

Durgin – A Brief History

- **1961:** AAS from Capitol College
- **1961-1968** Sandia National Labs
- **1967:** BSEE from NMSU
- **1968-1970:** Product Designs Inc. His first company and first failure (earned his MBR (Masters in Business Reality))
- **1970-1990:** Helped lead the growth of BDM (acquired by TRW) and Booz Allen & Hamilton (2006 sales of \$3.7 B)
- **1990-2001:** Quatro Corporation, 10 NM high-tech start ups
- **2001- Present:** Professional investor, Verge Fund, 10 more NM high-tech start ups and counting

Short – A Brief History

- 1982: BSEE from NMSU
- 1984: MSEE from NMSU
- 1984-1992: An unhappy career with a large company
- 1992: Founded InnovASIC, a semiconductor company
- 1999: Raised the first VC round
- 2000: The biggest disaster (the tech crash)
- 2004: Return to profitability
- 2005: On to other things



Entrepreneurship- Introduction and
Tales from the Brink

New Mexico State University

February 2, 2007

What is Entrepreneurship?

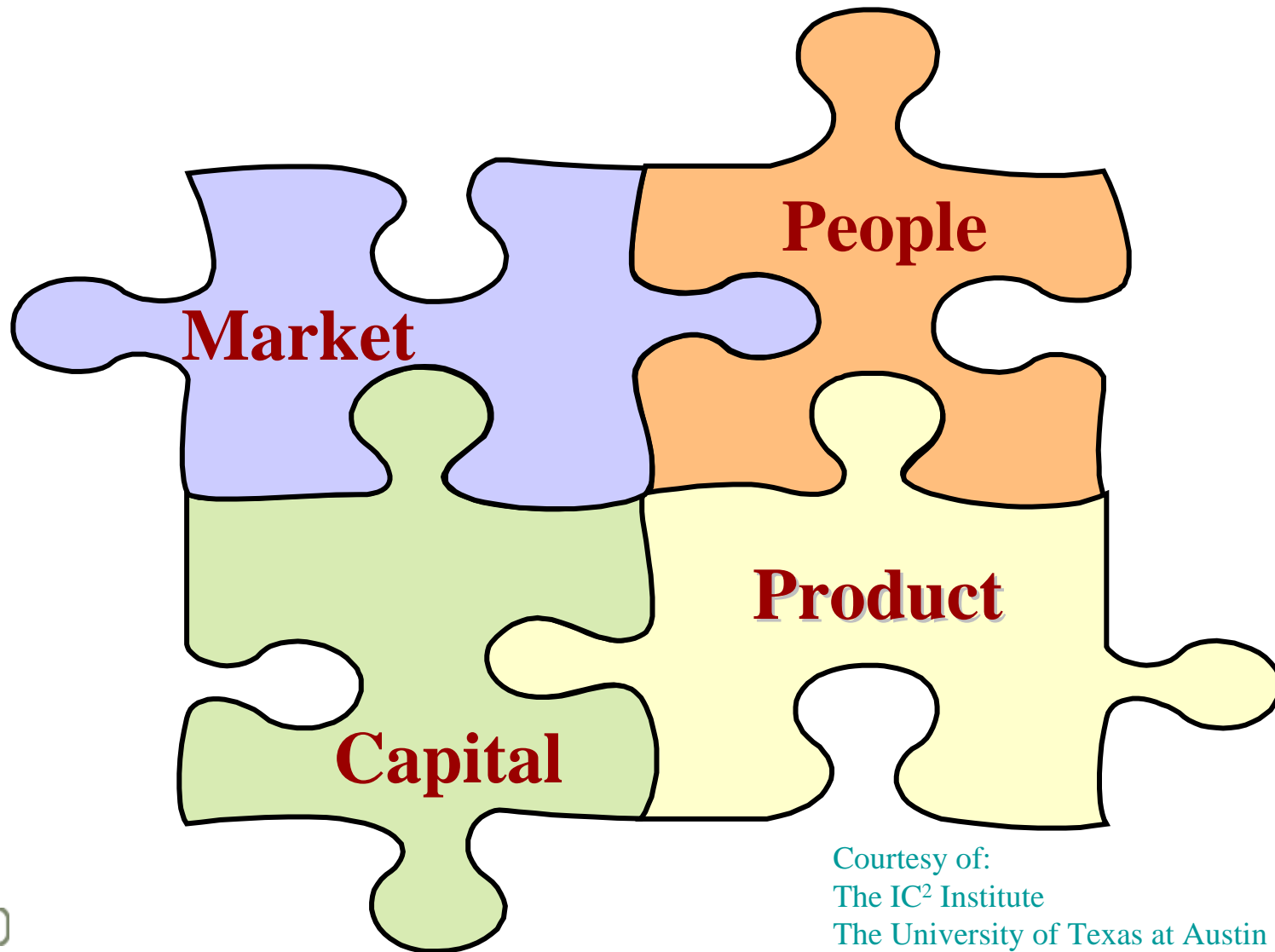
- Any Attempt at New Business or Venture Creation
- Includes Self Employment, a New Company or Company Expansion
- Initiated by an Individual, a Team or Existing Business

