



by abby luby

VENTURE CAPITAL. FOR THE PAST COUPLE OF decades, the words have been synonymous with high risk—investments in computer technology, biotechnology, software, social media, dot.coms. Rarely did high-stakes finance list chocolatiers, bread shops, locally raised beef, restaurateurs or fields of beer hops in the asset column. Why? Either they were too risky or didn't promise enough return, right?

Wrong, says Sean Eldridge. The 27-year-old venture capitalist sees low risk and high growth potential for small Hudson Valley agribusiness. In 2011, he launched Hudson River Ventures, a private, limited liability company that has since invested in over a dozen regional food-related businesses, including Black Dirt Distillery (Warwick), Bread Alone (Shokan), Poppy's Burgers and

Fries (Beacon), Hudson Chocolates (Poughkeepsie) and RiverMarket Bar and Kitchen (Tarrytown).

"You look at Silicon Valley, where access to capital really flows—lots of projects get funded by many venture capitalists, investors, banks," Eldridge says. "But when you look at the Hudson Valley, there's a stark contrast. I stepped back and asked, 'What industries and small businesses do we want to invest in?' We looked at the existing strengths of our region—food, beverage, agriculture and tourism—sort of the low-hanging fruit, so to speak. Here, I was seeing profitable small businesses that wanted to expand but couldn't get the funding they deserved. That's what's so exciting—a lot of our businesses live within that intersection. They're the ones we will continue to focus on."



BLACK DIRT DISTILLERY

What Eldridge found in the Hudson Valley was an active locavore community driven by a burgeoning farm-to-table movement, along with a spate of craft breweries and distilleries—all attracting a steady flow of tourists. He connected with Mike Oates, then president and CEO of the Hudson Valley Economic Development Corporation. Oates was known for having his finger on the economic pulse of the Hudson Valley.

“Mike and [the Hudson Valley Economic Development Corporation] is really how we landed in food and beverage and agriculture,” Eldridge admits. In February, Oates left HVEDC to become CEO of Hudson River Ventures and has effectively put the venture fund on the financial map. The company’s mantra became “access to capital”—Eldridge saw it as a model for other private investors, local banks and governmental agencies.

Restaurants, farms, food companies, breweries and start-ups pitched business proposals to Hudson River Ventures. One of them, Bread Alone, was raising capital to renovate a 26,000-square-foot facility in Lake Katrine, near Kingston. “They wanted to expand, and they deserved to expand,” Eldridge says. “Bread Alone has been around for 30 years and they’ve had smart and steady growth. Mike Hein, the [Ulster] county executive and his economic development team let us know that Bread Alone was looking for investors and they connected us.” Bread Alone received a \$250,000 loan to purchase a high-end thermo-oil oven system used by artisan bakeries.

Optimally, Eldridge looks for businesses that assure a good financial return either by owning equity in that business or from interest on loans, which he claims are

offered at rates comparable to those of nonprofit groups (Community Capital’s rate is 7.75%, Farm Credit East’s rate is 7.5%). Prime candidates are businesses with a good product that indicates a positive growth trajectory, like Francisco Migoya’s Hudson Chocolates in Poughkeepsie. “I was bowled over by Francisco’s expertise,” Eldridge says. “He’s such a perfectionist and he has an amazing product.” Hudson River Ventures funded the start-up and it wasn’t long before Migoya’s products were picked up by Dean and Deluca. “When that happened, Mike and I worked with them and advised them how to navigate that opportunity and to make sure it was successful,” Eldridge adds.

Eldridge extols locavore, and when chef Paul Yeaple, owner of Poppy’s Burgers and Fries, wanted to renovate his Beacon restaurant, Eldridge was receptive. “I love Poppy’s—all their produce, meat, beer is local. They share our values and are right at the epicenter of what we’re talking about. They are a great example of a company that has done well. Have you been there? You’ve got to go. They’re great.”

The growing popularity of craft beers and distilleries and their historic presence in the Hudson Valley also piqued Eldridge’s interest. Hudson River Ventures invested \$100,000 of equity in Black Dirt Distillery in Pine Island (as it did in a similar deal with RiverMarket Bar and Kitchen in Tarrytown), which joined several other alcoholic-beverage producers already on the fund’s list. “We’re very excited about the craft brewery explosion in the Hudson Valley, especially the hops farms,” Eldridge says. “Historically, there used to be a lot of hops grown here but it dropped off. Now a lot of these craft breweries would love to have beers featuring local hops.”



