

ACCESSING VENTURE CAPITAL IN IDAHO



Idaho State University

Capital is Scarce

Idaho has a share of angel investors, but they're loosely organized and mainly concentrated in Boise. Companies should give themselves at least 6 months to raise money.

Here's a list of Known Idaho sources of Angel Capital:

- Sage Growth Capital (Boise)
- Alturas Capital (Boise)
- StageDotO (Boise)
- Trolley House (Boise)
- Idaho Capital Ventures (Boise)
- Woebly One Capital (Boise)
- Kiretsu Forums (Boise and Sun Valley)
- Mountain Man Ventures (North Idaho)
- Eastern Idaho Angels (East Idaho)

Traction is Important

Angels don't generally fund ideas unless it's a very small amount of money and they have a personal relationship with the CEO. **Companies need traction** of some sort, which generally means they need to have a demonstrable product and customer base.

Market Size Matters

If angels don't believe the **market is big enough** for exponential growth, it's generally difficult to get an investment. **There must be enough upside** to an early stage investment for investors to get a 10X return.

Scalability = Return

Angels typically invest in scalable models. For example, service companies are bound by time and therefore much more expensive to scale. For this reason, they tend to have lower market caps and sell for much less (if/when they exit). On the other hand, software companies can create and distribute a product to much larger markets without the time and quality control issues of service companies.

Relationships for The Win

Angels rarely invest solely based off of a good pitch.

A relationship needs to be formed and cultivated for months, or even years, before an investment occurs.

Networking is also incredibly helpful.

Exit is Essential

Companies must exit to return money to investors. Angel investors rarely use a payback /dividend model to invest. **If founders don't want to eventually "cash out" through selling the company, there is little interest from angels.** At this early of a stage, there are no "less risky" investments - so giving a lower return for less risk is not considered to be a valid way to raise investment dollars.

Don't Go Terms Crazy

Companies often come in with terms and subscription documents that have been drafted by a local or national law firm. **Founders in Idaho are advised to pull the standard seed series terms from the BAA website.** These terms are widely accepted as the standard for early stage capital - most angels will suggest, or force founders to use these terms anyway. It may make more sense to save the time and money to just use them first. They are very fair for this early of a stage. Later rounds may require more sophisticated terms, but not angel rounds.

Investment Expectations

1. C-Corp (not LLC or SCorp)
2. Board of Directors
3. Quarterly Reports
4. Decent valuation
5. Preferred stock (non-participating)

To engage services, please call Ann Swanson, Southeast Idaho SBDC Director at (208) 282-4402 or email swanann@isu.edu.



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