

## SPECIAL REPORT BANKING & FINANCE

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**ARTHUR ZENIAN**

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### Prudent Philosophy

enBio CEO **ARTHUR ZENIAN** stays away from borrowing to remain debt free.

**A**rthur Zenian has been lucky. Very lucky.

When the CEO of enBio, a Burbank-based biomedical services provider, started his first company in 1999, he struggled financially, as most young entrepreneurs do. But he avoided the biggest hurdle — securing outside funding — by virtue of a business with little overhead.

"I have to buy some test equipment — not a lot," he said. "It's still expensive."

What Zenian needed to purchase, he financed on his own.

"I had good credit, so it all went on plastic. I was really lucky in that I didn't need to go get money. Because we're a service-based business, we didn't have to get someone to invest in manufacturing a product."

He knows his start-up story is pretty unusual. But just because he didn't have to court investors for the money to keep his business going doesn't mean that he has avoided every financial stumbling block.

A partnership that formed his first company, Strategic Clinical Engineering, ended after a partnership went awry. A second go-around, as Binovia, ended with his partner keeping the name, and Zenian keeping a lot of the clients.

"It was almost like starting over again each time we changed a name," Zenian said.

The experience with his partners left the entrepreneur soured on any sort of partnership, so he struck out on his own with enBio. He focused on adding new business to increase his company. He never used marketing, but rather has built and maintained good relationships with administrators at local hospitals.

Today, enBio continues to grow. In late 2011 they expanded services to Texas, contracting with three hospitals in the state. They now service hospitals in California, Hawaii and Alaska. For 2010, they reported revenue of almost \$3 million.

But Zenian is still wary of borrowing. "I've always been really conservative. I like to pay things off," he said.

At one point early on, he moved back home with his parents, living there for almost three years. "I was not getting paid for a long time. You get that weird feeling, every time you get a check — \$300 is a big deal," he recalled.

He now has a line of credit that he never touches, though he says he may reconsider that if he wants to purchase a facility for the business.

No matter the nature of the business relationship, his early experience taught Zenian an important lesson he says owners of new start-ups would do well to heed: be careful who you choose as a business partner.

"You have to get good people working with you," he said.



**ARTHUR ZENIAN**

PHOTO BY DAVID SPRAGUE

### Perfect the Product

Nevolution Co-founder **MATTHEW SMITH** focuses on product innovation.

**N**evolution Co-founder and CEO **Matthew Smith** and his partners spent the early days of the Calabasas-based company shaping the product — a marketplace for Windows-based PC apps. Concerns about how to finance the business were put on the back burner.

Smith says those were critically important decisions and many entrepreneurs would do well to work on their own for a while before bringing in outside investors.

"We were very constrained and learned a lot of fiscal responsibility," Smith said.

Founded in 2009, the PC app store developer to date has raised \$1.2 million through equity financing, Smith said.

During the company's first year, Nevolution's four partners — Smith, **Jason Adams** (chief technology officer), **Thomas Hanson** (vice president of web development), **Steve Cao** (vice president of database engineering) — worked other jobs and labored on the start-up as a side project. A year into the venture, the quartet reevaluated their strategy and decided to commit full time, Smith said.

When the company needed funding beyond its self-generated seed money, they looked to personal connections first.

"We raised our first real round of fundraising with family, then friends, then acquaintances of friends and family," Smith said.



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**MATTHEW SMITH**

Today, Nevolution is operating on what Smith calls a "hybrid of financing." In the next four to six months, the company is looking to raise another \$2.5 million, he said.

The strategy: consider all the options. The founders are reaching out to potential investors organically and have a couple of options, Smith said. He said the group also may consider raising funds through an institutional investor, or by taking on another partner.

Regardless, he said, Nevolution is likely capped on the financing it can receive from smaller investors, especially family and friends. "With that, you have to keep spiraling out," he said. "We're at a point where we're trying to streamline our finances."

In a startup's infancy, taking a measured approach to financing the business makes sense and is generally doable, especially for firms like Nevolution, which are creating a

product that won't go out of style or trend quickly, Smith said. With the explosion of cloud storage and other technology advances, he said, the cost of overhead has been lowered. That makes it less costly to develop a product in its early stages — something that was unheard of five to 10 years ago.

While Smith advocates taking time throughout the start-up process to perfect the product, rather than analyze the business model, he says it's important to pace product development and fundraising so that they're on par with each other.

"Be conservative with time frames," Smith said. "They (entrepreneurs) need to be matching their fundraising strategy with their product strategy. I've seen a company with \$10 million burn out quickly, and I've seen a company with \$3 to \$4 million that had a solid foundation. It's definitely all about realistic expectations."