

The PAN Angel News

News from the Angel Capital Association

Dear PA Angel Community –

Thanks for giving me the opportunity to connect with you in *The PAN Angel News*. On behalf of the Angel Capital Association (ACA) I want to let you know of several things:

ACA Leaders Workshop and Valuation Seminar

The second annual ACA Leaders Workshop will be held in Philadelphia on November 3rd and 4th, thanks to PAN. This program will bring in about 100 leaders of ACA member angel groups from throughout North America to network and gain from the theme “*Sustainability Tool Kit: Ideas for Increased Membership, Deal Flow and Funding.*” Topics include practical exit roadmap, understanding the new technology tools of the trade for angel groups, becoming “deal central” in your community, and an unveiling of the newest and best database on angel investing. The program starts at 5:00 pm on November 3rd with a networking reception and on November 4th we meet from 8:00 am to 3:30 pm.

We are also offering the brand new “**Valuation of Early-Stage Companies**” seminar on November 3rd from 1:00 to 5:00 (and including the opening reception for the ACA Leaders Workshop). This program is led by one of the country’s top angel experts, [Bill Payne](#). This program gives you an overview of three valuation methodologies and also explores the roles of these different approaches to your returns, portfolio strategy, and your next deal.

Both the Valuation seminar and ACA Leaders Workshop will be held at Blank Rome LLP in Philadelphia. PAN is the host of the event because they provided the best proposal in the country to hold the event and we thank them. In addition, we thank local sponsors [Blank Rome LLP](#), [CBIZ](#) and [Fisch Wealth Management Group of Wells Fargo Advisors](#).

More information about these events is at www.angelcapitalassociation.org/events/2010-leaders/.

Attendees of the ACA Leaders Workshop receive a “memory stick” with a wealth of great materials and also a \$100 discount to the 2011 ACA Summit, which will be April 4-6 in Boston. I hope to see many of you in November (and April)!

Public Policy Issues

ACA has been pretty active in Washington, DC this year. Our current focus is on a few issues – making sure SEC rules in financial reform are best for angels and entrepreneurs, minimizing capital gains tax rates, and promoting a federal tax credit for angel investments in startups. We’ll get you more details later, but here are a few important points:

- The new definition of net worth is now effective. The SEC has published more details (see www.sec.gov/divisions/corpfin/guidance/securitiesactrules-interps.htm, particularly the answer to question 179.01), while some rules are still being developed.
- There are four different bills in Congress to establish angel tax credits.

In all cases, it is clear that angels are getting more positive looks in Washington, DC. We greatly appreciate your help in carrying the message to our leaders that angel investors matter to the US economy!

Cheers,

Marianne Hudson
Executive Director, Angel Capital Association



Recent Activity of PAN Members

- **Highlighted Recent Investments & News:**

- **Blue Tree Allied Angels** made a maximum pro-rata share investment in a current portfolio company, **Starr Life Sciences, Inc.** The company produces a pulse oximeter for mice and rats to monitor, diagnose and record. In addition, Blue Tree invested in **Voci** (a/k/a Silicon Vox). Voci is a hardware/software company that accelerates speech to text conversion. Primary use is in call centers and organizations that are processing multiple streams of recorded speech.
- **Delaware Crossing Investor Group** also made a follow-on investment in Starr Life Sciences, Inc.
- **Golden Seeds Philadelphia** reports they are in due diligence with a PA company called **Cognition Therapeutics Inc.**, which is a therapeutic development company focused on Alzheimers and Parkinsons diseases. Other groups interested in learning more about this investment can follow-up with Anne Shehab at anneshehab@yahoo.com. In addition, Gloria Rabinowitz has unfortunately had to step down as the Manager of Golden Seeds Philadelphia for hopefully a temporary period. Group management responsibilities will be handled by Linda Galante, Anne Shehab, and John F. Dougherty, Jr.

At the monthly meetings, from now on, for an hour before each session, Golden Seeds will be having NYC colleagues come down and present their course of lectures and workshops on angel investing. Modules range from an “intro” course, to more in-depth courses, case studies, and a module on serving on boards, and new product launches. If any PAN members would like to participate, Golden Seeds would love to have them. More information will be posted shortly at www.goldenseedsphiladelphia.blogspot.com.

