

# Introduction To

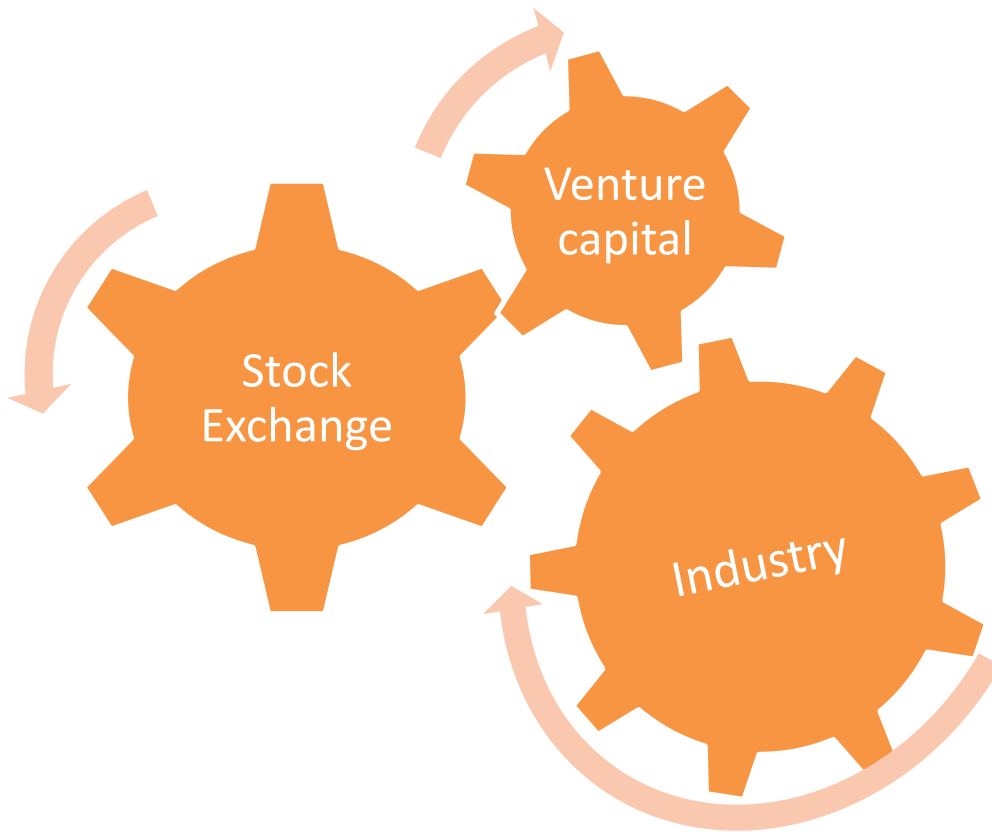
# Venture Capital

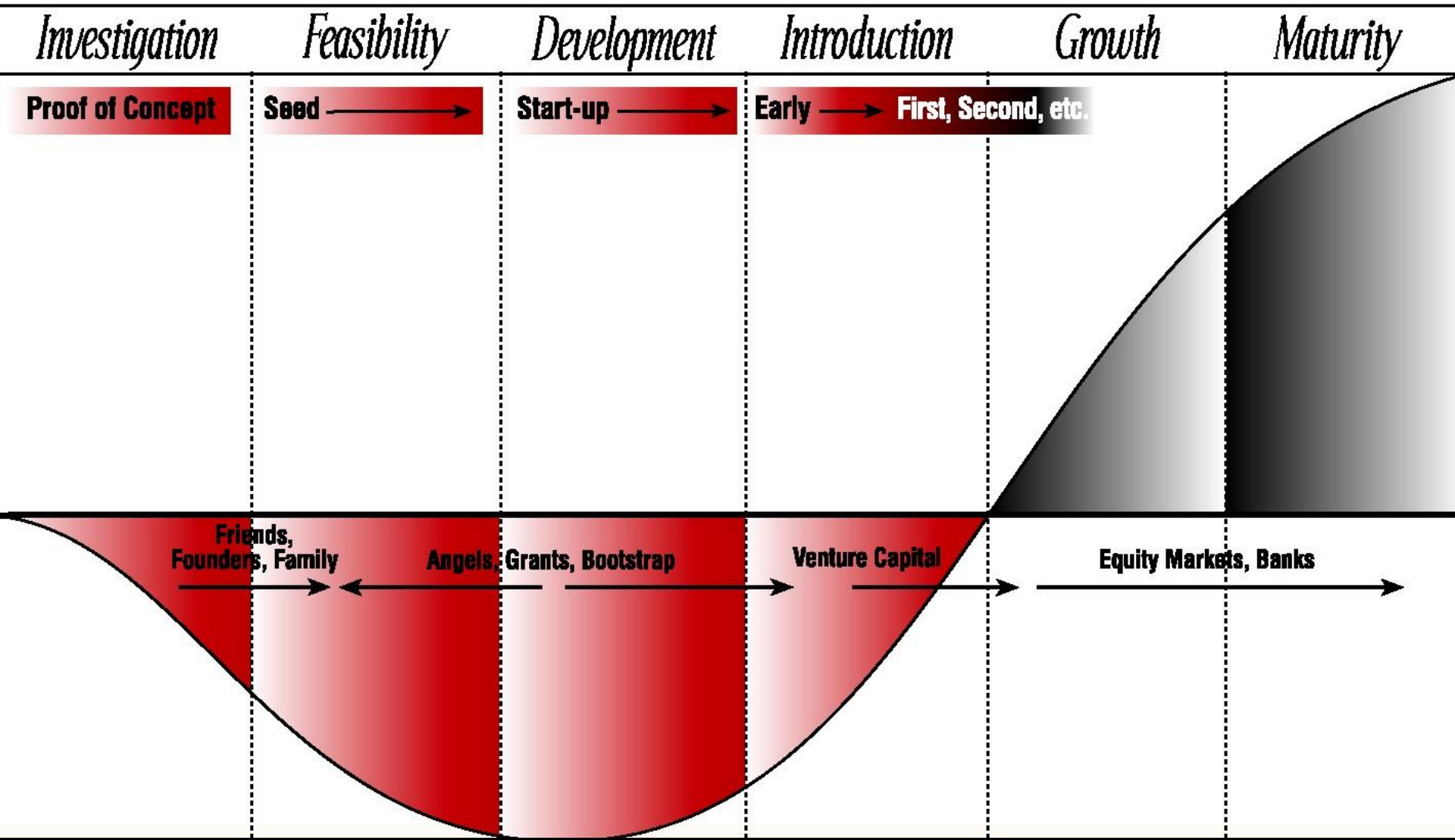
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# Ecosystem

- Infrastructure
- Startup•R&D
- Idea





# The Valley of Death

# More specific picture

STAGE CYCLE	R&D	START-UP	EARLY GROWTH	ACCELERATING GROWTH	SUSTAINING GROWTH	MATURITY GROWTH
TYPE OF FUNDING	Proof of Concept Funding	Seed Corn	First Round	Second Round	Development Capital	Replacement Capital  MBO/ Development Capital
SOURCES OF FUNDING	<p>The chart illustrates the following funding sources and their corresponding stage cycles:</p> <ul style="list-style-type: none"> <li><b>Public Sector:</b> R&amp;D</li> <li><b>Founders, Family and Friends:</b> R&amp;D, Start-up</li> <li><b>Business Angles:</b> Start-up, Early Growth</li> <li><b>Venture Capital:</b> Early Growth, Accelerating Growth</li> <li><b>Corporate Venturing:</b> Start-up, Early Growth</li> <li><b>Public Listing/IPO:</b> Accelerating Growth, Sustaining Growth</li> </ul>					



# **BUSINESS ANGELS**

[Wikipedia](#)

<http://www.go4funding.com/articles/angel-investors/types-of-angel-investors.aspx>

# Business angels

An **angel investor** or **angel** (also known as a **business angel** or **informal investor**) is an affluent individual who provides capital for a business [start-up](#), usually in exchange for [convertible debt](#) or [ownership equity](#). A small but increasing number of angel investors organize themselves into **angel groups** or **angel networks** to share research and pool their [investment](#) capital, as well as to provide advice to their portfolio companies.<sup>[1]</sup> Sophisticated angel investors are known as [super angels](#).

