

Seed to Early Stage Funding Eco-System

Presented to

TechLaunch LaunchPad 2

By

Mario M. Casabona

**TechLaunch, LLC and
Casabona Ventures, LLC**

Founder and CEO

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CASABONA VENTURES

Agenda

- **Back Ground**
- **Technology Accelerator**
- **Angel Investors**
- **Crowd Funding**
- **Final Message**

My Background

- 25+ Year Career in Defense Electronics Industry
- **Electronic Engineer with 12 Patents issued**
- **1982 Founder & CEO of Electro-Radiation Inc. (ERI)**
- 1998 SBA National Tibbetts Award winner
- 2002 – 2004 Chairman, R&D Council of New Jersey
- 2004 to present, Appointed to NJ Commission on S&T
- **2004 Sold ERI to Honeywell**
- **2007 Founder of Casabona Ventures, LLC**
- 2010 NJ Tech Council Financier of the Year
- **2012 Founder of TechLaunch, LLC (Technology Accelerator)**
- 2009 - 2013 Chairman, Jumpstart NJ Angel Network
- Member IEEE, VANJ, NJTC, NDIA, AOC...
- Board Member of For-Profit and Non-For-Profit Organizations
- **Currently Angel Investor and Entrepreneur**

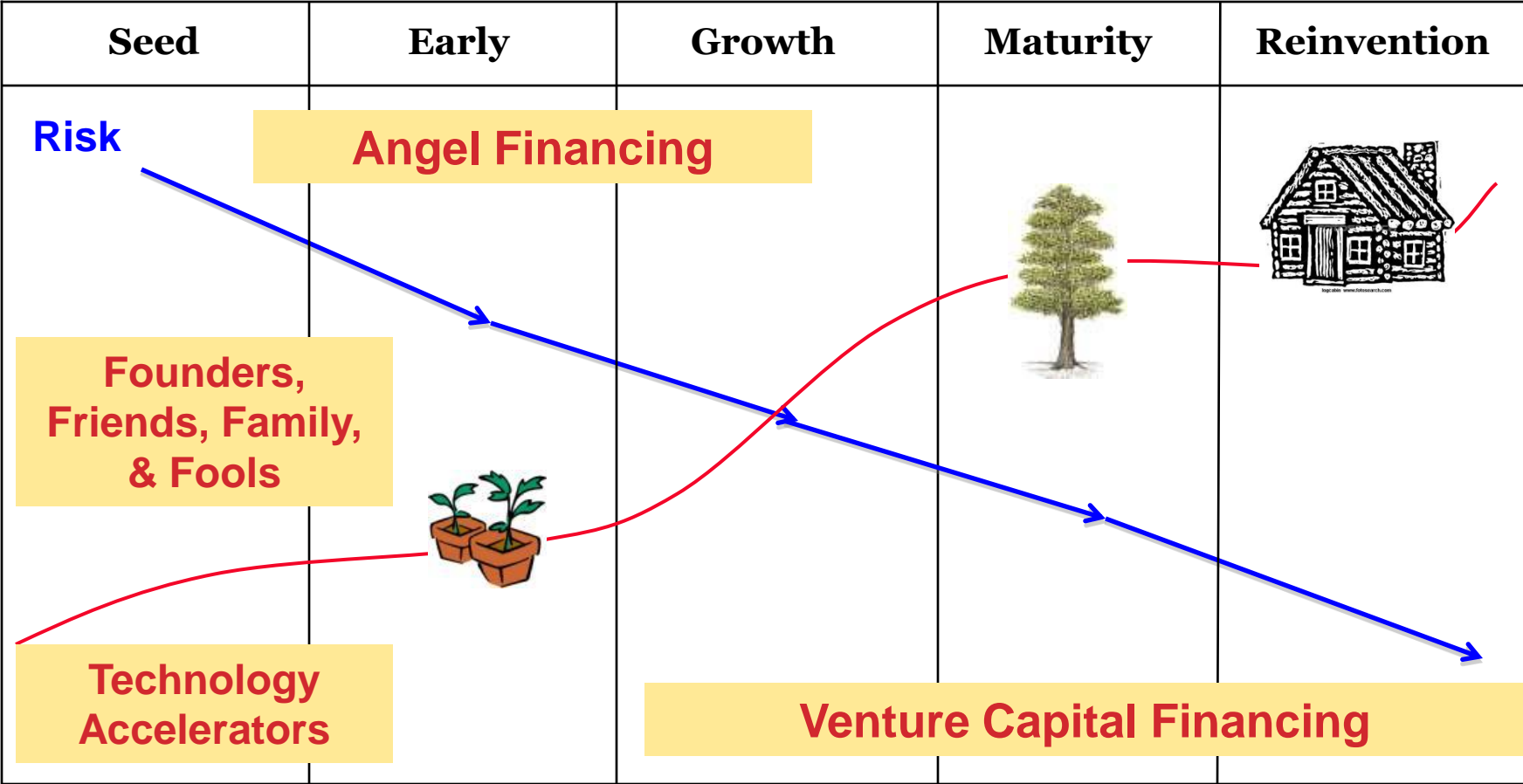
My Portfolio Companies



Oil Exploration Company

Oil Drilling Equipment

Funding Eco-System



