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August 2008

Upcoming Membership Meeting:

Tuesday, August 19, 2008

3:00p.m. – 5:30p.m.

**Guests are invited to attend VVA membership meetings

Upcoming Networking Opportunities:

Thursday, August 14:

Henderson Chamber State of the Chamber banquet

6:00p.m.

www.hendersonchamber.com

Tuesday, August 19:

Henderson Chamber Networking Breakfast

7:00a.m.

www.hendersonchamber.com

Wednesday, August 20:

TBAN August Luncheon

11:45a.m.- 1:20p.m.

www.tban.us

Thursday, August 21:

Vegas Young Professionals Mixer

5-8:00p.m.

www.lvchamber.com

Wednesday, August 27:

LV Chamber New Member Breakfast

7-9:00a.m.

www.lvchamber.com

Thursday, August 28:

Directions 2008

North Las Vegas Economic Outlook

10:30a.m – 2:00p.m.

www.northlasvegaschamber.com

CHAIRMAN'S CORNER

The "Dog Days of August" are upon us and we can finally see an end to the triple digit temperatures! For this edition of the VVA Newsletter, I thought I would share some interesting facts regarding Angel investing.

- Angel investors are high-net-worth individuals---often self made, cashed out entrepreneurs. They have the capital, business experience and typically, aren't ready to retire.
- The average angel investor is 49 years old with a post graduate degree and management experience in an entrepreneurial venture. Angel groups are also seeing an increase in young investors and female investors.
- Angel investors look for companies with strong growth potential, proven management teams, and sufficient information about related markets so their value can be assessed.
- Angel investors expect high returns for their higher risk investments. They also receive "psychic income" from their investments and enjoy being involved.
- The initial angel groups were clustered on the coasts, but that is changing rapidly as more accredited investors throughout the country get involved.
- Angel investing helps fuel the economy and creates new jobs. It's the largest source of capital for early stage entrepreneurs.
- Amazon.com is one of the most well known companies to start with angel investment funding.

The August VVA meeting will feature two presenting companies based in Southern Nevada: Mortgage Trainers of America and Dignity Lift Corporation. You can get background information for both of these presenting companies by visiting our AngelSoft web site to view their Business Plans and other documents.

I look forward to seeing you at our general meeting on Tuesday, August 19th at 3 PM.

Stay cool!

Joe Schillaci
Chairman, Vegas Valley Angels



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The Concept and Potential Benefits of the "Sidecar Fund"

By Mark Brennan, Vegas Valley Angels

A sidecar fund is simply the formal vessel that holds and acts as a committed source of capital that invests alongside an angel group's investments. In essence, it is an angel-centric venture capital fund.

Sidecar funds invest in the very same deals in which angel groups invest. The analogy drawn between a "motorcycle and its sidecar" is indeed appropriate: the angel group is the main engine or driver behind the investment decision and the sidecar fund goes along for the ride as it is attached to the angel group much like a motorcycle's sidecar is physically attached to the motorcycle itself and, hence, goes where the motorcycle goes. It is that simple – in concept, at least.

Where things begin to get a bit more complex is in the actual day-to-day management of a sidecar fund. There are indeed a whole host of significant structural and managerial issues that must be considered and many decisions that must be made to first form, and then successfully manage a sidecar fund. However, let's leave those specific operational details for a future discussion and briefly highlight several of the benefits that might accrue to the VVA if our group were to form a VVA sidecar fund.

1. Avenue for the members of VVA to gain immediate diversification within an asset class.
2. A potentially stable and predictable way to raise more capital to fund VVA deals.
3. May allow the VVA to gain additional leverage with an entrepreneur.
4. May make it easier for members of VVA to manage their investments in subsequent rounds of financing for any particular opportunity.
5. It may allow the VVA to expand its network of investors beyond the VVA general membership.

There are certainly more benefits to consider than those above, but in the interest of space, I will only discuss these five.

First, as we all know, when investing in this asset class (seed & early stage private companies) it is vitally important to have a diversified portfolio to not only mitigate risk, but also to increase the probability of success of the particular portfolio. Money invested through a sidecar fund can be invested pro-rata amongst all the companies in the fund's portfolio thereby providing immediate diversification and increasing one's exposure to opportunities that one might not have otherwise invested in.

Second, a sidecar fund might provide a stable and predictable way to raise funds for VVA deals. Not only would angels be encouraged to invest directly in deals that met their personal "screen", but they could also invest in a particular deal as either a supplement or substitute to their direct investment if no deal met their "screen". This can provide angels additional exposure to the asset class through VVA. Also, while some of us have the time available to become actively involved in monitoring and assisting VVA's portfolio companies, some of us do not have the time, the skills, or the motivation to do so regularly and a more passive approach to investing in this



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asset class may be appropriate. Having the opportunity to participate in a sidecar fund would allow a more passive approach when that is merited for personal or professional reasons.