- **LORE** provided positive news on a portfolio company, **Yaupon Therapeutics**, which announced its positive results for an experimental lymphoma drug. [Click here](#) to read the full article in the Philadelphia Business Journal.
- **Private Investors Forum** (PIF) is planning for the 13th Annual Angel Venture Fair (AVF) to be held in Philadelphia at the Union League on April 6-7, 2011. For ongoing updates this fall, make sure to visit www.angelventurefair.com.
- **Robin Hood Ventures** has recently completed funding for five investments. Initial investments were made in **ColdLight Solutions** and **QR Pharma**. [Click here](#) for an article about QR Pharma and its CEO, Maria Maccicchini who were both selected as Philadelphia Business Journal Life Sciences Award winners. Follow-on investments were made in **Core Essence**, **Maverick Network Solutions**, and **Molecular Detection**.

PAN Initiative Updates

- **Monthly Angel Roundtable Calls** are held the first Friday of each month (with the exception of holidays and major conflicts) from 10 am to 11:15 am. There is always stimulating conversations about potential deals, groups working together, sharing best practices, and updates by the fellows on pre-due diligence on companies in process.

Contact Mike Gildea at mike@paangelnetwork.com to RSVP. For complete listing of the 2010-2011 upcoming Angel Roundtable calls, please see the events section of this newsletter.

- **The Fellowship Program**, with the start of the 2010-2011 academic school year, is back from the summer break. PAN is pleased to welcome back Jennifer White as the lead Fellow for the Fall 2010 Semester. This is her second semester with the Fellowship Program and she is a business major from Geneva College, sponsored by the [Beaver County KIZ](#). She brings dedication and professionalism to her service of the PA angel community.

Angels with deals who would like to have Fellows perform due diligence on areas such as, but not limited to, market opportunity, competition, management, please contact Mike Gildea at mike@paangelnetwork.com.

Please go to www.angelsoft.net and use your PAN login for more information about the companies the Fellows have reviewed in the past.

- **Economic Development Roundtables** will be hosted by PAN twice during the 2010-2011 fiscal year. These roundtables are an expansion of the previous successful roundtables with the Keystone Innovation Zone Coordinators. Economic development professionals invited will include the KIZ Coordinators and additional economic development professionals from other types of economic development organizations. These roundtables will further enhance the very productive discussion between the angel community and economic development on key issues and trends, discussion on the PA angel community and updates on companies working with economic development organizations.

The next Economic Development Roundtable call will be Friday, November 19th, 2010 at 1:15 pm until 2:15 pm. Contact Mike Gildea at mike@paangelnetwork.com to RSVP.

- **Entrepreneur Roundtables** are new to PAN's programs and will be hosted twice during the 2010-2011 fiscal year. These roundtables will enhance the communication between angels and entrepreneurs who have applied on PAN's Angelsoft section. In addition, they are an opportunity for angels and PAN to share best practices with entrepreneurs on securing funding, expectations of angels, and for angel community to hear from the entrepreneurs on their issues.

The next Entrepreneur Roundtable call will be Monday, November 22nd, 2010 at 9 am until 10 am. Contact Mike Gildea at mike@paangelnetwork.com to RSVP.

Resources, Articles and Best Practices

- **News:**
 - **Ben Franklin Technology Partners bi-monthly infrastructure report and news** from all four BFTPS's. – <http://keynotes.benfranklin.org>
 - Highlighted News
 - [People Are Talking About the Impact of the Ben Franklin Technology Partners](#)
 - [Ben Franklin Technology Partners: Catalysts for Economic Growth in PA](#)
 - Additional News About Ben Franklin (Other Source)
 - [Ben Franklin Invests \\$480,300 In Regional Economic Development](#)

- **Best Practices:**

- **Exit Committees for Angel Groups**– *By Tom Patton, Member of Blue Tree Allied Angels and Chair of its Deal Screening and Evaluation Committee, and PAN Board of Directors member*

We angel investors love the thrill of “the hunt” in pulling together an equity investment for a promising young venture. A lot of hard work goes into our decision including analyzing how we might ultimately exit the investment to get our money back along with a healthy return.

