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Bright ideas, high hopes at the fair

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Entrepreneurs display wares for venture capitalists

By SETH AGULNICK Staff reporter

ROCKLAND - They came with names like StartupStreet.com, InfoSeer and FingerWorks.

They all hoped to leave with enough money to turn their ideas into gold.

The brains behind 48 fledgling companies made pitches for financial backing Tuesday to a group of investors representing an estimated \$15 billion.

The daylong venture capital fair at the DuPont Country Club showcased four Delaware start-ups as well as businesses from New Jersey, Pennsylvania and along the East Coast.

There also was an international presence for the first time in the three-year run of the fair, known as "Early Stage East," with representatives from four Israeli companies hawking their ideas.

Companies that made presentations to investors at the first two fairs have since raised more than \$250 million, said David J. Freschman, founder of the event.

Deals aren't closed on the spot at such fairs, but the networking can sometimes lead to agreements within a matter of weeks.

"This is the launching ground," said Freschman, chief executive of the Delaware Innovation Fund, a Wilmington investment firm.

Internet-related companies dominated the fair, even at a time when some investors are being more careful about backing online ventures.

"When things get tough in the stock market, there's a flight to safety," said Thomas Dunkel of the investment firm Pennsylvania Merchant Group. "With the market the way it is, are you going to put your money into GE or some dot.com start-up?"

"A lot of these companies would have had an easier time [raising money] a year ago."

Freschman agreed that investors are being more discerning, but said there's plenty of money available for young entrepreneurs with good ideas.

"In the earlier cycle, whatever people threw on the Internet was considered high-tech. Now it's back to reality," Freschman said. "[But] if you have a solid business model with a sustainable revenue future, you'll be fine."

Freschman pointed to the success of Blackboard.com, a company that came to "Early Stage East" two years ago looking for its first buck.

Four weeks later, the company had secured \$3.6 million in financing, according to its chairman, Matthew Pittinsky. Blackboard has found its niche helping colleges offer courses and administrative services over the Internet.

Pittinsky called the connections he made at the fair "absolutely critical," partly because such events allow the excitement from one investor to rub off on others.

"You don't get that when you go from office to office making your presentations," Pittinsky said.

Those vying to be the fair's next success story included FingerWorks, which was started by two University of Delaware professors.

John Elias and Wayne Westerman have created a smooth computer keyboard that allows people to control what they see on their screen by moving their fingers rather than using a mouse.

The user can turn his fingers to rotate an image, for example. Tapping three fingers is like double-clicking a mouse.

"The idea is to reduce the amount of motion," Elias said. "Engineers at major companies have said they've never seen anything like it."

FingerWorks, based in Townsend, came to the fair with about \$20,000 in initial funding. Executives were seeking another \$3.75 million.

Among the other companies on display were CertifiedMail.com, which provides security and tracking for e-mail messages InfoSeer, which tries to protect online music and movies from digital theft and Notifact, which uses wireless technology to monitor equipment so that a business can know when an appliance needs repair before it fails.

Presenters and exhibitors were chosen from among 350 nominees. An estimated 650 people attended the fair, almost triple the size of the first event in 1998.

Executives who set up exhibits to promote their companies admitted that getting the attention of investors isn't easy at an event with so much going on.

"We could've hired a juggler," said Bill Molini, sales director for Wilmington-based Hyperon Inc., which provides computer security, "but we think we have a compelling story to tell."

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Photo Caption:

The News Journal/BRIAN BRANCH-PRICE

FingerWorks co-founders Wayne Westerman (left) and John Elias are ready to network at the fair Tuesday.

AT A GLANCE

Four Delaware start-up companies made presentations or had exhibits at Tuesday's venture capital fair:

?Hyperon Inc. Based in Wilmington, the company designs computer "burglar alarms" that alert network operators to unauthorized access of their systems. Executives were seeking \$6 million to launch their service.

?Class Integrated Quality Inc. Also based in Wilmington, Class I.Q. has developed tools to allow computer system operators to test new software to search for holes or defects. The United Kingdom's Ministry of Defense is among its customers. The company, with \$500,000 in financing to date, was seeking \$1.5 million.

?BuyHub.com. The Wilmington business helps small and medium-sized companies manage their purchasing processes over the Internet. Executives were hoping for a \$2 million investment.

?FingerWorks Inc. Based in Townsend, the company has developed a device that serves as a computer keyboard and mouse in one piece. With \$20,000 to date, the company was seeking \$3.75 million in venture capital.