



INDUSTRY ROUNDTABLE

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Entrepreneurial attitude

RAISING CAPITAL AND CLASHING CULTURES CHALLENGE STARTUPS



JIM COURTNEY

Entrepreneurs and other representatives of the region's start-up community took part in a discussion of the challenges they face. The discussion was part of a monthly series of conversations at Hodgson Russ LLP's Buffalo offices.

Area entrepreneurs say that area angel investors are practically invisible, and that they need to see more small business success locally before they write big checks.

The entrepreneurs talked at a Business First Industry Roundtable on Dec. 18 at the offices of Hodgson Russ LLP. There, they discussed challenges they face, the landscape for those looking to raise money and the importance of networking.

"We're starting to see successes here, and that's going to change behavior," said Patrick Whalen, COO of Buffalo Niagara Medical Campus.

Daniel Penberthy, vice president of Rand Capital Corp., agreed that it's important to see more successful companies that grew from seed money.

"You do need the successes; it makes it a hell of a lot easier to raise the checks, there's no doubt about that," he said, adding that it's easier to pull \$25,000 from investors of troubled companies than it was a few months ago.

"That was before they were sitting on a little pile of cash," he said. "You need successes when going back to your investors who have cashed out. Those are terrific people to go to."

"A lot of entrepreneurs, they have a passion for their idea and they need to know where to go to beg. There doesn't seem to be that infrastructure of telling them where they can go. It's not going to guarantee that they're going to get the money, but at least give them the chance to pitch," said Nadja Piatka, founder and president of Nadja Foods.

Marnie LaVigne, president and CEO of Launch NY, said that more mentoring services are being created for networking and to help prepare these companies to really be an appropriate target for investors.

Speaking of investment opportunities, Whalen – who has invested \$25,000 10 times in companies that have failed – said that he may have found another.

He told his wife that he had found a company that he wanted to invest \$25,000 into.

Although his wife responded, "What is the matter with you," he may forge ahead anyway.

"I'll guarantee you if one of those companies would have been successful, I would have made \$300,000 on it, (and) she would have said, 'Go for it.'"

► VENTURE CAPITAL BY THE NUMBERS

\$1.2M

Value of Buffalo Angels LLC, a member-managed angel investor fund created in 2012

31

Number of local accredited investors who bought the fund's membership units

\$75,000

Value of Buffalo Angels' first investment – The fund-backed Ithaca food and beverage startup, Grainful

\$145,000

Amount that accredited investors added to the investment round. Additionally, Rand Capital Corp. added \$150,000.

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► **Business owners often say it's hard to run businesses in New York state. What are the biggest challenges you've had in starting your business or running it?**



PAT WHALEN
COO, Buffalo
Niagara Medical
Campus

We all talk about taxes in New York state and the fact of the matter is that I don't think we're going to accept the level of service from our government that

people in Alabama and Mississippi get, so we're going to pay high taxes here. What concerns me greatly, there's an awful lot of regulation in small business ... But there's just been a bill passed by New York State to help microbrewers. And the biggest part of that I thought was that it eased some of the restrictions that the states had in place for small businesses and the microbrewing business. So that's what I think we need to focus on, the regulation.

GLORIA ZEMER
CEO, Brand
Mother Strategies



We ventured out into the West Coast and so I guess I find that East Coast in general, that being Boston, New York, we'll more often die with the money in our hands. There is a conservatism here that gets in the way. We trip over ourselves. So getting people back in touch with an entrepreneurial fire and a willingness to go for it and a sense of purpose in their work that they feel personally fulfilled through is the real trick versus just seeing something as being monetized. The energy is different in this region in my mind.

STEVE MARTIN
Owner, Business Solutions -
The Positive Way

I started my business 17 years ago as a profit improvement expert, helping small and large corporations improve their bottom line for job preservation. One of the things that I found – and it's not just here in Western New York – but I found that the companies that

► CLOSER LOOK AT THE ROUNDTABLE

The Entrepreneurship Industry Roundtable is the 16th in an ongoing series of discussions with Western New York business leaders.

Each month, decision makers from diverse industries meet for a discussion moderated by Business First.

Excerpts from the conversation are published two weeks after the event.

Upcoming topics include higher education, transportation, manufacturing and hospitality.

Roundtable discussions, sponsored by Hodgson Russ LLP, are held at the law firm's Pearl Street offices in Buffalo.

need it the most are the least likely to buy it. There's a bias against change and innovation internally within organizations that are moderately successful or even highly successful because they don't want to break the model that they have.

