Kapitali$t

The Intelligent Dealmaker's Magazine

Volume 2 Issue 1

FIND A DIAMOND IN THE ROUGH

By Avoiding These 5 Angel Investing Mistakes

THE NEXT 10 YEARS

THE RIGHT PEOPLE & A GOOD PLAN

TIPS FROM AN ANGEL INVESTOR

THE TOP 10 LIES OF ENTREPRENEURS

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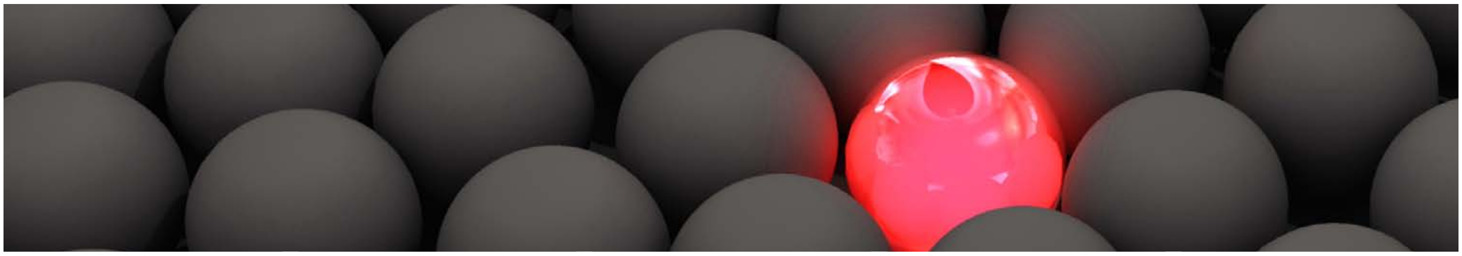

FROM THE EDITOR

Andrew Scharhag, our summer intern from the Crummer Graduate School of Business, came with, among other things, an eye for design and a more-than-working knowledge of Adobe InDesign. This edition of the magazine owes a lot to Andy's creative design skills. Thanks Andy. You're always welcome to drop by for coffee whenever you need a break from your professors.

Once again, we've dished up an edition full of practical investment insights from the trenches. The lead article by one of our founding partners is a must read. If, like me, you'd rather learn from other people's hindsight, then head over to Larry Walker's ***Find a Diamond in the Rough*** on page 18. You can thank me later.

Guy Kawasaki's ***Top 10 Lies of Entrepreneurs*** on page 26 almost got me in trouble with Michael Quatrini, another partner & the magazine's Content Manager. "Are you saying entrepreneurs lie to investors?", he asked. One look at his expression convinced me that the correct (and prudent) answer to that question is a clear "No. Of course not." long story short, we agreed that entrepreneurs are optimists, not liars. So, from an investment due diligence point of view, you will find Guy's list interesting.

In the cheerless gloom of the current economy, William Quigley article, ***The Next 10 Years Will Be Great For Both Founders And Angels***, is a welcome reminder that there's light at the end of the current economic tunnel. In the cherubic words of my reverend father, "if you're going through hell, keep going." Check it out on page 8.

No edition of the Kapitali$t Magazine is complete without a catalog of startup and early-stage business opportunities for you. If you'd like to take a bite out of the opportunities sprinkled through this edition, get in touch with us.

Allan Topher
editor@kapitalistmagazine.com

Andrew Scharhag is a summer MBA intern at NewGate Capital Partners. He received his undergraduate degree from Florida International University in Economics and is currently enrolled in the Crummer Graduate School of Business here in Orlando.

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The Intelligent Dealmaker's Magazine

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COMPANY: OneAccessLatam.com is a Web Payment Platform designed for Latinos living in the United States to pay and pre-pay for their family´s utilities, services, and other bills in their home countries.

WHAT THEY'VE DONE: The Company has built a payment platform that connects to service companies to process electronic payments. This platform was built to pay top up services with mobile carriers. It was built in a very robust way to support thousands of transactions per day. OneAccess patented the platform in Central America, where the company already enjoys ongoing relationships with major service providers.

WHY WE LIKE THEM: The Latin American Market has more than 50 million people and already represents 15% of the U.S.' population (and counting). Remittances are a 60 billion dollar industry and OneAccessLatam can capture a big share of this market by providing direct service payments.

WHAT'S NEXT: The Company is poised to go to market and is currently seeking trade and financial partners to facilitate its business relationships with Latin American companies in order to achieve its goals of improving the way remittance payments are made to Latin America.

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Capital Markets – Investment Banking   Private Equity   Asset Management   **Private Wealth Management**

*next generation device pictured

COMPANY: Inflexis Identity Solutions™ is a combination of hardware and software that provides an enhanced high-security front end for delivering user credentials that is both fast and easy to use. For the user there is nothing to remember and nothing to type; they simply swipe their finger. For IT professionals there is a complete set of management tools that overlay the existing credentials system and integrates with Active Directory files. For the corporate level there is the peace of mind that corporate security and legal compliance requirements are being met without affecting the organizations productivity and responsiveness in any way.

WHAT THEY'VE DONE: They have developed a two part system for customers that provides secure hardware and software elements. The first element of the Inflexis Identity Solutions™ is the Trusted Hardware Peripheral device and it is the heart of the system. It functions first and foremost as a secure (encrypted) container for all of the user's credentials. It has an integrated biometric fingerprint reader that can read a requestor's fingerprint plus a secure processor that can compare the scanned fingerprint to the reference template for user verification. The Inflexis Trusted hardware peripheral devices are USB Plug-and-Play and enumerate as a mass storage device so no special driver installation is required. Inflexis Identity Solutions™ offers two different models of its Trusted Hardware Peripheral; The DesktopID and the MobileID. The lower cost and USB powered DesktopID is intended for fixed desktop installations while the MobileID is either battery or USB powered. The MobileID provides all of the same functionality as the DesktopID plus encrypted storage for user data. The MobileID is physically designed to look like a flash drive and can easily be carried in your pocket. The second element of Inflexis Identity Solutions™ is the iDWare Client Application Suite. It consists of a windows service layer running on the client PC plus a family of applications that greatly enhance security as well as user productivity when performing security tasks.

WHY WE LIKE THEM: The security market has been very active. As more and more people are accessing networks, applications, and files from remote locations, the issue of ensuring who they are has become critical. The emerging of cloud computing will only intensifies the need for this type of security. Everyone wants the convenience of transacting business remotely but is fearful of the price they will pay if someone steals their user name and password and assumes their identity. The Inflexis Identity Solutions™ new computer devices and software have the potential to serve every person in the world that logs on to a computer network. The Company and associated products have already established market validation and some very large customers are expected to place commitments and down payments for the product.

