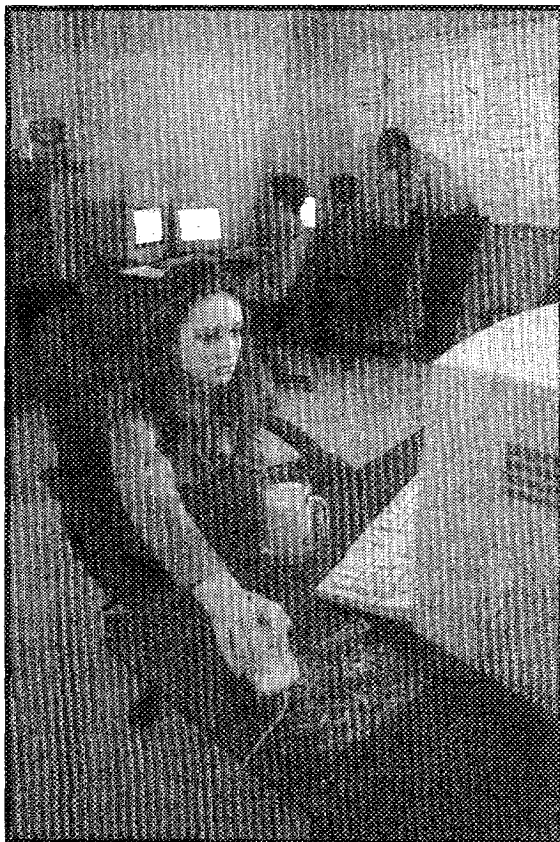


IOWA'S NEW ECONOMY

Brothers from New York
and friends from Montana moved to
Iowa to establish a Web-based
property management company.

By Jennifer Cronin



DUANE TINKEY

A DIFFERENT APPROACH:
*"It's not the normal corporate environment,"
says Anastasia Federova.*

When Jonathan Yaney heard that his older brother Maximus had an idea for a business, he thought, "Here we go again."

"Max has had a lot of crazy ideas," Jonathan readily divulges. When they were boys growing up, Jonathan had been privy to many of them, whether he wanted to be or not.

At the age of 10, for instance, Max talked about how he was going to end hunger and other social problems in Russia during the Cold War. Although Max never succeeded in that endeavor, he did spend time years later in the former Soviet Union, working with the government on computer-related business.

Then, at the age of 12, Max decided he was going to buy a boat. Jonathan thought Max was all talk, but it wasn't long before he had saved enough money from working in his parents' restaurant to purchase a 25-foot sailboat, complete with cabin.

So the more Jonathan heard about Max's plan to create a Web-based service to help landlords manage their properties, the more Jonathan thought it might actually be something big.

"With this one, it was very different," Jonathan says.

For one, Max had already convinced others to drop what they were doing and join him.

"These are all people with totally viable careers," Jonathan remembers thinking. "I knew if he focused all his energy on one thing, he'd make it succeed."

Two months ago, Jonathan decided to leave his job with Andersen Consulting to help his brother and 10 other people Max had persuaded to join him in turning his idea into a lucrative business.

"I packed up my car and drove out to the last place I ever expected to end up — Iowa," he says with a chuckle.

Jonathan doesn't have any regrets. There's something different about being a part owner of a company, he says. It's hard to explain, but best described by the way he feels on Sunday nights. In the past, about 6 p.m., he'd start to get an uneasy sick feeling as he started to think about Monday morning and the week ahead. He hasn't had one of those attacks since coming to work with his brother.

"This company means a lot to me, a lot to all of us," says the usually wisecracking twentysomething. "It's so much more than a job. It's a dream. That's why it's going to succeed."

The company is called TenantPilot, and it could be the poster child for what Iowa officials want for the state's economic future. It's a high-tech company that has brought a group of young professionals to Iowa from places like New York, Montana and even from across the Atlantic.

ASSEMBLING THE TEAM

The TenantPilot team plans to launch its Web site Wednesday. The company bills itself as "the next generation of real estate management software." Instead of being chained down, landlords, using TenantPilot can manage their properties from a beach in the Bahamas or a golf course in Scotland, all with a couple of mouse clicks.