Tech Accelerator & Entrepreneur

- Provides Seed Capital
- Provides Co-working space for founders
- Provides Intense Business Training (3-4 Months)
- Provides Instructional as well as Motivational Guest Speakers
- Practice Pitching to a panel of Entrepreneurs and Investors
- Mentors and Professional Services
- Access to Seed and Early Stage Investors

Tech Accelerator & Investor

- Vet the most promising ideas, technologies and teams
- Invests Seed Capital from a Fund to Spread Risk
- Accelerate the commercialization of new technology to shorten “time to exit”
- Provides business program to de-risk early stage obstacles and raise Valuation
- Provides a venue for Investors to Mentor Team and Participate in Company Formation
- Provides Opportunity to be First Investor

Industry Focus

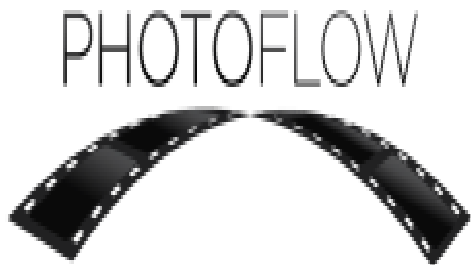
TECHLAUNCH



Social Media
Web Technology
Information Technology
Health Care
Pharmaceutical
Electronics
Communications

Security
Bio-Tech
Medical Technology
Chemical
Manufacturing
Environmental
Energy...

2012 Portfolio Companies **TECHLAUNCH**



Angel Investors



Bridge Gap Between

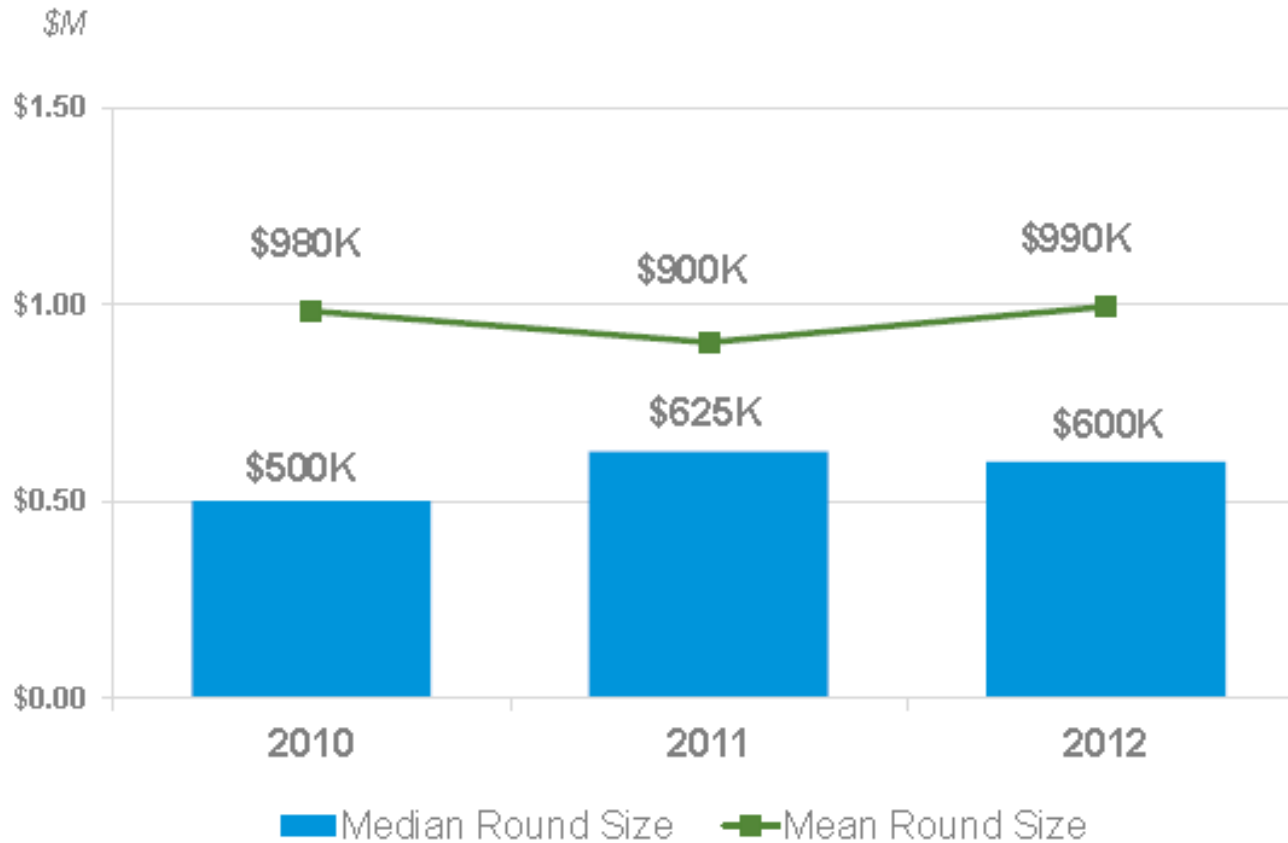
(Early Stage Financing)

Founders,
Family,
Friends,
And Fools
Financing



Venture Capitalist

Median Angel Round



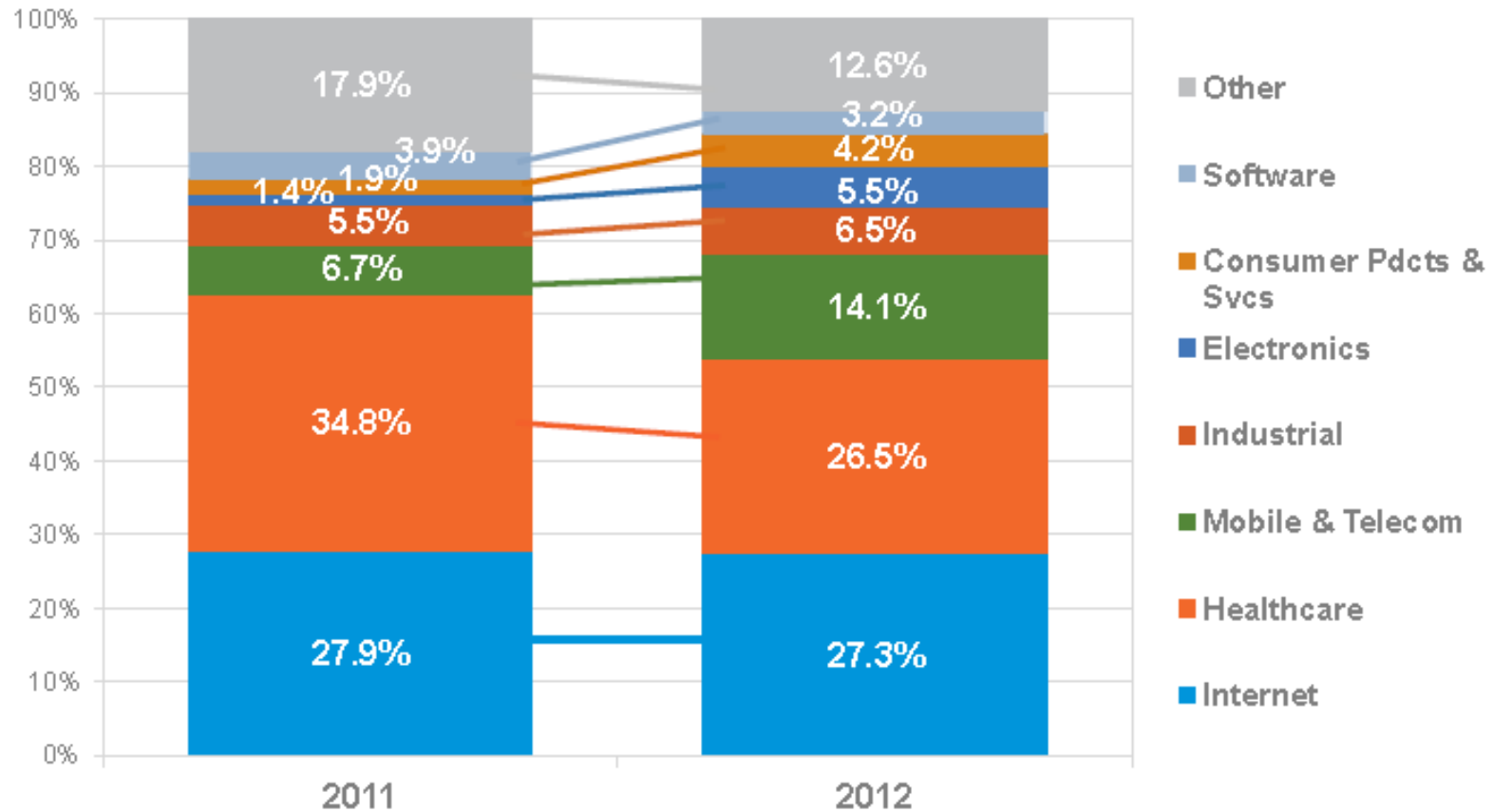
Source: 2012 HALO Report

Early Stage Pre-Money Valuations



Source: 2012 HALO Report

Industry Sectors



Source: 2012 HALO Report

Angels vs. Venture Funds

Angel Investors 2011

- US \$22.5 billion
- ~66,200 deals
- 42% seed/startup
- 57% early/expansion stage
- 318,500 individuals

