



ANGEL CAPITAL ASSOCIATION  
THE PROFESSIONAL ALLIANCE OF ANGEL GROUPS

## **ACA Collaboration Committee Syndication Guide and Best Practices**

**April 2009**

Appointed by the ACA Board of Directors, the ACA Collaboration Committee recommends strategies, programs, documents, and templates to help ACA member groups share best practices and collaborate on investments and other areas of interest.

**Members of ACA groups have access to the following templates and tools for angel group use only through the [ACA Members Only Web site](#).**

**If you do not currently have access to this Web site, please contact [Sarah Dickey](#), ACA Membership Services Coordinator.**

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## INTRODUCTION

As part of its mission to assist angel groups in their investment success, ACA encourages member groups to build relationships across states and regions to take advantage of the expertise of other ACA groups and potential group investment opportunities. ACA's Collaboration Committee has focused its effort this year on gathering tools and practices currently used by ACA members in several regions to foster these meetings and relationships in other regions. The following document is a collection of practices and tools used by ACA member groups to build relationships, educate member investors, and share best practices as well as deals. Please visit the Members Only section of the ACA Web site at <http://www.angelcapitalassociation.org> for additional and updated resources for syndication.

## SYNDICATION PROCESS EXAMPLES

### Syndication Conference Calls

#### Northwest Region

Coordinated by Elaine Kong, Manager of Small Business Services at the Washington Technology Center (University of Washington), this monthly call brings together 18 angel groups to discuss best practices and share deals. Since the call began in April 2008, three deals have been successfully syndicated among the call participants.

#### Call Overview:

A request for pre-funded deals is submitted to each participating group ten days prior to the call, and an agenda with basic deal information is distributed one week prior to the call. During each call, deal leads give an elevator pitch and solicit questions and comments. Following each call, a summary of the deals is distributed to participants. Angel groups interested in the deals follow up with Elaine Kong for deal-lead contact information or deal referral via Angelsoft. The companies then present to each interested group. Due diligence and other deal-related information is shared on Angelsoft.

**The following templates are available for your use on the ACA Members Only Web site:**

**Northwest Regional Syndication Call Agenda**

**Northwest Regional Syndication Call Summary**

#### New England Region

Coordinated by James Geshwiler of Common Angels (founding Chair of ACA), this monthly call includes angel group leaders from 18 ACA groups across the New England states. Initially created to build trust among the angel leaders, this call now focuses on ACA news, upcoming events, and planning the tri-annual syndication meetings. Angel group leaders also share elevator pitches for companies in the screening process to give others an "early look" at interesting investment opportunities and gain commentary from others – particularly if the company has a product or

service that is outside of the group's industry expertise. Groups with this expertise in their membership offer to share contact information off-line through the group leaders.

**The following template is available for your use on the ACA Members Only Web site:  
Northeast Regional Angel Group Leader Call – Summary**

## **Regional Meetings**

### New England Regional Meeting

Since 2005, ACA New England angel groups have met ten times to share deals and best practices. About 60 angels from the 18 ACA Member groups normally attend. This full-day meeting includes presentations by six companies that have been prefunded and have a deal-lead. The meeting also includes a keynote or panel about angel group best practices and/or an update from a local VC or other investment partner. The meeting is planned during the regional angel group leader calls and company nominations are accepted via Angelsoft with a consistent screening committee determining which companies present.

**The following templates are available for your use on the ACA Members Only Web site:**

- New England Regional Meeting Template**
- New England Regional Meeting – Checklist**
- New England Regional Meeting – Agenda**
- New England Regional Meeting – Acteva Registration**
- New England Regional Meeting – Sponsorship Letter**
- New England Regional Meeting – Company Nomination Invitation / Criteria**
- New England Regional Meeting – Company Evaluation Form**
- New England Regional Meeting – Expenses Overview**

### National Angel Capital Organization (Canada)

In October 2008, NACO held its first National Summit open to members of angel groups in Canada and the United States. The primary activity was to syndicate twenty-five prefunded companies who presented to over 150 angels. In addition to the syndication opportunities for attendees, this meeting also functions as a recruiting tool for angel groups, an introduction to investments to new angels, and a networking opportunity for the attendees.

