

Slater pledges up to \$500,000 for e-payments startup

By Ryan McBride, Staff Writer

Software firm expands its Providence offices

Rhode Island's Slater Technology Fund has pledged up to \$500,000 in seed money to RightPath Payments, prompting the Web-based software firm to shift most of its operations from Waltham, Mass., to Providence.

The state-financed fund is banking on RightPath's business-to-business payment software and new CEO to help the startup succeed in the state.

"You like the horse and you like the jockey and it's easy to bet on them," said Thorne Sparkman, managing director at Slater, which gets funding from the state budget to invest in young companies.

RightPath's Business Payment Connection software is a Web-based program designed to improve the payment process particularly for small companies, replacing a seller's trade credit – which it extends to buyers until it gets paid – with credit from lenders such as banks.

Dennis F. Lynch, chief executive at RightPath, said that most small companies get paid with mailed checks and wait more than 50 days from the date of delivery to receive payment. Using the new Web-based program, he said, sellers will be paid one day after delivery.

The startup has tested the payment solution with Enterprise Bank and Trust Co. in Lowell, Mass., Lynch said, and it is now ready to partner with more banks and non-bank lenders.

RightPath earns a set percentage of each transaction paid by the seller. One model that the company uses gives the lending partner 2 percent and RightPath 1 percent of the invoice. Credit card companies charge a similar fee to merchants that accept its cards, Lynch noted.

"It's a giant, giant opportunity," Sparkman said. "Just in small business [the market] is probably \$5 billion."

Sparkman said RightPath's technology is the latest of several Web-based payment systems that have emerged in recent years – including the ubiquitous PayPal.

Slater has invested \$250,000 in the startup to kick off a \$2 million Series A round of venture capital, Sparkman said, and it has committed another \$250,000 to complete the round. As of last week, Slater was the only contributing institution. Sparkman said he expects the round to close sometime in the first quarter of 2007, at which time Slater would fulfill its commitment.

"This is the money that I want to invest," he said. "I just want to see some progress." RightPath received Slater's initial investment last month and plans to use most of the money to market its technology, Lynch said. Also, the company leased an office at One Richmond Square on Providence's East Side, from where the CEO and two other employees plan to work.

The five-person company incorporated last month after operating as a limited-liability corporation called Collaborative Financial Concepts, which Sarsha Adrian, the company president and creator of the payment system, founded in 2002.

The company expects to hire 20 employees during 2007, with positions in software engineering, technical support, customer service and sales, said Lynch, adding that most of the jobs will be based in Rhode Island.

"There were really two reasons" to move the company to Rhode Island, said Lynch, who has a home in Providence. "One was I was located in southern Connecticut and a lot of the team was in the Boston area, so it's a good midway point. Also ... Slater is based in Rhode Island and wants to invest in companies that want to build their futures in Rhode Island."

Lynch, 58, joined the company last September. He served as CEO and spent 10 years at NYCE Corp., a payments network that links 2,200 financial companies to 310,000 ATMS nationwide. He had been chairman of the Yankee 24 ATM network in 1994 when it merged with NYCE. Previously, he was a senior vice president at Fleet Bank.

The RightPath investment is among the largest for Slater, said Richard Horan, senior managing partner, last week. Since the fund began in 1997, he said, it has provided \$15 million in seed money to startups. The fund had invested almost \$2 million during the fiscal year that began last July 1 as of last week.

Slater typically requires companies it invests in to keep more than 50 percent of its employees in the state, and looks to allocate resources to firms on track to reach liquidity in five to seven years, according to its Web site.