

Presentation to Bryant University
Entrepreneurship Class
March 22, 2010

Contact:

Barbara B. Schoenfeld

Saffron, LLC

401-273-9876 (direct)

bschoenfeld@saffron-llc.com

www.saffron-llc.com



What does Narragansett Beer have to do with Angel Investing?



In early 2005, lifelong Rhode Islander Mark Hellendrung, along with a group of New England investors, purchased the rights to Narragansett Beer from Falstaff. Former Brewmaster Bill Anderson was brought on board to ensure the authenticity of the brew.

That October, for the first time in a quarter century, Narragansett Beer was back in bottles and on bar taps. And now, history is being written every day by regular folks like you and me...



What is an “Angel INVESTOR”?

From Wikipedia, the free encyclopedia:

An **angel investor** or **angel** (also known as a **business angel** or **informal investor**) is an affluent individual who provides capital for a business [start-up](#), usually in exchange for [convertible debt](#) or [ownership equity](#).

Angel capital fills the gap in start-up financing between "friends and family" (sometimes called FFF, which stands for "friends, family and fools") who provide [seed funding](#), and venture capital.



What is an “Angel GROUP”?

From Wikipedia, the free encyclopedia:

A small but increasing number of angel investors organize themselves into **angel groups** or **angel networks** to share research and pool their investment capital.

Angels typically invest their own funds, unlike venture capitalists, who manage the pooled money of others in a professionally-managed fund.



