

EXCLUSIVE REPORTS

From the August 30, 2002 print edition

West Chester Web firm gets big VC boost

River Cities leads group of big-name backers

Richard Curtis

Courier Managing Editor

A West Chester firm that creates online "plan rooms" for the commercial construction industry has pulled in \$5.5 million in venture capital from a group of investors led by Cincinnati's River Cities Capital Funds.

The investment will allow Construction Software Technologies Inc. to hire sales and marketing personnel needed to expand the national reach for its products, sold under the name iSqFt. The fast-growing firm hired seven new employees in the last 10 days, bringing its total to 50.

The investment also marks a major step in the Tri-State's efforts to provide more early-stage funding for local firms. It's the first time money from the newly formed Tri-State Growth Capital Fund has made its way to a local company, in this case through one of River Cities' partners in the investment, Louisville-based Chrysalis Ventures.

"iSqFt has already built a solid technology platform," said Daniel Fleming, a principal with River Cities. "This investment is about providing them with the resources to put feet on the street to do missionary sales."

iSqFt's online services address a problem that has long plagued the commercial construction industry — how to efficiently deal with the mountains of plans, blueprints and specifications connected with a project, and how to disseminate that information to subcontractors and suppliers, which can number in the hundreds on a big job.

iSqFt creates online plan rooms where everyone associated with a project can view the details from their desktop, rather than having to drive across town to a traditional hard-copy plan room.

General contractors pay between \$175 and \$2,500 for each project they put online; subcontractors pay between \$1,500 and \$3,500 per year to subscribe to the service, giving them online access to all public and targeted private projects.

"I am very excited about this product," said Peter Strange, CEO of Messer Construction, iSqFt's first major local customer and also a partner in the venture investment round. "This is applying proven tools to an industry (construction) that really needs to get into this level of communication."

iSqFt, which was founded in 1993 by Phil Ogilby as a job-estimating software firm, made its big breakthrough in April 2001. That's when its then-new President Dave Conway helped the company win a fierce competition against 200 other firms to become the exclusive national partner of Associated General Contractors of America, a trade group representing 30,000 commercial contractors.

"It was the height of the dot-com frenzy and my phone was ringing off the hook," said Mark Pursell, executive director of business development for Alexandria, Va.-based AGC. "There were a lot of good products, but iSqFt had it figured out that every construction market is different, and they had a willingness to adapt."

iSqFt not only picked up tens of thousands of potential subscribers, it also gained access to AGC's plan rooms across the country, providing the firm the infrastructure it needed to compete with construction plan behemoth F.W. Dodge Co., a division of McGraw Hill.

From there it's been all acceleration for iSqFt. In the 15 months since the partnership began, iSqFt has started doing business through 20 of AGC's 101 chapters, signing up more than 1,000 subscribers and booking \$5 million in sales. iSqFt plans to launch the Cincinnati chapter operation this fall.

"It gave us instant credibility," Conway said of the AGC partnership. "Before, potential customers were always asking us, 'Will you be around?' A lot of our competitors were dropping like flies."

The partnership also helped seal the venture capital deal with River Cities, which had been tracking iSqFt.'s progress for two years.

"In fact, there likely wouldn't be a company left if Dave hadn't struck a deal with AGC," said Fleming. "He and his management team were very resourceful in keeping the firm going."

Conway, who joined iSqFt in 2000 after a 15-year career with Reading-based Standard Textile Co., said he looked for venture money for almost two years before landing the River Cities-led round. Some venture firms wanted him to move the company to California, others to New Jersey or other spots on the East Coast.

But Conway, who along with Ogilby and other managers retain the majority ownership of iSqFt., wanted to keep the company in Greater Cincinnati. Fortunately, the investment came when it did.

It is a story not only River Cities but also backers of the Tri-State Growth Capital Fund want to see repeated.

Formed last year with \$20 million from Procter & Gamble Co., Western Southern Cos., the Convergys Corp. pension fund and Fifth Third Bank, the Tri-State Growth Fund invests in regional and national venture firms like Chrysalis to help spur early-stage investments like the one in iSqFt.

"This is the way it's supposed to work," said Stephen Baker, vice president of private equity for Fort Washington Capital Partners, which manages the Tri-State Growth Capital Fund. "If we put money to work locally and regionally, it might go elsewhere, but it's unlikely. Venture capital tends to be a local business."