

# **INVESTORS & ENTREPRENEURS, ALASKA STYLE**

CHAPTER 1: The Alaska Investor Community – this chapter introduces you to the organized resources in Alaska for small business investment. Discussed here are mostly groups and individuals that are interested in and focused upon very small business, and including especially start-ups. If you'd like to get involved as a cheerleader for Alaska business, check out Chapter 1 and contact one of our Network officers for more information. A larger or more mature company will likely find Chapter 3 to be of greater interest and relevance.

CHAPTER 2: For the Entrepreneur – How to Start; Where to Go – you are a small business struggling with all the problems every startup encounters, OR you need a helping hand either with business guidance, direction or funding. Go directly to Chapter 2, and circle back to Chapter 1 when your primary issue becomes money and funding.

CHAPTER 3: The Next Level – larger businesses or those in need of greater funding (mezzanine level funding) or those looking for strategic partners (buy-out or operating agreements) will want to consider the resources in Chapter 3.

Chapter 4: Stay Tuned... - This monograph is intended to be an open-source document, in other words this paper is not protected by copyright (and it should never be “finished”). So, feel free to edit, supplement or use this paper as you see fit. We (the Alaska Investor Network) merely ask that you return to us a copy of your edit/supplement – send to any of the following Network officers: Gary Klopfer, president - [gjkloper@msn.com](mailto:gjkloper@msn.com); Alex Worthen, vice president - [Alex@ATWRentals.com](mailto:Alex@ATWRentals.com); John Kuest, treasurer – [john.kuest@smartsapling.com](mailto:john.kuest@smartsapling.com); or Allan Johnston, asst. treasurer – [allanjohnston@yahoo.com](mailto:allanjohnston@yahoo.com); OR Principal Editor: Randy Moore, secretary – [randy.moore.ak@gmail.com](mailto:randy.moore.ak@gmail.com)

# Chapter 1

## The Alaska Investor Community

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This paper is the product of the Alaska Investor Network and is intended to provide information for all those persons and entities that might contribute to a more well-developed startup Alaska eco-system (the combination of entrepreneurs, mentors, and angels/investors/capital resources and the opportunities that operators and business interests might exploit to advance commerce in and throughout Alaska); therefore the intended audience includes accountants, attorneys, bankers, brokers, entrepreneurs, financial planners or business consultants, business schools, governmental entities engaged in assisting or promoting commerce in Alaska, native or village corporations – in short, anyone interested in Alaska commerce. The **Alaska Investor Network** (the “Network”) formerly was known as The 49<sup>th</sup> State Angel Investor Network. The Network<sup>1</sup> is a informal, unincorporated association of like-minded individuals – all

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<sup>1</sup> **Founding members** of the Alaska Investor Network, formerly known as The 49<sup>th</sup> State Angel Investor Network, include: Scott Bell, Jon Bittner, Kathryn E. Dodge, Ian Dutton, Bradley A. Feld, Patrick P. Flynn, Carol B. Howarth, Katherine Jernstrom, Lynn C. Johnson, Allan R. Johnston, Jennifer B. Johnston, Lauchlin M. Johnston, Jamie Kenworthy, Gary J. Klopfer, L. John Kuest, Lucinda Mahoney, Eric McCallum, Randy Moore, Rick Nerland, James A. Palmer, John Pursley, Gabrielle Rubenstein, Fred Stutzer, Mead Treadwell, Daken Vanderburg and Alex Worthen

accredited investors<sup>2</sup> who seek to be a clearinghouse for connecting investors, entrepreneurs and operators in Alaska.

## THE ORGANIZED INVESTOR COMMUNITY IN ALASKA

⇒ The **49<sup>th</sup> State Angel Fund**: (“49SAF” hereafter) was launched in 2012 with a funding allocation of \$13.2 million from the U.S. Treasury, distributed to the Municipality of Anchorage in three equal tranches as 80% of each previous tranche was obligated. The \$13.2 million allocation produced an investment fund of approximately \$12.7 million (the difference earmarked for management and administration). 49SAF’s mission is to provide a source of capital to Anchorage entrepreneurs that will spur economic development, create jobs and encourage entrepreneurship and the creation of a mature network of accredited angel and venture capital investors.

49SAF capital is deployed primarily<sup>3</sup> in partnership with four privately managed partner-funds (each partner fund discussed in greater detail below): 1) Alaska Accelerator Fund (focused on early-stage, seed entities and seeking to accelerate growth and development of startups); 2) 49<sup>th</sup> Fund (focused on post-revenue, high-growth entities); 3) Anchorage Opportunity Fund (focused on

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<sup>2</sup> Accredited Investor = A natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million at the relevant time of measurement, excluding the value of the primary residence of such person; OR a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year. There are other “pathways” to accredited investor status; the foregoing are the most common for individuals.

