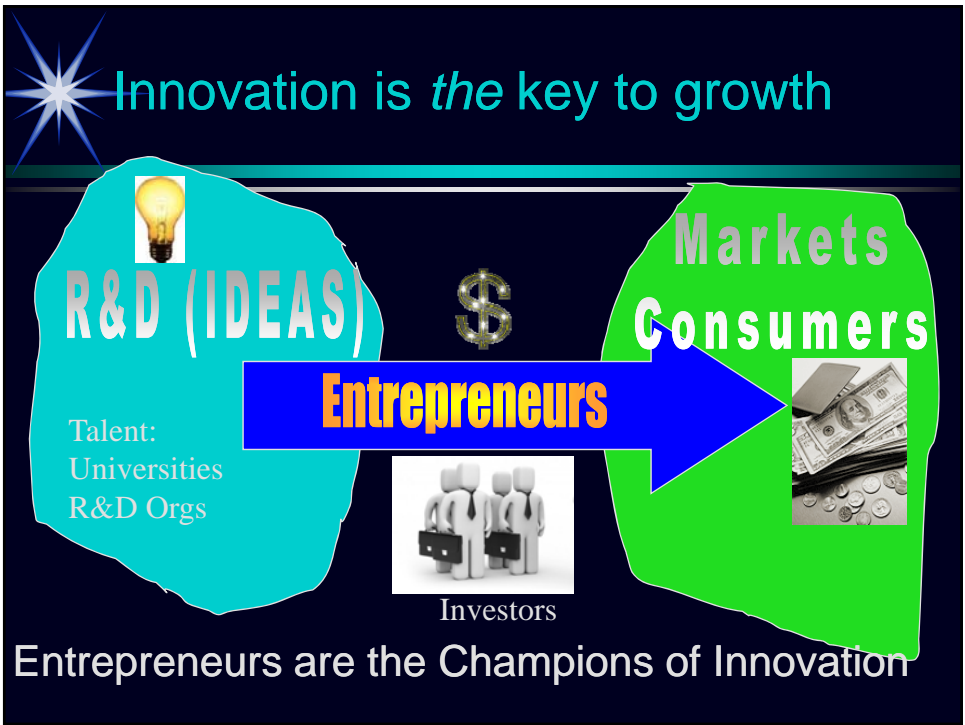





Money, Money – That’s What I Want
(Early Stage Financing)
 4 Oct 2012




Mike Volker
 Innovation Office
 Simon Fraser University





A Great time to start a Company

- Prime at 3%, low inflation, GDP: 2-3%
- Lower taxes (small bus. rate, cap gains exempt)
- Low R&D costs (SRED Credits)
- Great Infrastructure (see www.hitechbc.com)
- Special incentives: SBVCA - VCC program
- Make a list of all un-invented things!
- Americans will buy anything!



The Good News

Observation over 35 years:

- “good” companies *will* always get funded
- startups are getting better each year
- more private capital available
- less VC money available

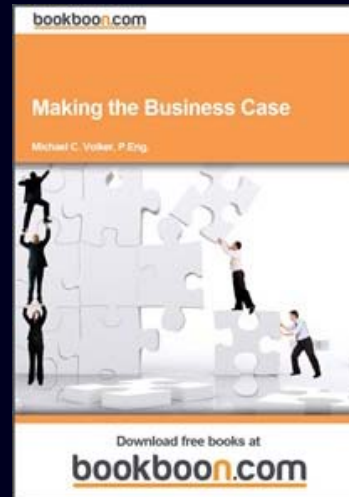


But First – What's the Business Case?

- What are you selling?
- Who will buy it? (and why?)
- How will you make money?
- What do you need to proceed?

- SEE FREE DOWNLOAD:

- www.mikevolker.com



The Elevator Pitch

It's easy! Just fill in the blanks:

We, (Company) _____, are (doing?) _____ for
(who?) _____ who need (address what
pain?) _____ that unlike (existing
solutions) _____ will (do what?) _____ unlike
_____ (competitors).

