

# Angel Funding

Perspectives from Both Sides of the Table



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*silicom***Ventures**

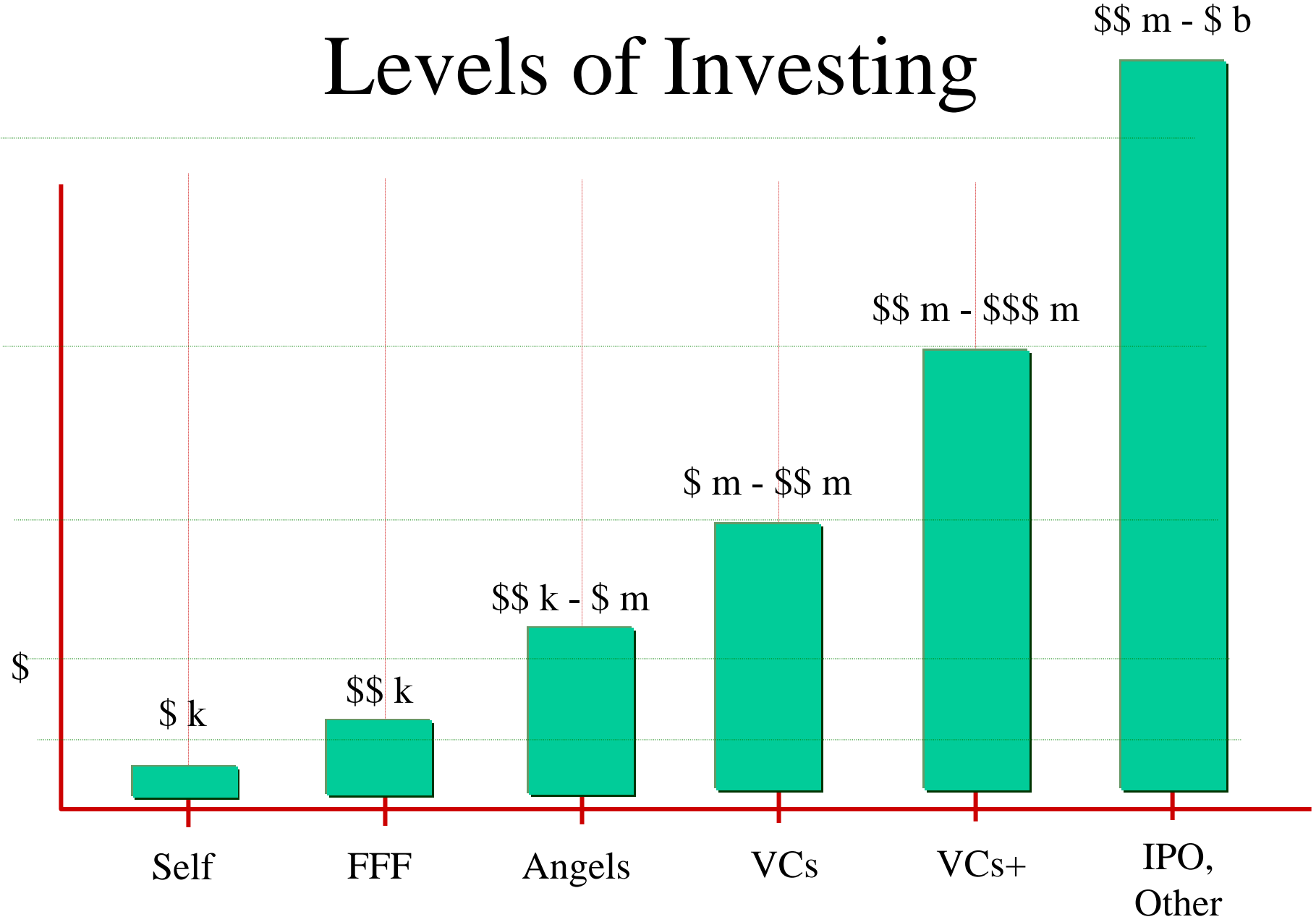
# What is Angel Funding?

- Typically Individuals
  - Successful Executive, Entrepreneur, Expert
  - Not Just a Guy with a fat wallet (very rare)
  - Looking at several investments
- Startup Level
  - Varies from a few \$k, to \$1M
- Role\*
  - Money, Mentor, Mensch: Very involved
  - Connections, Directions, Insights
  - Get you to the next round