<sup>3</sup> 49<sup>th</sup> State Angel Fund has made one “direct” investment; all other capital deployment has been/we be made in partnership with privately managed funds utilizing private, matching capital.

increasing financial capacity of proven firms seeking to expand operations; and 4) Anchorage Equity Partners (focused on firms with a minimum of one-full year of revenue needing a capital-raise in excess of \$1 million). Of the \$12.7 million earmarked for investment, approximately \$9.9 million has been committed, leaving not quite \$3 million available for future investment.

Returns of capital and returns on invested capital eventually is intended to create an ever-green fund that will continue to support and capital economic development in Anchorage. Ordinances and policies that will define and structure such an evergreen fund are still in the development stage at this date (November 2016).

49<sup>th</sup> State Angel Fund Website: [www.49saf.com](http://www.49saf.com)

49SAF CONTACTS: Municipality of Anchorage, Mayor's Office: Ethan Berkowitz, Mayor; Susanne Fleek-Green, Chief of Staff; Robert Harris, CFO; **Chris Richardson\*\*** ([RichardsonC@muni.org](mailto:RichardsonC@muni.org) or [49SAF@muni.org](mailto:49SAF@muni.org)) Cash Management & Investment Officer

Advisory Board, Chair – Bill Popp (Pres & CEO, Anchorage Economic Development Corp); Vice Chair – Rick Nerland\*\* ([ricknerland@gmail.com](mailto:ricknerland@gmail.com) • 907.529.1933); other advisory board members may be found at [www.49SAF.com](http://www.49SAF.com) .

⇒ **Partner 1)** Alaska Accelerator Fund – One of the four partner-funds through which the Muni-49<sup>th</sup> State Angel Fund (“49SAF”) deploys its capital:

Alaska Accelerator Fund, LLC<sup>4</sup> (“AAF”) is an early-stage fund that seeks to “accelerate” and add value to startups by leveraging the experience of managers, advisors and angel investors. AAF is privately managed, organized as an Alaska limited liability company, and has deployable capital of \$2.3 million (half from 49SAF and half from private equity capital provided by approximately 18 individual investors). Investments are made upon approval of the Fund managers AND a simple-majority vote of the Fund investors. AAF is technically open to new investors, but ONLY upon approval of the Fund managers and an affirmative vote of the Fund’s investors. Of the \$2.4 million of deployable capital, approximately \$1 million has been invested among the following companies:

- MMT: a manufacturing company focused on marine technology
- ANO: an Anchorage-based, indoor, year-round grower of fresh produce
- Launch:Alaska – an incubator of start-up businesses
- ia3: an industrial automation company
- CFT: a company focused on bringing to market certain patented carbon fiber technology, intended initially for use in de-icing outdoor surfaces among other applications
- Heather’s Choice: a manufacturer/distributor of pre-packaged, freeze-dried gluten-free meals targeting the outdoor enthusiast community
- Aquilo: a company focused on drone services and industrial/government data accumulation and data management

Alaska Accelerator Fund Website: [www.akacceleratorfund.com](http://www.akacceleratorfund.com)

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<sup>4</sup> AAF – 601 W. 5<sup>th</sup> Ave. Floor 2, Anchorage AK 907.351.3439

Alaska Accelerator Fund Contacts: Fund Managers – Forrest Nabors\*\*  
([fnabors@alyeskavm.com](mailto:fnabors@alyeskavm.com)); Ky Holland\*\* ([kholland@alyeskavm.com](mailto:kholland@alyeskavm.com));  
Katherine Jernstrom\*\* ([kjernstrom@alyeskavm.com](mailto:kjernstrom@alyeskavm.com)); or Lori Davey\*\*  
([ldavey@alyeskavm.com](mailto:ldavey@alyeskavm.com))

The Fund Managers operate via Alyeska Venture Management, LLC (AVM”).

⇒ **Partner 2) 49<sup>th</sup> Fund** – One of the four partner-funds through which the 49SAF deploys its capital: 49<sup>th</sup> Fund, LLC<sup>5</sup> has a post-revenue focus. However, the Fund will consider start-ups, or any other company that at the time of investment can demonstrate:

- A complete management team
- A financial plan showing sufficient capital in place or expected to get to a positive cash-flow position, and
- A clearly identified market for the product or service together with a reasonable plan to access that market.

