

Rochester: An Entrepreneur's City

How NextCorps is Giving Startups a Leg Up

By Krista Gleason

Rochester, New York is a city built and sustained by entrepreneurs. It's a former company-town once dominated by Eastman Kodak Company, Xerox Corporation and Bausch & Lomb, whose founders gave rise to a community rich in industry and education.

These companies inspired and trained the scientists and researchers, who by choice or by circumstance, left its labs and created new technologies and the small to mid-size businesses that are now the backbone of Rochester's economy.

In a city where entrepreneurship is practically a birth-right, community, business and government leaders are working together to cultivate the next generation of innovators.

One of the drivers of that movement is NextCorps (formerly named High Tech Rochester), a non-profit organization whose mission is to help technology entrepreneurs launch new companies and established companies improve revenue and profitability.

"The goal is helping create and grow businesses and ultimately, economic growth in the community," said James Senall, president of NextCorps. The organization enrolls up to 100 startups each year in its programs, which include incubators, accelerators, education and coaching for each stage of a company's lifecycle – from idea to launch to maturity.

Senall said about two-thirds of the startups that have graduated from its incubator programs are still in business or have been acquired.

"Compared to national statistics of small business success rates, that's about twice as good," he said.

Those success stories include CaterTrax, a catering management software provider that was recently acquired by Volaris Group; Clerio Vision, which is developing a new form of laser technology for vision correction; Gryt Health, a digital health company that supports cancer patients and caregivers; and Ovitz,

a medical device company on a mission to prevent blindness.

NEXUS-NY

At the earliest stage of the entrepreneurial journey is the NEXUS-NY program.

"NEXUS was formed around the hypothesis that a lot of great inventions take place in university research labs but rarely do those inventions make it into the marketplace," said Doug Buerkle, executive director of NEXUS-NY at NextCorps.

Funded by the New York State Energy Research and Development Authority, NEXUS-NY facilitates the development of clean energy technologies that reduce emissions, improve efficiency or generate renewable energy. Its participants are creating advancements in such areas as energy storage, building materials and wind turbine designs. They come from the region's leading research institutions, including Rochester Institute of Technology, the University of Rochester, University at Buffalo and Cornell University in Ithaca, New York.

"If you look at the research dollars that are spent at those universities, it's significantly more than the research dollars that are spent at Stanford and MIT combined," said Buerkle. "There's a lot of research and innovation happening here and we need to do a better job helping to get those innovations into the market."

The NEXUS-NY program is in its fifth year. According to Buerkle, 21 companies have formed as a result of the program and about a dozen of those are making significant progress.

"They've either raised a reasonable amount of money, they found a strategic partner, or they are making initial sales to customers," he said. "Collectively, our graduates have raised close to \$35 million in funding."

Many of the startups are taking advantage of assets at Rochester's Eastman Business Park, the former industrial behemoth of Kodak that is now powering the

development of new technologies, including advanced batteries and energy storage devices. The park is one example of how Rochester is re-purposing its past to shape the future.

Luminate Accelerator

NextCorps' newest initiative is Luminate, a startup funder and accelerator for optics, photonics and imaging technologies.

Rochester is considered a world leader in these fields, with more than 150 such companies. Sixty percent of the nation's optics degrees are earned at the University of Rochester.

"There is so much expertise that both resides here and was developed here," said Sujatha Ramanujan, managing director of the Luminate Accelerator. "In terms of optics and photonics, this is one of the best areas in the country, if not the world, for startup companies to be in."

The accelerator received over 100 applications from tech companies around the globe. Twenty-five semifinalists then came to Rochester with a prototype and a dream to compete for a spot in Luminate's first cohort. Ten finalists were chosen, receiving an initial \$100,000 investment, access to a national advisory board of CEOs along with local industry leaders, and a six month curriculum to commercialize their innovations. In June, the teams will compete for \$2 million in follow-on funding provided by New York State.

Three out of the 10 startups are from Rochester. One of them is Molecular Glasses, a graduate of the NEX-US-NY program and several others at NextCorps. It has developed a new class of organic semiconductors for organic light-emitting diode (OLED) applications. These materials enable the manufacture of lower-cost, higher-resolution, and better performing electronics and mobile devices. Its founder and CEO is a retired researcher from Kodak, where OLED technology was invented.

"I started Molecular Glasses in 2013 with a concept, my

computer and just myself," said Mike Molaire, founder and CEO of Molecular Glasses. "Today there are seven of us, chemical labs, equipment, office space, patents and prototypes. NextCorps is a big reason we have reached this point."

Other companies getting a boost from Luminate include Bounce Imaging from Boston, which has created a 360 degree throwable tactical camera for first responders. Arovia, based in Houston, has built a pop-up display screen for mobile devices. Lumotune, located in Waterloo, Ontario, Canada, has created a transparent digital display for showing digital content on windows, such as for advertising. Think Biosolution from Dublin, Ireland has developed a camera-based sensor to embed in athletic wear to measure a person's physical performance.

Filling the funding gap

The Luminate Accelerator was also designed to fill a gap in startup funding. With several venture capital and angel investment funds, Rochester has good sources for seed and early stage funding, according to Ramanujan. But more resources are needed at the midpoint.

