

Role of Venture Capital

- To provide capital to young companies that are between the experimental / prototype stage and the point where they can self-generate sufficient capital or tap into debt markets in order to grow.



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Structure of a VC Fund

- **Limited Partners:** Investors - usually pensions, trusts, high net worth individuals.
- **General Partners:** Managers of the fund.
- **Portfolio Companies:** Companies that the general partners invest the limited partner's money into.

Lifecycle of a VC Fund

- **Length:** Typically 10 years.
- **Fundraising stage:** General partners raise money for fund from limited partners.
- **Investment stage:** General partners find portfolio companies, then call on limited partner's money so the fund can take an equity position in portfolio companies.
- **Management Stage:** General partners take active role in portfolio companies, usually sitting on their board of directors, to grow the value of portfolio companies.
- **Harvest Stage:** General partners position portfolio companies for exit, often in the form of a sale, merger, or IPO, to cash out the fund's equity interest and pay back the limited partners with profits (at least that is the plan).

Pros of VC Funding

- Advance new technologies by funding riskier businesses that banks will not.
- Fill capital needs of portfolio company at point in lifecycle where capital is strongly needed and hard to find.
- Provide business expertise and access for entrepreneurs to the general partner's rolodex.

Cons of VC Funding

- Often require a larger piece of equity than entrepreneur would like to give up.
- Entrepreneur has to give up some control of business.
- General partners need to put growth of company on time frame to satisfy limited partners cash out expectations.

Woodland, Adena, Hopewell Ventures and David Wilhelm

- **Relationship of Entities**
- **Running From Crowd:** Economic development in Middle America
- **Double Bottom Line:** Added value but still needs to be profitable to be sustained.
- Next?



West Virginia, Adena

- West Virginia was restricted from investing in VC funds.
- Adena worked with the state to help make changes to allow the invest of state economic development dollars in VC funds.
- Adena secured matching funds from the SBA.
- \$8M was invested by Adena into West Virginia companies.
 - Emergent Game Technologies: Provides technology to game developers.
 - Threewide Inc: Digital data capture
 - Vested Health: Provides consumer directed health plans.
- Formed relationship with University of Charleston to provide operational assistance to portfolio companies.



Prairie Power Project

- **Basic Concept:** Grow prairie grass on reclaimed surfaced mined land.
- **Value Proposition:** Both renewable energy production in the form of truly renewable biomass and carbon sequestration.
- **Players:** the Wilds, American Electric Power, New Harvest Ventures.



Prairie Power Project Cont.

- **Start:** David Wilhelm brought me in to start New Harvest Ventures and evaluate the project's profit potential.
- **Twist:** Due diligence showed that wide variance around yield and harvesting costs made the venture too risky to attract VC funding.
- **Turn:** These key variables fall within research categories that the federal government is providing grant money for in order to lower America's dependence on foreign fuels and combat global warming.
- **Moving forward:** We are working to secure grant money to run the project and research these variables, which may demonstrate that private capital, including VC money, can be used for future projects.

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