WILLIAM HIBBARD
President/General Manager,
Engineered Facility Solutions Inc.

I agree with Steve that as an entrepreneur, you're presenting new ideas to large businesses and we are looked on as a change agent. And so bringing those new ideas to an established provider and, in fact, selling them on those ideas is the challenge. But as an entrepreneur, that is the position we take in the community is to present those new ideas and talk about new ways of doing things. And so I think in the Buffalo area especially, we're bringing new ideas to large industry.



OSCAR PEDROSO
Founder/CEO, Gradfly

My opinion about things has less to do with regulation since I'm more in the software industry, but more to do with a shift in attitude in general. And by that, I just mean allowing ourselves to be open and willing to accept new ideas. I just got back from Dublin from a conference and it was incredible to see how receptive people were to my idea and the company that I'm working on versus here. I've gotten a little bit of resistance but mostly because people weren't so keen on the idea right away. So being able to ask the right questions and not necessarily hiding in silos and being open to connect with people, help them in whatever way we can and I guess not waiting two or three weeks to meet with somebody, but kind of like that hustle mentality that New York City and Boston and these other progressive cities have. I think we can work on being like these other cities.

MICHAEL McCARTNEY
President/CEO, DIGITS LLC

I couldn't agree more, but when you look at New York state with a lot of laws and regulations, you can also look at what's obviously a negative impact on business. But as an entrepreneur, you can also turn it around and make it a benefit. As a consultant, we actually looked at different industries that have a lot of regulation and laws governing them to try to assist them and consult them in ways to minimize those exposures, primarily from an IT risk perspective. Banking and finance, health care, health insurance providers are industries that are incredibly heavily regulated. But by maximizing some of their efficiencies and workflows and helping them offset some risk with insurance and stuff, you can help maximize their bottom line in business.

MEGAN McNALLY

Director,
The Foundry

At The Foundry, there are mostly product-based businesses I would say and I think what they largely struggle with is access to readily available space to function in, because the majority of people who come to us come to us because they've gone and searched out in the region and there's not readily available space that's sold manufacturing that's not falling apart. So I feel like a lot of the businesses don't want to take on the risk of acquiring a building that is going to be \$250,000 or more to put into it before it's even up and running. So I think that's what a lot of us struggle with.



MARNIE LAVIGNE

President/CEO, Launch NY

A lot of these businesses when they start, the first question is do you really have an opportunity? So we're often kind of bypassing the regulatory issue initially. It comes in pretty quickly, so I



I love sharing helpful information.

Joe Burwick, CPA
Senior Manager, Buffalo

A sharp and well rounded young professional, Joe utilizes the latest social media channels to listen and learn about what's new in accounting and business. From breaking legislative updates that impact taxpayers, to industry specific intelligence, Joe stays ahead of the curve and shares information that will maintain his clients' best interests.

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think that we have to accept some role where we can actually help and guide and consult with these folks so they know what regulations they're facing, which ones are going to come into play and which ones are later going to determine whether you can make money and be a sustainable business. I would also argue that I think that we need to help these companies in the entrepreneurial environment actually advocate in Albany. As someone who has spent a fair amount of time working with the state, you do have a voice there. But we know that there are rules that have come in and in many cases where there may not have been any businesspeople at the table to actually address the impact of those decisions that were made by our legislators.



PATRICK FINAN
CEO, Block Club & City Dining Cards

My 8th grade English teacher in New York had this sign on her door when she closed the door and it just said whining with a big like NO circle around it.

I always think about that sign because as an entrepreneur, I think that the game isn't supposed to be easy. It's supposed to be harder to do it and you have to learn how to play the game. So I think doing business in Buffalo or New York state can be an interesting game to play because there's change and it's an old city but there's new energy and there's all sorts of stuff at play. But in both my businesses, they're not regulated businesses. It's branding, marketing strategy. But we do have to constantly innovate for our clients and I think that's what makes it exciting, at least in what my field is to do business here, is that where people may be just seeing challenges, we can see opportunities.

DANIEL PENBERTHY
Vice President, Rand Capital Corp.

