New Mexico Angels – New Mexico Start up Factory

John Chavez
President New Mexico Angels
NMA Ventures General Partner
New Mexico Start Up Factory Managing Director
Thank You to Our Partners

• US Economic Development Agency
• NMA Ventures
• Sandia Science & Technology Park Development Corporation
Introductions

• Your Name

• Your Company/Idea

• What You’d Most Like To Learn Today
WHAT IS EQUITY
GIVING UP EQUITY
CAPITAL STACK IN NM
ANGELS vs. VENTURE CAPITAL
COMPANY STRUCTURE
WHAT IS EQUITY
WHAT IS EQUITY

• Equity is ownership shares of your company

• Equity is not a loan

• Investors buy ownership shares of companies to help them grow

• Once an investor buys equity shares, they are an owner and your partner in the company
Examples – Learning the Lingo

• Company A
  • Raising $100,000
  • At a $500,000 pre-money valuation
  • Investor now owns 20% of the company

OR

In Shark Tank Format
• Seeking $100,000
• In Exchange for a 20% stake of the company
Taking & Giving Up Equity
Giving Up Equity

• Why would you give up equity?
  • To raise money for your company
  • Used to grow the company by funding:
    • Manufacturing
    • Marketing & Advertising
    • Hire additional staff

• If you had the option today, what would you raise money for?
Investors: Taking Equity

• Why would investors take ownership in your company?

• They want to provide funding to help grow the company
• They could be a strategic partner
• They may have connections to help grow your company
• They have the advice and expertise to help you succeed
Capital Stack In New Mexico
The funding that is available
Small Company Financial Ecosystem in NM

- Funding sources:
  - Entrepreneur funds company (bootstrapping)
  - Friends and Family
  - Micro Lenders (WESST, ACCION)
  - Crowdfunding
  - Angel Investors
  - Catalyst Venture Funds
  - Venture Capital Funds

*Loans, Grants and Strategic Partners are also available in some cases*
Idea
Business Plan
Prototype
Beta
Sales
Profitability
Decreasing Risk

$100K
$1M
$10M
Decreasing Return

FF
Venture Capital
Strategic Partners
Banks
IPO
Angels
Gov’t

Reference: Tom Stephenson, Verge
Angels vs VCs

John Chavez
President, New Mexico Angels
Who and What is an Angel?

• Angel investors comprise of wealthy individuals. Many Angel investors are “been-there, done-that” entrepreneurs.

• Angel investors usually have a portfolio of investments. Their Angel investments are a way to diversity their portfolio.

• Angel investors are looking for good companies which could impact their portfolio and have a meaningful impact on the community and the world.
Angel Investing

• High Risk/High Reward (return)

• Angels make equity investments of less than $500K and usually purchase less 20% of company funded.
  • NMA is not a fund; individual investors decide which deals they are interested in, then they invest jointly.

• Return is realized when company is sold and money distributed.
Angel Investing Stats in 2016

• $21.3 Billion in investments

• 64,380 companies received funding from 297,880 angel investors

• Angel dollars allowed for the creation of 263,950 new jobs

• Average deal size $330k at an average $2m valuation

Source: Angel Market in 2016 by Jeffrey Sohl, Director of Center for Venture Research
**Investment by Stage & Industry**

### Industries Angels Like & National Median Pre-Money

(Industry percentage of deals and pre-money valuations are agnostic to geography)

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<thead>
<tr>
<th>Industry</th>
<th>0</th>
<th>1M</th>
<th>2M</th>
<th>3M</th>
<th>4M</th>
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<td>Business Products &amp; Services</td>
<td>13.0%</td>
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<td>Computer Hardware &amp; Services</td>
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<td>Consumer Products &amp; Services</td>
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<tr>
<td>Food &amp; Beverage</td>
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<td>Healthcare</td>
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<tr>
<td>Industrial</td>
<td>1.4%</td>
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<tr>
<td>Internet &amp; Mobile</td>
<td>11.2%</td>
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<tr>
<td>Retail (non-internet)</td>
<td>1.1%</td>
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<tr>
<td>Software</td>
<td>34.3%</td>
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<tr>
<td>Other</td>
<td>4.5%</td>
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Source: HALO Report 2016 by Angel Resource Institute
Angel Investing

• What Angels Are Good At?
  • Having lunch and drinking coffee!