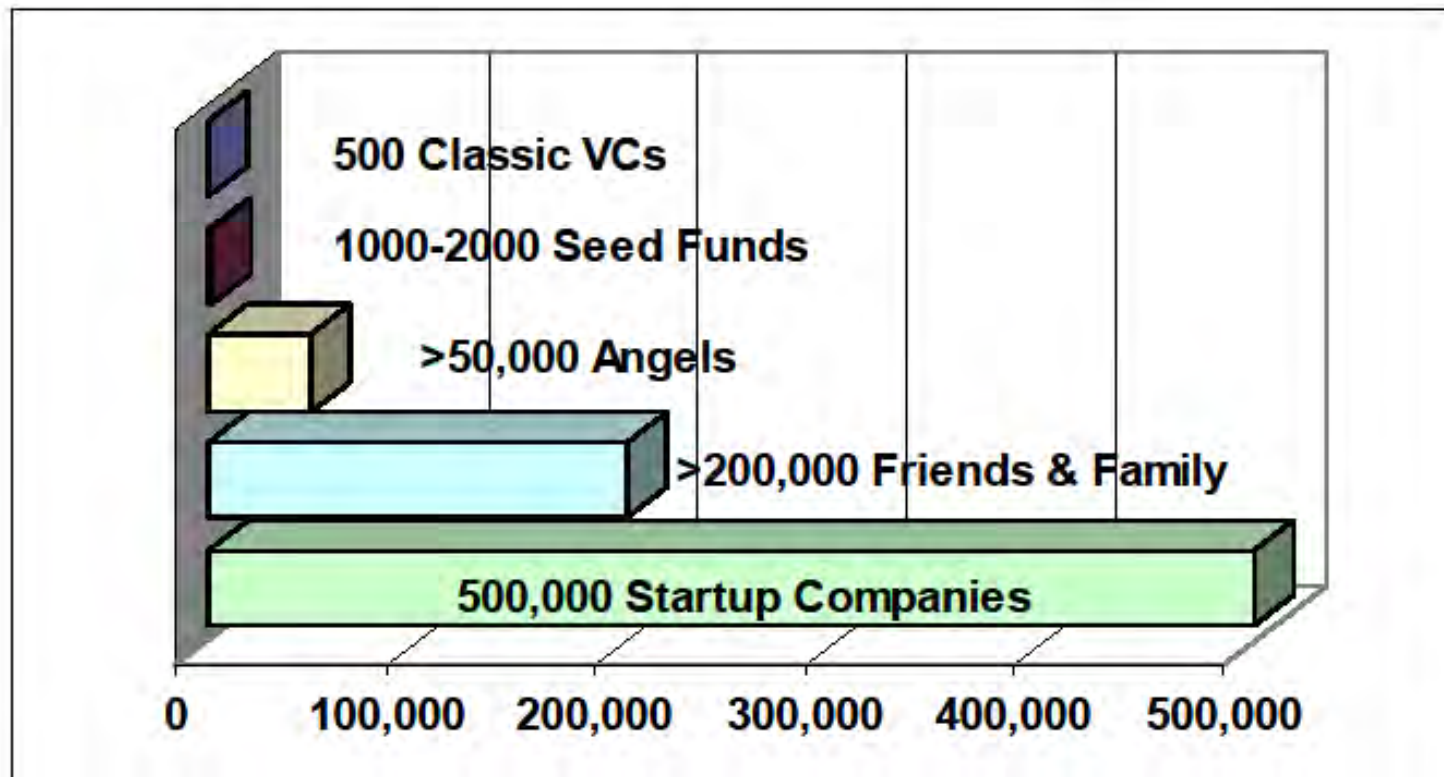
Agenda

- 1. HUGE Source of Capital for Small Companies**
- 2. Angel Groups and How They Work**
- 3. Cherrystone Angels**



New Company Formation

Source of Equity Funds – Typical Year

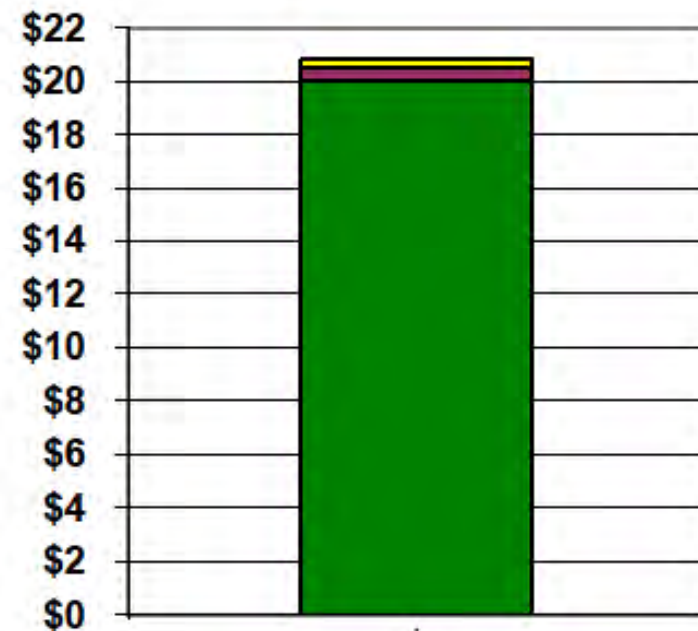


Annual Sources of Start-up Funding

Venture Capital ~\$.3 billion
State Funds ~\$.5 billion
Angel Investors ~\$20 billion

