



HUB ANGEL INVESTMENT GROUP, LLC

**Business Plans & Presentations  
Boston Entrepreneurs' Network**

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# Agenda

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- Background on Hub Angels
- Importance of the Business Plan
  - Management Team
  - Intellectual Property
  - Regulatory Issues
  - Financial
- Angels and VCs



# Hub Angels Investment Group

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- Started in 2000 as an experiment using a “club” model
  - “Institutionalized” as a fund in 2001
  - Currently investing Fund III
  - Overall, 20 investments (CircleLending, Zipcar, Geezeo)
  - Model – Fund w/ reserve 50% in “dry powder”, Members have co-investment rights
  - Two partners – DV: fundraising/sales/bizdev, CC: strategy/healthcare/compensation
  - 75 Members – entrepreneurs, VCs, financial services, healthcare, family offices...
- Disclaimer - I speak as an organized angel group investor, not an individual angel investor, not a venture capitalist



# Investment Focus

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- \$2-5 million pre-money valuation (always <\$10 M)
- Good start up team with experience and integrity
- Unique product/service offering with early market validation and reasonable barriers to entry
- Focus on companies that can get to cash flow break even without a huge amount of venture financing (<\$10 M)
- High chance of raising more capital
- Ability to “see” an exit
- Invest in a broad range of industry sectors, with a focus on healthcare/life sciences, IT/Internet, Financial Services
- Won’t look at unsolicited deals
- Only invest in the “Boston area”
- Get in the boat and row, bringing the networks of our membership to bear, and taking a Board seat
- Affinity with a top school



# Key Aspects of the Business Plan

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- Management Team
- Intellectual Property
- Regulatory
- Financial



# Management Team

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- Integrity
- Operational experience
- Industry experience
- Startup experience
  - Raising money
  - Building teams
  - Soup to nuts administration
- Age
- Willingness to be replaced



# Intellectual Property

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- Type
  - Technical
  - Business process
- Relative importance
  - Barrier to entry
  - IP Play
- “Lemelson” approach



# Regulatory

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- FDA
  - 510K
- State, Federal, International
  - Ecochlor Example





# Financial

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- Underlying assumptions
  - Market size, penetration rates, pricing, CPC/CPM rates
- P&L
  - Current year plus 4 years
  - Revenue streams, COGS, margin, operating expenses, EBIT, break even date
- Cash flow and capital requirements
- Headcount
- Exit scenarios with detailed comparables



# Angels and VCs

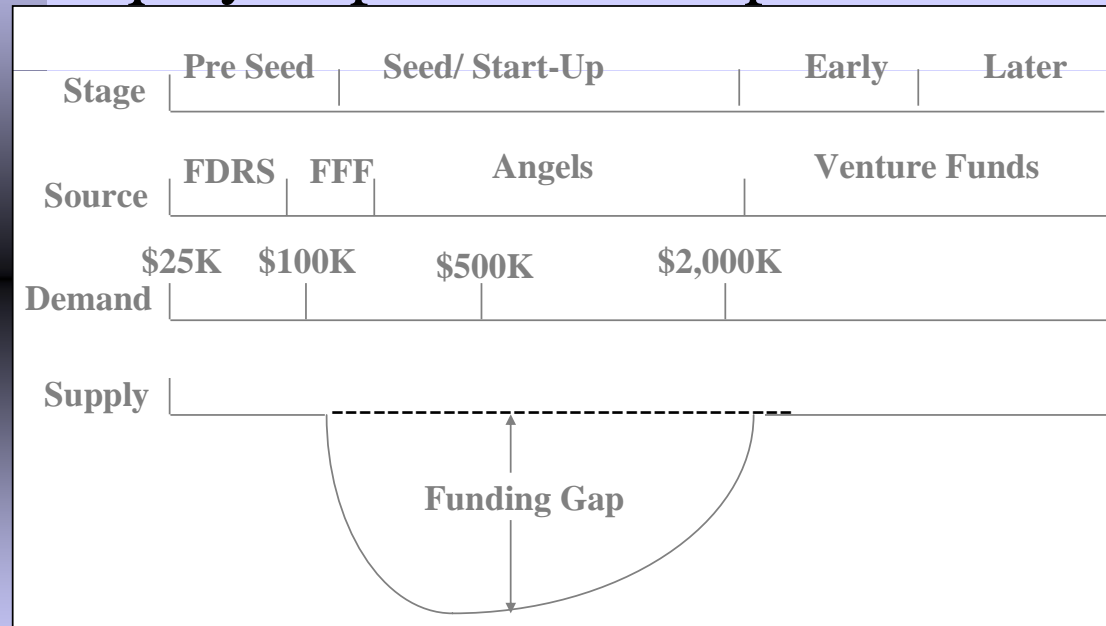
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<u>Type</u>	<u>Amounts</u>	<u>Security</u>	<u>Terms</u>	<u>Motivation</u>
Friends and Family	\$5-25k	None, Common, LLC Interests, Convertible Notes	Loose or undefined	Love and friendship
Individual Angels	\$25k-100k	Common, LLC Interests, Convertible Notes	Basic	From the heart and the head
Angel Groups	\$250k-2mm	Convertible Notes, Preferred Equity	VC-like	More from the head
Venture Capitalists	\$3mm-up	Preferred Equity	Well-lawyered	Show me the money

→ **Each** of these sources provided **tens of billions** of investment capital to start-ups in 2007

# The Funding Gap

## Equity Capital for Entrepreneurs



Center for Venture Research - University of New Hampshire

Source: Professor Jeff Sohl, UNH



# What Do Angels Say About VCs?

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- Not much
  - Tend to give “haircuts”
  - Lack operational experience
  - Disproportionate strength on the Board
  - Give bad advice
  - Motivated by management fee
  - Wish they had their fund



# What Do VCs Say About Angels?

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- Not much
  - Clutter the cap table
  - Lack rigor
  - Have variable terms/preference rights
  - Give bad advice
  - Don't follow their money
  - Put puny amounts of capital in



# Where's the Rub?

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- They need each other
  - Deal flow
  - Filling the funding gap
  - Reduce financial risk
  - Complementary expertise
  - Sometimes one and the same
- There is a value chain to funding new ventures
- While each member of the value chain optimizes for themselves...the system can only be successful with cooperation and respect



# Thank you

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