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# VEGAS VALLEY ANGELS advisor

OCTOBER 2009

## Upcoming General Membership Meeting:

**Tuesday, October 20<sup>th</sup> 2009**  
4:00 p.m. – 6:00 p.m.

**St Rose Executive Suites  
2831 St. Rose Pkwy Suite 200  
Henderson, NV 89052**

For directions:

[Hwww.strosesuites.com](http://www.strosesuites.com)

\*\*Who's Invited? Members,  
spouses and friends are who might  
who be interested in joining the VVA

## CHAIRMAN'S CORNER

Happy fall. Man how time flies when you're having fun! I guess we can call this year fun, though I am not sure what would qualify 2009 as a fun year for an investor. Anyway, we made it so far through a tough year with only one failed portfolio company (SmartConnect) and several that are indeed doing well. At our meeting on October 20<sup>th</sup> later this month, we hope to report a bit of progress and good news. In case you are wondering, Joe Schillaci has relinquished his role as Chairman but remains an active member of our board. We are pleased that Joe has come through a very difficult medical year and can continue to participate with the VVA. I will try and fill his role until we get going again next year.

At a recent meeting, the board discussed the issues that we are all confronted with as investors and tried to address what we should do about VVA going forward. We believe that the VVA is a viable concept for future activities in early stage investing. We believe that we should maintain some traction, looking toward a time when the economy has started to grow again and when we will feel more comfortable in investing in high risk-high return ventures. As a result we have set a near-term strategy that can be summarized as follows:

- Maintain our organization in a semi-active mode through 2010
- Accelerate our activities in 2010 a little over the 2009 schedule
- Be prepared to regain momentum in late 2010 or 2011

In order to meet this strategy, we have set the following terms and conditions:

- Retain a low membership fee of \$100 per member for 2010
- Hold four quarterly meetings in 2010 with topics to include portfolio companies, possible new opportunities from other Angel groups, continued social interaction for members and/or selected educational topics
- Encourage the addition of new members in order to prepare ourselves for increased activities in late 2010 or 2011
- For the time being, maintain the same board of directors

As a board, we are confident that in time, Angel investing will get better and that the Las Vegas valley will be a good place to invest. For this reason we encourage all of you to retain your participation and renew your membership for 2010.

I'm looking forward to seeing all of you on October 20<sup>th</sup> from 4 to 6 PM at the St. Rose Executive Suites in Henderson. Remember, spouses and guests who might be interested in joining VVA are welcome.

Warm regards,

Bill Bott  
Chairman



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## **Early Exits –Bill Payne**

*Financing Your Startup Business Series*

### **Bootstrapping Your Startup Business**

Don't raise money from outside sources for your startup venture unless you absolutely must! Raising money takes lots of time. Use your time to get your company up and running. And, by avoiding raising money, you will not be required to sell equity (some ownership) in your new venture or go into debt which must be paid back at some future date. Make do with your own resources, keeping 100% of the equity in your new company, for as long as possible.

For entrepreneurs, bootstrapping means extending your resources (usually cash) until the cash from the sales (revenues) of your company generate earnings and cash necessary to support both your family and the company.

But, all new ventures require startup capital (cash) to fund the business until a product or service can be sold. To whom should entrepreneurs look for the cash required to develop prototypes - while supporting their families - until the business can generate revenues? Entrepreneurs need to look to themselves first. Only when personal resources are exhausted should entrepreneurs look elsewhere. Why?

- Lenders are virtually non-existent for new businesses (unless the entrepreneur has collateral for bank loans)
- Investors (even friends and family), who purchase equity in new ventures, are looking for entrepreneurs with commitment to the success of the new business. Commitment includes using your personal resources to start your venture before seeking capital from others.
- Most importantly, bootstrapping your company until important milestones can be achieved increases the likelihood that sophisticated investors will eventually fund the company, if and when capital above and beyond your personal resources is required. By waiting as long as possible to raise capital from investors and achieving significant milestones in the business, entrepreneurs create value in their businesses and then choosing to sell less equity to raise cash, when funding raising becomes absolutely necessary. Meeting milestones shows personal commitment to the business, demonstrates the viability of the company and increases the valuation of the company when raising money, and allows the entrepreneur to maximize personal ownership in the company.

