

Reporter's Notebook: Future is 'Firm' For Financial Technology in Chic

Published on 6/24/2008

CHICAGO – In this week's *Reporter's Notebook*, we report on the \$8.5 million Series B round raised by Firm58 in Chicago. Firm58 is part of a new generation of Chicago "financial technology" companies raising money in hopes of creating new markets. We also highlight the winners of the MIT Enterprise Forum's Whiteboard Challenge and showcase a few other bits and bytes around town.

Friday the 13th turned out to be a day of good fortune for the owners and employees of Firm58. It was on that day when the Chicago-based financial technology start-up formally secured \$8.5 million in its second round of financing.

Since its inception in 2005, Firm58 has raised nearly \$15 million to develop and market software to small and medium-sized financial services firms. The 30-plus employee company helps customers including the Chicago Board Options Exchange and other brokerage and trading firms process their transactions after a trade has been made.

This cumbersome process traditionally has been managed via spreadsheets or through the use of homegrown software. Firm58's business model is predicated on these organizations transitioning to its leased delivery method, which is commonly referred to as *software as a service* (SaaS).

The most recent funding round was co-led by Evanston, Ill.-based New World Ventures (an existing investor) and Boston-based North Bridge Partners. Though Firm58 isn't yet profitable, recently hired CEO Curt Witte said the new funding will allow the company to meet its capital needs while it pushes to maintain its triple-digit top-line growth and expand into new markets.



Firm58 CEO Curt Witte.
Photo credit: Firm58

"I'm into the mass scaling of businesses," said the Bannockburn, Ill. native and former AT&T and Cardinal Health executive who has also enjoyed success in the start-up world.

As CEO of PeopleClick, Witte helped grow the human resources-focused SaaS company from \$1.5 million to \$40 million in revenue. In Nov. 2007, Witte replaced Firm58 founder Sam Mele. Mele continues to serve as the company's vice president of business development.

"The hiring of Curt is part of the natural evolution of our company," said Mele, a St. Charles, Ill. native who grew up watching his father manage boutique clearing firm Goldberg Brothers. After graduating with a mechanical engineering degree from the University of Illinois, Mele worked for Oracle and Ariba before guiding Firm58 from point "A" to "B". He added: "Curt puts us in a public-ready position."

Firm58 aspires to be part of an emerging class of Chicago-based financial technology companies that have developed massively profitable businesses incorporating new technologies into older financial processes. Most famously, the electronic trading platform developed by the Archipelago exchange resulted in a merger with the New York Stock Exchange in 2005.

Examples in the online brokerage sector include optionsXpress, which very quickly grew to a 10-figure market cap, and thinkorswim, which was acquired for \$340 million in 2006.

"[Firm58] is a byproduct of the ecosystem in Chicago," said Adam Koopersmith, a principal with New World Ventures. "There are a lot of smart folks seeding companies that are financial exchange driven. I think we will continue to see unique and compelling technologies in this marketplace."

You Can Put it on the (White)board

More than 150 people were on hand on June 17, 2008 to observe and then rank 13 Chicago start-ups at the 2008 Whiteboard Challenge. Organized by the MIT Enterprise Forum of Chicago, the “American Idle”-esque Whiteboard Challenge invited those with compelling business ideas to present their barebones elevator pitch.

A panel of industry judges and audience members who voted via text messaging determined which companies got a piece of more than \$5,000 in prizes. Winning first prize was Don Masterson. He presented the Guardian Angel Outlet.

This electric outlet uses a microprocessor to protect children against electric shocks. Masterson noted that the technology can be seamlessly installed into any wall socket and is manufactured at a comparable or reduced price. Other Whiteboard Challenge prize winners included electric motor company MagDrive and data security firm RevStor.

Bits & Bytes

» Dispersed storage company Cleversafe has been named one of Chicago’s “101 Best & Brightest Companies to Work For” as determined by the National Association of Business Resources. The company is funded by investors including Motorola’s Galvin family, Silicon Valley-based New Enterprise Associates and OCA Ventures.

» The AT&T Foundation recently contributed \$17,000 to the Adler Planetarium. Proceeds from the grant will be used to educate teens on the ways of science and the stars through a podcast series, YouTube downloads and a text messaging service.

» Chicago-based Soceeo, which debuted in June 2008, has helped to launch more than 1,500 social networks for individuals and organizations in its first week of operations. Serial entrepreneur Emile Cambry Jr. is at the helm.

Content from this article, which [first appeared](#) on Monday in the weekly Tech Matters column by Brad Spirrison in the Chicago Sun-Times, is being published with permission.



By [BRAD SPIRRISON](#)
Staff Writer
brad@midwestbusiness.com
AIM: [JSpirrison](#)