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## OptTek turns to government to fund software innovations

**BY CARON SCHWARTZ ELLIS**  
Staff Writer

BOULDER — Since being burned in the dot-com demise, venture capitalists have been extra cautious and more demanding when funding new projects. So when OptTek Systems Inc. needed funding to develop an innovative software application, it turned instead to the federal government.

In June 2002 OptTek submitted a proposal for a Small Business Innovative Research Phase I grant to the U.S. National Science Foundation. Six months later it received \$100,000 and began to develop the software in earnest.

OptFolio, the software system under development, is a method to manage the complexity of capital projects through modeling and optimization. The Phase I work — to design, build and test a pilot system — is under way and should be complete by the end of June, said Jay April, OptTek chief development officer.

The company then will apply for Phase II funding, which amounts to \$750,000. The second phase proposal is due in July, and the company could see the money by year end, April said. If development goes according to plan, April said the new product could be available during the “latter half of 2004.”

Since 1982, the Science Foundation’s research program has directed more than 30,000 awards worth several billion dollars in research and development support to thousands of small high-tech companies. To obtain funding, a company applies for a Phase I grant.

The proposed project must meet an agency’s research need and have commercial potential. If approved, grants of up to \$100,000 are made to allow the scientific and technical merit and feasibility of an idea to be evaluated. If the concept shows potential, the company can receive a Phase II grant of up to \$750,000 to develop the idea further. In Phase III, the innovation must be brought to market with private sector investment and support.

OptTek’s new software product, which aims to enhance the performance of capital budgeting and project portfolio management, fits into the company’s established product line, which includes different types of optimization software.

The company typically sells its software through partners, April said. “Our traditional cash flow has come from the general purpose optimization software that we produce and sell through our partners,” he said. The current 14 partners range from Denver-based Decisioneering Inc., a provider of provider of risk analysis tools, applications and services, to XJ Technologies of St. Petersburg, Russia that develops, markets and sells simulation and design automation software and services.

OptTek’s business model — developing optimization software to be

marketed through partners — has worked successfully since the company’s inception in 1992. New products typically have been developed using cash flow from sales of other products. But to grow, the company needed to explore new avenues, April explained. “In order to accelerate our growth, we decided to go after some targeted applications or spaces or markets,” he said. The company chose three to explore:

- Supply chain planning
- Customer relationship management
- Portfolio management

Using the same business model, the company searched for partners to

market the software products. For supply chain planning, OptTek hooked up Flextronics, the Singapore-based electronics manufacturing services giant. OptTek software will be integrated into Flextronics’ supply chain simulation software, and the product should be out next quarter, April said.

For customer relationship management, OptTek is looking at contact center applications and is still searching for a partner, April said.

For portfolio management OptTek is partnering with Halliburton, the Houston-based provider of products and services to the oil and gas industries. “The alliance there is to produce portfolio optimization software that will integrate with their portfolio management suite that they sell to their oil and gas customers,” April said. That product is expected to be out sometime during April, he said. Halliburton’s software suite, called TERAS, is projected to aid senior oil and gas managers in the development and analysis of portfolio strategies by enhancing their ability to assess the impact on the corporation of various investment decisions.

OptFolio is an enhancement of the Halliburton project, April said, and the company is actively seeking a marketing partner. “As part of

Phase II proposal you’ve got to identify potential partners, April said. “We’re already exploring companies to work with, and obviously we’d like to have it out sometime in the year 2004.”

In addition to software development, OptTek provides professional services to customize its software for clients. In order to handle those engagements, the company has assembled a group of consultants made up of academics from around the world that specialize in optimization software. “It’s pretty complex stuff we’re dealing with,” April said. “We have a world-class reputation, and we want to preserve and keep it. That means being able to respond quickly to client’s needs with high-quality solutions.”

The 10-member, private company doesn’t reveal specific revenues, but April said the company made about \$1 million in 2002, a 30 percent increase from the previous year. The company would “like to beat it” in 2003, April said, but “in this terrible financial and economic environment we are cautiously optimistic.”



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**The OptTek staff enjoys office space in an old house west of the Pearl Street Mall in Boulder. Clockwise from upper left: Senior Associate Gary Kochenberg, Chief Development Officer Jay April, Chief Executive James Kelly, Associate Marco Better, Director of Product Development Candy Brinkman. April is holding a golden shovel inscribed with the message, “For Use When ‘It’ Gets Too Deep.”**