

## **VENTURE FUNDING REMAINS A CAPITAL IDEA IN REGION**

JEAN DerGurahian Staff writer Albany Across the country, investors are spending billions on ventures, but in the Capital Region, companies have barely seen a fraction of that.

**Caption:** Skip Dickstein/Times Union

But despite the national recession and the impact of Sept. 11, the area is not as behind the curve as it might think, say local venture capitalists and entrepreneurs.

More investors are looking at area companies, but are not throwing at them the kind of money a California firm might see, said Richard Honen, a partner in the Albany law firm Honen & Wood P.C., which helps entrepreneurs form deals with venture capitalists.

And local venture capital firms are boosting their investment accounts to increase the number of deals made here.

Exponential Business Development Co., whose executives include Michael Marvin, departing co-chairman of North Greenbush software developer MapInfo Corp., and Robert Godgart, chairman of East Greenbush software company The Autotask Group, merged in January with Newtek Capital Inc. of New York City. With offices in Troy, Syracuse and now the city, Exponential focuses on upstate companies.

Last year, Bela Musits left his job as head of the incubator program at Rensselaer Polytechnic Institute in Troy to manage a local arm of Village Ventures Inc., an investment company headquartered in Williamstown, Mass. Musits said then that he wanted to help local companies move from start-up to production.

Increasing the local interest will pay off, entrepreneurs say.

In 2001, venture capitalists invested \$35 billion in 3,000 companies nationwide, according to New York City-based VentureWire, a research firm that tracks venture capital.

In the Capital Region, the figures were less impressive: Some \$10 million went into nine companies locally, but that does not include any private "angel" investments completed. Of the formal venture money, CommerceHub of Halfmoon and IPLogic LLC of Albany captured \$4.6 million and \$2.5 million, respectively, to be the largest investments last year.

Other industry reports show that institutional investors added money to their previously supported ventures, or portfolio companies, in 2001.

Only about 20 percent of last year's total went to new ventures, and those investments were made by angel investors, Honen said.

Local companies are mirroring that trend, and it proves that the region's strength lies in the smaller, first-round deals done by angels, he said.

Smaller deals are paying off for area firms, if the SmartStart Venture Forum held in October is any indication.

Of 27 companies statewide that presented to about 60 venture capitalists during a two-day event at the Albany Marriott in Colonie, five have closed deals already, and three of them were local. Firms in Ithaca and Rochester also received funding.

Bob Buckley, coordinator for Empire State Venture Group Inc., an organization established in part by the North Greenbush-based Science & Technology Law Center to run the venture forum, said the five deals were unexpectedly good results for the first event in a planned annual series.

"I was hoping for one or two (companies) to get funding with the economy the way it is," Buckley said.

The venture forum was designed to raise awareness of investment possibilities throughout the state, and it especially increased interest in upstate New York companies, said Fred Provorny, director of the law center, an affiliate of Albany Law School.

"People seem to think upstate New York is an area that saw its best times in the rear-view mirror," he said.

Not so, said Richard Saburro, president and chief executive officer of Starfire Systems Inc.

The company, based in the RPI incubator in Watervliet, manufactures polymers to coat materials that have to stand up to high temperatures or a corrosive environment.

Starfire received \$100,000 from an investor its executives met through the SmartStart program.

Negotiations are under way for another \$2 million from two New York City firms. There's "plenty of interest," Saburro said.

The interest is a result of local groups, like the RPI incubator program and the SmartStart series, that give out-of-town firms exposure to companies here.

"More of them are traveling north. They're discovering the Capital Region," Saburro said.

Jim Trainor, director of equity investments for T.S. Capital Corp., the investment arm of Troy Savings Bank, has about seven companies in his portfolio. He said the quality of local business plans coming across his desk has been "stable."

Although venture capitalists are being more cautious these days, they continue to look at the big picture and rely on ideas expected to have explosive numbers, Trainor said.

That means, despite the recession, the opportunity still exists to fund local companies. Trainor said T.S. Capital expects to invest in three to five firms in 2002.

FACTS:WHO'S WHO Venture firms that are based locally or are active here and what they're targeting: Empire State Development Corp.'s Small Business Technology Investment Fund: Focus on start-up tech firms statewide Exponential Business Development Co. of Troy, Syracuse: Focus on early stage, high-growth companies in upstate New York FA Technology Ventures of Albany: Focus on second-stage investments nationwide High Peaks Venture Partners of Troy: Focus on tech firms in the region IDEAL

Partners of Loudonville: Focus on software start-ups in the region Summer Street Capital  
Partners of Buffalo: Focus on growth financing, management buyouts, family transition  
and recapitalization statewide TechOne Capital Group LLC of Albany: Focus on  
technology companies statewide T.S. Capital Corp. of Troy: Focus on early stage firms  
statewide Local firms securing venture capital investments in 2001: CommerceHub of  
Halfmoon \$4.6 million IPLogic of Albany \$2.5 million The AutoTask Group of East  
Greenbush \$700,000 E transmedia Technologies of Troy \$500,000 CardioMag Imaging  
Inc. of Schenectady \$500,000 Evident Technologies Inc. of Albany \$400,000  
ProductivityNet Inc. of Troy \$250,000 Starfire Systems Inc. of Watervliet \$100,000  
BlueSlate Solutions Inc. of Albany undisclosed