Foundation, Inc.

Mr. Golubieski had been CFO of Array Medical, Inc., a medical device company established in 1995 that developed a groundbreaking blood test to test platelet function. The company was sold in 1999.

Previously, he was chief operating officer and senior executive vice

president of Glendale National Bank and a member of its board of directors, president of Glendale Investment Corp. and Glendale Mortgage Services, Inc. and chief financial officer of Glendale Bancorp, which was acquired by Mellon Financial.

For 10 years prior, he had been with KPMG. He is a member of the New Jersey Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

**Company Profile:**

Foundation Venture Capital Group, LLC, was initially funded by the New Jersey Health Foundation with a \$5 million investment.

Because Foundation Venture Capital Group directly invests in the development of new start-up companies that most likely would not have been formed without outside support, it brings much needed support to these companies to fund emerging medical breakthroughs in research and technology.

According to James M. Golubieski, president, this concept has proven to be transformational for the overall mission of the New Jersey Health Foundation which provided the original \$5 million funding for researchers at the University of Medicine and Dentistry of New Jersey who are involved in these innovative projects and for patients who will be able to take advantage of the new products and technologies that will result from this effort.

Once a company is established with seed funding, Foundation Venture

Capital Group will seek to work with other traditional venture capital companies to help advance these technologies.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Golubieski, what is the basic idea at Foundation Venture?

**Mr. Golubieski:** New Jersey Health Foundation, which is our parent corporation, provides grants to faculty at the University of Medicine and Dentistry of New Jersey as part of our mission to advance research. Through this Annual Grants Program we award grants that range from \$25,000 to \$40,000 to stimulate ideas by new researchers. Over the years we have given out over \$50 million through this program and many of the researchers who receive these grants then go on to get federal funding to further advance their work.

In 2006, Vince Smeraglia joined the technology transfer department at the University and he told us they would like us to consider making some funding available for startup commercialization, because many of the researchers at the University had great ideas that had the potential of commercialization but lacked the investment they needed to go further with their ideas. Dr. George F. Heinrich, M.D., our vice chair and I met with Vince to discuss the concept. After that discussion, we realized that we really needed to do more than that, so we decided to create a venture capital, not-for-profit organization, which gives us a different focus, a different mission.

Our goal was to invest in some of these companies that have progressed over the years to move them forward so they could advance to the next level. Before we incorporated Foundation Venture, one of the things the board asked me to do was to look for a similar model in the United States, which I could not find. The closest was Case Western in Cleveland so I visited them. They had a similar model, but not exactly the same as we were proposing. So we decided to create this new model and to provide up to \$500,000 in investment funds for these companies of which we would take an equity position and the university would take an equity position and try to start some of these companies at this pre-seed level. We have been successful to date. We have invested in eight companies and we sold one about a year ago to a Russian venture capital firm that had an interest in the technology. Although we are not for profit, I come from the for-profit world, so our goal is really to create an equity position to stimulate commercialization ideas, but at the same time, to realize a profit as we go forward so we can put that profit back into funding additional companies.

**CEOCFO:** What is the criteria? Obviously there are hundreds of thousands of companies you can look at, how do you decide where you put your money?

**Mr. Golubieski:** Right now our program is restricted to making investments only in companies started by researchers at UMDNJ, which is made up of eight different schools, including three medical schools, a dental school, nursing school, biomedical school, and a school of public health. The way we operate through the technology transfer department is they explore ideas with individual researchers at the schools. They find, let's say, a hundred ideas, and out of that hundred, they bring five of them to us. We have a committee that then reviews those five. Then maybe of those five, we like the idea of two of them and will get outside due diligence performed. At that point, we farm out the work from a due dili-

gence standpoint, from a technology standpoint, from an IP position standpoint, and from a financial standpoint to decide whether or not we will invest.

**CEOCFO:** How do you weigh the due diligence, science, and the technology with the gut feeling that this is a great idea?

**Mr. Golubieski:** Gut feeling is probably 51% percent of the formula because we are looking at pre-seed funding. The IP is not tied up tightly at that point, the IP may be in a very preliminary stage and part of the funding might be to pursue a better position for that. The technology especially in therapeutics we know is a long way off. That is why many traditional venture capital funds will not invest in them, they need their percentage higher on the technology and the IP has to be at a higher percent. That is what we think we do; we try to groom some of these companies to

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get to that higher level so there is someone out there who can then take it to an even more advanced level. A good example is we funded an Alzheimer's diagnostic test, which is really exciting and one of the most exciting ones that we did. When we met with the researcher years ago, he was so non-traditional in his approach that we started asking him to do a little bit more work over time. We saw that nothing else was working in this Alzheimer's field from a diagnostic standpoint, so that is what convinced us to move forward with his company. Quite frankly, we were not certain at the time but his technology has been very successful at this point and has been written up in a number of scientific journals and many local newspapers. At the end of the day, we want to be able to look in the mirror and say yes we did the right thing even if it does not work because our mission is a little bit different as we are a not-

for-profit. We cannot afford to make mistakes but we can afford to do things that traditional venture capitalists cannot do. That is the niche that we hope that we bring into this whole formula.