BREAD ALONE



RIVERMARKET BAR AND KITCHEN

Recently, Eldridge, a Democrat, announced he would seek the 19th Congressional District seat in 2014 in an attempt to unseat two-term Republican Chris Gibson. He sees his political campaign separate from his investment fund, but admits that they have overlapping agendas. “The issues we focus on—economic development and job creation—are certainly some of the most significant challenges facing our region. Having worked so closely with small businesses has given me a lot of insight and has impacted my view of what the government could be doing to invest in our infrastructure. We could be doing better to support small businesses.”

Eldridge is not without his own deep pockets; his husband, Facebook co-founder and New Republic editor/publisher Chris Hughes, is estimated to be worth about \$700 million, according to Forbes. “Hudson River Ventures is basically my capital and my husband’s capital. It’s a closed fund, which gives us the flexibility to be able to move quickly and invest where we want.” Last fall, Eldridge personally contributed \$250,000 toward the proposed Hudson Valley Center for Advanced Manufacturing at SUNY New Paltz, a new business model focusing on 3D printing that Eldridge believes will open a new job market in the Hudson Valley. His gift was matched by Central Hudson; Hudson River Ventures also

invested \$500,000 in the project.

As Eldridge envisioned, Hudson River Ventures has grown to become a local financial nexus, connecting small businesses with other public and private investors, economic development corporations, chambers of commerce and business associations. If a business isn’t a good fit for the company, Eldridge will connect it to other resources, such as Community Capital Resources or Farm Credit East. “There’s an expansive and complex network of help out there and we try to connect certain projects with other fund sources,” he explains.

For larger investment projects, like Bread Alone, Hudson River Ventures partners with other investors in the public and private sectors, a signal to Eldridge that there are local funding groups that are now more willing to lend and invest, which he says could represent a sea-change in investment strategy. “Others have seen our investments and perhaps they’re [becoming] a little more aggressive,” Eldridge notes. “Ultimately, Hudson River Ventures wants to create a source of capital for the Hudson Valley and be self-sustaining—to stay here, invest and reinvest and keep that capital in this region. You see a lot of local movements now—eat local, shop local—I would love to see an invest local movement take off.”



HUDSON CHOCOLATES



POPPY'S BURGERS AND FRIES



CONTINENTAL ORGANICS



HUDSON VALLEY SEED LIBRARY



LAGUSTA'S LUSCIOUS

additional companies partnered with hudson river ventures

Chatham Brewing (Chatham) received a loan to expand production and open a new tasting room on Main Street in Chatham.

Continental Organics (New Windsor) received a \$100,000 loan to help fund its second-phase expansion (a \$5.7 million project expected to triple the farm's output of produce and fish). The expansion includes another fishery for Coho salmon, a "Caprese salad" greenhouse, a 7,000-square-foot rooftop space for tomato and basil plants, and a compost house.

FarmersWeb (Manhattan) received a loan to upgrade its website to offer services to more farms. The website is an online marketplace connecting Hudson Valley farms with chefs and wholesale buyers.

Gigi's Hudson Valley Catering (Rhinebeck) received a 5-year loan worth \$250,000 to expand its farm-to-table catering business. The money is earmarked for new equipment and staff to fill positions in culinary, sales and operations.

Hudson Valley Seed Library (Accord) received a \$74,000 loan to hire staff and to renovate a building

to house the company's offices, storage, warehouse and shipping operations. Approximately \$30,000 will be used to print and mail catalogs.

Lagusta's Luscious (New Paltz) received a loan to acquire new equipment and hire staff.

Peekskill Brewery (Peekskill) received a loan to expand the brewery and its farm-to-table restaurant.

Prohibition Distillery (Roscoe) received a loan to build a distillery near Main Street in Roscoe. The distillery is known for its Bootlegger 21 Vodka.

Westtown Brew Works (Westtown) received a loan to expand the brewery and increase production of the hops farm.

Yonkers Brewing (Yonkers) received a loan to open a distillery in downtown Yonkers. The waterfront location is expected to support downtown revitalization.

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