In regards to whether a business located in New York state is more or less likely to struggle or be successful, Rand's invested in 44 companies since 2002. Those include Maine, New Jersey, Georgia, Pennsylvania. The physical location of a business in New York state versus any one of those other states (does not determine) success in business. All things can be driven by the entrepreneur. Certainly the regulatory environment, it doesn't help, but it's not holding back any one of these companies. ... So I don't think New York state is helping the cause, but with the right entrepreneurs and right management team, I think we can overcome many of those issues

that are holding back some of these start-up companies.

TOM McMANUS

CEO, Kegworks

We could be in Buffalo, we could be in Syracuse, we could be in San Francisco, we could be an e-commerce company. We can move. We choose to be in Buffalo. We choose to be in New York state. Are there some frustrations? Sure. Workers' comp is brutal. The sales tax. From our business, New York state's definitions on how they define business segments. We're considered a retail business. Well, we have a small retail component, but we're really a multi-channel merchant. Yet because of the small retail component, we're ineligible for a lot of the state programs or things that would make it easier for us to grow. So that's some of the frustrations, but it is the environment we play in. You adapt and you work around it and you continue to grow your business.



PETER CIMINO

Founder, Lloyd's Taco Truck

I can only speak with respect to my situation and how our small company started, but regulations are a burden, but there is an opportunity. And for us, it was a new idea here and others had run into similar issues, but I guess it's about a bit of perseverance and there was no code for food trucks here and was I heartbroken that my idea wasn't going to happen? Not really, because I think you just have to find a way to get around it and that's the whole trick of it and that's why it's fun and why it's interesting and why it's challenging.

TED JOHNSON

Owner, Hadley Exhibits

It's nice to grow up at the time that I've grown up here because I saw Buffalo right at the end, it seemed like the heyday, and a long-time kind of lull. But it's great to see it coming back out. Now some of you talked about the fact that it's a real conservative place. Buffalo wasn't built on conservatism. It was built on taking that chance, getting out on that limb and being the



people that got it done. You can call it entrepreneurialism. I call it getting something done. People that will not stop until they get through that wall and accomplish something. Those are the kind of people I'm looking for. The one thing that we do have is people. It's good people and that's what really counteracts the regulation. The regulations are brutal. Unemployment and workmen's comp, I could put up six figures of the bottom line immediately if I took my company out of the state. My father said, you know, you got to do what you got to do and we've talked about it many times, but this is home. And I want to be here when Buffalo's back on top and I think it's going there.

NADJA PIATKA

Founder/President, Nadja Foods

I live in Buffalo because I choose to live in Buffalo. My husband Douglas Smith brought me to Buffalo and it has been such a positive experience for me. My company is not based here. We manufacture in Canada and we manufacture in the United States. I would love to manufacture in Buffalo and I'm looking at opportunities to do that. The people with great ideas, they'll come to me and they'll say can you help me launch this idea? They either do not have the money. And I find in other parts of the country and in Canada, they have help. I think that's what's lacking in Buffalo. We have great entrepreneurs, but from my personal experience as they reach out to me, I find that they do not have the support system and the funding here to help launch those ideas and that's a real deal for me. I have a sign, too, and that is "Do Something." I have "Do Something" strategically placed in different parts of my office. I think people in Buffalo have the attitude to do something. They just don't have the help and the support to do something.



ROHINI SRIHARI

Founder, Content Savvy

Any company can be successful anywhere, including Buffalo. And I'm a longtime resident of the city. But I think I'll also be honest that it is harder, you have to work harder, especially in my industry, you know, data software. The action's mostly in Silicon Valley. So the challenges that I faced were initially raising seed capital, angel money and typically you don't do this by going to a venture capital firm or something. You go to individual investors. You pitch to them and that's what I did – everyday I was out there pitching, raising checks of \$10,000,

\$25,000, whatever, built it up to \$1.2 million to get my company started. But most of those investors were from my personal network, most of them were in Silicon Valley. So they believed in the company. They believed in the team. They invested. We grew the business and then as a start-up, you always have the goal of an exit, so fortunately we were acquired so there's a good ending. But it was hard and it was again, through the network of investors and so on. Entrepreneurs, they need access to the seed money, but they also need a network. They need to be able to talk to people, even if a person is not able to invest money, they say, "Well, I have this friend who is the CEO or the CFO of this company, go talk to them and they can help you out." And that sort of ecosystem is something that I'm hoping we will start building.

► What is driving change in Buffalo?

