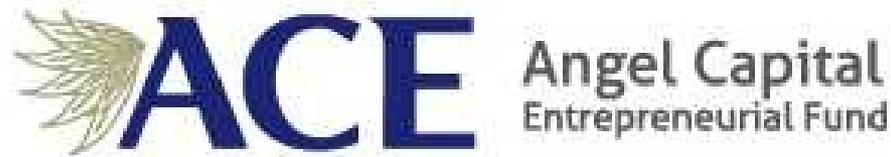


# INTRODUCING ACE FUND 3, LLC



Angel Capital  
Entrepreneur Funds





## Angel Capital Entrepreneur Fund 3

*Introducing the new ACE Fund 3 from TECH COAST ANGELS, providing investors opportunity to participate in a diverse fund. Aimed at first and second rounds for entrepreneurial companies, emphasizing “early exits.” The fund offers unique advantages for select investors.*

### **ACE Fund 3 Advantages:**

- **Diversification**
  - Fund 1 invested in **21** companies, **475** rounds
  - Fund 2 already invested in **22** companies, **49** rounds
  - Investment spread **across industries**
- **Low expense and low carried interest**
  - (**1%** annual expense maximum, and **10%** carry)
- **Low minimum investment**
  - Members can invest as little as **\$45,000** over **3** calls in **2-3** years
- **Liquidity provisions**
  - Investors can offer to sell membership back to the fund itself or other members \*

\*some restrictions may apply

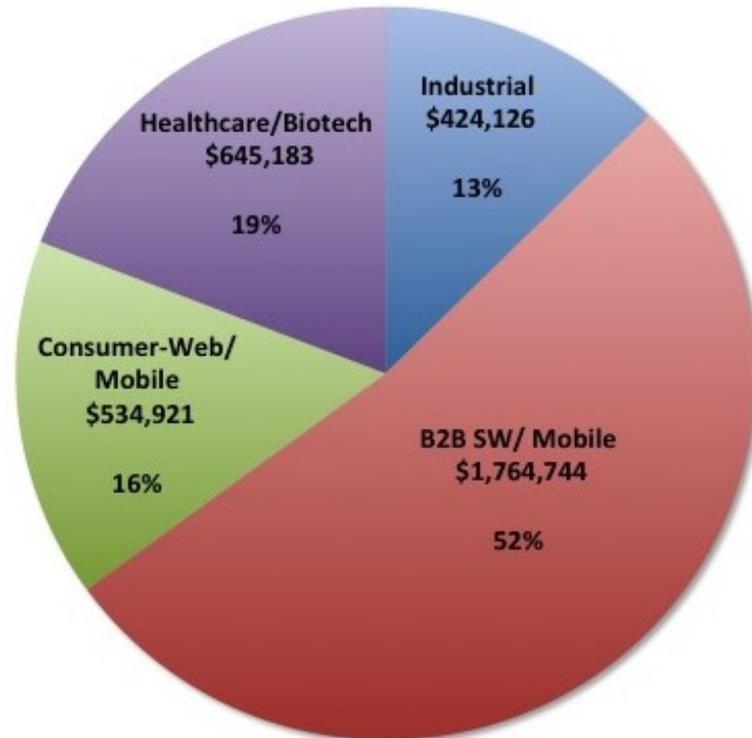


*ACE Fund 1 has invested  
in 21 companies and  
24 follow-on rounds*

*Investments include:*

*AnaBios  
Cadence Biomed  
H2Scan  
Hipmunk  
Inhance Media  
GroundMetrics  
Ninja Metrics  
HitFix  
Savara  
Cognition  
Therapeutics*

**ACE Fund I Allocations  
(current value of 19 investments)**



**ACE Fund 1 Investment Focus**  
**Actual investments as of March 2016**



*ACE Fund 1 has invested  
in 26 companies and  
17 follow-on rounds  
Investments include:*