We take our board or observer seat when the deal closes and then we wait passively for the company’s leaders to create an exit event. And we’re often surprised when it doesn’t happen in the same time frame as it was initially planned. Or sometimes we “ride it over the top” instead of exiting earlier when we had the best chance to optimize our investment return.

Typically angel groups use committees to work on deal screening and due diligence. Now some angel groups are starting the equivalent of an “Exit Committee” whose job it is to focus on creation of an exit event for every portfolio company, even if the deal was just funded. Basil Peters, in his book, *Early Exits*, advocates such an approach and makes the case for focusing on exit opportunities beginning right after the funding closes. Some angels even go so far as making this a standing BOD agenda item for every board meeting to keep this important topic front and foremost on everyone’s mind, including the company’s senior leadership team. Thinking about exits, possible exit scenarios and how to get potential acquirers to the table are all subjects that an Exit Committee should address.

At BlueTree Allied Angels, our Growth and Transaction Committee works to achieve a number of goals along these lines. We met quarterly and we discuss every company in the portfolio at least annually. We solicit the involvement of commercial and investment bankers in these reviews both to familiarize them with high potential opportunities and to solicit their ideas on how to create a successful exit. Out of this review comes an action plan that is shared with company management and the key financial stakeholders.

Proactively strategizing and planning for an exit can be a significant differentiator in achieving a faster and smarter return, versus a less than optimal return, that happens when we neglect to focus on exits until later in the company’s life.

- **“Timing Your Exit – Don’t Ride It Over the Top”** By Basil Peters, *Angelblog.net*
 - “Most entrepreneurs wait too long to start thinking about their exit.”
 - http://www.angelblog.net/Timing_Your_Exit_-_Dont_Ride_It_Over_the_Top.html

- **Articles:**

- **“Reid Hoffman Plants Greylock Partners’ \$20M Seed Fund”** by Tomio Geron, *The Wall Street Journal*, Published: September 27, 2010
 - “Venerable venture capital firm Greylock Partners is joining the fray of investors setting aside a chunk of capital dedicated specifically to seed investments.”
 - <http://blogs.wsj.com/venturecapital/2010/09/27/reid-hoffman-plants-greylock-partners-20m-seed-fund/>
- **“Angel Tax Credits Do Help The Economy and Entrepreneurship”** by Valerie Gaydos, Chairman and Treasurer of PiPAC, *Innovation Daily*, Published: September 20, 2010.
 - “While the criticism of angel tax credit legislation written in the August 20 article “[The Problem with Tax Credits for Angel Investors](#)” has some merit, the author fails to notice what is right about this legislation as well as the other pieces of legislation which are more inclusive or offer other ways to help propel entrepreneurship.”



