

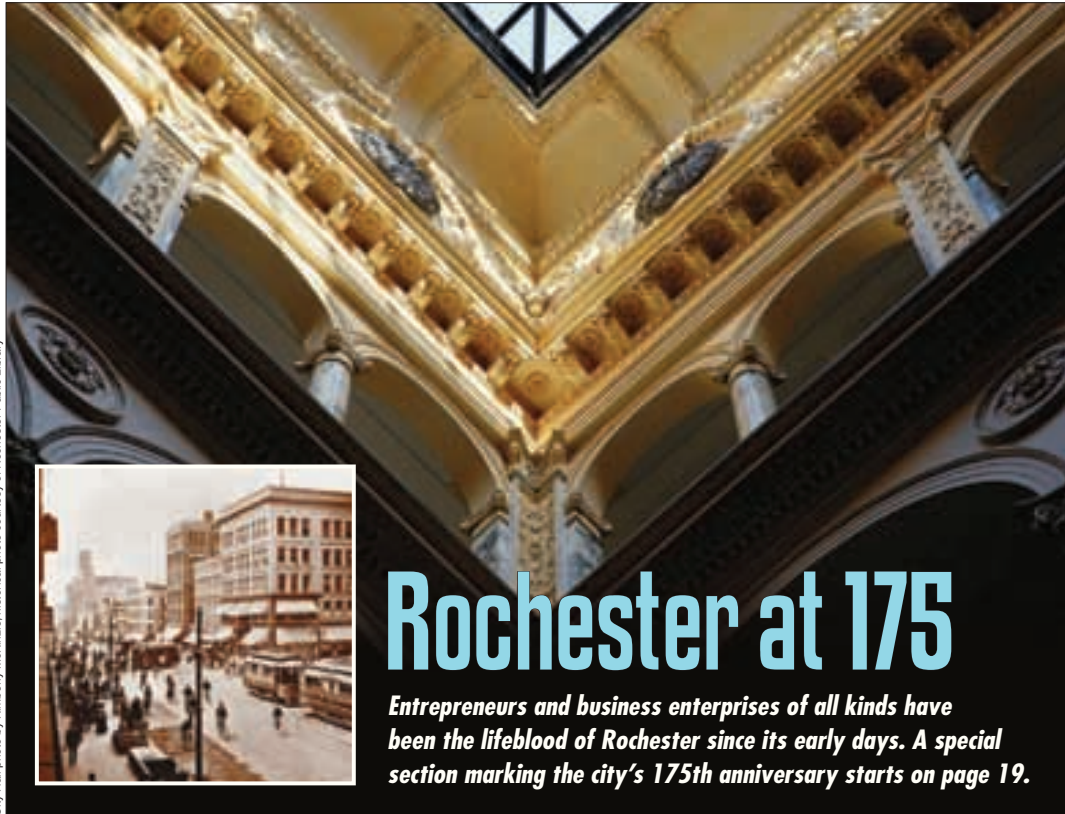


Profile
Daniel Loughran is the new chief of OppenheimerFunds' Rochester Division.
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Special Report
Determining the impact of a meeting is not an exact science, experts say.
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Special Section
The 2009 Business Person of the Year award finalists are profiled.



Schools' revenues top \$3B

Colleges, universities spend \$2.8 billion

By NATE DOUGHERTY

Local private colleges and universities generated a total of \$3 billion in revenue and spent \$2.8 billion during fiscal years ending in 2008, financial filings from the schools show.

Income from tuition and fees led to revenue increases for these institutions in the latest financial filings, but the beginning of the economic downturn also showed up, in slight enrollment declines.

Financial documents for fiscal years ending in 2008 show that most local private schools had modest increases in revenue and expenses. Results were reported

The latest filings show modest increases in revenue, expenses.

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Rochester at 175

Entrepreneurs and business enterprises of all kinds have been the lifeblood of Rochester since its early days. A special section marking the city's 175th anniversary starts on page 19.



City Hall photo by Kimberly McKinzie, historical photo courtesy of Rochester Public Library

Jolt moves headquarters to New Jersey

By WILL ASTOR

The Jolt Co. Inc. has moved its headquarters to New Jersey and left its founder behind.

