



(Why (and How) You Should Raise Money in 2006)

Tom Stephenson

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2005 Was a Banner Year by All Accounts

An unprecedented number of deals and dollars

	Deals	Dollars (\$M)
NMBW (11/18)	17	141.4
ABQ Journal (12/5)	-	~\$140
Stephenson	17	132.8

A diverse mix of investment rounds

Round	Deals	Dollars (\$M)
1 st	9	18.9
2 nd	3	12.8
3 rd & higher	4	85.1
Buy-out	1	16.0

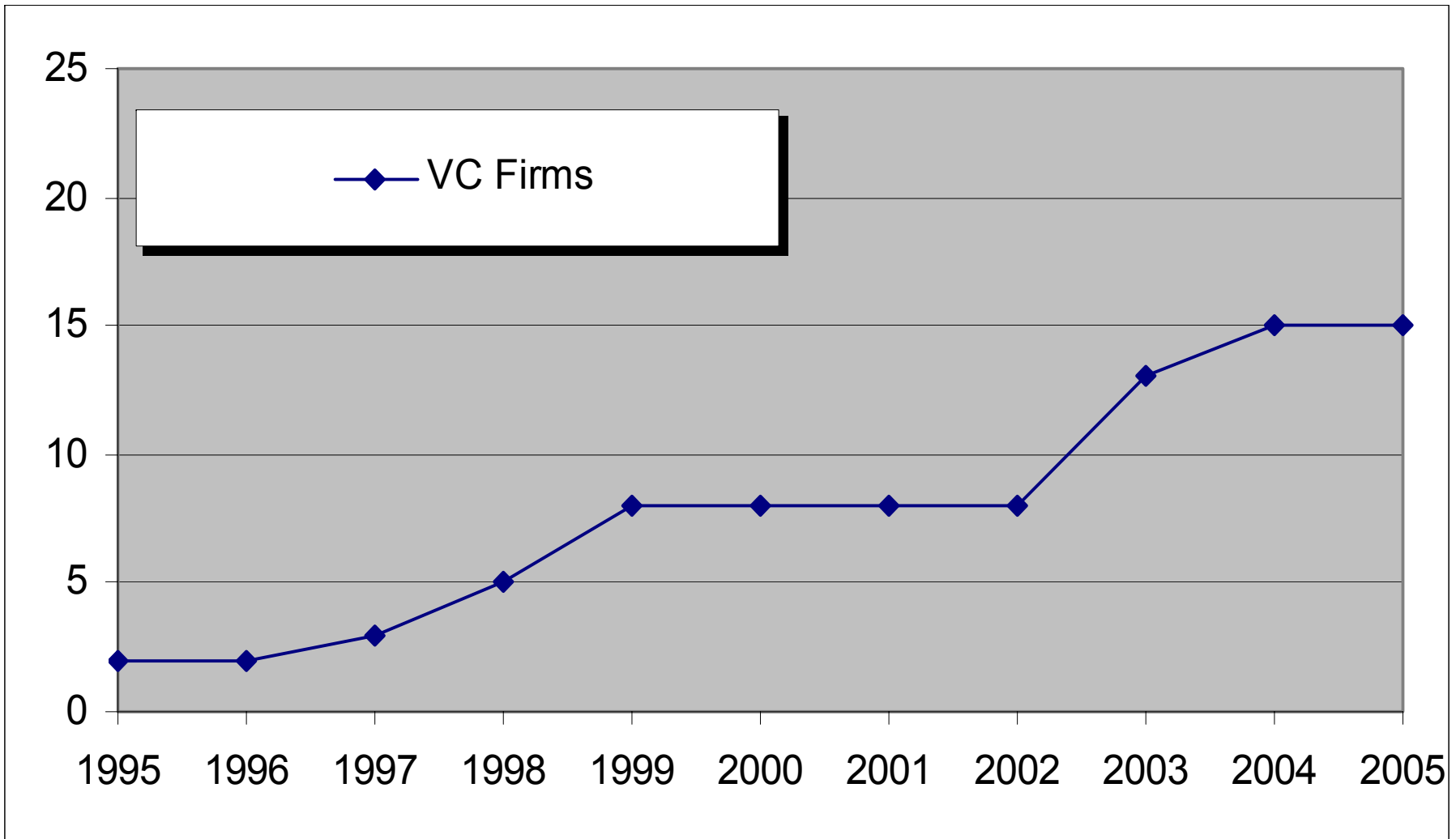
[2] All Numbers include \$40M Eclipse Round