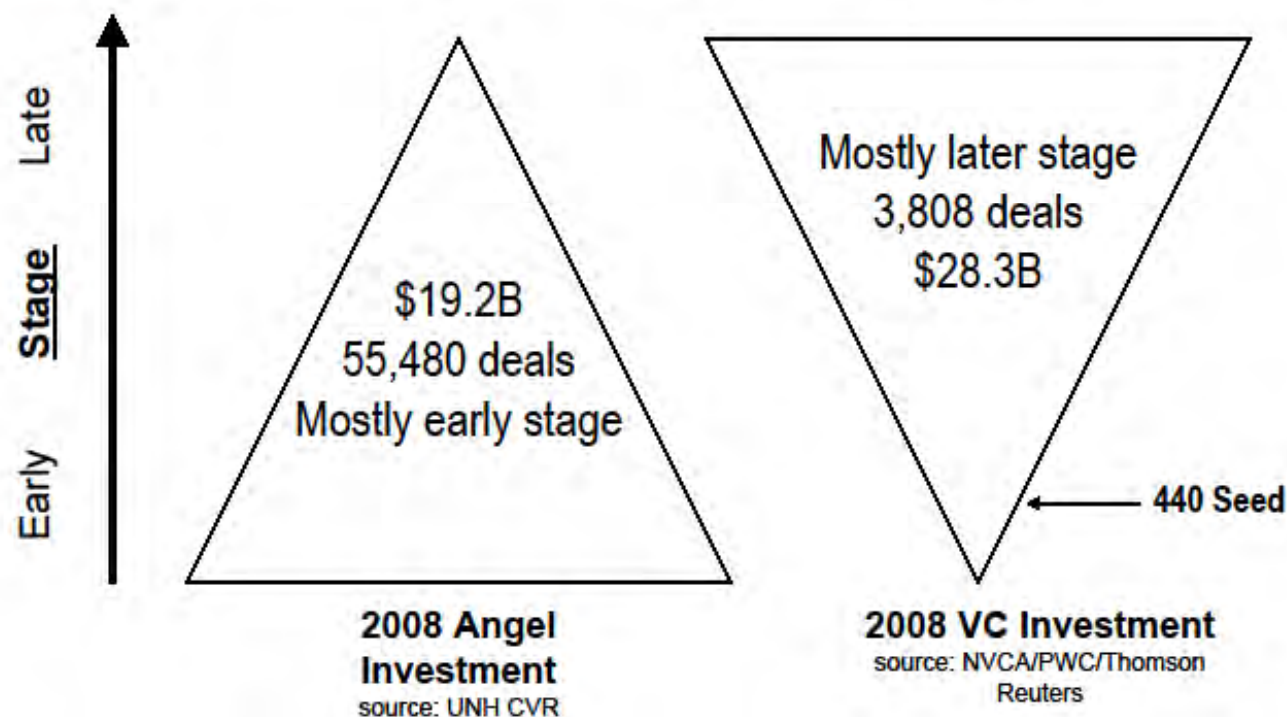
**Angels: 90% of outside
equity for start-ups?**

Friends & Family ~\$60 billion



Sources: MoneyTree, NASVF, multiple studies on informal capital

Equity Capital Markets Large, Complementary



Agenda

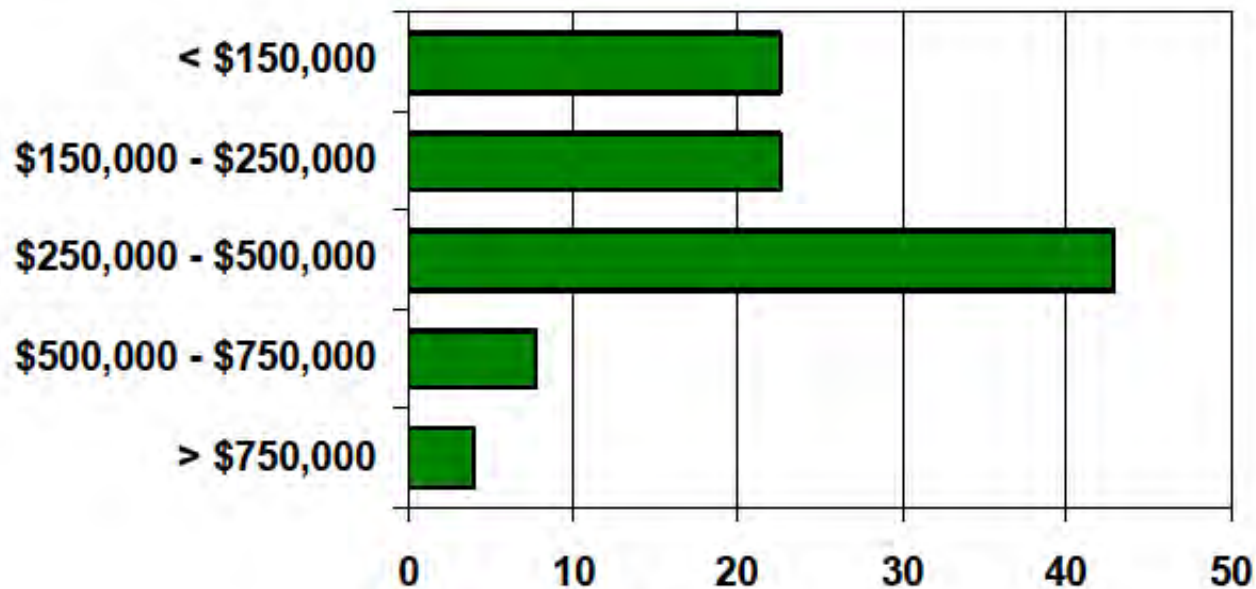
- 1. HUGE Source of Capital for Small Companies**
- 2. Angel Groups and How They Work**
- 3. Cherrystone Angels**