Founded in Rochester in 1985, Jolt, which also does business as Wet Planet Beverages Inc., virtually invented the now-booming energy drink category. Jolt's hyper-caffeinated cola initially carved out a small but impressive niche in a market whose worldwide sales now total more than \$4 billion.

More recently the company's fortunes have slumped. Last week Jolt filed for Chapter 11 court protection from creditors. Court filings describe the firm as increas-

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Tech firm tracks cell phones

Montevecchio, CEO of Xelex, was founder of Moscom Corp.

By MARY STONE

Imagine a hospital emergency room to which an IT manager, within seconds of a patient's cardiac arrest, can identify, locate and direct the nearest and most qualified personnel. Or imagine a household from which parents can track the location of a lost child by the cell phone in his pocket.

The Web technology MobileTrack, developed by East Rochester-based Xelex Technologies Inc., provides tracking functions that the mobile phone market has never seen before, its developers say.

The man behind Xelex is President and CEO Albert Montevecchio, found-



Photo by Kimberly McKinzie
Albert Montevecchio says: "The market has never seen anything like this. Nobody else in the world tracks usage on cell phones."

er of Moscom Corp., a communications billing software company, which after

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M&T Bank expands its SBA dominance

By THOMAS ADAMS

M&T Bank Corp. has dominated the U.S. Small Business Administration's loan program in the Rochester market for years, but perhaps never more so than for the SBA fiscal year ending Sept. 30.

The Buffalo-based bank issued 112 SBA-backed 7(a) loans totaling nearly \$13.6 million, more than doubling the \$5.1 million total of second-ranked Five Star Bank. M&T has been the region's 7(a) loan leader in dollars for 16 years.

"M&T is committed to working with the small-business clientele," said bank vice president Steven Epping, who oversees business lending in the Rochester

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XELIX

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Montevecchio's exit in 1997 went on to become Pittsford-based Veremark Technologies Inc.

With Xelox's new technology, Montevecchio explained, parents could track the speed at which their child's cell phone travels, for example. All they would have to do is log onto a Web page, which by means of Google Maps permits a real-time geographic view of where the phone is. To prevent driving while texting, MobileTrack could enable parents to establish presets that block cell phone use when the phone moves faster than a certain rate of speed. Or they might shut down the phone, allowing access only to certain numbers such as 911.

Company officials said the system makes cell phone usage customizable in real time. Until now, subscribers could track cell phone use only after the bills arrived, said Robert Fordon, Xelox vice president of marketing. For companies providing cell

phones to their employees, extra minutes, charged at a premium, add up quickly. One appeal of MobileTrack, he said, is that it enables managers to prevent those extra charges before they are incurred.

"What people can do now is be proactive," he said. "They can set limits on phones for employees, and they don't have to wait until the bill comes in. ... Managers can actually shut phones down in real time without dealing with the carrier."

Fordon co-developed the technology and the company with Montevecchio and Montevecchio's sons, Douglas, vice president of development, and Timothy, principal engineer.

Fordon and Montevecchio worked together at Moscom, with Fordon leaving in 1998 to work at Global Crossing Ltd., serving as director of international product planning.

In 2001, the two men joined up again to build on the client relationships they had at Moscom with major telecommunications carriers by offering them professional services, with the aim of developing their own managed services platform.

"We had done a lot of business with AT&T," Montevecchio said. "They were our biggest customer at Moscom. They took our products and sold them worldwide. We saw that as a very lucrative approach. Then we brought on Siemens out of Germany, and that was a worldwide deal also; then we brought on Alcatel, and then British Telecom in the U.K."

"So for a very small company in Rochester, we had the biggest distributors in the world selling our product. That was one of the reasons we had a lot of revenue and profitability."

Building Xelox

At Xelox, and without the benefit of outside venture capital, providing consulting services was a way to build revenue for product development down the road. At the time, there was no MobileTrack concept, but there was an idea for a billing services platform adjunct to help service providers organize multiple streams of data.

The company's Symphony program developed into a plug-in service for businesses

to enhance their existing billing systems. It offered providers a way to add new technology but limit new investment by using the platforms they already had. It presented a way for Xelox to get its foot in the door.

The goal was to offer a menu of adaptable, plug-in products priced at \$150,000 or \$200,000, instead of the major system replacements competitors were selling for \$4 million to \$5 million, Fordon said.

