

FEATURE Venture capital could be easier to get this year – unless you're a "liar, a quitter or a jerk"

Tapping angels

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WESTERN INVESTOR

Ever since the B.C. government opened up its small-business venture capital program to eligible business corporations nine years ago, the project has been a magnet for startups.

These include Richmond-based **Emergent Waste Solutions**, which is looking to its new status in the program to spur investment.

"The eligible business corporation is probably our best tool for attracting the money to get in the door," said Emergent CEO **Kevin Hull**.

Emergent holds Canadian rights to a pyrolysis technology that uses heat to convert carbon-based waste such as rubber tires, wood chips, livestock effluent and recycled plastic into valuable byproducts such as activated carbon used in water filters.

The government recently added \$3 million to its \$30 million tax-credit program for 2012, 2013 and 2014 under the **Ministry of Jobs, Tourism and Innovation**.

Tax credits

Angel investors in an eligible business can receive a 30 per cent tax credit up to \$60,000 a year. So if they invest \$200,000, the amount they're risking is reduced to \$140,000.

The extra \$3 million allows for up to \$10 million more equity capital for businesses that qualify.

"If you look at all of the work that has gone on since the program was introduced back in 2003, about half-a-billion dollars has been

raised by small business," said Jobs Minister **Pat Bell**. "Well over 500 businesses out there are utilizing the program."

Companies applying must be less than two years old, have fewer than 100 employees and devote more than half

of their work to a qualifying activity: clean technology, interactive digital media, export manufacturing, destination tourism, regional community diversification or development of

Angels can receive up to \$60,000 a year in B.C. tax credits

proprietary technology.

Hull called the phone number on the ministry website and got portfolio manager **Rick Manifold**.

"Rick was unbelievable," Hull said. "I don't think I've ever seen a better example of client service anywhere."

Emergent's application was approved in five days, by October 17. If only attracting investors were as easy and swift.

"Therein lies the challenge," said Hull, who



Photo: B.C. Government

B.C. Jobs Minister Pat Bell: "Well over 500 businesses out there are utilizing the program."

describes a "classic catch-22" – Emergent has the technology and needs money to build a plant, but investors want to see a plant before buying in.

Emergent was not eligible for the other stream in the program, which is to become a venture capital corporation. One of the newest is **GreenAngel Technology Ventures (VCC) Corp.**, a clean-tech angel fund managed by Vancouver's **GreenAngel Energy Corp.**

"I think the program has been incredibly effective," said GreenAngel CEO **Bob de Wit**. "It has been very important to early-stage companies that are looking for capital because it gives investors a much greater motivation to get involved."

He said that because the investments can be held in an RRSP, the cost of a \$10,000 investment for someone in the highest tax bracket is reduced to about \$2,700.

De Wit thinks the government can go further with tax credits.

Instead of \$33 million, he said, "Why not have it be \$103 million, or no limit at all? New ventures create jobs. The money gets back into the economy quickly."

The province, however, is taking a more go-slow approach.

Bell said that he and Finance Minister **Kevin Falcon** lean toward significant expansion but needed to be fiscally responsible in this period of restraint.

Todd Tessier, executive director of the ministry's competitiveness and innovation division, said 807 eligible business corporations have been registered and \$152,398,696 in tax credits have been issued since 2003.

In 2011, the program issued \$25.2 million of the \$27 million available to the businesses, and \$1.8 million went to retail-based, prospectus-registered venture funds. ♦

Angels' first warning: "Don't fake it"

Angel investing is a personal business. In that angels invest in people, their ideas and their ambitions. If someone vouches for you, that's a great start.

What angels try to avoid are liars, quitters and jerks. So don't be one of those. If you don't know the answer to a question, say so. Don't fake it.

Quitters are losers. So tenacity, ambition and passion will serve you well – demonstrating this to an investor will serve you well. How? When they ask you for information, give it to them promptly; never make them wait.

Finally, don't be a jerk. A little humility can go a long way. Know what you don't know. Be coachable and amenable. Take full responsibility for everything. As far as making your pitch, make sure you can make the "business case."

Simply put: what are you selling, to whom, why will they buy it, how will you make a profit and what will the investors get in return for taking a big chance on you?

Finding angels is not that difficult. Here in Vancouver, there are numerous networking events where you can find them.

One of the best is **New Ventures BC** – this will help you in defining your business, and finding angels.

There are also two venues for meeting angels: the monthly **Vantec** meetings and the semi-annual **Angel Forum**.

Courtesy: Mike Volker, director, Simon Fraser University's Innovation Office