



SAND HILL ANGELS

# Stanford GSB Angel Panel

Ted Driscoll, Board Director, SHA  
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Our Sponsors:



# The Sand Hill Angels are:

- Roughly 60 individual Accredited Investors
  - Mostly mid to late career, successful entrepreneurs
  - 4-6 active VCs, 3-4 doctors
  - Average age is 45
- Broad technology background
  - Semiconductors / Devices / Telecom / Wireless
  - Software / IT / Webv2
  - Biomedical Informatics / Medical Devices
- Sponsor supported, no entrepreneur application fees
- Typical investment is \$150-500K
  - ~12 investments to date (3+ years)
  - Typically either seed round or very well defined bridge
- We do technology / life science deals
  - No real estate or movie production deals
  - We must add value

# Investment Process

- Three Stage Screening, Monthly
  - Online Submission Gateway (Avg. ~30/mo)
  - Prescreen subcommittee reviews all submits (30 → 6 semifinalists)
  - Screening subcommittee see those 6 monthly (6 → 2-3 finalists)
  - Full group sees finalists at monthly dinner meeting
    - 2-3 → ~1 goes to Due Diligence (60 day drilldown)
    - We invest in fewer than half of those (roughly 4-5 / year)
- Process managed by a custom designed online web app
  - Automated Submission
  - Deal Flow Management / Status Notification
  - Diligence Sharing / Wiki
  - Polls / Member Services
  - Post Deal Monitoring

# Investment Criteria

- The deals we seek are typically:
  1. If a small (\$50-500K) seed investment will allow a startup to validate a key investment point and qualify for a better valuation in a subsequent VC round.
  2. Or, if an operating business needs just a little more to get over a hump, and get to self-sustaining status.
- How we invest:
  - We form a single custom-created LLC for each deal
    - One entry on the cap table
    - One point of contact for the company
    - We gain leverage acting in unison

# Investment Structure

- Convertible Debt
  - When a seed investment is precursor to a follow-on VC round
  - Typ. have warrant cover to compensate for early risk taken
- Preferred Stock in Distinct Round
  - Better if investment done as a combined LLC, esp. if subsequent VC investment is likely
  - Better if Angel investments (particularly Friends & Family Angels) can be a separate preferred round
    - Downstream shareholder votes are often done by series votes --- Angels & Entrepreneurs can protect interests more effectively

## Summary: Benefits to the Entrepreneur in choosing Angel Financing

- Broader Domain Expertise than many VC investors
  - 60 angels versus typically 5-7 VC partners, more likely match
  - Broader contact database to make later intros, board members
- Easier to close
  - Just need critical mass of angels, not unanimity of VC partners
- More flexible valuations
  - Typically early VC Investments require 50% of equity, i.e. loss of control for entrepreneur
  - *The longer the entrepreneur can put off VC rounds, the larger share the entrepreneur will end up with.*
- Follow on VC financing can in fact be easier
  - Angels validate and often share due diligence
  - VCs often fish with Angels