



# **Raising Early Stage Capital From Angel Organizations**

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## **Moderator:**

Steve Stephansen

## **Panelists:**

Ted Driscoll - Sand Hill Angels

Allan Mays - Life Science Angels

Laura Roden - Angels Forum

Ian Sobieski - Band of Angels

Colin Wiel - Keiretsu Forum

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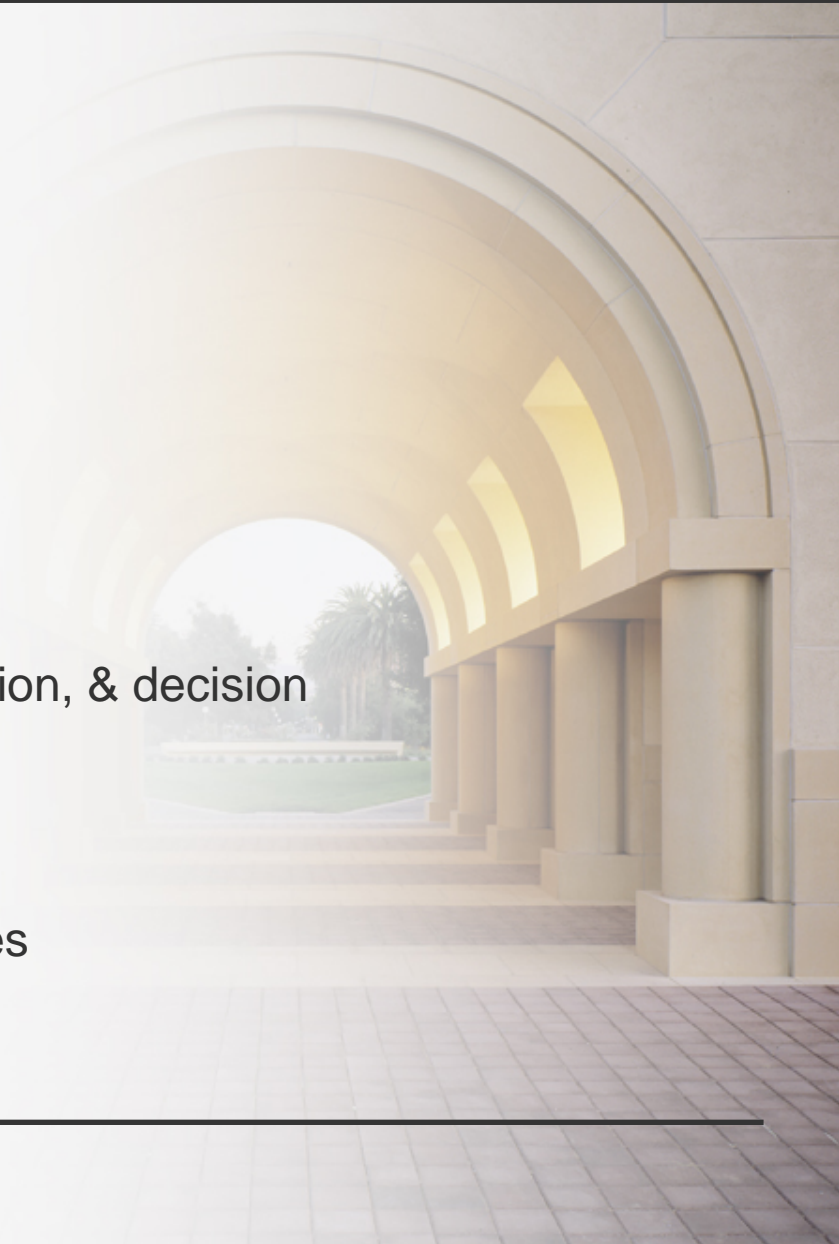
## Types of Angels

### ■ Individual Angels

- Large net worth individuals
- Can invest \$250K - \$500K
- Hard to find & tackle
- Preference for operating solo