Example:

*We, Ace Corp, are making a personal GPS tracker for
parents who need to know where their children are that
unlike cell phones and other devices will, via a web browser,
provide real-time location, speed, and path information.*



The Investor Pitch

It's easy! Just fill in the blanks:

We, (Company) _____, require (\$\$) _____ for
(what) _____ in return for ___% of the Company. Our
plan is to be acquired by (name some): _____ in
____(year) for \$ _____ million to give you an IRR of ___%.

Example:

*We, Ace Corp, require \$500K mainly for production tooling
& hiring sales staff in return for 30% common shares. Our
plan is to be acquired by Polycom for \$15M in 2017. This
will give you a 5X return in 5 years (ie IRR=38%).*



SOURCES (Life is a Rainbow)

(refer to: hitechbc.com - "Money Links")

➤ GOLD

“free” money - grants, handouts

e.g. SR&ED, IRAP, IC, WD, Suppliers, Customers

➤ GREEN

“patient, growth” capital

e.g. Love Money, Angels, VC's, Public

➤ RED

“debt” capital

e.g. Banks, Debentures, Leases, credit cards



Leverage Your Resources...

Financial Strategy:

Use Equity Capital for Sales & Operations
(salaries and non-asset expenses)

Leverage your R&D Dollars
(mainly technical salaries)

Use debt for Asset financing
(don't buy it if you can finance/lease it)



Innovation Incentives (B.C.)

- SRED tax credits: up to 68% - Good as Cash!
- NRC-IRAP, ICE Fund, STDC, NSERC I2I, etc
- 30% VCC Tax Credit (Combine with RRSPs)
- Example: Fusion Energy Ventures (VCC) Inc





What's An Angel?



ANGEL: a term borrowed from Broadway
(successful “stars” helping “starlets”)

Key characteristics of Angels:

1. Been there, done that (entrepreneur, CEO)
2. Invests Own Capital, \$25K-\$1M+ (no agents, no OPM)
3. Millionaire (excl. home) legal term: “Accredited Investor”
4. FAST!
5. Minority, 1% of population



What about the other 99%?

That's why

CROWDFUNDING is such a **HOT TOPIC**





The Law (BC Securities Comm)

It is **ILLEGAL** to sell shares to anyone unless...

- they are close friends/family
- they are accredited (angels)
- they will invest at least \$150K
- you go public with a “Prospectus”
- you use an “Offering Memorandum”



only permitted in a few Provinces
this is very close to permitting crowdfunding
(equity crowdfunding is still illegal)



But, Gambling is OK



But, you can't gamble on a less risky new venture!
FACT: 3 of 4 ventures fail, so why bet on them?
(when you can get one in a million? haha)

Non-Equity Crowdfunding is OK


KICKSTARTER What is Kickstarter? [Discover](#) great projects [Start](#) your project [HELP](#) [SIGN UP](#) [LOG IN](#)

Pebble: E-Paper Watch for iPhone and Android


by Pebble Technology

Home Updates **20** Backers **68,929** Comments **8,393** Palo Alto, CA Product Design

Funded! This project successfully raised its funding goal on May 18.




68,929 backers
\$10,266,845 pledged of \$100,000 goal
0 seconds to go

Project by  Pebble Technology

What about Venture Capital?

- * Much less capital available – reserved mainly for later stage
- * Emergence of Super Angels (e.g. megamillionaires)
- * Formation of StartUp Funds
 eg GreenAngel (TSX-V)
 WUTIF
 E-Fund
- * It's not for you
 (not yet, anyway)



I thought you said "Venture" capital.

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What Angels Want

(or...how to stand out from the crowd)

- Fun
- Interesting Opportunity
- A willing protégé
- To use their resources & connections
- Attractive Return:
10X to >>100X
- 3 I's: Intensity, Integrity, Immediacy (in the person)
- 3 G's: Goodness, Greatness, Greed (in the company)
- An "EXIT" – a way to cash in and get out!



The Angel Network (VANTEC.ca)

Check it out:

www.vantec.ca





Invitation



Need start-up space?
Need a mentor?
Need some seed capital?

Contact us at time@sfu.ca.

SFU

SIMON FRASER UNIVERSITY
ENGAGING THE WORLD



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