

APPALACHIAN REGIONAL COMMISSION



Appalachian Angel Capital Fund Formation RFP Webinar

**Hosted by
Appalachian Regional Commission**

**Technical Assistance by
RAIN Source Capital**

Agenda

ARC

**Background
Capital Policy Initiative
Angel Networks in Appalachia**

Angel Investing

**RAIN Source Capital
The Environment
Angel Fund Formation—the Work Plan**

RFP

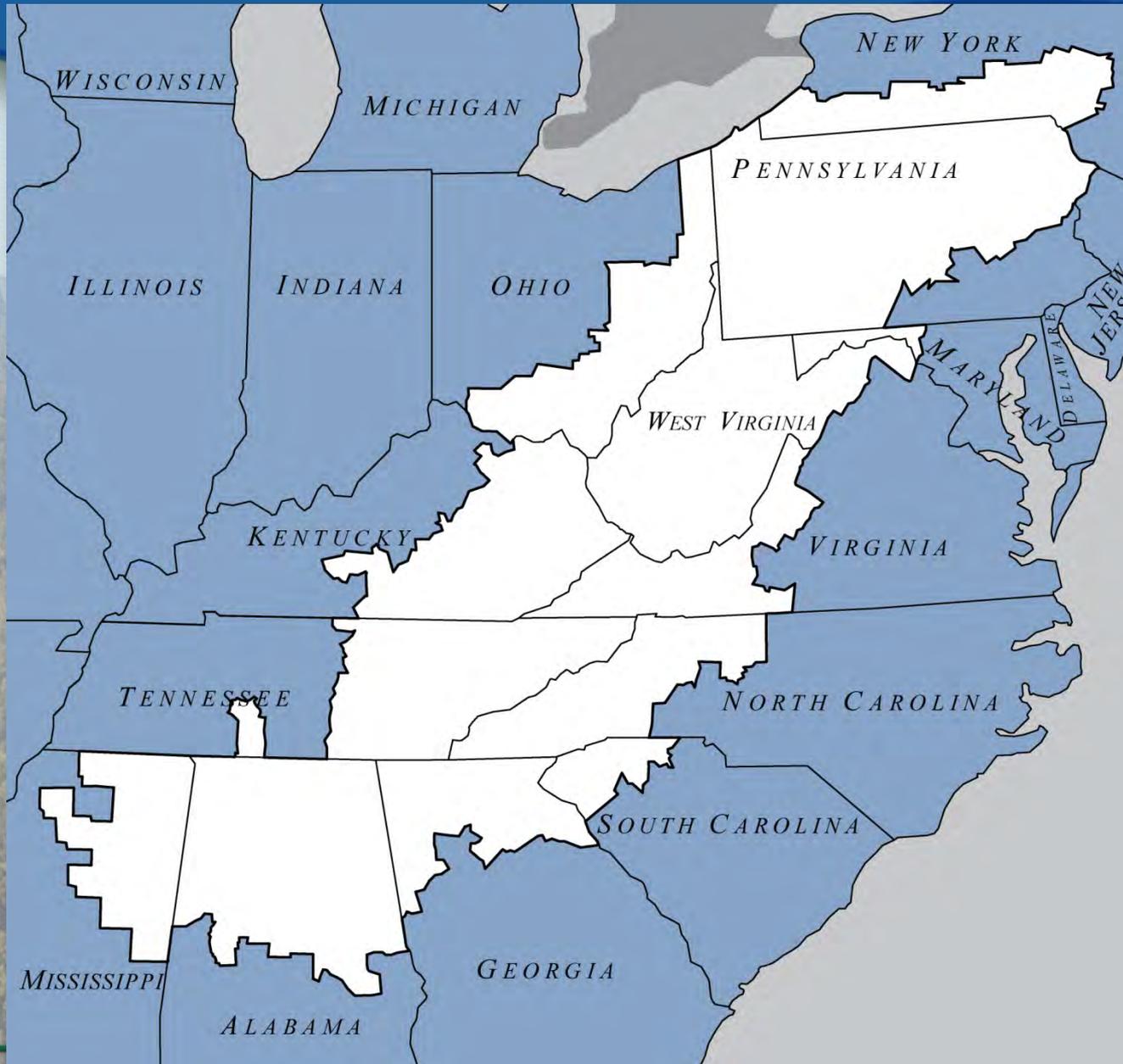
**Application
Selection Criteria**

ARC's Mission

*ARC's mission is to be a strategic partner and advocate
for sustainable community
and economic development in Appalachia.*

