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Ames beats bushes for venture capital

By Bob Zientara , Staff Writer

With major employers such as 3M, Barilla, Sauer-Danfoss and Becker-Underwood, Ames fits the description of a "typical" community with traditional industries.

But it's also a place where ideas come to life, such as the Iowa State University Research Park.

And new businesses like the research park require a different kind of financial backing than the kind provided by the Ames' banking community.

"The biggest challenge we face is access to venture capital," said Dan Culhane, president and chief executive officer of the Ames Chamber of Commerce and Economic Development Commission.

That kind of money comes from investors "getting excited about a deal, the notion that if we bring them a project, or two people start a new business, we need some equity," he said.

In certain situations, new Mid-Iowa companies can find those motivated investors, Culhane said. But it isn't easy.

"Investment banks are rarer here than in other parts of the country," Culhane said. "If you're talking places like San Francisco-San Jose, New York, Chicago, even the Twin Cities, there are investors around. But the capital tends to stay there."

It's not just industries that are affected by the difficulty in finding investors willing to risk capital on new businesses, Culhane said.

"There's always a shortfall for the person who opens the retail shop on Main Street or the Northern Lights area. It's a constant challenge," he said.

Ames Community Bank President and Chief Executive Officer Kurt Kuta said there's a big difference between conventional business lending and the kind of financing that start-up companies need

"When the idea is first being hatched, there's not a whole lot to bank on," he said. "There's no hard assets, no earning stream. So for those kinds of businesses, their starting point will be venture capital, either on their own or from established investment banks.

"Once you've got a business plan and an end game, banks get more interested. Sometimes, we need to remind borrowers about that. But then again, the line becomes blurred as (businesses) get more established."

What's happening at the research park involves "a lot of intellectual property," Kuta said. "But I'll lend based on cash flow any day."

Banks are usually ready and willing to help new businesses with needs like payroll, checking accounts, clearing checks and helping new hires with loans for vehicles and homes, he said.

While new business owners work hard to turn their ideas into successful companies, there are other resources, such as the Small Business Development Center and the Iowa State University Pappajohn

Center for Entrepreneurship.

Mike Upah, who directs both agencies, said they offer business owners everything from help writing a business plan to hiring ISU students as interns.

Services are focused on "both startup and existing for-profit businesses with less than 500 employees," Upah said.

Clients are being served in Story, Boone, Hardin and Marshall counties, he said.

"The Small Business service and Pappajohn all fit into that evolutionary process from a start-up to a successful business," Kuta said.

"And from the economic development commission, there is money available through our seed capital fund."

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