en-tre-pre-neur, n.: *one who organizes, manages, and assumes the risks of a business or enterprise*

Ask Yourself the Hard Questions

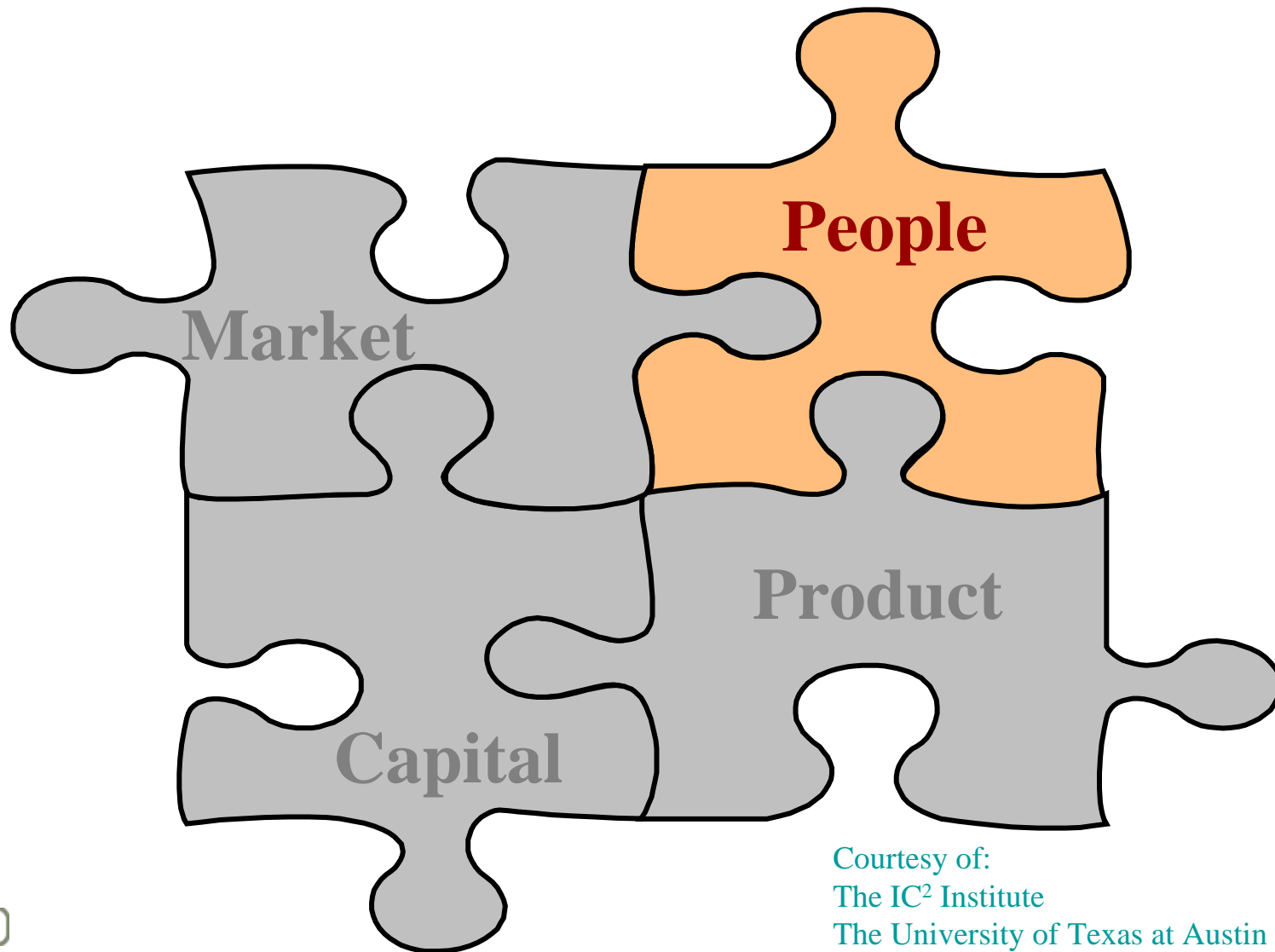
- **Why do you want to be an entrepreneur?**
 - Get rich?
 - Change the world?
 - Build a legacy?
 - Create and evangelize technology?
- **What are your strengths and weaknesses?**
 - What help do you need?
 - How do your strengths fit the business?
 - How do you deal with stress?
- **How big is the opportunity? Really?**
- **Are you willing to deal with the consequences?**
 - Are you willing to quit your job and mortgage your house to do it?
 - How will you react when things go terribly wrong?