# Angels vs Venture Capitalists

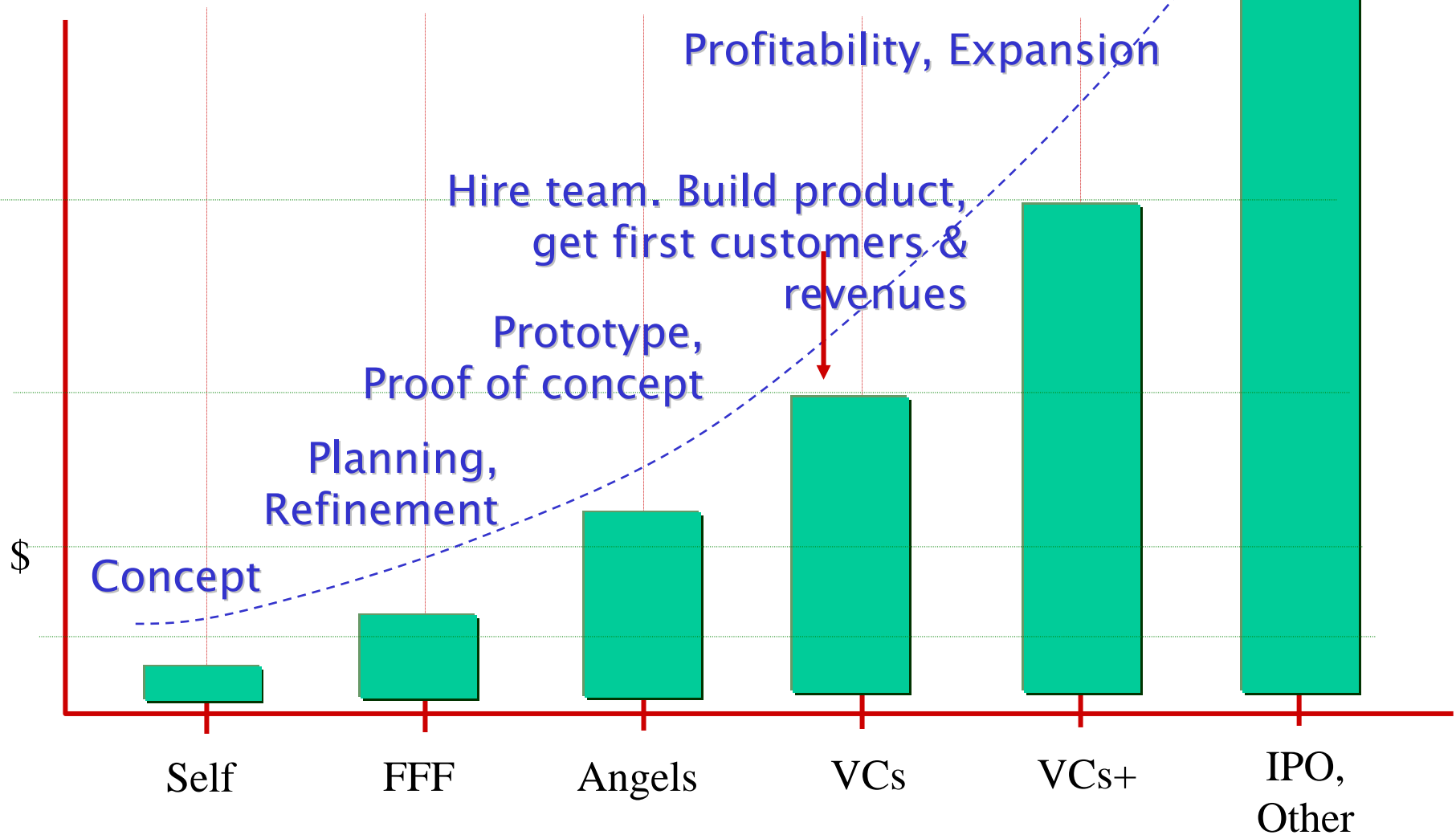
- A intense summer romance
  - Vs
- An arranged “royal” marriage,
  - with a prenup.

# Levels of Investing

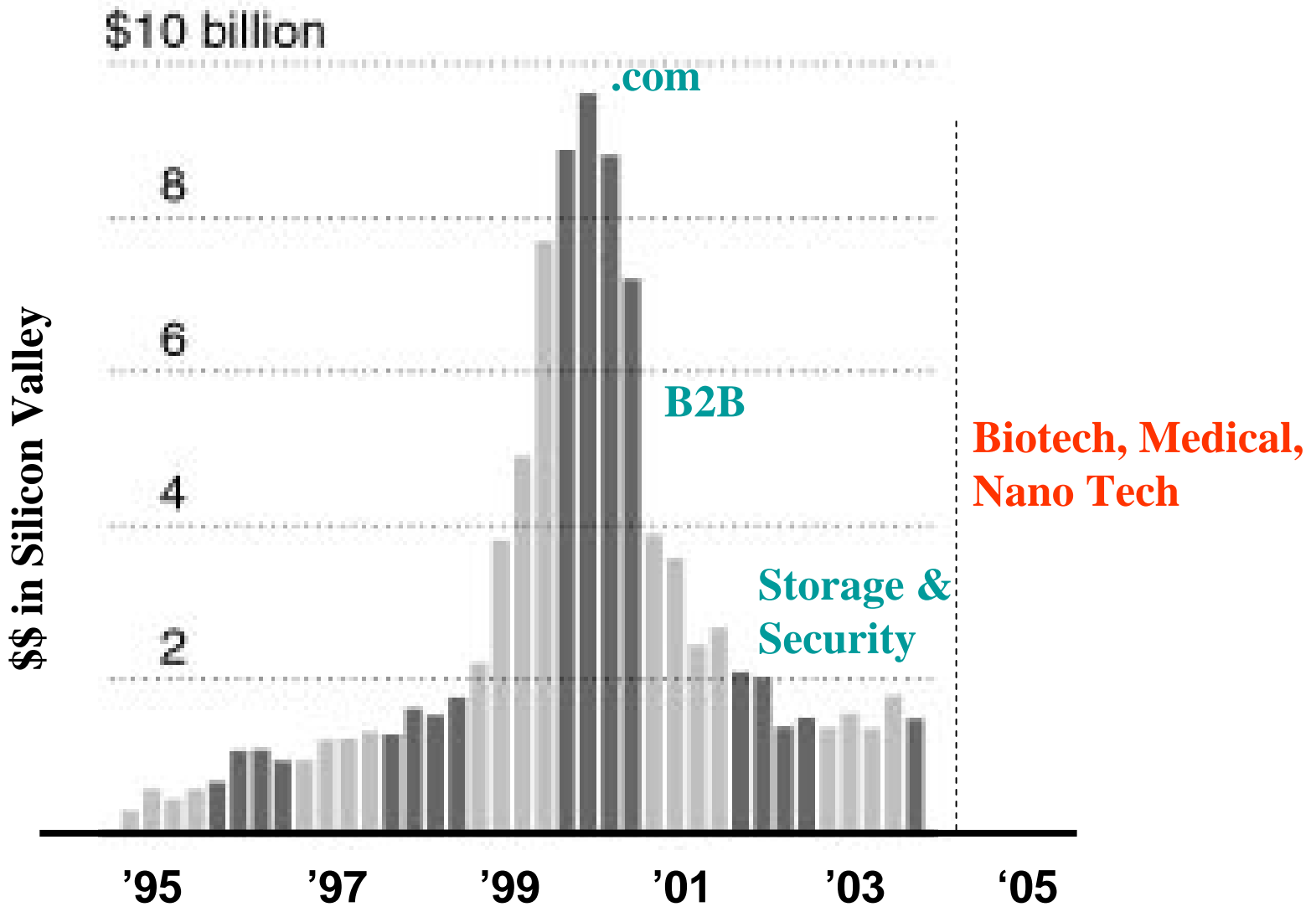


Exit \$\$, Diversify,  
Dominate & Defend

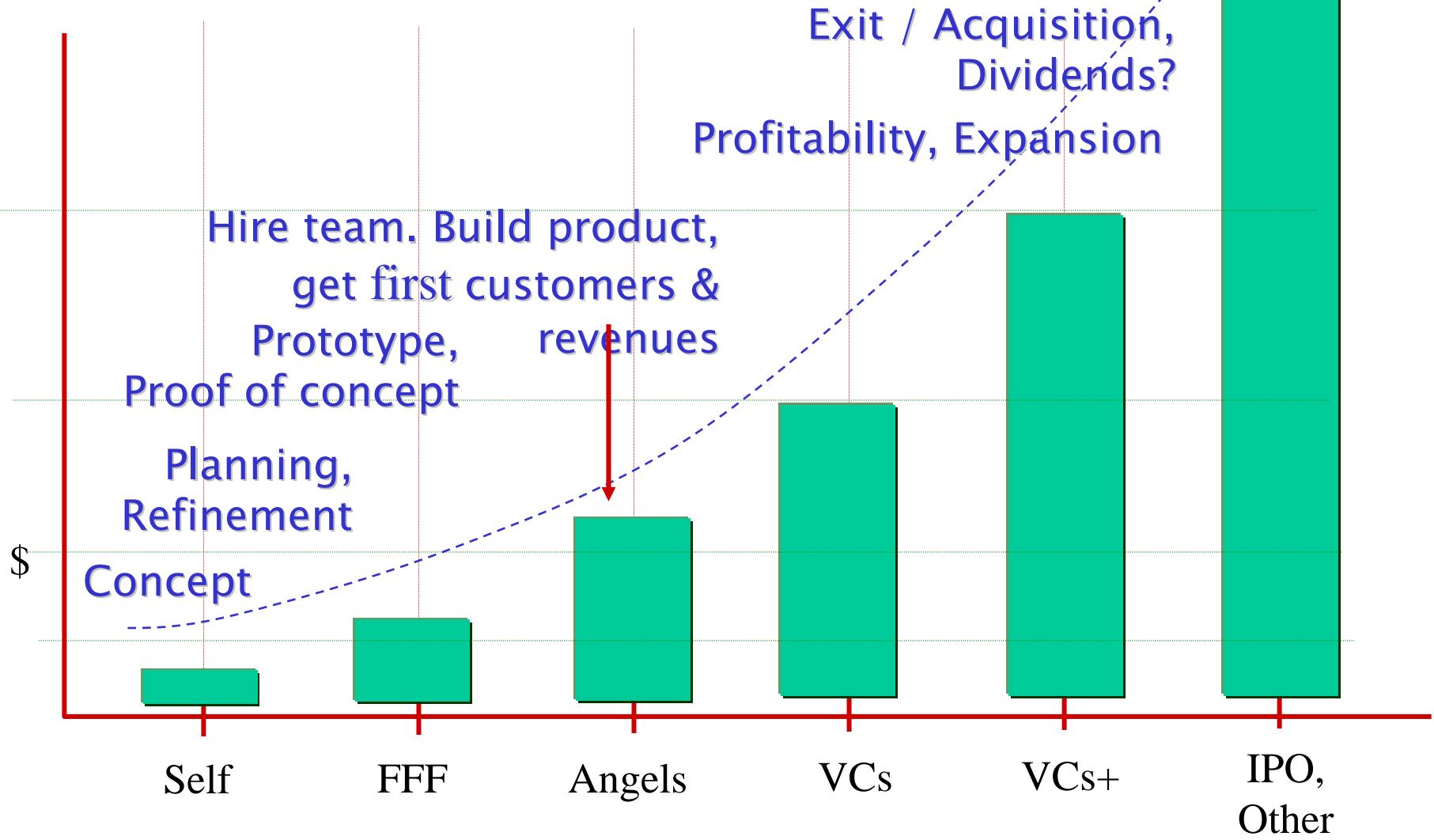
# Stages of Investments ...



# Times have changed



# Stages of Investments - Today



# Baseball – Investors in the Bleachers

- The game is different.
- Angels are in AAA, prepping for the majors
- But want you playing like Barry Bonds
- Know the game, and the other players
- Angels in the lockerroom, and in the first innings.

# Angel Funding? Who, When, Why

- When: More than concept stage:  
Something Tangible and visual
- Why: To get to the next specific level of  
Validation and Valuation
- Who: Varies – but credibility should be  
string in at least one area

# Advantages of Angels

- Has made the trip before
- Can prevent you from getting lost
- Knows of lots of gas stations
- May get off at the next stop
- Is good company along the way

# Downsides of Angels

- Gallon of gas – to get to the next station
- But wants to own half the car
- And sit in the passenger seat
- And often wants to hold the map
- Sometimes wants to hold the steering wheel

# What to expect- for first timers

- Lots of due diligence
- Prepare to be a pin-cushion, and smile
- A passenger for part of the trip
- They will want company ...
- They will pay for a Gallon of Gas
- ... But will want to own half your car

# What Entrepreneurs Can do ...

- Know the market need even better than the solution
- SHOW them what the future will be like
- Get Validation: Customer, Partner, Industry
- Have a specific deal in mind.
- Be firm on certain areas:  
If you are not sure then, be very flexible

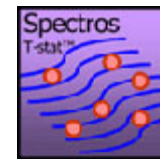
# Organized Angels

- Closer to VCs in structure and operation
- Easier access
- Wider range of deals
- Greater access to talent, capital and other resources

## ***About Silicom Ventures***

- **One of the largest in the US with over 200 members**
- **VC's and Angel investors who are high tech executives**
- **Deal flow of Over 100 companies**
- **Cutting edge technology emerging from around the globe**
- **Providing funds and contacts with potential customers**

# Portfolio Companies



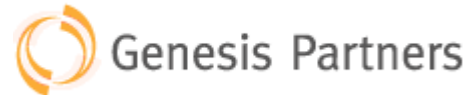
# Corporate Members

**APPLIED MATERIALS VENTURES**

**Electronics**  
FOR **Imaging™**



*MorganStanley*



**BH**  
Equity Research



**Tower Semiconductor**



# *Angel Specific Risks*

- *In addition to the same risks VCs experience – Angels also risk:*
  - No follow-up rounds
  - Later rounds are often down-rounds or wash-outs
  - Reducing/eliminating benefits of previous rounds

# *Protection Tools*

- **Anti-dilution** clauses
  - Ratchet
  - Weighted average
- **Bridge loan**
  - IP secured
- **Side by side investment (best way)**
  - The VCs need to agree
  - Based on relationships with the company or VC

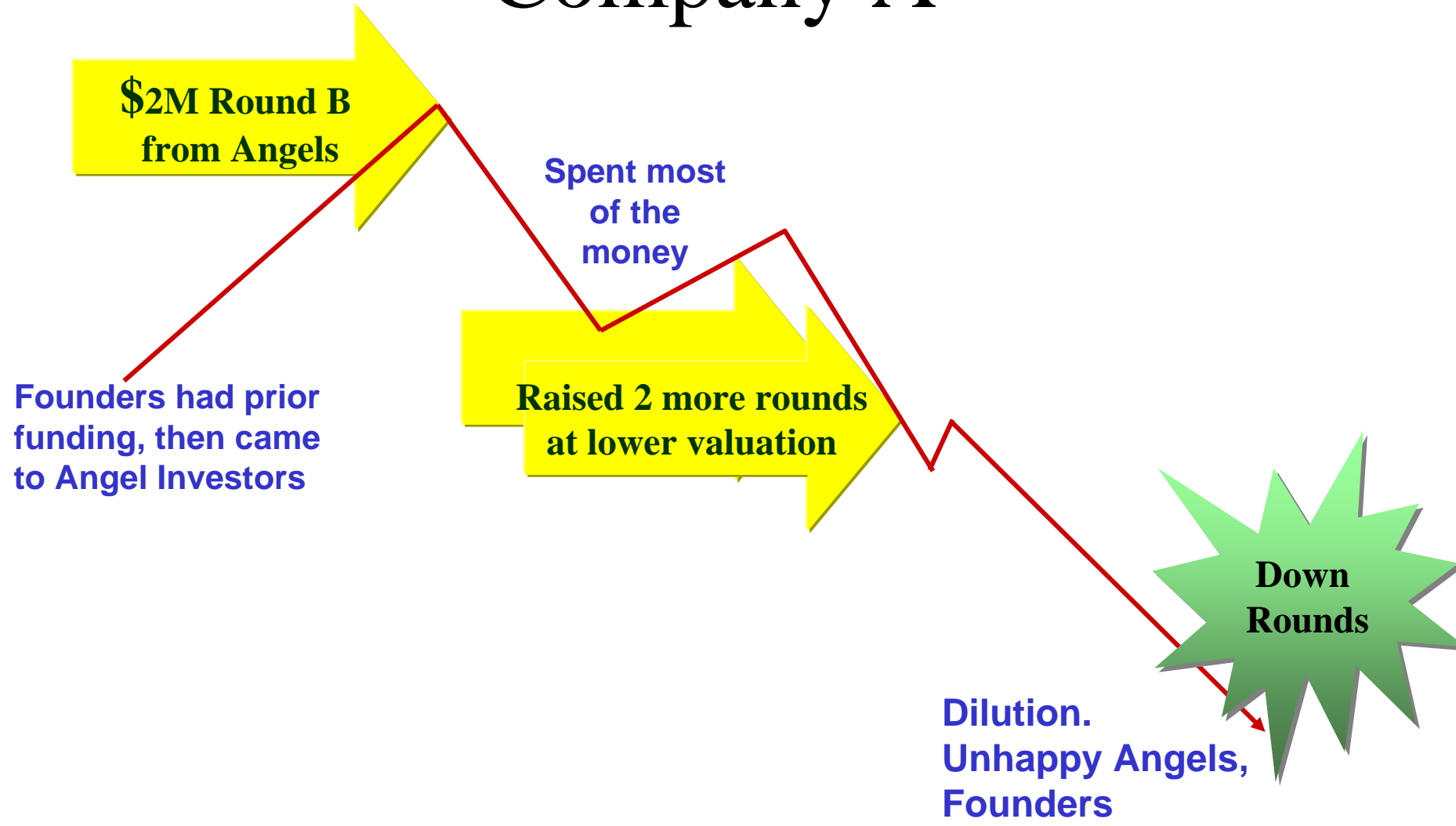
## *Counter Measures by VCs*

- **Cancellation** of anti-dilution clauses
- **Cancellation** of discounts on bridge conversions
- Creation of multiple classes of preferred shares with superior **liquidation preferences** to the VCs
- In general, VCs are greedy 😊 and Angels are nice