GLORIA ZEMER

Brand Mother Strategies

I thought the response to Tim Godzich's leaving was interesting. When we want to talk about critical changes that really need to happen here, we have a tendency to repel anybody that says anything that we don't like. So I was surprised by the entrepreneur community that really almost kind of lashed back at him, said he wanted to go to a place that has a prefeathered bed. You're looking for it to be easy. I'm going to tell you that as somebody who's always thinking about the next thing, as somebody who's always thinking about my next idea and my next investment, what I don't need is anything to slow me down. And so this notion that the culture being rigorous somehow has an advantage, there has to be in all things a reasonable amount of challenge or it actually becomes a deterrent.

MARNIE LAVIGNE

Launch NY

I think one of the key factors we have to continue to change and I do see it changing – somebody asked the question, is it really making a difference today versus five years ago? I think we all can feel it in the air. At the same time, there are a number of people standing on the sidelines and the fear of failure and the stigma of failure continues to be a problem here, whereas on the West Coast and in other



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entrepreneurial communities, it's actually considered part of those merit badges that you collect that show that you actually have been through this entrepreneurial process. So I think that in Buffalo we have to have more people willing to go out on that ledge, but if they feel like they will end up being marked for life if there's one failure, that will often keep them from doing it. So I think the risk aversion factor is something we've got to get over and start to appreciate the people who have been down the path even if those weren't all successful exits.



TOM McMANUS
Kegworks

You know, there is a stigma in this town of the fear of failure and we need to embrace it. It's an opportunity to gain experience. I have all the respective degrees, but I've

learned more from my businesses that have gone under than I did from MBAs. That teaches the true meaning of cash flow when it's your house on the line. But the other thing, too, and Marnie touched on it a little bit, is I think we need to do a better job of teaching kids from early on, from 8th grade to high school to undergrad, that a good job isn't a doctor or a lawyer, no offense. It's okay to build your own job. And if you want to be a barber, awesome. If you want to be a software developer, fantastic. If you want to sell draft beer equipment, no way, that's my thing. But we need to encourage that and it's OK to build your own job and you're going to fall down. And the ability to get up is what makes you a better entrepreneur and people more willing to invest in. A lot of times you bet on the jockey and not the horse.

PATRICK FINAN Block Club & City Dining Cards

I've noticed, it started I'll say eight years ago, and there's been a huge change in the way that people perceive young people in this city, in this region not going down the traditional path of going to college, going to get your master's degree and coming home and like working at M&T Bank, which is not a slam on M&T Bank. It's just that's been kind of like you're supposed to go to this like big company job, and in a town there aren't a lot of huge companies and huge opportunities. I think we're seeing changes, but I think the biggest problem in Buffalo and what still needs to ultimately change is that nothing – very few good things – happen when you get a bunch of the same sort of people in the room all the time. And so it's important that

we have multilevel stakeholders in the room at the same time. This is a good example of people of different ages, different sorts of businesses all together.

DANIEL PENBERTHY

Rand Capital Corp.

Starting a business is very hard as Peter can attest to, and companies will fail. Patrick won't, but others might. I should have invested in Patrick's company, by the way.

PATRICK FINAN

Block Club & City Dining Cards

You should have.



DANIEL PENBERTHY

Rand Capital Corp

A third of the Rand deals we'll lose money on, that's just a fact. And I don't think we view entrepreneurs coming in the door if they failed in a previous business, that doesn't stop us from investing. It doesn't stop them from getting in the front door. So we can make the change in mentality from the ground level up. Throughout the kind of – in every level of kind of help that we're providing to entrepreneurs, it's all about providing experiences and networking. That's really what's going to help these companies to succeed. It's helping them to open up doors which they might not otherwise get to. Raising money is very hard. It is going to take a lot of \$10- and \$20,000 checks, but that's what's going to need to happen.

WILLIAM HIBBARD

Engineered Facility Solutions Inc.

You know, Pat said to me that the Center for Entrepreneurial Leadership class he was involved with only had 12 people in it. I was in the class just this year. We had over 60 people. I think that the awareness – I mean, just look at this room. The second annual Entrepreneurial Leadership Forum and here we all sit. What a diverse group, and that's what I see. I see in Buffalo that there's an awareness, that we're all using each other's services. We're all kind of rooting each other on.

