



## ACCESSING ANGEL CAPITAL IN ALASKA



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## Innovation is *the* key to growth



## What Entrepreneurs Need

The 3 essential C's:

HUMAN CAPITAL (the PEOPLE)  
INTELLECTUAL CAPITAL  
(the innovation = taking ideas to market)  
FINANCIAL CAPITAL

Plus:

A supportive Infrastructure



## Creating the Infrastructure

- Favorable Business Climate
- Favorable Tax Regime
- Access to Angels & Mentors
- Incentives for Risk-Takers
- Advocacy & Leadership role
- Training and support
- Government Programs





## Tech Community Initiatives

see [www.hitechbc.com](http://www.hitechbc.com)

- Telus New Ventures BC Competition (#1 in 2001 was an SFU Student Co.)
- Vancouver Enterprise Forum
- Angel Network (Vantec)
- Western Universities Tech Innovation Fund
- The "EDG": Executive Development Group

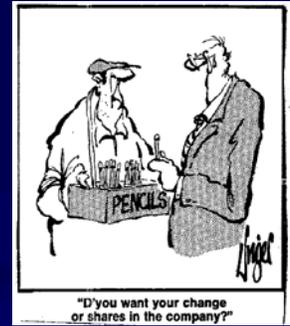


## What about Scale?

The \$100 million deal?  
or  
The Lifestyle Business?  
(or both??)

YOUR DECISION.

Then sell your story  
to the right audience!



## Early Stage vs Startup?

- Early stage:
  - Team
  - Products
  - Business Plan
  - Customers
  - VCs – maybe
- Start Up:
  - one or two people ideas
  - and/or IP
  - VCs – forget it!



[See [www.garage.com](http://www.garage.com)]

## The Alternatives

Go to [www.vef.org](http://www.vef.org) for  
MONEY LINKS:

- Golden Gov't funding
- Love Money
- Angels & Angel Funds
- Private Investors
- Hedge Funds
- Venture Capitalists
- Public Markets
- Strategic Partners
- Customers
- Debt, VISA, sharks, etc

SOURCE	LINK	MONEY LINKS	COMMENTS
EQUITY Capital	<a href="#">@Green Money</a>	<a href="#">@Green is for Go</a>	
ANGELS and other Investors (VANTEC)	<a href="http://www.vef.org/angel/index.html">http://www.vef.org/angel/index.html</a>		Are you an appropriate investor?
ANGEL FORUM	<a href="http://www.angelforum.org/">http://www.angelforum.org/</a>		A private forum discussion@vef.org
BDC Venture Capital	<a href="http://www.bdc.ca/en/highlights/ventures/index.html">http://www.bdc.ca/en/highlights/ventures/index.html</a>		BDC is a government \$90B in 9 of investments' fund
Keegan Capital Partners	<a href="http://www.keegan.com/keegan/keegan.htm">http://www.keegan.com/keegan/keegan.htm</a>		Est in 1999, Best
Bankly Capital Corp.	<a href="http://www.banklycapital.com">http://www.banklycapital.com</a>		Innovative source 10% of the comp
B.C Advantage Fund (VCC) Inc	<a href="http://www.bcanadvantagefund.com">http://www.bcanadvantagefund.com</a>		Formed in 2000, venture start-up for the general public
B.C Discovery Fund (VCC) Inc	<a href="http://www.bcdiscoveryfund.com">http://www.bcdiscoveryfund.com</a>		This is another pre-B.C-based tech co.
3rd Mileley Investments	<a href="http://www.3rdmileley.ca/index.html">http://www.3rdmileley.ca/index.html</a>		BDC wants to see a return. Contact
BDC Corporation	<a href="http://www.bdc.net">http://www.bdc.net</a>		BDC is focused on the drug industry
BMO Capital Corp. (BMOCC)	<a href="http://www.bmo.com/bmooc/">http://www.bmo.com/bmooc/</a>		Est in 1994, Best investment at all time
Canadian Science and Technology			

## Why Angels?

- Been there, done that
- Long-term horizons
- Gut feel
- Mentor/advisor
- Not greedy....  
Hey, it's just a hobby!



## What Angels Want

1. Fun
2. Interesting Opportunity
3. A willing protégé
4. To use one's resources
5. Attractive Return:  
10X to >>100X
6. 3 I's: Intensity, Integrity, Immediacy (person)
7. 3 G's: Goodness, Greatness, Greed (company)



## Angel Woes



- Lousy (or zero) returns
- Uncoachable Teams
- Cram downs
- No respect from VCs
- Valuation Anxiety
- Complex Terms Sheets



## What Kind of Angel are YOU?

### Rifle Shooter?

requires intense involvement  
high risk, high return

### Shotgun Shooter?

great if you've got little time  
lower risk, lower return

### Why not both?

Co-invest with a fund you've invested in



## It's all about P&L:

What are you selling, who will buy it, how much will you make?  
(Profit & Loss)

Why you and your team?  
(Passion & Leadership)

## The Numbers Game

Angels:

10 investments of \$100K each = \$1M  
1 big payout in 10 years, 50 X \$100K = \$5M  
ROI: ~25%

VCs:

10 investments of \$5M each = \$50M  
2 big payouts in 5 years, 10 X 2X \$5M = \$100M  
ROI: ~15%