Symphony was developed as a product that could allow Xelox to demonstrate itself over time. Gradually, the customers who bought one aspect of the platform, Fordon said, progressed to adding other system components without the financial commitment or the risk of changing systems.

Because of the international exposure Fordon and Montevecchio garnered at Moscom, Xelox was able to jump into the global market from the company's inception, with work in Europe, Asia and especially the Caribbean.

Its first major clients were Malawi Telecommunications Ltd. in South Africa and

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JOLT

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ingly squeezed by larger and better-funded competitors and having dealt itself a fatal blow with a 2006 marketing misstep.

If the bankruptcy plays out according to a plan the company has laid out in court filings, Jolt's assets will be sold to the highest bidder in bankruptcy auction by the end of this year.

As of last week, Jolt founder C.J. Rapp remained with the company but had been removed as CEO. But the firm's new CEO, Robert Clamp, said this week from Jolt's new Garden State headquarters that Rapp is no longer with the company.

Jolt is under the control of Emigrant Capital Corp., a Manhattan-based private equity firm that first bought into Jolt in 2006. Emigrant gained voting control of the privately held company's stock this year after a second infusion of cash.

An unidentified Emigrant Capital affiliate has tendered an initial offer of \$1.7 million as a stalking horse bid on Jolt's assets, court papers state. The filing calls for a Nov. 13 deadline for others to submit bids.

A schedule in the Chapter 11 filing states the current total worth of the cola company's assets at \$2.2 million. The total includes trademarks and other intellectual property valued at \$1.5 million.

Rapp has declined to comment. The Jolt founder stated in an e-mail last week that on his attorney's advice he would refrain from comment until Jolt's bankruptcy case is settled.

News of Jolt's headquarters relocation came in the form of a brief change-of-address notice filed this week with the Bankruptcy Court clerk for the Western District of New York by Jolt's Ohio-based bankruptcy lawyer. The company—with its headquarters formerly in a suite in the Linden Oaks office park—has relocated to Monachie, N.J., the notice states.

The new address is the same as that for Boylan Bottling Co. The soft drink firm is headed by Clamp, whom Emigrant Capital installed as Jolt's CEO earlier this year. Emigrant Capital's Web site identifies Boylan Bottling as an Emigrant Capital company.

Val Stalowir—identified in Jolt's court papers as an Emigrant Capital executive partner who has been a Jolt director since

2006—is Boylan Bottling's chairman, Clamp told the Rochester Business Journal last week.

In an affidavit filed as part of the Chapter 11 case, Clamp blamed Jolt's downfall largely on an ill-fated deal Rapp struck with Rexam Can Co. of Chicago in 2005.

Rapp chose Rexam, a U.S. unit of the British-based Rexam PLC, to manufacture so-called battery bottles, 23-ounce cans made to resemble electric batteries. Rapp apparently hoped that using resealable cans would be a marketing triumph for Jolt, but instead it turned into a nightmare, Clamp's affidavit states.

Sales of battery bottles slumped as energy drink brands backed by the Coca-Cola Co. and PepsiCo Inc., which respectively allied with Monster and Rockstar energy drinks, cut prices.

Jolt could not cut prices because it was stuck with a commitment to buy 90 million battery bottles from Rexam. The containers cost three times as much as competitors' non-resealable cans, so Jolt could not afford to match competitors' new prices, Clamp's affidavit states.

Jolt's revenues plummeted from \$14.4

million in 2008 to \$4.4 million through the first nine months of this year, court papers show. Clamp's affidavit states that a consultant hired to evaluate Jolt's prospects recommended that the company seek financing from friends and family, but it was unable to do so. As its prospects dwindled, Clamp states, Jolt's only remaining option was a bankruptcy filing and sale of its assets.

Sale terms proposed by Jolt for its bankruptcy auction would have the firm's assets transferred to a new owner but leave liabilities behind.

Jolt and its Canadian distributors also face a \$20 million lawsuit in Canada. A class action complaint filed in the Ontario Superior Court of Justice this year accuses Jolt of violating Canadian truth-in-advertising, consumer protection, and food and drug laws by failing to reveal harmful side effects of ingesting too much caffeine, such as an increased heart rate and high blood pressure.

