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Business

RGI dines on stakes

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RALEIGH — August "Auggie" Turak, president and founder of Raleigh Group International, is no techie.

He depends on others to write code and develop products. What he makes, he said, is the money.



Turak's focus is to market software products.

Turak's focus now is to join forces with software developers and market the heck out of their products — and to generate as much cash as possible for privately held RGI.

RGI's history

1993: Raleigh Group International is founded with a \$500 personal investment from August Turak.

1994: One Tree Software, Raleigh Group International's sales and marketing client, is acquired by Microsoft, and RGI is suddenly without its biggest customer and major source of income.

1995: RGI co-founds Elsinore Technologies to develop and sell a software called Visual Intercept. The company is partially owned by RGI, which takes care of all the sales and marketing.

November 1996: Visual Intercept is released. Elsinore, with RGI's backing, will see \$5.5 million in sales from the software over the next two years and Visual Intercept will evolve into a product line of software development tools.

December 1998: RGI co-founds a new company, Flint Technologies, to finish building a partially completed Web interface for visual basic programmers licensed to RGI by Microsoft.

June 1999: RGI signs a deal with Raleigh-based Interface Technologies to form a new company, Team Vizor Technologies, to market a software tool for developers, built by Interface programmers.

July 1999: RGI finalizes a deal with MuTek Solutions of Israel to be its North American sales and marketing operation in exchange for equity in the company. The North American launch of MuTek's BugTrapper development software is set for Aug. 1.

RGI

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"We can do this again and again," Turak said. "[RGI] the hub of the wheel."

When Turak founded RGI in 1993, he expected to apply the marketing expertise he acquired in his jobs in cable television to the software industry. He would act as a consultant to smaller companies, charging a standard fee.

One of the company's first clients was One Tree Software, a 10-employee company that was developing a tool to track software development using Microsoft's Visual Basic programming language. When One Tree

was acquired by Microsoft in November 1994, its founders moved to Redmond, Wash. Turak, who had helped build the company's sales to nearly \$5 million annually, was left with nothing but a canceled consulting contract.

The next time, he did things differently.

In 1995, Turak's customers gave him the idea to build bug-tracking software for programmers. With Ray Allen, chief executive of Raleigh-based Computer Intelligence Corp., and software engineer Mark Uland, Turak formed a new company that would capitalize on RGI's selling experience and its close relationship with Microsoft.

Elsinore Technologies has its headquarters in Raleigh and a

development team in Houston. Turak is the chief executive officer. Visual Intercept, Elsinore's first product, was released in November 1996 and did \$5.5 million in sales in its first two years. Visual Intercept has since evolved into a whole line of bug tracking products.

Turak is looking to replicate the model again and again, partnering with developers and software companies. In exchange for his marketing expertise and RGI's established cadre of customers, he asks for equity rather than a consulting fee.

The way Turak sees it, a partnership with RGI can take the place of venture capital for a small, growing software company. After all, nine times out of 10,

when a start-up is looking for capital, it plans to use the cash to build its sales and marketing efforts.

"Look at us as an investor," Turak said.

Kelly Campbell, co-founder and president of Interface Technologies, does. Together with RGI, Interface spun off a software company called TeamVizor Technologies last month to sell a team-based software development tool. Because the software works in conjunction with a Microsoft product, Campbell knew he needed to develop a relationship with Microsoft to market his company's software. Turak was able to bring an established relationship to the bargaining table.

RGI and Interface each own 50

percent of TeamVizor. Campbell said he's pleased with the arrangement.

"It was worth it to give up [equity]," Campbell said. "It's better to have 50 percent of a big pie than 100 percent of a small pie."

Campbell's developers can continue to work on the product without having to worry about the sales side of the business. And, he added, "these guys aren't going to ignore selling my product. They've got an equity stake in the company."

RGI is finalizing a deal with MuTek Solutions, based in Or-Yehuda, Israel. RGI will be, in effect, MuTek's North American sales and marketing operation in exchange for equity in the private company. Turak said the U.S. release date for MuTek's BugTrapper software is scheduled for Aug. 1.

David Streams, one of the original One Tree Software employees who joined Microsoft in 1994, has

been keeping tabs on RGI. He said the company has a combination of attributes that makes it stand out from other resellers.

"Software development tools are very complex. They're very technical," Streams said. "They can be difficult to sell, but Raleigh Group has the expertise to sell it."

And the company's relationship with Microsoft also is unusual. Late last year, Microsoft approached RGI with a half-finished software program that the software giant was looking to farm out. Microsoft licensed the half-finished code to Turak, who hired some developers to finish it and formed yet another new company, Flint Technologies.

"If I was creating a new company and we were developing a tools product, the first person I'd call would be Auggie," Streams said. "He has a machine there ready."

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