TED JOHNSON

Hadley Exhibits

I think there's a lot that goes into pieces of the puzzle. You got to have that idea. You got to have the

banking and infrastructure and things. But the one thing that is intangible is perception and when I talk about perception, I'm talking about community perception, and we've talked a little bit about it. We talked about it. Whenever you want to get anything done, there's always somebody to stop you it seems in this town. We can't figure out what we're going to do with the Peace Bridge. How long has that taken? But that is a feeling that used to be prevalent and I can actually feel that changing. And this place won't be a real incubator for entrepreneurs until that's gone.

PAT WHALEN

Buffalo Niagara Medical Campus

You ask, Dan, why, why everybody's alluded to the fact that there's a big change here. So my theory on this is for 50 years this city's been on the decline. So if you open a dry cleaning business in Buffalo, where are you going to get business? From another dry cleaner. The only place you can get business is from somebody else, so that breeds this negativity that we don't want to take chances because we're going to cause somebody else to die. So the reason I see this – really encouraging signs here is because our economy is starting to do better and we can grow this economy without taking business from somebody else. It's just awesome to see this change in attitude. When I quit my job at UPS in 1985 to start my business, I had absolutely no encouragement. Everybody told me I was crazy. If you had a job in Buffalo in 1985, you did not quit it or you were labeled a lunatic.

NADJA PIATKA

Nadja Foods

What I see that really has helped Buffalo and is helping with this change is all the young professionals that are coming back. When I moved here, when the kids graduate, they go to New York. They go away, they leave Buffalo. And now we see them coming back. They're moving into the city. They're living in lofts. They're making the city vibrant, so I think that is really, really so good for the city.



PATRICK FINAN

Block Club & City Dining Cards

If you kind of came into adulthood at the like bottom of the valley, then everything else looks like a peak and then I think that breeds more

excitement. It just keeps getting better and better and better and then you get more excited and then you can feel the energy and things change.

TED JOHNSON

Hadley Exhibits

I think that, you know, when you talk about time, I think we were on the upswing then. The heart of this city was ripped out when all the industry disappeared in the '70s. When Republic and Bethlehem and all the other – there was like seven steel mills here. All gone. Nobody's left. But I want to say, you heard it here first, I made the comment last night, And I said five years from now, there will probably be 50,000 people more in the city of Buffalo than there is today. Now maybe that's a high number, but you're going to see the city actually grow. Something that's been going for 50 years going down, it's all of a sudden, it's going to start going up.

► **The manufacturing industry is reaching out to junior and high school students to expose them to advanced manufacturing jobs. Are there efforts at that level regarding how to start a business and take that risk?**



STEVE MARTIN
Business
Solutions -
The Positive Way

Our SCORE volunteers are being asked more and more to provide education at the high school level. In fact, we need more volunteers so that we can

actually meet the demand. There's a tremendous amount of interest from instructors and high school students to learn what it takes to start and operate a business.

MARNIE LAVIGNE

Launch NY

I think it's different district by district. Entrepreneurship is becoming the hot ticket so to speak, so you're seeing higher ed absolutely offering all kinds of courses and the remaining students taking those courses and that generating revenue and interest from the tuition. When you get into secondary schools and middle schools and I think elementary level, it gets tougher. I think that we have not had the role models, so that many of the instructors today at any level have not

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necessarily had anyone in their lives who started a business. So the notion of relating to that and teaching that I think is something that we have to help them do. But what we wanted to do is take people like Oscar who are let's say closer in age to these folks than myself and actually feature them as a role model because we know that those role models are lacking otherwise.

MEGAN McNALLY

The Foundry

What we do at The Foundry is we do a lot of education with youth. And a lot of it is going back to the whole exposure thing and it's like a long-term exposure of seeing and being with other entrepreneurs and seeing how they act. And so what we try to do is we do like long-term job shadows with specific kids who kind of demonstrate more leadership qualities that might be more entrepreneurial in nature. So we try to make sure that they have longer exposure to specific entrepreneurs who are really wanting to help teach and mentor.

DANIEL PENBERTHY

Rand Capital Corp.

Megan's an extrovert. It's all about kind of that – it's to have exposure. It's a diversity of experiences that is going to help these entrepreneurs. One word that Marnie said was critical and kind of common about the institutions, collegiate institutions, they're looking at it as a revenue source, right? This is another program just like an accounting program. And what they're missing in my opinion is using and exploiting their alumni database to help every one of these entrepreneurs. So Oscar's company in the software industry, there has to be somebody in UB in the 200,000-plus alumni that can help Oscar. Megan said it, it's exposing them to all these new experiences, that's critical. I just had the chance to come in and visit The Foundry, was brought by – I met you through another angel investor, right? So that's kind of how these relationships happen. And actually I have a check for Megan.