[Elements of a Successful Growth Company]



Courtesy of:
The IC² Institute
The University of Texas at Austin **Verge**

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Surround Yourself with Great People

Mentors, Advisors, Investors

- Board of Directors, Board of Advisors, Informal Network
 - Fill your areas of ignorance
 - Look for brains, not just money
 - They should be smarter than you

Managers

- CEOs, CFOs, VP level individuals
 - Specific industry knowledge
 - Start-up, growth and exit experience

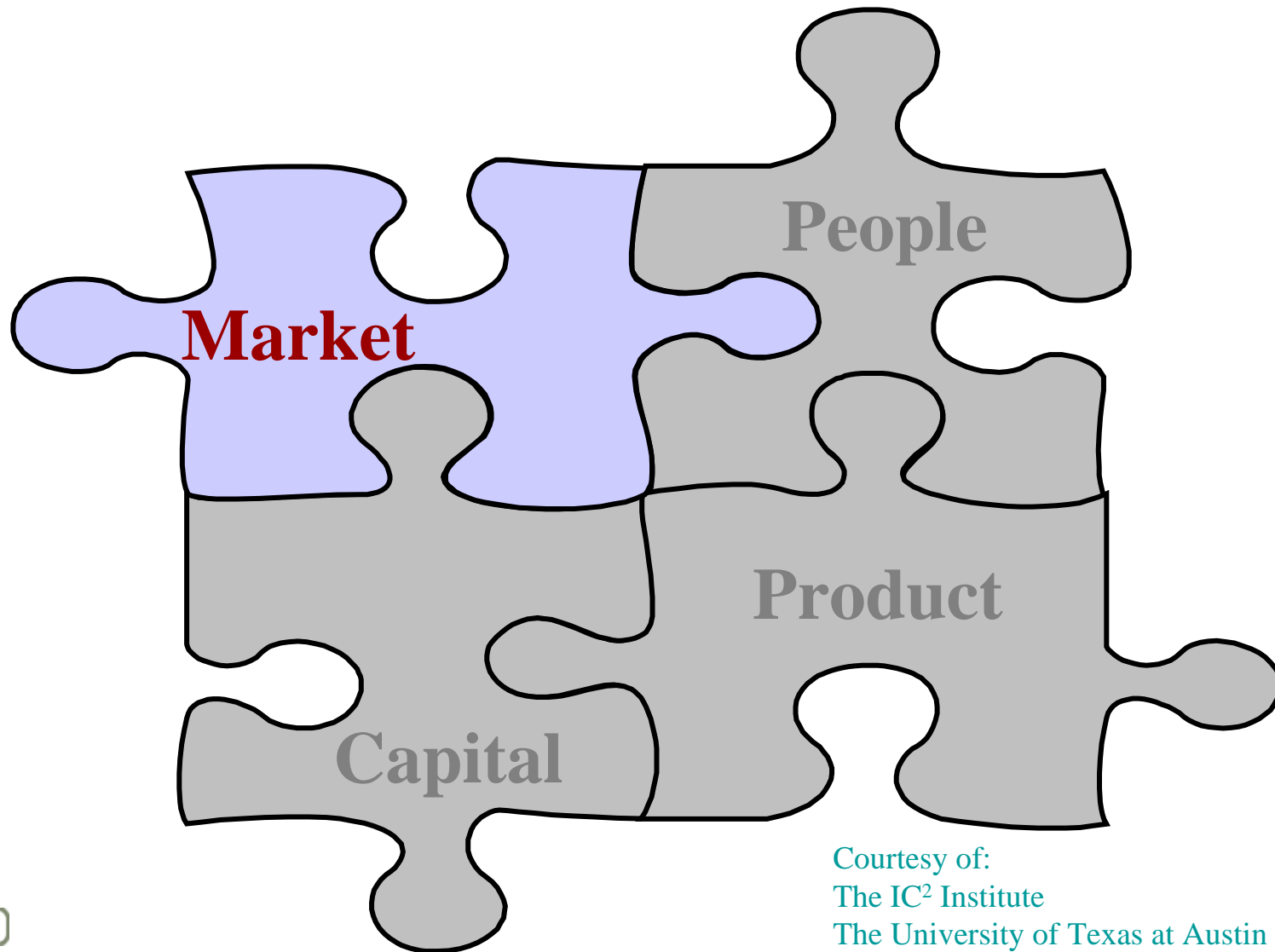
Service Providers

- Lawyers, accountants, marketing firms
 - Relevant experience and Prior Success are key

Ethics and the Early Stage Enterprise

- Investors invest primarily in people
 - Extensive background checks are common
 - Many meetings to develop a strong relationship
 - *Investors must be confident of the strong ethical and moral character of the entrepreneurs*
- Some ethical considerations can be written into financing contracts, but many Important Qualities are Subjective

[*Elements of a Successful Growth Company*]



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Slaying the Myth

“If you build a better mousetrap, the world will beat a path to your door.”

WRONG!



It's the Market , Stupid!

Size

- Use Research Rigor on Market Analysis
- Proper market segmentation is key to Size and Sales
 - Find the Customers for YOUR Product