*Our goal is to bring Appalachia into socioeconomic parity
with the rest of the nation.*

Appalachian Region



- **13 states**
- **420 counties**
- **205,000 sq. miles**
- **24.8 million people**
- **73 local development districts**

Building Entrepreneurial Ecosystems

- ***Asset-Based Development – key local sectors: value added agriculture, culture and heritage tourism, health care, EE construction ...***
- ***Entrepreneurial Education – for youth and adults***
- ***Technical Assistance – business incubation, entrepreneurial networks***
- ***Capital Access – debt and equity capital***

- ***Supportive Entrepreneurial Culture – informed leadership***





Capital Policy Initiative

- **To address gaps in the provision of debt and equity.**
- **In 2010 ARC convened an Appalachian Capital Policy Initiative Advisory Committee.**
- **Representatives from banks, development lenders, state government, venture funds, and federal financial regulators.**

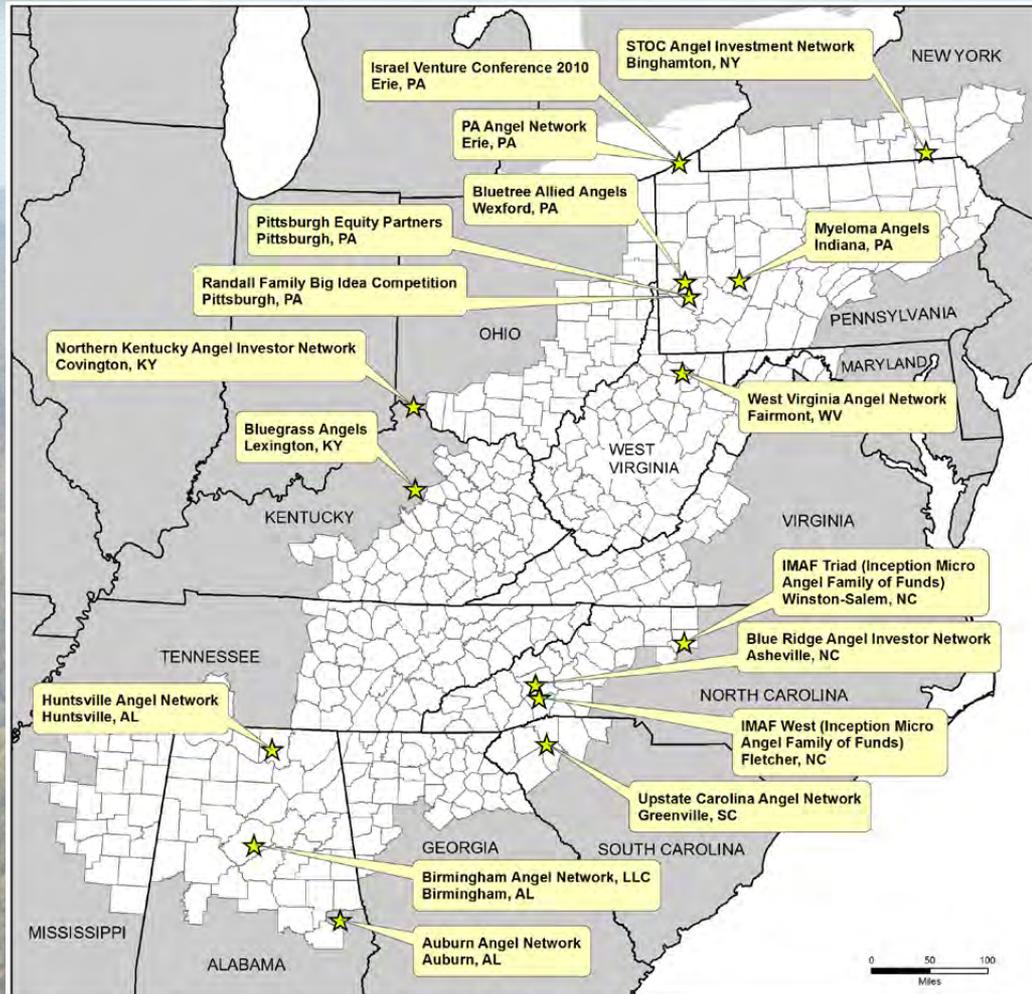


Capital Policy Initiative

Goals

- **Expand bank lending for new and growing enterprise.**
- **Attract new sources of equity investment into the Region.**
- **Build the capacity of development lenders (including CDFIs) to expand into underserved communities.**
- **Increase the volume and quality of deal flow by strengthening the entrepreneurial ecosystem.**

Angel Funds in Appalachia



Data Sources: Angel Capital Association; National Association of Seed and Venture Funds, October 2011