**The following templates are available for your use on the ACA Members Only Web site:**

- Canadian Co-Investment Summit Meeting Template**
- Canadian Co-Investment Summit Template – Agenda**
- Canadian Co-Investment Summit Template – Registration Process**
- Canadian Co-Investment Summit Template – Marketing Materials**
- Canadian Co-Investment Summit Template – Flyer**
- Canadian Co-Investment Summit Template – Email Flyer**
- Canadian Co-Investment Summit Template – Interest Form**

## RAIN Source Capital – Annual Conference

Each year the 23 RAIN Source funds get together and integrate education and syndication by inviting RAIN fund prefunded companies to participate as potential syndicated investments in short workshops on best practices, due diligence, valuation and term sheets. Following an educational session, angels are divided up to participate with the companies working to close the round or raising a follow-on round. The angels then review the deal terms, conduct due diligence and negotiate the deal. At the end of the conference, angel groups present funding recommendations on each of the four companies to the angel groups.

**The following templates are available for your use on the ACA Members Only Web site:**

**RAIN Source Capital Annual Conference Template**

**RAIN Source Capital – Syndication Best Practices**

**RAIN Source Capital – Standard Due Diligence Report Outline**

**RAIN Source Capital – Standard Due Diligence Report Template**

**RAIN Source Capital – Standard Due Diligence Information Checklist**

**RAIN Conference – 2008 Brochure**

**Additional Resource:**

**North Bay Angels Due Diligence Seminar Outline**

# TOOLKIT

The following are resources that ACA angel groups have used to syndicate deals:

## Group Scheduling

- Timebridge – [www.timebridge.com](http://www.timebridge.com)
- Doodle.com – [www.doodle.com](http://www.doodle.com)

## Conference Calls

- Free Conference – [www.freeconference.com](http://www.freeconference.com)
- TalkShoe – [www.talkshoe.com](http://www.talkshoe.com)

## Registration / Ticketing

- Acteva – [www.acteva.com](http://www.acteva.com)
- Brown Paper Tickets – [www.brownpapertickets.com](http://www.brownpapertickets.com)
- EventBright – [www.eventbright.com](http://www.eventbright.com)

## Sharing Deals

- Angelsoft – [www.angelsoft.net](http://www.angelsoft.net)
- BaseCamp – [www.basecamphq.com](http://www.basecamphq.com)
- GoogleDocs – <http://www.google.com/google-d-s/b1.html>

## Additional Syndication Templates available on the ACA Members Only Web site:

**New England Regional – Angel Group Due Diligence Treaty**

**Ohio – Hold Harmless Treaty, Due Diligence Standards, Outlines, and Checklists**

**Term Sheet Examples**

# EDUCATIONAL RESOURCES: POWER OF ANGEL INVESTING

## Power of Angel Investing: *Benefits to ACA Members*



ANGEL CAPITAL ASSOCIATION  
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These seminars and workshops, developed by the Kauffman Foundation, offer several member benefits to ACA member groups:

- **Recruit** new members and help them integrate in to your group as active members
- Educate current members to **make better informed investment decisions**
- **Increase activity** among your members for both making investments and getting involved in due diligence
- **Increase deal flow** quantity and quality by teaching target entrepreneurs and innovation partners to bring you the deals you want to see.
- **Save money** by taking advantage of the 10 percent discount available to ACA members. Depending on the program you choose, you will save between \$92 and \$600. The discount on one seminar nearly covers your ACA membership dues.

### Progressive Set of Courses:

ACA recommends that members start with the first day-long program and then select half-day workshops.

**Angel Investing – An Overview (AIO)** – a day of comprehensive overview of the angel investing process, including screening, due diligence, valuation, and working with portfolio companies

**Doing the Deal: Term Sheets** – in-depth investigation of the terms and conditions commonly used by angel investors in funding early stage deals

**Due Diligence** – learn what it takes to validate business plans and to define and contain the risk of investment.

**Valuation and Portfolio Strategies** – focuses on the pre-money valuation of start-up companies and a portfolio strategy for angel investing as an asset class.

**Valuation for Entrepreneurs** – designed for a mixed audience of angels and entrepreneurs, the program focuses on valuation of pre-revenue companies and positive negotiation among the parties

**Post-Investment Relationships** – discusses best practices for angel and CEO relationships with special focus on mentoring, Board of Directors, and preparation for follow-on funding and exit

PAI also includes the **Starting an Angel Organization** seminar for communities that are thinking how best to create an angel group.

