



Tech Futures:
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By [Michael Volker](#)

In this Column: Entrepreneurship Rocks in BC, It's about "TIME" for Tech Startups, and WUTIF Angel Fund in action.

Entrepreneurship Rocks in BC

Talk about startups. There's an increasing number of new technology companies getting started in BC. While these are not overly visible, one can learn about them through a number of venues that are covered in this column.

For starters, the [Telus New Ventures BC Business Competition](#) for early stage technology ventures announced its 2005 winners this week. Entrepreneurship is growing. The fact that nearly 100 fresh companies participate in the competition each year speaks to that - even after 5 years running.

Established by **SFU Business**, the annual TELUS New Ventures BC competition is operated by the non-profit **BC Ventures Society** and made possible through the generous support of both private and public sponsors as well as more than 150 volunteer mentors, judges, speakers and workshop leaders.

Although it's called a competition, it's a lot more than that. First of all, let's be clear: this is *not* a business "plan" competition. It's not the company that comes up with a glitzy plan that wins. It's the company that demonstrates that it is the most likely to be viable and most successful in the market place.

What attracts companies is not just the prize money - but also access to investors and mentors. Weekly workshops (like a bootcamp) also give them the tools and knowledge to hone their strategies.

During the competition, companies participated in business education seminars and attended networking events. 30 third-round competitors also received advice from industry mentors. To win, 10 finalist teams had to convince a jury of venture capitalists, financiers and angel investors that their business idea is commercially viable and that they could execute it in the marketplace.

And this year's winners are:

Traction Technologies, a Kamloops firm with a new, automated cargo securement system for the trucking industry, is this year's winner of the \$60,000 first prize. Traction's new Tie Down Safety System (patent pending) uses pressurized air to tighten tie-downs such as straps, cables and chains for securing various types of cargo. The system reduces the potential for cargo shifting as well as operator injury during loading and unloading. Inventors **Andrew Ross** and **Casey Dundass** say their system complies with new standards mandating automated tie-downs for specific hauling applications.

Second-place winner of \$38,000 is **ComVu Media Inc.** of Vancouver, a firm with new technology for transforming a mobile phone into a live broadcasting device. With the push of a button on a camera phone, citizen reporters, bloggers, family members, friends and business associates can broadcast live events to their communities of viewers, who watch the live broadcast on their own mobile devices or on computers loaded with Windows Media compatible players. ComVu has integrated its broadcast software with services that include video archiving on ComVu servers, a personal broadcast page accessible by viewers, instant notification, posting to blogs and pay-per-view.

Quin Media Arts and Science of Vancouver won the \$17,000 third place prize for a new imaging and design method that gives a three-dimensional appearance to textures, patterns and images. The architecture, entertainment and advertising industries will appreciate the new system, called the Ombrae, that gives a three-dimensional appearance to textures, patterns and images. Created through a combination of design, science and technology, this new process transcends current image-making and surface treatment techniques. Apply it to a building exterior, a highway retaining wall, a running shoe, even a decorative waterfall, says **Rod Quin**, the award-winning artist, sculptor, and film technician who created the technique. Variations in lighting and viewer position create perceived changes in the designs, capturing their attention.

Sieber Energy Inc. of Pemberton, BC won the \$30,000 **BC Hydro Sustainability prize** for new technology that can transform ocean wave power into pressurized air, which is then applied to produce electricity and desalinated water.

Small communities, resort operators and industrial operators faced with energy or water constraints will welcome this patented ocean energy system from Sieber. A prototype has been successfully tested. Unlike wind-generated electricity, SieWAVE's pressurized air can be stored to resolve time-of-day energy demands against wave variability, says Sieber Energy's president and CEO, **Nigel Protter**. Sieber also competed last year, finishing among the top 10.

