



ANGEL CAPITAL ASSOCIATION

Investor and Entrepreneur Experiences with Accredited Investing Platforms

January 13th, 2016



- Use chat to submit questions
- Yes, you'll get the slides
- We're recorded, so come back and listen again

- Mission: Fuel the success of angel groups and accredited individuals active in in the early-stage landscape
- World’s largest trade group for angel investors
 - 220+ angel groups
 - 13,000 accredited investors
 - Voice of accredited individuals, portals, and family offices
- 50 US states + Canada
- Research/ education partner



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MEMBER GROUPS & ACCREDITED PLATFORMS



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ACA PARTNERS



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OUR MODERATOR



Bill Carleton
Member

McNaul Ebel
NAWRÖT & HELGREN PLLC

- Chair of ACA Public Policy Advisory Counsel
- Special counsel on issues pertaining to Rule 506(C) under Regulation D
- Co-Author of "Expert Q&A on Accredited Crowdfunding"
- Has published editorial pieces in the WallStreet Journal, TechCrunch, and GeekWire
- Represents startups, their founders and investors in a range of industries such as FinTech, software development, and 3D printing
- Posts on implementation and aftermath of JOBS Act on wac6.com



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TOPICS WE'LL EXPLORE TODAY

- Experiences of Angels and Entrepreneurs Using Accredited Platforms
- Comparison of Accredited Platforms: Commonalities and Differences
- What to Expect AFTER the Investment is Made
- Risk Management for Angels and Entrepreneurs
- What's Next - Emerging Trends

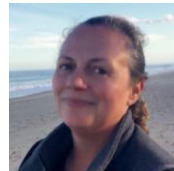


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TODAY'S PANELISTS



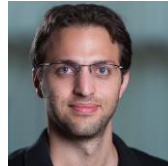
Rany Raviv, Angel Investor
VP of Business Development and M&A
IBERDROLA Renewables, LLC



Sarit Rozycki, Angel Investor
SLR Associates Ltd



Jonathan Medved, Platform Executive
Founder and CEO
OurCrowd



Shai Magzimof, Entrepreneur
Co-Founder and CEO
Nextpeer



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INVESTOR PERSPECTIVES



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RANY RAVIV



Rany Raviv
VP of Business Development and M&A
Portland, OR



Largest Renewable Energy
company in the world

- More than 23 years experience in global energy, M&A, project finance. Track record of closing complex and diverse deals.
- 10-year veteran of Ormat, a geothermal energy leader
- 3D vision: "Differentiate, Disrupt and Deliver"
- Invested in 48 companies
- Regularly invests with 4 accredited investor platforms



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SARIT ROZYCKI



Sarit Rozycki
SLR Associates, Ltd
New York, NY

- Investor, developer and manager of residential real estate properties in NYC since 1985
- Since 2013, invested in 53 companies via 6 different accredited equity platforms.

 **Angellist**

 **Angels**

FundersClub



 **MicroVentures**

 **OurCrowd**

 **wefunder**

- Additional experience with crowdfunding sites Kickstarter and Indiegogo.

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BEST PRACTICES FOR INVESTORS

- Individual Investments
- Deal syndication
- Evaluation Criteria
- Direct Investment vs Special Purpose vehicles.
- Diligence: How much is enough? Too much? How should an angel do diligence in the accredited platform context?

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INDUSTRY OVERVIEW



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JONATHAN MEDVED



Jonathan Medved
 Founder and CEO
 Jerusalem, Israel



Co-founder, EVP, **MERET** Optical Communications (1982-1991): Pioneer in Fiber Optics acquired by Amoco/BP

Co-founder, EVP, **Accent Software** (1992-1994): Multilingual software leader, IPO on Nasdaq, acquired by LH/Microsoft

Co-founder, General Partner, **Israel Seed Partners** (1994-2006): Leading Israeli Venture Capital Fund with \$262Million under management, 60 investments, 20 exits

Co-founder, CEO, **Vringo**: (2006-2012) leader IP monetization and in mobile social video, IPO on NYSE, listed Nasdaq

New York Times: One of the top ten Americans who have impacted Israel (2008)

Washington Post: One of Israel's leading high tech venture capitalists (2007)

Jerusalem Post: One of the 50 most influential Jews in the World (2015)

Crowdfunding Beat: Crowdfunding Person of the Year (2015)



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CROWDFUNDING



crowd-fund-ing
noun \ 'kraüd-,fən-dīŋ\
Definition of CROWDFUNDING

: the practice of soliciting financial contributions from a large number of people especially from the online community



Donation



Equity



Debt



Reward

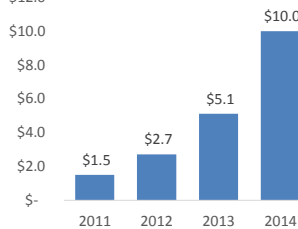


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SIZING THE OPPORTUNITY

Crowdfunding has exploded to \$10bn in 2014, nearly doubling every year; 78% 8-yr CAGR