• Why Is This Important?
  • Angel investors are the front-line educators of entrepreneurs who want to utilize outside capital in their companies.
Angel Investing - Stats

• One in ten start-ups obtains Angel financing.

• One in ten Angel deals sees VC money

• 80% of Angel deals are seed or start-up capital
An Angel Deal

• The usual size of an Angel investment is per angel $10,000 to $100,000.

• The usual size of an Angel deal is $100,000 to $500,000

• The typical investment is a seed or early stage investment
Angel Investing

• Angel investors do not want to control the companies in which they invest. However, they do like to influence the company.

• Angel investors usually take two to four months to process an investment.
About the New Mexico Angels

• Founded in 2003, a 501-c-6 Tax exempt business service organization

• 55 + high-net worth individuals as core members

• 12 industry service providers as corporate members (Banks, Legal, CPA, Marketing)

• Early investors in New Mexico Companies such as Meow Wolf, Samba Safety, EcoPesticides International, Verde, Innobright, Lotus Leaf Coatings and many, many more!
About the New Mexico Angels

• We invest in deals all across the country

• If we don’t have enough money, we will try to syndicate the deal with a VC or another angel group

• Sometimes, the Angels are a partner for life!
  • We have been known to reinvest in companies as they grow
NMA’s Broad Funding Approach

• New Mexico Angel funded Companies
  • Knowledge Reef: Web & Social Networking
  • Acoustic Cytometry Systems: Medical Device
  • Vista Therapeutics: Nano Bio-Science
  • The Teaspot: Retail
  • Preferred Produce: Retail & Agriculture
  • Zocere, Inc.: Stroke drug
  • Vibrant Corp: Aircraft testing services
  • Patrick’s Fine Foods
NMA – By the Numbers

• Number of investments and dollars invested
  • 2008: 7 investments; $1.31 million
  • 2009: 6 investments; $750,000
  • 2010: 5 investments; $562,000
  • 2011: 5 investments; $1.3 million
  • 2012: 2 investments; $1.6 million
  • 2013: 5 investments; $1.41 million
  • 2014: 4 investments; $1.4 million
  • 2015: 5 investments; $1.4 million
  • 2016: 7 investments; $1.6 million
  • 2017: 5 investments; $900K
  • 2018: 6 investments; $760K
What NMA Looks for in a Company

• Barriers to entry such as patents, trade secrets or other proprietary advantage.

• A solid management team.

• A scalable product or service that provides large amount of revenue in the short timeframe.

• A desire for advice and coaching.

• A potential return that will provide a 10X return during the life of the investment, 3-5 years.
New Mexico Angels - Process

• The Process- How a start-up company engages the New Mexico Angels

• Entrepreneur submits information online (business plan, financials, use of funds, etc.)

• Business plan is reviewed and vetted by a screening committee.

• Once a quarter 4-6 companies are invited to present to the screening committee.
Looking for Angel Money

• Determining Fundraising Strategy, What questions should you ask?

• How much capital do you require?
  • Sweet spot for regional angel groups: $100K-$500K

• What Stage is your company?
  • Depending on the industry, stage will vary?

