FMS VC Forum

Session 301B-1
8/8/19
Wayne Rickard, Moderator
VC Panel

- **Wayne Rickard**, Moderator, Tech Coast Angels and Arizona Tech Investors
- **Chris Rust**, Founder and General Partner, Clear Ventures
- **John Rotchford**, Managing Director, SASI
- **Angel Orrantia**, Partner, Advantary LLC
Chris Rust is a founder and General Partner of Clear, where he focuses on early stage technology investments. Chris’s operational specialties are recruiting, product marketing, business development, follow-on fund raising, and scaling. He has been the lead investor in over 35 companies.

Prior to founding Clear in 2014 Chris spent 14 years as an early stage technology investor with exceptional mentors at Sequoia Capital and USVP. He also spent 12 years in operating roles as a development engineer, network architect, and product manager.

Chris was a co-founder and Lead Architect of broadband access pioneer Roadrunner, now known as Time Warner Cable Internet. Roadrunner grew to 14 million subscribers, over $4 Billion in 2015 revenue, and is the key driver of Charter Communication’s $56.7 billion acquisition of Time Warner Cable.
### Sources of Funding

#### Angel Capital
- Typically local individuals or groups
- Investments range from $100K to $1,000,000 and average around $600K
- Target 10x to 15x return in 3-5 years
- Tech Coast Angels, Band of Angels, Sand Hill Angels, Keiretsu Forum

#### Venture Capital
- $5 million and up
- Institutional funds
- Look for 5x to 10x return
- NEA, Sequoia, Accel Partners, Bessemer, Lightspeed

<table>
<thead>
<tr>
<th>Pre-seed Stage</th>
<th>Seed/Start-up Stage</th>
<th>FUNDING GAP</th>
<th>Early Stage</th>
<th>Later Stages</th>
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<tbody>
<tr>
<td>Founders’ Friends &amp; Family</td>
<td>Angel Investors</td>
<td>Very few angel deals done above $1 million</td>
<td>Very few VC deals done below $4 million</td>
<td>Venture Capitalists</td>
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<tr>
<td>$0</td>
<td>$250K</td>
<td>$1.5 million</td>
<td>$4 million</td>
<td>$10 million &amp; up</td>
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Grant Money

- Federal Government has multiple programs
  - SIR, STTR, ATP
- Multiple Agencies within the “alphabet soup” of agencies:
  - DoD
  - NSF
  - NIH
  - NIST
  - NASA
  - VA
- Non-Dilutive
What is an Angel Investor?

- Anyone who makes a private investment in a non-public company
- High net worth individual
- Live in tech hubs, typically invest locally
- Usually well-educated
- Part-time investor
- Sees 50-250 startups/year, invests in 2-3
- Often are entrepreneurs themselves
- May be a member of an Angel Group for evaluating investments and sharing risk
What is an Accredited Investor?

- defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission
  - $1 million in investable assets (not including value of primary residence) OR
  - $200K in income ($300K joint)
- Friends, family & founders can be non-accredited
- Crowd sourced investor are new category of non-accredited investors
Tech Coast Angels

- Based in Southern California, ~400 Members
- Since 1997, invested over $234 M in over 415 companies (224 still active)
- In 2018, we invested $11 M in 53 companies (34 new, 19 follow-ons); first half 2019 in $13.3M in 28 deals
- Returns:
  - TCA: 4.9x multiple, 23% IRR; three over 100x (GreenDot, Mindbody, Sandpiper)
Angel Groups Network with Each Other

- The Angel Syndication Network shares the best deals among 40+ prominent angel groups (up from 25 last year)
- Each angel group nominates their best deals to share with other angel groups
- Syndication can help fill a round, expedite a closing, and save the CEO from extended road shows
- Collectively, the angel groups participating in ASN represent over 1500 angels, and over $1 billion in direct investment
What are Investors Looking For?

- Enduring, Wealth Generating *Companies in Growth Markets*
- Early Stage or Seed Stage
- Management / Team
- Pain Killers, Not Vitamins
- Unfair Advantage / IP
- Ability to Rapidly Achieve Scale
- Clear and Rapid Path to Liquidity
- Strong Business Model
Investors are like Lemmings

**IN**
- Internet of Things (IoT)
- Autonomous Vehicles
- AI / Deep Learning
- Wearables
- Virtual / Augmented Reality
- Digital Health
- Fintech / Bitcoin / **Blockchain**
- Gaming / eSports
- Security
- Cannabis
- Pharmaceuticals

**OUT**
- Drones
- Renewable Energy
- Apps for Phones
- SAAS
- ASIC’s
- Hardware
Which industries produce more exits?

- Internet/Apps is most active industry (for TCA), but fewer exits there
- Poor success rate in Consumer
- Software and B2B higher ratio of exits
- Life Sciences longer time to resolve, but higher % are exits

Source: Analysis of all 182 Tech Coast Angels portfolio companies since 1997
Non-Rational Criteria

Founders

- Do I identify with you?
- Industry University Experience

Product

- Cool factor
- Resolving personal pain

Market

- Personal experience
- Interest

Flash Memory Summit 2019
Santa Clara, CA
Decision-Making Process

**Elevator pitch**
- Product overview
  - Introduction
  - Networking Events
  - Quick Pitch Competitions
  - Industry Group Meetings
  - Mentoring
  - Advisors

**Pitch Deck**
- Product
  - Market
  - Business model
  - Competition
    - Review Funding Application
    - Pre-Screen (online meeting)
    - Screen (Local x5)

**Founder info**
- Domain expertise
  - Intelligence
  - Communication skills
  - Persistence
  - Integrity
  - Relationship

**Product**
- Problem/Solution
  - Traction
  - Product-Market fit

**Market**
- Customer
  - Market size
  - Competition

**Due Diligence**
Decision-Making Process

- Tech team
  - Domain Expertise
  - IP / Barriers
- Use of funds
- Milestones
- Growth plan

Tech -> Financials -> Deal -> Legal

Amount
Terms
Investors
Syndication

Regulatory
Formation
Stock
IP

Flash Memory Summit 2019
Santa Clara, CA
Flash Memory Venture Funding & M&A Insights
August 8, 2019

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A solid first half of 2019 with $178M in finding, led by Lightbits with an impressive $50M 1st round of funding which included strategic investors, Cisco, Dell and Micron…
While venture funding remains strong, the M&A valve has been shut off…

However, it’s already picking up in July/August with Storcentric acquisition of Vexata, Rambus acquisition of Northwest Logic and AWS purchase of E8 Storage.
We expect VC funding to remain strong in the 2nd half of 2019 and we could also see another 3+ M&A trades happening before year end…

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<th>Systems</th>
<th>Memory/Controllers</th>
<th>Software</th>
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<td>Aupera</td>
<td>APEIRON</td>
<td>FORMULUS BLACK</td>
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<td>EXTEN</td>
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<td>Burlywood</td>
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<td>CNEX LABS</td>
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Sub-Systems
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