

Harold Lavender of ABQid@CNM Ingenuity

This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

[00:00:23] **Hall Martin:** Hello this is Hall Martin with Investor Connect. Today, we're here with Harold Lavender, director of finance and business development at ABQid _____ Ingenuity. ABQid powered by CNM Ingenuity is devoted to helping high growth startups access the knowledge, resources and connections they need to prosper. ABQid is a curriculum-based investor funded accelerator program focused on investor ROI and creating great scalable companies. Their efforts are aimed at supporting entrepreneurs and their programs range from introductory entrepreneurial bootcamp that introduces customer validation methodologies to the intermediate with the idea hacks based upon game storming methodologies. They cohost these events with community partners and local entrepreneurial mentors ABQid accelerator is based on lean startup method and helps teams refine their ideas over an intensive three-month process of mentoring and customer validation that creates nimble companies with demonstrable success at acquiring customers. Harold, thank you for joining us.

[00:01:19] **Harold Lavender:** Well, it's really a pleasure to be here today. I really appreciate the fact that you joined us for a Balloon Pitch as one of our judges. It was great to meet you there and I'm really happy to participate today.

[00:01:30] **Hall Martin:** Great. Yeah, I enjoyed the Balloon Pitch. I thought it was a marvelous coordination of a completely online virtual event with so many startups and investors and all the sessions that we did, hats off to you guys for making such a successful smooth-running event out of that thing.

[00:01:46] **Harold Lavender:** Yeah, it was a challenge, because when we did it before, of course, we did it in conjunction with the International Balloon Fiesta, which is held every October in Albuquerque. It was live, and because it was live, it was a lot different from the way this worked out. But you know what, we've gotten a lot of really positive feedback, we had a great group of judges, you included; and you know what, we've had some great interactions between a number of the judges and people who watch the program and the startups. So it was great.

[00:02:15] **Hall Martin:** Great. So on to our discussion today about you. Let's start off with what was your background before investing in early stage companies, what do you do before this?

[00:02:25] **Harold Lavender:** Well, I've got quite a bit of gray hair, so there's a lot, but I'll see if I can be succinct when I tell you the story. I grew up in New Mexico, went to law school, went in the air force, got out _____ went in the air force and then got out and went to law school, practiced for a little while. A friend of mine said you're loud, you're big, you're competitive, and you're aggressive, and I think you can be successful as a trader at the Chicago Board of Trade. So my wife and I pulled up stakes and moved to Chicago in 1976, and I spent 34 years as a broker and a trader on the floor of the Board of Trade. When the markets went electronic between '08 and '10, not so much because of the great recession as because the firms that were involved in

the market, wanted the market to go electronic thinking it would be cheaper, we decided to return to New Mexico. So I came back to New Mexico, started practicing law again, and ultimately decided that I really liked working with startups. So I joined ABQid in 2016. I've been working with as the business finance development person, helping raise funds for the investments, and until we merged with CNM Ingenuity, actually had to figure out a way to try to raise the funds to exist. Now that were part of Ingenuity and part of the college, that part's _____ been changed. So now we just work on events, we work on startups and try to help everybody try to help the startup be successful, and I'm really enjoying that. I'm also very involved at the financial level in the State of New Mexico. I'm a member of the New Mexico State Investment Council, which manages the state's permanent funds. When I started in 2011, we had 13 billion, now we have 30 billion under management, and we're pretty good, a significant amount, 5% of that – 5% of the rolling average of that every year goes to the state's bottom line. So that's where we are. So here we are today right in front of you.

[00:04:23] **Hall Martin:** Great. So what excites you right now?

[00:04:26] **Harold Lavender:** Well, what excites me are the possibilities in New Mexico – Albuquerque and New Mexico. Albuquerque is in the running, Kirtland Air Force Base to be the headquarters in the US Space Command. Netflix just asked, just announced a more than \$1 billion expansion of its facilities in Albuquerque. They had come here about a year ago officially, and they've now committed to have – this will be their North American production headquarters. So that's all really exciting because of the businesses that develop and can develop as a result of that particular growth and that particularly expansion. I think that these are exciting times in New Mexico despite COVID. We've all suffered the same issues as everybody else in the United States. We are really comfortable with the idea of what the future holds. I think New Mexico, first of all, we're a great place to live, and that point's been made very clearly. We've had _____ companies just in the last few months and relocate to New Mexico because they wanted to get out of the big cities. And we don't want to – we're not really proselytizers in that sense, but we are never shy about talking about how wonderful it is to live in New Mexico. So that's what excites me. I'm a little older than some, but I believe age – I like Satchel Paige's question, which is, how old would you be if you didn't know how old you were. And I think that's really critical, and it's fun to be involved, exciting to work with young people. That's the other thing. Of course, anybody under 60 is young for me, but still working with the youth and working with people with fire in their bellies and who really want to see their businesses succeed is really awesome.

