



Executive Brief

Clayton White and Chastain "Choose" Taurman are principals in a new Angel investment initiative called the South Coast Angel Fund. We spoke with the two founders about the fund.

GNO, Inc.: Is South Coast up and running right now and have you begun to make investments?

Clayton: No, we're not. We thought we would be by this time, but have had to take a strategic step back and educate the business community on the nature of these types of funds and how they work.

Choose: Also, the economy has prevented us from getting started as quickly as we would have hoped. We're still in the investor-gathering phase rather than the investment phase. We have what's called the First Closing that we have to get to, a minimum commitment to the fund to make it feasible. We're working on getting to that level of commitment, and once we get there, we can continue to take in investors but also begin to make investments.

GNO, Inc.: How is the South Coast Angel Fund different from the other Angel investment vehicles already in place?

Clayton: South Coast is an Angel Fund, as opposed to an Angel Network. An Angel network is usually just a group of investors that get together, listen to presentations, and individually make investment decisions. If enough of the network members commit funding, the transaction then goes through. An Angel Fund requires members to commit money to the fund, and members then have an up-or-down group vote on investment decisions. Funds require more work, more commitment, and won't be successful without a well-developed base of investors and businesses to invest in. We think that this region can support an Angel Fund at this time.

GNO, Inc.: When do you expect to begin to take applications from companies?

Clayton: We are set up to take applications from companies now, we just let them know that we are not making invest-

ments at this time, and if they want to wait for 3 to 6 months we will keep them in the queue. We're looking at some point in the second half of this year to go live. The application can be found at www.southcoastangelfund.com.

GNO, Inc.: So you expect to fund your first deal in 2-6 months?

Choose: Or at least to be ready for the screening process. We have a pretty defined process that we go through to get to an investment, and from start to finish—we have a plan in the pipeline that we want to look at—it's a 2 to 3 month process.

GNO, Inc.: Can you discuss some of the minimum things you would like to see in a company prior to them approaching your fund for capital?

Clayton: Well, the main thing is the management team. That doesn't mean they have to have a full management team already on the payroll, but they do have to be able to recognize that at some point they will need a team. Often, we find that an entrepreneur thinks that because he did one thing, he can do everything and that's a real barrier.

We also look for reasonable expectations of valuation. Often, the biggest barrier to actually doing the deal is the entrepreneur believing that his concept is worth \$10 million, while all valuation methodologies place the value at \$1 million. At that point, there's just too big of a gap to bridge.

GNO, Inc.: What are some of the benefits you try to demonstrate to potential fund members? Why should they invest in this fund?

Clayton: Well one thing we can definitely tell them is that the average angel fund in the last 5 years returns between 25% and 30%. Of course, I cannot guarantee that this fund is going to do that, or do worse or better, but that's what the average angel fund did and it's not a bad return. The primary goal we have is a return to investors, but there is more than that involved: there's a sense of economic development and helping the community and helping grow companies and opportunities. •

SouthCoast Angels
"A Member Managed Angel Fund"