

Angel Investors Sue Professional Travel Guide And Boston Ventures

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Professional Travel Guide LLC may shut down by the end of this month amid a lawsuit from its minority investors who say company executives and its main backer defrauded them, VentureWire has learned.

These angel investors allege that Professional Travel Guide's chief executive and other top officials, as well as majority investor Boston Ventures, purposely avoided advertising deals that would have grown the site and instead secretly planned from the beginning to sell it or shut it down.

The minority investors are suing the company's management and Boston Ventures for \$20 million, alleging fraud, negligent misrepresentation, breach of fiduciary duty and a number of other charges, according to the suit filed in Fulton County court in Georgia.

The allegations paint a picture of a complicated business arrangement that soured, pitting sophisticated individual investors against management and a large private equity firm.

Boston Ventures in 2001 acquired Northstar Travel Media LLC, an operator of business-to-business travel titles. Boston Ventures later decided to spin off much of Northstar's travel information - which was previously available mostly only to travel agents - as a consumer site, ProfessionalTravelGuide.com.

In the 2007 spin-off, Boston Ventures retained majority ownership of Professional Travel Guide LLC. The amount of the deal was not disclosed.

"We had all this great professional travel content inside the company," Marco Ferrari, an associate at the time at Boston Ventures, told VentureWire at the time the site launched in October 2007. "We decided a great use for the content is putting it out on a consumer site."

The minority shareholders and plaintiffs in the suit invested about \$3.2 million, according to the complaint filed in January by the investors. Most if not all of it was invested in 2007. A total of \$4 million was invested but not all the investors are participating in the suit, said **Richard Robbins**, attorney for the plaintiffs.

The investors bringing the lawsuit include some well-known technology names including Ronald Carpinella, a founding member of Google Inc.'s sales team; Thomas McDermott, also a founding member of the Google sales team as well as of Microsoft Corp.'s MSN sales team; Timothy Scanlon, a retired attorney and father-in-law of Professional Travel Guide's co-founder Peter Muller; Scott Luchkowec, senior account manager for

Comsys IT Partners Inc.; Mark Olmstead; professional investors Scott Taranto, John Kruger and Clay Bradley; Faison Bohlyer Charitable Trust, which is Bradley's charitable trust; and JHN Interests LLC.

Dispute Centers Around Business Plan

According to the plaintiff's complaint, the management of Professional Travel Guide, along with Boston Ventures, told the minority investors that it "would follow a business plan centered on Web site advertising."

However, "PTG management continued to prevent advertising on the PTG Web site" and refused revenue opportunities with advertisers, according to the complaint.

"Defendants knew the representation that PTG would target Internet advertising revenue was false and misleading...In fact, Defendants intended all along to use Plaintiff's money to develop a Web site that NTM (Northstar) and Boston Ventures would retain after PTG folded," the lawsuit alleges.

Peter Nicas, chief executive of Professional Travel Guide, said he could not comment on the lawsuit other than to say it was "frivolous." Nicas confirmed that the company is seeking a buyer and may shut down at the end of August.

Nicas and Sheila Rice, senior vice president of licensing for Professional Travel Guide, invested personally in the company and have no reason to run the company into the ground, according to Edmund Novotny, attorney for Nicas and Rice, as well as other defendants Professional Travel Guide; Stephen Knight Pond, adviser to Northstar and PTG; George Hundley, chair of the PTG board and CEO of Northstar; Boston Ventures managing director Andrew Davis; Ferrari, who is now a Boston Ventures principal; Thomas Wright, chief financial officer of Northstar; and Northstar Travel Media LLC.

"So why would the defendants invest all this money if their secret plan was to destroy the company or sell it?" Novotny said. "The allegation is ludicrous on the face of it. They have no motive for the company to fail."

The impending shutdown of the company is a result of the economy, Novotny said.

"Everyone wants the company to succeed," Novotny said. "Simple market forces forced it down."

Another law firm, Hunton & Williams, is representing Boston Ventures, as well as Davis and Ferrari. That firm did not immediately respond to requests for comment, nor did Davis and Ferrari. Boston Ventures has six funds and a total of \$2.6 billion in capital commitments.

In October 2007, ProfessionalTravelGuide.com had a beta launch with press coverage from a number of outlets, including VentureWire. However, internal conflicts were developing, according to the suit. Pete Muller, a co-founder and chief revenue officer of the company, was fired on November 7, 2007, after Nicas forbade him from running ads or setting up business deals, according to the plaintiff's complaint.

Muller declined to comment.

Novotny said he could not comment on why Muller was fired except to say it was "justified."

Prior Joint Venture Failed

The Professional Travel Guide site is not the first attempt to generate a new business out of the Northstar Travel Media content. In 2003, Northstar, which is still controlled by Boston Ventures, had set up a joint

venture with another travel company, Alliance Reservations Network, according to Peter Bertenshaw, chief executive and co-founder of Alliance Reservations.

The joint venture, Tripz.com LLC, was designed to use the Northstar content - content that purportedly had not been seen by the public before - with technology built by Alliance Reservations.

Nicas joined Tripz.com as chief executive in 2005. However, the site never was a success and around January 2006, Alliance Reservations was notified by Northstar that it would not renew the contract when it expired in approximately July 2006, and the site shut down, Bertenshaw said. Northstar retained rights to all the content, which was later used on the Professional Travel Guide site.

The minority shareholders in Professional Travel Guide would not have invested in the company had they known there was a previous company with a similar concept, said **Robbins**, the plaintiff's lawyer.

"They had a previous site which had failed...It turned out that that was using pretty much the same plan and content and CEO," Robbins said. "That is something we believe should've been disclosed."

However, according to Novotny, the defendants' attorney, the previous site, Tripz, was an "entirely different model."

"That's why they called Peter Nicas to be the CEO and evaluate whether Tripz was the best approach," Novotny said. "He came on as CEO and evaluated everything and determined PTG was a far better model."

The suit is in the discovery phase, with parties exchanging evidence. A trial would probably not be scheduled until sometime next year, **Robbins** said.

Despite the experience and knowledge of the angel investors in the case, the investors were caught off guard, **Robbins** said.

"Even the most sophisticated investors can be hoodwinked," **Robbins** said.