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Financing difficulties suddenly get tougher

By [Maria Babbage, Toronto Business Journal](#)

A difficult venture capital season will get worse, crippled by the aftershocks of the terrorist attacks on New York and Washington. Meetings have been cancelled and trips by visiting American investors postponed indefinitely.

"There's a limited financing season that starts Sept. 10 and goes to the end of November. It's very short," says Richard Prytula, president and founding managing partner of Montreal-based VC firm TechnoCap, who spoke to members of the Toronto Venture Group Sept. 13.

"If you just lose another three weeks because of this, you could just lose your entire round of financing. Even in worst cases, you're going to push it out three weeks. That causes a problem because your financing is risk."

The U.S. attack will have an effect on all financial markets, pushing down equities and devastating plans for initial public offerings or selling portfolio companies.

"I'm raising money. I'm here. I have meetings with a couple of investors and most got cancelled because of this," he says. "Now when am I going to next meet with an institutional investor? Four to six weeks from now. Recessions are caused by pushing things out and nothing happening in the interim."

With little investment happening, companies will start running out of money and dying. He predicts up to 80 percent of venture capital firms will go under, but most of them will be smaller firms.

Mary Macdonald, president of VC tracking firm Macdonald & Associates, says there will be a short-term effect.

Some economists predict a war could stimulate the economy. Others are betting North America will plunge into a recession.

"It's really, really difficult to predict. For companies that have gone to the wall in terms of their fundraising, that are spending their cash quickly and need more soon, obviously this is going to be a very anxious time," she says. "But everybody knows that in this kind of an environment, there's a lot of anxiety out there and part of it is that there's so much unknown."

Karen Grant, executive director of the Toronto Venture Group, says she doesn't know if the attack will have a major impact on the fall VC season.