

# Sowing entrepreneurial seeds

## Venture Farm seeks to fill a funding gap for startup firms.

Entrepreneurs love gaps. Gaps provide opportunities. Find a need and fill it is the proverbial way to get rich in America.

Consider the equity investment arena.

Venture capital funds have \$65 billion in unallocated money to buy a chunk of equity in young, fast-growth firms, according to Forbes magazine.



**JAN  
NORMAN**  
REGISTER  
WRITER

With that kind of cash to throw around, you'd think that every entrepreneur with a good idea could get some.

But equity investing doesn't work that way.

Typically, venture capital funds want deals larger than \$5 million apiece. Professional investors called angels take on smaller deals but, since the technology crash in 2000, have gravitated toward larger deals between \$500,000 and \$2 million.

Ventures that need less than \$500,000 or between \$2 million and \$5 million have a tough time finding equity investors.

Those are gaps that look like opportunities to Orange County angel investor Sid Mohasseb.

He recently formed **Venture Farm**, an equity investment fund to focus on ventures that need less than \$500,000. It has already attracted six limited partners and made its first investment.

Venture Farm gives a portfolio company money as it needs it, rather than in a lump sum, and provides technical and operational expertise as part of the deal.

Venture Farm is betting that nurturing startups will not only make money for its investors but also create better deals for angels and venture capitalists and strengthen the local entrepreneurial infrastructure.

"I usually work with early-stage companies and I found the investments I'm closer to do better than those I'm away from," he said. "Many early-stage companies waste money because they don't know what they're doing."

Venture Farm investor Mark Nielsen, a San Juan Capistrano resident and chief executive of **Wireless 21**, added, "Being more closely involved in these companies can mitigate the risk (of investing at such an early stage),



ROSE PALMISANO, THE REGISTER

**FINDING A NICHE:** Investor Sid Mohasseb recently formed Venture Farm, an equity investment fund to focus on venture capital funds that require less than \$500,000. It has already attracted six limited partners and made its first investment.

### Venture Farm

**Address:** 23120 Alicia Parkway, Suite 200, Mission Viejo (moving soon to 17752 Skypark Circle, Suite 210, Irvine)  
**Phone:** 949-364-7900

**Web site:** [www.venturefarm.com](http://www.venturefarm.com)

**Managing director:** Sid Mohasseb  
**Investors:** Six limited partners as of January.

**Concept:** An equity investment fund focused on startup companies that need less than \$500,000 and assistance from Venture Farm investors and affiliates in growing the company to the point that it can attract angel or venture capital investment.

**Twist:** Venture Farm seeks to pull out half its investment plus profits after 12 months and leave the other half for seven to 10 years or until the company is acquired, does an initial public offering or buys out outside investors.

**First investment:** **TrendPoint Systems**, San Ramon, developing monitoring device for electricity.

help them be successful and then pass them to the next level of funding."

Mohasseb compares Venture Farm's role in the equity investment world to that of a land developer in real estate. The land developer gets all the zoning

and permits and then hands off the land to a builder.

"They each have very focused objectives and a defined business model," he said. "They make investments and contribute by adding value to the property. They coexist ... in a complementary way."

Venture Farm makes its money by grooming startups for the next level of equity investment. Ideally, after a year, the portfolio company has grown to the point that it's ready for bigger equity investors. Venture Farm wants to keep half its investment in the company to benefit from future growth and take half out for its investors or for other investments.

While some of Venture Farm investors are also active in Tech Coast Angels, the nation's largest angel club, based in Laguna Hills, the model doesn't appeal to everyone.

Frank Peters, past Tech Coast Angels president, declined to invest "because I wasn't looking for more early-stage investment. I'm sure entrepreneurs would jump up and down at Sid's concept, but I was skeptical."

Venture Farm's first investment was in **TrendPoint Systems** in San Ramon, which makes energy monitoring devices.

Founder Bob Hunter actually turned

down venture capital money.

Venture capitalists want companies to grow too fast in order to require the \$5 million minimum they want to invest, Hunter said.

And even though Hunter has previous experience in starting companies and a strong board of advisers, Mohasseb has given him valuable insights in growing TrendPoint, Hunter said.

Mohasseb explained: "It's impossible for me to take a company with \$5 million valuation and make it \$15 million in one year, but with a startup, there are some critical things that can be done to increase value. A \$500,000 company can bring in customers, can get patents and can build a competent management team. Those are not easy, but are doable."

While making money is an obvious part of the equity investment game, it's not the only appeal for Venture Farm investors.

"One measure of success for me is the joy of giving back to the community and helping entrepreneurs with the very early stages of their company before angels step in," said Venture Farm investor Steve Block of Manhattan Beach.

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