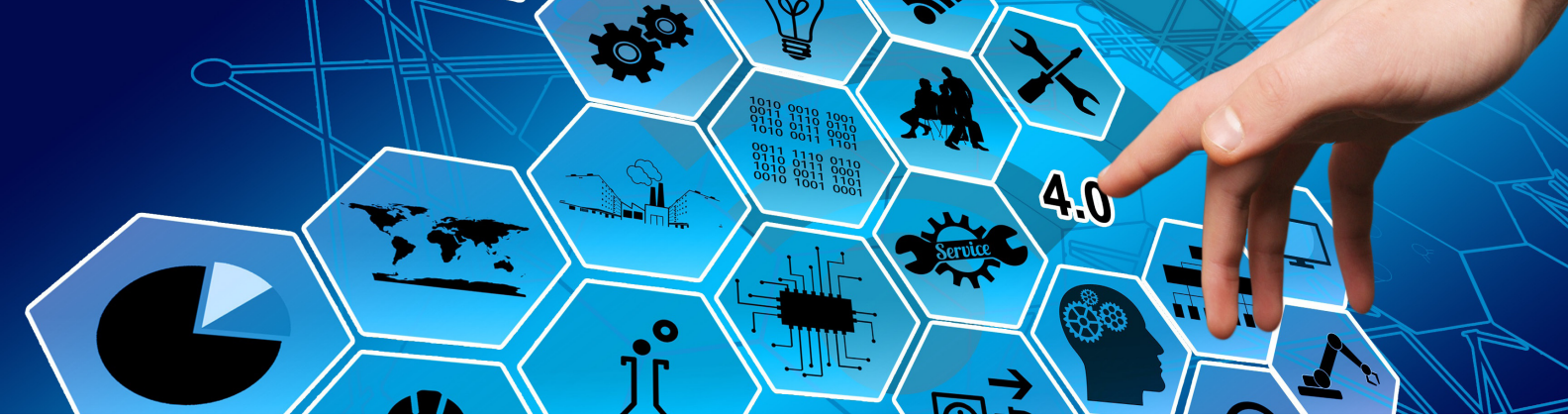
"The toughest place for startups to raise money is the middle, when it has a prototype and early market penetration but is not turning out a lot of product with a returning revenue stream," explained Ramanujan. "We're hoping that we help there and that we also attract the right type of sponsors and corporations to come and see that these are promising technologies they can invest in."

Buerkle added that while the state has been a catalyst for many startup initiatives, the private sector needs to be involved to sustain them.

"It doesn't all have to happen within Rochester," he said. "The best case scenario is we attract outsiders to take a look here. Companies are looking to invest, acquire and partner with startups. They see it as a great opportunity for growth."

"THERE IS SO MUCH EXPERTISE THAT BOTH
RESIDES HERE AND WAS DEVELOPED HERE."

—Sujatha Ramanujan, managing director of the Luminate Accelerator



Cases in point: A major chemical corporation has invested in two NEXUS-NY graduates. And Luminate has received interest from several large companies, including a German laser technology corporation, that want early access to the technologies those startups are developing.

By handling the vetting process, programs like Luminate are doing much of the heavy lifting and de-risking the investment for potential funders.

“Whether it’s bringing in co-investment from outside investors or growing local funds, we have to look at being financially self-sufficient,” said Ramanujan. “We certainly have the means to do so. It boils down to having that mindset or that change in conversation that says yeah, we can do this, we’ll take that risk. It’s happening, it’s just a gradual process.”

The Incubator at Sibley Square

NextCorps is working to accelerate what it calls a cultural change. Beyond attracting more financial risk-takers, it’s cultivating more collaboration between startups and the larger community.

Its latest project is the opening of The Incubator at Sibley Square, which puts the startup ecosystem under one roof. It offers prototype and wet labs, a digital studio, co-working space, workshops, and access to sought-after mentors and experts in fields like legal, marketing, accounting and HR.

It’s also the new headquarters for NextCorps.

“The idea was to have a more centrally located hub of entrepreneurial activity. We wanted to be much more visible,” said Senall. “It’s right in the middle of all the new development going on in the center city. It’s got a great history of being a gathering place for the community.”

Sibley Square is a sprawling historic building in downtown Rochester that is being redeveloped from its former life as an iconic department store. Like many

of America’s small city downtowns, Rochester’s core is being reimaged and rejuvenated. It’s newly bustling with businesses, restaurants, shops and activity.

The Incubator at Sibley Square is part of what NextCorps and its partners are informally branding the Downtown Innovation Zone. The idea is to attract more tech companies and create more connections with the broader community.

“As we locate everything in a place that has access, and we give it visibility, as we bring in guest speakers, if we engage our whole community – our financial community, our educational community – there is a lot of potential for growth here,” said Ramanujan.

Rochester’s brag book includes its highly skilled workforce, low cost of living, premier educational and research institutions, and a wonderland of arts, culture and recreation. It consistently ranks among the top regions in the country for number of patents issued. It holds seven percent of the world’s fresh water supply.

“It’s all about the resources you can get here. You can get really good talent and retain talent because there’s a mentality that I’ll come here and stay here,” Ramanujan added. “But also the infrastructure and natural resources like water and power that allow you to scale which is critical for a materials or equipment business.”

If an entrepreneur ever figured out a way to bottle and sell those assets, it would find plenty of resources to do it in Rochester. A



Krista Gleason is the owner of Gleason Writes in Upstate New York. She helps entrepreneurs and business leaders tell their remarkable stories.

To learn more about NextCorps and its programs, visit nextcorps.org or call 585-214-2400.