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News

# West Coast software firm gets start with KC investors

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By Suzanne King – Staff Writer  
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## RECOMMENDED

A California software company that was looking for investors found them last year, not in Silicon Valley, where technology venture capitalists practically grow on trees, but in Kansas City, where they are few and far between.

In March 1996, 25 Johnson County business people plunked down a combined \$750,000 to start Stellar Solutions Inc. in the Silicon Valley.

In August, the company began selling its software management product, ProductionAssistant, and it plans to go public by late next year.

"When these guys said they could raise the money in the Midwest, I said, 'OK, we'll try it,'" said Channler Drawdy, Stellar Solutions' president and CEO, "but I was skeptical enough that I was still pursuing three other sources."

And, according to many people in Kansas City who have tried unsuccessfully to find startup capital for technology companies here, Drawdy should have been skeptical.

Kansas Citians are cautious about investing in technology, said

Susan Catts,  
president of the  
Silicon Prairie  
Technology  
Association.

"I think definitely  
there are angels in  
this region. There's  
no question," Catts  
said. "It's finding  
those people (that's  
difficult). There's no  
network that makes  
them readily  
available."

But, one by one,  
Stellar Solutions  
found 25 investors  
who began sending  
money to the  
company just a  
month after the first  
investor meeting in  
February 1996.

Eventually, the  
investors grew to  
300, and their stake  
has grown to \$3  
million. Half of that  
stake came from  
Kansas City, Drawdy  
said.

"We've discovered a  
whole new source of  
capital," he said.

Robert Lindquist,  
director and  
secretary, said  
investors have come  
to Stellar Solutions  
by word of mouth.

"I guess it was kind  
of exciting to me to  
think that, here we  
are in the middle of  
the U.S.," investor  
Lawrence McMillan  
said, "and we have  
the opportunity to  
get involved in  
something like this."

Stellar Solutions has  
an investor relations  
office at 2405 Grand  
Ave. in Kansas City,  
and Drawdy said the  
company eventually  
will open a sales  
office here.

Like other local  
investors, Dan  
Kanatzar said he got  
involved with the  
project not because  
he knew a lot about  
the product and its  
technology. He got  
involved because he  
trusted Bob  
Lindquist, one of the  
first investors, and

because he met and liked Channler Drawdy.

"I think our company is being led by some very capable people," Kanatzar said.

Kanatzar and other investors brush aside concerns raised by the involvement of brothers Fletcher and Ron Sapp, who were convicted of bank fraud in 1993.

The Sapps are Drawdy's cousins. They attracted Stellar Solutions to Kansas City in the first place, but because of their checkered financial pasts, have stepped down from having an active role in managing the company.

The brothers were involved in a string of bankruptcies involving the Stop N Go convenience

store chain in the early 1990s.

Investors are sensitive to the Sapp brothers' involvement, which is disclosed in a private placement memorandum dated Sept. 2, 1997.

The memorandum lists the Sapps and John Julian as initial company promoters. According to the memorandum, Julian was convicted on drug and money laundering charges in 1994.

The memorandum explains that "... none of these individuals has any continuing involvement with the Company as a promoter, director, officer or employee of the Company."

The Sapps, however, still own shares in the company, according to Drawdy, Lindquist

and Jay Michener, a marketing consultant for Stellar Solutions. But they are not influencing the company's direction, the investors said.

"We didn't want them associated with the company at all," Michener said.

But Stellar Solutions seems to be moving forward, despite the controversy. Last month it released its first software product, ProductionAssistant, which facilitates multimedia software management on a network, creating a virtual production studio for multimedia designers.

"You may have an animation artist in California, a model maker in Texas, and a sound engineer in Canada," Drawdy said. "You need to

get them hooked into the product."

The software is loaded on a network and can be accessed through a web browser, so the products that are stored on it can be viewed and accessed despite geographic limitations.

By year's end, the company is also coming out with VaultMaster, a software application that will store and manage audio and video clips used in multimedia production.

Drawdy said Stellar Solutions' products will be marketed at trade shows, through direct marketing, and through a website (<http://www.stellar-si.com>), which provides a demonstration of the products.



Stellar Solutions also is bringing people into the company who have connections in the entertainment industries.

The company has identified one competitor, Bull Dog in Canada, but that doesn't seem to be hindering its success.

"The response is such that we've been overwhelmed at this point with sales opportunities," Drawdy said. "We have more opportunities than we can keep track of at this point."

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