Venture Capital 2011

- US \$28.4 billion
- ~3,750 deals
- 3% seed/startup/ 29% early stage
- 68% later/expansion capital
- 462 firms active

Millionaires vs. Angel Groups

**U.S.
Millionaires**

8,600,000

**Informal
Investors
(3 study
estimates)**

1,000,000

**Active
Angels
(Center for
Venture
Research)**

265,000

**Investors
in Angel
Groups**

15,000

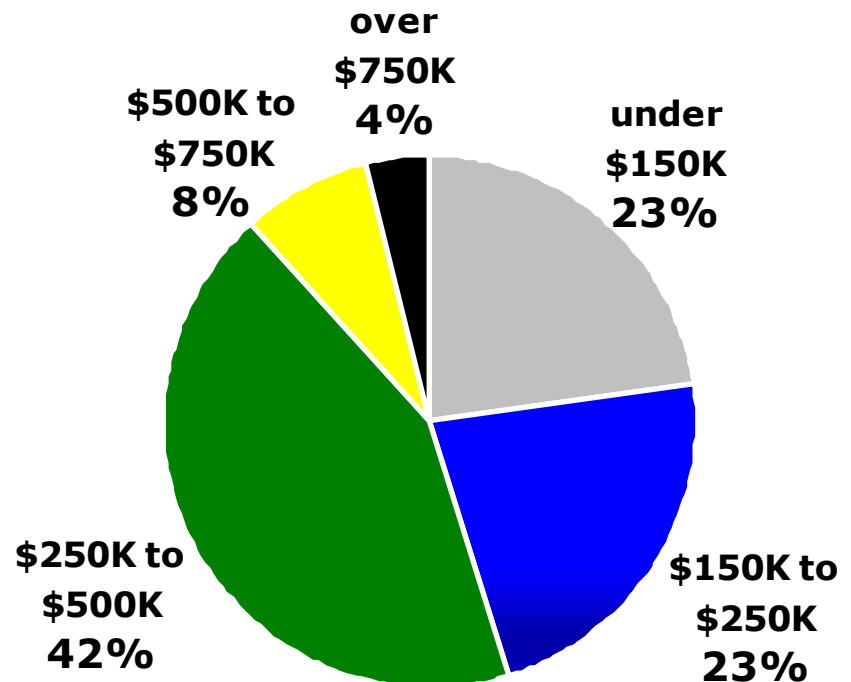
Sources: Spectrum, academic studies, 2012