• Angels bring more to the table than money!!
Looking for Angel Money

• Assess which Angel groups to apply to

• Angel group nuances:
  • Highly regional, some groups will not review deals outside their area
  • There are now targeted angel groups (life science, women-only, etc.)
  • Quick No’s
  • Quick Yes’s compared to VC’s
  • Thorough due diligence review
Looking for Angel Money

• General Do’s and Don’ts

• DO:
• Try to find a referral sources into an angel group
• Make sure that you’re the right fit for the group
• Listen to their specifics on what to prepare
• Send a “Current” executive summary

• DON’T:
• Assume your deal will be funded
• Assume your company is worth what your friends and advisors tell you
• Give up
Myths About Angels

- Angels fund an idea on paper
- Angels fund high-paying exec. salaries
- Angels don’t need to see a business plan
- Angels don’t care about their return on investment
Intro to Venture Capital
What is Venture Capital?

• Professionally managed risk capital
• Focused on Innovative and High Growth Companies
• Funds new ideas that could not be financed with traditional Bank Financing
• Long Term investment horizon
• Minimal liquidity until sold.
What type of Companies get VC $

<table>
<thead>
<tr>
<th>Who fits Typical VC Investment Criteria? Companies Who…</th>
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<tbody>
<tr>
<td>Have products that have dynamic high growth potential</td>
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<tr>
<td>Have founders who want to grow then sell the business</td>
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<tr>
<td>Address large markets</td>
</tr>
<tr>
<td>Have Leading Edge Technical Differentiation</td>
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<tr>
<td>Want involved, hands on, value add investors</td>
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</tbody>
</table>
There’s a VC for most stages

- **Idea/Seed**
  - 2014: 202 Deals, $823M
  - 2013: 242 Deals, $1,029M

- **Early Stage**
  - 2014: 2,186 Deals, $15.9B
  - 2013: 2,194 Deals, $10.4B

- **Expansion**
  - 2014: 1,163 Deals, $21.4B
  - 2013: 1,034 Deals, $9.8B

- **Later Stage**
  - 2014: 861 Deals, $12.2B
  - 2013: 811 Deals, $8.9B
Bit of Perspective

VCs are investing other peoples money

They are accountable on how they invest that money

They have to raise funds just like entrepreneurs
Structure of the VC Industry

Limited Partners (Investors)

VC Firms ("General Partners" or "Fund Managers")

Portfolio Companies

Investor

Investor

Investor

Venture Fund

A, Inc.

B, Inc.

C, Inc.

D, Inc.

E, Inc.

F, Inc.

G, Inc.
Key Points VC’s evaluate

Team
- Investible
- Coachable
- Alignment on the Future
- Passionate & Capable

Market
- Is there value to customers?
- High Margin
- High Growth/High Potential

Financial/ROI
- Investment size vs. Market
- Return Potential
- Can investment make a difference?

Technology
- Advantages
- Scalable
- Defensible
Questions?

• [www.NMAngels.com](http://www.NMAngels.com)
• [info@nmangels.com](mailto:info@nmangels.com)

• Submit your business plan for funding:
Strategic Networking
Maximizing Your Personal and Professional ROI

July 16, 2019
Old Martina’s Hall
Taos, NM

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Benefits-Focused Elevator Speech
Free Local Information - NMNetLinks
Entrepreneurial Ecosystem – Northern New Mexico
National Sales Trainers and Motivational Speakers
Give it Back Better Than You Got it!

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https://sbi.mgt.unm.edu/
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https://www.nmnetlinks.com/

Faculty Advisor, UNME Student Entrepreneur Club
Advisory Board, Workforce Connections of Central New Mexico
Host, ABQ Sales and Business Development Professionals Meetup Group
Host, MarCom Mixer
Host, NM NetLinks
Strategic Networking Process
Listen Actively and be a Resource

1 Define your ideal sales prospect

2 I.D. groups & meetings they attend

3 Key Attributes
- Define goals
- Research lists
- Industry vs function
- Business vs social
- Create calendar

4 Follow up
- Check roster
- Be introduced
- Ask questions
- Listen
- Build rapport
- Identify pain, problem, and/or passion
- Say how you have "Helped others in a similar situation and would be happy to show you how you I that."
- Ask for appointment

