

Equity Match-Making

Description

This tool works to provide a range of substantial investments (from perhaps \$100,000 on up) in local firms, by finding possible equity sources and brokering an information exchange between them and the local ventures that need capital. The process begins with taking considerable responsibility for helping a local firm to analyze and present itself fully and competently, so as to offer a ready opportunity for investors' interest. If the CEDO goes through what is essentially a "due diligence" inquiry, it can then be an advocate for the venture with potential investors.

Investors are sought through the standard institutions like the major banks and regional venture capital companies, but probably a key to success is just what a CEDO can be expert in: namely, contacts with potential private investors in the region. Institutional investors, especially those at a distance, will usually wait until a community-based private investor is in the picture, just because a local person will have a better sense of the potential and the risks of a local venture. Further, once one private investor has been satisfied with a venture brought to him/her by the CEDO, that investor will in later deals bring along others in his/her own personal network. Properly armed with the necessary information on government programs, a CEDO will also help the private investors get access any government incentives for their investment in the local venture. Such incentive programs can sometimes be quite valuable to an investor.

Currently there are about 20 formal community equity match-making organizations operating in Canada, partially funded under a 1996 Industry Canada program. These are the Canada Community Investment Programs or CCIPs. A CEDO in a region targeted by a CCIP may be able to work through one of these rather than establishing its own match-making program. In British Columbia, three Okanagan CFDCs (based in Penticton, Kelowna, and Vernon) sponsored a CCIP themselves.

Benefits

Most local firms or entrepreneurs have little capacity to contact potential investors and properly market themselves for expansion or start-up equity funds. Even very successful ventures that could reach a major new stage with the help of outside investors ordinarily do not know how to take that step. If the CEDO can shepherd them along the way, it can achieve a significant impact in strengthening the local economy.

Major challenges

This tool is appropriate primarily for major investments, and as such it requires a painstaking analysis and presentation of the investment opportunity. All too often the key entrepreneurs and managers are unable or even unwilling to do the work that is required to make their business investment-ready and are, moreover, often reluctant to accept or even recognize the adjustments they must make to obtain the outside investment they need. For example, they may not wish to release any participation in ownership or guidance to the investors. The CEDO may find that the hardest part of the job is in working with the venture, not in finding potential investors.

Resource organizations & contacts

- The CCIP sponsored by the three CFDCs is Venture B.C. (tel. 250-860-9515), general manager, Ray Strafehl.
- The Niagara Enterprise Agency in St. Catherines, ON, which operates a CCIP there, is especially aware of CEDO needs, and CEDOs might want to contact its general manager, Glenn Stansfield, for advice (905-687-8327).

Publications

There is a website for Venture BC (www.venturebc.com), and following out the Industry Canada link from it can lead to general information on the CCIPs (search CCIP).