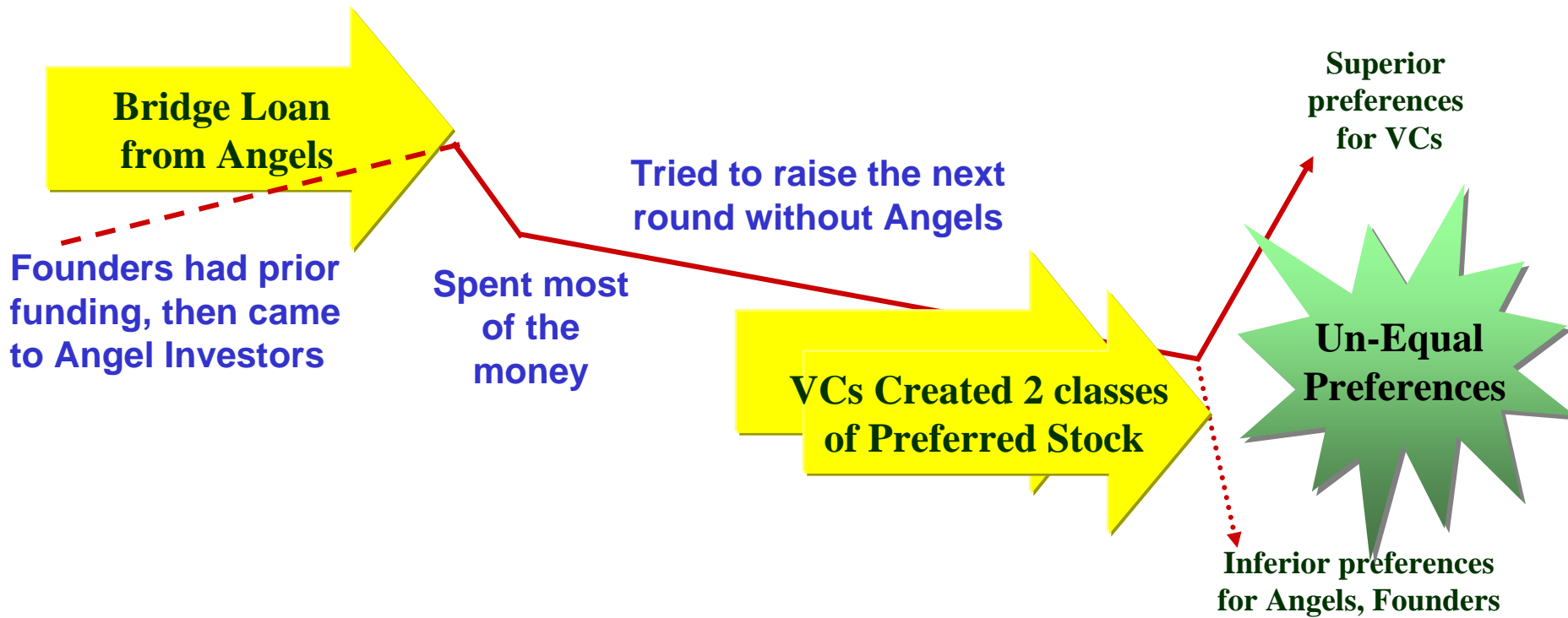
# Real-Life Examples



# Company A

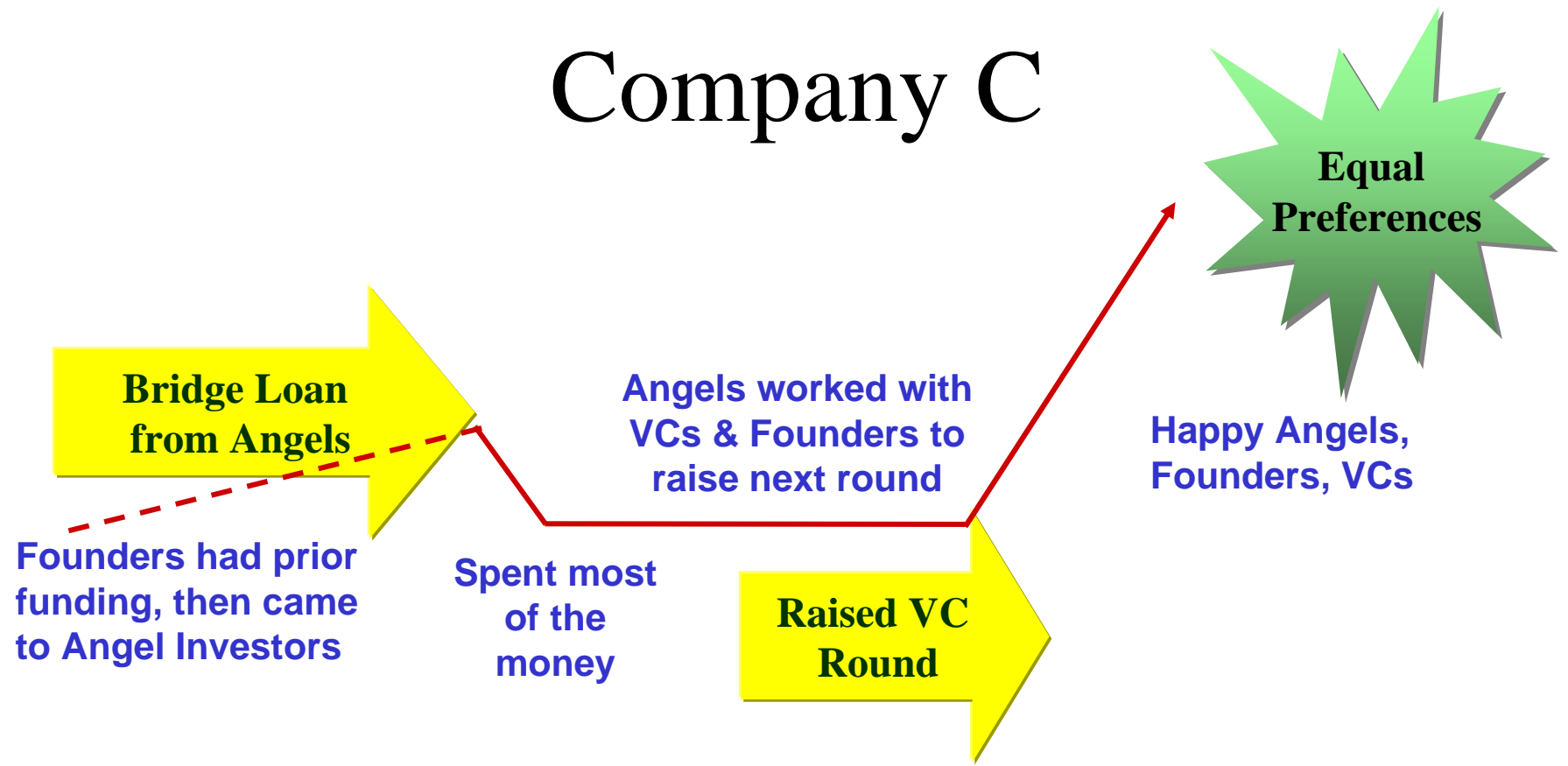


# Company B

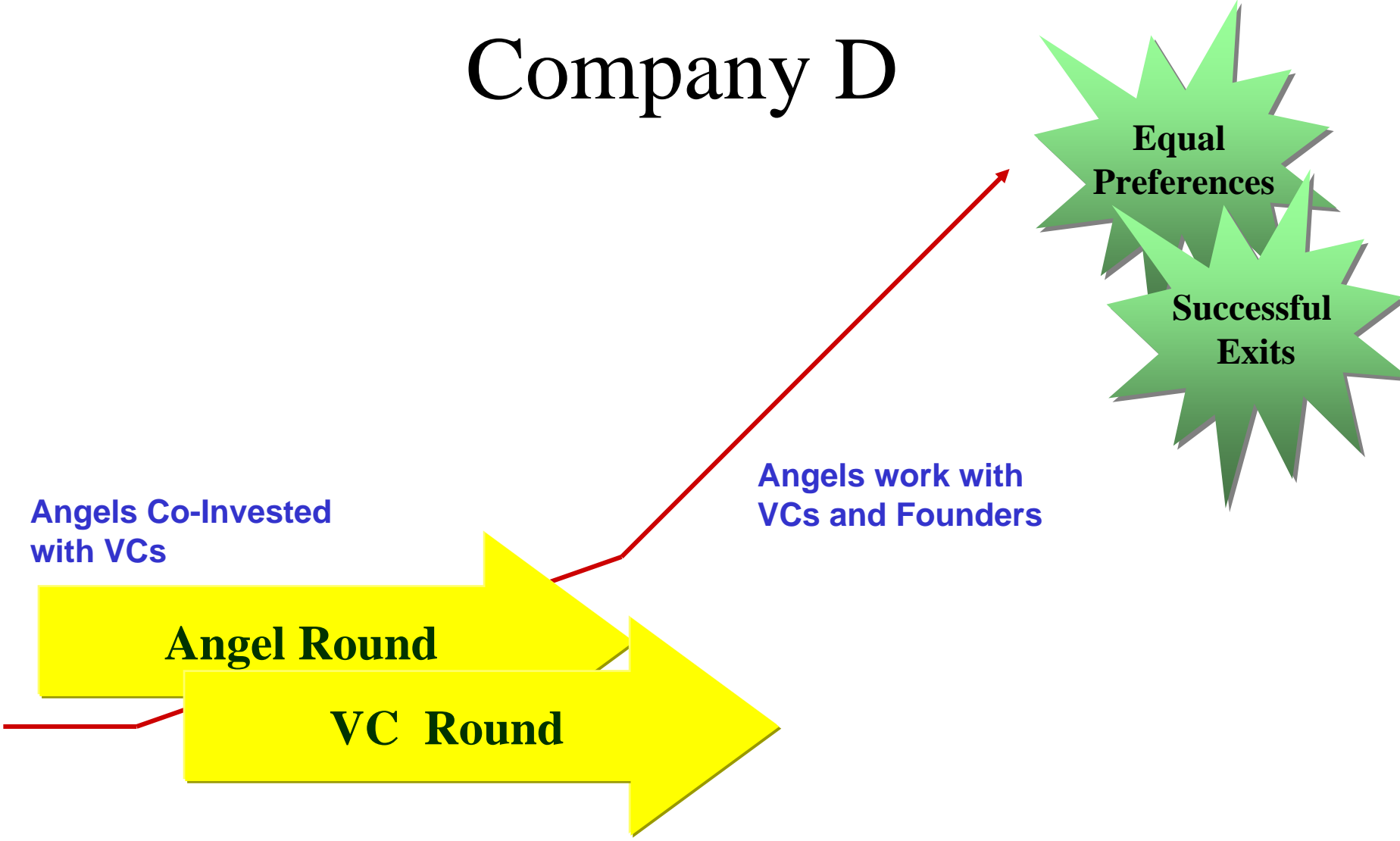