### How ACA Members have Benefitted:

*"We host the AIO program every year. We find that it greatly speeds up the process of learning for the new angels so that they can quickly become comfortable with the investment process and become active as members of due diligence teams and deal leads. It is imperative for established groups to foster strong membership and grow the quality and quantity of deal flow. In the past couple of years, we have expanded the audience of our PAI programs from current and prospective members to include community entrepreneurial mentors, tech transfer officials, and select entrepreneurs. This way our innovation community can better understand what we are looking for in a deal and how to encourage companies to make good decisions early."*

**Stephen F. Flaim – Vice President  
Tech Coast Angels (San Diego, CA)**

*"We have 20 confirmed members for our new group...We feel that this significant response is due to the outstanding information you helped us deliver to the community along with the advice on how to pull this all together."*

**Brent Case – Executive Director  
Blue Water Angels (Midland, MI)**

### More Information:

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[www.angelcapitaleducation.org](http://www.angelcapitaleducation.org)

## FREQUENTLY ASKED QUESTIONS

Q. Why is syndication important to my angel group / my portfolio?

A. There are two primary reasons to syndicate deals among angel groups. First, and this is exacerbated in the current economy, syndication helps reduce financing risk. When capital is scarce, or when angels are asked to fund more and more rounds of their portfolio companies, syndication spreads the ability to finance a company across more people. Second, syndication helps to leverage the expertise of other angels and angel groups. In particular, the industry expertise of angels in another group can make a huge impact on the decision making of the company, and its ability to penetrate the target market.

Q. How prevalent is syndication among angel groups? Who is syndicating now?

A. Syndication is a relatively new but growing phenomenon. Groups like the Tech Coast Angels, with five regional networks, have effectively been syndicating with one another since the late 1990s as part of their course of running the overall group. The New England Region has about 20 groups which meet 3 times a year to syndicate in prefunded deals with each other – and they have been doing this since 2004. According to the 2008 ACA Confidence survey, over 70 percent of groups syndicated at least one deal in 2008. Certainly individuals and groups have been syndicating informally for a long time.

Q. How many presentations should the company expect to make during the syndication process?

A. Almost every angel group needs to have the syndicated company present to their membership in order to initiate the formal process of investment. This may sound onerous, but it is typically the easiest and most important part of the process. It is easiest because the company CEO should be well-schooled in giving a brief presentation to any set of investors. It is most important because that meeting gives a first impression of the company (and the deal lead) to the membership of the potential syndication partner group. The decision to invest or not in the company is typically indicated at the initial meeting, with access to the due diligence, and perhaps a final meeting a reasonable process.

Q. How is the syndication funding process different for the angel group and company?

A. Syndication should lead to a higher likelihood of investment, and a shorter decision-making timeline. Angel groups see a deal that has already been vetted by a peer. Company CEOs present to an audience that is already pre-disposed to the deal given the trust developed between the deal lead and the other angel groups.



Q. How long does it take to syndicate a deal?

A. While each angel group tends to have their own decision-making process for investing in a deal (Jeff Sohl of the Center for Venture Research puts the process at an average of 4 months), syndication should take less time if the existing investors are willing to share due diligence. Typically the deal lead and the company will set a reasonable closing date that gives each interested group enough time to run through their process, but also enables the company to focus on building the company rather than always raising money for a particular round.

Q. What is the role of the deal lead during syndication?

A. Deal leads come in all types. The most efficient deal lead acts both as the advocate for the company, and the motivator of the process. Typically this means being party to company presentations to other angel groups, sharing due diligence, maintaining the lines of communication, and guiding the process toward a close. The most trusted of deal leads have a unique understanding of the business opportunity and the capabilities of the management team and Board.

Q. At what stage of the investment process should I try to syndicate with other angel groups?

A. The point to start discussing syndication varies among regions. In the ACA Southeast region, angel groups begin to discuss syndication early in the angel group screening process. For many groups, the earliest point to start discussing syndication is when you have presented a term sheet to the company. At that point the deal lead has largely completed the due diligence process and has a good feel for what the terms of the deal are likely to be. Thus the other groups that are being contacted as part of the syndicate will know the terms and have the ability to leverage off of the existing due diligence so that their own investment process can be accelerated enough to meet the closing date. For subsequent rounds, it is never too early to start syndicating a deal to other groups.