What might be important milestones to investors? Depending on the nature of your company, here might be a few examples: completing a working prototype of your products; agreements with sales agents or distributors; contract with suppliers; beta testing or purchase agreements with customers; testimonials from customers who



have purchased and used your product; filling out your management team; and recruiting an experienced advisory board or Board of Directors.

Bootstrapping can take many forms, but can be divided into personal or business sources of cash and/or reduction in expenses, as is shown in the chart below:

<b>BOOTSTRAPING YOUR BUSINESS</b>			
<b>ACTION</b>		<b>Source of cash</b>	<b>Reduced use of cash</b>
<b>Personal</b>	Keep day job	<b>x</b>	
	Working spouse	<b>x</b>	
	Delay/minimal salary to self and others		<b>x</b>
	Use personal car/computer/equipment		<b>x</b>
	Mortgage residence	<b>x</b>	
	Using savings	<b>x</b>	
	Maximize credit cards	<b>x</b>	
	Sell personal assets	<b>x</b>	
<b>Business</b>	One partner keeps day job	<b>x</b>	
	Consulting while starting company	<b>x</b>	
	Negotiated delay in vendor payment		<b>x</b>
	Negotiated delay in landlord payment		<b>x</b>
	Advances from customers	<b>x</b>	
	Advances from partners	<b>x</b>	
	Selling other products <sup>1</sup>	<b>x</b>	
	Early commercialization <sup>2</sup>	<b>x</b>	
<small>1 As a sales representative or distributor for another company            2Quickly developing and selling products to generate revenues for the company.            Need not be the “killer application” or a product with all bells and whistles.</small>			



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Sometimes a useful bootstrapping tactic is to offer non-cash incentives to employees and suppliers. Options (or warrants) to purchase stock in the company can be offered to employees, vendors (including landlords), customers and partners. Additionally, permanent or temporary exclusive relationships instead of full cash payments might be of interest to vendors or motivate customers and partners to become early adopters of your products.

### Raising Money is Expensive

Why not simply raise money from angels or VCs, instead of bootstrapping your new venture? Equity investment is the most expensive source of capital for starting companies. Why? Debt (if available) may cost 5 to 20% annually. For highly successful companies, equity costs over 100% per year. Don't raise the funds needed to start your company from equity sources unless you absolutely must do so! And there are additional reasons to bootstrap, rather than raise money now:

- Fundraising takes much more time than most entrepreneurs anticipate. The time dedicated to raising money could be more effectively used to develop and commercialize your first product. Generate revenues (and profits) early – by bootstrapping the company.
- Raising money too early, before meeting substantial milestones for success, decreases the valuation at which money can be raised thereby increasing the percentage of ownership new investors will require to complete the transaction. Bootstrap the company – keep 100% ownership.
- Bootstrapping is a time-proven method for extending the funds available to start a company until the cash generated from earnings is available to fund the growth of the business. Bootstrapping can also be used to describe the extension, for as long as possible, the expenditure of invested capital in early stage ventures.

This is the first in a series of monthly articles on Financing Your Startup Business written by Bill Payne for the Flathead Business Journal.



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## Portfolio Updates

### ***Wag Hotels, Inc.***

*October 2009*

Wag Hotels, Inc., “*The Ultimate Stay and Play Resort*”, is a private company engaged in the development and operation of branded, high-quality pet resorts - primarily long-term boarding facilities for dogs and cats and, beginning this October, all day play satellites - called “Wag All Day”. The Company’s primary goal is to provide the best experience for each of its customer’s pet(s) during his or her stay – while giving peace of mind that their pet is safe, healthy and happy. The Company fulfills this promise with its industry-leading, innovative approach, called WAG 360, to meeting the individual needs of each of its guests with the highest quality of care.

2009 results to-date have exceeded expectations as various initiatives have largely overcome the negative impact to boarding volume of a major slowdown in leisure and business travel.

