

Tech Coast Angels

Member Handbook

Who are Tech Coast Angels?

Tech Coast Angels is an organization of individual angel investors, operating as four networks throughout Southern California.

TCA members investing as individuals represent the region's leading source of early stage funding and guidance for early-stage ventures.

Los Angeles

Orange County

San Diego

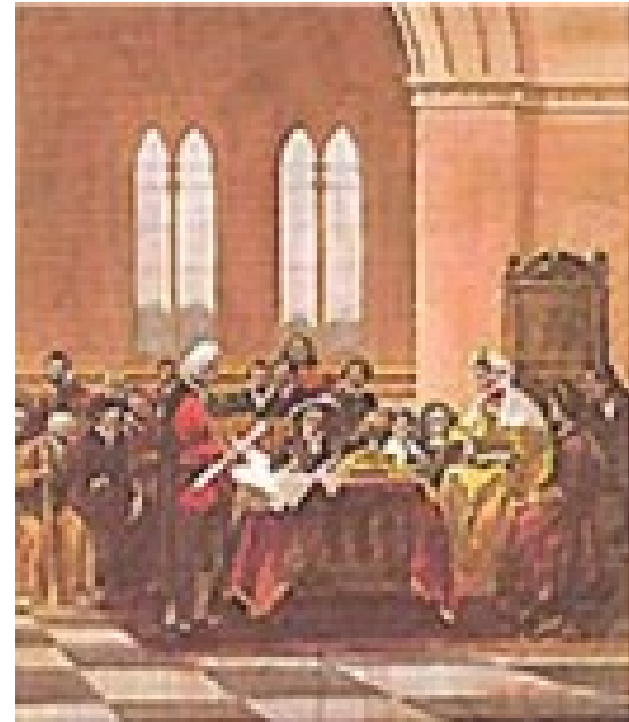
Westlake Village/Santa Barbara

Growth through Innovation

- TCA members provide seed and early-stage capital in the range of \$100K-\$2M.
- Since 1997, TCA members have invested \$68 million in more than 104 Southern California Companies, together with 10x from venture capital co-investors.
- TCA members are primarily former C-level executives; some members are former venture capitalists.
- TCA members mentor and coach entrepreneurs, serve as directors, provide industry contacts, and assist with team building, strategic planning and subsequent fundraising.

Who are Angel Investors?