Angel Organizations Can Help Fill Capital Gap

Stage	Pre-Seed	Seed/Start-Up		Early	Later
Source	Founders, Friends and Family	Individual Angels	Funding Gap between \$500,000 and \$2,000,000/\$5,000,000 (depending on region)	Venture Funds	
Investment	\$25,000 to \$100,000	\$100,000 to \$500,000		\$2,000,000/\$5,000,000 and up	

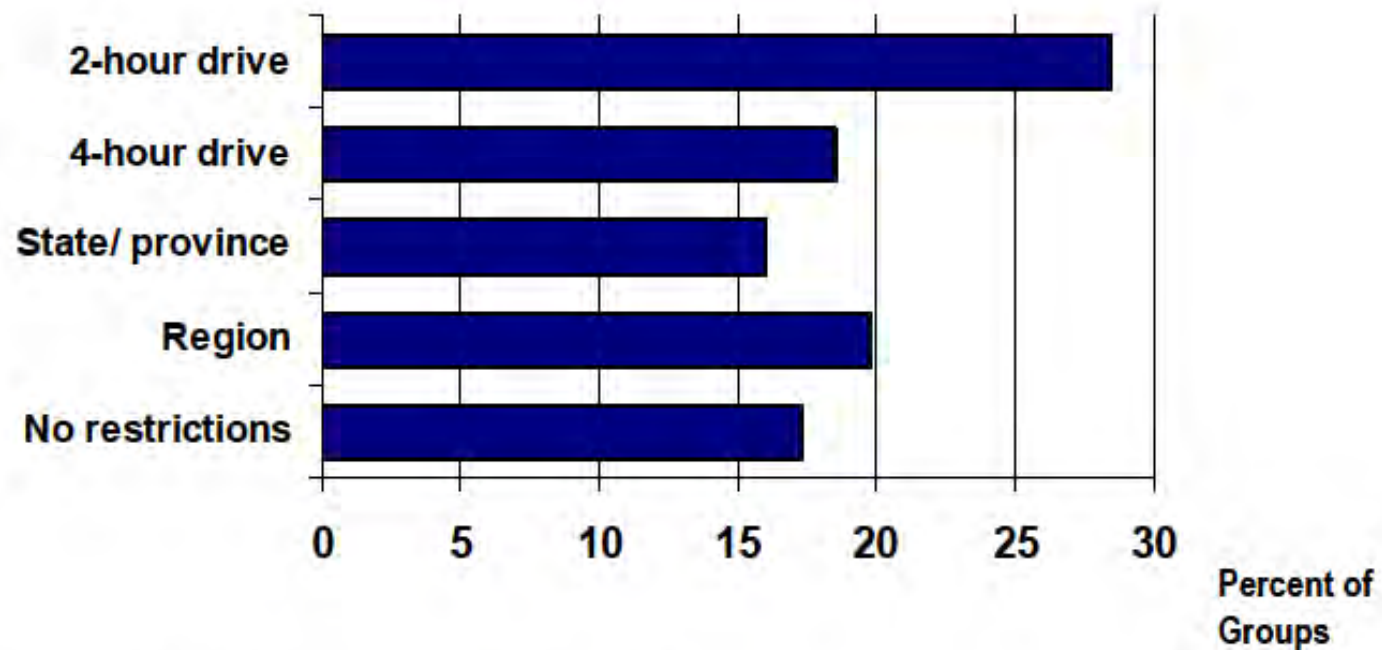
Average Preferred Investment Per Round - 2008



Source: 2009 ACA Angel Group Confidence Survey and 2008 Member Directory

Percent of
Groups

Geography – Where do Groups Invest?