Q. How can ACA help me to with syndication? How do I get started?

A. ACA supports the syndication process in many ways. First, the ACA Syndication Guide is an excellent resource to learn how other groups are already sharing deals. Useful syndication tools are available on the ACA Members Only section of the Web site. Second, ACA helps organize regional syndication meetings throughout the membership. During this fiscal year, 8 regional meetings have occurred in 5 regions. Third, ACA hosts an annual Summit that gives angels and angel group leaders the opportunity to network and build relationships that foster collaboration and syndication. The 2009 ACA Summit has a plenary session on syndication, and will include presentation of several deals as opportunities for inter-regional syndication. And finally, there is an ACA Collaboration Committee that meets bi-monthly to discuss, encourage, and plan syndication meetings.

Q. What happens after angel groups syndicate?

A. Most angel groups take a Board seat to steward their investment. Once the syndication is complete, that Board member should be compelled to share information with the full syndicate on a regular and appropriate basis. If there is a better candidate for the Board seat of that class of shareholder, then hopefully the deal lead and the company will take advantage of that expertise.

Q. Why do syndicated deals fall apart?

A. Like any investment opportunity, deals fall apart for many reasons. ACA advocates trust and openness to prevent syndicated deals from falling apart. Many groups have signed a “Due Diligence Treaty” which holds harmless all parties that share due diligence. There is a variety of quality in the due diligence that each group might conduct. With this in mind, it is incumbent upon all groups in the syndicate to check facts and perform an appropriate amount of their own due diligence. Some groups also have a “Conflict of Interest Disclosure Agreement” which requires disclosure of any conflict. For example, the deal lead might have a consulting arrangement with the company, or he/she might be syndicating a follow-on round where his/her ownership value is enhanced with the terms of the new round. The Disclosure Agreement requires that any conflict – real or perceived – be acknowledged to all members of the syndicate.

Q. What differences should I expect when syndicating with other angel groups vs. individual angels or VCs?

A. Syndication to individual angels is typically done on a one-on-one basis over the course of a couple of meetings. Syndication to angel groups typically follows that group’s regular process, albeit with efficiencies in the due diligence and negotiation of terms since they have been done already. Syndication to VCs is typically different, largely because the company is attempting to create a competition between VCs to drive up the price or enhance the terms of the next round. In addition, VCs tend to make decisions on their own, through their own process and network. A VC will in many instances syndicate the opportunity to his/her network of VCs.

Q. What are the challenges to syndicating internationally?

A. Syndication across borders has little history. In the case of the US, Canada and Mexico, there are significant complexities with respect to ownership and taxation. During 2009 ACA’s Collaboration Committee will be drafting guidelines for cross-border syndication.

## DISCLAIMERS

### ACA 2009 Summit Disclaimer

Entrepreneurs will present investment opportunities during a session of the Angel Capital Association's 2009 Summit. Please note that these presentations are aimed only at ACA member groups and their associated member accredited investors, and no investment opportunities are being offered to anyone who is not a member of an ACA member group and an accredited investor.

ACA is not a venture fund, investment bank, broker/dealer, investment clearinghouse, or investment advisor, but rather a forum in which accredited investors may be educated on aspects of investment and business, as well as introduced to companies for possible investment. ACA is not registered with the Securities and Exchange Commission or any state securities commission.

Each ACA member and their associated member angel investors is responsible for his or her own investment decisions, and neither ACA or any of its members, representatives or agents is recommending any particular company for investment. All investments in entrepreneurial companies involve a high degree of risk, and investors should be able to bear the risk of complete financial loss. The choice to use and manner of utilization of information and knowledge gained through ACA is each member's individual and personal choice.

No guidance shall be given, nor shall any person affiliated with ACA (nor ACA itself) be responsible for an individual member's use of the information, investment decision, or the results of any investment. ACA as an entity does not conduct any investigation to verify the factual information submitted to potential investors by individual entrepreneurs.

Hence, ACA makes no representations or warranties regarding these companies. Investors must conduct their own due diligence and negotiate the terms of any investment they elect to make.

### Current Disclaimer in ACA Membership Application

Part of ACA's membership application is a sign-off on the disclaimer below. All existing ACA members have approved of this statement:

"It is understood that ACA is not a venture fund, investment bank, broker/dealer, investment clearinghouse, investment portal nor any other form of investment advisor or otherwise, and is not registered with the Securities and Exchange Commission or any state securities commission. Any investments made involving one or more ACA member organization, or individuals in one or more member groups, is done so at the sole risk and responsibility of those making the investment decision and does not in any manner involve or relate to ACA. All members will indemnify ACA for any and all actions or proceedings relating in any manner to ACA being named a party in an action or proceeding involving an investment of any kind by a member or individuals comprising the member, or entities, representatives or agents of member or individuals comprising the member."