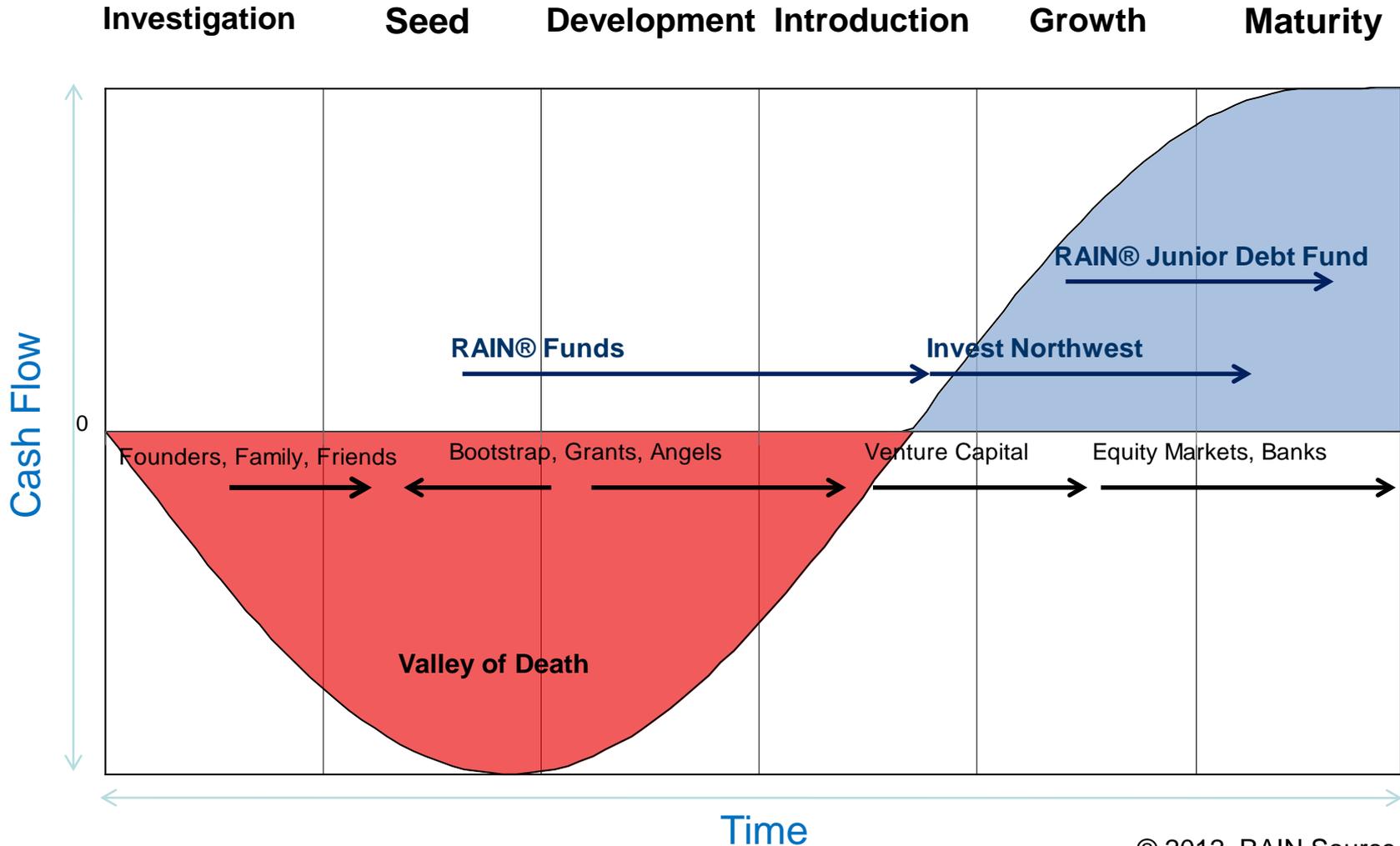
RAIN Source Capital

Our Vision

To build a national community-based system of investors, capital and expertise to grow private companies.

Capital Lifecycle

Stages





RAIN Source Capital is the leader in organizing **community-based** angel funds

24+ RAIN Funds

a growing number of Funds in Development

\$20+ million committed capital

450 Angels

83+ companies

\$250+ million invested by RAIN Funds & VC's

The Angel Environment

Who is an Angel Investor?



Accredited Investors

“Accredited Investor” standards as defined by the

U.S. Securities & Exchange Commission

<http://www.sec.gov/rules/final/2011/33-9287.pdf> and
<http://www.sec.gov/answers/accred.htm>

Individuals

a person with a net worth, or joint net worth, that exceeds \$1 million excluding the value of their primary residence

Institutions

Net Assets over \$5 million

Individual Investors (Angels)