# Business angels

Angel investors are often retired entrepreneurs or executives, who may be interested in angel investing for reasons that go beyond pure monetary return. These include wanting to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs, and making use of their experience and networks on a less than full-time basis. Thus, in addition to funds, angel investors can often provide valuable management advice and important contacts. Because there are no public exchanges listing their securities, private companies meet angel investors in several ways, including referrals from the investors' trusted sources and other business contacts; at investor conferences and symposia; and at meetings organized by groups of angels where companies pitch directly to investor in face-to-face meetings.

According to the Center for Venture Research, there were 258,000 active angel investors in the U.S. in 2007. [\[3\]](#)



# Business angels

## Five reasons people become business angels:

- I must share, I must give back a.k.a. Spirit of the Valley
- This has to be done!
- I am looking for a project to get contracted later
- I am looking for a project to invest
- Welcome to the club

Fifty thousand dollars on a





# Smart money

## Definition of 'Smart Money'

- Cash invested or wagered by those considered to be experienced, well-informed, "in-the-know" or all three. Although there is little empirical evidence to support the notion that smart-money investments perform any better than non-smart-money investments do, many speculation methods take such influxes of cash very seriously.

# Angel categories

**Core angels**- These investors are individuals with extensive business experience who have operated and owned successful businesses of their own. Their vast amount of wealth was accumulated over a relatively long period of time. They are committed to their job of angel investing and continue to be involved with high risk investments despite their losses. They possess a diversified portfolio that encompasses all industries, including public and private equity and real estate. They serve as valuable mentors and advisors to their invested companies.

## Angel categories

High-tech angels- These investors may have less experience than core angels, but invest significantly in the latest trends of modern technology. Their investments primarily depend on the value of their other high-tech holdings, which can vary considerably. Many high-tech angels enjoy the risk of their deals as well as the exhilaration of bringing a novel technology to the market place. Some may even prefer not to be actively involved in their invested companies simply because they dislike dealing with the daily challenges of operating a business.

# Angel categories

**Return on investment (ROI) angels**- These investors are primarily concerned with the financial reward of high-risk investments. Their motivation behind investing is their perception of what other angels gross income may be. ROI angels tend to stay away from investing when market performance is poor and emerge once the market shows stability and improvement. They view each of their investments as another company added to their diversified portfolio and rarely become actively involved in the invested companies.

# Angel types

**Corporate angels**- These individuals are former business executives from large corporations who have been downsized, have taken early retirement, or have been replaced. Even though profitability of their investment is their overall goal, they also seek personal opportunity when investing, claiming that they are looking for an investment opportunity when, in reality, they are really looking for a job. For instance, many corporate angels are known to invest in one company and seek a paid position, which is often part of the business deal. They are also known to have about \$1 million in cash and may invest as much as \$200,000 in a company. Many can be extremely controlling once they obtain their desired position in the invested company.

## Angel types

**Entrepreneurial angels**- These people are successful angel investors who own and operate their own businesses. Their steady flow of income allows them to make more higher-risk investments and provide a larger amount of capital for start-ups. Entrepreneurial angels tend to make adequately-sized investments anywhere from \$200,000 to \$500,000 and are known for investing more money into the same company as the business progresses. They enjoy the personal fulfillment of assisting entrepreneurs launch a successful start-up and rarely take an active role in managing a company.

