

Like father, like son: O'Neills back California tech firm

Investment marks pair's second deal

BY PATTY TASCARELLA

NORTH SIDE — Father and son angel investors Paul O'Neill Sr. and Paul O'Neill Jr. have kicked off 2005 by staking Be Here Corp., a Fremont, Calif., developer of optics technology.

Be Here raised \$5 million in a funding round led by Birchmere Ventures. Members of Be Here's management team also invested. Individual stakes weren't broken out.

"We're pleased to be in the round," said



Mr. O'Neill

Paul O'Neill Jr., a lawyer turned financial professional who returned to Pittsburgh after several years on the West Coast. He now runs a solo enterprise, O'Neill Advisory Services, an investment holding company where he is managing director.

The senior Mr. O'Neill is the former Alcoa chairman and U.S. Treasury Secretary. He is CEO of the Pittsburgh Regional Healthcare Initiative, an organization he helped found in 1997 that works to solve problems of quality, safety and cost in health care. He does not have a role in O'Neill Advisory Services.

QUIET INVESTORS

The pair quietly began jointly investing in 2004, first backing Atlanta-based Qcept Technologies Inc. Be Here is their second

deal and the first with Birchmere, which is based in a neighboring office. Though the younger Mr. O'Neill said they've looked at some Pittsburgh companies, they have yet to make an investment here. He said he and his father contributed equal amounts to Be Here, just as they did with Qcept.

"It's nice to have friends," he said of Birchmere. "They have the ability to see the markets, and this is the kind of opportunity I would not have been able to see without them. The CEO wouldn't know if I was interested in this company."

Actually, Mr. O'Neill was presented the prospectus from Be Here's chairman, Chuck Dietrick, a Birchmere partner. Birchmere first invested in Be Here in late 2003, marking the venture capital firm's first California deal. Historically, Birchmere has been a regional investor and one of the most active on the local front.

REVOLUTIONARY CAMERA

Be Here makes a 360-degree camera that will be used in a variety of markets. The first product, currently in development, is a videoconferencing appliance.

"We think it will revolutionize the market," said Mr. Dietrick. "A traditional camera sits in a corner of the room, meaning only one person can control its movement. Be Here's appliance sits in the middle of the table and gives everyone the experience of being there through software that each user controls."

He said the company's longer-range plan is to retool the basic technology for security, surveillance and automotive markets. Be Here, which expects to begin beta tests in a few months, initially planned to raise

between \$3.5 million and \$4 million.

"We could have easily raised \$6 million," he said. "We ended up turning some people away."

SEALING THE DEAL

He said a selling point was the fact that Be Here has "phenomenal" patent protection — roughly 100 have either been issued or are in progress, which "walls off the imaging process" from possible competitors.

The deal was also Birchmere's first of 2005, and the money came from its second fund, Birchmere Partners II, which was completed in 2000.

"The deal flow in Pittsburgh is quite good of late," Mr. Dietrick said. "We're looking at tech deals, too, but because of limitations imposed on Birchmere Partners III ... it's most likely we'll be doing more life sciences deals."

Additional money, however, could be invested elsewhere and in other industries.

"You'll see many Pittsburgh (venture capital) companies doing investments in California on the medical side and also on the software side," said Eric Kline, a partner of Morgan Lewis & Bockius' Downtown office who works with technology companies across the country.

Mr. O'Neill said deal flow in early 2005 seemed pretty much on par with 2004.

"We continue to do substantive investments," he said. "Not pats on the back. You want to see real results and an upside trend, which this (Be Here) could be. It's an investment; you never know how it's going to play out."

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