5-21-1989

Venture Capitalism: Doing it for the fun of it.

Rocky Mountain News

Michelle Schneider

Follow this and additional works at: https://digitalcommons.wpi.edu/ms055-04-0002

Recommended Citation

Schneider, Michelle (1989). Venture Capitalism: Doing it for the fun of it...
Retrieved from: https://digitalcommons.wpi.edu/ms055-04-0002/5
Venture capitalists buy into state

BY MICHELLE SCHNEIDER
Rocky Mountain News Staff Writer

Ten years ago, venture firms controlled about $2.5 billion in total. Now, they have more than $30 billion of the techni-
capitalist remains small. Frank Pope, executive vice
president of Technology Funding in San Mateo, Calif., estimates there are about 3,000 professional venture capitalists in only 700 towns across the nation.

In Colorado, there are fewer than 50 venture capitalists.

Colorado companies had more than $330 million of venture cap-
tal money under management in 1987.

"Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
"The Hewlett-Packards and the IBM's and the Martin Marietta openers are out there," Pearsall said. "That brought technology to Colorado, and it brought top-grade peo-
ple, good real estate values and a high quality of life. Colorado also is centrally located and has a hub airport — all that's attractive to start-up operations."

Venture capital is generally regarded as a high-risk investment, but several venture capitalists say the risk is overrated.

"Venture capital provides two to three times the return as real es-
tate, with about equal, or maybe 20% higher, risk," Dubovoy said.

"We've heard of very few instances of people really losing money in this business — barring economic col-
apse or some really stupid decision," Pope added.

Those who put money into ven-
ture capital funds are primarily institutional investors, such as pension funds, said Terry Winters, general partner of the Columbine Venture Funds.

Columbine looks for a minimum investment of $1 million, and most investors put in between $1 million and $5 million, he said.

"We don't like to have any one investor in a fund that has more than 10% to 20% of the fund," Winters said. "We don't like to be dominated by anyone."

Venture capital is a long-term investment, with returns not ex-
pected for several years. The cycle of raising capital, investing it and liquidating the assets of the com-
panies that received capital is about 10 years.

Among the bevy of Colorado high-tech firms that have gotten a boost from venture capital funds are the rapidly growing McData Corp. and the University of Colorado's BioVenture.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong ven-
ture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.

In 1987, Venture capital in Colorado has improved significantly in recent years," said Mark Dubovoy, a general partner in the state's largest venture capital firm, the Centennial
Funds.

"The region has matured to a point where the quality of compa-
ies emerging is much higher than in prior years," Dubovoy said. "You have to develop an infra-
structure, banks and a pool of qualified people. That process
takes a while."

Duane Pearsall, a general part-
er in Columbine Venture Fund Ltd., said Colorado is a strong
venture capital state because of the dominance of the high-tech indus-
try.
and Exabyte, as well as Aspen Peripherals, Prisma, Cadnetix, Evans BioControl and MiniScribe.

Three key signs venture capitalists look for in up-and-coming companies are an exclusive product, potential for significant growth and a competent, experienced management team.

"We will absolutely not invest in companies that do not have some unique advantage over the competition," Dubovoy said. "If someone comes in and wants to start a chain of dry cleaners, they're immediately turned down. What we don't need is one more of something."

John Hill, a founding general partner of Hill, Carman, Kirby and Washing in Boulder, said companies without an experienced, successful management team won't make the first cut at his venture capital company.

"We really look for people with proven track records — people who have demonstrated very significant successes in their careers," he said.

Even with the careful screening, venture capitalists know that roughly 30% of the companies in which they invest won't produce a dollar-for-dollar return, said Technology Funding's Pope.

But about one in 10 of the companies will be a bonanza — and that's where venture capitalists make money for their investors and themselves.

Sometimes, the venture capitalists lock horns with the entrepreneurs who formed the company, Pope said.

"Essentially, I'm marrying these companies, and I will do everything I can to make them successful," he said. "Sometimes, that may mean changing the company's direction, or changing the CEO."

The visionaries who start the company may — or may not — be able to move it from a small operation to a large one, Pope said.

"These people are doers — they're phenomenal at getting things done," he said. "But they may not be good managers, and managing 100 people is a lot different than managing 10."