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Making the (up)grade

Prymak's future rests with updated software

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GREENSBORO ♦ When software developer Prymak Inc. opened its doors in Greensboro in December 2000, it had enough ready-made tools to make most other entrepreneurs jealous.

Prymak's founding partners started operations with the rights to proven loan-origination software and the equipment to make it all work. Prymak also had a list of 40 paying clients, which contributed to \$1.5 million in revenues last year, or double that of the year before.

Despite the early leg up, there was one massive and unenviable catch ♦ the DOS-based software Prymak used was more than 20 years old and in need of a major tune-up to be competitive in the Internet age.

Today, Prymak, with 14 employees, is working to address that hurdle by creating a new Web-enabled version of its software. Testing is under way, and the partners hope to release the modernized program by April.

Peter Fugaro, Prymak's president, says his company will almost certainly make that goal. He feels good about the progress so far and the potential of the upgrade, particularly as Prymak eyes \$10 million in annual revenues over the next three to five years.

"We'll start going after new clients this spring," Fugaro says, with a target of eventually having more than 100 users on the new system.

"Their long-range survival relies on getting the technology updated," says Tom May, director of the Nussbaum Center, which has served as Prymak's home since its inception. "It's been their biggest challenge, but it's one they're making real progress on."

Rising from the ashes

Prymak's story is one of ingenuity and survival. The company's five partners ♦ Fugaro, Bob and Michelle Funke, Kim Norwood and Ann Benner ♦ formed Prymak in late 2000 after their previous employer, Atlanta-based FiTech Systems, left Greensboro in the face of financial problems.

The partners were able to convince FiTech to sell them the rights and equipment to its loan-origination software, which banks and mortgage lenders use to manage loan data. Prymak

charges an undisclosed fee based on the number of employees that use the software.

Fugaro declined to comment on the financial terms of the deal with FiTech.

By December, the quintet had formed Prymak and had started contacting the 40 clients they had inherited from FiTech. They also began brainstorming ways to bring the technology up to speed.

"They were truly a Phoenix," May observes. "But they also faced a time bomb in terms of updating the software."

Fugaro says the first challenge involved finding the right way to pursue the upgrades. The partners had to decide between hiring programmers to tackle a conversion or an outside consultant to oversee the process. They chose the latter, hiring Cary-based Strategic Technologies.

Fugaro says the move, though more expensive in the short term than hiring in-house workers, has seemingly paid off. Strategic Technologies, he says, has been diligent in making Prymak stick to its deadlines as it develops and tests the software upgrades.

Selling the service

Fugaro said it was vital to maintain a development schedule, particularly after Prymak hit some funding hurdles early in its quest to update the software.

The challenge, he said, was convincing enough clients to prepay for the new software, which they had hoped to have running by last summer. But most clients had reservations and concerns about investing the \$50,000 to \$300,000 prepayment.

Prymak, along with Strategic Technologies, began asking clients to air out their concerns, which were then addressed in a prototype demonstration for the software. One by one, Prymak invited clients to Greensboro to view the demo.

The initiative paid off ♦ five clients provided a total of \$800,000 in funding to get the project back on track, Fugaro said. Those five clients still meet with Prymak on a monthly basis to review the initiative's progress.

One of the key attributes to the new software, clients said, will be its ability to merge two separate programs ♦ for mortgage and consumer lenders ♦ into one product that can be customized to the needs of each lender.

"We were impressed with the prototype test demos," said Ed Miedzianowski, a vice president at Baltimore-based Provident Bank. "So far, we've been encouraged with the program's flexibility and pricing points."

It hasn't hurt either that the clients have known the Prymak partners for years, added Lyle Greenberg, vice president of mortgage operations at Charter Bank in Albuquerque, N.M.

Greenberg said the prototype tests merely confirmed his heightened expectations for the new

program, which will likely compete against other programs designed by larger entities such as Fiserv and Alltel.

"They're going to be competitive in terms of their technology," Greenberg said. "The program should be as good or better than any other loan-origination software. It's priced competitively, and they have a core group of people who understand what being a mortgage lender is all about."

Crossover appeal?

Fugaro finds those views encouraging as the company gears up for an April roll-out. The idea is to start pitching the Web-based program to other mortgage lenders starting this spring, with hopes of reaching 100 clients by 2008.

In the meantime, Fugaro and the other partners are looking to boost employment from 14 employees to more than 20 by the end of the year. Revenues in 2003 are expected to edipse \$3.5 million. The company will likely search for space outside of the Nussbaum Center in 2004.

The next year will be crucial, Fugaro said, particularly as Prymak looks at other uses for the software. The field is open, but Fugaro said insurers could potentially use the program to process applications and claims.

"There are other avenues," Fugaro said. "But we're not quite ready to take that leap until we get the software stabilized in our primary industry."

So far, the prospects look good, says May, at the Nussbaum Center, who doesn't see an immediate end to the company's growth potential.

"Prymak is a high-growth company," May says. "They've already shown that in the time they've already spent in the incubator. But with the success of the technology, they are positioned to continue that growth rate."