



Finding Venture Capital & Supporting Entrepreneurs

Presented by:

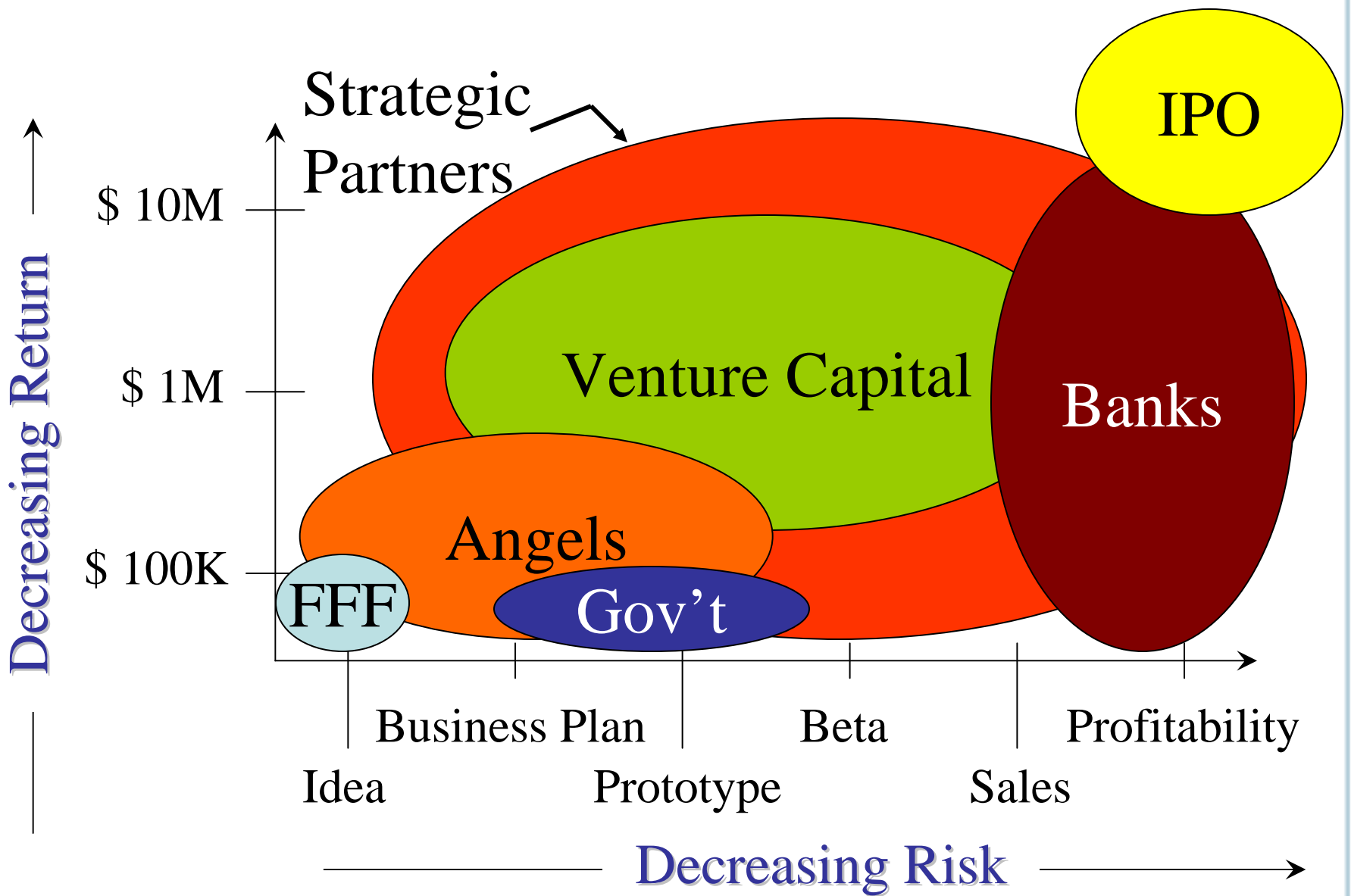
Tom Stephenson
General Partner

First, Some Definitions

(*Entrepreneurial Company: Defined*)

