



Investors/Venture Capital

Where Do I Find Investors and What Do They Expect?

Ninety nine point nine percent of the time, investors are people you already know. Your friends and family members are much more likely to invest in your business than a complete stranger, no matter how good a deal you offer. Investors normally expect:

1. To be an owner with you in the business
2. To make a return on their investment
3. To be well informed on how the business is doing
4. To have a say in management if they feel it's necessary

There are some sources out there for matching up Entrepreneurs and Investors:

AngelSearch is an online tool that searches government records to gather investment data, industry preferences, and total stock positions of America's wealthiest individuals. The service provides business owners with unlimited access to contact information on local angel investors. More information on this service may be found at the web site for vFinance.com—available at http://www.vfinance.com/home.asp?ToolPage=angelsearch_00.asp&Tracker=

Capital Network Events

This service produces conferences, at which entrepreneurs learn about organizing and financing their businesses ventures. The conferences enable entrepreneurs to network with venture capitalists, private equity investors, professional service providers, and corporate executives. For more information, visit www.cnevents.com

Capital Match

Capital match has two levels of service that help bring together entrepreneurs and angels. In the Open Market, entrepreneurs post 250-word pitches for secure browsing by qualified angels. In VentureDirect, entrepreneurs prepare a five-page business summary that is delivered directly to angels for review. Interested angels may contact entrepreneurs for more information. Information about this service can be found at capmatch.com

Venture Capital

Venture Capital is the most misunderstood term in finance. Venture Capitalists invest only in companies that meet these criteria:

1. Tremendous potential for growth
2. Strong management
3. Need an additional investment to “go public”
4. Willing to give board seats to investors

If your business fits those criteria, try:

Venture Capital Marketplace - This service enables owners, who are interested raising venture capital, to submit online listings in order to attract potential investors. Information about this service can be found at www.v-capital.com

Community Development Venture Capital (CDVC) – This type of venture capital model promotes what is known as “A double bottom line”, which means that the fund is pursuing community development as well as

profit. Their investments create financial returns for investors as well as social returns in the form of good jobs that pay living wages and allow people to rise out of poverty and begin to build wealth. CDVC funds invest cash in exchange for an ownership interest in the business. This equity investment gives businesses flexibility, allowing them to pursue growth strategies without worrying about immediate cash flow. It also means that as part-owners, the funds are highly involved in ensuring the businesses' success because the return on their investment depends on it.

Like traditional VC funds, CDVC funds seek to invest in businesses that have great ideas, outstanding management teams, and strong growth potential. Because of their "double bottom line" (both social and financial), however, CDVC funds generally operate in different geographies than traditional funds do. CDVC investments also tend to be smaller, typically ranging in size from \$50,000 to \$1.5 million compared to the \$14.8 million per company average of traditional venture capital and private equity funds. CDVC funds also tend to invest in more diverse industry sectors than traditional VC funds.

There are now nearly 80 funds in operation in the US with a collective \$550 million in capital under management.

- i. Equitrend Capital - www.equitrendcapital.com
- ii. Texas Emerging Technology Fund

The state of Texas created this \$200 million fund to stimulate for research and development activities in emerging technology industries, particularly those that originate in universities. A qualified project can originate from the private sector but must have significant university ties. To help you determine if your project might be appropriate for ETF funding, go to www.wtcic.org documents page. If you answer **NO** to **any** of the questions, then your proposal is not currently at the application stage. Please continue to work with your local SBDC or incubator to reach application-ready status. Please note that this document **is not** the application and is for informational purposes only. To determine if your project fits the profile of what this fund is seeking to help go to www.wtcic.org, or call local contacts PJ Pronger at the Small Business Development Center at 372-5151 or Curt Besselman 322-0032.

- iii. CAPCO's

CAPCO (Certified Capital Company) - This is a new source of funds for venture capital firms to encourage investment in Texas companies. Insurance companies reduce their state tax liabilities by \$1 for each \$1 invested in state certified investment companies or CAPCO's. To receive an investment from a CAPCO, a business: must be headquartered in Texas; must employ fewer than 100 people with at least 80% located in state and must pay 80% of its payroll in state; must be primarily engaged in manufacturing; not primarily engaged in retail sales, real estate, insurance, banking or lending, or accountants, physicians or attorneys. To learn more about whether your business qualifies for CAPCO help, go to <http://www.texascapital.org/about/capco.php>, or call Curt Besselman at the Entrepreneur Alliance at 806-322-0032.

Dumas Economic Development Corporation has a local list of individuals that would like to have an opportunity to invest in new businesses. To get more information on these people, contact the Dumas Economic Development Corporation at 806-934-3332 or visit our website at www.dumasedc.org.