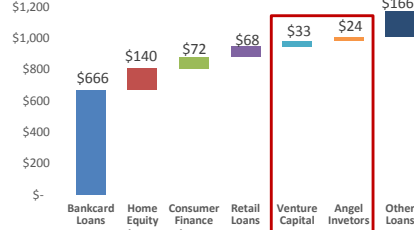
Aggregate Amount of Funding Through Crowdfunding (\$bn)



The World Bank October estimates global crowdfunding to grow to \$95B by 2025

Of the \$4T opportunity created by the socialization of finance, Goldman Sachs estimates that Crowdfunding represents a \$1.2T immediately addressable opportunity with \$57bn opportunity in the VC/Angel space

Addressable Opportunity for Crowdfunding: \$1.2T Trillion



Source: H Terry, D Schwartz, T Sun "The Future of Finance Part 3: The Socialization of Finance," Goldman Sachs. March 13, 2015



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BUT: THE ACQUISITION OF OCULUS RAISES QUESTIONS

**Reward-based crowdfunding:
Where is the Reward?**

ACQUIRED



9,522 Backers
\$2,437,429 pledged of \$250,000 goal
0 seconds to go



Pays \$2B for company
What do original crowdfunders get?

Project by Oculus
Oculus Long Beach, CA
First creator: 28 backed

Andreessen, Spark, Matrix Partners back Oculus Rift with \$75M Series B...

Now investors are asking why do I only get a t-shirt?

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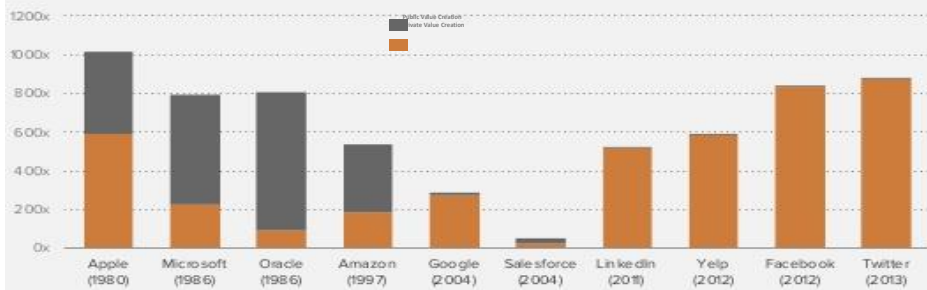
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THIS IS THE WHOLE STORY: IF YOU WANT TECH "ALPHA" YOU'VE GOT TO FIND IT IN PRIVATE COMPANIES

Almost all the returns are now private

Old world tech giants returned plenty in public markets – new ones have not

Private versus public market return multiples for select public US tech companies



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MANY CHOICES

- Explosion of platforms – OurCrowd, Angel List, FundersClub, CircleUp, and more
- Models for equity crowdfunding



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TWO PRIMARY MODELS OF EQUITY CROWDFUNDING

- **“Jr. IPO” Model**
 - Favoured by regulators and exchanges (SEC,SGX)
 - Investors offered shares in companies
 - Often opened up to non-accredited investors
 - Let anyone list as long as they meet criteria
 - Focus on fundraising, Platforms paid placement fees
 - Platforms do not manage investments, nor help companies, no directors, few follow-on investments
- **“VC-like” Model**
 - Favoured by Venture Capitalists, professional angel investors
 - Investors are aggregated in special purpose partnerships
 - Limited to accredited investors, works under current Regs (506)
 - Deals are often tightly curated, as are investors
 - Should Focus on building companies, Platforms paid management fees and carried interest
 - Take Board seats, make introductions for companies, help with follow-on investments



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JOBS ACT TITLE III: CROWDFUNDING GOES TO THE MASSES

SEC committed to implement by May 16

Intended to open certain private stock issuances to the general public

Title III is the “big” deal in the JOBS Act. When the SEC posted draft regulations in October 2013, the framework was disparaged due to onerous rules set forth to fulfill SEC’s duty of protecting retail investors.

- SPV structures prohibited
- Must sell shares directly – each investor appears on cap table
- No foreign issuers
- \$1M max raise w/ limitations on how future funding can happen
- Non accredited limited to 5% of annual income
- Audited financials w/ SEC approval of registration prior to solicitation
- Ongoing FINRA regulations re: reporting that add huge overhead