Max came up with the idea for TenantPilot two years ago in a New York attic, himself a landlord with 40 properties in New York state. At the time, Max was also a programming and database administration consultant who traveled across the country, which made it difficult for him to manage his rental units.

"I just wanted a way to automate everything," he recalls.

Maximus headed off to his next assignment, Maytag Corp. headquarters in Newton, all the while thinking about a way to make his idea a reality.

He began lining up key people from the many contacts he had met as a consultant. Max left Maytag to concentrate full time on TenantPilot, soon after establishing TenantPilot's headquarters in the Des Moines area.

"We had people quit their jobs," he says, "people who bought houses in other states who dropped everything for this."

That was definitely the case for the contingent from Montana.

Jesse Mack was going back to college to finish his master's degree when he got the call from Max. Mack scrapped his original plans and headed to Iowa, but not before calling a couple of friends.

One of them was Mark Mullendore, a Missoula, Mont., native who graduated from Montana State University with a marketing degree last year.

"He mentioned he knew this character named Max," Mullendore recalls.

Mullendore thought, "I know that it would be foolish to let this opportunity pass me by." That was on a Friday. Mullendore packed his belongings and headed to Iowa with Mack on Sunday, as did Nadia Dunn, who also received a call from Mack on that Friday.

"I was a little apprehensive," Dunn says.

The Los Angeles native, who was living in Montana, had been job-hunting, and had received five offers that week alone. Any one of them would have been a sweet deal, but after she heard Mack out, she decided to contact Max.

"I think the passion surged through the phone," says Dunn, who now heads TenantPilot's public relations efforts. "I told everybody I was moving to Iowa. They said, 'Ohio.' Now I am here in Iowa, and I have not regretted my decision at all." ☐

LOOKING FOR HELP

A state-sponsored forum connects entrepreneurs with potential investors.

Every other month in a conference room at the Iowa Department of Economic Development office at 200 E. Grand Ave., sweaty-palmed entrepreneurs give their best sales pitches to a room full of potential investors.

In five minutes, the budding business owners hope to convince those attending, as well as those viewing the presentation over the Iowa Communications Network, that they should invest in their companies. They come armed with business plans and talk about potential markets, break-even dates and annual growth projections.

IDED staffers usually select between four and six companies to make presentations at the bimonthly Venture Network of Iowa forum. The forums began about 10 years ago in Des Moines, and the economic development department took the concept statewide about four years ago. Eight of the nine companies that had made presentations at forums earlier this year have attracted interest from attending investors.

Maximus Yoney, founder and CEO of TenantPilot, was one of the presenters at the most recent forum held earlier this month. He's hoping that the VNI luck rubs off on him, as do the other five entrepreneurs who made their pitches at the Nov. 9 meeting.

MORTGAGEHUB.COM

Mortgagehub.com wants to take the tediousness out of the mortgage origination process: mounds of paperwork and faxes and endless phone calls. With the .com ending, you've probably already guessed how the company plans to do it. Mortgagehub.com has developed a software platform that automates the transactions.

As the company's vice president Robert Vernon explains, Mortgagehub.com will individualize its software to each lender.

"By creating real value and producing real cost savings, mortgage lenders have realized measurable benefits — \$200 to \$250 per loan — from the solution," according to company literature.

The mortgage industry, Vernon says, is the largest private industry in the world, averaging \$1 trillion in annual volume. The potential market for MortgageHub.com: \$1.25 billion in licensing fees over the next two years and \$2.44 billion in annual transaction fees.

MortgageHub.com is looking for \$3 million in investments.

POWERGIG

This may not be Hollywood, but that doesn't matter, says Maria La France, who believes

she's found a way to help entertainers and promoters be more productive by providing a better way to book, promote and manage their gig calendar online.

She's so convinced her idea will work that she has quit her job to devote all her time to make it succeed. She plans to launch POWERGIG in January, but needs between \$100,000 and \$150,000 to get to the next level.

According to La France, there are more than 800,000 performing artists in the United States.

