

All about Angels, Dog Food and Smart Money



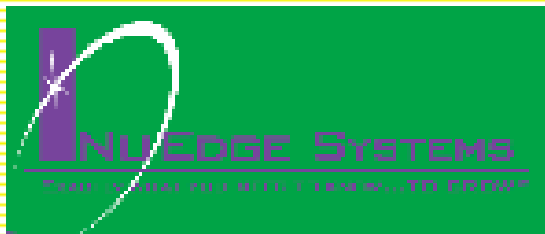
Tim Keane
Entrepreneur
In Residence

Marquette University
Golden Angels
Network
Tim.keane@mu.edu



Career brands

Retail Target Marketing Systems, Inc.



Communique, Inc.
Direct Marketing



Investments



- Photo-Opp, Inc.
- USAV Group
- Lifesketch.com
- Mid-Cities, Inc.
- Belmullet Flying Services



Remarks in three parts

- ❑ Everything entrepreneurs should ask angels...but don't
- ❑ Why be an angel?
- ❑ Everything angels will ask entrepreneurs

...but first, a word from our sponsors...

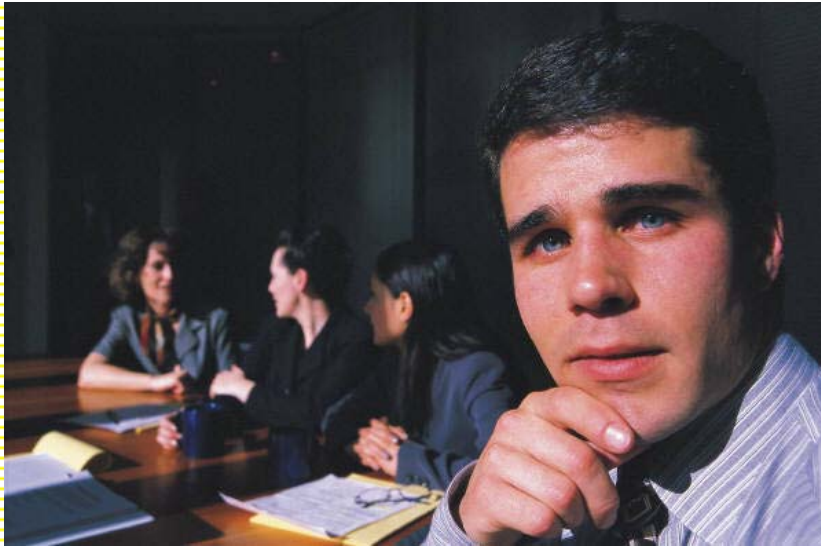


Marquette Angel Investors

- ❑ Often successful entrepreneurs
- ❑ About 75 members in Chicago, Milwaukee - 70% alumni.
- ❑ Active in deal screening.
- ❑ “Accredited Investors” – regulatory assumption of financial sophistication and risk tolerance.
- ❑ Expectation of financial reward.
- ❑ Involvement in entrepreneurial company: wisdom and expertise.
- ❑ Not as much interest in passive deals.



Resources



- We have a lot of qualified faculty in life sciences, engineering, business and related fields to help screen concepts.
- We are manager-led. Full-time network coordinator.



So, when you talk to angel investors,
please ask these questions:

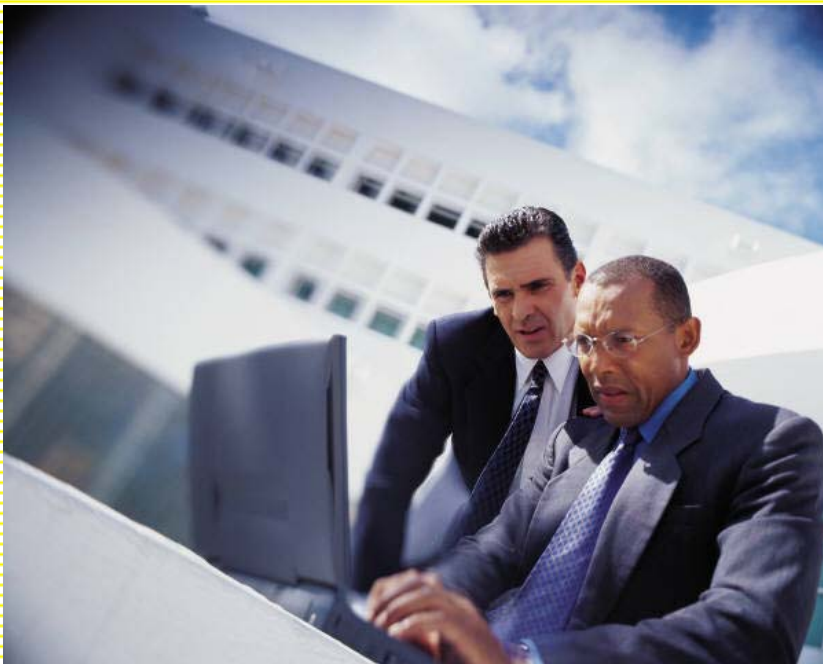


What are your screening criteria?