This Fund is a privately managed fund, organized as an Alaska limited liability company, and has deployable capital on-hand of \$4.5 million. Of that amount one-half is provided by 49SAF and half comes from private equity capital provided by 9 individual investors. Investments are made exclusively upon the determination of the Fund managers (any Fund member has the opportunity to enter the ranks of Fund manager). The Fund will close to new investors at December 31, 2016. The Fund will permit side-car investment into companies in

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<sup>5</sup> 49Fund - 4550 E. 135<sup>th</sup>, Anchorage AK 99516

which it invests by either existing Fund investors or outsiders. 49<sup>th</sup> Fund has deployed (\$200,000) into the following company:

- Taste Beverage Studios, a 3D gaming company

49<sup>th</sup> Fund WebSite:                    [www.49thFund.com](http://www.49thFund.com)

49<sup>th</sup> Fund CONTACTS:                Fund managers – Jamie Kenworthy\*\* -

[jamiiek@49thfund.com](mailto:jamiiek@49thfund.com), 907-360-5661; Carol Howarth -

[carolH@49thfund.com](mailto:carolH@49thfund.com), 907-632-7777; Judith Bassoul,

[judithB@49thfund.com](mailto:judithB@49thfund.com), 214-507-8223

⇒ **Partner 3)** Anchorage Opportunity Fund: One of the four partner-funds through which the 49SAF deploys its capital: Anchorage Opportunity Fund<sup>6</sup> (“AOF”) seeks to increase financial capacity at proven firms seeking to expand operations. Target portfolio companies are more mature, with a preference for five years or more of operating history. AOF is privately managed, organized as an Alaska limited liability company, and has deployable capital of \$4 million – one-half from 49SAF and the other half from private equity capital provided primarily by the managers and by four other individual and institutional investors. Investments are made upon approval of the Fund managers. AOF is closed to new investors. Of the \$4 million of deployable capital, approximately \$725,000 has been invested among the following companies:

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<sup>6</sup> AOF – 813 D Street, Anchorage AK 99501 907.279.8001

- Alaska Scrap & Recycling, a company focused on metal recycling
- Fatback Bicycles, manufacturer, distributor and retailer of fat-tire bicycles
- ANO: an Anchorage-based, indoor, year-round grower of fresh produce (mentioned above under the AAF section)

Anchorage Opportunity Fund Website: none

Anchorage Opportunity Fund CONTACTS: Jimmy Miner\*\*

([jminer@jlproperties.com](mailto:jminer@jlproperties.com)) 907.279.8010; Mark Kroloff\*\*

([mkroloff@firstalaskan.com](mailto:mkroloff@firstalaskan.com))(907.279-8001)

⇒ **Partner 4)** Anchorage Equity Partners: One of the four partner-funds through which the Muni-49SAF deploys its capital: Anchorage Equity Partners<sup>7</sup> (“AEP”) can invest in a wide variety of projects or companies. Preferred portfolio companies are those with at least one full year of revenue history, or firms in need of capital raises in excess of \$1 million, but the scope of investments can be much broader depending upon circumstances. AEP is privately managed, organized as an Alaska limited liability company, and has deployable capital of up to \$10 million, made up of \$4.5 million provided by the 49SAF and up to \$5.5 million in private capital. The Fund is open-ended, so it can be expanded above \$10 million, should the managing partners see appropriate interest. As projects

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<sup>7</sup> AEP – 4300 B Street, Suite 105, Anchorage AK 99503



are funded and matched by the 49SAF, investors on each project share in the returns on a project specific basis. Investors are thus allowed to invest in projects they prefer, and aren't required to participate in projects in which they have no interest, nor will they have a stake in profits and loss on projects in which they've chosen not to invest. As a result, AEP is not a "blind pool" for investors; each investor makes a determination on a project-by-project basis.

As well, AEP can make investments in projects that do not qualify for 49SAF matching funds. Accordingly these projects would be funded entirely by private capital. Where ONLY private capital is in play, AEP can act as a clearing house for accredited investors, a funding source for constituent companies and a source of management services and assistance with business structure or other services, as needed. In other words, AEP represents a private-equity solution that has enormous flexibility as to both structure and funding for the benefit of investors and constituent companies.

AEP currently is in the final stages of closing on six projects which have either been submitted or are nearly to the point of submission to 49SAF for compliance review. Additionally, two more projects seem to hold promising potential for inclusion in a 49SAF-AEP partnership. The eight projects have an estimated investment value of \$8 million (\$4 MM from AEP and \$4 MM match by 49SAF). The eight projects under consideration by AEP are at a sufficiently sensitive stage that each target and its business cannot be identified (as of November 2016), but should be "public knowledge" during the 2016 calendar year.

