

BEHIND THE TOP 100

Fibertech execs rank area's business climate highly

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Brighton's Fibertech Networks, ranked No. 42 on the 2005 Rochester Top 100, came to be as the result of a joining of former friendly adversaries. The company was the brainchild of former Time Warner Rochester Division President Frank Chiaino. When Chiaino needed someone to run his company, he turned to former Frontier executive John Purcell. And since late 1999, the company, which raised \$50 million in capital, has been building and operating dark fiber optic networks.

Here, Purcell and Chiaino talk about their partnership, the lessons they've learned running a fiber company during the telecom bubble, and how the company's launch of "lit" services is proceeding:

Question: What's the biggest change you've had to adapt to? **Chiaino:** Not long after we opened the door here at Fibertech, the bottom fell out of the stock market, the telecom sector cratered and the Internet bubble burst. All this was followed closely by Sept. 11, 2001, which knocked the rest of the economy down. It was a painful environment for everyone at that time.

From the outset, John and I made a conscious decision to run the company conservatively. By that, I mean, we agreed not to jeopardize the company with visions of grandeur. We would take down little to no debt to fund our operations. So when the economic downturn hit, we pulled back our original growth plan from 40 to 13 cities to maximize our cash flow and capital. This decision had to be executed without losing existing customers or any of the 25 new employees we had

recruited.

Now we've grown to 20 markets, we will book more than \$45 million in revenue in 2006 and generate enough positive internal cash flow to invest \$27 million in expansion and new markets — all without further debt. We now have employees and they are simply exceptional.

Question: What's the biggest mistake you've made in business, and how did you learn from it? **Purcell:** While at Frontier Telephone, I was making an acquisition presentation to the Board of Directors. I was not fully prepared on the financial details and almost blew the deal. My boss at the time, Dave Mitchell, rescued me and saved it. Afterward, he pulled me into his office to explain my mistake. I've tried hard never to fall into that trap again. Dave taught me to "over prepare" and also how much can be learned when you correct people in private. Fifteen years later, Dave is still a great friend of mine and my go-to guy when it comes to business or personal advice.

Question: How's the new product launch going? **Purcell:** We began offering private line, Ethernet, dedicated Internet and collocation services nine months ago in select markets and we're already beating our projections in most cities. We have less than half of our markets fired up, and optical services are already approaching 10 percent of our total recurring revenue base. Year-end projections will bring that to at least 13 percent to 15 percent and position us to expand the offering to the balance of our cities. The three-year plan projects this product set to generate 35 percent or more of our revenue.

Question: What advice do you have for someone looking



WILL YURMAN staff photographer

Despite the burst of the telecom bubble in the late 1990s, Fibertech Networks CEO John K. Purcell, left, and Frank Chiaino, the company's COO, managed to grow their business to serve 20 markets.

to break into your field? **Chiaino:** If you're starting your own company or joining a start-up, look hard at the partners you'll be working with — that includes investors, bankers and lawyers as well. If you're being recruited to join an existing company, be sure to check out the leaders at that company, the top tier of management and their record for professional integrity. Ask employees how they feel about working there, too.

Question: After the over-build of fiber capacity, are we finally using up that excess? **Chiaino:** The much discussed "fiber glut" was between major markets but really didn't exist in the mid-size metro cities we targeted in the Northeast and Midwest. The growing demand for broadband over fiber optics directly to end users is reducing the "long haul" fiber glut and creating significant growth opportunities for Fibertech. As a result, we will grow revenue at least 35 percent this year over 2005, and net income will increase by more than 50 percent.

Question: How do you assess

Rochester's business climate? Do you see reasons for optimism? **Purcell:** Rochester is doing better than people here think or are willing to acknowledge. I see some very good things developing in terms of city and county cooperation. We are in 20 cities all about the size of Rochester and we rank Rochester maybe 4th or 5th in terms of business climate. Our Connecticut cities are the top three, mostly because of the growth north out of New York City has been tremendous. But Rochester ranks just behind those three for us, with growth from the education, healthcare and financial sector.

Question: What's your idea of a relaxing weekend? **Purcell:** Work is full on Monday through Friday so I do believe in the importance of weekends. A combination of golf at Monroe Golf Club, a movie and dinner with friends and spending some time with our six grandchildren that live in Rochester would be my idea of one great weekend. □