*next generation device pictured

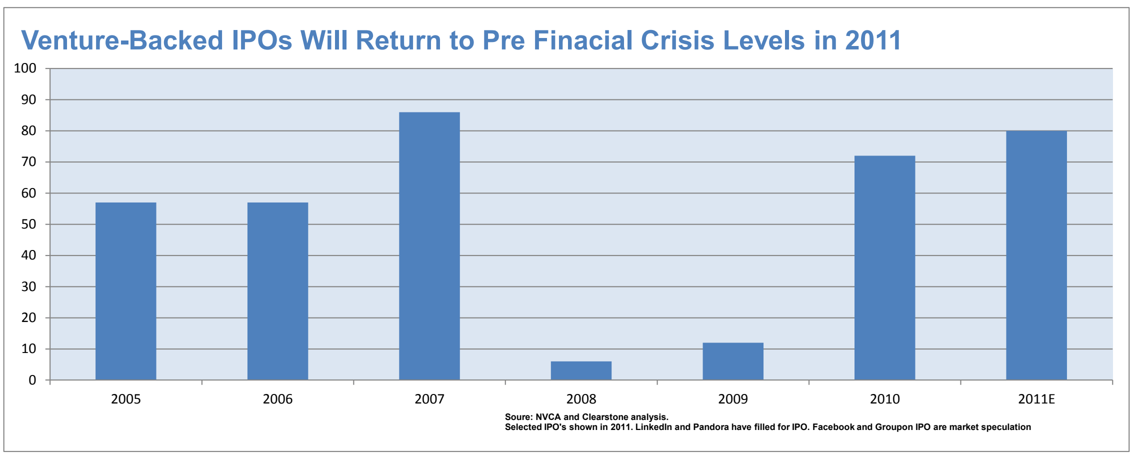
WHAT'S NEXT: The Company is looking for Expansion Capital through Private equity Investors to execute its three-year plan. It is expected that several large companies in our market will have an interest to acquire Inflexis as product adoption accelerates very quickly in the next couple of years. It is anticipated that the company will have many choices along the way related to how it wants to create shareholder value to include an Initial Public Offering. Although there are opportunities in the initial public offering market, the mergers and acquisitions landscape tends to provide a more attractive liquidity option for many private companies.

INFLEXIS

The Next 10 Years Will Be Great For Both Founders And Angels

Editor's note: This is a guest article from venture capitalist William Quigley, managing director at **Clearstone Venture Partners.**

Earlier this year I issued a report about the positive changes that have recently taken place in the venture capital industry. These changes are profound and will have a lasting effect on both the venture capital asset class as well as today's start-ups.



Venture-Backed IPOs Will Return to Pre Finacial Crisis Levels in 2011

Much has been written about the so-called "golden age" of venture capital in the late 1990s dot-com era, when the likes of Netscape, Yahoo, Amazon and eBay were created.

Yes, those certainly were great times for founders and early stage investors, but I will let you in on a little secret: for all of the brilliance, ambition and hard work that went into building these iconic companies, the vast majority of the capital appreciation in these businesses took place only after they went public.

To put it another way, the rewards for building a truly great business – say, the world's biggest etailer or the largest online auction site – accrued mainly to the public shareholders. That's right. The ones who went through all the hard work of logging into their E*Trade accounts and clicking the "Buy" button. They participated in over 99% (literally) of the value created from these brilliant entrepreneurs and their wonderful companies.

Now understand, I don't begrudge the public investors, but as either a founder, early stage company employee or investor (angel or VC), why bother taking all of the early stage risk when you could have earned far more just buying shares of your company once it went public?

Let's also keep in mind that public companies are generally a lot less risky than private ones. Less work and lower risk. That is how it used to be for public shareholders, but that era has ended for good. Let me give you some perspective on how much things have changed since the last tech cycle.

Amazon.com, the world's largest Internet retailer, went public at a $440 million valuation. Hard to believe, isn't it? A company worth $90 billion today was worth just over $400 million when it went public in 1997. That skimpy valuation represented less than one times its forward 12 months of revenues, a multiple more closely associated with a corrugated cardboard manufacturer than the most important innovator in retailing in the past 100 years.

eBay went public at a $650 million valuation, representing less than three times its forward revenues. Amazingly, this valuation was considered adequate even though at the time of its IPO, eBay had already established itself as the pre-eminent auction site on the web. Go back to the earlier part of the 1990s, and it gets even more extreme. Cisco, the most important company in computer networking infrastructure, went public at $225 million, a valuation representing just over one time its annual revenues.

Remember, this was supposed to be a time when venture capital and entrepreneurship was highly rewarded. It turns out, until very recently, public investors, those who waited until the hard work was done and the upside was evident, were the ones who earned the greatest returns. *Nice work if you can find it.*

WE HAVE NOW ENTERED A NEW ERA, A MARVELOUS ERA, IN FACT, FOR THOSE BRAVE ENOUGH TO START A COMPANY AND BOLD ENOUGH TO BUILD A GLOBAL BUSINESS. THIS NEW ERA, WHAT I CALL THE "REAL GOLDEN AGE" FOR COMPANY BUILDERS AND PRIVATE INVESTORS, ALLOWS FOR ENORMOUS VALUE CREATION BEFORE A COMPANY EVEN GOES PUBLIC.

Google was the catalyst for this change. When it went public in 2004 at a $40 billion market cap, many thought the Internet bubble had returned. Something had changed, but it wasn't a new bubble mindset. It was the understanding that some companies were now able to create value far faster than was possible before. Those investors who thought Google was overvalued at $40 billion soon learned that, in fact, it was dramatically undervalued. In 2010, Google earned nearly $19 billion in gross profit and almost $12 billion in operating profit!

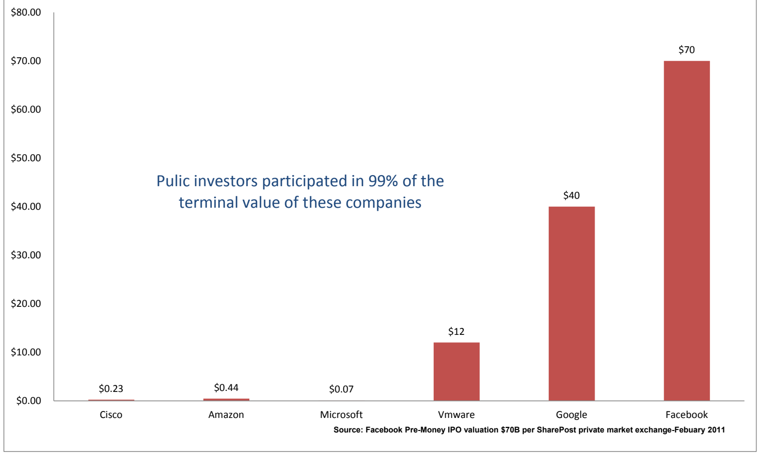
Of course, if investors had known that when Google went public, they would gladly have bought the shares at the $40 billion valuation. Then again, some investors gladly did. So what happened in the span of six or seven years that caused public investors to go from valuing Amazon or eBay at a few hundred million dollars to valuing Google at $40 billion? I believe three permanent changes occurred during that time period that allowed heretofore unprecedented valuations to take hold.

