

# Attracting Investors

## Helping Pittsburgh Businesses Grow through IF Ventures

INTERVIEWED BY SUE OSTROWSKI

**F**inding the right match between investors and businesses needing capital can be hit or miss. How can investors reduce the challenges they face in identifying potential investment opportunities, and how can growing businesses attract the right partner?

“One of the most common barriers to bringing companies and investors together is mismatched expectations, where investors think a company is more mature, and the company is presenting itself that way, but after the investment, the investors find out the company is not as mature as they thought,” says Mike Matesic, President and CEO of Idea Foundry, which has helped launch more than 250 companies that have generated more than \$1 billion in direct economic impact to the region over the last 20 years. Helping companies attract needed capital has been an essential part of Idea Foundry’s services and that required getting close to investors to understand their needs.

“The other challenge is that investors don’t like to immediately say ‘no,’” says Chris Farmakis, shareholder and Board Chair at law firm Babst Calland.

“It’s very dangerous for a business to think it’s getting funding and start spending before they have it,” says Farmakis. “It is very difficult for a company to recover when it finds out its promised funding fell through.”

An experienced funding program, however, can screen companies, ensure transparent communication, and bring companies together with a pool of investors.

*Smart Business* spoke with Farmakis and Matesic about how a third-party

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funding program can help both sides of the investment equation make the most of the deal.

### WHAT ARE THE ADVANTAGES OF WORKING WITH EXPERIENCED ORGANIZATIONS TO FIND THE RIGHT PARTNER ON BOTH SIDES?

People want to invest in companies that sound exciting, but oftentimes it’s hard to find those at the right time and right deal terms. If you’re an investor looking for companies, you can’t spend all your time vetting and evaluating companies. Investing by individuals is inherently a risky, speculative venture. Affiliating with a competent investment group can lessen this risk.

IF Ventures is a group of successful entrepreneurs, experienced investors, and business owners. We seek companies with proven technology or products that have customers and revenue, and a strong management team. Many companies are just too early in the game to meet these criteria. And for more mature companies, better sources of capital probably exist. If a company meets all our criteria, we internally vet it. Only the best opportunities are brought to the investment group.

Businesses from any type of industry are eligible, from a traditional company

to one focusing on technology or an innovative product.

### WHERE IS THE VOID IN THE PITTSBURGH MARKET?

Pittsburgh does fairly well in the early stages of investments, attracting money from economic development organizations, friends and family, to get something going. It also does well after the company has matured to the point where it can attract private equity. But in that middle space, the angel space in which we transact, companies oftentimes run out of money and time, leading to the valley of death.

IF Ventures’ success hinges on the critical collaboration between the Idea Foundry and Babst Calland. Idea Foundry focuses on sourcing the deals, doing the initial due diligence and bringing companies forward. Babst Calland negotiates the investment terms for the investment group and attracts additional investors to the program.

The region continues to develop more business opportunities for investment. But the capital base hasn’t expanded accordingly. So, initiatives like IF Ventures are designed to attract additional investors and additional investment to companies to help the region broadly, and it couldn’t be timelier. ●