

WORKING WITH ANGEL INVESTORS

DENNIS BEARD, SERRA VENTURES, LLC



EIR WORKSHOP ♦ APRIL 24, 2012

About Serra Ventures

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- Offers professional services in:
 - ▣ Business strategy
 - ▣ Capital formation
 - ▣ Transitional executive leadership
 - ▣ Organization development
 - ▣ Merger/Acquisition Transaction assistance
 - ▣ EIR assistance
- Specializes in high technology enterprises
- Tim Hoerr and Dennis Beard, principals

Dennis Beard

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- Dennis is a Principal with Serra Ventures, joining the firm in September, 2009. Dennis also serves as a Partner and CFO for Open Prairie Ventures, an early stage venture capital firm.
- Dennis, a CPA, has been involved throughout his career with businesses of all sizes as a Manager for PricewaterhouseCoopers, Controller for SLM Aminco, CFO for Segno Communications, CFO and CEO for the Home Recovery Group of Companies, and Partner with Blakeman and Beard, LLC, CPA's.
- Speaker for various professional and educational conferences and forums.
- Dennis serves on the Board of Directors of the Millikin University Center for Entrepreneurship and as an Adjunct Lecturer for the University of Illinois College of Business Department of Finance.

Agenda

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- Overview of Angel Investing
- Timeline
- Deal Sourcing
- Deal Evaluation
- Valuation
- Deal Structure
- Expectations
- Harvesting

What is an Angel Investor?

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- Wealthy Individual
- Meets definition of Accredited Investor as per IRS/SEC
- Rational and Logical Investor – (Usually!)
- More and more, working in association with other angels, often in an organized angel group

What Kind of Companies Do Angels Seek?

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- Great people/great teams
- Rapidly growing markets
- Competitive advantage
- Companies needing cash below the levels of the “big” VC’s
- Companies where they may be able to add expertise and/or mentoring assistance

What is the Timeline?

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- Allow 6 months from first meeting to funding, though it could proceed more quickly
- Angels are usually thinking 5 to 10 years to exit

How do Angels “Source” Deals?

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- Angel networks
- Professional advisor community
- Technology community
- Personal referrals and relationships

How do Angels Evaluate Deals?

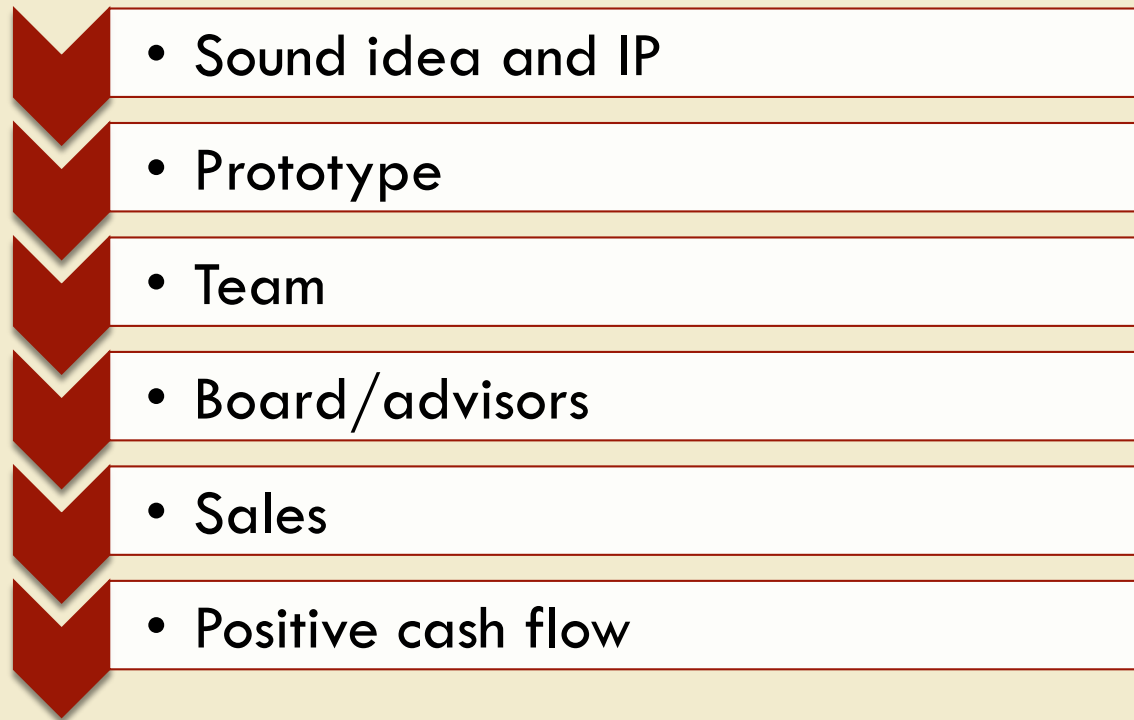
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- Technology
- People
- Markets
- Advisors
- Other investors

Valuation Issues

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- Checklist of critical components of a company:



Valuation Issues, cont.

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- Discounted future cash flows
- Comparable transaction values
- Let someone else lead
- Bridge loan round to start

Deal Structure

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- Align your interests
- Equity vs. Debt
- Common vs. Preferred
- Preferred terms

What Should You Expect From Angels?

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- Deep pockets
- Entrepreneurial experience
- Investing experience
- Industry contacts

Harvesting: How Angels Expect to be Repaid

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- Sale of the company
- Cash distributions
- Recapitalization
- IPO

Q & A

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□ Any questions?

Contact Serra Ventures

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