Verge

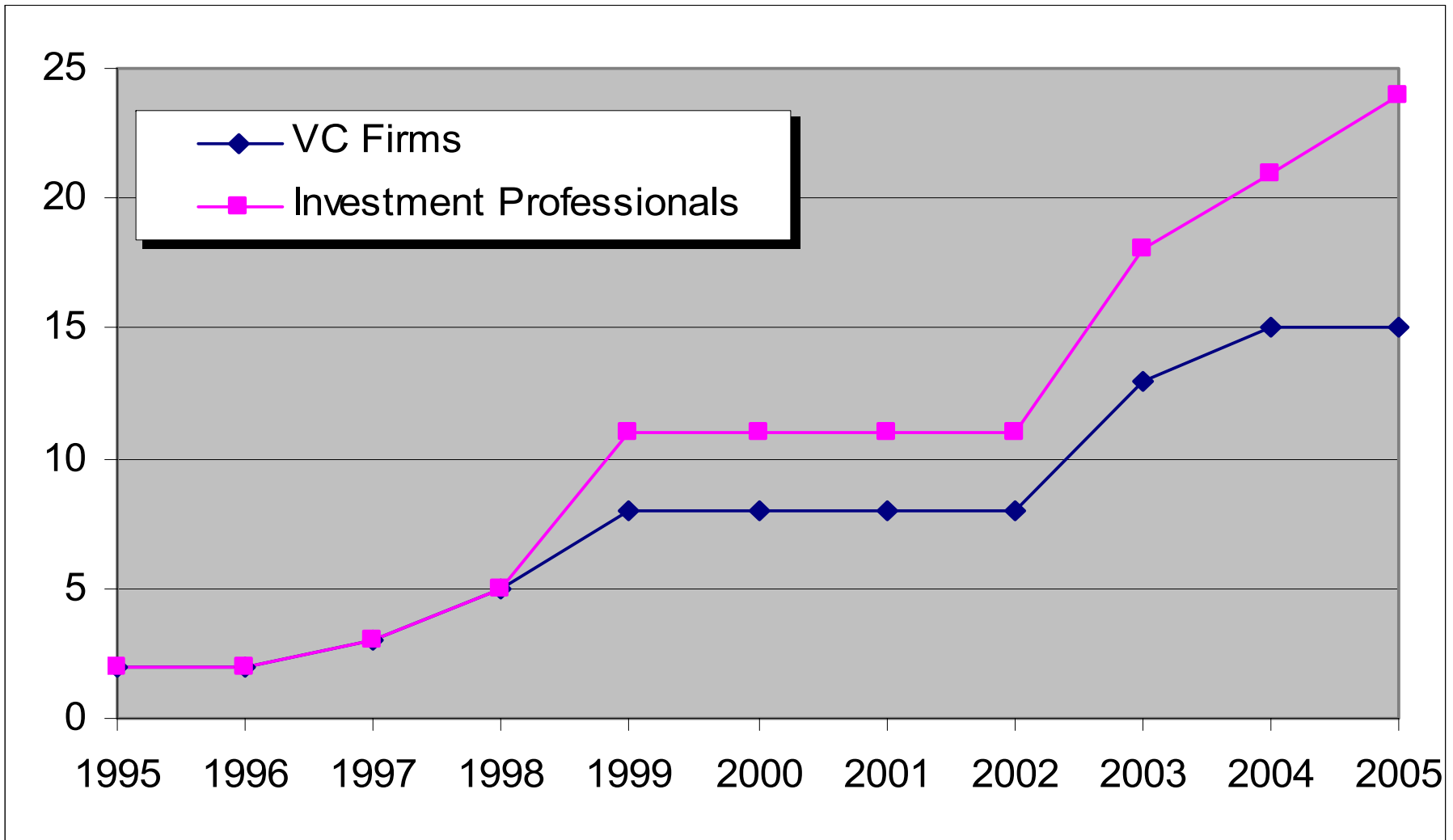
Why was 2005 so Active?

