



Article 330

January 26, 2014

## Simplifying the Funding Search for Seed-Stage Startups

*By Bill Hartman, President and CEO, Ion Linac Systems, and President, The W. Hartman Group*

I'm not a venture capitalist, but I've headed up several successful technology startups and recently ran an early stage software company that raised almost \$2 million in "seed stage" funding. I'm now leading a pre-revenue New Mexico startup raising our first equity-based funding.

As anyone who has done this knows, raising startup funding in New Mexico is challenging — partially because our state is relatively isolated from the national playing field, but also because of the challenges the New Mexico and broader US venture capital communities have faced meeting the returns expected by their investors and the VCs' ability to raise new investment capital. The amount of venture capital available has decreased as the initial funding of 8-10 years ago has been fully deployed in startup companies, but exits and positive returns from those investments have so far been relatively few.



In this climate, it's challenging to raise seed-stage capital, but there is capital to be raised! Here's how to proceed:

**Recognize that equity capital is expensive money.** VC investment is "expensive" because VCs take a substantial ownership position in the companies they invest in, leaving founders with less of their original equity. But if anticipated use of funding will get your company to a new, exciting place, get the money—and don't get hung up on early valuation issues! Be absolutely clear about what you need VC money for, how much you need and what kind of future the capital can achieve.

**Look up Steve Blank and validate your hypothesis.** Get out of the lab and office to validate as much as possible, whether or not there are real customers for what you are doing. Talk to actual customers and test your customer hypothesis, modifying your plan as you go. Use this insight to develop details of your go-to-market strategy, such as how to reach your target market, and set realistic investor expectations. To learn about customer validation and lean startup process visit the website of Steve Blank (<http://steveblank.com/>).

**Develop a world-class story.** A compelling story is essential to raising equity capital, but it needs to be a story that could sell in Silicon Valley from the get go. Use the intimacy of the New

Mexico startup community as your starting — not ending — point: don't let a "local" perspective limit you. You may start with the resources at hand, but assume you will have to pitch in Palo Alto, Denver and Boston to find your funds. (Remember—you determined you must have funding!).

**Mine our resources.** New Mexico is relatively rich with reachable startup resources, including VC's, business incubators, universities and organizations like the New Mexico Technology Council, New Mexico Angels, the Coronado Ventures Forum, and Finance New Mexico. Do your homework and legwork to understand the players and what investors are looking for in funding proposals, and then reach out. Local entrepreneurs, VCs and business experts have extensive networks and are generous about sharing connections if you have done your homework. If your company is not a fit for one investor, it may be ideal for someone she knows.

...and did I mention checking out Steve Blank?

*Finance New Mexico is a public service initiative to assist individuals and businesses with obtaining skills and funding resources for their business or idea. To learn more, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org). Sponsored by:*