- <http://www.innovationamerica.us/index.php/innovation-daily/6987-angel-tax-credits-do-help-the-economy-and-entrepreneursip>
- **“Angel Investor Looks for ‘Coachable’ Firms”** By Joyce Gannon, *Pittsburgh Post-Gazette*, Published: September 12, 2010
 - “Catherine Mott had never heard of angel investors when a friend who worked in the venture capital sector suggested she launch an angel network in 2000.”
 - <http://www.post-gazette.com/pg/10255/1086639-28.stm#ixzz10vHwdUud>
- **“Law Firms Offer Discounts, Play Matchmaker”** By Scott Austin, *The Wall Street Journal*, Published: September 9, 2010
 - “Faced with cash-strapped clientele, some big law firms that cater to start-up companies are looking for ways to make their services more enticing.”
 - http://online.wsj.com/article_email/SB10001424052748703453804575479650072184066-lMyQjAxMTAwMDAwOTEwNDkyWj.html
- **“The Daily Start-Up: Another Angel Gets Its Wings”** By Scott Austin, *The Wall Street Journal*, Published: August 16, 2010
 - “Former Google executive Aydin Senkut has raised \$40 million for a new angel fund that will invest in consumer Internet and mobile start-ups. Senkut, whose firm is called Felicis Ventures, is one of several so-called super angels who are raising big funds to invest in cheap-to-build start-ups.”
 - http://blogs.wsj.com/venturecapital/2010/08/16/the-daily-start-up-another-angel-gets-its-wings/?blog_id=106&post_id=7668
- **“Super Angels Alight”** By Pui-Wing Tam & Spencer E. Ante, *The Wall Street Journal*, Published: August 16, 2010.
 - “Much of the venture-capital industry is undergoing a shakeout. But a growing breed of start-up investors dubbed “super angels” is rapidly raising new money—and ratcheting up competition with established venture capitalists in the process.”
 - http://online.wsj.com/article_email/SB10001424052748703321004575427840232755162-lMyQjAxMTAwMDEwNjExNDYyWj.html
- **“Start-Ups on a Shoestring”** By Colleen Debase, Sarah E. Needleman and Emily Maltby, *The Wall Street Journal*, Published: August 16, 2010
 - “The tales of three entrepreneurs who launched companies—for less than \$150”
 - http://online.wsj.com/article_email/SB10001424052748703720504575376664285510930-lMyQjAxMTAwMDEwNjExNDYyWj.html
- **“The Art (and Journey) of Raising Funds”** By Rosalind Resnick, *The Wall Street Journal*, Published: July 13, 2010
 - “For an entrepreneurial start-up, landing that first check from an investor is a milestone.”
 - http://online.wsj.com/article/SB10001424052748704288204575363052617468556.html?mod=WSJ_SmallBusiness_LEFTTopStories

**Other Resources and Links:**

- **Angel Capital Association** - www.angelcapitalassociation.org
- **Angel Capital Education Foundation** - www.angelcapitaleducation.org
- **Angel Venture Fair** - www.angelventurefair.com
- **Ben Franklin Technology Partners News** - <http://keynotes.benfranklin.org>
- **Ben Franklin Venture Investment Forum** - www.venture-forum.org
- **Bill Payne** - www.billpayne.com
- **DreamIT Ventures** - www.dreamitventures.com
- **Early Stage East** - www.earlystageeast.org
- **Good Company Ventures** - www.goodcompanyventures.org
- **Greater Philadelphia Alliance for Capital and Technology (PACT)** - www.macalliance.com
- **Innovation Transfer Network** - www.innovationtransfernetwork.org
- **Keystone Edge** - www.keystoneedge.com
- **Mid-Atlantic Diamond Ventures** - <http://sbm.temple.edu/madv/>
- **National Association of Seed and Venture Funds** - www.nasvf.org
- **PA Angel Network** - www.paangelnetwork.com
- **Basil Peters Websites** - www.Strategic-Exits.com and www.angelblog.net
- **PiPAC** - www.pipacusa.org
- **U.S. Dept. of Energy Clean Energy Blog** - www.energyempowers.gov
- **The Frank Peters Show** - www.thefrankpetersshow.com
- **The Lipper Current Weekly** - www.lippercurrent.com
- **Three Rivers Venture Fair** - www.3rvf.com/

Partner and Sponsor Highlights

- **Erie Technology Incubator (ETI)**, a PAN Economic Development sponsor, was established in 2007 and is currently equipped to house up to 25 advanced technology start-up companies across a range of technology disciplines. Spaces range from single seat offices to multiple seat office plus light manufacturing and assembly spaces.

The ETI facility covers approximately 33,000 square feet, on three floors with 17,880 leasable for tenant occupancy of serviced office space and shared facilities. Offering many combinations of secure and open plan offices, the ETI premises can cater for sole operators through to companies with staff of up to 25.

A member company at ETI, **Green Lighting LED™**, recently premiered its dimmable LED Tubes. The first dimmable LED tube is available to replace standard fluorescent tubes. LED tubes last longer and draw less energy than fluorescent tubes. The dimming solution provided by Green Lighting LED™ and Lutron™ allows the LED tubes to be powered by an external LED driver. The applications are unique.