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

- Two types of entrepreneurial companies:
 - **Lifestyle or Legacy Company**
 - Desire to be one's own boss
 - Typically addressing a local need
 - May want to pass business on to children
 - **Growth Company**
 - Desire to take over the world
 - Typically addressing national or global markets
 - Looking to build and sell (or build and buy)



(*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

Resources for Lifestyle Companies

- **Equity**
 - New Mexico Community Capital: www.nmccap.org
 - New Mexico Private Investors: www.nmprivateinvestors.org
- **Debt (non-bank)**
 - ACCION New Mexico: www.accionnm.org
 - Enchantment Land Certified Dev. Corp.: www.elcdc.com
 - NM Community Dev. Loan Fund: www.nmcdlf.org
 - WESST Corp.: www.wesst.org

Full contact information available from the NextGen “Access-2-Capital” Resources Map at www.nextgenclusters.net

A Brief History of VCs

Early Stages of Venture Capital

- 1950s & 1960s
 - Modern VC started with AR&D in Boston
 - Mostly East Coast
 - Old-line money moving into new industries
- 1970s
 - Birth of a Valley – Silicon Valley
 - Early VCs in Northern California
- 1980s
 - VC industry began to mature
 - Some good years, some bad
 - Rapid growth of the technology industry
- 1990s
 - **Bubble Time, Baby!**

The beginnings of “The Bubble”

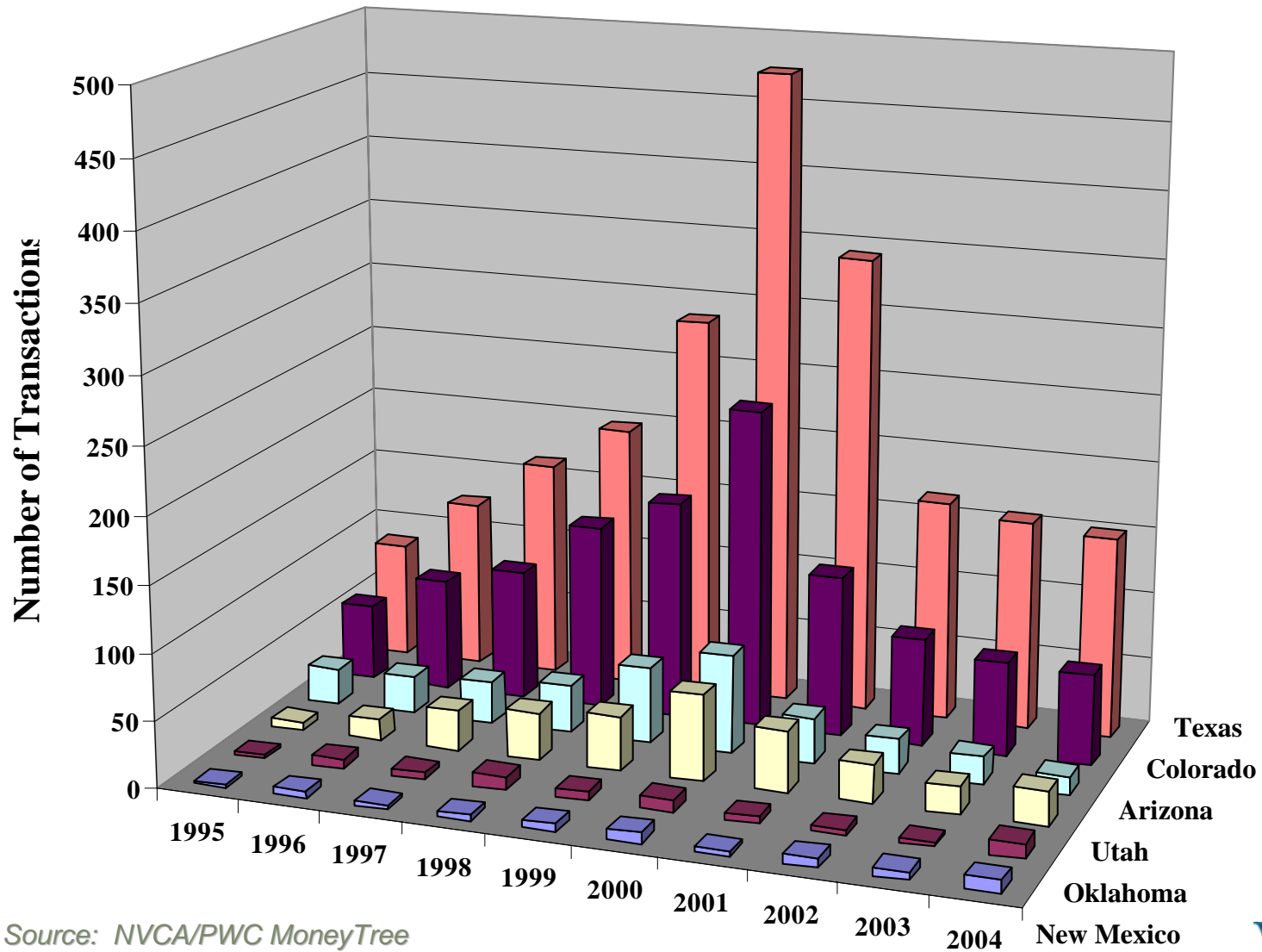
- \$\$ Invested in VC Funds grew dramatically in the late 1990s...
- Firms (and investment professionals) also grew, but not as dramatically...
- Therefore, the following went up:
 - Fund size
 - Deal size
 - Valuation

