



Angel Investing in the United States
Jeff Draa

U.S. Angel Investing



- **How does U.S. angel investing work?**
- **Tech Coast Angels**
- **TCA Investment Process**
- **Questions**



Speaker: Jeff Draa



- **President Emeritus; Tech Coast Angels, San Diego**
- **TCA Board Member for 8 years**
- **Currently:**
 - **Vice Chairman, Board of Governors, TCA**
 - **Member, Deal Committee, ACE Fund**
- **Board Member, several start ups in San Diego**
- **CEO, Grolltex; advanced materials company (UCSD research in graphene)**
- **Background; semiconductor equipment and materials**



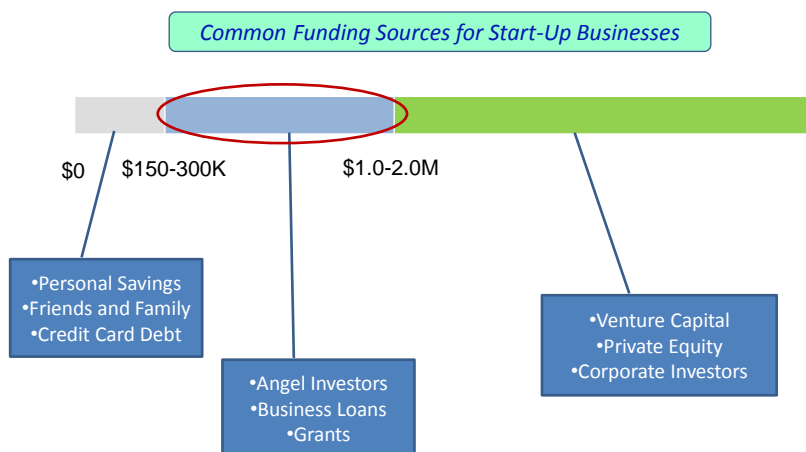
What do Angels do?

What is 'Angel' Investing?



- Individuals or groups investing in start-up businesses that have the potential for high growth
- Very high risk investments: 7 of 10 fail in the first 5 years
- Important link in the 'capital formation chain'
- Around \$25B of angel investments were made in the US last year, total \$ similar to VC
- Motivations not always pure profit, hence the name 'Angel'
- Often specific benefit targeted – Locales, cultural groups, etc.

Capital Formation Chain

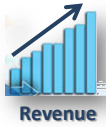


Angels Help Fill the 'Critical Gap'

WHAT DO ANGEL INVESTORS EXPECT?



Investment Horizon 3 - 7 years



ROI = 30% - 40%

Experienced Management Team



Ongoing Relationship with Management



The Tech Coast Angels

What is the Tech Coast Angels?



Tech Coast Angels is a Nonprofit Mutual Benefit Corporation governed by the network presidents and Board of Directors.



TCA is not a fund and does not invest, nor participate in any funding decisions, nor receive any share of profits or gains from its members' investments.

Our members collaborate on due diligence, but make individual investment decisions.



Investments in early-stage, privately-held ventures are risky and illiquid, also can be exposed to personal liability.

A Snapshot of TCA



- CA Non-Profit Founded in 1997
- The largest angel group in the US – investing primarily in Southern California
- Over 300 members organized in five networks, overseen by the BOG
- Invested \$15 MM in 2015
- TCA members have invested over \$130 MM since 1997





Investing Process



Typical Criteria for Candidate Companies



Southern California Location*
Compelling business need



Proprietary technology
Significant market demand

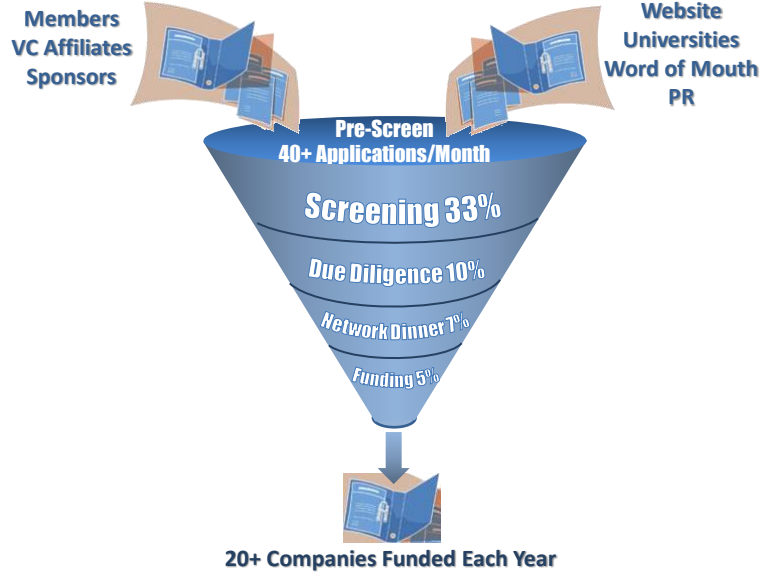


Coachable, qualified management team
Exit in 3-7 years with 10x return



* Syndication extends our reach beyond Southern California

TCA Investing Process



ROMAC – Rules of Membership and Conduct



(¶ 1) Membership is a privilege extended to accredited investors - it is subject to periodic renewal, non-renewal, revocation, termination or suspension by the BOD.

(¶ 4) Membership provides opportunities to invest in early-stage companies and to provide forums for education and active interchange of information about early-stage companies.



(¶ 6) Members

- Are expected to attend most dinner and screening meetings,
- Should anticipate and be qualified to invest at least \$50,000 per year
- Are expected to make a significant contribution to the operation of SD TCA

(¶ 7) Funding process must remain unbiased and open.

No member may under any circumstances advertise, say, or imply to any company or entrepreneur that the likelihood of TCA funding will be enhanced based on compensation of any sort to the member.



ROMAC (cont.)



(¶ 8) Members are not prohibited from working for companies applying for funding.

HOWEVER....

- You must take what ever steps necessary to disclose conflict of interest or the appearance of a conflict of interest in all communications with members.
- Any discussion of possible compensation of any kind with a company in the deal process must be disclosed as soon as such discussions are held
- A member may not act as a deal lead while serving as an employee of, or receiving compensation from, the company
- No member may directly or indirectly be compensated by the company for soliciting member investments

(¶ 15) The Board may suspend, revoke or terminate the membership of any member

- Fails to disclose a material fact or makes a material misrepresentation in the membership application
- Violates (¶ 7)
- Has or gives the appearance of having a material conflict of interest
- Improperly discloses or uses of information presented in confidence to members
- Improperly solicits business from Members or companies seeking or may seek TCA funding
- Solicits or accepts compensation for facilitating the presentation of an investment opportunity



QUESTIONS