Imagine a product line where the quality of paint needed inspection. President of Green Lighting LED™, Joel Gehly, explains, “This LED dimming solution automatically adjusts the light based upon the color of the product on the line at any given time, saving the manufacturer money on quality control.” Dimmable LED tubes are actually less expensive than dimmable fluorescent ballasts. By providing a longer lasting bulb at half the wattage, Green Lighting LED™ lights the way in dimmable, energy-efficient technology.

For more information on the Erie Technology Incubator visit www.ErieTech.org and for more information on Green Lighting LED™ visit www.GreenLightingLED.com.



Events, Seminars, and Conferences

- **Upcoming Events: (*PAN sponsored or supporting organization)**
 - ***2010-2011 PAN Angel Roundtables**
 - Roundtables are usually held via conference call or in person on the first Friday of the month (with the exception of holiday conflicts or events) from 10 am until 11:15 am. Contact Mike Gildea at mike@paangelnetwork.com to RSVP.
 - October 1, 2010
 - **November 3, 2010 @ 11 am at Blank Rome LLP (In-person Roundtable Only)**
 - December 3, 2010
 - January 7, 2011
 - February 4, 2011
 - March 4, 2011
 - April 1, 2011
 - May 6, 2011
 - June 3, 2011 (Roundtable & Annual Meeting, Time and Location TBD)
 - **Deloitte- 2010 Greater Philadelphia Fast 50 Awards Ceremony**
 - October 7, 2010 from 6 pm until 8:30 pm at the University City Science Center. The ranking of the 50 fastest growing technology, life sciences, and cleantech companies in Greater Philadelphia will be revealed at annual awards ceremony.
 - For more information, visit www.deloitte.com/us/phillyfast50 or contact Lauren Moskowitz at 215-246-2533 or phillyfast50@deloitte.com.
 - **Secondary Markets: Creating Liquidity for Angel Investors**
 - October 7, 2010- Join the Angel Capital Association and SecondMarket from 3-4 pm for a FREE webinar on Secondary Market opportunities for angels. Industry leaders will offer insight on how secondary sales can provide liquidity to angel investors and the flexibility to delay an IPO/M&A to private companies. In addition, panelists will discuss best practices for angels considering secondary markets as an option for their portfolios.
 - [Click here](#) to register.
 - **2010 NASVF Conference**
 - October 13-15, 2010- Held in Baltimore, MD. Exchange best strategies and tools for building and managing strategic investment programs and institutions. Discussion topics include new methods of facilitating capital formation; fund manager strategies for raising and investing funds; and early stage venture landscape-post presidential election.
 - For more information – http://www.nasvf.org/index.php?option=com_wrapper&view=wrapper&Itemid=63
 - ***ACA Leaders Workshop and Education Seminar - November 3-4, 2010**
 - PAN is very excited to be the local event host for this day and a half ACA event. We hope that many of you will take this opportunity to learn, network and more. All events will be held at Blank Rome LLP (One Logan Square, 130 N. 18th Street, Philadelphia, PA 19103).
 - ***ACA Education Seminar – November 3rd**, from 1:00 pm to 5:00 pm
Angel Capital Educational Foundation (ACEF) half day workshop titled “**Valuation of Early-Stage Companies**” with the presenter being renowned angel investor [Bill Payne](#). This workshop, which is being sponsored by [CBIZ](#), is open to all angels, portfolio company CEO’s, interested entrepreneurs and other interested individuals. Those attending this workshop are invited to attend the kick off reception from 5:00 pm-7:00 pm for the ACA Leaders Workshop.
 - To register and for additional information visit the ACEF website, <http://www.angelcapitaleducation.org/pan-valuation-seminar>.



