

## GreenHills Ventures – Panelist AngelPool Investment Knowledge Series

Angel Investment Knowledge Series

*Spilled Milk: Avoiding Common Seed and Angel Losses*

Emanuel Martinez, General Managing Partner at GreenHills Ventures LLC, a private investment company, offers insights to investors and angel groups from around the United States on how to manage investments in seed and early stage companies. Mr. