

# Angel Financing for Start Ups

## Definition of Angels

While corporations and professional venture capital firms are easy to identify, angels are more elusive. Most entrepreneurs don't get their initial round of financing from someone like Paul Allen. In fact, after the credit cards are maxed out, the first stop is almost always friends and family. Does that make Uncle Harry an angel? It sure does.

As they are now defined, angels include relatives, groups of friends, notoriously successful former entrepreneurs, and organized groups of individuals with admission criteria, business plan submission rules and stages of due diligence. And as the definition grows broader, tracking these investors with any kind of reliability is increasingly difficult. Angels and angel groups are spread throughout the country, and often operate behind the scenes to promote local entrepreneurship. Further complicating things are regional idiosyncrasies.

Angels are those high net worth individuals (Accredited Investors) that make equity investments in early stage companies. This maybe a passive or active investment. Active investment may mean a role in management (Advisor or Board Member), bringing in the next round of capital, help in establishing strategic alliances, etc. Personal funds can be placed in to the early stage company at levels from \$50,000 to \$250,000. This is typically 'seed' money and before any Venture Capital investors.

## The Need

Entrepreneurs are going outside the Region for seed capital because they don't know how to connect with the 'seed money' in this area. This Region has a huge number of high net worth individuals that could be making investments in these companies but don't feel comfortable with it or don't know how to find and/or qualify the opportunity and they miss out on the OPPORTUNITY and REWARD.

## The Benefit

The Great Lakes Angels can be a forum for angels to network, grow in knowledge and wealth and foster more of the same - to help invest in entrepreneurial companies in the Region. Exposure can be made to Life Science, IT, MEMS, advanced manufacturing and various other technologies and with experts to aid in due diligence forth decision process and in support of the MEDC initiatives.

An example of a 'low tech' Angel investment from a San Francisco Angel group is a \$1.4 million investment in Earth's Best, an organic baby food manufacturer in Boulder, Colorado which was later acquired by H.J. Heinz Company, bringing investors an internal rate of return of 56%.

## Meetings

The Great Lakes Angels organization is expected to hold 10 monthly events each year at regularly scheduled times and locations. The meetings are not open to the public and are by invitation only The typical meeting will be an educational program in the afternoon (about 3 hours) with time for networking and establishing common investment interests, and a cocktail break for additional networking and a dinner with

a Keynote speaker. The dinner will include time to review and discuss investment opportunities that have been screened and presented by a 'champion' angel. Membership is not to be divulged publicly.

### **The Presentation**

All Executive Summaries need to be received and accepted at least 60 days before an event to be considered for presenting to the group.

If you are selected to present, you will be notified approximately 3 weeks before the event date. If you are not selected to present, your Executive Summary will be handed out to all those attending and posted at the Members Only section of the website. Your Summary may be considered for a later presentation.

Please submit Business Plan information to the Great Lakes Angels in the following way to be considered:

1. We will only accept **EXECUTIVE SUMMARIES**, not Business Plans.
2. They must not be longer than 3 pages (excluding the cover page)!
3. They must be Microsoft Word documents and in a 12 point font.
4. The Executive Summaries should have the following elements in them, for review, to be selected for an in-person presentation by company representatives.
  - **Technology**
  - **Market size, need and your solution**
  - **Product or Service explained**
  - **Competition**
  - **Sales and Marketing Strategy**
  - **Intellectual Property (what is protected and how)**
  - **Management team**
  - **Use of Proceeds**
  - **Financial overview**

Use as an example only

Revenues (\$000's)	2004	2005	2006	2007	2008
Product #1	\$5,870	\$17,235	\$19,946	\$28,868	\$38,282
Product #2			\$1000	\$1200	\$1320
Gross Sales	\$5,870	\$17,235	\$20,945	\$30,068	\$39,602
Operating Expenses	data	data	data	data	data
Net Profit	\$1,410	\$6,877	\$8,013	\$11,995	\$16,167
Unit forecast - #1	1,350	3,950	4,593	6,469	8,457
Units forecast - #2			593	2,469	4,457
Total Units	X	X	X	X	X

● **Exit strategy & Current Valuation**

5. A Screening Committee, who will recommend the ones to be presented in front of the group, will process the Executive Summaries.

6. If you have an investor Champion or Sponsor that has first hand knowledge of your business and is a possible Great Lakes Angel member, be sure to point that out. We like to have an investor champion introduce the company, if selected to present.

7. If you have been considered before and this is an update please bring attention to this fact.

8. By sending your Executive Summary to the Great Lakes Angels for consideration you grant permission for Great Lakes Angels to post this information at their website and to hand out at their events. Do not include CONFIDENTIAL information in what you send to us.

Send the Executive Summaries to [execsum@glangels.org](mailto:execsum@glangels.org)

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