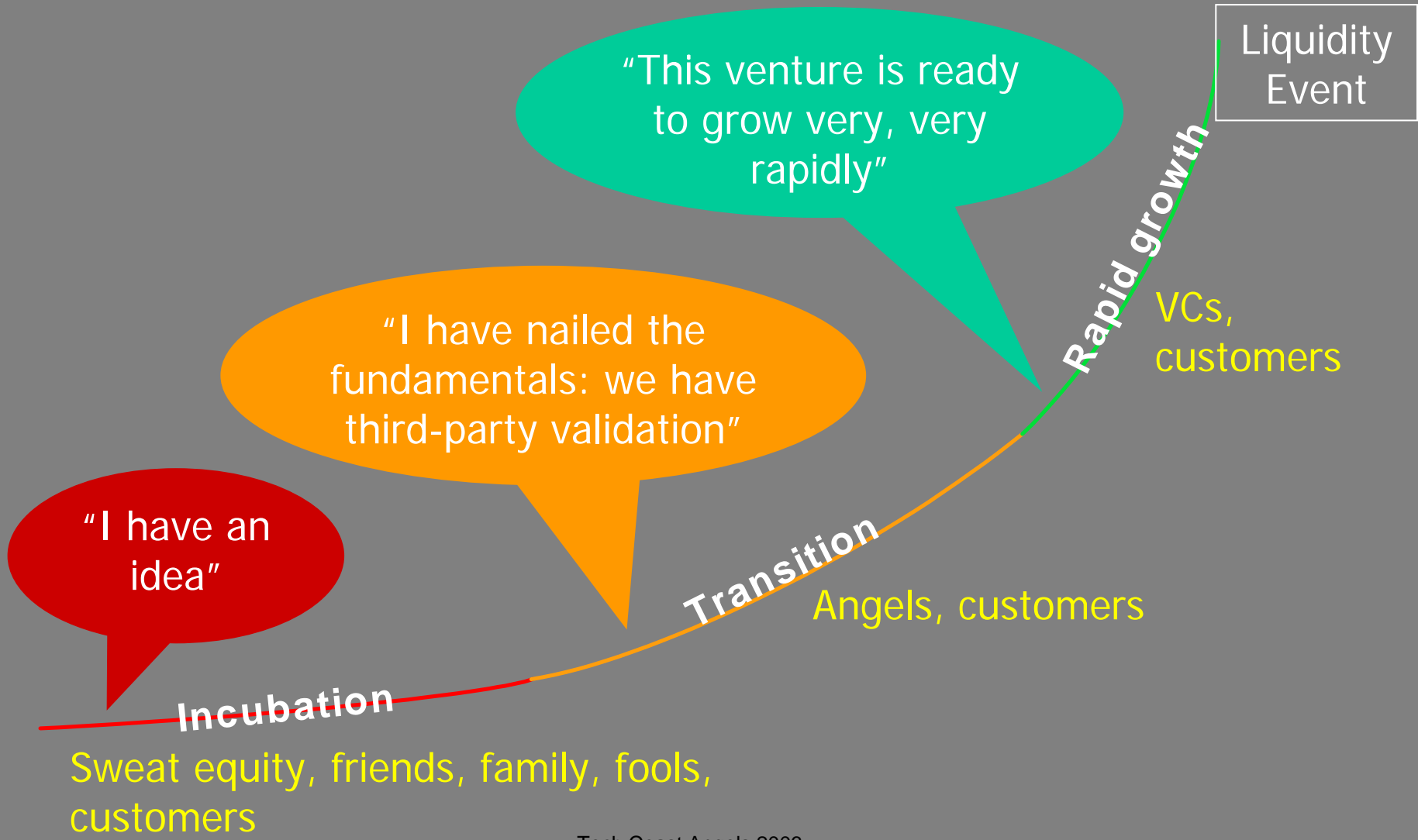
- Invest own capital
- Mostly operating backgrounds
 - CEO's, founders, senior exec's, VCs and professionals
- Active vs. Passive
 - Extensive networks and resources
 - Domain expertise
 - Interested in your business
 - Can devote time and add substantial value
- Limited financial resources (compared to institutions)



“Seeking Queen Isabella’s Support”



When Do Angels Invest?



