

## **BCBR Article**

### **VC, talent pressing issues for tech firms**

By Michael Davidson

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BOULDER - The lack of venture capital in Colorado and the need to lure talent to the state are the two most pressing issues for technology companies, according to the panelists at the latest Boulder County Business Report CEO Roundtable.

The meeting Tuesday, hosted at the offices of Ehrhardt Keefe Steiner & Hottman PC and cosponsored by EKS&H and Holland & Hart LLP, brought together executives from several of the area's most prominent tech companies.

Lack of money is creating "a choke point" for small companies and entrepreneurs looking to build their companies and develop products, said Paul Guerin, chief executive of Longmont-based Rebit Inc.

"Outside investors are very reluctant, especially at an early stage, to come into Colorado," Guerin said. "You can't have a really, really robust and healthy technology community if you don't have investors. It certainly is a much different landscape than 2004, when I came out here."

Investors from outside Colorado are wary about investing in young companies unless they're in a hot niche of the industry, said Tim Miller, CEO of Boulder-based Rally Software Development Corp.

"Until you reach a certain scale, or are in a very sexy space, it's hard to get capital from outside," Miller said.

Money is easier to find for companies that have a track record, said Andy Grolnick, CEO of Boulder-based LogRhythm Inc.

"Once you have traction and you're doing well from a revenue standpoint ... you can access quite a bit of capital from out of state," Grolnick said.

Angel investors can be a mixed blessing.

Venture capital firms are not as emotionally or financially invested in the companies they fund, said Jud Valeski, CEO of Boulder-based Gnip Inc. VCs are better able to take a long-term view, largely because they are unlikely to have a large part of their personal money on the line.

"I've seen too many angel scenarios go south," Valeski said. "Angels are emotional investors that don't have a lot of capital, and they're directly attached to the capital."

Other companies had better luck with angels.

"The angel round worked out well for us," Grolnick said. "It enabled us to move forward with relatively little capital."

Being able to pick who invests in your company is a luxury, and for many entrepreneurs they don't have a choice -or let that bother them.

"As an entrepreneur, you do whatever it takes," Miller said.

Finding talented software engineers also is a challenge. Boulder and Denver do not have the large pool of young talent that the Northeast and Silicon Valley can call on, Guerin said, but not many places do.

"We don't have MIT, we don't have Stanford, but there only a couple of those anyway ... there are communities that are doing good that don't have those things," Guerin said.

The presence of industry leaders such as Google Inc. and Microsoft Corp. help validate Boulder in the eyes of the tech industry, but they also pose challenges for small companies looking to hire.

"For years I wanted that, and we got it ... but now that I'm trying to hire, it definitely makes it harder," Valeski said.

The companies offer good paying jobs, security and the chance to work on some interesting projects. In contrast, startups that are not headed toward an initial public offering because of poor market conditions cannot lure people with the promise of cashing in on shares, Valeski said.

Quality of life and cost of living issues are major drawing points when Google tries to recruit people from across the country, said Scott Green, Google's Boulder site director. Employees with families find Boulder especially attractive, Green said.