Sellers and distributors of other energy drinks, including Red Bull, Full Throttle, Monster, Amp and Rockstar, face similar complaints in Ontario.

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SBA LOANS

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market. "We don't go out looking for SBA loans. We just use it as a tool to allow us to do loans to small businesses where, if we didn't have the SBA support, we may not be able to do the loan."

The total amount of 325 7(a) loans in the Rochester market in 2008-09 was \$33.3 million, down 20.1 percent from \$41.7 million with 414 loans in 2007-08.

"Typically, in uncertain economic times, SBA volume increases because the SBA guaranty offsets some of the risk of lending to small businesses," Rochester branch manager Jon Richard said. "Although our lending was down from last year as a total, we saw a significant increase in volume in the last six months of our fiscal year."

M&T's loan total was down 6.8 percent from \$14.6 million with 133 loans the previous fiscal year.

"Small businesses in the SBA fiscal year were not borrowing as much," Epping said. "Loan demand was down, specifically in the fiscal first quarter, which was the fourth quarter of last year."

The country's economic crash began last September, at the start of the fiscal year. The SBA responded to the crisis with several actions under the American Recovery

and Reinvestment Act, including increasing its guarantee on most 7(a) loans to 90 percent from 75 percent and eliminating fees for 7(a) borrowers.

"Approximately 65 percent of our local volume was generated in the last half of the (fiscal) year," Richard said. "We know that the changes to the SBA's programs as a result of the Recovery Act drove the uptick in activity."

Five Star Bank, the banking subsidiary of Warsaw-based Financial Institutions Inc., ranks second in 7(a) loans in Rochester with 93 loans for nearly \$5.1 million. The bank was fourth in 2007-08 at \$4.3 million from 81 loans.

"We've been increasing our presence," President and CEO Peter Humphrey said. "In Rochester, for instance, we opened two new offices last year alone."

"This (SBA loan increase) is a reflection of our increased market share and activity in the Rochester region, along with our view that there was a real need for small business."

Five Star is the only bank to increase both its SBA loans and dollar amount from the previous year's numbers.

"All of our lines of business have shown very strong growth this year," Humphrey said. "It's a reflection of us continuing to make our commitment in the regions we

operate in. And, to a degree, it shows that maybe some other players backed off a bit and we filled that void."

Lyons National Bank is third this year at nearly \$2.5 million from five loans. First Niagara Bank, subsidiary of First Niagara Financial Group Inc., ranks fourth at nearly \$2.4 million on 28 loans.

Genesee Regional Bank ranks fifth at \$1.9 million in eight loans. It had nine 7(a) loans the previous year for a ninth-best total of \$925,000.

"We've actually pulled back on doing the smaller transactional-type of SBA lending," President and CEO Philip Pecora said.

Many banks with a presence in Rochester were significantly less active in SBA-backed loans this year.

The Bank of Castile, which had 13 loans totaling more than \$1.3 million for the year that ended Sept. 30, 2008, had just one for \$95,000 in the year that ended Sept. 30. JP-Morgan Chase Bank N.A., with 25 loans for \$833,000 a year ago, had 12 for \$372,000. KeyBank N.A., with 10 loans a year ago for \$1.8 million, had six for \$545,000.

The number of SBA 7(a) lenders dropped to 18 in the year ended Sept. 30; it had been 28 a year ago.

M&T Bank uses the SBA for loans ranging from \$50,000 to \$1.5 million, Epping

said. Since May, the bank has placed greater emphasis on loans to businesses generating less than \$1 million in annual revenue, he said.

"Our commitment is to very small to medium-size small businesses," Epping said.

"M&T has really pushed to work with companies with revenue under \$1 million because they have not had as much focus on them from the banking industry. The SBA plays a part in that push, just like it does with all our loans."

Canandaigua National Bank and Trust Co. is the leader in SBA 504 loans, which generally are used for purchases of fixed assets such as buildings and land. It made eight 504 loans totaling nearly \$6.6 million.

M&T had seven 504 loans for nearly \$5.3 million.

M&T set the pace with SBA loans to businesses owned by war veterans, with eight totaling \$1.4 million.

"SBA's role locally falls on both the demand and supply side," Richard said.