- **My Answer**
 - The Deals got better
- **Your Answer**
 - The VCs got smarter
- **Most Likely Answer**
 - The Private Equity climate has changed dramatically

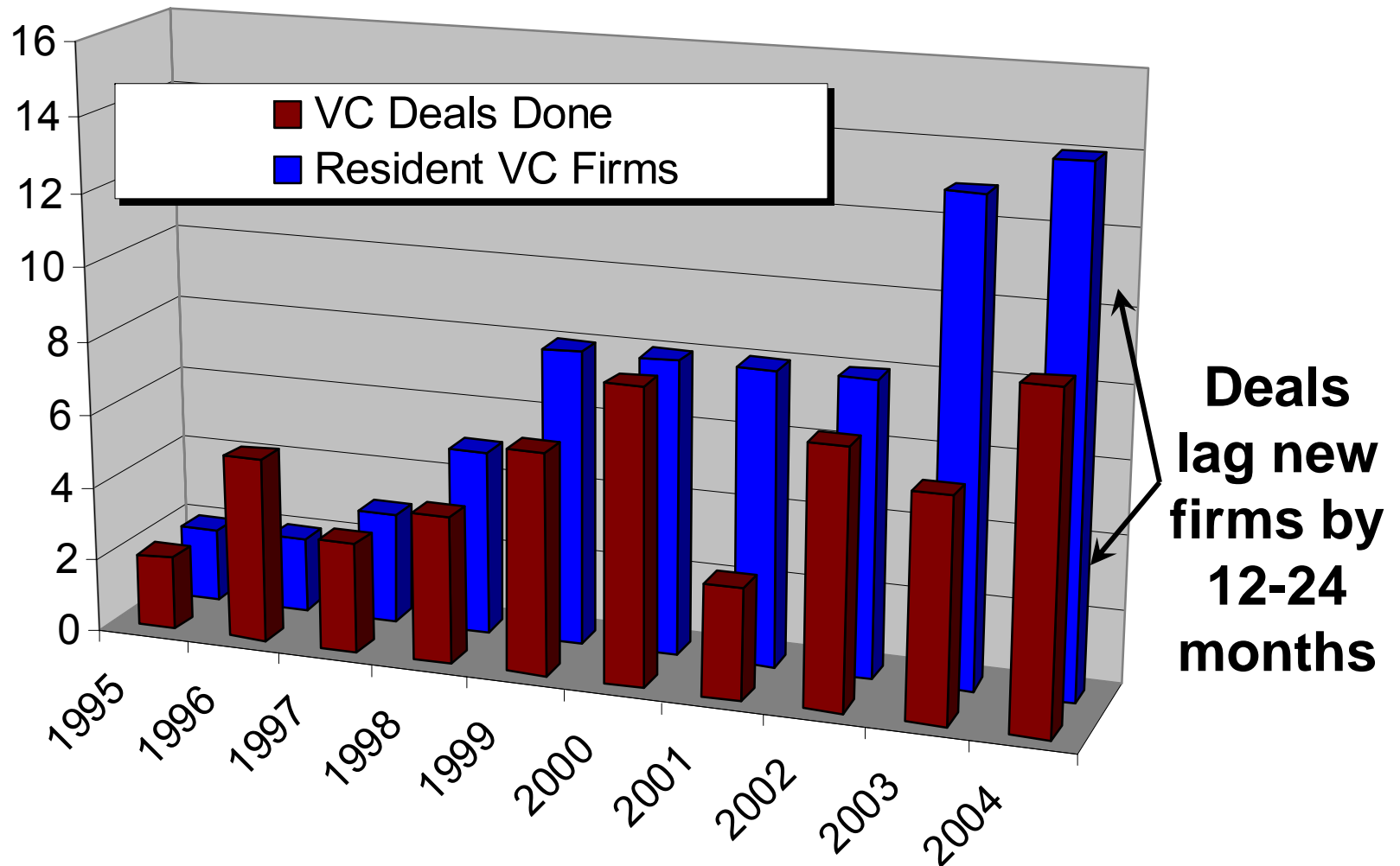
The Obvious Trend



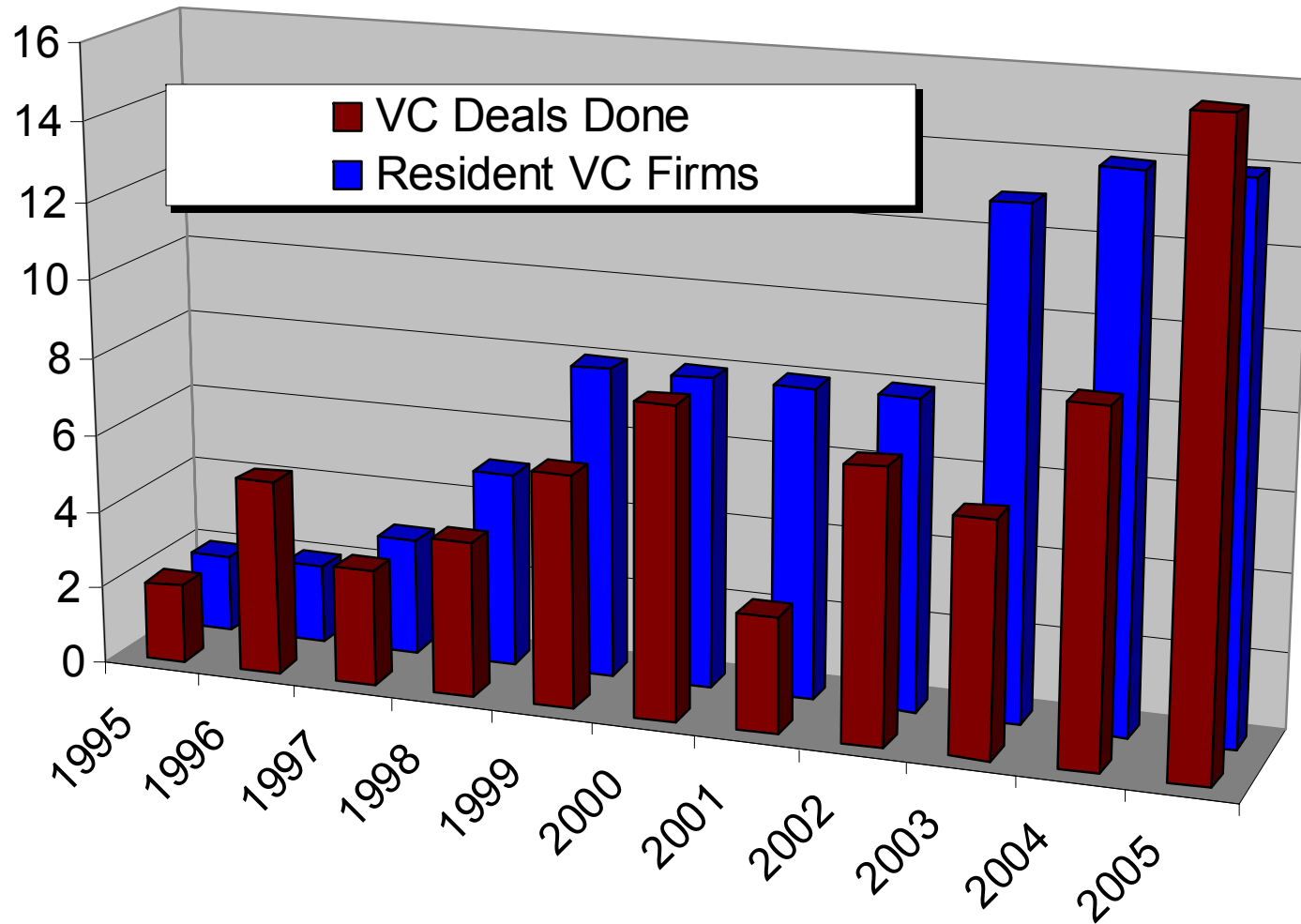
The More Significant Trend



The Stephenson Theory



The Stephenson Theory



2005 Was Not Just a Numbers Game

- **Yes, the numbers did improve**
 - Increase in # of VC Firms
 - # of Investment Professionals
- **But, the Angel network has grown**
 - Executive Director for NMPI
 - Formation of Camino Real Angels in El Paso/LC
- **And, we now have *NM-based* VC firms**
 - Flywheel (2003)
 - Mesa Ventures (2003)
 - Verge (2004)
- [8] – **New Mexico Community Capital (2005)**

What Will 2006 Look Like in NM?

- **Increased Number of Financing**
 - Deals correlate to Investment Professionals, not firms
 - New Funds will come on-line
 - New Funds \neq New Firms, necessarily
- **Continued Segmentation of the Deal market**
 - More follow-on rounds of financing
 - Differentiation between “seed/pre-seed” and “early”

How Do You Get Funded in 2006?

The Same Way You Always Have:

*By recognizing that you are
engaged in a sales process*

Process for Your Fundraising “Sale”

1. Segment the Market

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

Process for Your Fundraising “Sale”

1. Segment the Market
- 2. Qualify the Prospects**