**CEOCFO:** Have there been any companies so far that have disappointed you or exceeded your expectations?

**Mr. Golubieski:** We have had one that we sold very quickly that exceeded our expectations and we have two right now that are progressing nicely. Most of the other ones have been pretty much on par with expectations so far. All of our companies still exist so that is something. Many have gotten outside funding from other foundations, the NIH, many SBIR grants, STTR grants, a great deal of non-dilutive outside funding, and that is really the formula to a certain extent. As a golfer I would say I am a little bit under par right now and I say that positively, we are very comfortable where we are.

**CEOCFO:** Where do you get your money from? Is it strictly from the Foundation?

**Mr. Golubieski:** Yes, it is from New Jersey Health Foundation. It is all our own funding. We have an investment portfolio and we

use part of the investment portfolio as an allocation to Foundation Venture Capital Group. Our total assets at New Jersey Health are about \$200 million.

**CEOCFO:** Have you seen your model adopted anywhere else?

**Mr. Golubieski:** No, but we have gotten many calls from other organizations looking into our model. I've spoken or met with The University of Michigan, the University of Connecticut, Central Florida and. The University of Pennsylvania. We have had a great many inquiries but no one that I know of has used the same model as it might be a hard one to duplicate because of our structure. The fact that we are independent and not part of the University is significant. We were started thirty-five years ago and were seeded by individuals that put money into the Foundation. We have grown

over the years. It is our own money so we are not taking any state or university money to do this. Because we are a public foundation, it makes it much easier.

**CEOCFO:** Often as new companies develop, the personality of the founder comes into play. When you are looking at an idea now, do you look at the developer or scientist behind it or is it so early stage that it does not make a difference?

**Mr. Golubieski:** I think the scientist is the critical asset in the organization typically at that level. In our model not only do we help start the company but we perform all of the other business transactions and provide the management help needed for a start-up. I worked at KPMG for many years prior as did our CFO. So we are able to provide all of the backroom operations so very little of our investment goes into company operating expenses, other than maybe operating expenses to establish a lab. Most of it goes right to research, pure research dollars, and that is how we are able to leverage our money. That way the researcher can remain a researcher and lets us attend to the other parts of the business.

**CEOCFO:** You mentioned a company

came to you and bought one of your companies. Do you promote your companies? How do you get the ideas out there so that they can qualify for other funding?

**Mr. Golubieski:** We have not promoted them yet. Some are now becoming more mature and we are going to have to start looking for outside funding. As I said previously, most of the funding that they get other than ours is through non-dilutive type funding. We also realize though at some point, there is going to be a next event like the one that occurred when we sold the one company. The next event might be traditional venture capital coming in, as some of our companies continue to mature. I'm sure that will happen sooner rather than later. Many of our companies attend the biotech conferences now and they really have found that they have been getting a great deal of interest from outside pharmaceutical companies. A number of our companies have stimulated partnerships through those vehicles.

**CEOCFO:** Why should investors look at Foundation Venture Capital Group and what it has developed?

**Mr. Golubieski:** Our mission is to promote the commercialization of a good idea that would never have ex-

isted before. Most traditional venture capitalists and most pharmaceutical companies will not invest at this level, so I would like to see us continue to invest in these early stage companies. However, as a not-for-profit, we understand we have limited resources. Therefore, when a great idea advances, we know we are going to need the traditional venture capital model. We are going to need the pharmaceutical company to come in at that point to take it to the next level or the venture capitalist who wants to move it forward. Where the partnership can occur is that we will provide the resources available to get the company to a certain level, get the IP in a good position, get the technology a little further, and then when we need more serious funding we can partner with other interested parties. We will be rewarded and hopefully the researcher and our new partners will also be rewarded. Quite frankly, through the commercialization of these companies the public will ultimately be rewarded because we would have been able to move an idea that was sitting at the bench to the bedside.....hopefully resulting in better treatments or cures for a number of diseases.



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