

Angel/Corporate Co-Investing: Changes in Q1 2002

In today's conversation, we hope to catalogue the changes that have occurred in venture investing over the last quarter (Q1 '02). We will work from the outside-in – starting by discussing changes in the macro-economic environment, then shifting to changes occurring within the VC sector, finally talking about changes within your own angel network's approach to investing alongside corporates.

CHANGES IN VENTURING ENVIRONMENT – GENERIC EXAMPLES

Macroeconomics and Geopolitics:

- a. Changes arising from the Enron bankruptcy (impacts on auditing and financial reporting)?
- b. Changes arising from legislative or regulatory events?
- c. Changes in overall performance of private and public equity markets?

Venture Capital Sector:

- a. Changes in competitive forces within the VC sector (angels, VCs, corporations, entrepreneurs)?
- b. Changes in sector-wide VC norms, practices, or rules of thumb?
- c. Changes in "hot" sectors?

Investment Partners:

- a. Changes in your relationships with investing partners (VCs, corporates, other angels)?
- b. Changes in the value that VCs bring to deals?
- c. Changes in the value that corporate investors bring to deals?

CHANGES IN YOUR CORPORATE VENTURING PROGRAM – GENERIC EXAMPLES

Program Strategy and Structure:

- a. Changes in your group's fundamental strategy or objectives?
- b. Changes in key staff working on direct investments (e.g., staff size, responsibility, or turnover)?
- c. Changes in the allocation of time/money between doing new deals and portfolio companies?
- d. Changes in the greatest threat to your network's survival?

Deal Flow:

- a. Changes in volume of deals?
- b. Changes in quality of deals?
- c. Changes in preferred stage of investment?
- d. Changes in sources of deals?
- e. Changes in sectors, industries, or geographic regions targeted for investment?
- f. Changes in co-investment partners, syndication practices, or leadership in rounds?

Practices and Processes:

- a. Changes in due diligence on prospective deals (processes, participants, intensity)?.
- b. Changes in valuation process on prospective deals?
- c. Changes in your approach to structuring deals?
- d. Changes in practices for monitoring portfolio companies' performance?
- e. Changes in practices used in coaching, advising, and developing portfolio companies?
- f. Changes in policies for facilitating the formation of strategic partnerships for portfolio compaies?
- g. Changes in the size of your portfolio?
- h. Changes in the book value of your portfolio?

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Best Practices:

- a. How has the role of angel investors changed over the last few years?
- b. Has your network developed distinctive practices for pursuing venture investments that involve corporate investors?
- c. Would you describe these practices, and comment on how they set your group apart from other investors?
- d. Have you taken steps to capture or codify these practices in some form that allows you to transmit them to others?

Your Work: How did a typical working day change for you during Q1?

- a. Your Rolodex: Who did you interact with during Q1 '02 that wasn't so interesting or important back in Q4 '01? Who have you stopped interacting with?
- b. Your Schedule: In what ways did you change your allocation of time during Q1? What kinds of activities did you spend more time on? Less time?
- c. Your Travel: How did your travel schedule change? Frequency? Destinations?