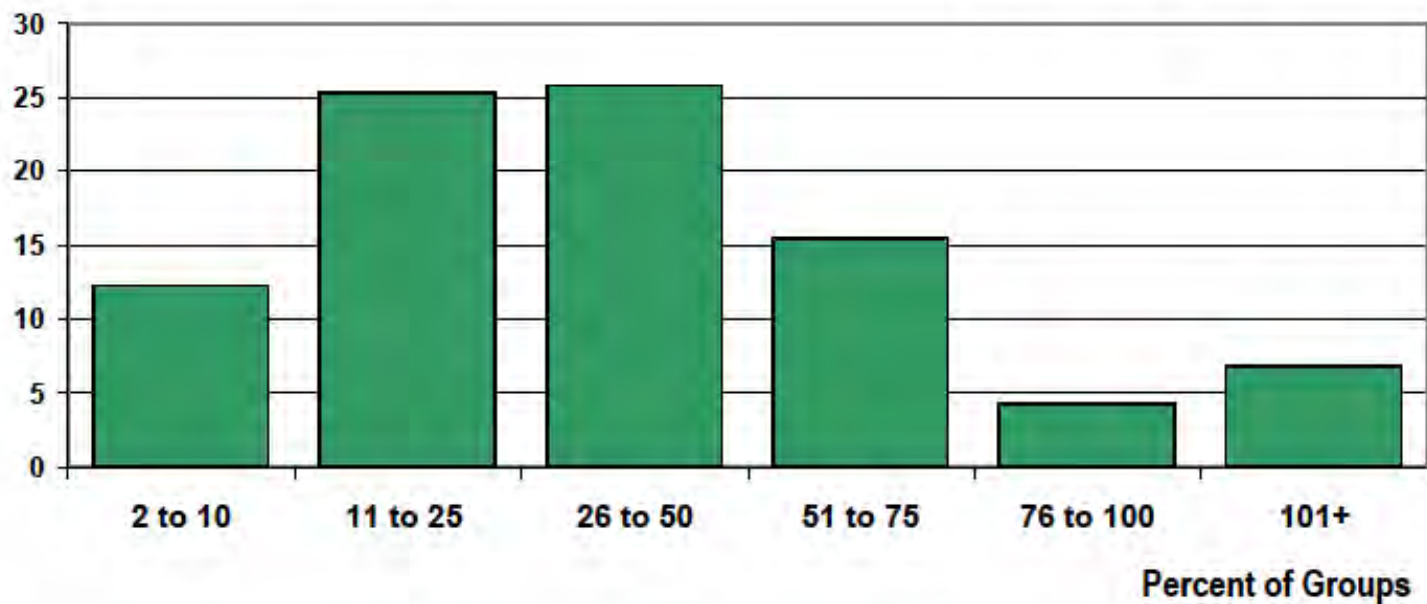


Source: 2008 ACA Angel Group Confidence Survey

Investors Per Group

Average = 43.6

Median = 32.5



Source: 2009 ACA Confidence Survey and 2008 Member Directory

The Opportunity

- Scalable
 - \$30 million (min.) in revenues in 5 years
 - (VCs look for \$100 million)
- High gross margins
- Large niche market
- Unfair competitive advantage
- Ready for customers

Fundable Management Teams

- CEO
 - CEO experience
 - Vertical experience
 - Coachable (very important)
 - Leadership
- Team
 - Balance & Complete
 - Experience working together

Why Angels Matter

A really great angel helps an entrepreneur:

1. See around the corner
2. Gain a sober second opinion
3. Network with people who can help build the business
4. By being an ambassador
5. Gain credibility in a field

