49SAF Co-investment Fund FAQs

1. **What is a 49SAF “near-automatic” match on private investment?**
   As long as both the company receiving investment and the deal meet 49SAF compliance requirements (basically—be a legal Alaska “operating” company, with new private sector investment), 49SAF will match the first \$10,000 – \$25,000 the company raises on the same equity or equity-like terms.

2. **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.

3. **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.

4. **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.

5. **What qualifies as “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.

6. **What is your definition of “private sector?”** Capital not from the federal government, nor from state or municipal financing programs. Exceptions: Any capital from the Alaska Permanent Fund Corporation or other such institutional investors.

7. **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.

8. **I’ve got a cash grant for my company. Will you match it?**
   Again, let’s discuss. 49SAF won’t write a grant, but will evaluate placing equity alongside a new cash grant from a private source.

9. **I’ve secured corporate In-Kind support for my company. Does that qualify as investment, will 49SAF match it?** No; 49SAF is not permitted to consider such investments as a qualified match.

10. **Why is 49SAF deploying this Co-Investment Fund?**
    Right now, it’s vital that Alaska firms 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.

11. **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.

12. **Where can I find external 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 and avoid giving away investment.
    - 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.

13. **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.

14. **Do you invest in companies outside Alaska?** Occasionally, but there has to be a "potentially significant economic impact" for Anchorage in the company. That generally looks like employing Alaskans, contracting with Alaska firms, or basing the company in Alaska.

15. **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").

16. **Why do the Building Equity Fund?** Because Black, Indigenous and People of Color have a history of struggling to access capital. We admit 49SAF's own 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.

17. **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 resource 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.

18. **I'm just not sure the Co-investment program is right for my business. What should I do?** Get in touch with 49SAF—we would enjoy discussing this with you! E-mail joe.morrison@anchorageak.gov to start a conversation. We're here to help.

19. **Give me examples! Startup investing is confusing. What kind of structures are "equity" or "equity-like" and work best for 49SAF to match as a co-investment?** Structures that can work are below. Currently 49SAF prefers structure #2 (Revenue Redemption / Royalty).

Security	Description	Pros, Cons
1. Straight Equity	The classic. Investors provide capital for company ownership. Example: $25,000 for 6% of the company. Investors typically receive a return when the business is sold years later.	**+** Industry standard for venture capital plays, or entrepreneurs building a company for eventual acquisition. **-** Not great for "micro" or most small businesses. Also: Not a fit for investors seeking a mid-term or shorter return horizon.
2. Revenue Redemption / Royalty	Mixes straight equity with an ongoing revenue share. An indie.vc example: Example: A. An equity stake is negotiated (ex: $25,000 for 6% of the business) B. Company pays the investors back regularly (ex: 2% of gross revenues quarterly) C. Until investors hit their multiple (ex: 2x invested capital) 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) 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.	**+** May provide a realistic near-term return to investors while preserving most of the company's capital for growth. **-** 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.

3. Preferred (Dividend)	Stock that pays investors back via dividends. Example: Company raises $500,000 via preferred stock, which pays investors an 8% annual dividend when declared by the board.	**+** Potentially realistic liquidity path for investors. **-** Companies can struggle to pay dividends in down years or when reinvesting for future growth.
4. Convertible Debt	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. Example: $25,000 at 8% for 5 years with the balance either **a)** converting at a 20% discount into straight equity at a financing event or **b)** getting paid out in cash at end of term.	**+** Somewhat fast and affordable to underwrite. Doesn't require the company to issue stock or set valuation. **-** 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.
"SAFE" – Simple Agreement for Future Equity)	A quick agreement for "straight equity"— the company agrees to provide the investor some equity in the future once it raises significant financing.	Favors entrepreneurs. + A fast and affordable path to straight equity. - Still, only realistic for investors if the firm is built for acquisition.
"KISS" – Keep it Simple Security	Similar to the above, with both straight equity and convertible debt versions available.	Favors investors. **+** Also fast and affordable **-** Largely the same downsides as the SAFE, with also potentially those of convertible debt.

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