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CONVERGENT LOOKS TO FILL GEOGRAPHIC NICHE IN SMALL TECH INVESTING

By Rosemary Clandos
Small Times West Coast Correspondent

LOS ANGELES, Ca. -- In a city known for Oscars, Emmys and Grammys, Convergent Ventures is targeting Los Angeles as a prime location for funding start-ups from the area's top research and learning institutions.

Convergent is a rare breed in town. They'll be investing in life science and biomed seed companies while many late-stage firms focus on established businesses in Southern California.

"We see ourselves filling a geographic niche in the funding of these companies," says Convergent's founder, William Robbins. "L.A. is a different kind of business town -- loose and spread out. It's difficult to find networks unless you're in the industry."

"Academic founders of start-ups have been at a loss for where to take their business; we're trying to help remedy the situation. Rather than have them go to the Silicon Valley or Boston, we want them to do things locally."

Convergent's strategy is to fill the gap between traditional venture capital groups and angel investors, who infuse new companies with funds ranging between \$25,000 and \$1 million but are often reluctant to work with biotech newcomers. Convergent will make direct capital investments in start-ups and help with third party funding. The company plans to monitor microsystems and other technologies coming from places such as the University of California, Los Angeles; California Institute of Technology; and NASA's Jet Propulsion Laboratory.

"Start-ups are very risky and there aren't a lot of people who know how to work with them, particularly in the L.A. area," says Ahmed Enany, executive director for the Southern California Biomedical Council. "So they're a great asset to our industry."

Although Convergent began focusing on business development and technology consulting in 1995, it wasn't until early 2000 that the fund was formed. Its first line of funding is expected to total \$50 million and be complete in December.

Robbins has experience in business and product development and has been a consultant on advanced technology ventures. Convergent's managing directors include:

* Chemist Jonathan G. Lasch, who has evaluated science and biomed technology for 20-plus years and is an inventor named on several patents.

* Kenneth Aldrich, a Harvard-trained lawyer who practiced with one of L.A.'s top law firms, O'Melveny & Myers, and then turned businessman.



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* Certified public accountant William B. Adams, who founded Dimensional Planning Group, a management consulting and top management financial planning firm.

Utilizing their team of experienced associates and advisers, Convergent is planning to take a hands-on approach to new businesses.

"When times are more difficult it is not uncommon to see more venture capital firms becoming more involved in their portfolio companies," says communications manager Staci Carney at VentureOne, a San Francisco-based venture capital research firm. "They have a lot of expertise they can use for their companies and help get them through difficult times."

For new enterprises, L.A.-based Convergent will perform a variety of functions, including recruiting key personnel, developing business plans and providing in-house research on prospective companies.

Convergent loosely modeled its company after ARCH Venture Capital in Chicago, which had its beginnings in funding start-ups for scientists and engineers at the University of Chicago and Argon National Laboratory. Steve Lazarus, managing director of ARCH, found that the ideas generated by one university often had counterparts at other universities.

"So we would try to bind them together into a company. It works over and over again," he says.

ARCH kicked off in 1986 with a modest \$9 million fund and weathered the market crash of October 1987. It has started more than 100 companies and is in its fifth round of funding, for \$500 million.

"When you're dealing with technology out of research labs it is terribly tempting to fall in love with technology," says Lazarus. "You always have to keep in mind that somebody has to buy the stuff. We made some seriously flawed appraisals for the marketplace. We did some dumb investing."

Because there are a large number of MEMS start-ups, new venture capitalists need to be duly diligent, warned Patrick Ennis, a partner in ARCH's Seattle office.

"You really need to make sure that what they have is unique. It's hard to stand up and say 'I'm unique' with 50 other companies."

When funders find unrivaled technologies with practical applications, however, there are tremendous opportunities, Ennis says. Right now, Convergent is quietly looking at six start-ups for possible initial funding disbursement in 2002.

For the last three years, Convergent has been building contacts in the field by hosting a tech and science networking group called Biobrew. On alternate months, investors, scientists and professionals gather at a rotating meeting place -- anywhere between Westwood and Santa Barbara -- for beer and loose business talks. There are no speakers and no agenda, except of course, eventually making money.

Visit www.biobrew.net for more information about the next meeting on Wednesday, June 13, at the Westwood Brewing Company, in Westwood, Calif.

COVER PHOTO: William Robbins, founder of Convergent Ventures