The other finalists in the top 10 were:

Cineclix - Online distribution of film and television programming will soon be commonplace and CineClix has developed a software engine that can recommend films (or any digital content, including electronic games and books) according to individual tastes. For example, if you're in the mood for a film that will make you laugh, the software engine can find one that fits perfectly with your mindset, culture, values and interests. "The system works because film makers and viewers 'tag' the content with personal information so that it becomes not just a text search for a comedy but a search for what other people of a similar age, ethnicity or interest group have recommended and why," explains **Margo Langford**, president of CineClix.

Digital Planet Technologies - Medical scientists and doctors will be better able to visualize various aspects of their work with new three-dimensional, pre-holographic imaging products and systems from Digital Planet Technologies. Their technology creates 3D images that appear to float outside the conventional display area; they can be viewed without glasses. Current applications for these 3D images include image-guided surgery and scientific visualization applications for drug discovery research and genomics. Benefits include increased accuracy and safety, a quicker ability to process visual information and reduced project length.

Mountain Power Inc. - Hybrid electric vehicles may soon be powered by Mountain Power's advanced power pack. This new company has developed a software and hardware battery management system designed to adapt new-technology lithium ion cells for use in large power packages for hybrid electric vehicles and other applications. Their HEV power packs weigh less than conventional battery packs, take up less space, enhance efficiency, and have a faster recharge time and an attractive operating and life-cycle cost.

MSR Innovations - Roof your house and supplement your electricity supply at the same time with a new composite solar roof tile that incorporates a photovoltaic solar cell for capturing sunlight and transforming it into energy. The easy-to-install roofing system, designed by a highly experienced engineering and technology team, will please those interested in sustainable products and renewable energy alternatives.

Sentry Industrial Systems - Truck loggers will appreciate this Prince George team's new safety device that reduces collisions on logging roads. The system tracks local traffic and notifies the operators of approaching vehicles.

WestTech Environmental Systems Inc. - Homeowners could soon be using the wind as a source of cheap and efficient power. WestTech is developing a residential, roof-mount, vertical axis wind turbine that can produce up to one-third of a home's power needs. The firm is also developing larger units for

higher power needs and smaller units for RV and boating enthusiasts. WestTech plans to showcase its technology, which accommodates solar power input as well as an option to tie into the existing power grid, at the 2006 Globe Conference in Vancouver.

At another entrepreneurial venue, this week's [Vancouver Enterprise Forum](#) kick-off event featured two entrepreneurs, **Colin How** and **Dan Cordingley** and their approaches to raising capital. While one went after individual investors the other approached large institutional venture capitalists (VCs) right out of the gate - apparently even before having any tangible products. (Their presentations are available on the VEF website.)

Colin How of **How to Share Technologies** of Victoria raised a modest amount (just shy of \$2 million) of "blood money" from family, friends and relatives followed by Angel investors. He noted how certain non-capital intensive companies such as his (i.e. software) could go a long way with bootstrapping, i.e. taking low salaries, and taking a step at a time using internally-generated cash flow to grow the business.

In contrast, **Dan Cordingley** of **Teradici Corp**, a fabless (and hopefully fabulous) semiconductor shop based on as-yet-undisclosed ideas by **Dave Hobbs** raised \$10M in two venture rounds right upfront without any bootstrapping or family/friends/angel money - primarily on the strength of the idea and the team behind it. Dan posited three old VC rules:

Rule #1: you can change the management or the products and technology but you cannot change the market opportunity;

Rule #2: early stage money doesn't travel very far; you need local investors; and

Rule #3: bet on the Team

Rule #1 got me thinking about the difference between VC and Angel investors. Often, when a company is not performing, VCs react by changing the management team. Founders are often pushed out and the company loses its entrepreneurial drive. Some of the more successful companies kept their founding teams intact but changed business plans and seized different market opportunities. Local companies such as **QLT Inc** and **Creo Inc** are good examples of that. Rather than sticking with what they defined as their original markets, they shifted into completely different market areas. Perhaps the best example of this is Waterloo's **RIM** (more on RIM below) that drifted into the mobile market with its Blackberry many years after startup.

