

House Committee on Higher Education, Innovation, and Workforce Development

Date: Wednesday, April 29, 2015

Presenter: Steve Vincent, Founder and Administrator  
Southern Oregon Angel Investment Network

Subject: Oregon Entrepreneurs Network

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Chair Read and members of the committee. Thank you for giving me this opportunity to provide testimony as a part of the Oregon Entrepreneurs Network's presentation to you this morning.

I am the founder and administrator of the Southern Oregon Angel Investment Network. This is a collaboration of 125 accredited investors using personal financial assets to invest in Oregon start-ups and in some instances, local companies raising expansion capital. In four years 58 investors have funded nearly \$1.2 million in eight Oregon companies; six based in southern Oregon, one in Bend and one in Portland.

This is an economic development initiative lead by the Southern Oregon Regional Economic Development non-profit, more commonly known by its acronym SOREDI. This effort to create and expand the availability of seed capital fits well within our "grow your own" or "grow local" job growth strategy. Despite working on this initiative for ten years and now having a string of successes, I'm still amazed by the collaboration we've been able to create – wealthy individuals in our community taking large sums of their own money out of safe places and putting it at risk in the infancy of a company with the hope there will be a return and not just losses.

So let me tell you a few stories.

In 2011 27 investors came together raising \$155,000 reviewing 30 companies raising seed capital and then choosing an Ashland based software start-up to fund. Within 90 days of the decision two investors bumped the investment to \$300,000 and in less than a year one investor added another \$150,000. A total of \$450,000 in our first round as an angel network; not bad. And now we've had seven additional investments with one of those currently raising another round of capital from within our angel network which closes this Friday moving us closer to the \$1.3 million mark.

Now recognize these are not passive investors. In addition to the capital, start-ups gain strategic partners who can use a lifetime of experience to guide the company and access a rolodex of secondary strategic partners.

A second story to tell; I recently had the founders of a company in the long term health care sector contact me. As I came to understand their business proposition it was evident there would not be broad interest from our larger group of investors. In fact there's only one investor of the 125 that could even take a look at this and consider an investment. When I called the investor a couple of weeks ago he said based on what he understood, he would consider fully funding the company's need for \$300,000. When I then mentioned their long term capital needs could be as high as \$50 million and that they're working with bankers in New York the investor said he already has access to that kind of financing. Now their first meeting was only two weeks ago so I don't have anything to report at this time.

Finally, a third story also comes from Medford. A local start up in a narrow space of after-market auto parts is looking for \$300,000 in seed capital. Fortunately we have an investor with a lifetime of experience in this very specific area. Inside one hour over coffee last Thursday the entire distribution channel strategy for the start-up had taken an incredible turn. The investor was very specific in describing other sources of capital besides needing to sell equity to angel investors. And finally, the investor offered to make phone calls to key players within the distribution channel to help launch the company.

Now for better or for worse, since I developed this I'm the conduit between the start-up and the investor. I know these 125 investors. For most of them I understand their backgrounds and areas of expertise and have a sense for their capacity to invest even though I don't know the net worth of any single investor. I also know how much time they have to dedicate in strategic advisement beyond an investment.

Here's the problem I have. I'm an adjunct in the community. We all have an expectation that our utilities and larger corporate citizens are civically involved in community through philanthropy or being active in the United Way, a chamber of commerce or by serving on local boards. As an employee of Avista Utilities I happen to be volunteering on this specific economic development initiative, but I still have a day job. The time it requires for me to be the conduit from entrepreneur to seed capital is now exceeding my capacity. I have start ups waiting for me to help make the right connection but I don't have anyone within SOREDI to simply hand this to because as you all know, non-profits are also resource constrained. I now know that inevitably some of these viable start-ups will fail to launch because my inability or our collective inability to connect them to the right capital resources or the right strategic partners. If I only had more time, or if I only had the right employee within our local economic development agency with the right skills sets to assume my scope of work.

I'm confident we'll get there. And as Business Oregon leads with the emblem "Grow Oregon" certainly we'll be successful. While we try to catalyze as many as we can, without any change in resources we're going to lose a few. I just don't yet have metrics on how many.

Thank you.