5 Track results, next steps
- Collect contact's information
- Document needs
- Create next steps "Action Plan"

People You Meet?
- Decision Makers
- Buyers
- Influencers
- Advocates
- Connections to Resources

3 Key Attributes
- Gather contact's information
- Document needs
- Create next steps "Action Plan"
Top 10 Tips

1. **DEFINE YOUR GOALS:**
   Who do you want to meet and why?
   - Business: Expand your network, sell more products and services
   - Resources: Expand your network to collect information
   - Education: Learn new skills, meet industry experts, enhance your resume
   - Career: Meet prospective employers, get a promotion
   - Social: Make new friends

2. **DEVELOP A PLAN:**
   - Research which groups to target, research, etc.
   - Call group leaders to make a connection before attending their event
   - Keep it Simple… meet 1-3 people at each meeting you attend…
   - Invite guests to attend who you would like to know better

3. **ARRIVE EARLY AND DO SOME HOMEWORK:**
   - Arrive early and check out the room,
   - Review the roster when you arrive to identify people you want to meet

4. **USE YOUR PROPS TO YOUR ADVANTAGE:**
   - Place your nametag on right lapel (most people are right-handed)
   - Put your cards in one pocket and place their card in your other pocket.
   - Note any promises and follow-up items on the back of their card

5. **ACTIVELY GREET OTHERS:**
   - Ask the association’s President to introduce you to anyone you want to meet
   - Introduce yourself to people standing alone, or when they get in a line
   - Give everyone a confident handshake!

6. **PREPARE A BENEFIT-FOCUSED ELEVATOR SPEECH:**
   - Prepare a 20-30 second description of yourself and your work to begin the conversation (make it simple, memorable, focus on benefits)
   - Customize your follow-up elevator speech to meet their specific needs

7. **LISTEN ACTIVELY:**
   - Ask questions, listen actively
   - Don't interrupt or talk about yourself too much

8. **REMEMBER THEIR NAME:**
   - Slow the introduction down in your mind… “be present”
   - Repeat their name, read their name tag, etc.

9. **IDENTIFY HOW YOU CAN BE A RESOURCE:**
   - Identify how you can be a resource to help them accomplish their goals

10. **FOLLOW-UP WITHIN 24 HOURS:**
    - Under-promise and over-deliver
    - Send them an article or link to something you talked about
    - Invite them to a future meeting
    - Refer them to a potential customer, resource information, etc.
Who Knows YOU!

• Join their Board or a Committee
  - Tie to your business goals
  - Perception as industry leader
• Speak at Meetings:
  - Choose topic to promote your business
• Contribute Articles:
  - Blog, newsletter, website
• Promote Your Business:
  - Sponsor an event
    (microphone minute, banner behind stage, logo placement, etc.)
  - Advertise in their newsletter on their website, etc.
“Give it Back Better Than You Got it”

Jack F. Kemp
American Politician
Professional Football Player
1935-2009
What’s Your “Why?”

How Great Leaders Inspire Action, Simon Sinek, (18:34)
https://www.youtube.com/watch?v=qp0HlF3Sfl4

Start With Why, TED Talk Short Edited, Simon Sinek (5:00)
https://www.youtube.com/watch?v=IPYeCltXpxw

The 9 Whys, Dr. Gary Sanchez, Albuquerque, NM
http://whyinstitute.com/

1. Contribute: To contribute to a greater cause, make a difference, add value or have an impact
2. Trust: To create relationships based on trust
3. Make Sense: To make sense out of things, especially if complex or complicated
4. Better Way: To find a better way and share it
5. Right Way: To do things the right way
6. Challenge: To think differently and challenge the status quo
7. Master: To seek mastery and understanding
8. Clarify: To clarify or create clarity
9. Simplify: To simplify
Entrepreneurial Ecosystem – Northern New Mexico
7/15/19, Stacy Sacco, sasacco@unm.edu, 505-489-2311, www.nmnetlinks.com