First, the proliferation of Internet access. When my partners and I launched our consumer Internet fund – idealab Capital Partners – in 1997, we already thought of the Internet as a mainstream phenomenon. How wrong we were. Consider that, even by the year 2000, only one-third of the U.S. population had Internet access. Today, nearly every US household has Internet access, many with a high-speed broadband connection. The growth rate in China makes the U.S. figure look downright sluggish. China has gone from about 20 million Internet users in 2000 to close to 500 million today.

These extraordinary growth rates in Internet adoption were not fully reflected in company valuations in the last tech cycle. Now they are, and investors are giving businesses like Facebook, Zynga and others the benefit of the doubt that they will capitalize on the value created by far higher global Internet penetration rates.

Second, the rise of the hedge funds. Since 2000, the number of hedge funds have doubled and the assets they manage have nearly tripled to $2 trillion. Why is this important? Because hedge funds often specialize in particular asset classes, like technology stocks, and with that specialization comes superior knowledge and a greater insight into the potential terminal value a company can achieve.

More Value Accruing to Venture Investors, Not Public Shareholders



Source: Facebook Pre-Money IPO valuation $70B per SharePost private market exchange-Febuary 2011

This was not the case in the 1980s and 1990s, when many of the iconic technology start-ups were born.

Microsoft went public in 1986. Keep in mind this was 11 years after its founding, by the way, for those who think the present eight-year standard for going public is too long It was offered to the public at a $640 million valuation, or about three times its annual revenues. Yet, at the time of its IPO, Microsoft's Windows was already the world's dominant operating system. However, there were few technology-focused mutual funds, which were then the primary buyers of tech IPOs.

And so, very few investors appreciated the speed and scale at which Microsoft could grow. Accordingly, the company was valued modestly by its investment bankers and nearly all of the gargantuan value of the Microsoft franchise was made available to the public shareholders. Think that Facebook 's public shareholders will have the same luxury?

The investors who bought Microsoft shares at its IPO and held onto it for the same amount of time it was a private company – 11 years – were treated to several hundred billion dollars of capital appreciation, not the $650 million that Bill Gates, Paul Allen and the other early employees earned for their 11 years of grueling start-up work. Compare the Microsoft, Cisco, Amazon or eBay examples to what we see in the post-Google era.

VMWare went public in 2006 at a $12 billion valuation. It quickly rose to a $30 billion market capitalization. Thus, the existing investors (parent company EMC in this case) captured over one third of the company's likely terminal value. Google's founders, pre-IPO employees and early investors also did quite well, capturing a respectable 25% of the companies likely terminal value. And what of those earlier tech giants – Microsoft, Cisco, Amazon and eBay? The founders and early investors of these extraordinary businesses captured less than 1% of the terminal values of their businesses while they were still private.

The valuations of today's private tech leaders – Facebook, Zynga, Groupon and possibly Twitter – are such that I believe upwards of 50-75% of the terminal values of these companies will be captured by the folks who did the real work and took the real risks, those who quit their jobs and begged, borrowed and cajoled friends, families and angel investors to take a chance on their far-fetched idea.

Here is the important, and game-changing, point: in order to participate in the great wealth creation taking place **IN THIS AND FUTURE TECHNOLOGY CYCLES, YOU WILL HAVE TO BE A FOUNDER, AN EARLY EMPLOYEE, OR A PRIVATE INVESTOR. THE SO-CALLED EASY MONEY WILL BE EARNED BEFORE A COMPANY GOES PUBLIC. THIS IS A RADICAL SHIFT FROM EARLIER TECHNOLOGY CYCLES.**

The third factor contributing to the far high valuations accruing to private companies today is the speed at which companies can now exploit the global marketplace. When I was at idealab in the 1990s, none of our start-ups attempted to address international markets in the first few years of their existence. In fact, for many of those companies, international markets didn't become a serious focus until after they went public. How times have changed.

Today it is possible to pursue an international growth strategy almost as quickly as a domestic one. The cost of running a global business has dramatically shrunk, and while costs of going

Rollins MBA | CEO

Rollins CEO connects students with entrepreneurs at events scheduled throughout the academic year. This year will start off with Elevator Pitch, Entrepreneurship Week and will culminate with the Business Plan Competition held annually in the Spring. This will provide some exciting changes to the program. In addition to having two co-presidents, Rollins CEO will now incorporate new ideas from The Idea Factory and Net Impact. If you are an entrepreneur, student or interested in mentoring students at the Rollins College Crummer Graduate School of Business, please contact either Casey Silver (ssilver@rollins.ed) or Eric Hillerman (ehillerman@rollins.edu).

overseas have plummeted, the revenue opportunities have increased manifold.

Just consider where three of the largest economies were 10 years ago, and where they are today. India was a $500 billion economy in 2000. Today it is a $1.4 trillion one. Brazil was a $600 billion economy ten years ago, compared to $2 trillion in 2010. The growth of China's economy in the last decade is breathtaking, from $1.2 trillion to $5.7 trillion in just 10 years. Combined, these three economies have added $6.8 trillion to world GDP since 2000.

Public investors are aware of these economic figures, and they are rewarding companies addressing the global marketplace sooner in their lifecycle. Groupon has taken note. It is just four years old and already operates in 35 countries. Given its international ambitions, it is likely that within two years Groupon will have upwards of 20,000 employees outside of the U.S. A potential $25 billion IPO valuation awaits it for going global faster than its peers.

What makes the change I have just described so fascinating is that so many of the traditional limited partners to venture capital funds have withdrawn from the asset class in the last few years, understandable perhaps after 10 years of poor returns. But just as the game has shifted to rewarding private investors over public shareholders like never before, limited partners have decided to look elsewhere for exceptional returns.

I believe that is a mistake. Going forward, those who participate in building new companies and providing the start-up capital to fuel the growth of those businesses, will be handsomely rewarded like never before.

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Companies need the RIGHT PEOPLE & a GOOD PLAN to attract investors

BY BILL ORBEN

Investor Joe Alvarez is approached at least once a day by someone with what they think is great business idea.

But typically only one out of every 10 business proposals reviewed by the co-founder of Winter Park-based NewGate Capital Partners is worth pursuing. "It's one thing to have a great idea, but you need great execution."

His mergers and acquisitions firm NewGate Capital provides business consulting and manages Winter Park Angels, a group of investors that provides capital for start-up companies.

Investors want to make a great return on their investment, Alvarez said, but they also want to see a good management team in place and a unique product that won't become obsolete.

Alvarez should know. He cofounded Demetree Central Constructors Corp., which eventually managed $200 million annually in construction projects before he sold his interest in 1995.

About 18 years ago, Alvarez became an “angel investor,” helping others launch companies. And in 2000, he formed NewGate with Larry Walker, a former hotel executive.

Mistakes to avoid when seeking venture capital: Not having enough cash in place and acting desperate to attract investors. Do your homework and be ready for it to take longer than you think it will to attract investors.

How best to seek funding: Have a realistic business plan that details who will do what; what the product will be, who will produce it and if any intellectual properties must be protected.

