

Presentation to  
Seton Hall University  
Entrepreneurial class  
Mr. Tom Basilo  
September 28, 2010










# **Early Stage (Angel) Financing**

**Casabona Ventures, LLC**  
**Mario M. Casabona**  
Founder

# Industry Experience

- 25+ Year Career in Defense Electronics Industry
- Electronic Engineer with 12 Patents issued.
- Industry experience at ITT, Raytheon, ERI, Honeywell
- Founder & CEO of Electro-Radiation Inc. (ERI)
- 1998 SBA National Tibbett Award winner
- 2004 sold ERI to Honeywell
- 2010 NJTC Financier of the Year
- Member IEEE, VANJ, NJTC, NDIA, AOC...
- Chairman, Jumpstart NJ Angel Network
- Board Member of For-Profit and Non-For-Profit Organizations
- Currently Angel Investor and Business Advisor

# Typical Company Evolution & Funding

Development	Launch	Growth	Maturity	Reinvention
 <p data-bbox="112 586 401 758"><b>Friends, Family &amp; Grants</b></p>  <p data-bbox="112 929 755 1015"><b>Angel Financing</b></p>	  	  <p data-bbox="799 929 1818 1015"><b>Venture Capital Financing</b></p>	 <p data-bbox="1193 619 1798 682"><b>NJ Office of Economic Growth</b></p>	
<p data-bbox="156 1062 355 1176"><b>Creative idea</b></p>	<p data-bbox="510 1062 703 1176"><b>Product shipped</b></p>	<p data-bbox="819 1033 1089 1190"><b>Expand distribution channels</b></p>	<p data-bbox="1219 1062 1398 1162"><b>Growth flattens</b></p>	<p data-bbox="1503 1033 1818 1190"><b>Company seeks new opportunities</b></p>

# Types of Early Stage Investors

- The 4 F's:
  - Founders, Friends, Family and Fools
- Angel Investors
  - Passive investors (provide money only)
  - Value-added investors bringing operational and entrepreneurial experience
  - Ideal angel investors (brings BOTH Money and experience)
- Venture Funds (institutional)
  - Much less active than before at early stages

# Angel Investors



Bridge Gap Between

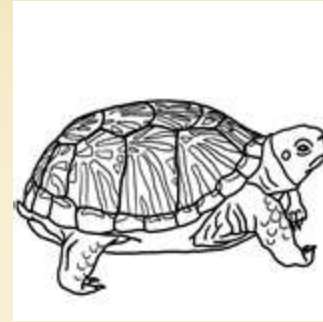
Founders  
Financing



Venture Capitalist

# Typical Funding Process

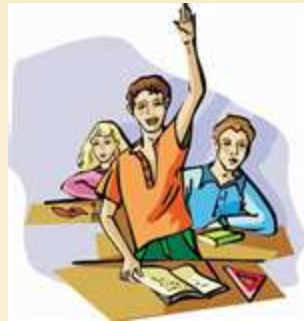
- Introduction to Investor
- Investor's Selection Criteria
- Term Sheet
- Due Diligence Process
- Stock Purchase Agreement or Note
- Funding Begins
- Monitoring, Mentoring, Moaning and Mourning or REJOICING (?)
- Next Round of Financing
- Possible Exit in Sight



# Introduction To Investors



Entrepreneur



Introduction by  
Initial Investor,  
Banker, VC,  
Professor,  
Accounting or  
Law Firm,  
Internet, etc.

ONE Page  
Executive Summary



10 – 15 Minute  
Presentation

# Typical Deal Selection Criteria

- Seed, start-up, and early stage
- Product or Services market need
- Founders commitment
- Sound business plan for building equity
- Strong and Experienced management team
- Proof of concept achieved?
- Strong proprietary hooks for sustainable advantage
- Reasonable valuation
- Realistic exit strategy
- Funding needs for initial and subsequent financing
- Geographic location – Angels vs VC financing

# Typical Angel Investor Term Sheet

- “The Term Sheet provides a snapshot of and the roadmap to a financing and the issues that the entrepreneurs and financial professionals commit to capture in closing documents for a financing.”\*
  - Amount of ‘raise’
  - Set the price (pre-money vs post money, valuation)
  - Seat on the board
  - Define equity type (common vs preferred)
  - Outline multiple financing tranches
  - Anti-dilution protection
  - Right of first refusal
  - Liquidation preference

\*Quoted from ‘Deal Terms’ by Alex Wilmerding, Publisher - Aspatore Books

# Words of Wisdom

- Know your market and customer needs
- Flexibility
- Communicate and Execute the Plan
- Befriend a Bank
- Great Board of Advisors or Directors
- Best Management Team
- Known Legal and Accounting Firms
- Know your strengths and weaknesses
- CEO sets culture and expectations
- Confidence

# Do's and Don'ts

- Cash Flow, Cash Flow, Cash Flow
- Waiting for ?????? to come in
- Making shallow decisions
- Not listening
- Always perform lessons learned exercise
- Taking things for granted
- Assuming the job/task will get done
- Set milestones and monitor performance
- Not taking it personal – IT IS ALL PERSONAL

# Good Luck

Hope this helped.

Contact info: Mario M. Casabona  
[mario@casabonaventures.com](mailto:mario@casabonaventures.com)

[www.casabonaventures.com](http://www.casabonaventures.com)