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**Total:** 129

### Business / Start-up Organizations:

- American Business Women’s Association (4 Chapters), [www.abwanm.org](http://www.abwanm.org)
- Center for Nonprofit Excellence, [www.centerfromnonprofitexcellence.org](http://www.centerfromnonprofitexcellence.org)
- Creative Santa Fe, [www.creativesantafe.org](http://www.creativesantafe.org)
- CreativeMornings Santa Fe, [https://creativemornings.com/cities/sfe](https://creativemornings.com/cities/sfe)
- High Desert Discovery District, [www.hddd.org](http://www.hddd.org)
- National Association of Women Business Owners, [www.nawbonm.org](http://www.nawbonm.org)
- NM Association of Regional Councils, [www.ristraproject.com](http://www.ristraproject.com)
- NM Economic Development Department, [www.gonm.biz](http://www.gonm.biz)
- NM Film Office, [www.nmfilm.com](http://www.nmfilm.com)
- NM Manufacturing Extension Partnership, [www.newmexicomep.org](http://www.newmexicomep.org)
- NM Partnership, [www.nmpartnership.com](http://www.nmpartnership.com)
- NM Restaurant Association, [www.nmrestaurants.org](http://www.nmrestaurants.org)
- NM Small Business Assistance, [www.nmsbaprogram.org](http://www.nmsbaprogram.org)
- NM Small Business Development Center (Espanola, Farmington, Santa Fe, Taos), [www.nmsbdc.org](http://www.nmsbdc.org)
- NM Society of Association Executives, [www.nmsae.org](http://www.nmsae.org)
- NM Tourism Department, [www.newmexico.org](http://www.newmexico.org)
- NM Workforce Solutions, [www.dws.state.nm.us](http://www.dws.state.nm.us)
- North Central New Mexico Economic Development District, [www.ncnmedd.com](http://www.ncnmedd.com)
- Project Management Institute, Los Alamos Chapter, [https://pmi-ob.org/](https://pmi-ob.org/)
- Santa Fe Business Incubator, [www.sfbi.net/](http://www.sfbi.net/)
- Santa Fe Council on International Relations, [www.sfcir.org](http://www.sfcir.org)
- Santa Fe Estate Planning Council, [www.sfestateplanning.com](http://www.sfestateplanning.com)
- Santa Fe Office of Business Growth, [www.santafenm.gov](http://www.santafenm.gov)
- SCORE Santa Fe and Northern New Mexico, [https://santafe.score.org/](https://santafe.score.org/)
- Taos Entrepreneurial Network, [https://www.taosten.org/](https://www.taosten.org/)
- The Transition Network, [https://www.thetransitionnetwork.org/chapters/chapters-ttn/chapters-santafe/](https://www.thetransitionnetwork.org/chapters/chapters-ttn/chapters-santafe/)
- U.S. Small Business Administration, [www.sba.gov/about-offices-content/2/3132](http://www.sba.gov/about-offices-content/2/3132)
- UNM Small Business Institute, [http://sbi.mgt.unm.edu/](http://sbi.mgt.unm.edu/)
- WESST Santa Fe (6 Offices Statewide), [www.wesst.org/santa-fe/](http://www.wesst.org/santa-fe/)
Calendars / Directories:
- Discover Taos, www.discovertaos.com
- Discover, Los Alamos Monitor, www.lamonitor.com
- Inside Santa Fe, www.InsideSantaFe.com
- NM Business Calendar, www.bizcalendar.org
- NM Magazine, www.nmmagazine.com
- Rio Grande Sun (Espanola), http://www.riograndesun.com/
- Santa Fe New Mexican, www.sfnewmexican.com
- Santa Fe Reporter, www.sfreporter.com