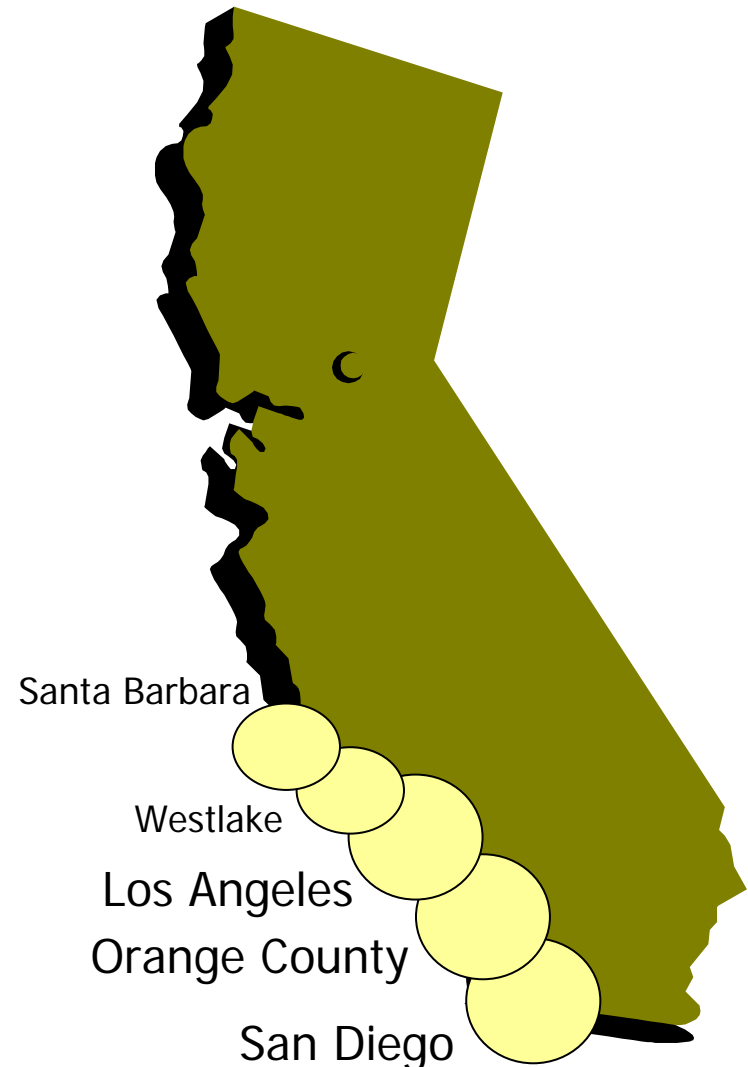
What Angels Bring to a Company

- **Funding**
 - Direct
 - Venture capital affiliates
- **Guidance & Team Building**
 - Mentoring and coaching
 - Active on Board of Directors
 - Advisory Board participation
- **Contacts**
 - Additional management
 - Customers
 - Vendors
 - Strategic partners
 - Technologies
 - Service Providers
 - Follow-on financing



TCA Organizational Overview

- Founded in 1997 in OC
- The largest angel groups in US – invest only in Southern Cal
 - Creates or participates in approx. 30% of SoCal early stage companies
- 270 members organized in four networks – LA, OC, SD, Westlake/Santa Barbara
- Invest as individuals
- Approximately 20 venture capital firms are official affiliates
- Organized process for collaboration
- Provide mentoring and guidance as well as capital



TCA & Network Organization

- Board of Governors (BOG) oversees TCA networks; the BOG is comprised of the network presidents, a representative from each network, a Chair, Vice Chair, Immediate Past Chair and Founder.
- Networks are run by President and an executive committee; each network has a BOG representative
- Networks conduct regularly scheduled screening sessions for companies passing the pre screening process
- Each network organizes diligence teams for prospects in its region
- Networks hold monthly dinner programs featuring companies finishing diligence

Membership

- Prospective members are encouraged to attend one dinner meeting and one screening session before they formally apply for membership
- Prospective members submit an application on the web-site at www.techcoastangels.com
- Member fees vary from \$1,350 to \$1,750 per year. New members pay a full fee upon joining and the next year, fees are pro-rated to convert to a calendar anniversary
- Annual member fees cover meals and facility costs for dinner meetings and screening sessions
- Each network recruits six website sponsors at \$4,000 per year; networks also recruit event-specific sponsors

TCA Web Site

- Members have a User ID and password for restricted access
- Regular web-site training sessions are available with Investment Screening Directors Jeff Cohn and Atticus Wagner
- Members post complete bios/photo to Members section
- Deal leads post due diligence materials to the web site
- Interested members may elect to receive email notices as due diligence materials are posted
- File Cabinet provides investment guidelines and due diligence checklists
- TCA Newswire is published at least three times per year

- Members are expected to RSVP on the website for all events, including screening sessions
- VC Affiliates and Sponsors attend dinner meetings
- Members are encouraged to invite guests, including future potential presenters and prospective members to dinner meetings and screening sessions
- Member referrals are a reliable source for new members
- Dinner meetings guests pay \$75 guest fee payable at the door
- Dinner sessions represent a vital step in the organization's investment process, attendance is highly encouraged to ensure active membership status

Membership Policies & ROMAC

- TCA has formal Rules of Membership and Conduct, which must be executed before becoming a member
- Members are expected to invest a total of \$50,000 per year, typically two investments at \$25,000
- Members are prohibited from receiving any consideration for bringing deals to or getting funded by TCA or its VC affiliates
- Members may not solicit other members for non-TCA deals
- Members are not allowed to use the email network or TCA address lists for personal announcements
- Members who are serve as mentors to a venture that is deemed not ready for TCA, are permitted to receive founder shares for services rendered – subject to some restrictions

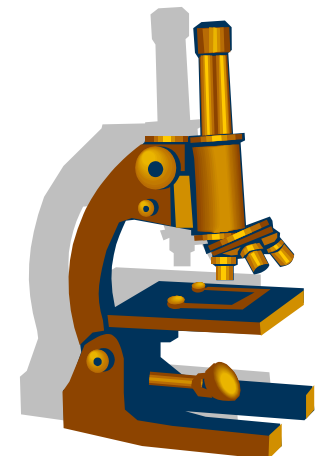
Deal Screening Process

- Each network has a designated deal pre-screening team
- Ventures are invited to a formal screening session
- At each screening session, interested members indicate interest in further due diligence and business plan review
- Deal leads are identified and the processing team is organized
- Diligence is verification of the representations by the venture; markets, customers, agreements, references, backgrounds, etc.; results are posted to the website
- The investment process concludes shortly after the companies successfully present at multiple network dinner sessions