- *ACA Leaders Workshop - November 3rd kickoff reception from 5:00 pm-7:00 pm and November 4th from 8 am to 3:30 pm. - ACA is having its second annual ACA Leaders Workshop, "Sustainability Toolkit - Ideas for Increased Deal Flow, Membership and Funding," designed for chairmen, managers, and other active leaders of ACA member angel groups (this is an ACA member only event). Sponsors of this event include Blank Rome LLP, CBIZ, and Fisch Wealth Management Group of Wells Fargo Advisors.
 - More information, including registration, is on the ACA website - <http://www.angelcapitalassociation.org/events/2010-leaders/>.
- IMPACT 2010 Conference - Greater Philadelphia Alliance for Capital and Technologies (PACT)
 - November 9 & 10, 2010 – Held at the Pennsylvania Convention Center, IMPACT 2010 is the signature venture conference of the area and offers topical speakers, relevant panel sessions, cutting-edge company presentations, unparalleled networking, etc.
 - For more information visit - <http://www.philadelphiapact.com/impact2010.html>
- *7th Annual Israel Venture Conference

November 15-17, 2010 – Sponsored by Blank Rome LLP, it will take place in Philadelphia, the Lehigh Valley and New York City in cooperation with Ben Franklin Technology Partners NEP and The Tevel Angel Club. The Conference gives 15 - 20 selected Israeli companies an opportunity to present their business plans to investors and strategic partners, including leading venture capital firms and angel investors. The conference will include companies in technology, life sciences, medical devices, clean tech and security that are planning to launch a US presence in the next 12 months and want to lay the ground work for US business and investment activities or that already have a US presence and want to expand their US connections.

Additional information about the conference can be found at www.blankrome.com/IVC. *The Conference is for investors and strategic partners only with attendance by invitation only. If you are interested in attending, please contact Beth Cohen at Cohen-B@BlankRome.com.*
- * 2010 Ben Franklin Venture Idol

November 16, 2010 - To be held at 5:30 pm at Lehigh University's Iacocca Hall, Mountaintop Campus, Bethlehem, PA. This well-attended event includes pre- and post-event executive networking receptions, exhibits by participating companies, and the three company Venture Idol presentations with critiques by three institutional investor judges with the winner chosen by the audience. Ben Franklin Venture Idol illustrates a significant way in which early-stage entrepreneurs seek and obtain seed capital. Just \$25 in advance and \$30 at the door.

Speed Dating for investors and pre-selected entrepreneurs will precede Venture Idol at 2:30 pm. Contact Bob McHugh, rmchugh@nep.benfranklin.org, 610-758-5218 for details.

 - More information and to register visit - <http://ennect.com/e1320/p9589.aspx>
- Angel Capital Association Annual Summit (PAN is an affiliate member of ACA)
 - April 4-6, 2011 - Held in Boston, MA. Keynote speakers, networking, & education.
 - For more information - www.angelcapitalassociation.org.
- *Angel Venture Fair 2011
 - April 6-7, 2011- Save the date. Held at the Union League in Philadelphia by the Private Investors Forum- Unites growth companies - HIGH-TECH, LOW-TECH, NO-TECH - from across the Northeast with private accredited investors from New England to Virginia.
 - For more information - www.angelventurefair.com.



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Angel Group and PAN News

- **PAN Sponsorships:** PAN is committed to creating an investment eco-system with angels, early stage venture firms, service providers, economic development organizations, and higher education institutions as part of the resources and support to the angel community. PAN is pleased to present four sponsorship packages to tap into the angel community, bring additional value, and benefits to your organization. They include: Economic Development, Higher Education, Gold Service Provider, and Venture Capital & Angel Fund. PAN believes this will help the angel community and advance the goals of better investments. PAN launched these sponsorship packages for organizations to be active and financial supporters.
- **Ad Rates for *The PAN Angel News*:** PAN offers full page, ½ and ¼ page Ads, write-up profile, and logo in the newsletter. Sponsors receive a discount on Ad rates.

*For more information on pricing and benefits for PAN sponsorship packages or *The PAN Angel News* Ad rates please contact Mike Gildea at 814-451-1151 or mike@paangelnetwork.com.*

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The PAN Angel News encourages and welcomes your feedback. Let us know your opinions about this as well as future editions. The primary audience of *The PAN Angel News* is certified angel investors and the organizations and service providers supporting a strong angel climate.

To submit your feedback or if you know of individuals who would benefit from this publication please have them contact Mike Gildea at mike@paangelnetwork.com, by phone at (814) 451-1151 or by fax at (814) 451-1150.

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