"Of those, 1 percent are known nationally," she says. "POWERGIG looks to target the other 99 percent."



This could translate into a \$200 million-plus market. As La France points out, POWERGIG's closest competitor is the fax.

As company literature states, "POWERGIG allows participating entertainers to make their schedule and booking details immediately available for their booking agents. Booking agents and promoters can search out new entertainment, learn about entertainers and submit their own personalized contract proposals for gigs. When both parties agree, the gig is added to both parties' calendars and added automatically to many other event-listing Web sites."

BIG DOG PUBLISHING INC.

When Meredith Corp. suspended publication of Crayola Kids, Shelly Bennett saw a chance to fill the void. Crayola Kids, a crafts magazine for children, had more than 1 million readers and generated \$3 million in ad revenues.

Bennett knew the publishing business. At the time, she was developing and producing a number of magazines for another company. She left her job, convinced a few co-workers to do the same and started Kid Zone — a crafts and activities magazine geared for 4- to

12-year-olds. The magazine, which has already received rave reviews from the likes of Rosie O'Donnell, features Fleetie, a friendly beetle mascot that takes kids through fun crafts, games, puzzles, recipes and trivia.

Bennett is looking for \$50,000, the final funding she needs to get the project off the ground. She says she expects to net \$300,000 a year off the magazine.

"Not only is this an awesome opportunity [for investors]," Bennett says. "You can feel good about where your money is going."

MULTISEP

MultiSep is a proven start-up. The Ames-based company has already raised \$1.1 million and is preparing to look for second-round funding next year to the tune of \$3 to \$5 million, says Steve Ringler, company treasurer.

MultiSep develops, manufactures and sells innovative analytical devices that measure constituents of chemical processes. Initially, MultiSep will offer one product, the Multiplexed Capillary Electrophoresis, which will be useful in drug discovery, forensic toxicology and genetic analysis clinical care, among other things. The MultiSep team plans to deliver the product to its first customer Thursday.

The MCE is 25 times less costly and takes up 98 percent less lab space than other similar products on the market do, the company claims. The potential worldwide market for the product is \$4 billion.

GALAXYM

Van Koevering Co. knows that many kids would rather ditch their piano lessons and sit in front of the TV with their Sony PlayStations. That's why the Des Moines-based company developed a new way to teach piano and has created a new company, GalaxyM, to market the product.

With GalaxyM's software products and methods, teachers and students can be seated next to one another or thousands of miles apart, according to April Morris, the company's president and CEO.

GalaxyM plans to roll out its products in January 2001.

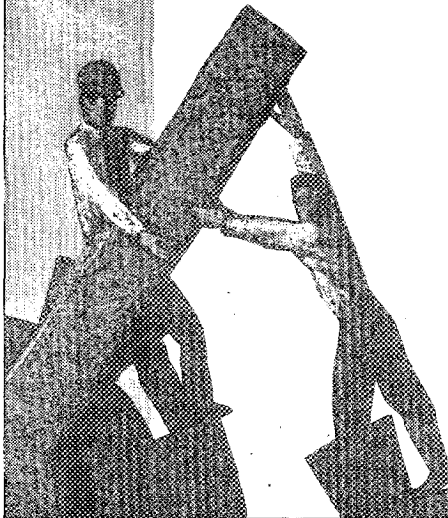
The company is seeking between \$4 million and \$6 million to buy certain assets that will allow GalaxyM to deliver online. A \$6 million investment would receive a significant ownership interest in the company.

For more information about any of these companies or about the VNI program, contact Brice Nelson of the Iowa Department of Economic Development at 242-4874. — Jennifer Cronin ☐

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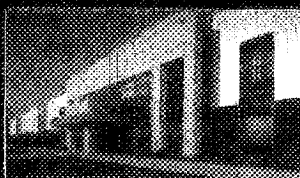


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"We had people quit their jobs," says Maximus Yaney, "people who bought houses in other states who dropped everything for this."