[00:06:09] **Hall Martin:** Well, great. So _____ advice portion of this and like to hear your advice for people investing in startups in early stage companies, what do you tell those investors to do before they write their first check?

[00:06:21] **Harold Lavender:** Well, I happen to believe that RSC is the best policy. You can talk pie in the sky, but the reality is startups are risky, more fail than succeed. So I tell investors that you have to really want to do this before you do it, and I think the hardest part is, although we all know about the unicorns and the successes of some of the great big successes, the financial success of those companies, the reality is, is that you have to – and you have to really, really be willing to put your money on the line without any great expectation, especially an immediate return. So as long as you get that out and front first, and people understand that, you know, what's fascinating to me is how many people do understand that and accept it. And so,

that's how we approach, that's my _____ so you hate to start with a potential negative, but you know what, that's the truth. And then I cover what I think are the important parts. It's exciting to be involved with someone who has an idea. If that idea speaks to you, then it should be really easy to put your money into something like that, to invest in something like that. I think that I'm just amazed at how many people are willing to do that. So I think that's the message.

[00:07:40] **Hall Martin:** So on the other side of the table, what's your advice for people running startups, what do you tell them to do before they go out to start raising funding?

[00:07:47] **Harold Lavender:** Well, you know what, we teach the lean startup method, so that part's pretty simple. I mean, doing it's not simple, but talking about it's very simple. First of all, you have to get customer validation. So, in other words, first of all, you have to have approached, when we run the accelerator, you have to have 15 documented approaches of potential customers who like your idea. So, for example, a large part of what we do is work with companies to make sure they do that, that they actually approach potential customers. So let's say that they have an idea that _____ we're talking about the early developmental part, they have an idea, and they approach people and they say, you know what, that's pretty interesting, that's customer validation. But the more important part is customer acceptance. Will you pay for it? If this were a marketable product, would you buy it? And so those are, we require our startups to do that. But even as they're doing that, of course, we encourage their immersion into the startup process, I mean, you have to be willing to, if you're not willing to work and dedicate yourself to something, the odds of your success are pretty slim. And we make ourselves available at virtually all 24/7 to help entrepreneurs move forward.

[00:09:13] **Hall Martin:** Well, great. So let's talk about the state of investing in startups. How do you see the industry evolving?

[00:09:19] **Harold Lavender:** I think that, I happen to think that once we get past COVID, who knows what – I don't know what, none of us know what the new normal is going to look like. But I know that like, in my case, in our case, my family's case, once there's a viable vaccine, and once you can freely move among people, I think there's going to be an absolute explosion of investment in all kinds of investment opportunities. And I think that startups are going to reap the benefits of that. I think that once this shutdown and this sequestering of ourselves has brought about, are some incredible opportunities for development. I mean, all of a sudden, our attention isn't being drawn away into 100 different things. We can't do the things that we're doing. And so, I think people are spending a heck of a lot of time, and I think there's going to be an absolute explosion of opportunities and ideas, let's say, knock on wood, in the middle of 2021 on. That's what I think, and that's a personal observation with not a lot of scientific data behind it other than what I read. But I think that's where we're going to be. But I look for things to get better and better and better, once we move past this.

[00:10:35] **Hall Martin:** Well, great. So what's the biggest change you see out there?

[00:10:39] **Harold Lavender:** I think, people – one of the biggest changes, I don't think that the virtual reach outs are going to go away. I think, before we were all, it was, it kind of had to be an in-person thing and things like that. I think there's going to be a significant amount of virtual work, and what I like about that is just like when you joined us for Balloon Pitch, one of the fun

things, when we had Balloon Pitch before COVID, pre-COVID, we brought the investors and the judges into Albuquerque to be with us. So in certain ways that limited our ability, if I had asked you, if we hadn't had COVID, I'd ask you to travel, you might or might not have been able to do that. Doing it virtually gave us the freedom to have people from all over the country be with us for the two hours, and I think that's going to continue. I look for a hybrid model to develop, I think, I really do. I think we'll figure out a way to have people here in person, people in – and at the event in person, and we'll figure out a way to do it virtually at the same time. I think, I really do think that's – for me, that's some startup needs to figure out how to integrate those two together. And, I mean, you got Zoom and BlueJeans and all of these other ways to do things, but I think an integration like that, I think there's a startup right there begging to be started.