Risk their own capital

5-15% Net worth in private businesses

Motivations - financial and psychological

Expect a return

Want to give back

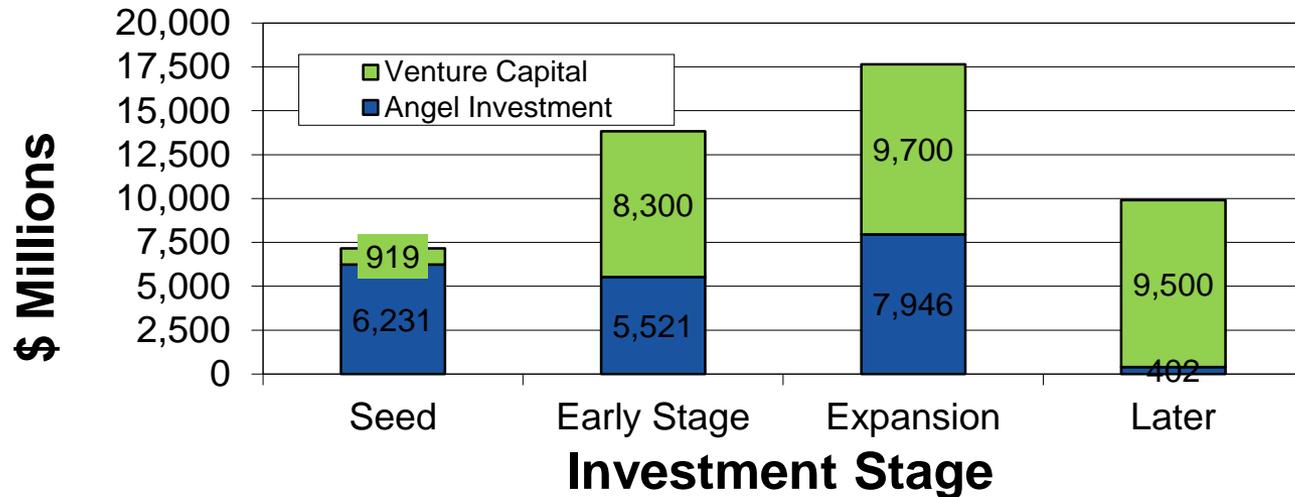
Investment size

\$25K to \$500K investment size

Community Equity Business Leaders

RAIN Source[®] Capital Early Stage Funding Profile

2011 Funding by Source & Stage



Source:
Center for
Venture
Research,
UNH; PWC
Moneytree
Report

Angel Investing 2011

- \$22.5 billion
- ~66,230 deals
- 42% seed/start-up
- 55% early & expansion stages
- ~318,480 active individuals 20% increase

Venture Capital 2011

- \$28.4 billion
- ~3,673 deals
- 32% seed/start-up
- 67% later/expansion capital
- ~794 Firms (not all active)

Networks & Alliances

Organization Structure

Informal annual membership

