



Meet The Manager

Looking For Big Returns at The Market's Small End

March 20, 2008

With the asset class' continued growth, even in these tough credit times, it is easy to overlook the venture capital firms investing in the early- and seed-stages of portfolio companies. It seems the mega-buyout funds get all of the glory, while it is the folks getting involved at the very start of a portfolio company who have taken the greatest risks and are the real heroes.

Jack Crawford, Jr., a general partner of Velocity Venture Capital, talked with Alternative Universe about his firm and why Sacramento has the technology sector ablaze.

PrivateEquityCentral.net: Why do you focus on technology in the Sacramento area?

JC: Outside of Silicon Valley, Boston and Austin, the greater Sacramento region is now nationally recognized as one of the hottest technology markets in the country. Our region has great innovation hubs with the University of California Davis, Sacramento State University, HP, SureWest, McClatchy Newspapers, Thomson Media, Aerojet, Intel, etc., plus a high influx of management talent from nearby Silicon Valley. This region also can claim a supportive and operationally efficient business climate. Even with all of those assets, the region has been significantly underserved by the traditional venture capital community, which has created an opportunity for Velocity Venture Capital to become the preferred venture firm in investor syndicates for local deals with top tier VC firms from across the U.S.

PEC: Which areas of technology look most promising for 2008?

JC: The worldwide demand for energy, key environmental issues and national security have led Velocity Venture Capital (and many other investors) to believe that clean technology will be the most promising industry sector for 2008. As California's capitol, Sacramento is quickly becoming a national leader in

clean energy. The region is the headquarters for the California Energy Commission, the California Environmental Protection Agency and more than 20 other key government and associations focused on clean technology. We believe that our region and our firm are poised to create the next generation of great companies in cleantech. In fact, Velocity Venture Capital's largest and most recent investments were in Jadoo Power (fuel cell technology for mobile power applications) and Marquiss Wind Power (a roof mounted wind turbine solution for commercial buildings).

We anticipate clean technology innovations will continue to grow at an accelerated pace, plus we are excited about the opportunities we see locally in the lifesciences, software and Internet sectors.

PEC: How has the subprime meltdown and the resulting credit crunch affected your firm and its investments?

JC: You might call it "unintended consequences" but the mortgage, real estate and stock market struggles have had a positive impact on our industry. Many of our individual limited partners are investors who were looking to diversify their portfolios from traditional investment categories and are now actively participating in asset classes like venture capital.

In addition, Velocity Venture Capital is now getting more equity for each dollar invested into start-ups as dropping public company stock prices push industry-related private company valuations down.

PEC: Can you please describe to me your investment approach and your strategy?

JC: Our investment thesis is to deploy a new variation on the traditional and established venture capital model. Velocity Venture Capital is "company-building" by partnering with seed and early stage entrepreneurs who are attacking billion dollar markets with innovative technology. We are focused on areas of convergence between key industry sectors that receive less attention from the broader investment community. Our willingness to get involved at the seed and early stage level also makes us a valuable partner for the established top tier VC funds in the U.S. who are looking for a window into early- and mid- stage deal flow from Northern California.

PEC: How many investments per year does your firm typically make?

JC: Historically, we have invested in six companies per year and we anticipate this level of activity going forward.

PEC: How much in assets under management does your firm currently have?

JC: With \$20 million under management at the end of 2007, we publicly announced our plans to raise and start investing out of a \$60 million Fund III in 2008.

PEC: Considering your firm focuses on early- and seed-stage investing, how involved is your firm

with each portfolio company?

JC: We are extremely active with each of our portfolio companies. We help create value in the company by assisting in hiring management and recruiting board members, helping with their intellectual property strategy, establishing the optimal go-to-market plan, making introductions to customers and partners, syndicating follow on rounds of financing and assessing exit options.

PrivateEquityCentral.net is a division of HedgeFund.net, Inc.

Copyright ©2008, HedgeFund.net, Inc.