Growth

- Where the market will be is as important as where it is

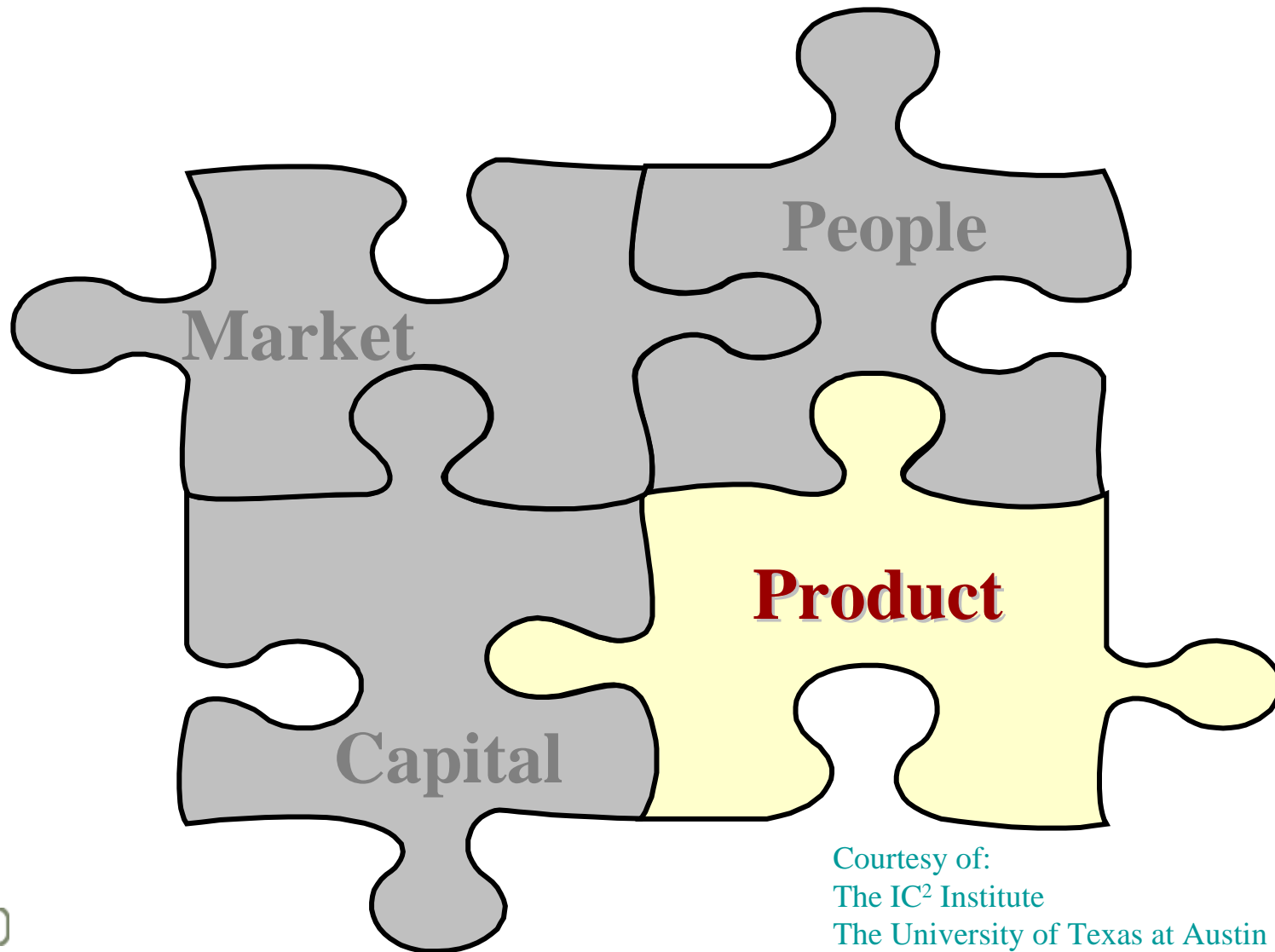
Pain

- How badly do the customers need a better solution?
- How good are the solutions in the marketplace today?

Competition

- Know Competing Options as well as Products or Services

