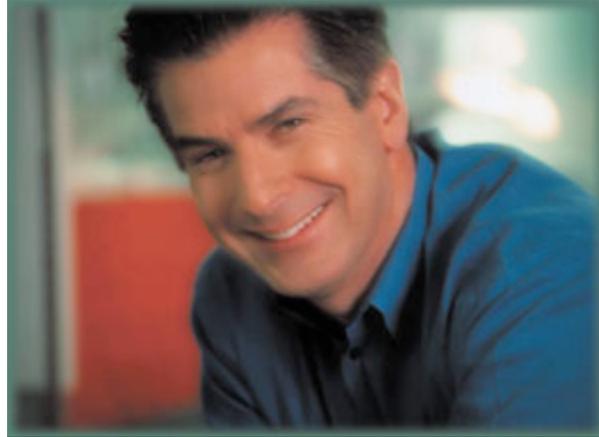


The Twenty Million Dollar Man

Chris Running was able to acquire \$20 million in funding thanks to a strong business plan. It probably didn't hurt that his company is making a small profit.

By Becky Bergman

Chris Running was starting to sweat. For nearly five months, he had been negotiating with two VC firms to secure a second round of funding so that his Emeryville-based consultancy firm could continue its strategic acquisition of larger, more profitable technology consultancies in a slumping market.



Then, on the last Friday in March, Running was on the last leg of the VC marathon. He was days away from closing a \$20 million deal that he hoped would validate Wirestone as a major player in the tech field.

Running, the company's president and CEO, had followed the stock pages obsessively and waited for something horrible to happen that would kill the deal. Nail biting aside, the financing deal seemed to be in place as he was getting ready to embark on the first stress-free weekend he had taken with his family in months.

Then that dreaded phone call came at 4:30 that Friday afternoon. Running had just played an afternoon game of Ping-Pong with Anthony Danon, the company's CFO. Thinking nothing of the stock pages he had dwelled on for months, and little of the investors he had wooed, Running was shocked to hear what the voice on the other end had to tell him.

Investors were about to call off the deal. Partners at B2B Solutions LLC and PPM America Capital Partners Inc. — the top two investor firms he was wooing — were concerned after hearing a Wirestone client was considering an acquisition.

"The rumor was that a large Wirestone client was thinking about buying a competitor of ours. That created a lot of tension and made the investors nervous," says the 46-year-old Running. "I saw my life pass before my eyes."

As the Internet's wild ride was slowing down — if not coming to a screeching halt — Running took off at full throttle with Wirestone.

He launched the company on April 7, 2000 with a comparatively small \$2.5 million in startup capital. In the 16 months since he began offering management and marketing services for online business sites, Running acquired five more companies such as Chicago-based DCG Chicago and Milwaukee-based Websight Solutions. Today, Wirestone has 185 employees in 10 offices, \$22 million in annual revenue, and just over \$1 million in profit.

And, as it turned out, he now has a checkbook padded with \$20 million in recent investments.

"The deal went through," says Running. "We watched the papers all weekend and first thing Monday, we learned it was just a rumor. Nothing more."

A good plan helps

Wirestone creates online and offline marketing campaigns. It counts Agilent, Hewlett-Packard, and Sutter Health, among 270 other companies, as customers.

Running says Wirestone will use the \$20 million to continue to do what the company has done since day one — acquire other technology firms to help design websites, develop business strategies, and provide advertising solutions for clients. Only now, Running says he plans to target companies in the higher \$5 million to \$15 million range for acquisition. He would not say which companies he has his eye on.

Running anticipates Wirestone will double its earnings and snag more than \$40 million in revenue this year. His goal is to hit the \$100 million mark as Wirestone evolves into a global enterprise over the next couple of years. The former Bigbook.com CEO credits old-fashioned business techniques — profitability, solid clients, and a strong management team — for his company's success.

Meanwhile, the key to raising money was having a solid business plan, he says.

Running says that when he approached Stamford, Conn.-based B2B Solutions LLC and London-based PPM America Capital Partners Inc. last October, he wasn't worried about securing the necessary funds in a flat economy.

"We went in there with a strong business plan backed by a positive financial performance," he says. "We didn't need the money to stay in business, but rather to accelerate our growth. So it wasn't a life or death situation."

That game plan worked with investors.

"The current VC climate is very similar to the weather in San Francisco. One side is gloomy and gray and the other side is clear and sunny," says Matt Bolton, an analyst at Redwood Shores-based Woodside Fund, a VC firm that did not invest in Wirestone.

Indeed, many investors in the venture community are experiencing pain in their portfolios these days, following the death of so many startups, particularly Internet companies. In fact, with its fresh \$20 million infusion, Wirestone is one of the few tech companies claiming victory these days.

In June, 53 Internet firms pulled the plug, compared to the 17 that shut its doors the same time last year, according to San Francisco-based Webmergers.com, an Internet research company that has its finger on the industry's waning pulse.

June's 53-company death toll brings the total number of Internet companies that have folded since January 2000 to at least 555.

Investors are taking notice and clutching their purse strings a little tighter, according to Venture Wire. A total of 1,051 private companies raised \$14.5 billion in capital during the first quarter of 2001, compared to 2000's first quarter total of 1,855 companies raising \$27.7 billion.

These figures suggest that VCs will invest roughly \$47 billion this year, a total well off last year's sum of \$108 billion, but still 15 percent greater than 1999.

"VCs are going back to basics and looking for experienced management teams, proven business models, and proprietary technology," says Bolton. "The days are gone of funding two MBAs with a cool idea."

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VC Tips

Some good questions to bring to the table when meeting venture capitalists.

1. How do you plan to participate in my company?
2. What can you contribute to the success of my company?
3. How do you view the board of directors' role and management's role?
4. Can you tell me about other venture capitalists with whom you have discussed my company?
5. Do you or any of the other venture capitalists have any investments in our competitors?

Source: Entrepreneur.com