Top three industries that attract investors:
One is health care. There’s a high concentration of baby boomers who will buy anything to do with longevity and health. Also technology: Anything making things better, easier and faster; and scientific and technical consulting and management services.

The most critical element I look for in a business plan from someone seeking funding:
Start with the right people. I would much rather be involved with an A player who has a B plan than a B play¬er with an A plan.

On whether venture capital is available to startups:
There’s a lot of money available for investment, but there are few great businesses that past the test.

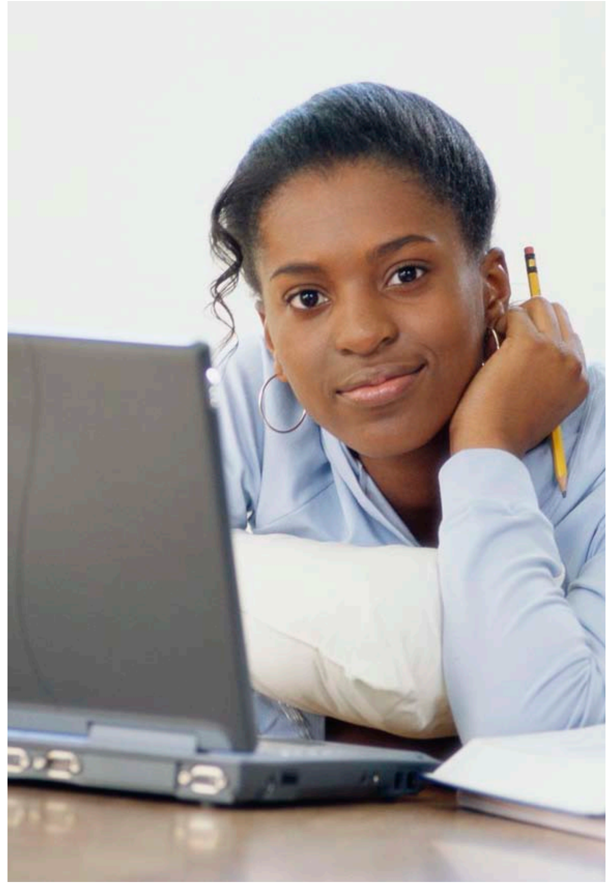
Why companies seek venture capital instead of traditional financing: It’s difficult to get financing for startups, which are considered risky ventures because there’s no way to guarantee the investment.

On whether competition for venture capital dollars is fiercer now: Venture capitalists will lend if the deals are well-conceived. The entrepreneur must make a case.

The role venture capitalists play in reviving the economy: Venture capital helps job creation, with venture-backed companies accounting for 18 percent to 20 percent in U.S. gross domestic product.

Big misconception about venture capital firms: That it’s easy to get money from these guys. You have to surrender a lot of control and ownership in a company to attract investors.

Joe Alvarez
Founding Partner
Newgate Capital Partners



COMPANY: Emineo Media is an interactive marketing and web services firm, specializing in developing, implementing and promoting business-branded scholarship programs. The Company links these scholarship programs with an innovative and effective online marketing strategy to create a more targeted, measurable revenue generating result for its clients.

WHAT THEY'VE DONE: Through its affiliate company—microscholarships.com—Emineo Media combines the best-in-class Internet marketing with corporate philanthropy and impactful public relations. With more than twelve months of constant experimentation using real-world marketing campaigns with actual businesses and their products and services, Emineo Media has developed an extremely effective online marketing strategy.

WHY WE LIKE THEM: The Latin American Market has more than 50 million people and already represents 15% of the U.S' population (and counting). Remittances are a 60 billion dollar industry and OneAccessLatam can capture a big share of this market by providing direct service payments.

WHAT'S NEXT: Emineo Media is in customer development mode having completed development of its online micro scholarship portal (the core of its business model) for connecting students with deserving businesses.

"WE DEFINE OUR SUCCESS BY THE SUCCESS WE HELP OUR CLIENTS ACHIEVE"

Crown MedTransport

COMPANY: Crown MedTransport is a highly unique Non-Emergency Medical Transportation company providing bedside-to-bedside service for patients in need of transportation. It is much more than a taxi but somewhat less than an ambulance. The Company is licensed through Orange County EMS, is fully insured, and permitted to transport patients to and from Orlando & Sanford International airports. They have established business relationships with multiple medical facilities, hospitals and highly regulated locations to transport to destinations throughout the state of Florida.

WHAT THEY'VE DONE: The Company has developed strategic alliances with more than 20 entities, including the Florida Hospital's four regional campuses.

WHY WE LIKE THEM: The company has reached profitability already; by considering every trip an opportunity for relationship building and future business, the company maintains an exceptional level of customer service. Significant investment in this industry has been made by big players in the field like HARBOUR GROUP, as part of a high-growth, short-term acquisition strategy.

WHAT'S NEXT: The Company plans to utilize its expertise, market knowledge and brand advantage to license and exponentially replicate its profitable business model across the U.S.

COMPANY: NJM Development has produced a putting training aid. The company originally and currently designs and develops products for hospitality and sells them under the company name Banquet Essentials.

WHAT THEY'VE DONE: The company has developed a putting trainer that trains a measurable and repeatable formula for advancing a ball across the green for golfers of all skill levels. All other putting aids focus on direction. Distance control is much more important in reducing strokes around the green.

"Direction without distance control is useless!"

WHY WE LIKE THEM: The market for consumer product aids involved in the game of golf is the largest in the entire sports industry. There are over There are 26.2 million golfers in the United States. That is the same as the entire population of Australia!

WHAT'S NEXT: They will be changing the name of the trainer to reflect the involvement of David Leadbetter. Once the putting trainer is launched and in production look for the Eye Blade to soon follow. The Eye Blade will enhance a golfer's ability to hit the ball on line by ensuring his eyes are centered over the ball.

COMPANY: Realty Management Associates, LLC, a Limited Liability Company under the Florida Limited Liability Company Act, is seeking high quality, sustainable profits for its members by acquiring condominiums and single family homes and packaging them with Life Settlement Policies which statistically mature in 8 years. These properties will then be resold as fractional or shared ownership units with the intent that buyers will receive at least their investment back between the beginning of year 6 and the end of year 8, if they decide to exercise their buyback option.

WHAT THEY'VE DONE: Management was responsible for over US$1 billion dollars worth of residential real estate projects and condominiums sold in several world locations including South East Asia. The team currently occupies influential roles in different organizations in countries like the U.S, UK, Germany, Austria, Switzerland, among many others.

RMA
Realty Management Associates

WHY WE LIKE THEM: Money Back Option! This investment has a built in hedge utilizing life settlements compelled with annuities to prevent downside risk.

WHAT'S NEXT: It is widely felt in the resort industry that fractional ownership resorts will rebound more rapidly and more strongly than traditional second homes as the country's economy recovers. Realty Management Associates, LLC (RMA) is seeking growth capital to further invest in the current real estate market. Equity investment in RMA is backed by annuities from Life Settlement Policies.

AMG Restauranut Management, Inc.