## The Terms Sheet?

- Offering:  
Common vs Conv Deb vs Prefs
- Valuation:  
Trading cash for futures  
Use accretive approach for performance
- Vesting for founders:  
50% Linear over 3-4 yrs  
50% on liquidity event
- Capital & Structure:  
avoid options – use trust shares
- Governance:  
board rep/independence
- Shareholders Agreement:  
standardize

A) Terms of Offering for WFTF	
Company	Company Inc. (the "Company")
Offering	10,000 Units of \$1.00 per unit, each consisting of one Common Share, subject to purchase and/or warrant to purchase an additional common share at a price of \$1.25 in or before ten years from the date of issue.
Price per Unit	\$1.00
Amount	\$10,000.00
Offering Structure	The Offering will be sold in the Province of British Columbia.
For Sale	Company is an eligible business corporation and an eligible small business under the terms of the British Columbia "Venture Capital Corporation" (VCC) Act.
Resale	The Offering will consist of appropriate and suitable securities from purchase to maturity.
Options	Options shall take place within fifteen (15) days of the date when Company first issues securities to the public, and shall be exercisable at \$1.00 per unit and have provided evidence of such financing satisfactory to WFTF.
Anti-Dilution	Holders of this series of common shares, as well as interests in all previous series of common and preferred shares in Company, will be protected with normal anti-dilution provided with 40-day grace period until December 31, 2015.
Anti-Preemptive	Company shall provide with financial statements beginning from the year ended December 31, 2014.
Board Participation	WFTF shall be entitled to nominate one director on the Board of Directors.
Private	Each common share will be entitled to one vote.
Default	No provision has been made for the payment of any dividend for the foreseeable future.

Goal: "Standardize" Terms

## Cap Table (Ideal)

	CAP TABLE				
	StartUp	Angel Round	VC Round	Exit	Gain
Founders/Mgmt	\$0 (100%)	\$0 (75%)	\$0 (60%)	\$60M	1000X
Angels		\$500K (25%)	\$500K (20%)	\$20M	40X
VCs			\$2M (20%)	\$20M	10X
Market Cap	\$0	\$2M	\$10M	\$100M	

## Cap Table (more likely)

	CAP TABLE				
	StartUp	Angel Round	VC Round	Exit	Gain
Founders/Mgmt	\$0 (100%)	\$0 (75%)	\$0 (37%)	\$11.25M	1000X
Angels		\$250K (25%)	\$250K (12%)	\$3.75M	15X
VCs			\$3M (50%)	\$15M	5X
Market Cap	\$0	\$1M	\$6M	\$30M	

Conclusion: Start-Up Valuations = \$1 million +/-

## The Angel Network (VANTEC)

Under auspices of the VEF... (started Apr'99)  
(check: [www.vef.org](http://www.vef.org) for details)

How it Works:

- it is a network (no formal organization!)
- monthly meetings: 3 short presentations
- no hard and fast rules (no application process)
- dovetails nicely with VCs, Incubators, etc...

## How to Run an Angel Net?

- Start with 4-5 "known" angels
- Avoid too many non-angels at meetings
- Use the "sponsorship" model – angels must coach & screen presenting companies
- Informal, simple, & fun
- Website – for entrepreneurs and for angels (confidential) - demo

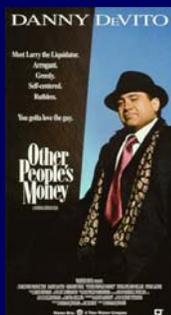
## Making it work

- Sharing information (due diligence)
- Co-investing & syndication – spread the risk
- Know-how & lessons learned –  
The Terms Sheet, Valuations, Deal Structure (see [wutif.ca](http://wutif.ca) for some samples)  
Reporting and Governance

## Angels & Angel Funds

### THE DILEMMA:

- Own Money – easy!
- O.P.M. – not easy!



### Fund Structures?

## Angels: Where on Earth are they?

Sorry! There's no "list"

Get a friend...

a mentor  
a coach  
an advocate

(this is the "key" to the angel network)



Find them at various industry functions, newspaper stories, referrals, etc etc

## Angel's BS Bingo:

Domain Expertise	ProActive Management	Unique Proposition	Low Burn Rate	Best of Breed
Enabling Technology	Empowered Team	Ground Floor Opportunity	First To Market	Platform Technology
Market Driven	World Class Products	<u>PROFITS</u>	Competitive Advantage	Renowned Board
Proprietary Technology (no competitors)	Revolutionary Business Model	IP Portfolio	Favorable Valuation	Liquidity Event (Exit Strategy)
Revenue Traction	NASDAQ IPO	Mezzanine Round	Defensible Strategy	Visionary

## So why do deals get funded?

Because the people behind them are:

- credible (domain knowledge, esp. market)
- realistic (show how they can achieve goals)
- aware of what they don't know (use experts)
- not alone (had a team)
- in control (leadership, contingencies)

But mainly because:

- they are liked! (it's really a courtship!)

## Contact Info

Mike's One-Stop: (presentations, etc)  
[www.mikevolker.com](http://www.mikevolker.com)



ANGELS & ANGEL FUNDS:

WUTIF Capital (VCC) Inc: [www.wutif.ca](http://www.wutif.ca)  
Angel Networks: [www.vef.org/angels/index.html](http://www.vef.org/angels/index.html)

TECH LINKS:

[www.hitechbc.com](http://www.hitechbc.com)



*Where Capital and Opportunity Meet*