



*Disclaimer: Nothing in this document constitutes legal advice for any party or reader. Conduct your own due diligence before issuing securities as a company or commencing startup investing as an investor.*

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1. Startup investing is confusing. What kind of structures are “equity” or “equity-like” and work best for 49SAF to match as a co-investment?

Here are some examples. 49SAF most often works with 2. Revenue Redemption / Royalty.

Security	Description	Pros, Cons
<p><b>1. Straight Equity</b></p>	<p>The classic. Investors provide capital for company ownership.</p> <p>Example: \$25,000 for 9% of the company.</p> <p>Investors typically receive a return when the business is sold years later.</p>	<p><b>+ Industry standard for venture capital plays, or entrepreneurs building a company for eventual acquisition.</b></p> <p>- Not great for “micro” or most small businesses. Also: Not a fit for investors seeking a mid-term or shorter return horizon.</p>
<p><b>2. Revenue Redemption / Royalty</b></p>	<p>Mixes straight equity with an ongoing revenue share. An <a href="#">indie.vc example</a>:</p> <p>Example:</p> <ul style="list-style-type: none"> <li>A. An equity stake is negotiated (ex: \$25,000 for 6% of the business)</li> <li>B. The company pays the investors back regularly (ex: 2% of gross revenues quarterly)</li> <li>C. Until investors hit their multiple (ex: 2x invested capital)</li> <li>D. Entrepreneurs “get back” some or all of that equity from the revenue payments (ex: 6% was negotiated for ownership; with dividends paid, 3% is “redeemed” and returned to entrepreneurs, the other 3% maintained by investors)</li> </ul> <p>Investors primarily receive their return via the targeted multiple (C). Opportunity for further return on investment is via (D) if the firm is later acquired.</p>	<p><b>+ May provide a realistic near-term return to investors while preserving most of the company’s capital for growth.</b></p> <p>- Companies can only undertake a few “revenue redemption” financings before margin is impacted. For investors, this structure is fairly new, with performance data largely not yet available.</p>

Security	Description	Pros, Cons
<b>3. Preferred (Dividend)</b>	<p>Stock that pays investors back via dividends.</p> <p>Example: Company raises \$500,000 via preferred stock, which pays investors an 8% annual dividend when declared by the board.</p>	<p>+ Potentially realistic liquidity path for investors.</p> <p>- Companies can struggle to pay dividends in down years or when reinvesting for future growth.</p>
<b>4. Convertible Debt</b>	<p>Debt on the balance sheet that can convert into straight equity, usually due to a financing event. Should the debt not convert, the expectation is that it will be paid in cash.</p> <p>Example: \$25,000 at 8% for 5 years with the balance either <b>a)</b> converting at a 20% discount into straight equity at a financing event or <b>b)</b> getting paid out in cash at end of the term.</p>	<p>+ Somewhat fast and affordable to underwrite. Doesn't require the company to issue stock or set valuation.</p> <p>- For companies, downsides include debt on the balance sheet and a potential one-time balloon payment at the end of the period which may be difficult to pay.</p>
<b><u><a href="#">"SAFE" – Simple Agreement for Future Equity</a></u></b>	<p>A quick agreement for "straight equity" – the company agrees to provide the investor some equity in the future once it raises significant financing.</p> <p>Favors entrepreneurs.</p>	<p>+ A fast and affordable path to straight equity.</p> <p>- Still, only realistic for investors if the firm is built for acquisition.</p>
<b><u><a href="#">"KISS" – Keep it Simple Security</a></u></b>	<p>Similar to a SAFE, with both straight equity and convertible debt versions available.</p> <p>Favors investors.</p>	<p>+ Fast and affordable.</p> <p>- Largely the same downsides as the SAFE, with also potentially those of convertible debt.</p>

2. [What is a 49SAF "near-automatic" match on private investment?](#)

As long as both the company receiving investment and the deal meet 49SAF compliance and eligibility requirements (see "Eligibility Criteria" document on our website), 49SAF will match the first \$10,000 – \$25,000 the company raises from private investors on the same equity or equity-like terms.

