

Northstar Hopes to Beam With Investors

Investors in **Northstar Photonics Inc.**, have seen the light: the laser light, that is.

The Plymouth, Minn.-based manufacturer of fiber optic laser beam tuners is gearing up for a \$2 million equity financing after just completing a convertible debt offering of \$500,000.

Northstar Photonics President Brian Shiffman says 13 entities and individuals participated in the debt deal - the start-up company's first financing - including quasi-public economic development agencies **Anoka-Sherburne County Capital Fund** in Coon Rapids, Minn., and the Little Falls-based **Central Minnesota Initiative Fund**.

In the next round of financing, Shiffman says, the company will be looking for corporate investors who could help with the development and distribution of its laser transmitter components. It also will seek additional private investors who could set the company up for future equity infusions from venture capitalists.

He adds that Northstar Photonics is benefiting from moves within the communications industry to jam more data into progressively "wider" optic fibers. As cable television companies, telephone utilities and others race to wire America for optics, they are increasing bandwidths - the capacity of the lines - to handle more data.

Northstar's laser transmission components help "tune" the wavelengths to keep data channels separated and keep frequencies stable.

- don jacobson

Steering Young Firms to the Next Plateau

Mac Lewis has experienced most sides of developing a business, with stints as a high-tech executive and as a managing partner of a Twin Cities-area venture capital fund. And his wisdom at this point tells him that, while the Upper Midwest financial community generally has been supportive of emerging enterprises, it could do better with start-ups.

Which is exactly where Lewis and **Sherpa Partners LLC** enter the picture.

The Edina, Minn.-based consulting firm launched last year to serve intermediaries providing introductions between early-stage business owners and the venture capitalists who can finance their journey to the next level. In addition to helping entrepreneurs polish their pitches for funding, Sherpa also works with a number of area startups to fine tune business strategies, expand operations and assemble the underpinnings that will attract more investors in the future.

"Early-stage companies require an infrastructure - money is only part of that," explains Lewis, whose experience includes nine years as CEO of Plymouth-based **Computer Network Technology Corp.** (CMNT), which he grew into a \$80 million concern. "Starting a business means building a team,

focusing an idea and learning what it takes to compete in the marketplace. And as a [venture capitalist], if you're just investing money and nothing else, all you eventually have is a house of cards."

Similar "venture catalyst" firms are popping up elsewhere in the region, including **Teutonic Partners LLC** in St. Paul. Formed by Spence Morley, another veteran venture capitalist who guided **St. Paul Growth Capital** for several years - Teutonic earlier this year coordinated a \$500,000 financing for Minnetonka, Minn.-based **TeeMaster Inc.**, an online golf reservation service. Morley also had a hand in a \$1.1 million round for

Lambsoft Inc., a just-completed deal that drew a \$265,000 stake by the **Gideon Hixon Fund**, a Minneapolis venture firm.

Sherpa's current clients include **Cognicity**, a Bloomington, Minn., start-up developing advanced technology to embed signals in software programs, and **Worldtrak Corp.**, also of Bloomington, which currently is seeking \$5 million to

expand its line of customer relationship software.

Sherpa, meanwhile, is beginning work on capitalizing a modest seed capital fund, which would allow its partners to participate in some of the deals they facilitate. Lewis says he and his partners - Philip Ankeny, Richard

Brimacombe and Steve Pederson - intend to focus exclusively on high-tech plays, adding that "the amount of money we can raise will determine the type of investing we will do."

In the end, Lewis envisions a wide network of successful, Sherpa-backed entrepreneurs reinvesting in the next generation of start-ups. "That's how they're doing it in Silicon Valley."

- dave price



Correction

The auditor named in a private placement listing on **Commandeur Holdings LLC** in the May 1999 issue (page 28) was incorrect. The auditor is **Carver Moquist & Associates**.

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