Consequences of the Crash

- Surprise! Profitability really does matter
- A protectable, proprietary position is important to success
- Management talent is more abundant – and willing to move
- And...
- **Innovative companies are still successful!**

What about New Mexico?

NM & Southwest VC Investments



[A Growing Group: NM Venture Capital Firms]

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 (*)					
Murphree Venture Partners					
New Mexico Community Capital (*)					
Red River Ventures					
Rio Grande Venture Partners					
Technology Funding (*)					
Tullis Dickerson Capital Focus					
Valley Ventures					
V Spring					
Verge (*)					
Wasatch Ventures					

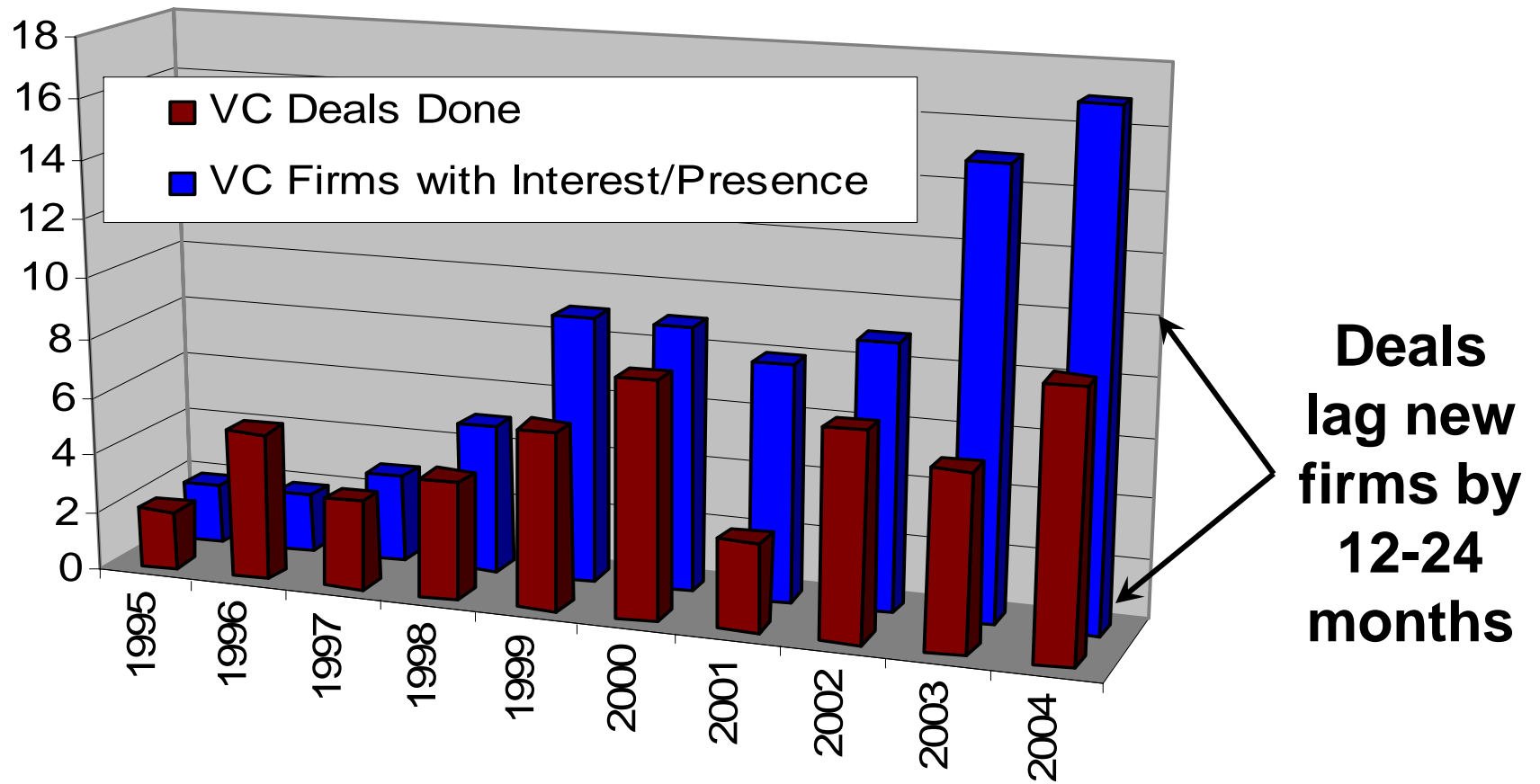
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(*) Indicates Primary office or HQ in New Mexico

