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Wireless Veterans Refocus On Startups

By Sally Ruth Bourrie_from the November 2000 issue of *Broadband Week*

Take several high-profile wireless technologists, add them together in a new broadband-focused venture firm and the participants are hoping to end up with a sum greater than its parts.

From hardware and software to middleware, applications and services, Emeryville, Calif., start-up inOvate aims to develop a portfolio of wireless companies that can work synergistically as well as stand alone. "My aspiration is that we are able to bring wireless multimedia to the palm, to the pocket and to the purse," says Craig Farrill, the former chief technology officer of Vodafone AirTouch who now is inOvate's managing director and CTO, and as such the executive charged with charting inOvate's technological vision. Enabling technologies for wireless multimedia and next-generation networks are key interests on the technology side, while management is working on getting companies to market faster with greater cost efficiencies.

Launched in September with three companies in its portfolio, inOvate has completed its initial funding and plans to close on additional financing soon, says founder and CEO Perry LaForge, who's also executive director of the CDMA Development Group and partner at management consultants Pittiglio Rabin Todd and McGrath. While LaForge says inOvate's backers are global players, he declines to identify them or quantify the new firm's financing. Long-time venture capitalist and Cheyenne Capital founder Issie Rabinovitch heads inOvate's acquisitions and is a managing director.

"We're not a pure venture capital firm, we're not a holding company, we're not just an integrator," says managing director Keith Kaczmarek, the former senior vice president at Teligent, Nextel Communications and PCS service provider PrimeCo who heads inOvate's Atlantic region. Management's contacts and experience are as important as funding, he says. "We have the ability to help a company through all stages of its growth."

Bruce Lawler, co-founder of satellite content distribution network iBeam, is head of business development. inOvate, he says, is looking at ways to bridge the gap between wireless today and 18 to 24 months from now. "[If] we don't find the business plan that we would like, then we would build the company ourselves." inOvate will invest in Series A and Series B rounds, then partner with venture capitalists and corporate investors. Investments must show five to ten times improvement in cost, quality or time and not be easily duplicated. "We're not going to do hundreds of investments," LaForge says. "It's going to be in the tens."

"We look for liquidity and likelihood of a liquidity event within a reasonable period of time," he continues, but revenue generation won't always be essential because significant intellectual property isn't necessarily a cash cow. inOvate soon will announce a role as a passive investor in a network-side company, says LaForge. The firm is working currently under nondisclosure with companies to improve throughput and efficiency in the radio spectrum.

inOvate's most direct broadband investment is Galleon Broadband Wireless in Milpitas, Calif., which Kaczmarek in particular has helped with management and guidance. Galleon's proprietary technology enables production of low power, low-cost miniaturized LMDS transceivers, which the company has begun shipping to customers. "To our knowledge, [the Galleon radio] outperforms in terms of size, form, factor and cost," says Farrill. inOvate is positioning Galleon as a low-cost provider to the broadband wireless access market. inOvate's other investments are in services. San Diego's inCode provides RF and network engineering, program management and technical services consulting to wireless operators. "It helps us to leverage our other companies," says Lawler; for example, inCode's specialty in testing can help ensure high-quality Galleon products.

But inServ, an Emeryville, Calif., Web-based customer care company supporting the entire customer value chain, exemplifies how inOvate's companies must stand on their own. Galleon,

for instance, is not required to use inServ for its customer service.

inOvate's management is gaining attention. "They definitely have some of the top technology advisors and managers in this space," says Elliott Hamilton, director of global wireless at The Strategis Group. "There are a lot of small start-ups; wireless broadband is just beginning, and lots of winners will start to emerge over the next several years."

The timing has attracted some other heavy players to the same arena this year. One such outfit, Ignition Corp., an incubator fund primarily formed by former Microsoft Corp. and McCaw Cellular executives in March, is focusing on applications for consumer markets.

Michael Brown, equity research analyst with Dain Rauscher Wessels in Minneapolis, sets inOvate apart for its holistic approach. "There is a real need or void in my view for somebody to incubate that kind of thought," he says, adding, "There are not very many [wireless broadband companies] that are taking a networking view, but when you start trying to offer voice, video and data, that requires some pretty sophisticated quality of service." Maybe inOvate's arithmetic will turn out to be right on the money.