



Quarterly Status Report – Through December 2011 #1

Overview:

Please allow me to thank all of our sponsors and donors. The Minnesota Angel Network is a nonprofit organization and we could not survive at this point in our development without your generous contributions.

At the Minnesota Angel Network (MNAN) our mission is to accelerate the growth of early stage companies through multi-disciplinary education and connections to investors, strategic alliances and business resources. MNAN supports credible entrepreneurs become more effective at preparing for and seeking investments, and provides investors with access to quality deal flow. MNAN is a conduit for investment and business resources to increase the number of emerging companies and jobs throughout the state of Minnesota.

MNAN provides the following services: 1. Comprehensive guidance for emerging companies from a team of advisors chosen specifically for each company, 2. Access for companies to a statewide business resource network, 3. Entry for companies seeking funding into a large multi-state accredited investor network comprised of individuals, funds and other angel networks. 4. Participation in multiple accredited investor meetings throughout the year, and 5. Advantaged access for accredited investors to companies via recognized “Minnesota Angel Network Certification”.

Stated Goals and Objectives:

In August of 2011, the Minnesota Angel Network set out to establish its virtual accelerator program **to produce Minnesota Angel Network Certified companies that meet high standards of quality and to build a robust investor resource network for MNAN Certified companies to access and gain funding.** At our grand opening, MNAN made a promise to all of Minnesota that we would be transparent and communicate our operational status often. We committed to do the following:

- I. **Make MNAN relevant for entrepreneurial companies**
- II. **Make MNAN relevant for investors**
- III. **Track all activities of MNAN process and funding of the companies involved in the MNAN process**
- IV. **Develop a sustainable system for success.**

The first four months of MNAN operations have been a whirlwind of activity focused on accomplishing our initial goals and beginning to establish specific measurable outcomes based on initial operations. MNAN has accomplished the following during its first 4 months of operations:

I. **Made MNAN relevant for entrepreneurial companies**

Great emphasis has been given to the establishment of MNAN’s Virtual Accelerator educational program. As a new entity, we needed to gain the trust of early stage companies entering MNAN, and to demonstrate the program has merit with accredited investors. The MNAN Virtual Accelerator already has a steady stream of companies taking advantage of the program. The Minnesota Angel Network is predicated on maintaining high standards in its virtual accelerator program **to produce Minnesota Angel Network Certified companies that meet and exceed investor expectations;** and MNAN continues to build a robust accredited investor resource network for MNAN Certified companies to access.



The MNAN process is working well. Each month 17 industry leader volunteers, investors, service providers and a representative from DEED, screen business plans to rate companies. Those meeting MNAN entry criteria are admitted into our program. Companies that do not meet our criteria are given suggestions for improvement and are encouraged to apply again in the future. To date we have accepted 24 companies. Within the companies that meet our criteria and have already entered our Accelerator program, we have: **MN Cup finalists, a 2011 MN Cup category winner, a 2011 Tekne Award winner, a 2011 Clean Tech Open finalist, and 2011 Fowler Award (University of St. Thomas) winning companies** as well as others with exciting new technical-based companies from varied industries. When fully funded, **these companies will represent \$32 million dollars of initial early stage investment and collectively project that they will create 290 new jobs in the State of Minnesota by the end of 2013. Our experience indicates that the job growth that will occur two years after startup will increase as the companies move towards increased levels of commercialization.**

II. Made MNAN relevant for investors

MNAN benchmarked its accredited investor program against the success of the Wisconsin Angel Network. During its first year of operations, the Wisconsin Angel Network had five Angel Funds as members. Within the first four months of MNAN's operations, MNAN has seen significant growth in investor membership. **To date MNAN has 50 individual accredited Angel Investors and 20 self identified accredited Angel Funds/Angel Networks as direct members, with an additional 48 Angel Funds from five states committed to review MNAN Certified company deals for possible syndication.**

In addition to the expanding number of accredited Angel Investors, Angel Funds and Angel Networks that are MNAN members, over 600 investors from all over the country have asked to be placed on our mailing list and are seeking to get involved as MNAN becomes more nationally recognized.

