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New funds boost tech startups

Burnaby communications manufacturer seeks buyer in wake of slowdown in telecom sector

Glenn Drexhage

Mike Volker, the long-time angel investor and mentor, is at it again.

The serial entrepreneur is in the midst of starting up his latest investment inspiration, a new fund to help young, cash-starved technology companies.

Indeed, there's been some rare good news for burgeoning tech firms recently, with the emergence of a handful of funds focusing on various stages of the early investment spectrum.

That's a welcome development, considering that a lack of capital, especially for startups, has long been a chief complaint of the local tech community.

"There's a huge, huge gap, and no one other than angel investors is putting money into early-stage, risky technology companies," Volker said.

David Shore, president of **Galvin Corporate Finance** in Vancouver, agrees. "It's really a long time coming," he said about the spate of new funds that have surfaced. "And [it's] promising, for sure, because there's been a gap, especially for these young technology companies."

Volker's latest title is president of **WUTIF (VCC) Inc.**, or the Western Universities Technology Innovation Fund. "It's up and running, but there's still a lot of work to be done," he said.

But that hasn't stopped Volker, also the director of **Simon Fraser University's** industry liaison office and head of a local angel investor network, from aiming big.

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He hopes to raise up to \$30 million from angel and retail investors for the vehicle, targeted to launch formally in the fall. The concept is unique, said Volker, in that investors can not only buy shares in the fund, but can also donate them to other entities. "It's not just an early-stage technology investment fund. It also provides universities and local charities and other organizations with an opportunity to build an endowment," he said. "Nobody we've talked to has heard of anything like this."

Investors receive a 30-per-cent refundable tax credit. In addition to that tax credit, if they donate shares to a charity, for example, or place them in a self-directed RRSP, they can deduct the investment's price from their income for tax purposes.

The fund will invest an average of about \$250,000 in promising tech ventures ranging from information technology to life sciences .

Volker said he doesn't foresee any conflict-of-interest with his SFU post because final investment decisions will require board approval. "If it is [a problem], then we'll resolve it." he noted.

Volker is also on the board of **BC Advantage Funds**, another early-stage investment vehicle in its formative stages.

Basil Peters, BC Advantage's CEO, preferred not to comment, other than to say that he was looking forward to a September launch and that more news would come soon.

Yet the fund has attracted some heavyweight figures from the local technology community. Alongside Peters on the management team is president **Jim Heppell**, also the president and CEO of **Catalyst Corporate Finance Lawyers** in Vancouver. The board also includes noted technology investor **Don Rix**; **Frank Holler**, president and CEO of **Xenon Genetics Inc.**; and **George Hunter**, executive director of the **British Columbia Technology Industries Association**.

Volker said that Peters and others from BC Advantage Funds will also be involved with WUTIF. "There's a lot of crossover, and I think that's healthy," he said.

Volker added that the funds would be complementary and could end up co-investing in deals. Volker said WUTIF and BC Advantage owed their existence in large part to recent improvements to the provincial venture capital corporation program.

That program aims to help raise seed capital for young firms by offering incentives such as tax credits.

Shore echoed this view. "The government has stepped up and improved the legislation for VCCs," he said.

"They've taken away a layer of bureaucracy."

In addition, Volker noted that the new VCCs could help provide a steady flow of deals for other funds such as those from **Yaletown Venture Partners** and the **Business Development Bank of Canada**. These are also focused on early-stage investments, albeit at a later stage. Yaletown recently announced an inaugural \$30-million fund.

Meanwhile, the **BDC Technology Seed Investments Group**, which began in May 2002, aims to invest \$80 million over its first five years of operations.

A spokesperson said **Gregory Smith**, the fund's local investment professional, has been on board in Vancouver since January 2003.

gdrexhage@biv.com

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