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A Growth Company Requires Uniqueness

Technology (Intellectual Property) Differentiation

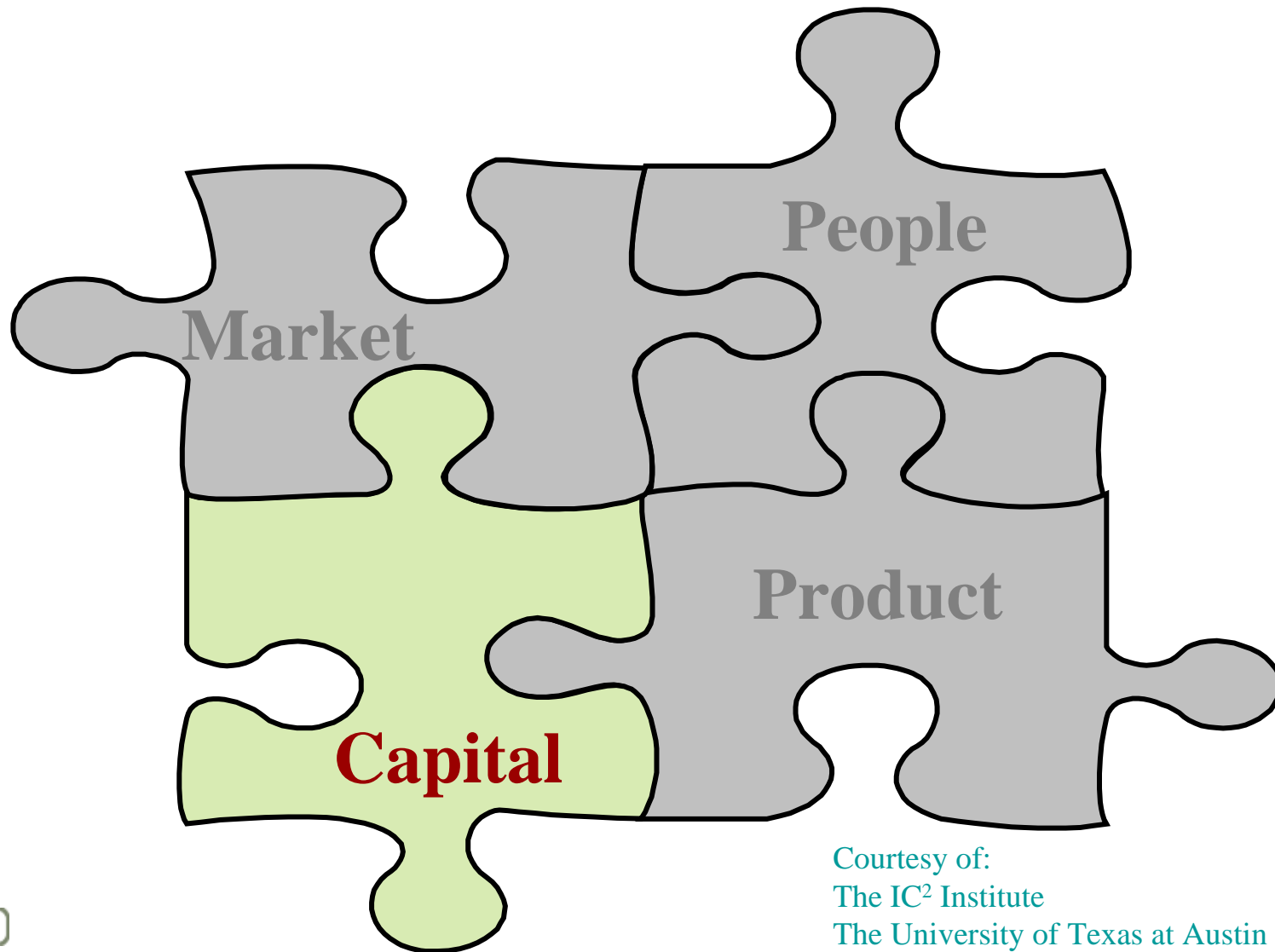
- Patents
- Copyrights
- Trademarks
- Trade Secrets