Member managed or Contracted Support

Investments Decisions

Individual

Leverages group support

Sustainability

Pledged annual fee

Pledged Annual Investment Commitment

Angel Funds

Organization Structure

- Formal membership- usually LLC
- Member managed or Contracted Support

Investments Decisions

- Majority of Members
- Leverages group support

Sustainability

- Annual fee
- Investment Subscription



RAIN Angel Fund National Network

Proprietary System for Organizing and Managing
Local Angel Funds

Funds

Member Managed LLC
Community based
Group decisions

Side by Side Investments

By members and others
Leverages fund work

RAIN & Angel Networks

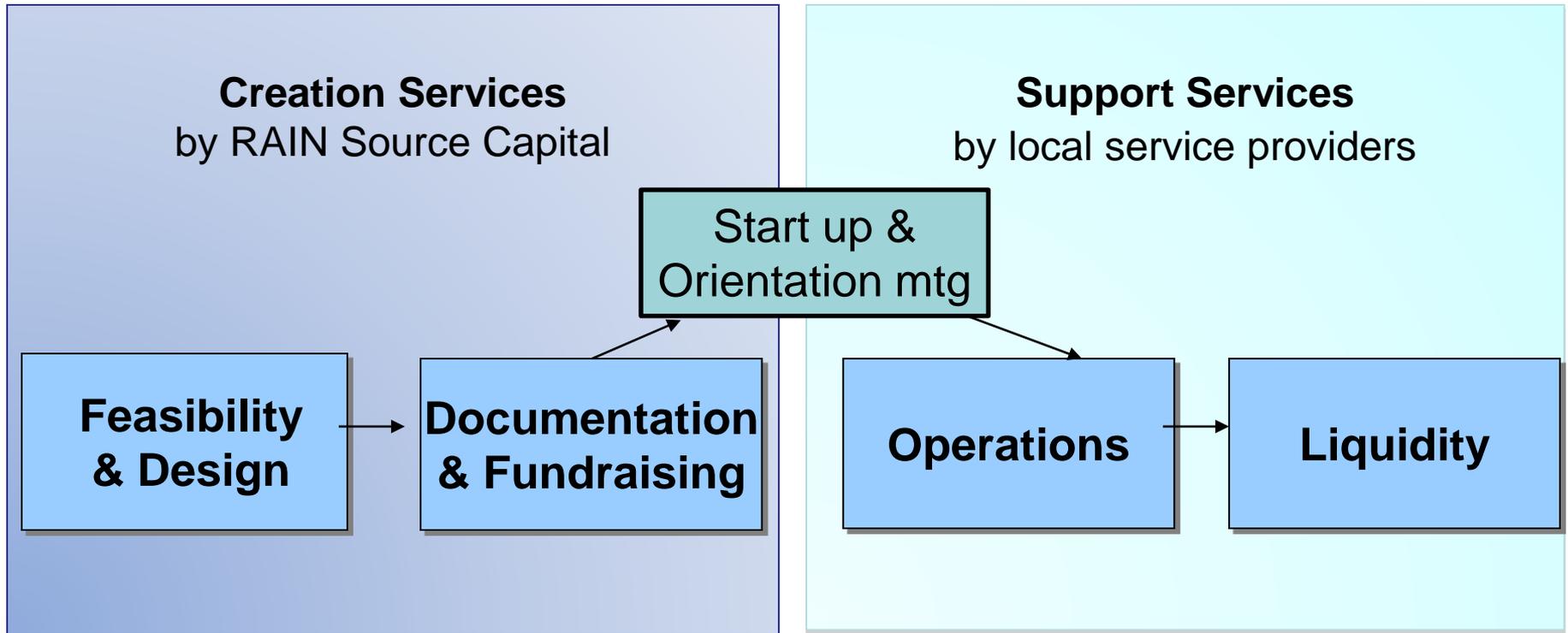
Leverage capital
Leverage expertise
Provide diversification
Co-investment
Syndication
Complete Financing