MEGAN McNALLY

The Foundry

Awesome, yes.

DANIEL PENBERTHY

Rand Capital Corp

And that's really how things are going to happen is through your network of experiences and advisers, relationships, you're going to come across people. That's how you raise your \$10-, \$20,000 checks. And that's what these institutions need to do is exploit the database, exploit the database that they have. Cornell does it

exceptional. We do a lot of investment down in Cornell. Do you know what they did? So they have their smart people, we have smart people. They have successful people. So they took and raised the money from Cornell alumni. And that's what these institutions around here need to do is kind of exploit those from within.

PAT WHALEN

Buffalo Niagara Medical Campus

Plus there's this exposure to entrepreneurs. I've talked I think about this in terms of the Sabres came here in 1970. All of a sudden there's thousands of kids that played hockey in Western New York. Thousands and thousands. New rinks built in West Seneca and Depew and all over the place. But it wasn't until the '90s, really late '90s that we started seeing Buffalo area kids play in the NHL. Why was that? Because their parents played hockey and their parents could teach them and coach them. So we have the same issue now. It's really encouraging and again, because we have a lot more successful entrepreneurs here and that's going to breed more success because exposure to this kind of activity is what we need.

WILLIAM HIBBARD

Engineered Facility Solutions Inc.

I have a funny story. A couple of weeks ago, my son Teddy, he's in third grade, he came home from school and he said, you know, the teacher was talking and she said, "Well, Teddy's dad is an entrepreneur. What's it like coming home and being in the home of an entrepreneur?" He wanted to know what it was like and so Teddy would tell him about our dinner conversations and things that we talk about at home. But now they want me to come in and talk to the class about my business and that exposure and talking in front of the kids about how I started my new business. So maybe getting on the front lines, getting in third grade and starting at that point.

TED JOHNSON

Hadley Exhibits

There's certainly a difference between running a business and starting one. There's no question. It's a totally different skill set, I think.

MEGAN McNALLY

The Foundry

I guess the thing that I think we lack in Buffalo in particular is that the – it's one of the most segregated cities in the country. And you know, evidenced by the fact of who's here right now, there's not many people in the African-American community that are part of this conversation. And so I guess the other part of going back to exposure is if you're talking to your

son about it, that's great, but how many – we really need to get other people in the conversation in terms of exposure and some of the kids that we work with don't have parents that are very supportive and in many cases, not present. So how do you expose them to this kind of, I guess, world? So that's what we deal with a lot over at The Foundry in how to get other people exposed to entrepreneurship and making sure that we increase the numbers that reflect the population of Buffalo.

MICHAEL McCARTNEY

President/CEO,
DIGITS LLC

Part of it I think is our involvement in giving back to the community, giving back to our educational institutions and serving on boards of trustees and serving on different boards of maybe our alma maters or in other areas and institutions that could use some help. I know that our involvement at DIGITS and myself just being involved in trying to give back is a big push to sort of re-enter and re-energize, Pat, that's what you were talking about that those that have come before us that can teach us going forward.



PETER CIMINO

Lloyd's Taco Truck

I think what Michael has to say might be the most effective way to do it. Having been a high school math teacher in my former life, I can attest to the challenges and tribulations that a lot of teachers face. I definitely don't want to make excuses for them. A lot of it is a function of the curriculum, but I think it's about that exposure. Maybe if there are more people volunteering, it might be a good way to do it. Because if we put the onus on schools, the districts, they're already encumbered by so many different things that to think that that's going to be the catalyst for it, I think we're being shortsighted. But – and then I guess when you get to the collegiate level, certainly tapping into alumni would be the easiest way to go. But how do the kids look to the entrepreneurs as the heroes?

► **It was mentioned that local entrepreneurs may not have access to local money or local investors. Is that changing?**

PAT WHALEN

Buffalo Niagara Medical Campus

I think that's success-related again. I know as an angel investor myself, I put \$25,000 in 10 different companies and they all failed. So I come home, tell my wife the other day, hey, I just saw this company I want to put \$25,000 in. "What is the matter with you?" Well, I'll guarantee you if one of those companies would have been successful, I would have made 300 grand on it, she would have said go for it. So we're starting to see successes here and again, that's going to change our behavior again, I think. So but again, another optimistic viewpoint.