[00:12:05] **Hall Martin:** That's absolutely true. So tell us more about your investment thesis. What do you look for in funding startups?

[00:12:12] **Harold Lavender:** Look, first thing I have to do is, it's all about the founder. If you give me the option of investing in a startup that has a pretty darn good product, but the founder and the team are weak, and you _____ contrast that with a startup that has a good product and a great team, I'm going to invest in the team every time. In other words, how many iPhones or how many things like that come along in any given lifetime? So from my perspective, it's all about the team. I need, I want the people to be approachable, I want the people to be knowledgeable, and I want them to be really, really dedicated. And I think, for me, that's the whole key. You take it for a given that if something is gotten to the point where you can be approached to invest, then a lot of the kinks have been, some of the kinks or a number of the kinks have been worked out, and there's some future in front of you. But if you don't have an opportunity, if you can't – it's all about the founder, it's all about the people and the ability to communicate that. That's right, that's how I look at it. And then, if I like the team, I can't wait to put my money in, to get my money involved.

[00:13:33] **Hall Martin:** Can you talk about one or two startups that fit that thesis?

[00:13:36] **Harold Lavender:** Well, what I'll do is _____ I want to talk a little bit about the ones that we've invested in at CNM Ingenuity ABQid. There's a company, we have seven or eight different startups right now, and in each case, the founders are just first grade. We have _____ which is a little bit difficult to explain. They have developed a solid rocket fuel propellant that is less volatile, cheaper, easier to use than the liquid propellants used in a lot of situations. They're getting great traction nationally and through the Department of Defense to develop this product, and the people who are on top of that are the best, are some of the best people within my _____. We have a startup called AdWallet, which is, if you're not familiar with AdWallet, it's really cool. AdWallet is called paid attention is their byline, and what happens is every time you watch an ad, one of their ads, you get paid 50 cents. That may not sound like much but all of a sudden, and then all of a sudden, you, it costs the company \$1 each time a person looks at it, 50 cents goes to the watcher and 50 cents goes to the company. But you know what, it's really exciting, and it's getting great traction. They've finished an _____ round recently and I think they have a great future. That's an example of the kinds of companies that we've invested in that at ABQid. Great future, I think, great future for each of those companies.

[00:15:09] **Hall Martin:** So you deal with a lot of startups, what do you think _____ the main challenges those startups face when they launch their business, where do you see them struggling the most?

[00:15:17] **Harold Lavender:** Well, _____ it goes without saying, money. Money is always a challenge. But more than that, I think it's the, I'm not always sure that the, again, that goes back to the team, not sure people realize how much hard work it takes, just to bring something to success. We're talking 20 hours a day, six days a week, basically. I mean, that's the kind of dedication that it takes, and I think that... So the challenges, I'll tell you, really honestly, in New Mexico, the challenges are, you can find some startup money in New Mexico, if you have a good viable idea and you're a decent salesman, you can find some startup money. The problem we've had here, which we're working really hard to solve is what happens past that, what happens post startup. And it's the secondary funding, the next level of funding that's proven to be extremely difficult. And we're working at the SIC, the State Investment Council, among others, and at the local level, to see if we can help, and ABQid, and our fund, our Ingenuity venture fund is basically dedicated to companies that are started, they've got some traction and now they need funding. And that's been the biggest challenge for companies here. We've got a number of failures, because they couldn't find the funding. Even if the idea was a good idea, they couldn't find the funding, once they were past the startup stage.

[00:16:49] **Hall Martin:** And then on the other side of the table, what do you think the challenge the investor has for the startups?