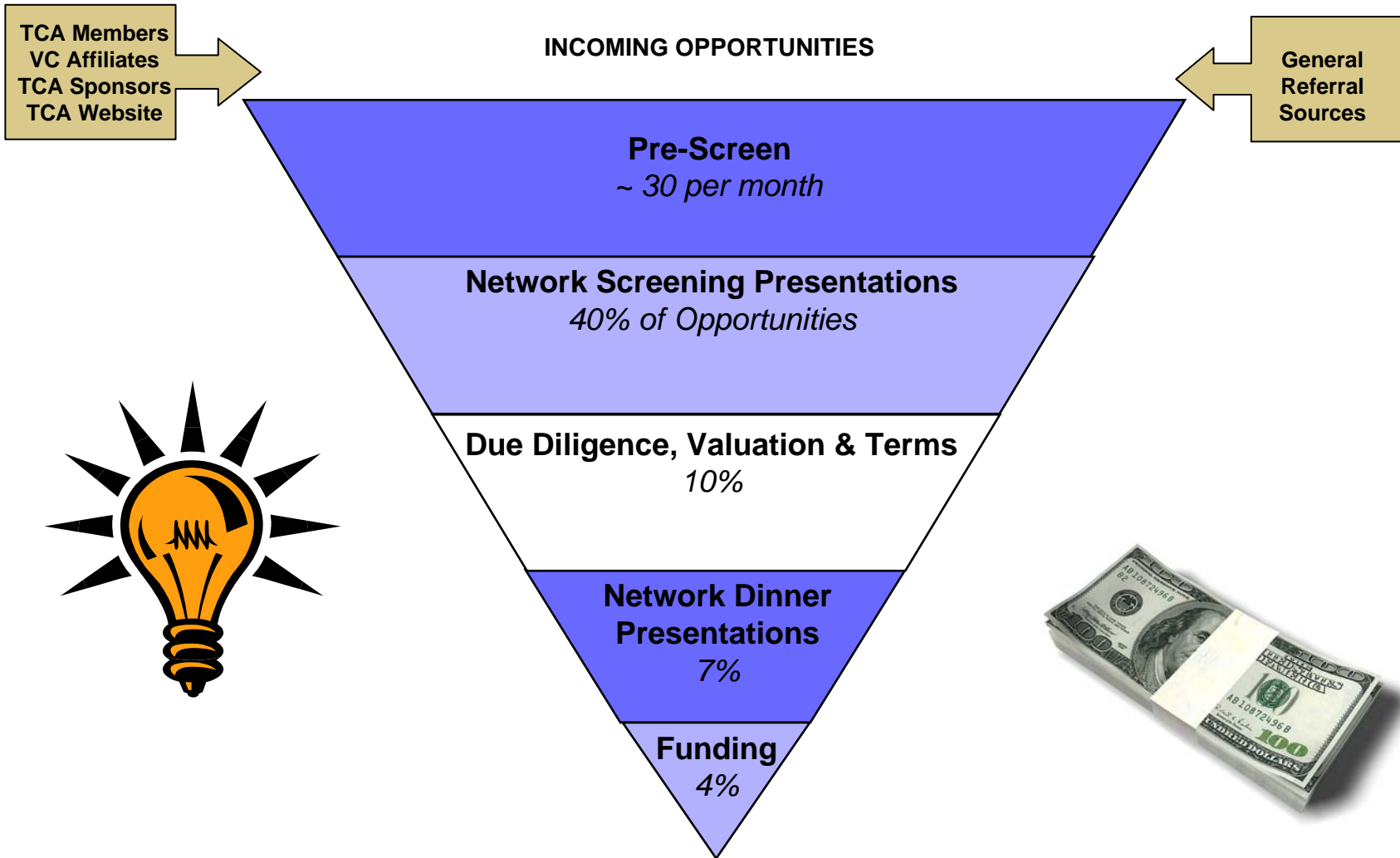
TCA Criteria For Candidate Companies



- Located in Southern California (within driving range).
- Addressing a significant and compelling business need.
- Fast-growth segment and market size enabling 5x-10x return in 4-8 years.
- Validation from lead customers.
- Protectable technology or business model with which to leverage a return.
- “Coachable” and qualified management team.
- Ability to attract future venture funding
- Reasonable exit in 4-8 years