How a “Verge Company” is Built



- **A Strong Opportunity Must Exist**
 - Understandable target market
 - Capacity to dominate at least one clear market niche
 - Presence of key pieces: technology, entrepreneur (novice or experienced)
- **The Opportunity Must Have Potential to Become a Deal**
 - Risks (technology, market, team) can be significantly and quickly reduced
 - Profitability within a market niche can be achieved at low capital cost
- **The Deal Needs Verge to Become a Company**
 - Potential involvement of Verge Principals as part of management
 - Significant Strategic & Tactical Contributions

[“Verge Deal” Example: Patchwork Systems]

Bill Bice, Lead Principal & “Active Chairman”

- **Source:**
 - Sul Kassiech, Verge Advisory Board member
- **Pre-Existing Deal Status:**
 - Company founded by Sandia technologist
 - Early customers and prototype of product in place
 - Product and company floundered due to inexperience of team
- **Need:**
 - Full management team
 - Strategy for re-entry into marketplace and additional product dev.
- **Verge Critical Value Add:**
 - Bill Bice formed financing strategy and milestones for company
 - Engaged ~2 days/week as an “Active Chairman”
 - Team recruited both a new developer and President

Process for Your Fundraising “Sale”

1. Segment the Market
2. Qualify the Prospects
- 3. Develop the Story and the Pitch**

Get into the VC's Head

- Two questions you have to answer before you get the money:
