

Angel Investment: An Opportunity for Montana Entrepreneurs

Model Training Proposal "Starting and Growing High Impact Montana Businesses"

State Workforce Investment Board
September 23, 2010

Project mission

To assist entrepreneurs who have the intent and skill sets necessary to create jobs – the Project's definition of a scalable business.

Background

Unemployment in America is hovering around 10%. Montana's unemployment rate is hovering around 7% with additional discouraged and underemployed workers.

A 2010 report from the *Kauffman Foundation* documented that not only do a vast majority of net new jobs come from small business but that these jobs come from businesses less than five years old. There is a direct correlation between new jobs and new ventures.

Montana's 31,544 small employers and 83,999 non-employers make significant contributions to the state's economy, and they bring innovative products and services to the marketplace.

They are an important source of employment and opportunity throughout the state.

- Montana's real gross state product increased by 1.8% and private-sector employment had a negligible

decrease in 2008. By comparison, real GDP growth in the United States was 0.7% and private-sector employment declined by 0.7%.

- The number of small employers in Montana was 31,544 in 2006, accounting for 97.8% of the state's employers and 69.8% of its private-sector employment.

(Source: U.S. Dept. of Commerce - Bureau of the Census.)

Can we “train” entrepreneurs to start new businesses that have a greater chance of succeeding, sustaining and growing, thus spurring new job creation?

Yes. While traditional public sector training approaches have focused on preparing businesses for debt financing (example: the SBDC's, *Fast Trac* courses), in today's world, financing often relies on more creative alternatives. For example, many entrepreneurs are financing a new business with credit cards. Given the current lending climate, access to capital (debt and credit) is more difficult than ever in a time when we need it the most to finance new ventures.

Training entrepreneurs to understand the private investor's point of view and to conceive how new businesses can more effectively raise equity will help insure business success and enhance job creation. In addition, we know that equity backed firms pay twice the average wages of traditionally debt financed firms. (National Venture Capital Association)

This Project will also serve to connect the entrepreneur with angel fund mentors and advisors, a connection that has proved to be critical on the path to successful enterprise creation.

In 2008, **angel investors** put \$25 billion dollars in 50,000 startup ventures in the United States.

Montana has begun to capitalize on angel investors through the Montana Angel initiative. Frontier Angel Fund, LLC has been in existence since 2006. Big Sky Angels of Missoula is a newly formed network. While some training has been offered concerning accessing angel funding, there are gaps in entrepreneurship for scale education and mentoring.

It's time to focus on building the entrepreneur training and development side of the equation for companies and individual who want to scale a business beyond self employment or lifestyle.

Project

The model Project will have four components:

1) The Project will underwrite the creation of a half day **Curriculum** for entrepreneurs who want to scale a business and hire employees. One organizing point of view will be the access to the capital food chain. The curriculum will be written by William Payne (see CV) with Liz Marchi in consultation with University faculty, Tech Transfer offices and other entities that are touchstones for individuals and teams looking to grow innovation and companies in Montana. The curriculum will be owned by the SWIB but the authors will be allowed to use it. The curriculum will be very intense and offered in half day seminar units. The curriculum will be branded as a SWIB initiative to support private sector job creation.

2) For the 18 month grant period, the Project will provide funding for an **Entrepreneur Coordinator** (EC) who will match

companies with mentors, meet and talk with entrepreneurs and evaluate proposals.

The EC will keep an office and be available as a statewide resource for **training, mentoring, referral and education** on entrepreneurship.

EC will be responsible for reporting to the SWIB on all project deliverables.

3) Over the 18 month grant period the EC will coordinate half day **Entrepreneurial Training Seminars** for 100 participants over the 18 month period of the grant. The Project will off-set participant costs for seminar attendance.

4) In conjunction with the Montana Angel Network, a statewide **Entrepreneurs Bootcamp** will take place that will include an opportunity for companies to pitch to investors and an opportunity for investors to critique new business ideas. Projected attendance: 25 companies.

Timeframe:

- Upon receipt of contract, work will begin immediately on **Curriculum** development. This component will be completed within 6 months of receipt of the contract .
- **Training seminars** will be scheduled upon completion of the Curriculum and will continue to be offered through the 18 month duration of contract or until 100 participants have been enrolled/served.
- **Coaching** – Will begin immediately upon receipt of contract.
- **Boot Camp** – Fall, 2011

Deliverables:

- Curriculum
- Half day training seminars to train 100 participants, utilizing the Curriculum
 - Report to the SWIB on the number of seminar participants
 - Report to the SWIB on the number of seminar participants who present to an accredited/certified Angel Fund w/in one year of attendance
- Entrepreneurs Boot Camp
 - Report to the SWIB on the number of seminar/Boot Camp participants who have a successful business start-up within one year of attendance

Budget

Proposed cost over 18 months:

- Curriculum creation \$ 15,000
- Entrepreneur Coordinator/Coach \$ 25,000

- Underwrite Training Seminars \$ 10,000

- Entrepreneurs Boot Camp \$ 5,000

TOTAL \$ 55,000

In-Kind

Leveraged resources through Frontier Angel Fund, LLC, Big Sky Angels, MADE (Montana Academy of Distinguished Entrepreneurs) and the Pacific NW Angel Capital Group