DANIEL PENBERTHY

Rand Capital Corp

You do need the successes. It makes it a hell of a lot easier to raise the checks, there's no doubt about that. We're in a couple of deals right now, one we just got an exhibit from. And it's a lot easier to pull \$25,000 checks out of those same investors for some troubled companies now than it was a few months ago before they were sitting on a little pile of cash. So you do need the successes in going back to your investors that have cashed out. Those are terrific people to go to. There's always been a strong angel base, but it's always been kind of secretive behind doors, right, in Buffalo. You have partners in a bunch of law firms that come together and put up a bucket of money here and some investors from banks over here that have done some stuff behind the scenes. But it was very much behind the scenes, kind of old school and it's helping now to bring all these new angel funds – bring all this to the front. It's not any easier to raise capital. It's still very difficult and one of the challenges that these start-up companies face is you can either raise money or you can run your company. You can't do both. That's proven.

NADJA PIATKA

Nadja Food

And why is it so inaccessible? It's almost like the Secret Society of Investors. A lot of entrepreneurs, they have a passion for their idea and they need to know where they can go to beg. Because you have to – you get – you know, how many noes do you get before you get a yes? And there doesn't seem to be that infrastructure of telling him – telling them where they can go. And it's not going to guarantee that they're going to get the money, but at least give them a chance to pitch.

MARNIE LAVIGNE

Launch NY

I would say that we need to make that easier in Buffalo because that is one of the reasons people leave. So the

INDUSTRY ROUNDTABLE

type of fundraising you need to do depends on the kind of business you have, and so we need people tuned into that. It isn't always go to a bank and get a loan. In fact, more and more of our businesses, that's not really an option. So we're thrilled that we now have the first angel fund here in town so that just closed last year and the first investment was just made. At the same time, we know that we need to increase angel funding because guess what, folks? Upstate New York only gets 3 percent of the venture capital invested in New York state.

PATRICK FINAN

Block Club & City Dining Cards

I had a friend of mine who is out in San Francisco, she works at a start-up after she exited out of Facebook and she said that the founder of the company had raised \$8 million with one page that she looked at and was like there's something completely wrong with San Francisco. This is not – you should not – you shouldn't get anything, you shouldn't get a dollar for this. But I think you have to really manage expectations of like, OK this is a lot different than raising money in San Francisco. It's not as simple as just walk in, but I also think you have to be kind of tenacious because there aren't people here tripping over themselves to offer you money.

MICHAEL McCARTNEY

President/CEO, DIGITS LLC

Pat, to your credit, I mean, also I think with all of that said and the tenacity and the drive as an entrepreneur to go out and tell your story, you still have to have a product or a solution to a problem, right? I mean, you can have a great idea but if you don't have a buyer, that's really not a business. It's really not a solution. So fortunately you've got a great product and I think that's one of the things that as an entrepreneur you got to try to solve the problem, try to solve a problem so that you can have a great economy where you have something to provide and you have a person who wants to buy.

MARNIE LAVIGNE

Launch NY

So I think Patrick said it, we'll know if we made it as an entrepreneurial community when the investor is fighting over getting into good deals.

GLORIA ZEMER

Brand Mother Strategies

The story we're telling is one of real resilience. We are such a resilient people. But we also – I want to put things I guess in perspective even for myself. We are really excited and we're completely enthused about what's happening here and it's good. But every city in America is doing

this and so we just heard that we get 3 percent of the resources in this state. A report released in the last year gives New York state an F in terms of our ability to support small and entrepreneurial business. Buffalo as a matter of fact was rated the worst city in the state for being pro-business friendly. So what you hear from us is you hear our passion, you hear our drive. But we do have to acknowledge that in order to create change, we have to start investing in our own or others aren't going to invest into our own. That means breaking out of the conservatism.