Source: David Pecaut, Boston Consulting Group, 9/06 NAO

Angel Investors should HELP but not CONTROL



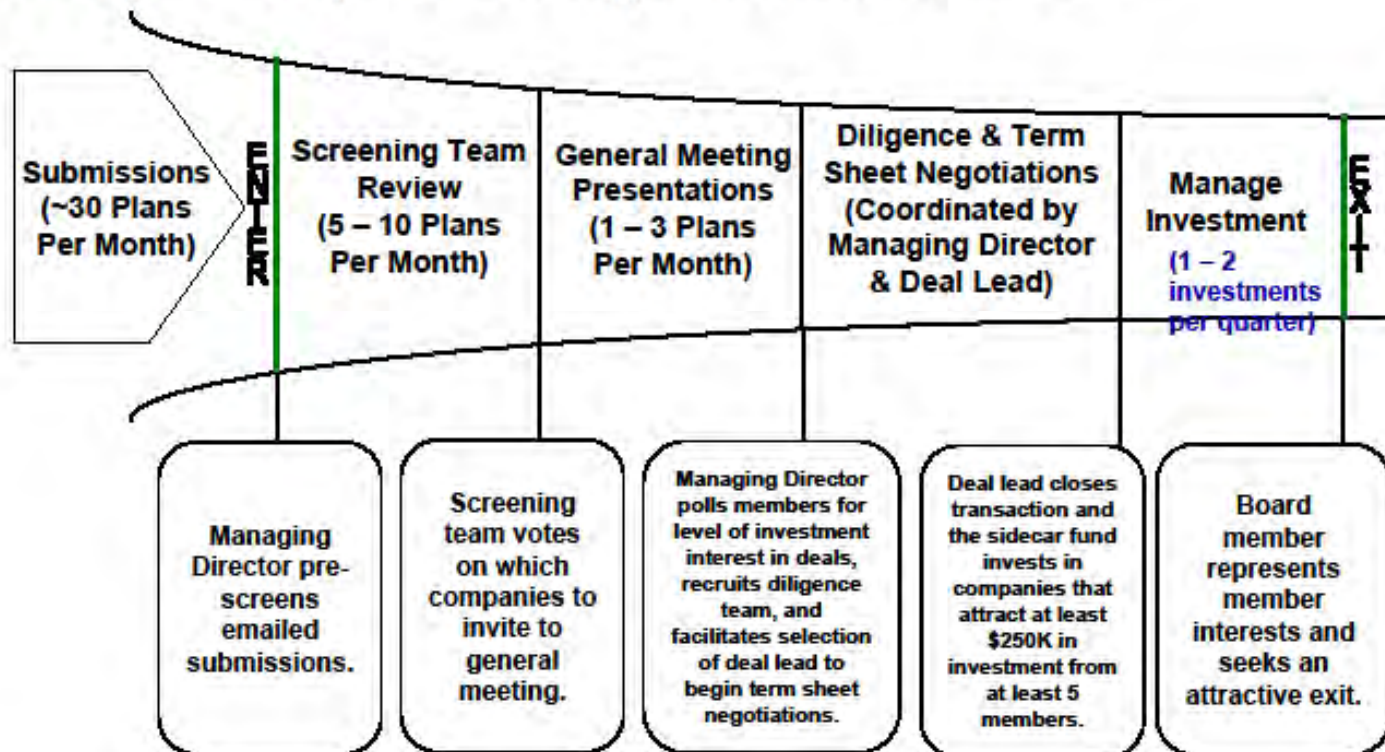
Three Martini Rule for a Company with a 5-Person Board of Directors

Angel Investors on a Company Board are like Martinis

- 1 Angel on the Company Board Is OK
- 2 Can get Dicey
- 3 Can get Out of Control



How Angel Groups Work: Typical Deal Process



Source: James Geshwiler, CommonAngels, Boston

Common Mistakes in Pitching Angels

- Only discuss technology/product
- Not prepared for presentation
(practice, practice, practice!)
- Presentation too long
- Inappropriate appearance

Agenda

1. **HUGE Source of Capital for Small Companies**
2. **Angel Groups and How They Work**
3. **Cherrystone Angels**



Cherrystone Angel Group



Types of Companies We Seek

- innovative early stage and established companies
- that address a significant market opportunity
- where our investment and experience can make a difference.