If a balance remains in 49SAF and available to be distributed to partner funds such as AEP, AEP would make application, as AEP sees demand for capital.

Anchorage Equity Partners Website: none. However, see Venture North Group at: [www.venturenorthgroup.com](http://www.venturenorthgroup.com)

Anchorage Equity Partners CONTACTS:

Neil Gunn\*\* ([ngunn@venturenorthgroup.com](mailto:ngunn@venturenorthgroup.com)) (907.748.6051);

Paul Wiltse\*\* ([pwiltse@venturenorthgroup.com](mailto:pwiltse@venturenorthgroup.com)) (907.351.6343)

⇒ Launch:Alaska (L:A) – is one of the projects into which the AAF invested. L:A<sup>8</sup> is a startup accelerator that takes early-stage companies on a 90-day program providing office space, experiential-education, a mentor network, an investment of \$25,000 (in exchange for 6% equity-stake) to advance the company's business. It *launched* in the Spring of 2016 with a total fund capitalized in the amount of \$125,000. This capital was awarded, \$25,000 each, to five startup companies in exchange for equity of the company. The capital was raised among three corporate/enterprise investors in units of \$31,250/ea and the balance coming from six individual investors. A host of volunteers from among the Anchorage business and government community invested countless hundreds of hours mentoring the five-companies over a 90-day on-site acceleration program. At the conclusion of the program four of the five companies that successfully completed the acceleration made presentations to a Demo Day event

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<sup>8</sup> L:A – c/o The Boardroom, 601 W 5<sup>th</sup> Ave., 2<sup>nd</sup> Floor, Anchorage, AK 99501, 907.351.3439 (Isaac Vanderburg, Executive Director)

attended by hundreds of investor/business/government attendees. The first flight of companies to successfully complete the acceleration program were:

- Aquilo: (described above under the AAF section)
- Eidin Engineering: produced a “security puck” that detects movement and alerts the owner of a tangible asset (e.g. a snow machine) or a location (doors, windows in a home or business) where movement occurred
- Heather’s Choice: (also described above under AAF section)
- Kwema: a producer of “smart jewelry” that contains a panic-button so that users can call for help from a community and from their social network in the event of assault or other emergency

L:A is the recipient of a major federal grant that will assure its continuation for at least the next three years. It plans a more aggressive suite of early-stage companies for its second accelerator program to be conducted during 2017.

Launch:Alaska Website: [www.launchalaska.com](http://www.launchalaska.com)

Launch:Alaska Contact: Katherine Jernstrom  
([kjernstrom@alyeskavm.com](mailto:kjernstrom@alyeskavm.com)) 268.8106

⇒ Seattle Angel Fund: The Seattle Angel Fund<sup>9</sup> (“SAF”) is a collaborative and interactive, member-directed investment fund focusing on Pacific Northwest **(including Alaska)** early-stage, growth-oriented businesses. All investments are

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<sup>9</sup> SAF – 7985 145th Ave SE Newcastle, WA 98059 206.849.7244

made by the Fund, as a single entity. On an annual basis, the Fund closes and reorganizes as Seattle Angel Fund I, Seattle Angel Fund II, etc. Each annual Fund is organized as a Washington LLC, and monies in the annual-Fund must be invested in the one-year time period; therefore, SAF has ready capital to invest. SAF welcomes Alaska investors. Seattle Angel Fund I closed its one-year investment period in May 2016, after deploying \$1.35 into six companies. At that time (May 2016) Seattle Angel Fund II opened (currently with 8 Alaska investors out of 60 members, total) and as of November 2016 has \$1.625 million in the Fund with \$0.9 million invested into four companies so far in the fund-year. Fund I invested in six (6) companies, and as Fund II approaches the end of its fund-year operating cycle Fund II will likely complete investments in six companies thus deploying its final \$250,000 of investment capital. Any funds not invested during a one-year fund-year operating cycle are returned pro-rata to investors. Company investments (I or II) include (look up each via the SAF website): Tenacity(I), Keepe(II), C-Sats(I & II), Thrive Cosmetics(I), OtoNexus(I & II), Aqueduct(I), Blu Haptics(I) & BuildPulse(II).

The Fund is professionally managed, allowing for coordination and oversight of company due diligence processes and the investors' selection of ultimate investments. The Fund provides investors the opportunity to invest as a group throughout the year of active investment. The ultimate goals for the Fund are to provide superior investment returns for member investors, as well as increase the number of active angel investors and start-ups supported financially and business-wise in the Pacific Northwest.