Source: Webb Johnson, Next Generation Economy, Inc. – www.nextgenclusters.net

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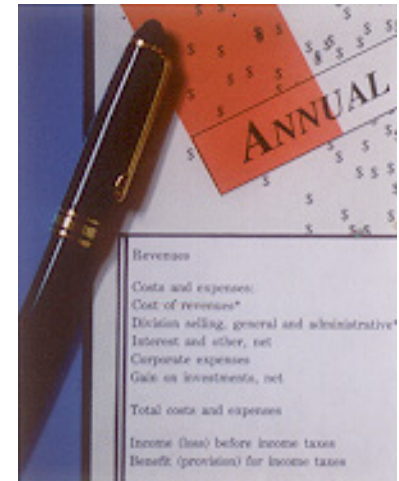
[*The New Mexico Market: Where It's Going*]



So How Do You Raise Money?

Raising Money in the New Millenium

- Have a plan
 - Short and Sweet.
 - Does not have to have *all* the answers.
 - How much total capital is required?
 - Know what the exit options are
- Have milestones
 - Know what you will do with the money.
- Have a referral
 - VCs are MUCH more likely to fund deals that come from someone they know.
- Get into the hot spaces (it is still a herd mentality)
- Be Patient – it is a multi-stage process



Steps in the Fund Raising Process

- First Contact
- Initial Review
- Extensive Due Diligence
- Terms Negotiation
- Final Documents and financing

Supporting Entrepreneurs into the Future

[*Four Strategies for the Future: One VC's View*]

1. Focus

2. Recruit

3. Support

4. Invest

(*Four Strategies for the Future: One VC's View*)

1. Focus

- On markets, not on technology
- On creating wealth, not creating jobs
- On what's right for each individual community

2. Recruit

3. Support

4. Invest

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(*Four Strategies for the Future: One VC's View*)

1. Focus

2. Recruit

- **For the skills we want, not those we have**
- **Strategically, not opportunistically**

3. Support

4. Invest

(*Four Strategies for the Future: One VC's View*)

1. Focus

2. Recruit

3. Support

- Our best local prospects, not all our prospects
- Emphasis on excellence, not emphasis on ubiquity

4. Invest

(*Four Strategies for the Future: One VC's View*)

1. Focus

2. Recruit

3. Support

4. Invest

- **In base economic drivers**
- **In a broad range of opportunities**
- **But mostly, in ourselves**

Contact Information

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