Typical Angel Group Investment Size

67% of Angel Groups Invest \$150K to \$500K per Deal

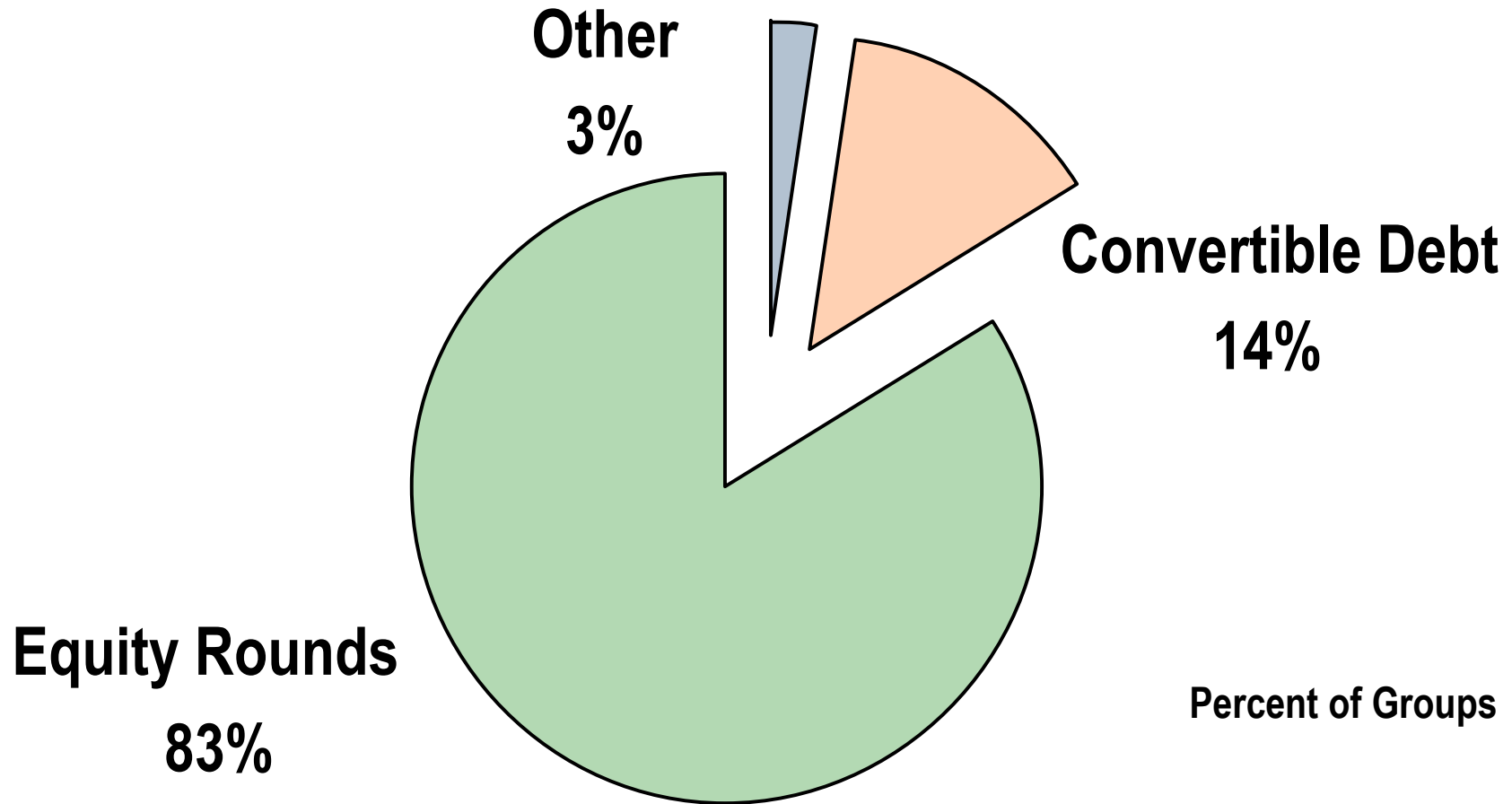
- Investment surprisingly broad
- Average deal size increasing
- Syndication needed among groups to fill rounds entrepreneurs need

Angel Group Investment Size



Source: ACA Confidence Survey, 2012

Preferred Deal Terms



Source: ACA-SVB Confidence Survey – March, 2010

Angel Investor Provides

- Much needed Early Stage Funding
- Team and Product Validation
- Credibility for the Next Round of Funding
- Experience and Mentorship to the Team
- Seat on Board for Guidance
- Access to “Dry Powder” and Series A Connections

Angel Investor Selection Criteria

- Early Stage - Either Pre-Revenue or Revenue
- Product or Services market need
- Sound business plan for building equity
- Strong and Experienced management team
- Prototype or Beta
- IP Strategy for sustainable advantage
- Realistic Valuation and 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

How to Find Angels?

- Events with companies and investors – VANJ, NJTC, Meetups...
- Angel groups Websites list events where they will attend or speak
- Talk with other early stage entrepreneurs
- University Tech Transfer Offices
- Accelerators
- BEST– Warm Introduction

Crowd Funding as an Alternative

- Various Platforms Exists
- Laws are not yet written
- Accredited Investors Can Use Platforms
- Some Angels are OK...Most VC are Not
- VC's are Cautious Due to Quantity of Investors
- Non-Participating Investor

Final Message

- **Investors Look For:**
 - **Strong and Committed Team**
 - **Exit**
 - **Market Need and Traction**
 - **Competitive Advantage with Barriers to Entry**
- **Entrepreneurs Look For:**
 - **Mentorship/Board Members for Strategic Growth**
 - **Immediate Funds and Dry Powder**
 - **Introductions to other Investors**
 - **Introductions to Strategic Partners or Sales Channels**

Contact Information

Mario M. Casabona
Office: 973-433-4545

Casabona Ventures LLC
Founder and CEO
Mario@**CasabonaVentures.com**