# Angel types

**Enthusiast angels**- These angels are older (age 65 and up) businessmen who are independently wealthy before their investments. They often invest small amounts of capital (between \$10,000 to a few hundred thousand dollars) in several different enterprises and view investing as a mere hobby. They also do not take an active role in management.

## Angel types

**Micromanagement angels**: These individuals are considered to be serious investors. Even though many are born wealthy, the majority of these angels have acquired their success and wealth through their own independent and strategic efforts. They often demand a board position and are known to impose the same strategies they have used with their own companies towards their invested companies. Micromanagers will usually invest anywhere between \$100,000 and \$1 million for each



## Angel types

**Professional angels**- These angels are professionally employed as physicians, lawyers, accountants, etc. who invest in companies in their related field. Professional angels invest in several companies at the same time, and their capital contributions range anywhere from \$25,000 to \$200,000 per investment. They may also provide services to their invested company (legal, accounting or financial) at a discounted rate, but may be unpleasant to deal with and impatient at times when it comes to their investments. Professional angels are of tremendous value for initial needed capital and rarely make follow-on investments.

# Angel species

- **Head angels** (aka “lead dogs”)-These people are true angel leaders who bring together and advocate other angel investors to a specific deal. These head angels enjoy being the first in a deal and leading others to an investment opportunity.
- **Mentor angels** (aka “guardian angels”)-These individuals serve as advisors and mentors to their invested companies. Providing insight to a young company and mentoring entrepreneurs to achieve success is more valuable to them than monetary rewards.
- **Generational angels** (aka “silver spoons with silver wings”)-These investors are the second generation offspring of successful families. They are typically younger than the average angel investor, but have acquired a significant amount of business expertise from working in the family business.

# Angel species

- **Intentional angels** (aka “dark angels”)-These angels will invest and appear very interested in the company at hand. However, their intentional motive behind their investment is to rid the founders and take over the company at hand.
- **Typical angels** (aka “arch angels”)-These angel investors characterize themselves as the distinctive type of angel investor everyone has read about, (i.e. high net worth investor, invests because of social responsibility and community involvement, etc.).
- **Inexperienced angels** (aka “cherubs”)-These “baby” angels have yet to establish experience and credibility in angel investing. They often invest in what others commonly invest in rather than independently. When they encounter adversity in the market, many will embrace the challenges and continue angel investing throughout their lifetime, while others may simply feel intimidated and give up investing.

# Angel species

- **Female angel organizations**- In a male-dominated field, there has been the emergence of women angel investor groups. Female angel networks primarily focus on the educational facet of investing and advocate deal flow. Often times, female angel syndicates focus on a variety of industries, not necessarily companies managed by or owned by women.
- Here also come LGBT, People of Color, People with Disability, etc.

# Angel species

**Venture capitalists** who are also angel investors (“moonlight as angels”)-Some venture capitalist firms may have strict rules, especially when it comes to independent investing. While some VC organizations may enforce this policy, many do not. Sometimes an investment may be so appealing a capitalist partner may decide to privately invest, especially if the financial endeavor does not meet their firm’s parameters. VC partners may even decide to co-invest in an attractive investment alongside their firm’s financing. VC can also independently fund early stage investments, only to have their firm finance the company during later stages of development. The final reason why VC’s may moonlight as an angel investor is because they may find **investment opportunities** that are not appropriate for their VC organization, but can be a tremendous opportunity if they decide to independently invest.

# Angel species

**Will work-for-equity angels (aka “sweat-equity angels”)-**These investors are service providers who have the intent of exchanging their services for a percentage of shares in the company. When a young company takes advantage of this type of service, they often save money in the long run. A problem that may arise during this exchange is the [entrepreneur](#) may not realize the importance of each portion of the equity, or the dilution (decrease in the percentage ownership of a company in value and/or decrease in the economic value of an investment) that may occur.

**Non-company building angels (aka “technology angels”)-**These types of investors are primarily concerned with developing technologies rather than building a diversified portfolio of companies. They are also known to [assist entrepreneurs](#) to license these inventions.