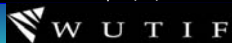


Attracting and Accessing Startup Capital

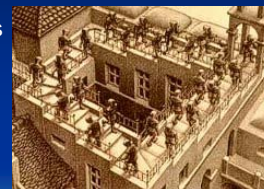
4 Feb 2006
Mike Volker

Western Universities Technology Innovation Fund
WUTIF Capital (VCC) Inc.



The Paradox

- More and more Ideas
 - More and more \$\$\$
- But no investments!
WHY?



National Angel Organization™

NATIONAL SUMMIT CONFERENCE Oct 2005

- Angel Investing is becoming an industry (Incentives Lobby)
- Angels and private investors provide more capital than VCs
- Only Angels invest in startups
- Lots of capital; more pooling; but lower valuations

The Alternatives

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

Go to www.vaf.org for MONEY LINKS:

SOURCE	LINK	MONEY LINKS	COMMENTS
EQUITY Capital	http://www.3invest.com		Website for the UK
ANGEL 1st and other Investors (VAPERS)	http://www.vaf.org/moneylinks		As per our report, see the link to our website
ANGEL FORUM	http://www.angelforum.org		A general forum for angels
BDC Venture Capital	http://www.bdc.ca/entrepreneur/entrepreneur.html		BDC is a government and BDC is a first investment fund
European Capital Partners	http://www.ecp.com/finance/finance.html		Set in 1999, ECP
Partnership Capital Corp	http://www.partnershipcapital.com		Investors were 10% of the company
B/C Advantage Funds (VCC) Inc	http://www.bcafund.com		Forward in 2003, venture starting in the general public
B/C Discovery Fund (VCC) Inc	http://www.bcdcfund.com		There is another B/C-based fund
Bill Morley Investments	http://www.billmorley.com		BMI wants to invest in Canada
BMO Corporation	http://www.bmo.com		BDC is forward in the industry
BMO Capital Corp (BMOCC)	http://www.bmo.com/bmo		Set in 1996, BMOCC is a fund
Canadian Venture and Technology			Journalist at all times

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!

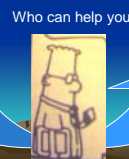
[See www.garage.com]

Where to Start?

You:



Customer



Who can help you?

Is there any help out there?

YES!

There's more \$\$\$ than deals!

[there are >50,000 BC Millionaires]

Why Angels?

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



Angel Woes



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

Angels & Angel Funds

- Own Money – easy!
- O.P.M. – not as easy!
- Pooling is a trend



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

An Offer of Investing for WXYZ	
Offering	Convertible for 10% (10-year?)
Offering	\$10,000,000 in 100,000 units, each with 10% of the Company. Each unit has a par value of \$100.00 and a 10% discount on the first \$100,000 of units purchased.
Price per Unit	\$100.00
Amount	\$10,000,000
Offering	The offering will be sold to the President of British Columbia.
Termination	Offering is subject to the terms and conditions of the Company's Prospectus and the terms and conditions of the Company's "Standard Terms Sheet".
Responsibility	The offering will include all appropriate and complete information from prospectus.
Change	Offering shall be subject to the terms and conditions of the Company's Prospectus and the terms and conditions of the Company's "Standard Terms Sheet".
Non-Default	Failure of the issuer to complete the offering, in whole or in part, shall not constitute an admission of liability on the part of the issuer.
Legal	Offering shall be subject to the terms and conditions of the Company's Prospectus and the terms and conditions of the Company's "Standard Terms Sheet".
Participation	Offering shall be subject to the terms and conditions of the Company's Prospectus and the terms and conditions of the Company's "Standard Terms Sheet".
Other	Each investor shall be subject to the terms and conditions of the Company's Prospectus and the terms and conditions of the Company's "Standard Terms Sheet".
Default	No guarantee has been made for the payment of any dividend for the Company's shares.

Goal: "Standardize" Terms

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)

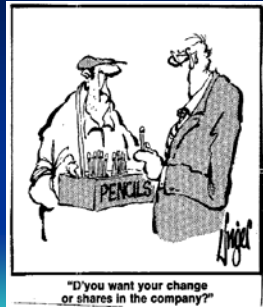


What about Scale?

The \$100 million deal?
or
The Lifestyle Business?

YOUR DECISION.

Then sell your story
to the right audience!



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%

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 +/-

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!)

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)

There is no shortage of venues!!
(they're everywhere! they're everywhere!)

The Angel Network (VANTEC)

Under auspices of the VEF... (started Apr'99)
(check: 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...

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

A Few Final Tips:

- don't make the "only 1% of market" claim (it's the kiss of death!)
- don't compromise by saying what you think investors want to hear
- don't be given to hyperbole; confident humility can go a long way
- show leadership!! (the reasons for failure always point to lack of leadership)
- never procrastinate!

Conclusion

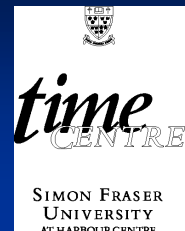
- Get a mentor!
- Get a customer!
- Have fun!



It's about "TIME"

- Technology
- Innovation
- Management
- Entrepreneurship

Resources:
Space, Mentors, Capital,
Patent help, Services, etc



Contact Info

Mike's One-Stop:

www.mikevolker.com

ANGELS & ANGEL FUNDS:

WUTIF Capital (VCC) Inc: www.wutif.ca

Angel Networks: www.vef.org/angels/index.html

TECH LINKS:

www.hitechbc.com