- ❑ What Deal Stage interests you?
- ❑ How do you assess product value?
- ❑ What opportunity size makes sense?
- ❑ What would you like to know about the competition?
- ❑ What leadership issues will you look at?
- ❑ What factors will drive your particular investment structure?
- ❑ How will you validate all of this?



What's your added value?

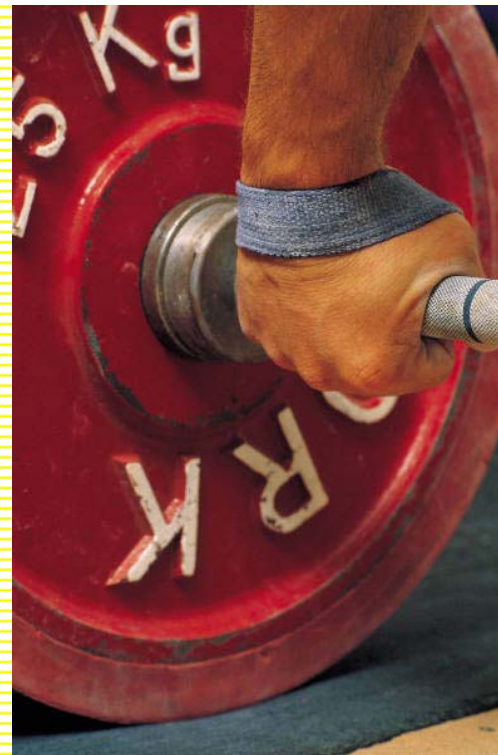


- ❑ Do you have expertise in the areas in which I need help?
- ❑ This frequently includes:
 - ❑ Financial management
 - ❑ Distribution structuring
 - ❑ Relationship management with other entities
 - ❑ Building advisory groups
- ❑ Do you have some sort of index of members' experience that would be of assistance to me?



If you have it, how can I get it?

- ❑ What's been your practice in getting your angel members to help the companies you invest in?
- ❑ Can I get the names of companies that you have invested in?
- ❑ I'd really like to meet the proposed board member.
- ❑ Do a chemistry check!
- ❑ Do you know any VC's? Have you done any deals with them? Do they like you? Can I talk to them?



What is your practice about next round financing?



- You should probably want:
 - Milestone-based interest in next round
 - Some history of willingness and eagerness to do this
 - Understanding of the VC's interest (on the part of the angel network) in future rounds, based on business progress

What's an ideal VC alternative?



- Excellent incubation history for very early companies.
 - Market knowledge, sizing and competition
 - Clear interest in company leadership issues
 - Heavily performance based criteria
 - Strong assistance program run by a partner in the VC firm.
 - Excellent track record in very early stage companies.

Why be an angel investor?

- ❑ Expectation of a financial reward
- ❑ Playing a role in the entrepreneurial process
- ❑ Fun and satisfaction in being involved
- ❑ Sense of social responsibility



What the angels will ask you...

(or ask themselves about you!)



1. Why are you writing a business plan?
 1. Obtain venture financing
 2. Run your business intelligently
 3. Win a contest

How does this business make money?

- ❑ What are the key drivers in the success of this business?
 - ❑ Cost to acquire a new customer?
 - ❑ Cost vs. price?
 - ❑ Hours worked?
 - ❑ Capacity for product innovation?
 - ❑ Excellence in execution?
 - ❑ COGS sensitivity?
 - ❑ Capex requirements?
 - ❑ Sales rate per day/week/month?



You get the idea!!

Who are these people?



- Can they execute?
- Do they have relevant experience?
- Are there holes in the team?
- Are they self-aware?

The nine questions

1. Who is their customer?
2. How does the customer decide to buy?
3. Is this a compelling product for this customer?
4. How will it be priced?
5. How will the company reach all of the identified segments?



Continued

6. How much does it cost and how long does it take to acquire a customer? How much will a customer spend in a lifetime?
7. How much does it cost to deliver the product or service?
8. How much does it cost to support a customer?
9. To retain one?



The angels most important business plan test...



- Will the dog eat the dog food?
 - I'd advise against "selling" product benefits without market validation or competitive analysis.
 - This critical integrity and analysis test will be very important to most angels

Competition

- Who are they?
How strong are they?
- Are they really competitors or can they be partners?



Money

1. From whom you raise capital is often (always!) more important than the terms.
2. Deals are simple, fair, and emphasize trust. They do not blow apart if something goes not according to plan; they do not cause people to behave badly.
3. Don't be surprised if some people don't want to invest with some others.