Third, additional funds available via a sidecar fund may prove beneficial to the VVA by providing the group with additional leverage when negotiating with an entrepreneur about various deal terms. For example, being able to invest additional sums in a specific round of investment may allow the VVA to command a better valuation or more beneficial terms than not being able to commit to a specific sum. Additionally, a sidecar fund may allow the group to control a certain deal as opposed to syndicating that same deal due to the lack of ability to fully fund it within our group alone.

Fourth, a sidecar fund may provide our members with the benefit of being better able to manage their investments in subsequent rounds. For instance, by being able to participate in a sidecar fund and gain instant diversification and exposure to all of the VVA's deals, I might then be able to make larger direct investments or perhaps follow-on direct investments in a specific opportunity that I really believe in without feeling insecure about "having all my private equity eggs in one basket." Alternatively, if I've invested quite heavily in a couple of opportunities and don't have the excess cash to take positions in enough deals to create a diversified portfolio for myself, I might consider investing some of that excess cash into the sidecar fund to gain exposure to a deal that I might not otherwise be able to tackle in a meaningful way.

Fifth, we all know accredited investors who, for whatever reason, may not have an interest in becoming a "card carrying VVA member," but who may be very interested in investing in VVA sponsored deals. Allowing them to invest in the sidecar fund would increase the VVA's exposure and influence in the community and provide for a larger investment pool so that our group can attract deals that might otherwise elude us. Additionally, with a greater reach into the area's accredited investor community we may be able to uncover opportunities that we would not otherwise know exist – and have an opportunity to fund them.

So, there you have it – a brief overview of what a sidecar fund is and how it might benefit the Vegas Valley Angels. Of course, I've simply attempted to paint the picture of the landscape from "30,000 feet." The devil's in the details as they say, but at least we have some common ground upon which to base a future sidecar fund dialogue. Happy investing!



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Giftventure Deal Update

Jim Shaw, Vegas Valley Angels

There have been several developments regarding Giftventure over the past few weeks. Here is a list of recent developments regarding this interesting opportunity:

- The Parent Company: (Nasdaq: KIDS) deal signed. Initial product includes a customized Giftventure for their My Twin Doll product line which will be included in their physical catalog mailing scheduled for August 24. Giftventure is also involved with site integration which is the next step.
- Terms agreed for a deal with a company called Porchlight that has a property called Animalia (<http://pbskids.org/animalia/index.html>) with a PBS show and a new children's book coming out by Penguin Press. Currently mutually approaching Penguin Press to see if they would do a special promotion around a Giftventure, as they have the deepest pockets and established distribution.
- Nickelodeon: Great initial meeting about creating Giftventure products around several of their principle product lines: SpongeBob, Dora the Explorer, Diego, and Neopets. They are waiting to hear back from them on their proposal.
- They have had good initial discussion with PBSKIDS (Separate from Porchlight) about doing branded Giftventure products around their characters (e.g. Hoover the Hamster). PBSKIDS is to get back to us with next steps.
- Giftventure is approaching other book publishers separately from the Porchlight deal (Simon & Schuster and Harper Press) to see if they would be interested in bundling new kids books with Giftventure as well. They are waiting for initial meetings.
- Giftventure has just launched two new "back-to-school" products, designed to motivate kids to return back to school. School supplies are the recommended hiding gift. The child's teacher's name, school name and favorite subject are included.
- Giftventure is undertaking a number of guerilla marketing activities to get the word out, including approaching Parent Teacher Associations across the US and getting seasonal media. "back-to-school" has presented us a number of unique channels that aren't available for other occasions.

Financing Developments

- Checks have been received from Allen Anes and Jim Doyle.
- AngelSoft Open Deals resulted in three new investor candidates. One investor in MO made a verbal commitment of \$25-50K.
- 13 people on interested list from TechCoast Angels. TechCoast Angels meeting in San Diego scheduled for August 14 for final meeting to drive their half other investment. That meeting might be delayed based on Frank Peters decision over the next few days. He is assessing whether September might be preferable over August to try to close based on the current state of their organization.
- The founder's preference would be to close our initial \$500K as soon as possible and bring in the second \$500K over time from the later groups.



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New Member Spotlight

Clarke Walton

The Vegas Valley Angels would like to welcome Clarke Walton as their newest member. Clarke is an Internet attorney and web entrepreneur who has bought and sold more than 20 web sites in diverse industries, including publishing and professional services.

Clarke's expertise in intellectual property rights, Internet law, search engine optimization, and technical marketing will bring significant assets to the VVA.

Clarke is a graduate of Pepperdine University, William Boyd School of Law at UNLV and is married to Amber Candelaria, who is also an attorney specializing in family law. Clarke is an avid traveler, sports enthusiast and music lover.