

New seed fund to aid early-stage businesses

By: Kevin Tampone

SYRACUSE- Several local individuals are launching a new capital fund to help early-stage companies take their first steps toward success.

"This is a way to have a place people can go, because the entrepreneurs in town don't know where to start," says Lynn Smith, one of those organizing the fund. "They don't know what's expected of them or what they can expect from investors."

Smith is also a founding member of law firm Gilberti Stinziano Heintz & Smith, P.C. and a past chairman of the Greater Syracuse Chamber of Commerce.

The main goal of the fund is to help entrepreneurs develop ideas and nascent businesses so they can become thriving, profitable engines of the local economy. The fund, called the Seed Capital Fund of CNY, LLC (SCF), is still in its startup stages.

Others involved in the fund in addition to Smith include:

- Stephen Suhowatsky, entrepreneur in residence at the Syracuse Technology Garden and former CEO of Syracuse Supply
- William Fisher, president, chairman, and co-founder of Summit Software Co.
- Victor Ianno, who was previously involved with Scotsman Press in Syracuse and was CEO at Lakeside Printing in Skaneateles
- David Montanaro, chairman and CEO of USA Datanet

David Ahlers, who helped found the Cayuga Venture Fund in Ithaca, will serve as a consultant and honorary chairman of the new fund. Nasir Ali, vice president of new venture development for the Syracuse Chamber, is executive director of SCF.

Smith says SCF will use a similar model to the Cayuga Venture Fund, which means stressing lots of member participation.

"This is not for passive investors," he says. "We're looking for people involved in business who can use their Rolodex. This is for people who want to be active and involved."

The Cayuga Venture Fund has invested in companies including Advion BioSciences, BinOptics, Kionix, and Primet Precision Materials, Inc.

SCF's founders will begin recruiting additional investors during an information session set for 5:30 p.m. June 26 at the Tech Garden. The event is invitation only. Anyone interested can contact Ali at nasir@growsyracuse.com.

The goal is to attract about 40 members who will each invest \$37,500 for a total of \$1.5 million. More important than the financial commitment, however, is a potential member's willingness to work closely with entrepreneurs to help them succeed, Smith says.

Smith envisions designating perhaps two people from the membership to serve as directors to each of the fund's portfolio companies. Individual members will also be able to invest in companies involved with the fund on their own.

SCF will likely invest between \$25,000 and \$200,000 in its companies. Most investments will probably range from \$25,000 to \$50,000. The fund's ownership stake in any firm will be no more than 49 percent.

Returns will be distributed to members from the fund based on their collective investment in each company. They will also receive profits from any individual investments they decide to make in SCF companies.

Smith says the fund will look for "high-technology companies involved in areas like medical technology and alternative energy. He hopes to attract some more established businesses that may already have some revenue and marketing plans.

Most of the potential investments, however, will probably be less developed, Smith says.

SCF's founders are still working on an application process for investment targets. Ali says the group has developed a method for evaluating new companies and everything will be clear to the leaders of those firms before they start meeting with any fund members.

"The goal is to be as upfront as possible in terms of letting people know the parameters so we're not setting expectations that go unmet," Ali says. "We want people to be prepared when they come in to talk to us."

Many of the investment targets will probably come from the region's university community, Ali adds.