While Rule #3 may appear to be at odds with rule #1, the point that Dan was making here was that a well-rounded team at the outset was very important. At first, he had only a few key people but when he added accomplished operations people backed up by solid advisors and directors, the VCs became far more enthusiastic.

Also mentioned at the Forum was the importance of seeking and taking advice. In **Brent Holliday's** recent [column](#) on T-Net, he devoted his entire column to this. His opening line caught my eye: "Simply put, they (entrepreneurs) start out believing they don't need it (advice) and when they run into trouble they take it, but they never like to pay for it." From my observations, those that don't aren't really true entrepreneurs. Those that are open and receptive to ideas and suggestions usually go further.

I happened to be at the **Banff Venture Forum** this month at which a keynote speaker was **Jim Balsillie**, the Co-CEO of **RIM** (the **Blackberry** guys) of Waterloo. His topic was "*Building World Class Technology Companies*".

Here are a few snippets of his advice (paraphrased slightly) for entrepreneurs:

"It's not about ego (he only has a couple of suits and drives a pickup). It's all about the business. Everything I do is for the business. I allow no distractions, no external investments or interests. Let go

of ego and perceptions - seek advice, get factual data and then act on that deliberately and decisively (he said repetitively to do everything deliberately) and to base decisions on fact, avoiding information gaps that can lead to poor decisions."

"RIM is not too futuristic - we just do what's hot now - making incremental improvements, and worry about today not tomorrow. Do your very best today!"

Jim referred to Einstein's most popular formula- the miracle of compounding. RIM's sales compounded 100% annually from \$100k in 1992 when he joined the company to \$1 billion per quarter in 2005.

"Rather than set a quarterly goal, there's no goal other than to be driven to get as much as possible - today, not tomorrow."

"To get the Blackberry adopted, our tactic was to infiltrate. We gave away thousands of blackberries to CEOs - not to IT guys. We want relatively few customers (and decision makers) to LOVE our product rather than get zillions that merely like it."

"When someone wants to give you money, you take it". (I remember hearing **Geoff Ballard** say that at a 1989 Enterprise Forum.)

On the question of adding more features to the Blackberry to compete with the likes of Palm, he commented, "We're not trying to make a sportscar schoolbus. We'd rather capitalize on an opportunity rather than create one."

While listening to Jim's talk, I was sitting beside a venture investor from California. He commented on what he saw as the difference between Canadian companies and American ones (RIM comes closer to being "American" than most he's seen). Simply put: "Canadians don't think BIG enough; they're not aggressive enough about the US mkt. They'd rather chase 10 accounts in Vancouver than 100 in the Valley".

It's about "TIME" for Tech Startups

SFU's TIME Centre in downtown Vancouver recently received financial support from **Western Diversification, NRC** and **Industry Canada** towards a half million dollar project to expand its facilities and services for budding technology entrepreneurs needing space and help to launch their ventures.

With all the talk about commercialization of technology these days, this is just one way (in my biased opinion) to provide a little infrastructure and assistance to encourage even more risk-taking and entrepreneurship.

TIME is an acronym for **Technology, Innovation, Management, and Entrepreneurship**. It's more than just an incubator. Complete, ready-to-go furnished offices with high speed internet, servers, telephone and fax, printing, etc. are only the beginning.

There will be access to various resources, e.g. tech advisors, access to capital (e.g the **VANTEC Angel Network**), mentors, researchers, students, patent experts, board members etc. You'll be in good company: [Telus New Ventures BC](#), the [Vancouver Enterprise Forum](#), the [VANTEC Angel Network](#) and [WUTIF Capital](#) all make TIME their home.

TIME will do more than just assist companies in accessing capital. It even has a prototype development fund that entrepreneurs can tap to get their ideas materialized.

