White Paper: Based on findings from 2012 Harvard Business School study

For Investors:

VA Angels provides investors access to a wide variety of quality deals. 254 companies across 13 industries from 58 cities have pitched to VA Angels over the last nine years. This assortment allows investors to reduce their risk by diversifying their investment across a number of companies and industries. Angels also have more personal control of their investment decisions, rather than delegating choices to an institutional manager. Routinely, institutional managers are strongly incentivized to grow a fund via new investment money, rather than growing the businesses the fund invests in. Not only does an angel exert more investment control, they take an active interest in their investments by mentoring, coaching or providing operational acumen.

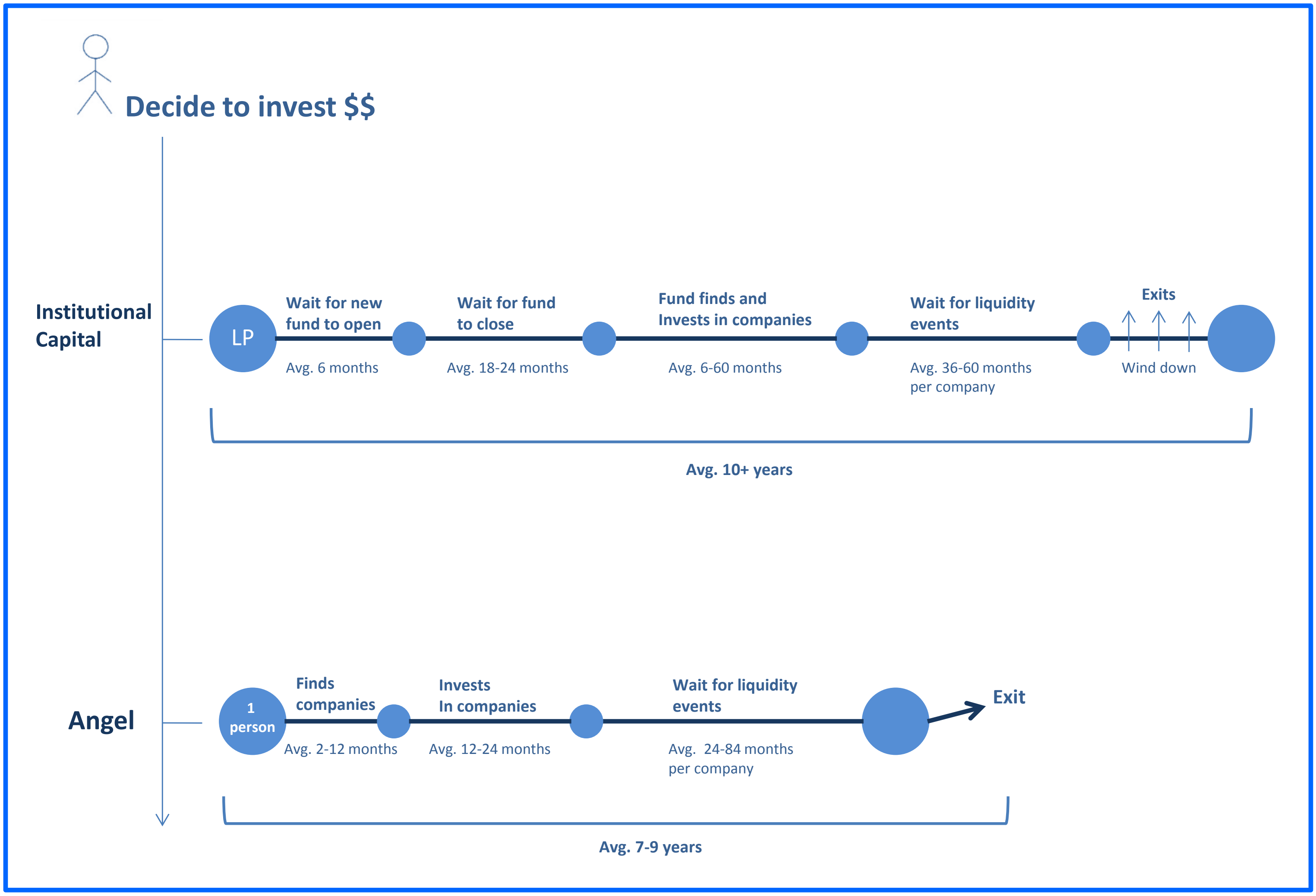
Fast Facts:

- **The 55 members of VA Angels have done 57 deals for $28.3 million in the last nine years**
- **The group is the most active in Canada**
- **Presenting entrepreneurs have a 1 in 4 chance of raising capital**
- **Of the companies who have pitched over 60% are still operational**

Another advantage often overlooked by investors is the timeline for returns. Investing in start-ups is inherently longer-term and less liquid than the public markets. Many institutional funds last ten years, fifteen years, or even longer [1]. Angel investments typically have a shorter timeframe for exit, and can see returns on some companies earlier without being tied in lockstep with the pace of an institutional fund.