 1. What are you going to do?
 2. How are you going to do it?
- If #1 is not compelling, you are wasting your time with #2
- Therefore, developing a story is key
 - *As Important than the business plan*
 - *The Story will be (partly) partner-specific*

Forming the Story

- **What's really different about what you do?**
 - Identify the value proposition?
- **Whose problem does it solve?**
 - Identify the market & customers
- **Why are you starting this company?**
 - Should include, but not exclusively “make money”
- **Do not use buzzwords.**
 - Does your 12 year old get it?
 - In the absence of a 12 year old, try your spouse

Process for Your Fundraising “Sale”

1. Segment the Market
2. Qualify the Prospects
3. Develop the Story and the Pitch
- 4. Work through the Evaluation Process**

Steps in the Fund Raising Process

First Contact

Should have a referral to be successful

Initial Review

Get to this point or "No" as quickly as possible

Extensive Due Diligence

Terms Negotiation

Final Documents and financing

Process for Your Fundraising “Sale”

1. Segment the Market
2. Qualify the Prospects
3. Develop the Story and the Pitch
4. Work through the Evaluation Process
- 5. Get to the Decision Maker(s)**

Contact Information

Tom Stephenson

Verge

1155 University Blvd., SE

Albuquerque, NM 87106

V: (505) 843-4235

F: (505) 843-4278

tstephenson@vergefund.com

www.vergefund.com