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Investors tap into ag world with Teucrium

BY KEVIN ROBINSON-AVILA | NMBW SENIOR REPORTER

Alan Weiss, president of Regent Wealth Management Group in Connecticut, invested in corn on the New York Stock Exchange for the first time last year.

Until June 2010, wealth managers like Weiss and individual investors needed a futures license to trade in corn.

Then Teucrium Trading LLC, which conducts most of its trading operations in Santa Fe, launched its Corn Fund in June 2010. The fund's NYSE ticker listing allows any investor to buy and sell shares in the fund, which purchases corn futures contracts.

Weiss is a nationally known investor who frequently appears on CNN Financial News, CNBC's "Power Lunch," CBS



COURTESY NYSE EURO/NEXT

From left, Teucrium Trading LLC co-founders Carl N. Miller III, Sal Gilbertie and Dale Riker rang the New York Stock Exchange opening bell in July 2010 and again this month.

Radio and Fox on Money.

He said he wanted to invest in corn because high demand and production shortages made it an attractive commodity. But until Teucrium came along, he had no way to buy it.

"When Teucrium's Corn Fund stock came out at \$25 per share, I bought a large amount for my clients," Weiss said. "I still own it, and I've nearly doubled our money since then."

To date, Teucrium has raised more than \$100 million from investors in its Corn Fund, said President and Chief Investment Officer Sal Gilbertie. This year, the company launched five more exchange-traded funds for commodities, including oil, natural gas, sugar, soybeans and wheat.

SEE TEUCRIUM 3

VC industry's recovery slow, spotty

BY KEVIN ROBINSON-AVILA | NMBW SENIOR REPORTER

Venture capital investments are trending up in New Mexico, but the road to recovery is slow and erratic.

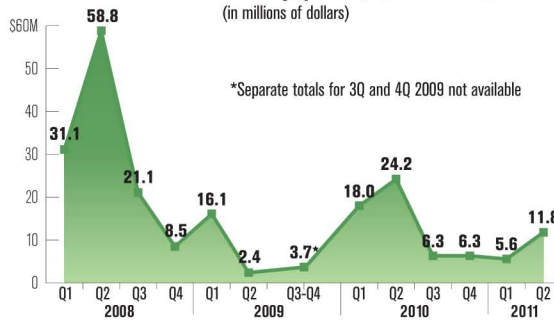
Dollar flows and deal activity are markedly higher than in 2009, when the financial meltdown's aftermath hit home. But activity is still well below prerecession levels, according to the latest investment survey by the New Mexico Venture Capital Association.

Fundraising remains difficult, the exit market is extremely sluggish, and the New Mexico State Investment Council has little appetite for new commitments to local venture funds until it sees returns on previous investments.

Francine Sommer, a general partner with Village Ventures and director of New Mexico's Colorado Ventures Forum, said the VC industry is still dealing with economic fallout.

"We saw a 25 to 30 percent contraction in the number of

Venture investments in NM by quarter, Q1 2008 to Q2 2011 (in millions of dollars)



Source: New Mexico Venture Capital Association's quarterly investor surveys

venture capital firms [nationally since 2008], and I think that will continue," Sommer said during a CVP panel discussion in Santa Fe Oct. 20.

With less money to go around, venture firms remain focused on existing portfolio companies. That means fewer deals for startups, and fewer dollars for those who

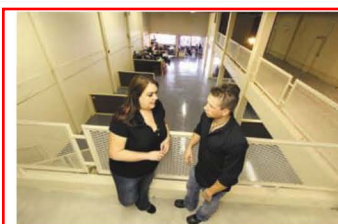
land seed or Series A early-stage capital.

"The new normal is do more with less," Sommer said.

The recovery is highly erratic (see charts, above and page 22.)

The association tracked \$17.4 million in venture investments from January to June. That's down

SEE VC 22



RANDY SINGER | NMBW

Carri Phillis and Robert Ganster will open the Downtown Indoor Flea Market in this Central Ave. space Nov. 1.

To get deals done, real estate brokers are thinking small

BY STEVE GINSBERG | SPECIAL TO NMBW

Expect high vacancy rates in industrial, retail and office properties through the 2012 elections.

CB Richard Ellis recently released its third-quarter real estate reports for the Albuquerque market, and commercial real estate remains mired in recession.

Office vacancy ticked up to 18.29 percent

SEE REAL ESTATE 22

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Focus on HEALTH CARE

Physician assistants are increasingly in demand as health care system evolves

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VC: Some funding available for those with proven technologies, but early-stage companies feeling the chill

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sharply from \$4.2 million invested during the same period in 2010, but a substantial improvement from the \$3.7 million invested in the July-December period of 2009, when venture investments knocked bottom.