COMPANY: AMG Restaurant Management is a part and entertainment company that is looking to develop a destination attraction on the Historic Peanut Island.

WHAT THEY'VE DONE: AMG Holdings, Inc, a film and entertainment company has recently secured development rights for Peanut Island, a beautiful tropical destination attraction in Florida. The Island is home to three historic buildings, the 1930's original Coast Guard house, the historic boathouse, and the 1960's Kennedy Presidential bomb shelter.

WHY WE LIKE THEM: With an average of 5 to 10 thousand visitors per weekend, during the summers, and approximately 100K visitors during the Winter Months, for special tours, the island lacks a hospitable environment geared at properly servicing visitors in different settings. With 6 acres, two historic buildings and a piece of history with the Kennedy bunker to play with, the strategically located Historic Peanut Island makes a great destination and attractive entertainment center.

WHAT'S NEXT: The Company is seeking capital to recreate three different settings:

- A Key West style open-air restaurant, expansive docking with a dock-side Tiki bar.
- An eight bedroom, 3-story historic house high-end bed and breakfast (currently suitable for festivals, weddings, special events and holiday celebrations).
- An outdoor concert complex on the HMX1 (The Presidential Helicopter Landing Pad).

FIND A DIAMOND IN THE ROUGH

By Avoiding These 5 Angel Investing Mistakes

By Larry K. Walker-Founding Partner NewGate Capital Partners

Angel Barbara (not her real name) listened intently as the entrepreneur clicked through his slides and explained why and how his startup is going to revolutionize the industry and change the world. The presenter finished and asked: "Any questions?"

Angel Barbara looked around the table, flipped through the financial projections and SWOT (strengths, weaknesses, opportunities, and threats) analyses pages of the business plan and proceeded to make one of the top 5 mistakes that angel investors make when evaluating investment opportunities.

As professional intermediaries and matchmakers between angel investors and entrepreneurs, NewGate has seen this scenario play out on countless occasions. Usually, our role is to pre-qualify private, early-stage businesses for angel investors. The evaluation of such pre-qualified opportunities, and the decision to (or not to) invest, are always that of the angel investor who is usually an accredited investor.

Following are the Top 5 mistakes we've observed frequently made by angel investors when evaluating investment opportunities:

1 NOT HAVING A MODEL FOR INVESTING: If you don't know what you want, everything will look inviting. We see this when angel investors evaluate an investment opportunity in a vacuum – instead of evaluating such opportunity against a rigorously-developed mental model and checklist. As an investor, you cannot *Not Have* a guidance system or model for choosing investments. If you don't, you are simply taking the Vegas approach by throwing a die each time you evaluate an opportunity.

2 TREATING ANGEL INVESTING AS A HOBBY: Some of the most sophisticated investors we know are investors in the private markets, the source of every company in existence whether public or not. The private markets are called 'the dark" for a reason: you have to know your opinions if you're going to invest in the next Google or Facebook. You have to invest enough time to build your flashlight that can illuminate "the dark."

3 INVESTING BY THE NUMBERS: It is said on Wall Street, "If you torture the numbers long enough, they'll confess." This too is true on Main Street. Entrepreneurs are optimists by nature – a necessary requirement if you're going to topple Google. This optimism carries over to the numbers and financial projections in their business plans. They will serve you the Kool-Aid but you don't have to drink it. Take it for granted that the projections are going to be wrong and discount appropriately. The same goes for the entire business plan; it is going to be different when it gets to the market. Steve Blank (a well known successful entrepreneur turned business educator) is right: "No business plan survives first contact with the customer."

4 BEING WIMPY: I was going to say 'being indecisive' but 'wimpy' captures it nicely. This is derivative of No. 1 above – not having a clue what your preferred investment criteria are. We've seen angels nitpick a business plan to death as if a perfect business plan exists or guarantees a successful business. What is true in life is also true in investing: the ability to decide is priceless. In investing, I recommend the Derek Sivers (founder of CD Baby and 2003 World Technology Award winner) dictum: "No more yes. It's either HELL YEAH! Or No." Make the decision!

5 NOT INVESTING ENOUGH TO BE WORTHWHILE: Warren Buffet's No. 2, Charlie Munger described this thus: "To be a master investor, bet very seldom. Work hard at finding mispriced assets. Then bet heavily when the world offers you the opportunity. Bet big when you have the odds. And the rest of the time, don't." When we've seen masterful angel investors in action, they've usually worked out in advance what to look for in an investment, they made up their minds pretty quickly about whether or not they are interested (subject to due diligence) and they took a sizeable bite out of the companies they invest in. In other words, they put their eggs in very few baskets and then kept eagle eyes on them.

So, which of these mistakes was Angel Barbara about to make? Mistake No. 3: taking the numbers as gospel. She took the entrepreneur through a third degree on the numbers and projections even before determining if the opportunity met her investment criteria. Her approach screamed: if you can sell me on these projections, I will write a check – a flawed approach.

THE #1 NATIONALLY RECOGNIZED KART RACING EXPERIENCE

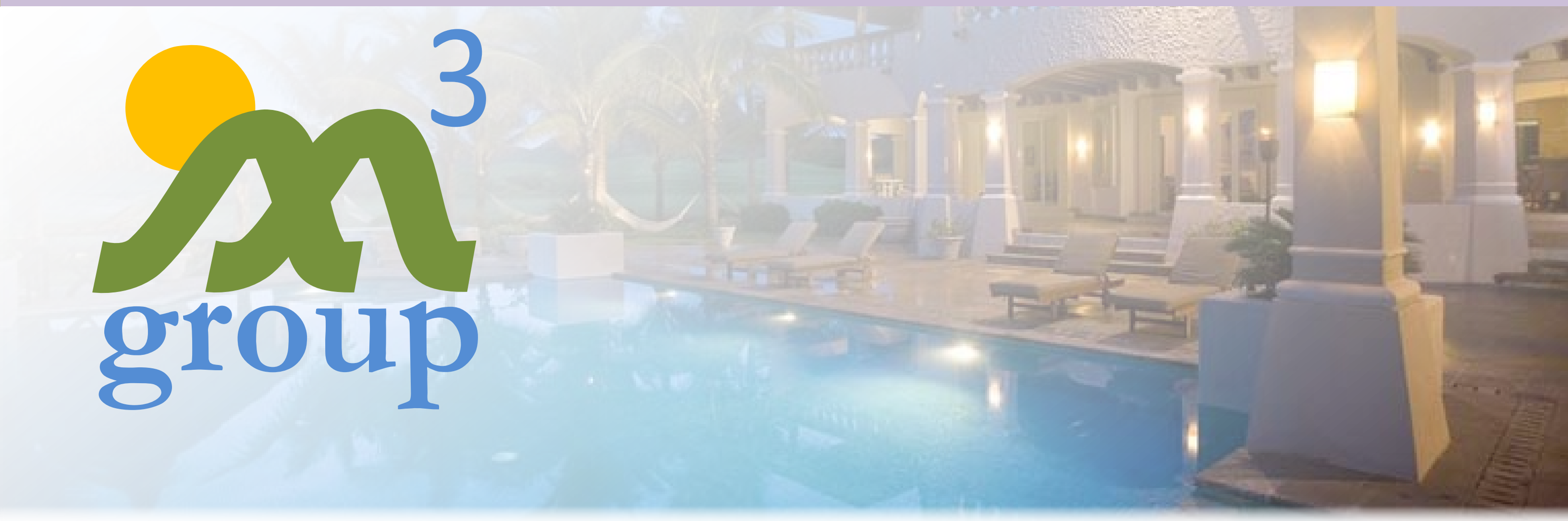
COMPANY: GOFAST Karting-Orlando, LLC plans to open a franchise of the popular Pole Position Raceway electric indoor karting facility to be located in Orlando, Florida. The Company will be the first entertainment center of its kind in Florida, and it will also be able to take advantage of Pole Position Raceway's national advertising and marketing efforts.

