

FOLEY EXECUTIVE BRIEFING SERIES



FINDING THE MONEY

Fundraising for Early Stage Capital

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2

Angel Investing

- What is an Angel Investor?
 - Cashed out entrepreneur
 - Invests close to home
 - Adverse of angel groups
- What is it not?
 - Institutional money
 - Committed capital



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Investment Climate

- Angels “burnt” severely when bubble burst
- Crammed down by later VC rounds
- Returning now but at better valuations for investor and with more protections



Angel Pros/Why are Angels Important?

- Supply
 - Increased wealth of successful business executives
 - Availability and access to knowledge
- Demand
 - Capital Gap Widened
 - Innovation Rocket
- Result
 - Growth of individual angels in US (mid-1990s)
 - Increased formalization and institutionalization of Angel Groups (late 1990s)

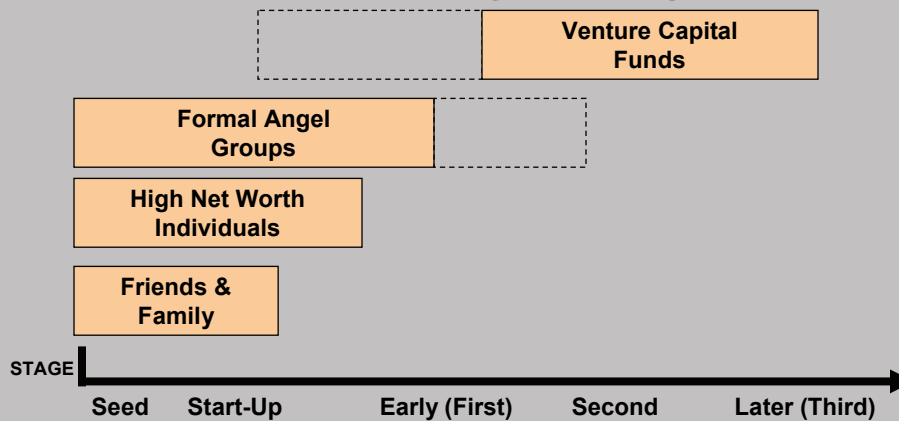


Angel Cons/What are the Negatives?

- Capital
 - Limitation of available funds
 - Changing appetite for deals
- Business
 - “Too” helpful – interfere with business
 - Lack of sophistication → unrealistic expectations
- Result
 - Cannot count on for long-term participation



Angel Investing: Venture Funding Landscape



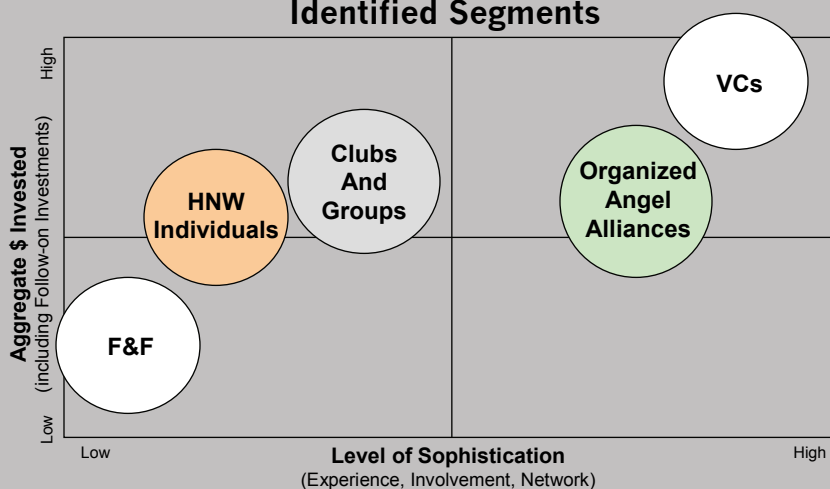


Angel Investing

- How have Angel's invested over the last three years?
 - 2003: 220,000 angels invested approximately \$18.1 billion in 42,000 ventures
 - 2004: 225,000 angels invested approximately \$22.5 billion in 48,000 ventures
 - 2005: 227,000 angels invested approximately \$23.1 billion in 49,500 ventures
 - 2006: 234,000 angels invested approximately \$25.6 billion in 51,000 ventures
 - First half of 2007: 140,000 angels invested approximately \$11.9 billion in 24,000 ventures



Angel Investing: Identified Segments





Target Opportunities

- Investment focus – generally by industry, geography
- Typical investments range between \$250-\$1,000K and promising situations may be supported by follow-on capital



Investment Criteria

- Exceptional management team with demonstrated track records
- Directors and advisors who actively advance the company
- Ability to attract co-investment and follow-on capital
- Clear intellectual property strategy or position
- Defensible competitive position in an emerging or growth market



Investment Criteria

- Clearly articulated value proposition
- Achievable exit in the next three to five years
- Market-validated equity valuation
- Investment that offers a preferred or protected equity position
- “Need to have” product as defined by customers



The Pitch

- Problem to be Solved
 - Prove there is a definite customer need
- Your Solution
 - Don't get too detailed, tell us about it on one slide
- Your Team
 - Key employees and advisors and their applicable industry background
- Market Opportunity
 - Size, growth, characteristics of your market
- Current Competitive Market
 - Who are the competitors, what is your advantage and how will you protect your competitive advantage



The Pitch (continued)

- Market Strategy
 - What sales channels and partnerships will you have
- Current Status
 - State of product, current customers, partners, etc.
- Critical Risks
 - What can go wrong and how will you manage
- Financials
 - 5 year financials, what will it take to get to positive cash flow
- Funding Requirements
 - Funds needed, pre-money valuation, use of funds



Angel Organizations

- Angel Healthcare Investors LLC - <http://www.hcangels.com/>
 - Newton, MA (healthcare)
- Cherrystone Angel Group - <http://cherrystoneangelgroup.com/>
 - Providence, RI
- CommonAngels - <http://www.commonangels.com/>
 - Lexington, MA (software)
- HubAngels - <http://www.hubangels.com/>
 - Brookline, MA (technology)
- Launchpad Venture Group - <http://www.launchpadventuregroup.com/>
 - Wellesley, MA (technology)
- Maine Angels - <http://www.maineangels.org/>
 - State of Maine
- North Country Angels - <http://www.northcountryangels.com/>
 - Vermont
- River Valley Investors - <http://www.rivervalleyinvestors.com/>
 - South Hadley, MA



Angel Organizations

- TiE-Boston <http://www.tie-boston.org/>
 - Wellesley Hills, MA
- Walnut Venture Associates - <http://www.walnutventures.com>
 - Wellesley Hills, MA (technology)
- Breakfast Club
 - Nashua, NH
- Keiretsu Forum – <http://www.k4forum.com/>
 - Boston, MA
- Investors' Circle - <http://www.investorscircle.net/>
 - Brookline, MA (socially responsible investments)
- Beacon Angels - <http://www.beaconangels.com/>
 - Boston, MA
- eCoast Angel Network - <http://www.ecoastangels.com/>
 - Portsmouth, NH
- Granite State Angels - <http://www.granitestateangels.com/>
 - Hanover, NH



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