The companies in which we invest share the following attributes:

- ✓ An exceptional management team with proven ability to execute a business plan.
- ✓ A plan to build a defensible business in an emerging or growth market.
- ✓ The ability to attract co-investors and follow-on capital.
- ✓ The ability to achieve an exit within three to five years
- ✓ Be located within a two-hour drive from Providence, or willing to relocate the company



Cherrystone Angel Group



We provide two key ingredients that emerging companies need: **capital** and **expertise**.

Typically, Cherrystone will invest between \$100,000 and \$500,000 to help companies grow to the next stage.

In addition to investing, we also help:

- ✓ Recruit new members of the management team.
- ✓ Find strategic partners.
- ✓ Refine product strategy.
- ✓ Develop the business plan.
- ✓ Serve on company boards as appropriate.





Narragansett is a classic American lager made, beginning to end, by union guys, in the country's 5th largest brewery. One that's been producing award-winning beers for more than 125 years, on a foundation of time-honored traditions and a spirit of ingenuity.

(Industry: Consumer --
November, 2005)



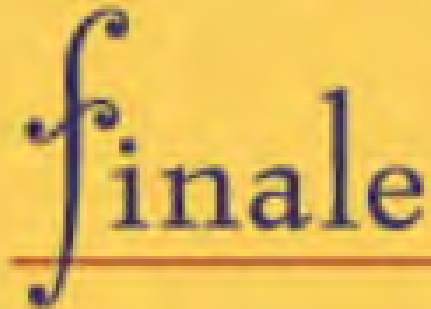


SepSensor Inc.

SepSensor employs low cost wireless sensing technologies to monitor fluid and sediment levels in remote grease traps. This information produces a high ROI for food service clients by identifying potential problems before they occur and avoiding unnecessary servicing.

(Industry: Business Products
– November, 2007)



The logo for 'Finale' features the word 'finale' in a dark blue, serif font. The letter 'f' is significantly larger and more ornate than the other letters, with a decorative flourish at its top. A thin, dark blue horizontal line runs across the page just below the 'f' and the rest of the word.

Finale creates sensational dessert experiences in a chain of upscale, full-service, dessert-focused restaurants. The company is fine tuning its concept through three Boston-area restaurants before expanding geographically.

(Industry: Consumer – February, 2007)





SmartCells, Inc. is developing SmartInsulin, a once-a-day, self-regulating, injectable formulation for treating diabetes. SmartInsulin is designed to provide several important advantages for diabetics including, reduce the incidence of hypoglycemia, fewer injections and less glucose monitoring.

(Industry: Healthcare - May, 2006)





adQ offers web entry software that allows media clients to expand their services and revenues.

(Industry: Software – May, 2006)





Zeo Inc. looks to help people discover new, scientifically-based ways to improve the quality of their lives through the power of sleep by combining breakthrough educational sleep technology and tools with proven coaching methods from both sleep science and behavioral science.

(Industry: Consumer – July, 2007)





GateRocket is the only company that focuses exclusively on verification and debugging solutions for today's most advanced field-programmable gate array (FPGAs). GateRocket offers the industry's first Device Native verification solution that enable companies to verify and debug their FPGA designs faster and with higher quality.

(Industry: Hardware – August, 2006)





AIE Inc. develops and licenses image enhancement software for digital images, with an initial focus on medical markets (e.g. digital mammography).

(Industry: Software – December, 2004)





TimeTrade is a leading provider of self-service appointment scheduling software for large and small clients in businesses, government, and education.

(Industry: Software – May, 2006)





Founded in 2004, iTeam is a leading provider of outsourced field services for technology resellers, retailers, and original equipment manufacturers (OEMs) selling to small and medium-sized businesses.

(Industry: Business Services – August, 2008)





Ion Signature Technology's deconvolution software accelerates the productivity and accuracy of sample analysis on mass spectrometry hardware. From environmental and life sciences to flavors and fragrances to forensics and petrochemicals, IST provides a wide range of tools and technologies for maximizing laboratory throughput and minimizing costs.

(Industry: Software – November, 2005)