WHAT THEY'VE DONE: Pole Position Raceway has established 7 successful locations across the U.S. from Las Vegas to New Jersey. Several locations have been featured on Good Morning America and other news programs. The unique and exciting entertainment value the centers provide is undeniable.

WHY WE LIKE THEM: There is currently not a location in the South East United States and Orlando's family atmosphere fits as an ideal location for a Pole Position Indoor Karting track.

WHAT'S NEXT: The company's goal is to open the Orlando Facility in the 1st quarter of 2012 and open 4 additional franchise locations in other Florida cities such as West Palm Beach and Jacksonville, with a possible second franchise in Orlando. To achieve the Company's objectives, GOFAST Karting-Orlando, LLC is seeking funding through private equity investment partners.

ELECTRIC KARTS ARE MORE ENVIRONMENTALLY SUSTAINABLE AND ECONOMICALLY FRIENDLY THAN GAS-POWERED GO-KARTS!



COMPANY: M3 GROUP (Mexico's Minimally-Invasive Medical Group) is a Limited Partnership that will serve as a full service "medical tourism" Physician Partnership Group catering to patients in Isla Navidad (Manzanillo), Mexico. The Company will focus on caring for patients throughout the world, who wish to receive minimally-invasive, elective and non-elective surgery by US-trained physicians and surgeons.

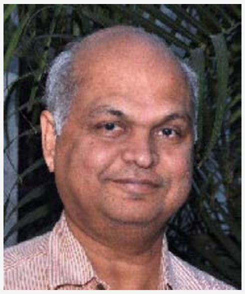
WHAT THEY'VE DONE: To date, Sierra Riviera (the company's administrative partner) has signed agreements with Wyndham Grand Bay Hotel's property owner for one out-patient Clinical Medical Facility.

WHY WE LIKE THEM: Medical Tourism is not a new concept, but in recent years is growing at over 30% per year. What makes the proposed model unique is that we will use extremely successful American doctors to perform the medical procedures and these doctors will predominantly bring their American patients to a state of the art medical facility that will be located outside the United States. Currently several popular destinations for medical tourism are India, Thailand, The Philippines, China, among others. Because this model proposes locating the medical facility in Mexico, travel time for US patients will be 3 hours by air instead of 18 hours or more to Asian destinations.

WHAT'S NEXT: The Company is seeking World-class Physicians with experience in Minimally-Invasive Procedures to become Stakeholders in the M³ Group. The Company has plans for one large scale in-patient hospital, an assisted living facility, as well as additional yet to be determined developments on its contracted property of approximately 60 acres.

Tips From an Angel Investor

By: Chitra Narayanan



Mr. Hement Kanakia

Hemant Kanakia's Ph.D advisor, David Cheriton, was one of the early investors in Google. "He wrote a cheque for $1 million and made billions in the bargain," says Hemant Kanakia with a wide grin. Cheriton was also credited for connecting Stanford students Sergey Brin and Larry Page with venture capitalists at Kleiner Perkins who was one of the downline investors, thus becoming one of the Private Equity firms that helped get Google off the ground.

Maybe watching that smart angel investment move by his Stanford professor inspired Kanakia's own shift from being a successful entrepreneur to angel investing.

This Bombay alumnus, who did stints with TCS and Bell Labs, says he started out on his own mainly to stop the long commute from Washington DC to New Jersey. "My wife took up a teaching job in DC and instead of doing the commute, I decided to start my own enterprise," he says.

In 1996, he founded Torrent Networking Systems, a company that built a next generation of fast Internet Routers. Within three years, Ericsson acquired the company for $450 million. "The investors who had funded my company exited making 50 X on their investment," says Kanakia.

With two such stirring examples, it was not surprising that Kanakia should get into angel investment mode himself. In 2004, he joined Columbia Capital LLC, an east coast of US-based venture fund managing $2.4 billion funds focused on telecommunications and technology space. "I co-founded several enterprises too," says Kanakia.

In 2009, again it was his wife's job decision — she decided to take up an assignment in India with NCAER — that forced Kanakia to rejig his own business plans. He came to Delhi and became part of the Indian Angel Network. He also has his own investment fund, KanakiaVentures LLC.

So, what's the difference in being part of an Investment network and investing solo?

"I think a network helps bring different types of investor capabilities on board. For instance, I rate myself as very tech savvy, but I am not necessarily very good on sales and marketing – so the other people in the Angel Group watch out for those aspects," says Kanakia. The other thing he says is that being part of a pool of people makes investigating in a company easier. *"Two people in the network can take a lead in due diligence,"* he says.

4 GROUND RULES

What does he look for when an entrepreneur makes a pitch?

There are four ground rules, says Kanakia.

"One, I invest in an individual rather than anything else. Of course there is the intellectual property and the merit of an idea and all that. But I believe, it's the people who are the success factor. I look for a street smart person – not in the pejorative sense – but in the sense of having common sense. It does not matter if he is a top ranker or not," he says.

"Second, the person I invest in must be motivated for large success – you need a person who wants to conquer the world and not be satisfied by achieving little success, maybe acquire a big flashy car to be happy."

"Third, the person should have demonstrated leadership qualities — the ability to inspire others to work hand in hand."

"Finally, I like people who are good listeners," says Kanakia.

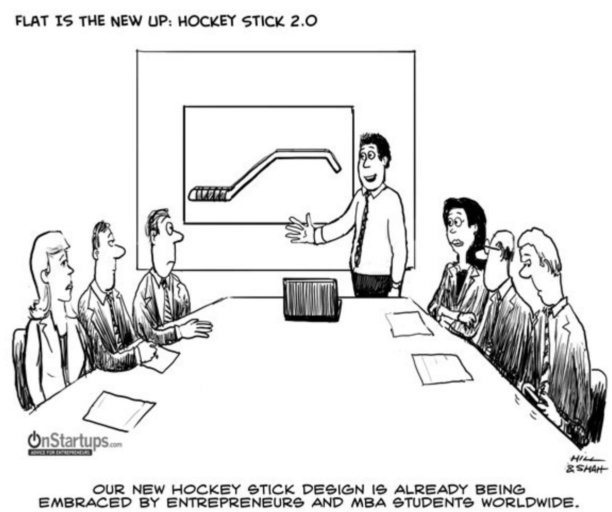
And how many meetings are needed to ascertain all these? *"Usually three meetings,"* he says. *"It doesn't take much time, but takes a lot of experience to spot these qualities — it comes from throwing unexpected questions and watching how they react,"* he says.