[00:16:55] **Harold Lavender:** Well, you got to have some deep pockets, that better be the first thing. I think that some of the investors' challenges to completely and fully understand what you're getting into, and fully understand that the money is at risk, but also fully understand that most of the time the founder will be willing to spend a lot of time with you, spend time explaining things to you and being upfront with you about where things are going. That's what we've discovered here is that once someone chooses to invest, the founder of the startup has a tendency to be willing to communicate with that with that investor. And you know what, you got to be prepared to lose. I mean, somebody said, how did you survive 34 years at the Chicago Board of Trade. And I said, the reason I survived at the Chicago Board of Trade, I learned how to take a loss and keep trading. And if you don't learn that, and it's the same with a startup, it's almost the same at every level of life, you better be willing to fail or be in a failure situation and keep moving, than to put your head under a bucket and start crying and go _____ and say poor little old me, can't do that. And that was my first six months in Chicago, that's what I had to learn to do. I'd lose 50 bucks, and I'd sit on the side of the pit and berate myself for losing 50 bucks. But all of a sudden, you learn, hey, guess what, the market just moved the nickel, the grain market just moved the nickel which is 250 bucks on a one month, the market just moved a nickel and you sat out here fussing at yourself and you missed all those opportunities. You got to be willing to take a loss, and you got to be willing to start over and do it again, and that applies to the startups, and the idea of being willing to pivot, as well as to the investors. You know, you put your money into something and you lose it, that shouldn't be the only – that's just the first time. You think of how many people made a lot of money with Microsoft and Apple and all of those who lost money in other investments first, and you realize that's the real key to success from my perspective.

[00:19:03] **Hall Martin:** Well, great. You see a lot of companies out there across the spectrum, if you had to pick a few key opportunities for investors to invest in, what sectors or applications you think they should look at?

[00:19:16] **Harold Lavender:** Well, in New Mexico, I think there's no question, Space – Space is a New Mexico, even if we don't get the Space Command in Albuquerque, and who knows, what, I mean, that's political. Even though, in my opinion, they couldn't pick a better place in New Mexico, but Space is going to be – what's going on in Space is huge. I think you know that we have that, I sent you an email earlier today and I'm not sure you'd been _____ it before or not, but on December 3 we have the Hyperspace Challenge, and that is a collaboration between ABQid and the Air Force Research Lab New Mexico where we get problem statements from the Department of Defense users, and then put those out to startups to solve the problems. And I think that – and that particular event's one hour from 10 to 11, Mountain Time, on December 2, December 3 excuse me. And I think that's an example of the kind of interest there is in New Mexico in Space. So I would concentrate on Space. The other area where New Mexico has terrific opportunities is Biomed. And thirdly, entertainment, I mean, Netflix just made this incredibly huge commitment, a 1000 jobs, 30 more sound stages and things like that. And there are opportunities to invest here in New Mexico in the entertainment industry. So that's what I'd do, that's where I'd put my money.

[00:20:46] **Hall Martin:** One of the last things _____ we have, what else should we cover that we haven't?

[00:20:50] **Harold Lavender:** Well, I think that I like your program, I've had the good fortune to listen to a number of your podcasts, and I think that the – I love the idea that you're giving people such as I an opportunity to verbalize and to speak out about what we're doing. The startup world in New Mexico, in certain ways, for example, _____ in Chicago all those years, and I'm aware of, and I know about Austin and Silicon Valley and things like that, New Mexico is just getting ready to take off. And I think that the opportunities here are going to be really, really exciting. I think it's really exciting to be in this world, and you've covered the gamut pretty well. I think we've kind of hit most of the high spots. If you get me going, you can tell, I'm reasonably loquacious. If you want to talk for the next six hours, I'll talk for six hours. But anyway, I think that, in my opinion, the opportunities are boundless, I think.

[00:21:46] **Hall Martin:** That's great. So how best for listeners to get back in touch with you?

[00:21:50] **Harold Lavender:** Well, they can email me at hlavender@cnm.edu. They can text me at 505-331-3639. I think that that those are the two ways, the best ways to get a hold of me.

[00:22:08] **Hall Martin:** Great. I want to thank you for joining us today and hope to have you back for a follow-up soon.

[00:22:13] **Harold Lavender:** Well, that was really great I appreciate it. I really appreciate this opportunity. And on behalf of T. J. Cook and Roxanne Aragon, and Dan Heron and Monica Walters and I, the five of us are kind of the ABQid portion and Mary Walters and Mary Galvin, though we're kind of the hub of ABQid@CNM, and of course, the fact that we all work really closely together on behalf of all of us, just can't say thank you enough.

[00:22:45] **Hall Martin:** Great. Well, I enjoyed being a part of your programs and looking forward to joining future ones as well. I want to thank you for joining us today and hope to have you back for a follow up again soon.

[00:22:54] **Harold Lavender:** I appreciate that. Thanks so much.

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