

Friday, July 27, 2001

Public funding coup may double revenue for Pixius

Wichita Business Journal - by [Mark Story](#)

Private financing, plus a soon-to-be announced public funding coup, may allow Wichita-based **Pixius Communications LLC** to double last year's \$1 million revenue within 12 months.

Within the next 30 days, Pixius expects to be granted up to \$6 million in government funding. Pixius CEO Gary Carty won't provide any specifics on what agencies are involved or the terms of their investments. The funding looks like it's in the bag. But Carty is taking nothing for granted until the ink is dry on the deal.

If granted, government funding will help the broadband **ISP** provider roll out its wireless network into 36 rural counties in eastern Kansas.

The company's state and federal funding coup follows more than \$3.1 million in second-round financing from several parties. Most recent investors include: Wichita Ventures, an affiliate of the Wichita Technology Corp. and **Quest Ventures**, an affiliate of the Quest Centre, the state's largest business incubator. WTC has had a consulting relationship with Pixius for some time.

Investing in management

The company decided to take an equity stake in Pixius, says CEO Patricia Brasted, on the strength of its management. "We also liked the company's potential for high growth and future corporate activity. This is likely to result in a significant uplift in value as Pixius grows beyond Kansas."

The direct economic impact of a wireless network on Reno County, convinced Quest Ventures to invest in Pixius, says Brasted, who also co-manages this fund.

Money raised through venture capital funding saw Pixius take a 100 percent ownership of small, local ISP operator Veracom in July for an undisclosed amount. The Veracom buy-out follows a decision to acquire Hutchinson-based Our Town USA -- the area's oldest locally owned ISP, last June.

Veracom's 670, predominantly residential customers takes Pixius' customer base to more than 4,000. Veracom is expected to deliver positive cash flow from day one. As a virtual ISP, Veracom's dial-up infrastructure was owned by Southwestern Bell. Bringing this operation in-house, says Carty, will reduce operating costs and tighten quality control over customer service levels.

But what most attracted Pixius to Veracom was the company's filtering technology. This technology, says Carty, will appeal to a growing number of

businesses wanting to censor employees from certain Internet content, including pornography and chatrooms.

Priority No. 1 for Pixius is converting Veracom's business customers -- comprising roughly 15 percent -- to high-speed wireless as soon as possible. Residential users account for 95 percent of the Pixius customer base. But, with business customers representing more than 20 percent of total revenue, getting businesses to convert to the higher-margin wireless service underscores organic and growth-by-acquisition strategies. In addition to greater speed, he adds, a broadband wireless solution lets businesses handle a much greater volume of content than they could under a dial-up option.