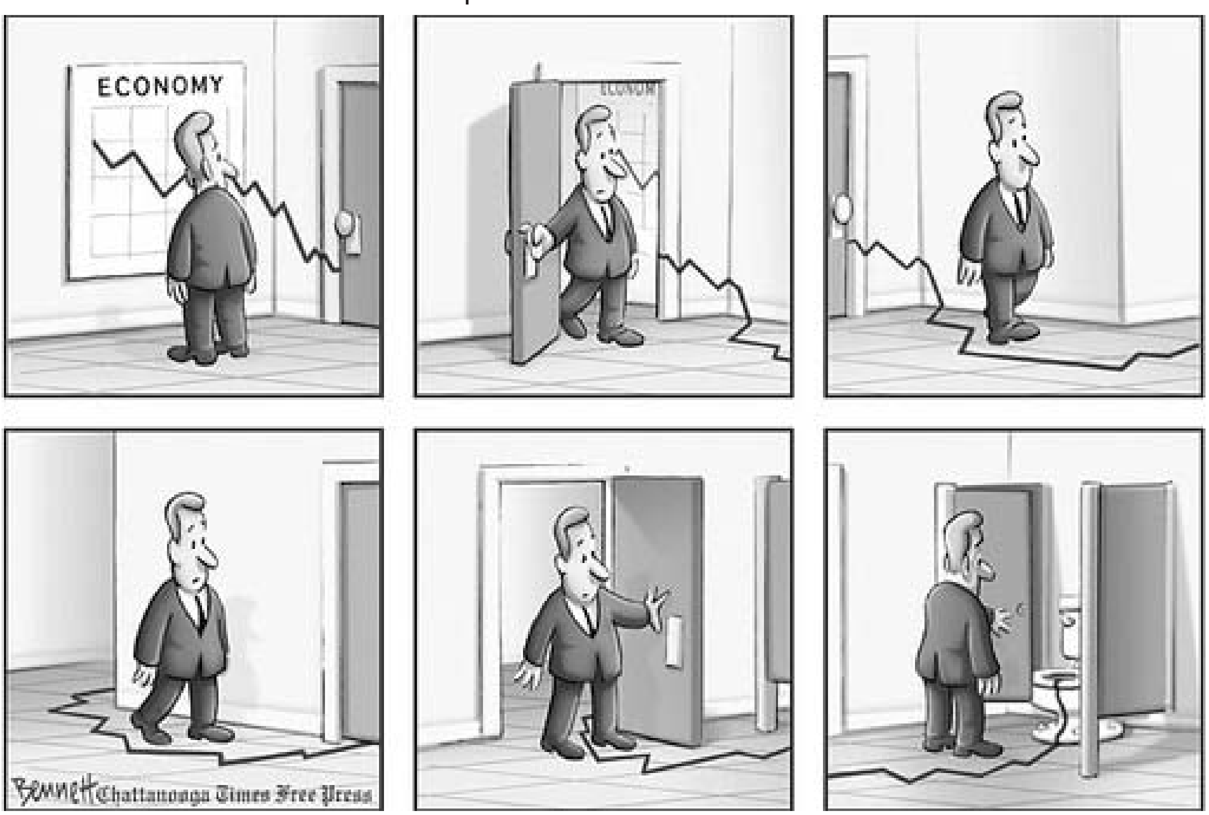
And how soon would investors like him exit? *"It's a question of risk appetite as well as how much time you want to hold in a firm. For me 5X is good enough,"* he says.

The good news for entrepreneurs, says Kanakia, is that a surprising number of people in India are today willing to act as angels.

monkey BUSINESS

The happy face of business





The Top 10 Lies of Entrepreneurs

By: Guy Kawasaki

Introduction: Let's be clear: NewGate Capital Partners does not believe that entrepreneurs are liars-far from it. We do believe that entrepreneurs are exuberant optimists with rose-colored glasses. They wouldn't be successful entrepreneurs if they weren't. As they communicate their visions to potential investors and persuade them to fund the next great company, entrepreneurs have been known to over promise & stretch the positive signals they have received from the market. It is in this light that we present Guy Kawasaki's Top Ten Lie List below.

Griffin Valdes

1. "Our projections are conservative." An entrepreneur's projections are never conservative. If they were, they would be $0. I have never seen an entrepreneur achieve even her most conservative projections. Generally, an entrepreneur has no idea what sales will be, so she guesses: "Too little will make my deal uninteresting; too big, and I'll look hallucinogenic." The result is that everyone's projections are $50 million in year four. As a rule of thumb, when I see a projection, I add one year to delivery time and multiply by.

2. "(Big name research firm) says our market will be $50 billion in 2010." Every entrepreneur has a few slides about how the market potential for his segment is tens of billions. It doesn't matter if the product is bar mitzah planning software or 802.11 chip sets. Venture capitalists don't believe this type of forecast because it's the fifth one of this magnitude that they've heard that day. Entrepreneurs would do themselves a favor by simply removing any reference to market size estimates from consulting firms.

3. "(Big name company) is going to sign our purchase order next week." This is the "I heard I have to show traction at a conference" lie of entrepreneurs. The funny thing is that next week, the purchase order still isn't signed. Nor the week after. The decision maker gets laid off, the CEO gets fired, there's a natural disaster, whatever. The only way to play this card if AFTER the purchase order is signed because no investor whose money you'd want will fall for this one.

4. "Key employees are set to join us as soon as we get funded." More often than not when a venture capitalist calls these key employees who are VPs at Microsoft, Oracle, and Sun, he gets the following response, "Who said that? I recall meeting him at a Churchill Club meeting, but I certainly didn't say I would leave my cush $250,000/year job at Adobe to join his startup." If it's true that key employees are ready to rock and roll, have them call the venture capitalist after the meeting and testify to this effect.

5."No one is doing what we're doing." This is a bummer of a lie because there are only two logical conclusions. First, no one else is doing this because there is no market for it. Second, the entrepreneur is so clueless that he can't even use Google to figure out he has competition. Suffice it to say that the lack of a market and cluelessness is not conducive to securing an investment. As a rule of thumb, if you have a good idea, five companies are going the same thing. If you have a great idea, fifteen companies are doing the same thing.

6. "No one can do what we're doing." If there's anything worse than the lack of a market and cluelessness, it's arrogance. No one else can do this until the first company does it, and ten others spring up in the next ninety days. Let's see, no one else ran a sub four-minute mile after Roger Bannister. (It took only a month before John Landy did). The world is a big place. There are lots of smart people in it. Entrepreneurs are kidding themselves if they think they have any kind of monopoly on knowledge. And, sure as I'm a

Macintosh user, on the same day that an entrepreneur tells this lie, the venture capitalist will have met with another company that's doing the same thing.