This summer, nanoMR Inc., VeraLight Inc. and Skorpios Technologies Inc. reported follow-on rounds of funding that, together, totaled \$37 million. nanoMR is developing technology to rapidly diagnose bacteria in blood. VeraLight is selling a new optics medical device to diagnose diabetes, and Skorpios has created a low-cost method to make networking equipment for fiber optics.

But those commitments reflect investor attraction to existing companies with highly compelling technology, not seed or early-stage rounds.

"Before the crash, about 60 percent of funding was going to seed or early-stage Series A deals, with up to \$4 million per company," Sommer said. "Post-crash, about 44 percent of investments are in seed and Series A deals, with an average of only \$1.3 million going in."

David Blivin, managing partner with Cottonwood Technology Fund, said that foreshadows problems.

Cottonwood, created in 2009, focuses on early-stage investments.

Venture investments in NM, 2008 to Q2 2011

(in millions of dollars)

	Total invested	Number of deals
2008	\$119.5	29
• First half	89.9	20
• Second half	29.6	9
2009	\$22.2	18
• First half	18.5	12
• Second half	3.7	6
2010	\$54.8	35
• First half	42.2	15
• Second half	12.6	20
2011 first half	\$17.4	13
• First quarter	5.6	7
• Second quarter	11.8	6

Source: New Mexico Venture Capital Association's quarterly investor surveys

"If we're not planting seeds in new companies, then we're not raising much value for the future," Blivin said.

Perry Bendicksen, an Albuquerque attorney who works with venture capitalists, said the lack of seed deals will plague portfolios later.

"Existing portfolio companies will either prosper or fail, and then afterwards, what's left in the pipeline?" Bendicksen said.

Last year, venture funds raised \$13.35 billion nationwide, down 57 percent from the \$30.7 billion raised before the recession in 2007, according to PricewaterhouseCoopers and the National Venture Capital Association.

A depressed exit market makes institutional investors reluctant to commit new money. Mergers and acquisitions are up, but initial public offerings are still way below prerecession levels.

Exits — acquisitions or IPOs — are almost nonexistent in New Mexico, said Paul Goblet, financial adviser for New Mexico's Small Business Investment Corp.

"Everyone is holding their breath to see a winner, but we haven't really had them yet," Goblet said.

Until that changes, the State Investment Council might delay investing more money in local venture funds.

The SIC can spend up to 9 percent of the Severance Tax Permanent Fund on investments in VC funds. But it stopped committing money to venture funds during the recession and has yet to start again, although about \$80 million is available to invest.

The SIC is focusing squarely on returns, rather than job creation or the economic development goals of the past, said spokes-

man Charlie Wollmann.

"The SIC is looking at best-in-class investments that produce more bang for our buck without unnecessary risks," Wollmann said.

Pay-to-play allegations that rocked the SIC under the administration of former Gov. Bill Richardson made new SIC members cautious about all programs, said SIC Vice Chair Doug Brown.

For the SIC to move forward with investments in private equity funds, Brown said the exit market needs to improve.

"We're open for business, but there's been a hiatus because the market isn't good," Brown said.

But the longer the SIC waits, the more difficult it is for VCs to raise funds, said Tom Stephenson, managing general partner of the Verge Fund, one of the few completely New Mexico-focused funds that has received money from the SIC.

"The SIC has been the flag bearer for investing in New Mexico," Stephenson said. "We need them back in the market."

The state's private equity adviser, Sun Mountain Capital, is still making direct investments in startup companies from the \$90 million Co-Investment Fund that it manages for the SIC (see related stories on pages 1 and 3).

kr Robinson-avila@bizjournals.com | 505.348.8302

REAL ESTATE: Retail saw some improvement

FROM PAGE 1

in the third quarter from 18.02 percent in the second quarter, while industrial vacancy rose to 9.16 percent from 8.89 percent. Retail was the only sector to show a modest improvement, as vacancy fell from 13.33 percent to 12.82 percent.

The really scary scenario for real estate brokers and property owners is the uncertainty in the next 12 months. Will there be a double-dip recession, and will President Barack Obama be re-elected? Those questions keep decision-makers from pulling the trigger on large leasing and property acquisition deals, according to CBRE's top brokers, who saw smaller transactions for shorter periods during the third quarter.