SFU Business is a key player. For example, MBA students in the **Management of Technology** program can work with startups to do some market research, business opportunity assessments, and strategizing under the wings of business faculty and business coaches from industry.

From time to time, workshops will be offered. For example, TIME's "**Better Boards Build Better Businesses**" seminar that was offered last year sold out twice in a row. Another session on "**Negotiating the Terms Sheet**" was well received by local angel investors.

Worried about the high cost of being downtown? Well, not to worry - TIME will gladly take equity to help startups with their initial cash flow to mitigate some of the risk. Check www.sfu.ca/time for contact info.

TIME also operates the **TIME Business Centre** (a little akin to an airport business lounge) for technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? There are some great facilities for holding your company's AGM or board meeting. Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown campus at 515 West Hastings St. You won't believe the price!

WUTIF Angel Fund in action

WUTIF...you wanted to invest in a tech startup? The **Western Universities Technology Innovation Fund** (WUTIF), is an "angel fund" catering to tech startups based in BC (not limited only to universities) . **WUTIF Capital** is a VCC that offers investors a 30% BC refundable tax credit.

In the past year, WUTIF has invested in 15 young, up and coming companies - ranging from biotech to infotech, energy and the environment. Yet another indication of entrepreneurial activity is the increased "deal flow" that angels and angel funds are seeing. At the monthly [Vancouver Angel Network](#) meetings, there's been no let up in the number of companies that want to pitch their deals.

WUTIF's goal is to be "first-in" accompanied by angel investors who provide mentorship and guidance to promising startups. Recognizing the risks and, of course, the potential rewards of early investing, WUTIF casts a wide net and plans to continue at the rate of a deal per month.

For the remainder of 2005, WUTIF has a limited tax credit allocation from the B.C. Government that it can make available to investors. Investors in WUTIF will receive a refundable tax credit (i.e. equivalent to a tax-free cash dividend) of 30% on their investment for the 2005 taxation year. For an additional tax benefit (up to 43% more), WUTIF shares can be held in an RRSP. Even better - if shares are purchased by an existing RRSP, investors get the 30% tax-free *outside* their RRSP!

Unlike the tax credits associated with LSVFs (Labour Sponsored Venture Funds), there is no mandatory hold period for investors and the investment limit is much higher - up to \$200,000 per investor.

Moreover, WUTIF offers an interesting and unusual charitable giving feature. Through an innovative offering that consists of both shares and long-term warrants (i.e. 8 years), investors can donate their shares to their favorite charity (e.g. their alma mater), getting an extra tax credit of 43% - regardless of their income tax bracket. By keeping the warrants, priced at a dime, they stand to benefit from the Fund's growth even though they no longer hold shares in the Fund. Here's the bottom line: If the Fund doubles in value in 5 years, the charity gets double the amount and the donors stand to make more than 3 times their after-tax out-of-pocket cost of the investment.

In WUTIF's first-year, local charities received approximately \$500K in such donations.

If you're keen to co-invest with angels in up and coming companies, this is a good way to get started. There is, however, a \$10,000 minimum investment. This helps in keeping WUTIF's management fees low. Unlike many other Funds that pay out up to 20% in commissions and fees, WUTIF's fees are largely performance based and investors will be pleased to know that less than 5% of their investment goes towards fees, expenses, and overhead!

A limited number of shares and warrants will be offered during October and November until the tax credit allocation has been fully utilized.

Check www.wutif.ca for more details.

Michael Volker, a technology entrepreneur, is Director of the University/Industry [Liaison Office](#) at **Simon Fraser University** and President of the [Western Universities Technology Innovation Fund](#). He is a founder of the [Vancouver Angel Network](#) and past Chair of the [Vancouver Enterprise Forum](#) and past Chair of the **B.C. Advanced Systems Institute**. He owns shares in many of the companies he writes about. Copyright, 2005.

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Tech Futures is a T-Net column that focuses on new and emerging B.C. technology companies.

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Contact: risktaker@volker.org

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