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THE BEST OF BOTH WORLDS

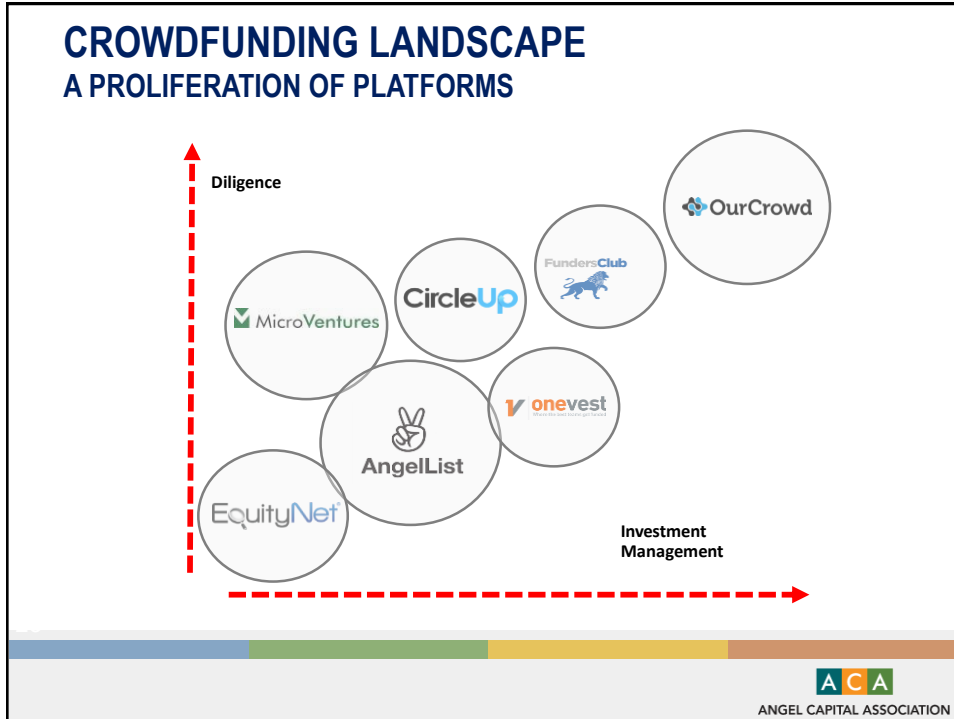
Equity Crowdfunding offers the professionalism of VC and the flexibility and low entry price/freedom of Angel investing

	Venture Capital	Angel	Equity Crowdfunding
Access to Deal flow	Top deal flow <input checked="" type="checkbox"/>	Limited	Top deal flow <input checked="" type="checkbox"/>
Due diligence	Professional <input checked="" type="checkbox"/>	Limited	Professional <input checked="" type="checkbox"/>
Legal	Dealt with <input checked="" type="checkbox"/>	Need to deal with	Dealt with <input checked="" type="checkbox"/>
Rights	Protected <input checked="" type="checkbox"/>	Common shares	Protected <input checked="" type="checkbox"/>
Commitment	Large	No <input checked="" type="checkbox"/>	No <input checked="" type="checkbox"/>
Fees	Heavy	No <input checked="" type="checkbox"/>	Lower than VC <input checked="" type="checkbox"/>
Discretion/Choice	No	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>

2

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SHAI MAGZIMOF



Shai Magzimof
Head of Games
Tel Aviv, Israel



- Y-Combinator graduate in 2010.
- Entrepreneur and programmer.
- Co-Founder and CEO, NextPeer (acquired by Viber in 2015)
- Raised capital for NextPeer using accredited equity platform OurCrowd.



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ADDITIONAL CONSIDERATIONS

AFTER THE INVESTMENT

- Working with Portfolio Companies
 - What difference does distance make?
- Reporting
 - What do the companies get?
 - What does the investor get?

RISK MANAGEMENT

- Legal risks
- Avoiding Fraud
- Risk particular to angels
- Risks particular to entrepreneurs



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DEVELOPING PATTERNS

- **Networking with super-angels** : Fabrice Grinda, Jason Calacanis
- **Deal Flow**: Utilizing various platforms to allow better selection
- **Pre-Closing**: Information, due diligence, access to founders
- **Closing Process**
- **Post-Closing**: Follow up and reports, Chief-exit-officer, supporting the companies in good- and bad-times
- **The Power of the Crowd**: Networking with Angels, Networking with locals, using local networks for global connections
- **Repeat Business**: How companies go back to the platforms for 2nd rounds
- **Diversification**: Invest Local, Invest Global – make an impact



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Audience Questions



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UPCOMING WEBINARS

January 27, 2016: DEMO of Seraf - tool for angel investors

February 10, 2016: Members Only Update

February 23, 2016: Conduct Due Diligence Like the Pros

Webinar programs archived at:

www.angelcapitalassociation.org/events/webinars/



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AUDIENCE RESOURCES

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- Rany Raviv – rraviv@hotmail.com
- Sarit Rozycki - sarit.rozycki@gmail.com
- Jonathan Medved - jon@ourcrowd.com
- Shai Magzimof - shaimagz@gmail.com
- <http://info.pensco.com/2015-crowdfunding-report-blog>
- http://www.mcnaul.com/uploads/Expert_QA_on_Accredited_Crowdfunding.pdf



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ADDITIONAL RESOURCES



Forbes

Marianne Hudson
Executive Director
Angel Capital Association



<http://www.angelcapitalassociation.org/naws-forbes/>



Inc.

Handbook of the American Entrepreneur

Christopher Mirabile
Managing Director, Launchpad;
Board Chair, Angel Capital
Association



<http://www.angelcapitalassociation.org/naws-inc/>



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UPCOMING ACA EVENTS

- February 25, 2016: West Coast Syndication Meeting, Irvine, CA
- March 9 – 10, 2016: NW Regional Meeting, Seattle, WA
- May 9 – 11, 2016: ACA Summit, Philadelphia, PA
- <http://www.angelcapitalassociation.org/events/>




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