SAF also is committed to providing meaningful support to all portfolio companies through active engagement of members with aligned experience and skills. SAF philosophy holds that a true partnership between company and investor provides the greatest opportunity for success.

SAF members make investment decisions after conducting thorough due diligence. A company must receive at least 2/3<sup>rds</sup> member approval for investment based on review of company documentation, written reports and presentation. The Fund manager is a highly experienced venture and angel investor and author on angel investments.

Seattle Angel Fund Website: [www.seattleangelfund.net](http://www.seattleangelfund.net)

Seattle Angel Fund Contacts: Susan Preston  
([info@seattleangelfund.net](mailto:info@seattleangelfund.net)) (206.849.7244)

## **Chapter 2**

### **Resources for Entrepreneurs**

#### **(Under Construction)**

If you are an entrepreneur in Alaska and need capital for your business, connect with one or more of the entities or people listed in Chapter 1. However, if guidance is your need consider an experienced coach, mentor or government/institution focused specifically on that kind of assistance. Here are some resources and contacts.

#### **Small Business – Support, Encouragement & Development**

Alaska has a number of resources aimed at helping small business, new business and startup businesses. Here are a some of them, along with community contact information:

- **Small Business Development** (via UAA):
  - The Alaska Small Business Development Center is housed at the University of Alaska, Anchorage (UAA) Business Enterprise Institute, 1901 Bragaw Street, Anchorage; 907/786-7201. Go to <https://aksbdc.org/business-counseling/> (copy and paste, if necessary – use the “Contact Us” tab to find Small Business Development Centers in Fairbanks, Homer, Juneau, Ketchikan, Soldotna, Wasilla and a State-wide office, at the Bragaw St –

UAA location). Help is available here for, among other things, business planning, financial analysis, marketing, accounting, cash flow projections, and new business feasibility.

- Economic Development Entities
  - AEDC – Anchorage Economic Development Corp, Bill Popp, President & CEO. AEDC is a private nonprofit corporation (IRS that exists to encourage growth and diversity in the Anchorage economy with offices at 510 L Street, Suite 603, Anchorage, AK 99501, (907) 258-3700. AEDC can:
    - Advise companies on the Anchorage market and potential opportunities
    - Assist corporations in finding commercial land, buildings and office space
    - Serve as an advocate to simplify the process of working with the Municipality of Anchorage
    - Connect companies with Anchorage business and community leaders and influencers
    - Create strategic initiatives to support growth in specific industry sectors
  
- The Boardroom, 601 West 5th Ave., Floor 2, Katherine Jernstrom, CEO, (907) 351-3439. The Boardroom offers a shared-workspace environment open work areas, dedicated desks, private offices and conference and meeting facilities with all the essential office

amenities (WiFi, print/copy/scan/fax, mail, etc). See [www.theboardroomak.com](http://www.theboardroomak.com) (click or copy and paste). The Boardroom hosts the weekly meeting of 1 Million Cups.

- 1 Million Cups (meets weekly at The Boardroom): Every Wednesday morning in more than 100 different communities across the country hundreds of small businesses and startup businesses make a “pitch” to their peers, mentors, educators and advisors in the local community. After a six minute presentation, the audience engages the presenter in a 20 minute Q&A. At the end the presenter is invited to describe how the audience can advance the cause of the presenter. 1 Million Cups was started and is supported by the Ewing Marion Kauffman Foundation, 4801 Rockhill Road, Kansas City, Missouri 64110.
- Maker Space - 1406 West 33rd Street, Anchorage, 99503, - The strength of a group is in its members, so if you like to build things (or take them apart), hack hardware, write software, design electronics, work with wood, metal, fiberglass, or plastic, grow your own food, or just look up at the stars and wonder how it all works... well, says Anchorage’s Maker Space, this is the place for you.
- Startup digest/startup weekend?
- Business plan competition?
- ???



### Chapter III: Next Level Investment and Financing (Under Construction)

Mezzanine financing usually fits into the picture somewhere between angel/venture high-risk capital and traditional (bank, etc) lender financing. Mezzanine financing may consist of some form of subordinated debt or traditional equity (i.e. common or preferred stock). Generally, mezzanine financing is going to be more costly than the interest rate paid on a loan from a traditional lender. In Alaska Native and village corporations and a few private entities offer mezzanine capital.

- Native Corps
- PtCapital
- Alaska Industrial Development and Export Authority

### Commercialization of Intellectual Property ???

⇒ SeaWolf Venture Fund

⇒ Nanuk Fund