"Business owners are not sure what their tax rate is going to be and what they will have to pay for their employee health care benefits, so they sit on the sidelines until there is clarity," said Jim Smith, a vice president at CBRE and head of its industrial team.

Smith's team had 15 lease transactions during the quarter. Of those deals, all but three were less than 35,000 square feet.

The firm's three industrial sales were all cash deals, and included contractors Brycon and Gardner Zemke buying buildings for their growing operations. Belen businessman Herman Tabet, owner of a Holiday Inn Express and a lumber yard, bought the shuttered Solo Cup factory in Belen at auction for \$2.25 million.

Nontraditional users are taking industrial and retail space. Churches, colleges and youth groups are leasing space in industrial parks and shopping centers, leading to surprising juxtapositions, like a cheerlead-

ing camp inside an industrial park.

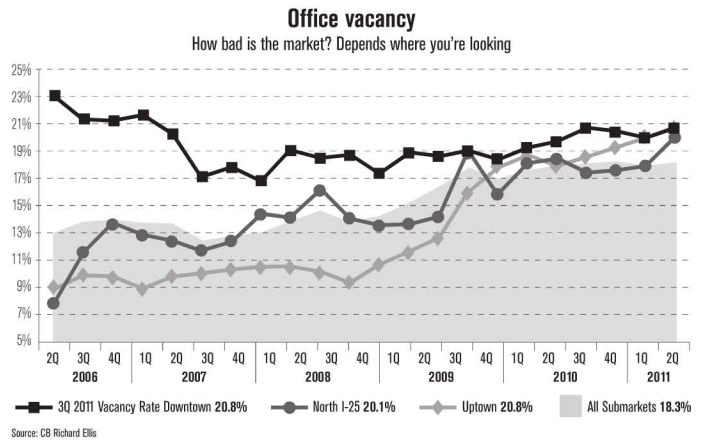
With the market moving toward smaller deals, brokerages are being creative, pursuing new entrepreneurs. Grubb & Ellis New Mexico created a catalog of executive office suites listing spaces as small as 250 square feet, sometimes leased month-to-month.

"This isn't the kind of business that is our core, but we want to be a resource. When these people get bigger and have four or five employees, we want them to come to us," said Will Steadman, CEO at G&E.

Despite the market slowdown, some cash-flush corporations and bold entrepreneurs invested in real estate during the third quarter to expand their businesses. Simon Property Group, the nation's largest shopping center owner, paid \$86 million to acquire ABQ Uptown from Hunt Development in a deal that will likely be the market's largest real estate transaction in 2011. The deal closed in late July, and Simon got a bargain price for the state's most upscale shopping venue. No new tenants have been announced yet for the 220,000-square-foot center, but it needs a replacement for its defunct Borders anchor.

Renal Medicine Associates bought 1.8 acres in Journal Center West. Dr. Jayant Kumar's group has built the state's largest kidney care specialty practice, with offices and dialysis units as far away as Clovis and Roswell. The expansion plan calls for a new 15,000-square-foot medical office building in Journal Center that will most likely break ground this quarter, according to Dan Newman, CB's first vice president of office properties.

Newman said Renal Medicine is consolidating two offices on the West Mesa and



Downtown to centralize in the Interstate 25 north corridor.

Seeds of recovery are often planted by retailers who break off from larger companies or look for new careers after being downsized. Downtown, with its relatively inexpensive rents and copious available space, is becoming a retail incubator. The city's lowest retail rents are downtown, ranging from \$4 to \$32 a square foot.

Steven Keator, former operations manager at upscale men's clothing store Robert Bailey in Uptown, opened haberdashery Dressed to Kill this month at 220 Copper Ave. NW. Keator said he had many lawyer clients at Bailey, and chose a Downtown location near the courthouse complex.

Robert Ganster and partner Carri Phillis, owner of Downtown nightclub Effex, will open the Downtown Indoor Flea Market at

610 Central Ave. SW on Nov. 1 in a building owned by Peterson Properties. They are leasing 17,000 square feet and charging vendors \$250 a month for the venue. The market will be open Tuesday-Saturday from 10 a.m.-6 p.m.

"In this economy, it's scary for a small retailer to open a business, but we can help them incubate their business where they don't have to spend thousands," Phillis said.

Vendors signed include candle and candy basket retailers, and there are plans for a farmer's market. Ganster and Phillis recognize Downtown's lack of a grocery store and want a food offering. Their cavernous space, once Banana Joe's nightclub, has been vacant for a decade.

stevejnsberg@hotmail.com | 505.281.0580