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## THE DEAL: NEWS IN REVIEW

edited by John E. Morris

Call it one small step for venture capital and one giant step for studentkind.

In April a startup, SightSpeed, plans to begin marketing software that allows high-quality teleconferencing over a normal phone line with nothing more than a simple phone connection to the Internet, a cheap Webcam and a personal computer. Judging by the smooth, TV-like images the software generates and the product's price, SightSpeed may well avoid the fate of an earlier generation of Internet startups.

Success alone would set SightSpeed apart in the treacherous world of VC. But it also would represent a watershed for an angel investment operation that brands itself the only genuinely student-run venture fund in America.

Operating out of Cornell University's Johnson Graduate School of Management, BR Ventures ("BR" stands for "Big Red," Cornell's nickname) is distinct from VC funds at the universities of Michigan and Texas and at Yale, because students truly call the shots, says Adam Fitzner, one of nine student-managers of BR Ventures.

"The other schools have outside professionals who oversee the fund and ultimately make the calls on investments," Fitzner explains. At Cornell, Zachary Shulman, a business school professor and venture capital veteran, heads the program and offers advice, but "the students make the final investment decision."

BR Ventures also differs markedly from professionally managed funds in structure. The \$500,000 it raised during the last four years came not from profit-seeking institutions but from alumni and others who donated the money. Another \$500,000 has been pledged. Any profits not reinvested go back into the university's endowment.

The student-managers, Shulman hastens to point out, have no carried interest or cut of the profits: "The fund is [strictly] an educational tool," Shulman says.

The students seem to learn adeptly, judging by SightSpeed's history, which is pure Cornell-red. A Cornell engineering student, Aron Rosenberg, created SightSpeed's technology and Brad Treat, a 2002 Cornell business school grad, fashioned the business plan and is now SightSpeed's CEO. BR Ventures invested about \$125,000 in November 2002, and Cornell alums kicked in several hundred thousand more.

An interview with Fitzner and Shulman over an Internet link to Ithaca, N.Y., using SightSpeed's software highlighted the product's virtues. The images are lifelike and the motion is smooth. There is no time lag between the audio and the visuals — a drawback to Microsoft Corp.'s free NetMeeting teleconferencing service.

SightSpeed has three startup competitors, according to Fitzner, but "they rely on connections to servers, whereas SightSpeed relies totally on a simple Internet connection and your own PC." Customers will be charged \$39 a month for use of the software, Fitzner says.

BR Ventures' other investment, a \$125,000 commitment to Gene Network Service, an Ithaca-based biotech concern, is on the verge of winning a commercial pact with a large pharmaceutical manufacturer, says Fitzner, who sits on both companies' boards.

After he leaves school in a few weeks for a job at Houlihan Lokey Howard & Zukin, Fitzner says he will probably stay on as a director at both companies during a transition period, so that his business school replacement can get up to speed.

"It's far and away the best school experience I've had," says Fitzner of the 10 to 20 hours a week he has devoted to BR Ventures. "I was particularly interested in learning about the venture environment and the hands-on experience has been fantastic."

— *David Carey*