

VENTURE CAPITAL IS UP IN UPSTATE NEW YORK

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Venture capital investments upstate edged up at the start of the year, though deals were still scarce nationwide, according to an industry report.

PricewaterhouseCoopers' quarterly Moneytree Survey found \$26.7 million in venture capital invested in upstate New York companies in the first quarter, an improvement of some 17 percent from the \$22.8 million received in the fourth quarter. But that was less than half the \$58.9 million landed by companies in the first quarter of 2002.

Venture capital investments upstate topped out at \$179 million in the second quarter of 2000 and largely have dropped off since.

Still, some who work with companies in the region said there seems to be more interest among investors.

"The feeling is that things are starting to pick up and that VCs have got money and are looking to put money into the right companies," said Robert Buckley, coordinator of the annual SmartStart Venture Forum, which matches young companies with prospective investors.

Nine of the 28 companies that made pitches at the forum's October conference have secured financing so far, he said.

The PricewaterhouseCoopers survey said venture capitalists put their money into 11 upstate companies in the quarter, though the data did not identify the firms.

Nationwide, venture capitalists invested \$3.8 billion in 623 companies during the first quarter - a five-year low -- according to the survey.

Bela Musits, managing director of High Peaks Ventures LLC., a new venture fund based in Saratoga Springs, said the quarterly survey is an important economic indicator. But it fails to measure so-called "angel" investments -- early-stage investments in companies, often from a wealthy benefactor.

Those hard-to-track deals could outnumber formal venture capital deals 10-to-1, he said.

And while upstate's figures are far from their 2000 peak, the region's fortunes have not seen as dramatic a boom-to-bust cycle that other regions face.

"I think, for the most part, the good news is that upstate did not participate in a bubble all that much," Musits said. "Whether we'll ever get back to that high number, who knows. This is just like the stock market: You can't look quarter to quarter; you have to look at a longer time frame."

The quarterly survey also noted that venture capital firms struggled to raise funds as they cope with a glut of capital. Nationwide, they raised a net \$603.6 million for new funds in the quarter, a nine-year low. Bloomberg News contributed to this story.

FACTS: Money adventure Venture money still is hard to find nationwide, though investors put more into upstate New York companies in the first quarter than they did in the last three months of 2002. 2002

2003 1st Q: \$58.9 million 2nd Q: \$26.7 million 3rd Q: \$16 million 4th Q: \$42.3 million 5th Q: \$22.8 million Source: PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association