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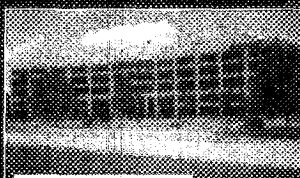
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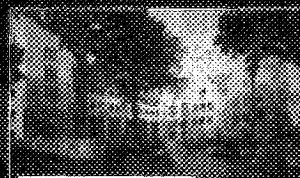
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KEEPING THEM HERE

Although several of the key players come from outside Iowa, there are a few natives. John Inderski met Max during his time at Maytag, as did Dave Vogelaar, who serves as co-manager of project development with his childhood friend Matt Braafhart.

Inderski continues to work for the appliance maker and helps with TenantPilot during his free time. Vogelaar left Maytag because he didn't like the corporate atmosphere much. He calls his current setup "the ultimate programmer's environment." And he didn't even have to leave the state.

Vogelaar spends most of his days holed up with the other computer wizards in the basement of the split-level house that TenantPilot currently calls its headquarters.

"It's good working with talented people because it makes you better," he says.

Vogelaar knew his buddy Braafhart would like it, too.

"Dave said, 'Hey, I met this guy. You'd like him. He's a lot like you,'" Braafhart recalls. At the time, Braafhart says, he had a pretty good job. "I was going to move up fast, but still for somebody else."

By late September, Braafhart had quit his job and was working for TenantPilot.

It was a tough sell for his wife. She thought it was just one of his harebrained ideas. In the end, she gave in and is now very supportive, even though his work at TenantPilot is much more demanding than his previous job. As a consultant, Braafhart worked a maximum of 40 hours each week. Now he's putting in 70 hours, and that doesn't count the time he's thinking about his work while falling

asleep at night or taking a shower in the morning.

"But, that's OK because I'm having fun," he says.

As is Anastasia Federova, who met Max in New York and also worked with him as a consultant at Maytag. Federova, the company's database administrator, has only been in the United States for two years. She's originally from Russia.

"It's not the normal corporate environment," she says, explaining her attraction to TenantPilot.

Instead of sterile cubicles most Dilbert types inhabit, her office space includes candles and a fire in the fireplace. The homey atmosphere makes it easier to work the hours she does, usually 18 a day.

Everyone at TenantPilot puts in long days and even longer nights, but the team knows it has to pay those dues.

GETTING READY

While the technical team has been huddled around computers, punching in nearly 1 million lines of code over the last two years, the management folks have been devising marketing plans, lining up clients and courting investors. The site has \$250,000 from the founders, enough to launch.

The founders would like an additional \$1.2 - \$2 million to take TenantPilot national. But as Max says, he isn't just looking for money, he's looking for people with the right backgrounds and contacts to bring additional opportunities to the site.

Initially, TenantPilot will target landlords in Iowa, then conduct beta testing with them and make refinements to the service before

taking its marketing campaign national.

The rental market is ripe for a service like TenantPilot. Right now, it has no real competitors. Sure, there are property management software programs out there, but TenantPilot is much more, Max says. It can be accessed from anywhere. TenantPilot can perform credit checks on prospective tenants and send rent reminders by e-mail, phone or regular mail. Tenants can even pay via the Internet. And if they don't and skip out, TenantPilot will have a debt collector track them down. In the meantime, TenantPilot will help fill the resulting vacancy by posting ads on various Web sites.

TenantPilot can be used by landlords themselves or in conjunction with property management companies.

The site's only real competitor won't be online for another three to four years. Meanwhile, TenantPilot has a chance to snag a big chunk of the market. In the U.S. residential rental sector alone, landlords collect \$21 billion each month. That could mean as much as \$300 million a month in revenues for TenantPilot, which plans to use a tiered, percentage-pricing structure based on volume.

"It's not a one-time sale," Max says. "We're not selling a software package."



Everyone involved in the company agrees that landing TenantPilot's headquarters in Iowa was a smart business decision.

As Jonathan Yaney explains, in New York, the company would be spending three times as much in overhead to get started. Plus, there isn't as much negative energy in Iowa or as many distractions, so the team can stay focused on the tasks at hand.

Mack concurs, adding, "Everybody in Des Moines is really friendly. They don't have so much of a cutthroat attitude."