Other Forms of Differentiation

- Novel Business Model
- Speed to Market
- Price

It's Still The Market, Stupid!

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Financing Sources for Different Companies

<i>Category</i>	<i>Lifestyle</i>	<i>Growth</i>
Friends/Family/Fools	Yes	Yes
Angels	Maybe	Yes
Venture Capitalists	No	Yes
State or Fed. Government	Yes	Yes
Strategic Partners	Maybe	Yes
Public Equity Markets (IPO)	No	Yes
Commercial Banks	Yes	Yes

Entrepreneurs Did Well in 2005 and 2006...

An unprecedented number of deals and dollars

	Deals	Dollars (\$M)
2005	17	141.4
2006 (Through Q3)	20	41.2
Total	37	182.6

A diverse mix of investment rounds

Round	Deals	Dollars (\$M)
1 st (Seed)	14	23.8
2 nd (A)	12	24.97
3 rd (B) & higher	7	107.6
Buy-out	4	17.63

[17] All Numbers include \$40M Eclipse Round

Verge

NM VC Firms & Stage of Investment

Firm	Stage				
	Pre-Seed	Seed	Develop	Expansion	Growth
Altira Technology					
Blue Sage Capital					
Flywheel Ventures (*)					
Fort Washington Capital Partners					
International Venture Partners					
ITU Ventures					
Mesa Ventures (*)					
New Mexico Community Capital (*)					
Technology Funding (*)					
Tullis Dickerson Capital Focus					
Valley Ventures					
V Spring					
Verge (*)					
Village Ventures					
Wasatch Ventures					

(*) Indicates Primary office or HQ in New Mexico

Tales from the Brink

Product Designs Inc. 1968

- Solid state products developed at Sandia National Labs.
- Inexperienced entrepreneur without a plan
- Raised money from F3 and bought all of the trappings for production (too much overhead)
- Excellent market response: Defense, Industrial & Automotive (not focused)
- Ran out of money before market traction achieved
- Closed the doors and looked for a job

Tales from the Brink

InnovASIC, Inc. 1993

- Bootstrap startup, 1992
- Through luck and hard work, 3 large chip designs booked
 - Two were with LANL for the Super Collider
 - The other was directly with SSCL
- Fall of 1993 – Congress cancels the SSC
- From too much work to absolutely zero
- How we survived:
 - Skipped paychecks
 - Sold like crazy
 - Built a commercial customer base – and more than one!

Advice to Entrepreneurs

- You have got to know your limitations – Clint Eastwood
- You need *Mentoring* and *Money*, probably in that order
- You should never trust a **Poor** business expert
- You must become both a quick learner AND an effective delegator
- You need to develop a high tolerance for uncertainty and imminent failure (the brink)

[*What Investors Look for in an Entrepreneur*]

- **Passion:** Will you walk through walls to make the deal work?
- **Insight:** Can you identify a market need and see an *INNOVATIVE* way to provide a solution?
- **Humility:** Do you know what you know, and know what you don't?

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