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Inside the VC Trenches: Expo Offers Insight for Entrepreneurs

Denver Business Journal

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InsIde the VC Trenches

Expo offering insight for entrepreneurs

BY TOM LOCKE
DENVER BUSINESS JOURNAL

Fast food will never be the same, at least if venture capitalist Jack Tankersley is betting correctly.

Here's the scenario. You pull up in your car, order a burger and fries, and a disembodied voice asks if you want a drink, too. Oh, yeah, by the way, what about taking advantage of the new on-site hot apple pies? I shouldn't, but OK.

The trick is this: The voice is not emanating from a person inside the building with the food. Instead, it's coming from hundreds, perhaps thousands, of miles away from a call center.

The food is coming from hun­dreds, perhaps thousands, of miles away from you. Instead, it's coming from a call center.

The order goes back to the restaurant with a picture of you and your car. It's all made possible through a technology called voice over IP (Internet pro­tocol), which uses the Internet for communica­tion.

Tankersley, a founder of Tankersley Ventures, said the process produces cheaper and faster service with fewer mistakes and higher orders. Meritage, Colo­rado's second-largest venture capital firm, agrees. Tankersley's company invested $35 mil­lion in Dallas-based network service provider Masergy Communications Inc.

With increasing use of broadband tech­nology such as DSL and cable TV modems, the potential of the Internet is increasingly being realized, and Internet content and technology such as voice over IP are a main area of focus, for Meritage, said Stephanie Smeltzer, vice president at Meritage. Its other big focus is on Wi-Fi, a short-range, wireless technology that is increasing the portability of Internet access.

Both Tankersley and Smeltzer will be participating in this week's Venture Club Fall Finance Expo on Nov. 11 in Denver. And no doubt, they'll air some of their views on that Internet environment.

The good news is this: "We are seeing venture capitalists starting to look at new opportunities," said Tankersley, who also works from a poten­tion in the building with the food.

Venture capital is startup money typical­ly available from entities such as pension funds, endowments, banks, insurance companies and sometimes very wealthy individuals.

Venture capitalists usually are very involved in the companies they invest in, serving on boards and providing expertise, and problem solving can be time-intensive.

"We look at the entire market and economy turned sour, Venture capitalists simply had too many troubled companies to handle and couldn't keep up.

Fortunately, Meritage started taking a more conservative approach with its investments before things tanked, Tank­ersley said, but many venture capitalist companies had their investments fizzle as companies in their portfolios went out of business.

Meritage helped the companies in its portfolio survive through a number of strategies designed to cope with tough times. The strategies include cut­backs in employees and programs, redi­recting projects to today's markets, produc­sing something new instead of the same product, the market, combining with a larger compa­ny, and restructuring debt to vendors and banks.

Debt restructuring with banks included the threat of holding back any further ven­ture capital investment unless banks pro­vided some forgiveness of debt, conver­sion of debt to equity, or looser terms on debt.

"Forgiveness (of debt) is No. 1 on the list," Smeltzer said.

Tankersley said many banks sold back their loans to venture capitalists for a few dollars because they were eager to get the bad loans of the past off their books. "I don't think anybody [among the banks] got a quarter on the dollar," he said.

Tankersley explained that in the go-go 1990s, venture capitalists were counted on to invest a lot of money pretty quickly, and banks were eager to get the bad loans of the past off their books. "I don't think anybody [among the banks] got a quarter on the dollar," he said.

Smeltzer added that the numbers can be skewed by a single deal.

Plus, figures vary according to what deals are counted and how they're counted. A deal may close in one quarter and not be announced until the next quarter, for instance.

In the third quarter in Colorado, Capital Hunter Inc. counted $110 million in eight deals; PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association counted $130 million in 16 deals; Ernst & Young counted $116.3 million in nine deals; and Growthink Research counted $107.4 mil­lion in nine deals.

At the conference, Smeltzer will talk about competitive advantage while Tankersley will moderate a panel including Denver Mayor John Hickenlooper; Art Zelle, CEO of data center company Inflow; and venture capitalist Jim Conboy, after those three deliver keynote addresses.

"I think the entrepreneurial community is well positioned to be the next entrepreneur," Tankersley said. "There's a lot of buzz because the mayor's going to be speaking.

"Because Hickenlooper has successfully established and run restaurant business­es, entrepreneurs consider him one of their own and think he'll have a good understanding of the impacts of taxes and regulation on businesses.

Indeed, Tankersley said the mayor and Colorado Gov. Bill Owens have an oppor­tunity to attract entrepreneurs from high-tax states such as Massachusetts, Min­nesota and California.
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10TH ANNUAL FALL FINANCE EXPO
NOVEMBER 11, 2003
DENVER MARRIOTT CITY CENTER

* ENERGIZING OUR ECONOMY
People, ideas and resources to fuel and grow your business and the entrepreneurial industry
The Rockies Venture Club has infused new energy into the 10th anniversary of its headline venture event. Renamed the Fall Finance Expo, it's completely focused on unlocking ideas to energize your business and our economy. Featuring Denver Mayor John Hickenlooper and a host of experts, the Expo is a must for small and medium sized businesses looking to power their business forward. It all happens Tuesday, November 11, so register today!

- Dinner & Program: The Big Picture: This dynamic panel presentation will take a hard and visionary look at what is happening and needs to happen to energize our economy. The panel features Denver Mayor John Hickenlooper, who will also be honored with the coveted Duane Pearsall award.

- Workshops: Practical Knowledge: The day in and day out insight to move your business forward. Tap into a full day's worth of detailed discussions and advice from experts in finance, sales and marketing. This is the hard-hitting facts about funding and growing your business.

- Resource Expo: Fuel and Grow your Business: Momentum. The Expo can help your business get it and maintain it. As the premier entrepreneurial business resource network, the Rockies Venture Club has assembled a powerhouse group of funding sources, entrepreneurs and service providers in our unique expo format.

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**SERVICE PROVIDERS**

- Accountant

  - Lawyers, Attorneys, Consultants

**SCHEDULE**

<table>
<thead>
<tr>
<th>Time</th>
<th>Registration</th>
<th>Concurrent Seminars</th>
<th>EXHIBITS (Open to the Public)</th>
<th>Dinner/duane Pearsall Entrepreneurial Award/Keynote Panel</th>
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</thead>
<tbody>
<tr>
<td>12:00-12:30</td>
<td>REGISTRATION</td>
<td>CONCURRENT SEMINARS</td>
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<td>DINNER/DUANE PEARSSALL ENTREPRENEURIAL AWARD/KEYNOTE PANEL</td>
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<td>12:30-1:30</td>
<td>CONCURRENT SEMINARS</td>
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<td>Energizing our Economy</td>
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<td>1:45-2:45</td>
<td>CONCURRENT SEMINARS</td>
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<td>Following dinner, the RVC will proudly present the Duane Pearsall Entrepreneurial Award to Denver Mayor John Hickenlooper, who will then join a powerful panel discussion of what the Mayor's office, the V challenge and entrepeneurs can and will do to turn around our business economy.</td>
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