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Looking for Equity? Seek the Right Specialist

By Tom Stephenson, Managing General Partner, Verge Fund

Specialization is common within the equity investment world, with investors generally focused on specific stages of business development. A “seed” stage investor, for example, has a different specialty than a firm that provides expansion capital.

An entrepreneur who knows the terms used to describe development-related types of equity financing is more likely to seek the investor right for her venture and increase the chance of obtaining funds.

Most investor specialization terms fall close to the following:

Seed-stage venture capital refers to investments made in firms with products under development or recently introduced to the market. These companies have no revenue or have recently received their first revenue. Seed stage investments tend to be less than \$2 million and are sometimes as little as a few hundred thousand dollars.

Early-stage venture capital is invested in firms that are receiving revenue but have not yet reached profitability. Investments generally range from \$3 million to \$5 million.

Expansion capital refers to investments of \$5 million to \$20 million in firms with substantial revenue streams.

Buy-out investments are purchases of profitable, mature firms with revenue greater than \$10 million. Investments are usually more than \$10 million.

Many venture capital funds further narrow the scope of their investments by industry or geography. The New Mexico Small Business Investment Corporation has been instrumental in setting up funds from which investments can only be made in New Mexico-based companies. The venture capital firms that manage these funds might further specialize in technology, aviation or healthcare.

Entrepreneurs looking for investment can find the right specialist by researching firms through their company websites. It can be harder to research the specialties of individual investors, but a few questions asked while arranging a meeting can avoid wasted time later.

Specialization has substantial benefits. Good equity partners bring experience, industry knowledge and networks of contacts. They can provide introductions to important vendors and other potential investors.

Entrepreneurs who narrow their search to investors that specialize in a development stage and industry that matches their startup or business will improve their chances of finding the investment they need and increase the probability of their venture's long-term viability.

For more information on Verge, visit www.vergefund.com.

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

