

After the 'Dotcom,' Tech Business in Southeast Gets a Heartbeat Again

By John Yates, Special To LTW

Editor's note: This is the second in a series of columns written exclusively for LTW by John Yates, a noted technology lawyer who has represented hundreds of entrepreneurial companies and many of the Southeast's most successful tech businesses. His weekly column will focus on issues of interest to entrepreneurs in the Southeast – including finance and venture capital, corporate governance, hot legal issues, and new state laws impacting tech companies.

ATLANTA - I recently attended the 2003 Trailblazer Awards Banquet of the Metrolina Entrepreneurial Council (MEC) in Charlotte. I was honored to be the keynote speaker before 150 Southeastern entrepreneurs.

The event was one of the most upbeat gatherings of tech entrepreneurs that I've attended in over a year (and I've attended hundreds of tech events in the past 12 months—and seen many anguished entrepreneurs).

The MEC event ushered in a new era for me in analyzing the entrepreneurial community in the Southeast. Some new standards are evolving that bode well for our region's future.

Put on the Tie: The MEC Awards dinner was dominated by well-dressed men and women—and many ties! (The one tie-less attendee was still well dressed — and since he is a venture capitalist, he can wear whatever he wants. I'll buy him a tie if he'll fund my clients!) While business casual will continue to be acceptable, we can expect to see more traditional business dress – and traditional business models - in the entrepreneurial arena.

An Era of Professionalism: If the MEC event is any indication of future trends, the days of the tie-dyed T-shirts and sandals are over. A new level of professionalism (and humility) seems to have re-entered the Southeastern entrepreneurial community. Entrepreneurs seem to have regained an appreciation that good business practices will always prevail in the long run — in contrast with over-hyped, half-baked business ideas.

Entrepreneurism Isn't Limited to Tech: Several of the MEC Award nominees were non-technology companies, and others were tech businesses addressing traditional business problems. (The entrepreneurial nominees included -- an eye surgeon, a growing software company, and a data center business.) Mike McGuire, Managing Partner for the Carolinas for Grant Thornton, reminded us all of the Charlotte region's long history of entrepreneurship, including Jack Faulk at Bojangles, George Lewis at Cogentrix and Leon Levine at Family Dollar.

Follow the Path to Profitability: The discussion over dinner focused on two interesting and fundamental concepts—revenue *and* profitability. Actually turning a profit has become a prerequisite for many venture funds, or at least a clear path to profitability (uncluttered by

unrealistic revenue forecasts). Based on what I heard during the MEC event, no one ever uttered the words “pre-revenue,” “number of eyeballs” or “don’t worry about profit” – certainly not in the same sentence with *venture capital*.

Importance of Real Customers: Entrepreneurs are focused on generating revenue from real customers that will pay for products/services consistent with pricing models in the entrepreneur’s business plan. Beta customers and pilot sites are important, but funding for the entrepreneur may hinge on at least a handful of paying customers. At the MEC event, several companies highlighted an advantage of being in Charlotte—close proximity to leading financial institutions that are willing (and able) to pay for technology solutions.

Remember the Government: The US Government was another topic of dinner discussion. The focus was not on global politics, but on the size of the Homeland Security budget and the growing appetite of the government for acquiring technology. Many companies expressed a focus on government certification of tech products and government contract consultants. Others voiced concern over the elongated sales cycle in selling to the government. The new slogan seems to be - when in doubt, turn to the US Government as a source of revenue!

Flight to Security: Security was the central topic of almost every discussion at the dinner. Related topics included — government certification for security products, wireless and remote security (take a look at Air Defense in Atlanta, www.airdefense.net), security surveillance technologies (Vistascape, www.vistascape.com, another Southeastern company), broadband optimization and security technologies (EndIIEnd Communications, www.eiiecomm.com in Charlotte) and several recent startups (many being founded by Internet Security Systems execs).

Absence of Angels: There is a notable absence of new angel investors at tech events in the Southeast, and the MEC was no exception. A growing trend was evidenced at the dinner—former angels who had been burned and have retired from the investment game. Still several angel groups have remained intact—most notably the Atlanta Tech Angels (ATA) and the newly formed Blue Ridge Angel Investor Network (headed by Jim Roberts, Executive Director at jroberts@awnc.org).

Loyal Venture Capitalists: The MEC dinner included representatives from longtime VC firms that have invested in Southeastern companies for years -- most notably, The Wakefield Group and Frontier Capital. Many thanks to the VCs that have remained loyal to the region, and let’s hope for continuing support of Southeastern entrepreneurs.

Interestingly, I’ve also received dozens of e-mails from venture capitalists, investment bankers and M&A brokers in the past 60 days with the common theme — the Southeast seems to be underserved in the investment area. In this vein, the following national venture funds have completed deals in the Southeast in the past quarter—River Cities Capital, Frontenac, M/C Venture Partners, Insight Venture Partners, and Lovett Miller.

Look for more on the VC community in the Southeast in coming weeks.

(For more information on the Metrolina Entrepreneurial Council (MEC) contact Mike McGuire of Grant Thornton mike.mcguire@gt.com or Jeff Hay of Morris, Manning & Martin jhay@mmmlaw.com.)

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ARCHIVE: Feb 26 - "How To Build a Bigger, Better Technology Community in Southeast? It Won't Be Easy" www.localtechwire.com/article.cfm?u=3421