7. "Hurry because several other venture capital firms are interested." The good news: There are maybe one hundred entrepreneurs in the world who can make this claim. The bad news: The fact that you are reading a blog about venture capital means you're not one of them. As my mother used to say, "Never play Russian roulette with an Uzi." For the absolute cream of the crop, there is competition for a deal, and an entrepreneur can scare other investors to make a decision. For the rest of us, don't think one can create a sense of scarcity when it's not true. Reread the previous blog about the lies of venture capitalists, to learn how entrepreneurs are hearing "maybe" when venture capitalists are saying "no."

8. "Oracle is too big/dumb/slow to be a threat." Larry Ellison has his own jet. He can keep the San Jose Airport open for his late night landings. His boat is so big that it can barely get under the Golden Gate Bridge. Meanwhile, entrepreneurs are flying on Southwest out of Oakland and stealing the free peanuts. There's a reason why Larry is where he is, and entrepreneurs are where they are, and it's not that he's big, dumb, and slow. Competing with Oracle, Microsoft, and other large companies is a very difficult task. Entrepreneurs who utter this lie look at best naive. You think it's bravado, but venture capitalists think it's stupidity.

9. "We have a proven management team." Says who? Because the founder worked at Morgan Stanley for a summer? Or McKinsey for two years? Or he made sure that John Sculley's Macintosh could power on? Truly "proven" in a venture capitalist's eyes is founder of a company that returned billions to its investors. But if the entrepreneur were that proven, that he (a) probably wouldn't have to ask for money; (b) wouldn't be claiming that he's proven. (Do you think Wayne Gretzky went around saying, "I am a good hockey player"?) A better strategy is for the entrepreneur to state that (a) she has relevant industry experience; (b) she is going to do whatever it takes to succeed; (c) she is going to surround herself with directors and advisors who are proven; and (d) she'll step aside whenever it becomes necessary. This is good enough for a venture capitalist that believes in what the entrepreneur is doing.

10. "Patents make our product defensible." The optimal number of times to use the P word in a presentation is one. Just once, say, "We have filed patents for what we are doing." Done. The second time you say it, venture capitalists begin to suspect that you are depending too much on patents for defensibility. The third time you say it, you are holding a sign above your head that says, "I am clueless." Sure, you should patent what you're doing if for no other reason than to say it once in your presentation. But at the end of the patents are mostly good for impressing your parents. You won't have the time or money to sue anyone with a pocket deep enough to be worth suing.

11. "All we have to do is get 1% of the market." (Here's a bonus since I still have battery power.) This lie is the flip side of "the market will be $50 billion." There are two problems with this lie. First, no venture capitalist is interested in a company that is looking to get 1% or so of a market. Frankly, we want our companies to face the wrath of the anti-trust division of the Department of Justice. Second, it's also not that easy to get 1% of any market, so you look silly pretending that it is. Generally, it's much better for entrepreneurs to show a realistic appreciation of the difficulty of building a successful company.

Kapitali$t Updates

BigHead TV entered into an operating partnership with O2 Wireless. According to the terms of the agreement, BigHead TV, the exclusive license holder to the "disruptive technology", is granting the right to these territories which is estimated to be worth in excess of 50 million dollars. The technology is applicable over fiber, copper, satellite and wireless distribution, or what is called "cross medium utility". It will enable O2 Secure Wireless and Earthcom Service Inc. to exercise the exclusive right to deliver the a la carte programming which would then complete the best triple play offering to the consumer available today. It is also negotiating a content distribution agreement with Converge TV.

CaseBriefs has recently signed a into a joint venture with LexisNexis that is a worldwide leader in legal and informational academic informational libraries.

Center for Aggression Management has had significant success with the implementation of its Campus Aggression Prevention System (CAPS) at Eastern Kentucky University (EKU).

EKU's Chairperson for their SAIT (Student Assistance & Intervention Team) Claire Good, Ph. D is extremely pleased with the added safety and control of this increasingly pervasive subject of aggression on campus. She has explained, "The SAIT feels that by looking at the totality of circumstances we can make a much better decision regarding what tools the student needs in order to be successful as a student on our campus." She has also mentioned that EKU's General Legal Counsel appreciates the measure of objective behavior and the opportunity to respond in a far more measured ways. EKU's Public Relations Officer has been very helpful in getting Center for Aggression Management coverage in the USA Today as well as local media coverage. EKU likes their new moniker as a Vanguard of Campus Safety.

Hine's Aircraft Company is currently seeking the purchase of a manufacturing facility to produce their revolutionary prototype aircraft.

Its bedtime for kids as Incredibeds picked up two angel investors who injected equity capital into the company! The company is continuing to move forward and its founder is enjoying every minute!

LegUp Lindin Gear has been doing very well and is continuing to find new clients and contracts. They are currently adding Harley Sporster to their available models! They are also currently promoting a charity giveaway for a wounded American soldier Justin Rokohl, a U.S.M.C. veteran who lost part of both of his legs defending our country. You can read more about his story at landingear.com.

Company's founders have liquidated their position in the company.

Pure Magic continues to grow, and is laying the foundation for more stores in the future. They have one location open and established in Winter Haven, and are a few weeks from opening a location in Wauchula, Florida. The local residents are already very excited about Pure Magic coming to town. Pure Magic has secured financing for three more stores to be placed in the Orlando area, and have already found ideal locations for at least two of them.

Pure Magic is also looking into international locations. They have had serious interest from a party in Central and South America, and are close to signing an agreement which will make Pure Magic an international company.

The company is currently in due diligence phase with two investors.

Monks Diner Inc.

Seinfeld's -Monk's Diner and Comedy Club is waiting for a licensing approval. The company is waiting due to the possibility of the production of a Seinfeld movie.

WellSpring has recently achieved a breakthrough for a 55 panel blood test that could be sold at a price of $29!

Shaping Florida's Future.
Enhancing Your Business.

The marketplace is rapidly changing and the expectations of its stakeholders for authenticity, transparency and engagement are higher than ever. It is essential for business leaders to expand their sphere of influence and enhance communications to meet the growing demands of the new marketplace by cultivating outrageous trust; building market leadership; and executing effective advocacy.

To meet these objectives, successful leaders and organizations will focus their efforts on the drivers of the new marketplace to grow, maintain and protect their interests.

Leadership Engagement | The Customer Experience | Market Leadership and Advocacy | Crisis and Issues Management

Consensus works with business leaders to improve results by improving relationships throughout their organization and their marketplace. Consensus has a strong background in all aspects of business and has worked with national and international brands. The principals have counseled CEOs and other executives on a wide spectrum of matters including strategic planning, culture and internal communications, media and public engagement, issues and crisis management, merger and acquisition, reputation, customer service, and stakeholder engagement.

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Principals: Tre' Evers, John Sowinski, and Roy Reid, Jr., APR, CPRC

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