

CRAIN'S

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Tech Revives – so do schmooze fests

By Amanda Fung

May 20, 2007 – It was the inaugural Founders Club party in a triplex loft in TriBeCa - an invitation-only affair to promote the New York tech community. A hundred entrepreneurs, media executives and investors exchanged business cards and conversation at the February event.

The crowd included longtime venture capitalist Bob Greene and George Kaltner, founder of Managed Systems Inc., which angel investor David Larkin - who lives in the loft - had backed.

Within weeks, Mr. Greene had agreed to invest in Managed Systems. The local firm, whose funding target was \$3 million, ended up raising \$3.4 million.

“I didn’t go looking for money,” says Mr. Kaltner, who donated \$500 worth of wine to the party. “I wanted to see what other businesses were out there.”

The New York tech community is back, as evidenced by a growing number of schmooze fests designed to identify investors and connect them with entrepreneurs. Attendance is soaring at established events like New York Tech Meetup and iBreakfast. And newer ones, including the Founders Club and The Hatchery’s Gauntlet, are popping up all over Manhattan.

It is reminiscent of the Silicon Alley days, when there was a seemingly endless supply of beer and money. Last year, venture capitalists invested \$2 billion in 248 New York area tech companies. The number of deals represented a 44% increase over 2005.

In addition, local firms have been sold for at least 10 times their annual earnings, as in Google Inc.’s purchase of DoubleClick Inc., the digital advertising pioneer, for \$3.1 billion and Ya-

hoo Inc.’s \$680 million acquisition of online ad firm Right Media Inc.

Froth or bubble?

But not everyone is confident that the latest boom in financing activity will last. And if the flow of cash into startups doesn’t continue, the need for networking parties will dry up as well.

“Some of the activity is froth, but it’s too early to call it a bubble,” says Steve Brotman, managing director at venture firm Greenhill SAVP.

This time around, venture capitalists are meeting seasoned entrepreneurs who are on their second or third startup - ones that actually generate revenue. And instead of pitching wild ideas, more entrepreneurs use the events to improve their businesses, broker partnerships and tap into the investment community.

The most popular event, New York Tech Meetup, has ballooned to 500 attendees a month from just a dozen when it was formed in 2004. Six entrepreneurs get five minutes each to present their product. Audience members tend to be brutally honest - sometimes even heckling.

“One reason Silicon Valley is successful is that they have a collaborative culture,” says Jeff Stewart, an assistant organizer of the New York Tech Meetup and serial entrepreneur, who has presented several times. New York is now developing such a culture, he says.

Within the past year, Tech Meetup has spawned half a dozen smaller Meetups in Manhattan to target niches like social networking and online video.

Those monthly gatherings attract about 100 people.

The Hatchery’s Gauntlet launched earlier this month with a setup similar to Meetup’s. It drew 85 people to a Columbia Business School lecture hall, where selected local entrepreneurs presented to a panel made up of venture capitalists, tech attorneys and industry experts. Next month’s soiree will feature an all-female panel of investors and experts.

‘Like American Idol’

“It was an opportunity to get in front of multiple investors at one time,” says Jay Levy, co-founder of Manhattan startup Trueview Services, which presented its Web-based monitoring product at the inaugural event. “On the flip side, it was like American Idol, with six Simon Cowells sitting in front of me,” he says.

Even gatherings with hefty admission fees have had a spike in turnout. iBreakfast, which dates back to 1997, charges between \$60 for its monthly networking events in Manhattan. Attendance is up 50% to 100% in the past year, says Alan Brody, president of TECHmarketing in Scarsdale, N.Y., which runs iBreakfast and other tech conferences.

“Any forum that brings tech entrepreneurs together for real-time advice and feedback is a great thing,” says Jed Katz, managing director of venture capital firm Draper Fisher Jurvetson Gotham Ventures, a co-sponsor of New York Tech Meetup. “People want to see what others are working on.”