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## Angel group collaboration transforms underfunded bridge into oversubscribed \$4.5 M Series A

Sierra Angels is a strong believer in the power of collaborative investing among angel groups having actively practiced it for the past decade. A recent deal provides a compelling example of the mutual benefits of proactive collaboration.

A very exciting stealth-mode technology company made a presentation to our membership in Q2, 2010 seeking a rather typical \$750,000 bridge loan to an anticipated \$4M VC Series A. Several of our Members liked the space, the business model and the management but strongly preferred a priced round. We were also concerned that the initial funding level they were seeking was insufficient to maintain their development and roll-out leadership until acceptable VC funding was obtained. We offered to lead a priced round at that time which they considered but subsequently rejected based on their optimism on timely VC funding. Thus, during the summer our discussions were mutually back-burnered.

A revisit in mid Q4 determined that a) the bridge loan was still only partially funded, b) serious VC talks were progressing more slowly than the company anticipated and c) we were able to get a super angel interested in the deal whose timing was motivated by QSBS. Under the leadership of one of our Members along with a few colleagues from our group and another angel group with whom we frequently collaborate the renewed discussions with the company resulted in their becoming very enthused of our leading a Series A deal for \$4M.

To meet the funding requirements and the December 31 QSBS deadline would indeed require a full-court press on collaborative angel sourcing, due diligence completion, term sheet negotiation and completion of closing documents. A combination of the credibility, drive and expertise of the angel lead team along with timely cooperation by the company executives permitted this to all get done. The results:

- Championed and lead by Sierra Angels, the investing collaboration included: 8 angel groups from California and Nevada, 2 'super angels', plus some family and friends.
- Fully funded Series A Preferred oversubscribed at \$4.5M
- Deal closed December 30, 2010
- Sierra Angels Member chosen as the Board representative

Some takeaways regarding the successful deal collaboration:

- a) A deal with strong fundamental merit
- b) Persistence by a team willing to make the deal happen
- c) Deal champions to coordinate the parties, navigate the issues and push things forward
- d) Deal leaders to lead due diligence and negotiation of final deal terms
- e) Trust and cooperation among a large and diverse group of entities and investors
- f) Excellent legal team to bring the deal to conclusion
- g) And the QSBS deadline of December 31 imposed the Closing urgency