Plus, he points out, many companies use the Midwest as a testing ground for products. "If they can make it here, they can make it anywhere."

Once other companies hear about TenantPilot and other high-tech endeavors in Iowa, it's only a matter of time before the state begins to flourish, technologically speaking, Max says. He points to places like Silicon Valley and the Research Triangle in North Carolina as examples.

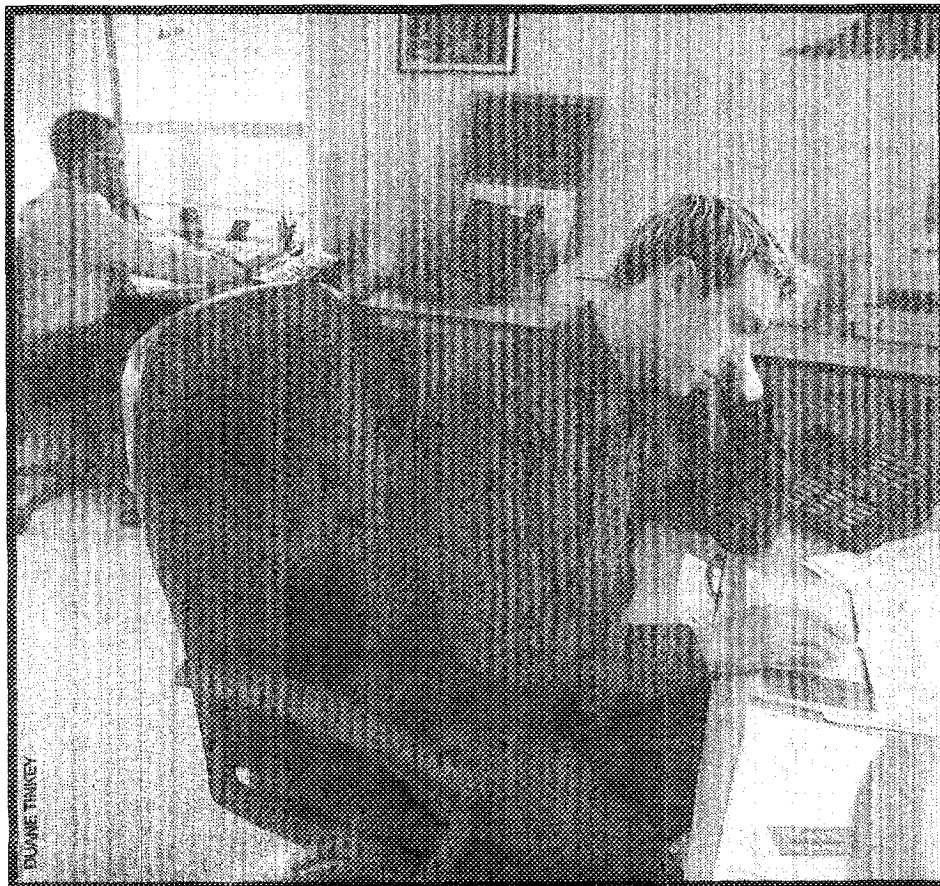
"People go to those areas because of the other companies that are there," he says.

That could be good news for Iowa, which is desperately trying to attract young professionals, immigrants and high-tech companies to the state in an effort to boost Iowa's population and economy.

"Individuals who are looking at the possibility to come to this area will look at the quality and amount of support that start-up companies such as ours is receiving," Dunn says. "That will be the most influential and fundamental aspect of attracting new companies to our area. Everyone has to do his or her part." ■

MORE THAN A JOB:

"This company means a lot to me, a lot to all of us," says Jonathan Yaney.



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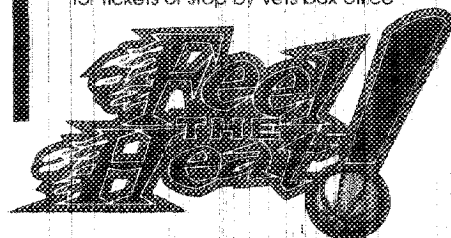
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