- New marketing initiatives launched beginning in late April have resulted in improving boarding trends and increase acceptance of all day play services.
- A zealous focus on all day play services, for boarders and nonboarders, has resulted in: (1) a significant expansion of the nonboarders all day play business at both locations and (2) , and brought the conversion rate of boarders to all day play up to 40%.
- Major cost containment efforts have resulted in significant cuts in overhead at the hotels and corporate.

Given its recent results and having recently completed an operating and financial restructure that better positions the Company for growth, the Company now seeks additional capital for its new expansion strategy – which involves clustering Wag All Day satellites around its existing, full-service boarding facilities. Thus, capital permitting, Management intends to focus on: growing its two existing hotels and leveraging its knowledge, brand and corporate group to open additional centers and markets. In addition to the pending opening of its first Wag All Day satellite, in Roseville, California (approximately 30 miles northeast from its West Sacramento full-service hotel), Management already has identified numerous attractive locations to open additional centers in its existing Northern California cluster:



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## ***Impact Sports Technologies, Inc.***

*October 2009*

Impact Sports Technologies, Inc. was incorporated in October 2004 with the goal of bringing innovative technology to the sports and fitness markets. Impact Sports was self funded initially and the capital structure included a strong element of employee ownership either through founder's stock or stock options. An A Series of investment of \$400,000 was obtained from the Vegas Valley Angels in early 2005 with a pre money valuation of \$1.5 million. The company focused heavily on keeping costs under control by obtaining "sweat equity" from its consultants and employees for ownership in the company. At that time Impact Sports had developed a prototype hand based heart rate monitor that distinguished itself from existing products on the market by not requiring a chest belt to capture and display an accurate continuous heart rate. Impact Sports subsequently went to market with the Power Glove in April 2006 and sold 2000 units before discontinuing this product in favor of a revolutionary armband heart rate monitor, the ePulse, which was launched in August 2008. ePulse product development and launch was funded through Vegas Valley Angels by a Series B round of \$1.2 million at a pre money valuation of \$3.2 million. Sales of ePulse will exceed 7,000 by the end of the year and will generate nearly \$500,000 in revenue. The product is principally being marketed through on-line retailers and is a best seller on Amazon. A second generation product, xPulse, will be on the market in spring 2010 and will be targeted for major distribution in brick and mortar stores as well as online. In addition to retail activities, Impact Sports is finalizing a significant three year license deal with a major video gaming company

## ***GiftVenture, Inc.***

*October 2009*

Giftventure continues to execute on it's partner strategy. The content partners are progressing extremely well. Yesterday, at a press event in NYC, the company made the following joint announcement with Nickelodeon:

<http://pitch.pe/27630>

During the week of 10/5, the company will make announcements with Cartoon Network and Wild Brain.

On the distribution front, the partnerships are moving more slowly. Our contacts are at the right level. We met with the CEO of Toys"R"Us yesterday who expressed embarrassment at his organization's inability to move quickly and vowed to "speed up their process." Amazon.com is ready to go once their legal finalizes approval.

We have a new "on pak" strategy in which a manufacturer of a toy good would put a "Wrap this Gift in Adventure" sticker on the outside of the packaging of a toy. The purchaser would call us or go to our web site to order a Giftventure. This opens up many more distribution opportunities in the retail world. We have agreement to do a trial with a company that will put our "on pak" offer on a toy that will be sold into Walmart stores starting this December.



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## ***HemoTherapeutics, Inc.***

*October 2009*

The HemoTherapy Center of Nevada opened in early 2009 and has performed 30 therapeutic procedures for patients with congestive heart failure. In addition to our contract with UnitedHealth Care, we are in discussions with HealthCare Partners of Nevada (Humana), the St. Rose Dominican Hospital System and the Valley Health System. We are currently raising new capital to “restart” our Las Vegas operation and eventually expand to other markets. The overall medical marketplace is increasingly embracing technologies like ours that reduces hospitalizations, lengths of stay, readmissions and emergency room visits. Other than salaries, most of the proceeds of the new capital will be used for physician, nursing and public education/marketing.

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