Traditionally, angels followed a 100-mile rule which dictated they only invest within their local area to ensure they could keep in close communication with their investments. Today's communication technologies have rendered this model obsolete; angels no longer need to restrict their investment choices based on where they live. Online angel groups are maturing and starting to make-up a portion of the new angel investment ecosystem. However, face-to-face pitching and negotiation of deals still provides many advantages over online communication. VA Angels believes the non-geographically-restricted face-to-face investment model is the strongest option for making good investment decisions.

Over the past nine years, 16% of VA Angels funded companies have had a liquidity event, compared to the VC industry's long-term average of 12% from 1987 through 2005 [2], or the overall small business rate of 11% from 2006 to 2011 [3]



Information for diagram is based on ideas from the book Early Exits by Basil Peters [4]

For Entrepreneurs:

Of the 254 companies which have pitched to VA Angels over the past nine years, an impressive 62% are still operating today. Compare this to recent studies that show only 35% of start-ups survive until age ten [3] and only 37% of Information technology start-ups survive past four years [5]. Why are the companies invited to pitch to VA Angels almost twice as likely to survive as the industry average? This result is a combination of VA Angels' selection process, as well as the bootcamp services VA Angels provides to help entrepreneurs refine their pitch and business plan.

Not only does the VA Angels program help entrepreneurs, the fact that one in four companies who pitch will raise capital is great odds. VA Angels geographically agnostic mandate provides a great platform for any entrepreneurs doing an angel roadshow.

> "Angel investors want to ensure that a meaningful discussion with the entrepreneur is held prior to any kind of investment." –VA Angels

Angels are hugely advantageous to entrepreneurs because of their risk tolerance. Most angels have hands-on experience building successful companies within the same industry and can provide invaluable advice as well as referrals to people and businesses in their networks. Having "skin the game" encourages angels to help out in ways an institution simply cannot, and can make the crucial difference between success and failure for an early stage company. With an angel not only do you end up with an investor who is comfortable with your risk, you get an investor who is going to help drive you to revenue as quickly as possible.

Background:

Over the past nine years, VA Angels, a group of 55 investors, has been providing a platform for technology entrepreneurs from around the world to pitch angel investors for capital, mentorship, and referrals. The organization was approached by Josh Lerner and Harvard Business School in the spring of 2012 to participate in a global study of angel groups to learn more about their activities, members, investment deals and overall process. VA Angels were privileged to be one of only two angel groups from Canada selected to participate. This white paper is a summary of the overall findings from the report and the facts that were identified.

The Organization:

Venture Angels is a unique organization, in that it allows companies from any geographic location or industry to access member angel investors, pending their successful participation in the groups deal screening program. To date the group have invested in companies from across Canada including Alberta, BC, Manitoba, Nova Scotia, Ontario and Saskatchewan. As well they have invested in companies from the US, UK and Western Europe.

65% of VA Angels' investment portfolio is in technology, with 34.7% in information technology (IT), followed by 15.4% in biotechnology, and 10.6% in Energy & Clean Technology. The represented sub industries include software, web platform/SAAS, mobile, hardware, media services, telecommunications, pharmaceuticals, medical devices, diagnostics, energy software solutions providers and energy hardware providers.

Other represented industries include Entertainment/Media, Finance, Manufacturing, Real Estate, Retail, Agriculture Technology and Oil and Gas.

Who are we?

Formally VentureAlberta Forum, VA Angels have recently refreshed their brand in the lead-up to the opening of two new Western Canadian chapters.

VA Angels is one of Canada's leading angel investment groups and has member locations in Calgary, Edmonton, Kelowna and Winnipeg.

Sources:

(1) The Kauffman Foundation - May 2012

(2) The National Bureau of Economic Research - The Incentives to Start New Companies: Evidence from Venture Capital, April 2007

(3) The Wall Street Journal - September 19, 2012

(4) Early Exits - Basil Peters

(5) University of Tennessee Research - Startup failure by industry, via StatisticsBrain.com July 26, 2012

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