

# Slow quarter for venture capital investment in upstate New York

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Fewer startups in upstate New York raised venture capital money in second quarter of 2016, after a strong start to the year.

From April to June 2016, just four companies across upstate New York raised \$2.4 million, according to a new report.

The investments were led by E-Health Global, a Rochester software company, according to the MoneyTree report by PricewaterhouseCoopers and the National Venture Capital Association, based on data from Thomson Reuters. E-Health received \$1.5 million from Rand Capital, a Buffalo-based investment group.

The slower quarter comes after companies raised more than \$36 million at the start of 2016. It was the most that companies in upstate New York had raised in the first quarter in a decade.

That swell followed a big year for venture capital in 2015, when upstate New York startups raised \$159.68 million among 29 deals. It's the most money that upstate New York companies have received since 2000, at the height of the dot-com era.

Rich Honen, partner and office leader at Phillips Lytle in Albany, said it is getting harder for early stage startups to raise venture capital money, especially in upstate New York.

Another reason for what appears to be a less than stellar quarter: The MoneyTree report doesn't always count angel deals.

"Angels are shouldering most of the burden of startup funding in upstate New York," Honen, who runs the firm's venture capital practice, said. "If they are only counting institutional deals, upstate New York will be hit harder or appear to be hit harder by that kind of calculation."

In Albany, LeverPoint Management was the only company mentioned in the report to receive an investment in the second quarter. LeverPoint does the back-end financial work for private equity, venture capital and other funds. It has grown from 40 employees in 2012 to more than 110 employees this year.

The company received a debt and equity investment from Hamilton Lane, a Philadelphia-based private equity firm, to fuel further growth in April. Terms of the deal were not disclosed.

The investment was through the New York Credit SBIC Fund — a \$200 million pool anchored by New York State Common Retirement Fund that focuses on making loans to small businesses in New York. It can invest in amounts ranging from \$5 million to \$20 million.

The other two investments, both less than \$1 million, were for startups in Ithaca.

To learn more about what companies go through to raise venture capital, check out this *Business Review* cover story from January — 'You can raise money anywhere (even Albany)'



DONNA ABBOTT-VLAHOS

LeverPoint Management was the only company from the Albany area to receive a venture capital money in the second quarter, according to the report. Pictured is CEO David MacPhee.

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