*ShareDesk*

*Beacon Healthcare*

*Enmotus*

*Immunigum*

*Parcel Pending*

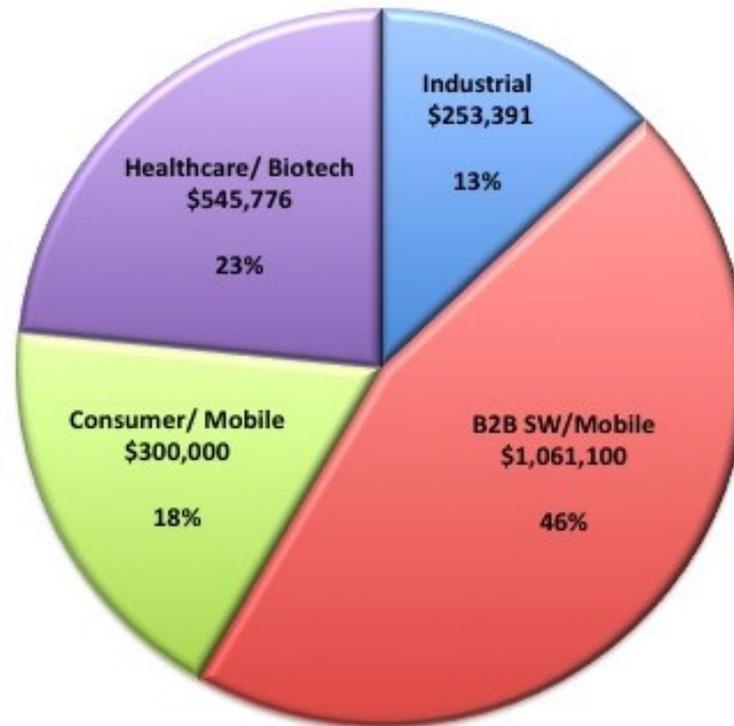
*MyLabBox*

*Influential Network*

*TextPower*

*WeGoLook*

### ACE Fund II Investment Allocations (across 22 active investments)



### ACE Fund 2 Investment Focus Actual investments as of March 2016

# ACE Fund 1 interim results



- \$3,200,000 fund size
- 45 investors
- Current value -6.8% to date, remaining investments up 19.7%
- Total write-offs to date \$733,029
- Total expenses for 5 years to date: \$8,653
- Strong opportunities in Fund 1:
  - H2Scan
  - Emerald Logic

# ACE Fund 2 interim results



- \$3,800,000 fund size, \$3.4M deployed as of 11/30/2016
- 56 investors
- Current value UP 37.7% to date
- Total write-offs to date : one
- Total expenses for 3 years to date: \$704
- Strong opportunities in Fund 2:
  - Sentrain (Jointly Health)
  - Influential Network
  - WeGoLook
  - ShareDesk

# ACE Fund 3 interim results



- \$3,700,000 fund size, \$0.45M deployed as of 11/30/2016
- 58 investors
- Current value (Too new for valuation change)
- Total write-offs to date : zero
- Total expenses to date: \$60
- Strong opportunities in Fund 3:
  - MovoCash
  - Velexo
  - Echo Labs

# ACE Fund : Overview



- ACE Funds are organized as a California LLC.
- Funds overseen by 6 trustees
  - Trustees are chosen from the TCA's Board of Directors
  - One trustee from each TCA regional network
- Investment committee of five pre-screens and selects companies for review and vote by members
- Each fund to be fully invested within three years
- Capital calls expected after one year and two years.

# ACE Fund 3: Membership



- A maximum of 99 members may participate in each fund
  - First come, first served. Cannot expand due to SEC limitation.
- Two classes of membership:
  - TECH COAST ANGEL member= voting member (no carry)
  - All other members=non-voting members (10% carry)
  - If voting member leaves TCA, member shares are transferred to non-voting class
- Investment Committee consists of 5 elected members
  - Pre-screens companies for fund consideration
  - Sets investment amount (up to 10% of fund)
  - Sends selected candidates to members for vote
  - ACE funds approved investments within 7 days of committee action

# ACE Fund : Investment Criteria



Companies considered for fund investment must fit the following criteria:

1. A strong management team with relevant experience
2. Technology that solves pressing needs
3. Niche dominance
4. High growth potential
5. Sustainable competitive advantage
6. Likelihood of early exit

# ACE Fund : Voting



- Each member has 1 vote per dollar invested
- Voting is done electronically
- 50.1% votes in favor- investment is made
- Committee sets investment amount
  - Maximum of 10% of original fund investment
- Members grant permanent proxy vote with majority
  - Assures quick response to calls for vote if member does not respond.

# ACE Fund : Capital Investment



- Requirements
  - Accredited investors only
  - \$45,000 minimum commitment over time
  - 1/3 Original investment plus 2 capital calls over a maximum 3 year period
- K-1's issued annually
  - Losses passed through immediately
  - Profits accompanied by payment of proceeds
- Anticipated fund life of 9 years
  - Maximum fund life of 10 years
  - Members may vote to extend fund life

# ACE Fund : Executive Committee



- *Current Executive Committee members, watching over all three funds:*
- Dave Berkus, Managing Director
- Grant van Cleve, OC TCA
- Chis Hameetman, LA TCA
- Sergio Gurrieri, SD TCA
- Mike Panesis, CC TCA
- Mike Napoli, IE TCA

# ACE Fund : Investment Committee



- *Current Investment Committee members, watching over all three funds:*
- Richard Hallock, Chairman LA TCA
- Ray Chan, OC TCA
- Dean Rosenberg, SD TCA
- Sergio Gurrieri, SD TCA
- Dave Berkus, Fund Managing Director

# ACE Fund : Fund Structure



- Committee examines secondary rounds and portfolio company pro-rata “offers” and syndications
  - Committee reserves cash for these rounds of growing companies.
- Expenses = less than 1% of investment
- Payouts occur as liquidity events pay out
  - No recycling into fund for equity liquidity events.
  - Exception: Notes paid off without conversion into Preferred Stock

