

# ANGEL WORKSHOP

## SESSION 6: JUST DOING IT



**STARTUP  
FUNDING**



**ONGOING  
SUPPORT**



**PHX EV  
ANGEL**



PRESENTED BY JAMES GOULKA  
MARCH 7<sup>TH</sup>, 2018

# WHY WE'RE HERE

More Local Angel Investors



More Local Capital for Local Startups



Easier to Raise Money



Spend Locally On:

Hiring, Buying Goods and Services, Occupying Space,  
Creating Local Wealth for Local Investors

# JIM GOULKA

- Leads Arizona Tech Investors



90 men and women

56 companies in 10 years

- Serial CEO in software & NASA tech transfer
- COO/CFO of \$650 million publisher
- Private Equity finance
- Corporate finance

# PREVIOUSLY

- Defined angel investors
- Discussed potential for huge gains
- Showed how to analyze new businesses
- Valued an Investment Opportunity
- Showed how Deal Terms protect
- Considered Current Trends in funding

# DECISION #1: HOW MUCH?

- % of Investment Portfolio
- How Risk Averse are You?
- Will You Have Additional Amounts over Time?

# PORTFOLIO IS NECESSARY

- Diversity is Key
  - Minimum 10 investments
  - 18-20 is Optimal
- Investment Period <5 Years
  - 2-5 investments per year

# INVESTMENT SIZE: DRIVEN BY SCALE & DIVERSITY

- Assume \$2 million liquid assets
- Assume 5% of assets invested in Angel deals = \$100,000
- Assume 10 company portfolio
- Assume Each investment is same size
- Result = \$10,000 per investment

# INVESTMENT STRATEGY: **ACTIVE** OR PASSIVE?

- Picking Your Own Investments
  - Advantages
    - You determine your own criteria for investment
    - You determine your own actions
    - Potential for board seat / involvement in company
  - Disadvantages
    - Time consuming
    - What don't you know that others do?



# INVESTMENT STRATEGY: ACTIVE OR PASSIVE?

- Letting Others Pick for You
  - Advantages
    - Don't have to allocate a lot of time
    - Benefit from Others' expertise/writing checks before you
  - Disadvantages
    - Subject to others' interests/time commitment/biases
    - Little opportunity for involvement in a company

# DOING IT – ACTIVE INVESTOR: GOING SOLO

- Developing Deal Flow = Establishing Reputation
  - Talking and talking to entrepreneurs / capital seekers
  - Credibility is making investments
  - BUT reserve the right to say no MOST of the TIME
- Decision Process Takes Time
  - You're responsible for all of it
  - Still rely on others
- Mario Martinez is the Best in the Valley

# DOING IT – ACTIVE INVESTOR: PAID STAFF

- Family Offices Do This
  - Source Deals
  - Diligence Deals
  - Present for Decision
- Cost >\$250,000 per year
  - Assume 5 deals / year = \$50,000 added per investment but no additional securities.
  - Requires bigger investments

# DOING IT – **ACTIVE** INVESTOR: ANGEL GROUP

- Individual Decisions + Organized Deal Sourcing and Analysis + Investing
  - Established Investor = Community Knows It
  - Formal Deal Sourcing
  - Screening by Peers
  - Diligence by Peers
  - Opportunity for Company Involvement

# DOING IT – ACTIVE INVESTOR: ANGEL GROUP

- Group members pool their investments into a single purpose investment vehicle = 1 larger investor
  - Permits investments as small as \$5000 per investor per deal
  - Opportunity for board seats/observers/influence
  - Large enough to gain Arizona angel tax credit but enables smaller investors to get their share
  - Information flow = Major Investor

# DOING IT – **ACTIVE** INVESTOR: ANGEL GROUPS IN ARIZONA

- **Arizona Tech Investors** (ATI) (Mesa)
- Desert Angels (Tucson)
- Canyon Angels at GCU (West Side)

# DOING IT – **ACTIVE** INVESTOR: **ARIZONA TECH INVESTORS**

## ➤ Scale

- 90 men & women
- 56 companies, of which 46 are Arizona-based
- \$16 million

## ➤ Events

- Quarterly Pitch Meetings (3-4 Screened companies)
- 1-2 Special Meetings
- Educational Workshops

# DOING IT – **ACTIVE** INVESTOR: **ARIZONA TECH INVESTORS**

- Screening & Diligence by Members
- Member Requirements
  - Accredited Investor
  - Active participation
  - Dues of \$1750 per 10-01 through 09-30 year (pro rata for initial year; e.g. joining in March = \$875)



# DOING IT – PASSIVE INVESTOR: FUNDS

- Benefits
  - Time efficient for fund investor
  - Quick portfolio development
- Decision: Give Other(s) Decision-making Authority
- Costs
  - Fees
  - Carried Interest
- Access to Information & Management

# DOING IT – PASSIVE INVESTOR: ATI SIDECAR FUNDS

- “Investment Committee” is a minimum of 3 ATI members who invest a minimum of \$75,000 in a company before the Sidecar Fund invests.
- Fund matches lesser of 1/3 of members’ investment or 20% of Sidecar Fund (minimum of 5 investments)
- Investment in 18 months or capital returned
- Information flows as if direct investor

# DOING IT – PASSIVE INVESTOR: ATI SIDECAR FUNDS

- Closed 3 Sidecar Funds = \$1,000,000
- Sidecar IV Open Right Now
  - \$10,000 minimum investment
  - Investment window through 06-30-2019
  - Costs are small fee + carried interest

# DOING IT – PASSIVE INVESTOR: PHX EAST VALLEY SIDECAR

- ATI Sidecar **Dedicated to PHX East Valley Companies**
- Usual ATI Sidecar Fund Structure
- Minimum Investment \$10,000
- Investment Window: 3 Years maximum
- Minimum Fund Size: \$125,000
  - Assumes 5 investments
  - Meets Arizona Angel Tax Credit Minimum Investment to get 30-35% tax credit against Arizona income taxes

# DOING IT – **PASSIVE** INVESTOR: ARIZONA FOUNDERS FUND

- Arizona Founders Fund
  - Invests solely in Arizona software startups.
  - Some the same as ATI, some earlier
  - Romi Dhillon engaged to find, diligence, and present opportunities to 3 member investment committee

# DOING IT – PASSIVE INVESTOR: PLATFORMS

- Platforms enable investors to see a huge array of opportunities without geographic constraint
  - Companies post documents
  - Platform verifies accredited investor status
  - Platform takes no position on companies
  - Investors can act solo or follow celebrity investors
- Examples
  - Angel List, Equity Net, and Seedinvest

# NEXT STEPS

- Complete our survey so we can better serve others:  
<https://www.surveymonkey.com/r/BPBXFMS>
- If you have attended 2 or more workshops, we invite you to join the May **ATI Membership Meeting (at no cost)**
  - **When:** May 10<sup>th</sup>, 2018 at 3pm
  - **What :** Hear investment pitches from local startups
- For more info on angel investing or help getting started:
  - Schedule a meeting with Jim Goulka

# HELP US RAISE AWARENESS

We will be offering these 6 workshops in surrounding PHXEV communities and could use your help in finding potential angels. **Help us get the word out!**

- **When:** May 1<sup>st</sup> and May 16<sup>th</sup>, June 6<sup>th</sup>
  - Three 2hr workshops sessions from 5:30-7:30pm
- **Where:** 92 W. Vaughn Ave.; Gilbert, Arizona

For updates and registration links to share, visit  
**[investphxeval.org](https://investphxeval.org)**



# THANK YOU FOR ATTENDING THESE AI WORKSHOPS BROUGHT TO YOU BY:

