

TESTIMONY- NEBRASKA LEGISLATURE INNOVATION AND ENTREPRENEURSHIP TASK FORCE

James Linder MD

On Behalf of the Nebraska Angels Incorporated

September 2, 2010

(Personal comments, not representing his employers)

BACKGROUND AND QUALIFICATIONS

- Professor, UNMC (full or part-time) 1983-present
- Corporate Officer Cytac Corporation 1995-2007
- CEO UNeMed Corporation (Technology transfer office for UNMC 2007-present
- Board Member, Nebraska Angels 2008-present
- Angel Investor
- Co-founder, Constitution Medical Investors 2008-present

NEBRASKA ANGELS

- Founded in 2007
- 35 Members
- 260 deals screened, 6 investments (2 in due diligence)
- Does not encompass all angel investing in Nebraska



THE ROLE OF ANGEL CAPITAL

Figure 1. Sources of Capital in the Business Life-Cycle

Sources of Capital	Stage of Development					
	Research and Development	Prototype	Seed	Startup	Growth	Mature
Government and Universities (\$10,000 - \$500,000)						
Friends and Family (\$2,000 - \$300,000)						
	Angels and Angel Groups (\$10,000 - \$2,000,000)				Venture Capital (\$2,000,000 - \$12,000,000)	
					M&A / IPO (\$91.5 million / \$79.7 million, for venture deals)	
					Commercial Banks	

Estimated deal size interquartile range or average in parentheses. M&A: Mergers and Acquisitions; IPO: Initial Public Offering. Sources: Thomson Venture Economics, National Venture Capital Association, Center for Venture Research, PWC MoneyTree.

ANGEL INVESTING

- In the US 250,000 angel investors fund 30,000 companies per year (Source: SBA)
- Average angel investor is 47 years old, earns \$90,000 per year and has a net worth of \$750,000
- Seventy percent of investment are small companies, with fewer than 20 employees, within 50 miles of the investors home
- Goals- Make money, fulfill entrepreneurial interest, give back to the community
- Typical total investments \$150,000 to \$1.5M, shared among several angels

ANGEL INVESTING = HIGH RISK INVESTING

- 10 % of investments will succeed and yield a return
- 20% of investments will survive, but not provide liquidity
- 70% of businesses will fail
- Most common- IT, business services, medical device, biotechnology



IDEAL ANGEL INVESTMENT

- Product or service with strong market demand
- Excellent management (passion, experience, maturity)
- Competitive advantage
- Opportunity to grow a business worth \$30-50M, or more
- Potential for liquidity event (purchase, merger, public offering)

ACTIONS TO AID GROWTH IN NEBRASKA

1. TAX CREDITS FOR ANGEL INVESTMENTS

- At least 1/3 of states offer tax credits to angel investors- including Iowa, Kansas, Indiana, Minnesota, Wisconsin
- May range from 10% to 100% of investment
- Can be extended to the company as a credit that can be sold to investors
- Opinions differ if benefits of tax credits are justified

<http://www.angelcapitalassociation.org/public-policy/state-policy-kit/www.nga.org/Files/pdf/0802ANGELINVESTMENT.PDF>

ACTIONS TO AID GROWTH IN NEBRASKA

2. STATE GRANTS AND MATCHING FUNDS

- Make State of Nebraska funds available for loans to start-up companies that have secured investment funds, are growing but require bridge or mezzanine funding before venture rounds
- Offer matching funds to companies that have secured angel or venture funds, thus lessening the need for those funds, limiting dilution of start up companies and making Nebraska more attractive for entrepreneurs.
- Match funds received by successful SBIR grant recipients

ACTIONS TO AID GROWTH IN NEBRASKA

3. INCUBATORS AND TECHNOLOGY TRANSFER

- Develop University-based business incubators structured as public-private partnerships
- Use business incubators to draw early stage companies to Nebraska
- Partner with University technology transfer offices to facilitate the development of technologies and start-up companies

THANK YOU



Questions to: jameslinder@mac.com

A pdf of this document can be downloaded at
drjlinder.wordpress.com