

SMART MONEY AND GREEN INVESTMENTS¹

Melinda Burns[©]

There are lots of reasons for going green — 1.5 million of them in California alone. That's the number of jobs that have been created over the past 35 years as a result of the state's energy efficiency policies. Together, they've generated a \$45 billion payroll. California jobs in clean transportation, renewable energy, clean air quality, green building construction, energy efficiency and environmental protection have grown 10 percent since 2005, or 10 times as fast as state jobs overall, research shows.

It's a trend fueled by volatile prices of oil and gas, increased environmental regulation, aging infrastructure and concerns for national energy security — and investors are paying attention. A 2009 survey by the National Venture Capital Association estimated that venture capital investment in clean technologies would grow by 63 percent globally through 2012.

Yet it's not always easy for clean-tech firms to attract investors, even with proven technologies in hand, according to Sandra Itkoff, senior vice president of the Angeleno Group LLC, a Los Angeles-based private equity firm. Itkoff said entrepreneurs must show not only that they are having a positive effect on the environment but also that they are likely to make money. Angeleno focuses on green companies that are starting to build a market for their products. "We're not the Sierra Club," Itkoff told a large audience at the recent Women in Green Forum, a conference co-sponsored by *Miller-McCune* in Pasadena. "Investors give us money to earn money."

The companies in Angeleno's portfolio manufacture electric cars, energy-efficient appliances, solar panels and wind turbine blades. They retrofit power plants, develop waste-to-energy technologies and manage sustainable forests. Itkoff noted that only one of the top 10 manufacturers of solar modules and one of the top 10 manufacturers of wind turbines are located in the U.S. "That's a big opportunity," she said. "People are very interested in supporting these businesses."

At Funk Ventures, headquartered in Santa Monica, investors are willing to take a chance on new technologies in earlier stages of development, said managing director Fran Seegull, who joined Itkoff in a panel discussion at Women in Green. Seegull said her firm invests in new products that will have a positive impact on society, but, she cautioned, "Good intentions and passion are not enough." Funk Ventures is "not shy about taking risks," she said, but it looks for a seasoned management team, defensible intellectual property and a potentially large and accelerating market for new products. Speaking to businesswomen, activists and students at the Pasadena Convention Center, Seegull said that women entrepreneurs tend to under-promise and over-deliver on their estimates of financial success. "You need to over-promise and over-deliver," she said. Seegull also advised would-be entrepreneurs to think beyond a market of "bourgeois bohemians" living in Berkeley and San Francisco and Santa Monica. "We really need to figure out ways to entice the middle of the country to buy products that make a difference," Seegull said.

¹ Miller-McCune, November 02, 2010

Heather McCormick, a board member of Pasadena Angels, said that early-stage clean technologies were a good fit for her group, a nonprofit organization of more than 100 private investors, many of them entrepreneurs and senior corporate executives. The Angels have invested \$20 million in 60 start-up companies since the group formed in 2000. The group provides up to \$1 million in early financing and seed money to emerging technology-based ventures, and it joins with other venture capital firms to support new companies with up to \$10 million.

Angels members do not pool their money: They invest individually and directly, and they act as mentors. Clean-tech businesses that have been launched with help from Pasadena Angels include firms that develop water-control technologies for agricultural drip irrigation and lawn sprinklers, McCormick said. “We are often the first round for entrepreneurs,” she said. “It’s always been about more than the money for us. The more cheerleaders you need, the better.”