# ACE Fund : Liquidity



- **Liquidity provision**
  - Each quarter deal committee values fund investments at lower of last transaction or known reduced or “impaired” value, creating a conservative fund market price quarterly.
  - Fund investors leaving TCA or estates may offer member interest:
    1. Directly to the Fund
      - Fund trustees can accept or reject direct repurchase, or resell membership
    2. To other members at a negotiated price
    3. Outside accredited investors (as a non-voting membership)

# ACE Fund : Closing Summary



- Provides valuable exposure to Southern California's hotbed of innovation.
- Portfolio companies have access to TCA's network and extensive expertise.
- Provides members access to syndicated deals from other angel networks, and deals not available to TCA through its normal channels.
- Members diversify their portfolios built upon the expertise of ACE committee and other Fund members.



## Next Steps

1. Read term sheet
2. Respond to Dave Berkus via email
3. No payment due until signing forms, then only 1/3 due. Rest within 2-3 years as called.

## Investment Process:

1. Positions available until 12/31/16
2. First come, first served
3. Limited to 99 initial subscribers
4. Fund closes upon first change of valuation.
5. Private memorandum and subscription booklet on TCA website and by email upon request. [Dberkus@berkus.com](mailto:Dberkus@berkus.com)

TECH COAST ANGELS

# Angel Capital Entrepreneur Funds



## INVESTOR INFORMATION





## TECH COAST ANGELS

*“Tech Coast Angels understood our vision and the market’s need for our products long before any traditional venture capital group would even grant us a meeting”*

- Steve Streit, CEO  
Green Dot

- Largest Angel investment network in the USA
  - 5 Regional chapters: Los Angeles, Orange County, San Diego, Santa Barbara/Westlake, Inland Empire
- Network has been active for over 18 years
- Extensive and diverse membership
  - Over 300 members, 70% have run start up companies
  - Member expertise spans many industries
- Over 600 applicants screened and evaluated annually.
- \$250M invested in over 350 southern California companies
  - 15-25 companies annually

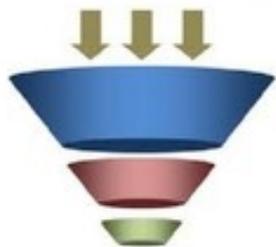
# TECH COAST ANGELS



- Strong investment network and unparalleled reputation drives deals to TCA.
- Tech Coast Angels members invest in Southern California companies with the potential to rapidly scale into market and financial leadership. This usually implies potential for **high growth, a strong market position, and a sustainable advantage**. Specifically, members look for:
  - A market opportunity sufficiently large to create a business that can grow to at least \$50 million in annual revenues
  - A compelling, well articulated strategy for capturing and defending a significant market share
  - Proprietary technology or other strong barriers to entry
  - Strong management (not necessarily a complete team) with relevant and successful experience
  - A preference for early exit strategy for the investors
  - An opportunity where their coaching will add significant value.
  - A realistic company valuation that fits within fund's risk/reward expectations for the investment



# Why Have Angel Groups Outperformed?



1. Larger pipe of exclusive local deals from 30-40 angels per group
2. Higher selectivity (30-40 millionaire angel eyes looking for flaws)\*
3. Far more mentoring & follow-up (30-40 angels helping 5 deals/yr)



**As a result, Angel Groups historically yield 27% Realized IRR \*\***

\* Study: Returns to Angel Investors in Groups by Dr. Robert Wiltbank and Dr. Warren Boeker



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\*\* Basis of Studies: Realized (Cash In to Cash Out). Unrealized existing companies not exited were assigned \$0 value so Expected IRR actually higher. All studies used random initial deal selection to minimize bias.

# Why the Angel/Seed Asset Class Matters

## Large Asset Class Overtaking Venture.



- Angel/Seed Asset Class now \$22B\* (*Venture just \$18B & slowing*)
- Like Venture, Avg. Angel Returns Low (both under = 5%)\*\*
- But a small slice of it (Angel **Groups**) = **27% Realized IRR**

<u>IRR</u>	<u>Number of Investm.</u>	<u>Exited or Ended</u>	<u>Reported In</u>	<b>Angel Groups IRR Studies</b>
27.0%	3,097	1,137	2007 US	Wiltbank & Boeker: "Returns to Angel Investors in Groups"
33.0%	603	434	2009 US	DeGennaro & Dwyer: "Expected Returns to Angel Investors"
24.3%	117	117	2007 US	Villalobos & Payne: "Startup Pre-Money Valuation: The Keystone"
24.6%	1,080	406	2009 UK	Wiltbank: "Siding with the Angels: Business angel investing"
<b>27%</b>	4,897	2,094	<b>Average <u>Realized</u> IRR by Angel Groups**</b>	



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\* Center for Venture Research at University of New Hampshire, and 2011 NAVC Venture Raised.

\*\* Cambridge Associates 5 Yr Horizon (as of 6/2012).