**Unhappy Angels, Founders**

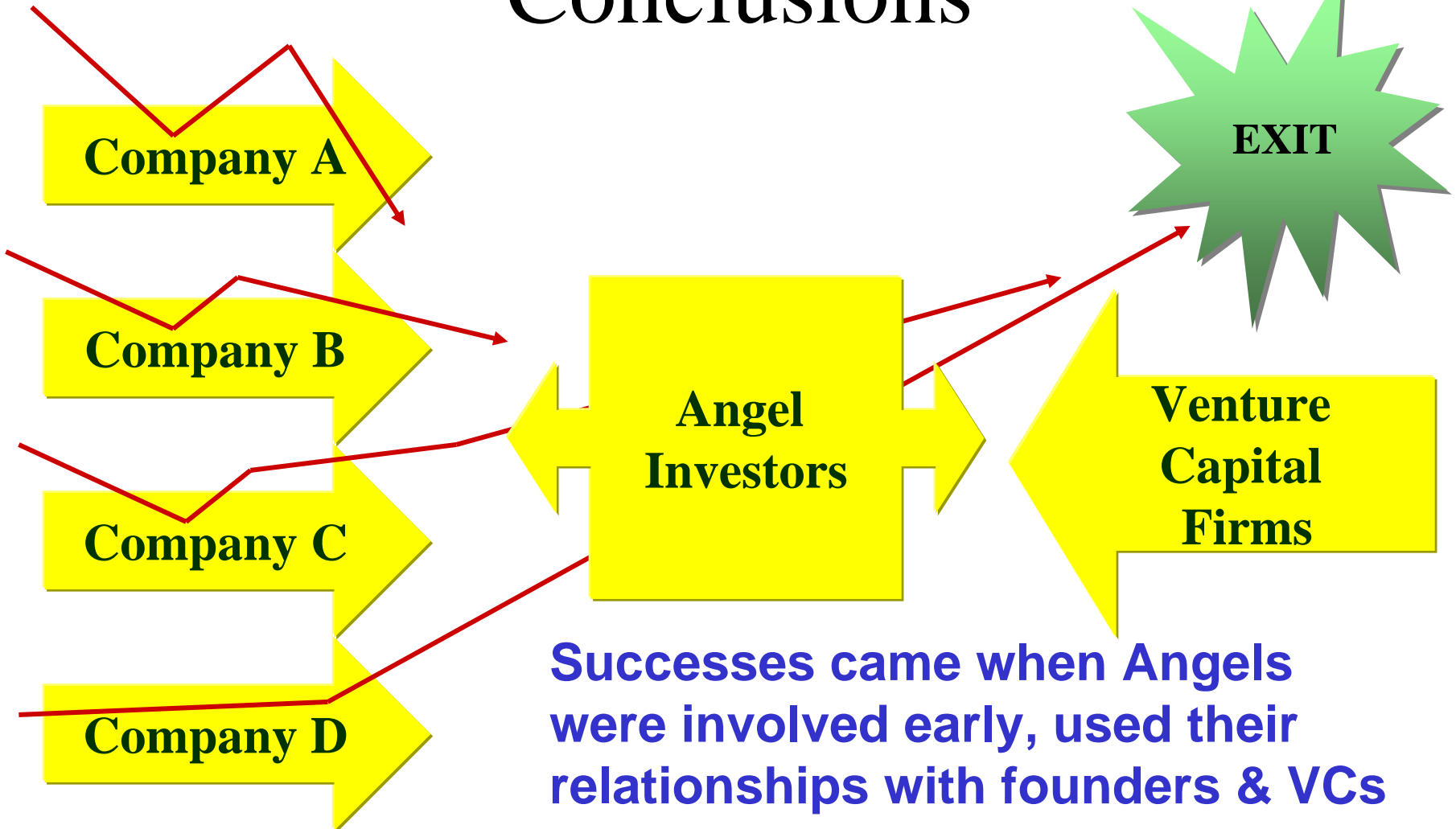
# Company C



# Company D



# Conclusions



**Successes came when Angels were involved early, used their relationships with founders & VCs**

# Silicom Ventures

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