Creating and Servicing Angel Fund

The “Work Plan”

Stages of a Fund





Creation—the Workplan

Phase I – Feasibility and Design

Phase II – Documentation and Fundraising

Phase III – Initial Start-up and Orientation of Fund

Phase I: Feasibility & Design

Activities

Identify and Convene Angel Investors

Identify Angel Leadership Group (the Founding Group)

Lead Founding Group through design and feasibility process

Test Feasibility by obtaining initial commitments

Deliverable

Design Document with initial commitments



Phase II: Capitalization & Fundraising

Activities

- Prepare PPM and finalize with founding group
- Coordinate legal review (s) and security filings
- Support fundraising events
- Close on minimum capitalization

Deliverable

- Private Placement Memorandum
- Supporting legal documents and presentation
- Participate in fundraising events and activities



Phase III: First Organizational Meeting

Activities

- Lead “First Organizational Meeting”

- Repay start-up support to ARC

- Election of officers, acceptance of Member Control Agreement
formation of committees

- Approval of local service provider agreement(s)

- Orientation of members

Outcome

- Fund is “open for business”



Fund Support Services provided by local service provider

**Relieve the administrative burden to enable
members to focus on the investment process**

Investment process services

Organizational support services

Record keeping and bookkeeping services

Member support services

Appalachian Angel Capital Fund RFP

Angel Investment Fund RFP

Open Date: April 23, 2012
Proposal Due Date: June 15, 2012
Announcement Date: July 13, 2012

Two types of awards are available:

- **Technical assistance - RAIN Source Capital. Up to four applicants will be selected for this support.**
- **Direct grant support for formation of a new angel fund. Up to \$30,000. *(To successfully apply for direct grant support, the applicant must demonstrate a track record of forming and managing angel investment funds.)***



Angel Investment Fund RFP

The proposal submission should not exceed five pages.

- **Briefly describe the lead applicant's organization.**
- **Define the opportunity and the need for local, angel capital.**
- **Demonstrate the ability of the applicant and partners to convene angel investors.**
- **Demonstrate the ability to convene and collaborate with local resources to support the angel fund activities.**

Proposal Evaluation

- **The completeness of the required information and the likelihood of success.**
- **Need for angel capital resources.**
- **The ability to convene investors.**
- **Ability to convene partner resources.**

Questions and Discussion

+ Please submit your questions via the chat box

Resources available

Information from this webinar will be sent to you via email from RAIN Source Capital

Angel Investment Fund RFP is posted on the ARC's entrepreneurship website

<http://www.arc.gov/entrepreneurship>

Ongoing support

- + Follow up Group Q & A session**
- + Friday, June 1st 1:30-2:30 EDT**
- + Meeting Invitations will be sent to all webinar attendees**

- + Tonia Weber of RAIN Source Capital**
- + 612.305.2086**
- + tweber@rainsourcecapital.com**
- + Please note ARC RFP in the subject line**

APPALACHIAN REGIONAL COMMISSION