III. Tracked all activities of MNAN process and funding of the companies involved in the MNAN process

<u>Key Measurements</u>	<u>Amount</u>
Potential Jobs by yearend 2013 created if all 24 companies funded	290 jobs
Total angel funds raised if all 24 companies are fully funded	\$32 million

Companies invited to participate:	24 companies
MNAN Certified companies	6 companies
People involved giving pro-bono hours to assist companies:	155 people
Advisory hours donated to date:	740 hours

Three of the six MNAN Certified companies have received angel investment and are well on their way to full funding; a fourth has received a term sheet for full funding. Ultimate success for these MNAN certified companies will be achieved when they obtain full funding. Nationally, only one company out of 10 is successful in achieving funding, and in the current seed and angel funding environment it normally takes six months or more to do so. Although we are very encouraged by the funding success achieved by MNAN certified companies in four months, it is still too early to predict the funding success rate of MNAN companies. Most of the companies in MNAN have or will seek Minnesota Angel Tax Credit Certification.

IV. Develop sustainable system for success

The true definition of MNAN success is to have technology companies located throughout the State enter into the MNAN program and to have a vibrant angel investment community that interacts with



and ultimately funds these Minnesota companies. MNAN has implemented two additional programs to develop long term sustainable success.

The first program is the **development of regional company intake centers in Greater Minnesota. MNAN has partnered with four sites and is jointly developing an intake center at each.** We have selected the following four partners and have begun initial training: Southern Minnesota Initiative Fund, Owatonna; Kandiyohi County Economic Development and the City of Willmar; Fergus Falls Economic Development and the City of Fergus Falls; and the City of Hutchinson. Each intake site will serve as a regional beachhead for MNAN's Accelerator program and also for holding investor meetings in their respective regions. MNAN seeks to increase the number of intake centers to at least six by the end of 2012, with a goal of having statewide coverage within two years after the initial startup of MNAN.

The second program we have initiated to help MNAN achieve sustainability is the accredited investor meeting program. **MNAN has expanded its investor program beyond online connections to include in-person accredited investor meetings. During 2012, at least 34 private accredited investor meetings will be held for MNAN Certified companies to gain direct exposure to potential investors.** Angel investors have indicated to MNAN that they are interested in investing in quality companies and would like to meet with MNAN Certified companies face-to-face. MNAN has partnered with 16 professional service provider firms and our Greater Minnesota Intake Centers to host and sponsor the investor meetings. Each month, one investor meeting will occur in the Twin Cities, and two investor meetings will occur at the Greater Minnesota Intake Centers.

During January 2012, the Minnesota Angel Network, at the invitation of its partnered service providers, will have all MNAN Certified companies meet with accredited investors, angel funds, and Rain Source Capital members. Leonard Street and Deinard law firm, with multiple locations in the State, has invited MNAN Certified company entrepreneurs to meet with their key clients, who are accredited angel investors. This meeting has been over-subscribed in January and a second meeting at Leonard Street and Deinard has been scheduled. Kandiyohi County Economic Development Council and the City of Willmar; and Fergus Falls Economic Development Office have scheduled accredited investor meetings and expect over 20 angel investors including Rain Source Capital members and others to attend each of their meetings.

Summary

The Minnesota Angel Network continues to evolve into a vibrant program that is fully functional and sustainable. The MNAN Accelerator program accepts 5 to 6 quality companies per month. We expect to increase that number this year to 10 per month by year-end. MNAN Certified companies are seeing a significant increase in accredited angel investor activity driven by MNAN's newly implemented face-to-face investor meetings; for example MNAN Certified companies have presented at AngelPolleNation and obtained investment from accredited angel investors in attendance. The continued growth of our Accelerator program at our headquarters and the addition of our Greater Minnesota Intake Centers has expanded MNAN's statewide reach. We are thrilled with our progress and look forward to our continued contributions to the State of Minnesota's Entrepreneurial Ecosystem. Most of the companies involved with the Minnesota Angel Network are also approved by the State of Minnesota and qualify for the Minnesota Angel Tax Credit.

A handwritten signature in black ink, appearing to read "Todd Leonard", written over a horizontal line.

Todd Leonard, Executive Director

APPENDIX:

Location of Regional Intake Centers