### ■ Angel Groups

- Greater mix of individuals
- Group process of sourcing, evaluation, & decision
- Increasingly sophisticated
- Can be like herding cats
- Helpful to have a champion
- Greater mentor & network resources





## General Angel Group Information

- Angels are accredited investors under SEC Law
  - Generally no charges to entrepreneurs or companies
  - Avoid the use of “finders” - penalizing California Law
  - Some groups have investors and “service-providers”
  - Like VC’s: will not sign nondisclosure agreements
  - Typically \$250k per deal - can be a lot larger
  - Syndicate with other angel groups/VC’s to increase funding amount
  - Two key documents required for consideration
    - Executive Summary
    - PowerPoint Presentation
  - Learn how to best introduce your deal - introductions are best
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## VC vs. Angel Money

- Large funds have trouble with very early stage deals
  - Growing number of \$100M funds to address early stage
  - Early stage funding gap exists
  - Possible funding sequence:  
Personal → Friends/Family → Angel Group → Venture Capital
  - Venture Capital & Angel Group Relationships
    - Occasional VC disdain for angels - cap table, valuations
    - Think ahead and avoid problem cap tables & valuations!
  - Growing collaboration between Angel Groups & VC's
    - Deal sourcing
    - Syndication
  - Angels will often do bridge financings between VC rounds
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## Deal Structures

### ■ Convertible Notes

- Conversion to preferred equity in next round of financing
- Discounts: valuation, warrants, grants
- Could have auto-conversion feature at maturity
- Simple to execute - avoids valuation negotiation
- Does not establish valuation precedent for VC financing
- Can be a problem for angels to realize the discount w/VC's

### ■ Purchase of Preferred Stock

- Can have advantages for both sides
  - Requires realistic valuation
  - Potentially more dilutive
  - More difficult to execute
  - Angels know what they are getting
  - Angel Board of Director position (perhaps until VC investment)
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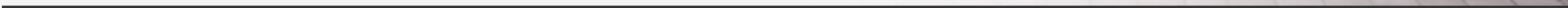
## Ideal Deals

- **Assess whether your company is a good fit for a particular group:**
    - Located in the San Francisco Bay Area
    - Early stage but usually beyond seed stage.
    - Developed product that is either in alpha, beta, or "in-revenue"
    - Engaged with customers that are referenceable in some manner
    - Follow-on Funding - where is it coming from?
  - **Ideal deal #1: Capital efficient business that requires low capital to cash flow breakeven**
  - **Ideal deal #2 - One key milestone to be achieved to attract quality VC funding**
    - We're looking for the same things VCs do
    - Strong teams that have demonstrated ability to execute
    - Sizeable and growing markets
    - Well defined problem and solutions
    - Long term sustainable competitive advantage
    - Well defined product & go to market plans
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## Executive Summary

- **Two kinds of executive summaries in use today**
  - You need both!
  - Primary purpose is to “sell” a meeting with your team for 1 hour
  - Crisp summary of why your management team and business opportunity represents a truly outstanding investment opportunity
- **"One-Pager"**
  - Template format
- **Several Page Executive Summary (2-5 pages; 2-3 is best)**
  - Summarize key elements of your Powerpoint pitch in prose
  - Appropriate charts and tables





# Investor Presentation

- **Context - sell the opportunity to build a company, not just the product!**
  - **Think like an investor - how do I make money? Risk?**
  - **Ideal Content:**
    - Title slide - Include your contact information!
    - 1. Single slide that sells your deal – the elevator pitch:
      - Pain / Solution / Opportunity
    - 2. Company Snapshot
    - 3. Problem/Solution
    - 4. Market Opportunity
    - 5. Product/Technology
    - 6. Current and Sustainable Competitive Advantages.
    - 7. Competition
    - 8. Go-To-Market Strategy - Business model, marketing, Cross the Chasm
    - 9. Customer Traction - Sales pipeline review.
    - 10. Financials - 5 year projections major milestones, use of funds, future funding needs.
    - 11. Deal Structure and Status - scenarios, terms, exit
    - 12. Management Team - Brief Bio's
    - 13. Summary - Why invest?
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