



Article 211

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Identify Specialty Before Looking for Investors

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The greatest challenge an entrepreneur may face is finding capital to launch a business, especially when the business idea is related to high-cost startup such as that found in the technology sector. For an entrepreneur with realistic plans for rapid business growth and the potential to scale to larger markets, trading partial ownership for capital may be the only option.

Venture capitalists currently fund about one out of every thousand startups. With the odds stacked against obtaining equity capital, an entrepreneur must identify the investors most likely to invest in his business. Determining which source to pursue depends largely on industry focus, business stage and the amount of money needed. A handful of equity investors have offices in New Mexico and actively pursue investments in the state.

Bridge between self-funding and venture capital

The New Mexico Angels is a network of accredited individuals who invest personal capital in early stage New Mexico businesses with the expectation of substantial return. Initial investments range between \$100,000 and \$500,000. The New Mexico Angels makes investments in a wide range of industries, although alcohol and gaming-related ventures are excluded. Entrepreneurs can submit business plans on the Web site found at www.nmangels.com.

Phase One Ventures is a new, highly-targeted fund developed by several angel investors active in the New Mexico Angels. Phase One looks for investment opportunities in new companies with technologies at the intersection of biotechnology and nanotechnology. Learn more at www.phaseoneventures.com.

Early, Seed and Startup Venture Capital

Seed stage, the earliest stage in the business continuum, is the point where an idea or business concept is still being developed and there is no revenue stream. Venture capital firms invest other people's money, usually comprised of pooled institutional funds. In New Mexico, most active venture capital firms concentrate on early and seed-stage companies.

Flywheel Ventures manages the New Mexico Gap Fund, which provides up to \$200,000 to seed-stage entrepreneurs. Other Flywheel funds invest up to \$1 million. Flywheel specializes in digital

services, infrastructure technology, energy technology and water technology. Find more information at www.flywheelventures.com.

Verge invests in companies located in the Southwestern United States and puts an emphasis on those in New Mexico. Initial investments range from \$100,000 to \$1 million, and later stage investments are only made in their portfolio companies. Verge focuses on technology businesses, including clean technology, electronics and materials. Visit www.vergefund.com.

Epic Ventures targets early stage companies in software, Internet infrastructure, energy efficiency and advanced-materials fields. Initial investments range from \$500,000 to \$2 million. Learn more at www.epicvc.com.

Village Ventures focuses on emerging businesses in consumer media and financial services sectors. Initial investments range from \$500,000 to \$1.5 million. Their goal is to own at least 20% of each of their portfolio companies. Find out more at www.villageventures.com.

vSpring Capital invests in information technology and life sciences companies. They invest in later stage companies only under special circumstances. Investments range from \$250,000 to \$5 million, with most investments in the \$2 million to \$3 million range. Learn more at www.vspring.com.

Cottonwood Technology Fund provides early and seed stage investments in technology companies located in the Rio Grande valley between Los Alamos and El Paso. Investments range from \$500,000 to \$1 million. Find more information at www.cottonwoodtechnologyfund.com.

Growth and special funds

Sun Mountain Capital manages a \$60 million state investment fund. It looks for co-investment opportunities ranging from \$300,000 to \$10 million in any industry and prefers early-stage, startup and expanding ventures. Learn more at www.sunmountaincapital.com.

New Mexico Community Capital focuses on high-potential, underserved businesses in the water, energy, healthcare and agriculture industries in New Mexico. Initial investments range from \$500,000 to \$1 million. NMCC also provides early and growth capital through its Tribal Business Initiative. Visit www.nmccap.org.

Fully-invested venture capital firms operating in New Mexico include Mesa Capital Partners and Invencor/International Venture Fund. Other investors with limited active New Mexico investments include Psilos Group Managers and Altira Group.

For more information about equity capital in New Mexico, attend Coronado Ventures Forum's annual venture capital discussion on October 20, 2011, in Santa Fe. Learn more at www.cvf-nm.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses with obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.



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