

Funding, for your second time around

BY QUENTIN CASEY, FINANCIAL POST DECEMBER 3, 2013

It was an impressive story. Back in the mid-2000s, Fatkat Animation Studios employed more than 100 people and was producing animated TV shows seen around the world. The impressive part: The company was doing all that from Miramichi, N.B., a forestry town battered by mill closures and layoffs.

By May 2009, it was all over. The company's founder and owner, Gene Fowler, was bankrupt, and the provincial government was out more than \$2-million in loans.

He recalls having dinner with his wife at a pub shortly after the company went under. "You could see people talking under their breath and pointing at the table," Mr. Fowler said. Simply put, he felt ostracized.

Karina LeBlanc, the executive director of the University of New Brunswick's Pond-Deshpande Centre, said such scenarios are far too common.

"We are not very forgiving of failure," she said. "But very rarely are we successful on our first try."

The Fredericton-based centre, was created with a combined donation of \$5-million from New Brunswick angel investor Gerry Pond and U.S. tech titan Gururaj Deshpande.

On Nov. 27, the centre launched a business accelerator aimed specifically at social enterprises. It also administers three funds designed to help entrepreneurs. Ms. LeBlanc is now accepting applications for the Failure Fund, which will provide select - and most importantly, failed - entrepreneurs with grants ranging from \$5,000 to \$15,000.

The cash is not meant to bail out failed startups, instead it's intended to help failed entrepreneurs start new firms. Applicants must prove their failed venture had at least one employee and one external investor. According to Ms. LeBlanc, the entrepreneurship community must "celebrate" failure as a necessary component of success.

Mr. Fowler didn't take long to launch a new company: He started Loogaroo, his current company, in May 2009 the same month Fatkat collapsed. Loogaroo is similar to Fatkat, but it's much smaller and thus more sustainable, Mr. Fowler said. "We're nowhere near the size of Fatkat, nor do I want to be. I know my own personal limitations," said Mr. Fowler, who admits Fatkat grew too quickly.

"In 2003, it was me and a couple guys in a room," he recalled. Fatkat grew to 10 people, then 30, and so on. And revenue jumped from \$200,000 a year to almost \$11-million.

Yet the company lacked the "infrastructure, systems and know-how" to successfully manage that growth. "We grew without having a solid foundation," he admitted. "We were better as a smaller business."

With Loogaroo, Mr. Fowler said he is now on top of the company's finances and payroll.

At Fatkat, he was a Willy Wonka type, "making everything look cool." Yet he failed to understand proper financial management, he said.

Mr. Fowler might apply for a grant from the Failure Fund. And he said he can present a convincing case. "Failure is a prerequisite to success," he said.

"I've walked through the forest and lost a leg to a bear trap. I know where all the traps are now."

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