"We will continue to educate the small-business community on SBA's programs and how we can help them obtain financing, and we will continue to work to ensure our lenders are familiar and comfortable with SBA's programs and processes."

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XELEX

Continued from page 15

PTK Sh.A., a telecommunications firm in Kosovo.

Domestic sales at Xelex still account for roughly 10 percent of total business. The company has 20 employees, roughly half of whom are field sales and support staff.

Since deploying Symphony in 2003, the company has grown revenue by 20 percent to 25 percent annually. With the impending launch of MobileTrack, the potential for more growth, Montevecchio said, is incalculable. The company declined to disclose current revenue.

"The market has never seen anything like this," Montevecchio said. "Nobody else in the world tracks usage on cell phones."

Buffalo-based technology consultant Greg McQuay, partner at Martin and McQuay LLC, agreed.

McQuay has had a chance to review the technology through a former co-worker, Kurt Karshick, Xelex vice president of sales.

"When I take a look at what's going on with smart phones, whether you're talking about an iPhone or a Nokia phone, to me they're really small, miniature computers. One of the important elements of data that are occurring on those phones is the telephony functions," McQuay said.

"The command, control and intelligence that Xelex brings to that side of the equation is truly amazing. They will have a really interesting run helping telecom ser-

vice providers provide extended functionality in that world."

McQuay has a long history in combining data and cell phones. A former employee at Voice Technologies Group Inc. in Buffalo, in the late 1990s McQuay worked in conjunction with AudioCodes Ltd. of Yehud in Israel to help develop the original iPod technology, which stood for Internet Phone-Over-Data. Through Intel Corp.'s eventual acquisition of VTG, the iPod technology later was licensed to Apple Inc. to become the iPod.

Massive potential

Today, McQuay works with a portfolio of technology startups for a group of venture capitalists. He frequently reviews and evaluates the market viability of new technology and said MobileTrack is a rare example of a product with massive potential, the likes of which he has not seen for almost a decade.

A lot of innovation in Western New York, he explained, has to go Massachusetts, Texas, California or overseas to get venture capital. Often, the company has to move to where the money is to survive.

"They're a diamond in the rough; you don't expect to see these kinds of things sitting here in New York," he said of Xelex.

"Their solution answers so many different things that need to be addressed," McQuay added. "You have the confluence of mobility, the Internet, broadband services, mobile computing; they bring all of those things together in a way that gives

you managed command and control for business intelligence and analytics that I don't find are very common out there in the marketplace."

As a company, Xelex lacks the capability and desire to market these phones to end users, and instead it plans to sell primarily to service providers as a means for

A technology consultant says Xelex's MobileTrack is a product with huge potential, unlike anything he has seen in years, and will take off when phone users see its capabilities.

them to distinguish themselves in the marketplace. For the endeavor, Xelex plans to seek venture capital—for the first time since it was founded. Montevecchio said the firm is aiming for an infusion of \$3 million to \$5 million.

For now, Montevecchio said, MobileTrack is preparing for some test runs at a company in California, one in Missouri and two here in Rochester.

The possible applications for MobileTrack are too vast for anyone to imagine right now, McQuay said. Like the iPhone, the potential usefulness for MobileTrack will develop in the hands of end consumers, especially businesses looking for new ways to control costs and manage resources.

Xelex's technology, McQuay said, is going to set a new standard of offering for service providers, who until now have done little to help mobile phone users control and track their usage.

"People will start to get inventive about what they can do with management capabilities in a difficult economy, where they need to be able to get more out of their investments, which are the people and the technologies they've got and processes they need to adhere to," McQuay said. "These are the tools that are going to allow people to bring these experiences to their employees, to their subscribers, and it will start to define a different level of experience that people are going to demand of their service providers."

With carrier connections in the United States and other parts of the world, McQuay said, Xelex is well-positioned to introduce its technology. As it does, Xelex will collect feedback and make further enhancements.

"I think they will do this," he said. "They need to be able to execute with very good precision with some of the high-visibility customers that they're in front of right now, provide and leverage the customer experiences that will occur as a result of their technology."

"I believe that as people start to experience the power of the intelligence they lend to service provider businesses, the message will get out, and it will be a very viral message that takes off on its own."

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