Comprehensive Screening Process



Member Development



- Member education sessions are provided three times per year at the joint dinner meetings held in Long Beach
- Individual networks conduct occasional training sessions for new members
- Website is repository for diligence guidelines and checklists and templates
- Members develop by getting involved in diligence teams and contributing domain expertise where applicable to needs of new portfolio company

- Rules and Policies
- Minutes, Financials, Bylaws
- Mentoring Guidelines
- Presentations
- Deal Screening Guidelines
- Due Diligence checklists and Sample Term Sheets
- Letterhead Templates for Letters, Envelopes & Avery Labels (MS Word)
- Articles of Interest

Some Angel & VC Differences



Angels...

- Look at “cold call” deals
- Willing to coach and mentor
- Work deals to make “fundable”
- Have extensive operating experience as former C-level execs
- Domain expertise and diverse investment appetite
- Typically invest no more than \$1M, often \$500K
- Often serve on boards



VCs...

- Only look at referrals from trusted sources
- Companies should already be funded, limited time to coach or mentor
- Mix between financiers, MBAs, and operating execs
- Few partners, narrower focus on specific areas
- Typical minimum is \$2M and will go to \$10s of millions
- Often serve on board seats

TCA Portfolio Companies



- **Prepaid credit card model**
 - Sequoia Capital invested in 2004 and in 2005



Outsourced logistics software platform

- Clarity invested \$20M in 2005. .



- **Language translation software**
 - Palisades Ventures invested in 2005.



- **New technology lamp for DLP TVs**
 - WorldView and Sequoia Capital have invested.





America's leading provider of prepaid cards

ANGEL ROUND

- **Series A (Jan 2001): \$1.965M**
 - TCA: \$655K of the round
 - Valuation: \$3.5M

MILESTONES

- **47,000 retailers in all 50 states**

NOTE

- **fka Next Estate**

AWARDS



REVENUE

- **2005: \$50M**
 - \$1B gross transactions

VENTURE CAPITAL

- **Series B (Feb 2003): \$2.2M**
 - TCA: \$530K of the round
 - Valuation: \$12.5M
- **Series C (Feb 2003): \$8.4M**
 - TCA: \$243K of the round
 - Valuation: \$20M
- **Series C-1 (Mar 2004): \$6M**
 - Valuation: \$50M
- **VC firms investing**

SEQUOIA CAPITAL



Patented Filament-Free Lamp Technology

ANGEL ROUNDS

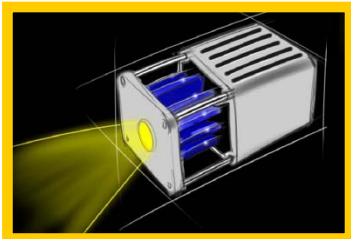
- **Seed (Feb & Apr 2003)**
 - TCA: \$50K & \$100K
 - Other: \$25K & \$100K
 - Valuation: \$1.5M & \$1.8M

CUSTOMERS

- **“Who’s who” of video industry**

PRODUCTS

- **Key component, major market**
 - Microwave Energized Plasma Lamp



BOOKINGS

- **First production order of \$1+**

VENTURE CAPITAL

- **Series A (Aug 2003): \$900K**
 - Valuation: \$2.7M
- **Series B (Aug 2004): \$5.75M**
 - TCA: \$552K of round
 - Valuation: \$6M
- **Series C (Aug 2005): \$15M**
 - TCA: \$1.5M of round
 - Valuation: \$43M
- **Venture firms investing**

SEQUOIA CAPITAL



Logistics Outsourcing Provider For Packaged Goods

ANGEL ROUND

- **Series A (Dec 2002)**
 - TCA: \$450K
 - Valuation: \$3.5M

MILESTONES

- **# 4 fastest growing in US**
 - 39,071% since 2000
- **National acquisitions pending**

AWARDS



REVENUE

- **2005: \$36M**
 - Run rate: \$45M year-end 2005

VENTURE CAPITAL

- **Series B (Jul 2003): \$3.7M**
 - Valuation: \$12M
- **Series C (Jun 2005): \$20M**
 - Valuation: \$28.5M
- **VC firms investing**





