The SWAN Member Experience

Information for potential and new Angel, Associate and Intern Members
Who is an Angel Investor?

Accredited individuals who personally invest in early-stage, private startup companies, helping to bring those companies to market.

Qualifications:
1) Accredited Investor - $200k of individual income, or $300k of joint annual income and/or net worth (excluding the home) of $1 million.
2) New Sophistication Rules - Employees knowledgeable of a fund (you work there); Family offices with at least $5 million in assets; LLCs with $5 million in assets.
How to Become an Angel?

• Join an angel network

• Help a friend or family member by investing in their startup

• Invest individually by personally networking with companies and other angels
Why become an Angel Investor?

- Support innovation and meet interesting startups
- Use the skills and expertise you have developed over a lifetime
- Learn new skills – early stage investing
- Enjoy being part of a like-minded group
- Make a financial return
Why be an IMPACT Angel?

The prior slide + align values with investments

UN Sustainable Development Goals
You get to help advance our Impact Vision

“Our members are bound together by a passion for making the world a better place. We support dynamic startups that are striving to address serious challenges that our society faces. And we expect those companies to deliver measurable social or environmental impact and to have solid plans for financial success.”
Impact investing can yield leadership returns

Impact Fund’s IRR compared with 75th percentile benchmarks as of 9/30/18

Kapor Capital Impact Funds Disrupts The Conventional Thinking on VC Investing

- **KCAP**: 29.02%
- **Pitchbook 75th percentile**: 25.96%
- **Cambridge 75th percentile**: 26.50%
# How to Think About Angel Investments

**Angel investments become part of your overall asset allocation strategy**
- For example: stock, bonds, hedge funds, private equity, venture capital and angel investments
- Recommend that angel investments be no more than 5-10% of overall allocation

**Characteristics of Angel Investments**
- High risk/high reward
- Patient Capital - 3-10 year holding periods
- Illiquid investments until a company is acquired or has an IPO
Solid returns if you are diversified

Assume you make equal sized investments in 10 companies

Then, maybe five companies will provide a return, and one of those will give you a big win.

Recommended: 20 angel investments
Key Drivers of Angel Investing Success

- Thoughtful due diligence (40+ person-hours per deal)
  - Individually or collectively by network members

- Access to expertise in the investment area
  - Networks have immense collective expertise

- Angels supporting portfolio companies after investing
  - In a network, other angels might fill that role
You get to meet interesting companies and founders

50% of SWAN investments have been in companies with an under-served founder – woman or person of color
SWAN Impact Network Investments

Flow Below
• Improves truck fuel efficiency by 1.5%
• 2016 investment
• 2019 acquisition
• 35% IRR

Curb
• Enables residences to reduce power consumption by 20%
• Investments in 2019 and 2020
• 2020 merger (stock swap) → 1.1x multiple on cost basis
SWAN Impact Network Investments

Speech Vive
• Restores conversational speech for Parkinson patients
• 2020 investment

Harmonic Bionics
• Robotic physical therapy system for stroke patients
• 2019 investment
• 1.9x unrealized gain in valuation
SWAN Impact Network Investments

Shyft Energy
- Accelerates the integration of green energy in developing countries
- 2019 investment

Clear Flame Engines
- Improves the fuel efficiency of diesel truck engines
- 2020 investment
More about SWAN
SWAN’s Personality

- A friendly, welcoming group
  - And we honor diversity

- Focused on educating new angels
  - Learn from experience angels

- Humble
  - Every angel has important insights

- Shared desire to make the world a better place
  - Help build your personal legacy
SWAN’s Quarterly Cycle

- **Companies apply:** typically, 60
- **Down-selection:** 60 to 3
- **Angel Investment Decisions**
- **Due Diligence / Deal memo:** typically 1 or 2
- **Three Companies pitch to all angels**
How the SWAN cycle works

| Down-selection | • Performed by volunteers  
|                | • Opportunity to help and learn  
|                | • Review 35 applications and then zoom calls with six companies |
| Pitch Event    | • For all angels  
|                | • 3 companies pitch & group Q&A  
|                | • Followed by breakouts with each company |
| Due diligence/Deal Memos | • Performed by volunteers  
|                        | • Opportunity to help and learn  
|                        | • 20-page memo |
| Investment Decisions | • You personally decide if you want to invest  
|                      | • No investment required |
Ways to Plug into SEWAN

• Be part of our quarterly funding cycles
  – Optionally help with down-selection (via zoom)
  – Optionally help with deal memos (via zoom)
  – Attend pitch events (Hybrid with in-person and zoom options)
• Virtual Happy Hours (via zoom)
• In-person Community-wide Impact Happy Hours (Austin and Dallas)
• In-person Social events (Austin and Dallas)
• Affinity groups
  – Women@SWAN
  – POC@SWAN
Additional Webinars

Angel Investing 201
– The Big Picture: Basics of building an Investment Portfolio, and an introduction to how to do Due Diligence

Angel Investing 202
– The Mechanics of Investments: Investment instruments, company valuations, dilution across rounds, post-investment activities, and tax considerations

Angel Investing 203
– Measuring Impact and Results: A Discussion of Metrics and Tools, and examples of SWAN impact assessments
Good Resources
Webinar Feedback

Any final questions?  What was most helpful?  What was less interesting?  What would you like to learn more about?

To receive your webinar refund, please send your mailing address to bob.bridge@swanimpact.org