3. [Will 49SAF invest less than \\$10,000?](#)

No. 49SAF's goal is to deploy \$1,000,000 through this Co-investment Fund. As such, investing below \$10,000 is less helpful in us achieving the deployment target.



4. Can 49SAF invest more than \$25,000?

Yes, in amounts between \$25,000 to \$100,000. Here 49SAF will underwrite a bit more, and take a closer look. While it won't be "near-automatic," 49SAF intends to be aggressive.

5. How long will a deal take?

While much of this depends on both the entrepreneur and their private sector investors, ideally we should fund within two weeks of an application.

6. What qualifies as a "new" investment?

Private sector cash financing into a company within the last 90 days (or such guaranteed future financing). 49SAF may allow exceptions; we know financings can take a while.

7. What is your definition of "private sector?"

Capital that's not from the federal government, nor state or municipal financing programs.

*Exceptions:* Any capital from the Alaska Permanent Fund Corporation or other such institutional investors is considered private sector.

8. I've got new (or am taking out new) debt financing. Will 49SAF match it?

Maybe, let's discuss. While 49SAF can't match your debt at terms – we're required to invest equity –we can evaluate placing equity alongside that debt.

9. I've got a cash grant for my company. Will you match it?

Again, let's discuss. 49SAF won't write a grant, but we will evaluate placing equity alongside a new cash grant from a private source, but not a government or public entity.

10. I've secured corporate In-Kind support for my company. Does that qualify as an investment, will 49SAF match it?

No; 49SAF is not permitted to consider such investments as a qualified match.

11. Why is 49SAF deploying this Co-Investment Fund?

During this COVID-19 pandemic, Alaska firms must get the financial resources they need to build companies for our state's economic future. It's also important to deploy capital as a "bridge," so otherwise healthy Alaska companies can have a future post-COVID; many just need to make it through this downturn.



12. I'm investing in my own business. Will 49SAF match it at my terms?

Yes, if we determine those terms can realistically pay 49SAF back as an investor, and it's a compliant transaction. Please send us a drafted term sheet to review.

13. Where can I find private investment?

A few options:

- Friends and family are one of the top sources of initial capital for startups, as are successful businesspeople.
- Raise under the [Alaska Crowdfunding Act](#) (Note: You're issuing a security, which has legal implications; relying on the State of Alaska has benefits).
- Raise using the [WeFunder](#) equity crowdfunding platform. Alternatively, raise using rewards-based crowdfunding platforms like [Indiegogo](#) or [Kickstarter](#).
- Connect with accredited investors: Individuals with \$1,000,000 or more in net worth or those making \$200,000 or more annually, or corporations with \$5,000,000 or more in assets.

14. How is a co-investment of \$10,000 to \$25,000 relevant? Seems small.

Here 49SAF is effectively doubling initial capital available to nearly all Alaska startups and new businesses receiving any private investment—whether from friends and family, investors, or the owners' own pockets.

15. Do you invest in companies outside Alaska?

Occasionally, where there is a demonstrated significant economic impact for Alaska. That generally looks like employing Alaskans, contracting with Alaska firms, or basing the company in Alaska.

16. What is the Building Equity Fund?

It's our commitment that half this Co-Investment Fund be invested in startups and businesses with owners who are Black, Indigenous, and People of Color ("BIPOC").

17. Why have a Building Equity Fund?

Because Black, Indigenous, and People of Color have a history of struggling to access capital. We admit 49SAF's portfolio represents them inadequately (we estimate 3 of the 45 businesses we've funded have BIPOC founders). So we're trying this admittedly inadequate first step at something new to bring that back in line.

18. I'm not "BIPOC"; should I still apply to the Co-investment fund?

Absolutely yes! Not only are you potentially increasing your resources to build a business, but you're generating more resources for others: Essentially, when 49SAF funds any non-BIPOC founder under this program, we're committing to funding the same amount in a BIPOC founder.



19. I'm not sure the Co-investment program is right for my business. What should I do?

Get in touch with us, we would enjoy discussing this with you! E-mail [49SAF@muni.org](mailto:49SAF@muni.org) and we'll see how we help you.