Fleet Driving Behavior Management Systems

ANGEL ROUND

- **Seed (Jan 2000)**
 - TCA: \$400K
 - Other: \$600K
 - Valuation: \$4M

MILESTONES

- **Industry leader**
 - Little or no competition
- **30,000 units installed**

AWARDS



REVENUE

- **2005: \$16M**
- **2006 est.: \$30M**

VENTURE CAPITAL

- **Series A (Jun 2005): \$2.4M**
 - TCA: \$180K (of round)
 - Valuation: \$7M
- **Series B (Jun 2005): \$18M**
 - Valuation: \$29M
- **Venture firms investing**





Example TCA investment



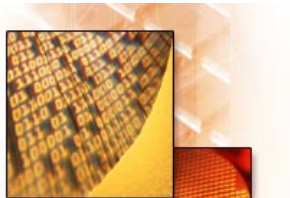
WiSpry Inc.
Think Big. *Dream Small.*

Pioneer in Tunable RF/MEMS Silicon Solutions

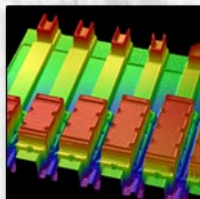
ANGEL ROUND

- **Series A (Jan 2004)**
 - TCA: \$763K
 - Other: \$100K
 - Valuation: \$1.5M

MEMS performance, IC fab



PRODUCTS: integrated filters



MAJOR ACCOUNT

- Samsung

VENTURE CAPITAL

- **Series B (Feb 2005): \$6.5M**
 - Valuation: \$5M
- **Venture firms investing**



Investment Summary

Dollars in Millions

Year	COs	Rnds	New\$	F-On	TOTAL	New\$	F-On	TOTAL	Ratio	TOTAL
1997	3	5	0.2	0.0	0.2	8.2	0.0	8.2	37	8.4
1998	12	24	6.5	1.1	7.6	23.4	28.6	52.0	7	59.5
1999	15	28	11.6	3.6	15.2	25.8	137.8	163.6	11	178.8
2000	14	20	8.1	3.4	11.5	35.8	126.2	162.0	14	173.5
2001	8	16	3.0	3.4	6.4	5.3	31.6	36.9	6	43.3
2002	11	14	3.1	0.5	3.6	20.3	19.3	39.6	11	43.2
2003	11	21	2.7	1.6	4.3	14.1	23.3	37.4	9	41.7
2004	12	26	4.8	1.7	6.5	4.4	32.0	36.4	6	42.9
2005	<u>21</u>	<u>28</u>	<u>10.7</u>	<u>3.1</u>	<u>13.8</u>	<u>17.9</u>	<u>67.1</u>	<u>85.0</u>	<u>6</u>	<u>98.8</u>
TOTAL	107	182	50.7	18.4	69.1	155.2	465.9	621.1	9	690.2

TCA Contact Information

- Member, staff, VC affiliate and sponsor information is on the website
 - Within the Member Directory, you can click on individual networks, new members, applicants and the BOG.
 - A Search function provides more advanced searches
- Staff contacts:
 - LA Investment Screening Director: Jeff Cohn, jeff@techcoastangels.com, 310.318.7891
 - OC Investment Screening Director: Atticus Wagner, oc@techcoastangels.com, 949.856.2219
 - SD Admin Director: Nepi Ilgaz, nilgaz@connect.org, 858-964-1312
 - Financial Director: Bonnie Welt, bonwelt@flash.net, 310.841.2345

How to be a better member

- **Attend events and get involved**
 - Join a committee
 - Help screen incoming deals and with due diligence
 - Visit other Screening Sessions
 - Lead a deal and help close a deal
- **Connect**
 - Volunteer to speak at events and conferences
 - Network with members and referral sources
 - Join LAVA, Software Council. OCTANe, OCVG, OC Innovation Week, TCVN
- **Invest in TCA deals**
 - Diversify
 - Invest in a biotech or medical devices company
- **Share your experiences**
 - Describe investing strategy
 - Successes and failures
 - What are you reading?
- **Build camaraderie**
 - Take a member out for coffee
- **Read, listen and learn**
 - World is Flat, Friedman
 - Freakonomics, Levitt
 - Wisdom of Crowds, Surowiecki
 - The Tipping Point, Gladwell
 - www.VentureVoice.com
 - http://www.podtech.net/?category_name=Venture+Capital