

## **CAPITAL SOLUTIONS NEWSLETTER...**

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This month, we look at the shifting sands of early-stage funding; the economic consequences of big money in collegiate athletics; if there will be a second act for Second Life; and the collective intelligence of twitter agents. Lastly, our usual compilation of five best blogs – and in the shadow of thanksgiving, if you just read one, start at the end.

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### **The Changing Landscape of Early-Stage Financing**

Funding options and pathways for early-stage companies are changing – more rapidly now than at any time in the past quarter century. We've detailed many of the changes individually in these newsletters, so it was helpful to find this [brief article](#) that encapsulates many of the more interesting shifts into a relatively comprehensive overview.

Much of the activity is happening at both ends of the traditional funding spectrum: the rise of super-angels and accelerators at the earliest stages; and the increased focus of many venture capital firms on late-stage financings -- due partly to the diminished opportunities and difficulties in the public markets.

Of particular interest is a development that has been attracting increased legislative attention: crowdfunding through both social networking and other technology tools. As the WSJ [points out](#), the existing legislation seems fairly inadequate in the modern era, however the risks here are both real and potentially controversial. Even pros often find investing in early stage companies [a challenge](#), and most entrepreneurs want something more from investors than their ability to click on “like” and “share” buttons. The debate over crowdfunding will likely continue for some time, and is an area worth watching.

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### **The Other Shame of College Athletics**

The crises at Penn State threatens to eclipse the college football bowl season, but at least one writer identified a source of shame in college athletics far before anyone could pronounce Sandusky, and it was not a sex scandal -- it was economic. In a [long and excellent essay](#) in The Atlantic, author Taylor Branch details the way money has infiltrated some of the most respected universities in the nation, and sorts out the winners and losers in what is undeniably a huge and expansive business (hint: at this game, the athletes don't often win).

As Branch points out, the United States is the only country in the world that combines the odd bedfellows of athletic apprenticeship for a professional sports career with institutions of higher learning. The money involved, particularly for State schools who have seen their budgets cut, is staggering: last year the Southeastern Conference had over \$1 billion in athletic receipts; the broadcast rights for the 2011 NCAA basketball tournament alone were worth \$771 million, and Division I football programs, by themselves, pull in up to \$80 million a year – in profits, not revenue.

Money, as we all know, matters. Examining the core of this system, Branch writes a sentence to warm any undergraduate econ major's heart: *"The tragedy at the heart of college sports is not that some college athletes are getting paid, but that more of them are not."*

It's a thought-provoking and challenging essay, and well worth reading – particularly if your choice is the fourth quarter of a lopsided Leftover Bowl between teams you have never seen play before.

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## Second Life Failure

F. Scott Fitzgerald famously wrote *"there are no second acts in American lives."* But there might also be no second acts for second lives.

Most of us are taught not to dwell on failure. Thankfully, others do so for us. Although books are written about success, there are fascinating articles on failures – including my personal favorite the [Segway](#). In the Segway implosion one could at least point to some non-technology factors (manufacturing, parking, safety, and sheer dorkiness) that limited user adoption. However, for a pure technology play – sitting in front of your computer with no distractions in your way sort of company -- the leader in unrealized hype might well be Second Life. As [this article](#) points out:

*"In 2006, the future was Second Life. Business Week put Second Life on the cover. American Apparel, Dell, and Reebok, among many others, rushed to build virtual storefronts. Reuters even created a full-time Second Life bureau chief. People rushed to sign up and create their own avatars. Blue hair and Linden dollars were the future. Looking back, the future didn't last long. By the end of 2007, Second Life was already losing its fizz."*

It turns out that we did not want a virtual second life – we wanted our actual life online. In the first half of 2011, Second Life had about 1 million users each month. Facebook had 500 million users. In this essay, the authors rely on what they refer to as the Christensen (after the [HBS professor](#)) test – evaluate a company by asking *"for what job are you hiring them?"* -- as a simple way to evaluate technology hype.

This piece is an essay from a collection in a new book: *The Myth of the Garage and Other Surprises*. And one of these surprises, is that – at least at the time of writing – digital kindle copies were [free on Amazon](#).

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## @007 says #shakennotstirred

The espionage field has always been portrayed as having special [access to great technology](#), so it was somewhat of a surprise to find the newest consumer of the great time vortex known as the Twitterverse: none other than the Central Intelligence Agency.

According to [this piece](#), the CIA has several hundred analysts combing through tweets and other social media to both measure and predict reaction to news and other events, providing analysis that

most days, makes it into the daily intelligence briefing for the President.

And, as this post [points out](#), Twitter provides a very different sort of news platform – one that includes both the information that comprises the news, as well as distribution of that news itself, which both intertwine and reinforce each on each other. At least I'd hope that's the case, and it's not just that the CIA is a resting ground for hundreds of hidden [Justin Bieber fans](#).

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## Five Best Blogs

This month's list of the five best blogs includes: Josh Kopelman on the increased [speed of revenue traction](#) in early stage companies; [five lessons on scaling](#) from CEO's who have done just that; an [interactive map of venture capital](#) investments in the United States; two views of Spotify (both [pro](#) and [con](#)); and lastly, in the Thanksgiving spirit, [a fascinating approach to charitable giving](#) (try it yourself, [here](#)). Gobble, gobble google.

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