OSCAR PEDROSO

Founder/CEO,
Gradfly

I used to live in Rochester and I just moved to Buffalo this past August. And I've developed my own little network of start-up friends who are also

starting up their own companies and we talk amongst ourselves and whenever I say I'm raising a round, they're always like you're not going to do it in Buffalo. And there's nothing more discouraging than hearing that because it's like why bother being here, you know, if the opportunities aren't here? So I find myself constantly reaching out to other places. Like every Monday, every Monday night I drive up to Toronto to participate in this program that's sponsored by Google and my whole reason for doing that is to be connected to – just to expand my network so that I can hopefully when I'm pitching reach out to someone who connects with the idea I'm working on. And I know I mentioned Dublin earlier, but when I was in Dublin we exhibited there and we met this guy from Hong Kong who's paying for our travel and our stay for one month to get a taste of the manufacturing scene out there, because it's related to our products in some form. I have a dear friend who's considering moving out to San Francisco in 2015 and I'm like no, stay. I was just talking to somebody at Y Combinator yesterday who was like why don't you come out to San Francisco? And I was just like – you know, you think about these choices that sometimes you have to make and like I'm responsible for creating that path for myself. But I see what's going on here and I believe in the environment. I just think we all need to kind of figure out how we each play a role in that.

► **What made you decide
to start a business and
how did you prepare?**

NADJA PIATKA

Nadja Food

I think what sometimes makes us take the plunge is different and unique for everyone because I think if you are on that comfortable path, there's no reason to change or get out. In your case, Pat, you obviously were not satisfied or happy where you were.

PAT WHALEN

Buffalo Niagara Medical Campus

I saw an opportunity that UPS wasn't taking. I said man, if you guys aren't going to do this – I went to my boss with the idea. I said this is the way we ought to be handling the Canadian customers. He said we're probably not going to do that for 15 years. We've got a lot of other things we're focused on. And I went home and thought about it and I thought if UPS isn't going to do this, I'm going to quit my job and I'm going to do it.

NADJA PIATKA

Nadja Food

So I think that's something – I think entrepreneurs see an opportunity. They see an opportunity in that and so you jump on it where others would go well, you know, why take that risk, you know? And I know in my family, I'm the only entrepreneur and my sisters think I'm crazy because they've been on salary all their life. And like, how do you sleep at night? That's what we love.

WILLIAM HIBBARD

Engineered Facility Solutions Inc.

I was in a large corporation and I would sit in on these executive meetings and we were making a lot of money, but as we were on – in these Tuesday morning sessions, you know, I would just keep coming up with these different ideas and different strategies and they kept looking over at me and they would say, you know, you're quite a maverick. And it was like OK, one of these things is not like the other. And that was where I decided to take that step because I always thought that being an entrepreneur was the ultimate form of job security. You know, if you can get out there and you can make it and you can be successful, you really are kind of calling the shots. And the other item was entrepreneurs create jobs and I wanted to create that infrastructure, create that new business that we could run and you're always looking for that next generation. I hope my business is a generational business. And sitting around the table with my – with my family and telling them how to do this, maybe we are planting that seed.

PETER CIMINO

Lloyd's Taco Truck

I think William said it – and it's the first time it's been mentioned at this table – is entrepreneurs create jobs. If their ideas are successful, I think that's the ultimate economic benefit and it's one of the things that we're not exactly seeing here yet locally, so maybe that's why there aren't all these people throwing cash at everyone for whatever ideas come on one sheet of paper or not.

STEVE MARTIN

Business Solutions - The Positive Way

For me, it was July 4, 1997. After 25 years of having moved from a start-up entry level position to a C suite in a high tech company, I realized that I could have a greater influence on job growth and job retention and sustainability if I was independent outside this particular organization. And that's what I've been doing personally as part of my personal mission is to help create jobs. And I've done it as a private independent consultant for many years and now based on having actually used SCORE as a mentor back in 1996, I realized that giving back – and we talk about giving back the knowledge that we have to our local community, I see how important that is and that's where I'm focusing more and more.

PAT WHALEN

Buffalo Niagara Medical Campus

I think that a number of people here, it's interesting to me that they mentioned that they started their business to create jobs and I know that was definitely my interest. Long story, but my kids when they were 3 and 5, we're driving by a railroad yard and it was abandoned and I told them I used to deliver there. I'm driving the truck. And they said where did the people go? I said oh, they lost their jobs because the factories closed and on and on. And they said where are we going to work?

PATRICK FINAN

Block Club & City Dining Cards

So I think a lot of us started because we saw an opportunity, jumped on it. We've all expressed that, and that's sort of been my case. One of the things I've enjoyed as a business owner is going from just like an immediate opportunity to strategic thinking about building out a company over five, 10, 20 years and how you can expand and grow your business that way as opposed to just jumping from one idea to the other. I think that a couple of us also worked at other companies and were frustrated by their lack of innovation, so we're – it's a typical entrepreneur, I can do it better myself. See you guys.