Chambers of Commerce / Merchant Associations:
- NM Association of Commerce & Industry, www.nmaci.org
- NM Green Chamber of Commerce, Santa Fe, www.nmgreenchamber.com
- Raton Chamber of Commerce, http://www.raton.info/
- Santa Fe Chamber of Commerce, www.santafechamber.com
- Taos County Chamber of Commerce, http://www.taoschamber.com/

City/County/State Government:
- City of Farmington, http://www.fmtn.org/
- City of Las Vegas, http://lasvegasnm.gov/
- City of Raton, http://www.ratonnm.gov/
- City of Santa Fe, www.santafenm.gov
- City of Taos, https://www.taosgov.com
- Los Alamos County, https://www.losalamosnm.us/
- State of New Mexico, www.newmexico.gov
- Taos County Economic Development Corporation, www.tcedc.org
- Village of Cimarron, http://www.villageofcimarron.net/
- Village of San Ysidro, www.sanysidronm.us

Community Service Groups:
- Elks Club, www.elks.org

Contract / Procurement Connections:
- Los Alamos National Laboratory, www.lanl.gov
- NM Veterans Procurement Assistance Center, www.vpacinc.org/
- Professional Aerospace Contractors Association, www.pacanm.org
Co-Working Spaces / Business Incubators / Temporary Offices:
- FatPipe ABQ (Santa Fe Location TBA), www.FatPipeABQ.com
- Navajo Tech Innovation Center, www.navajotech.edu/
- Project Y Cowork (Los Alamos), https://www.projectYLosAlamos.com
- San Juan College, Enterprise Center (Farmington), www.sanjuancollege.edu
- Santa Fe Business Incubator, www.sfbi.net/

Funding Sources:
- ABQid, https://www.abqid.com/
- ACCION New Mexico (Microlender), www.accionnm.org
- Coronado Ventures Forum, www.cvf-nm.org
- Credit Union Association of New Mexico, www.cuanm.org
- Independent Community Bankers Association of New Mexico, www.icbanm.org
- Los Alamos Venture Accelerator, https://www.facebook.com/LosAlamosVentureAccelerator
- NM Angels, www.nmangels.com
- NM Bankers Association, www.nmbankers.com
- NM Community Capital, www.nmccap.org
- NM Economic Development Department, https://gonm.biz/
- NM Venture Capital Association, www.nmvca.org
- Prosperity Works (Individual Development Accounts), www.prosperityworks.net
- Rocky Mountain Venture Capital Association, www.rockymountainvca.com
- The Loan Fund (Microlender), www.loanfund.org
- The Velocity Project (City of Santa Fe), http://thevelocityproject.com
- U.S. Small Business Administration, www.sba.gov/about-offices-content/2/3132
- WESST (Microlender), www.wesst.org

Leadership Organizations:
- Leadership New Mexico, www.leadershipnm.org
- Leadership San Juan (Farmington), https://www.sanjuancollege.edu/community/leadership-san-juan/
- Leadership Santa Fe, https://leadershipsantafe.org/

Workforce Training / Human Resources / Educational Programs:
- Association for Talent Development, www.atdnm.org
- CNM Community College, www.cnm.edu
- Innovate:Educate, www.innovate-educate.org
- Job Training Incentive Program (JTIP), https://gonm.biz/business-development/edd-programs-for-business/
- Junior Achievement, www.newmexicoja.org
- Networking For Introverts, https://www.networkingforintroverts.solutions/
- NM Career Development Association, www.careers-nm.org/about.html
- NM Workforce Solutions, www.dws.state.nm.us
- Quality New Mexico, www.qualitynewmexico.org
- Santa Fe Community College, www.sfcc.edu
- Santa Fe Institute, www.santafe.edu
- Santa Fe University of Art and Design, http://santafearizona.edu/
- TEDxABQ, www.tedxabq.com
- UNM Taos, http://taos.unm.edu/home/
- WESST (6 Offices Statewide), www.wesst.org
• Workforce Connections of Central New Mexico, [www.wccnm.org](http://www.wccnm.org)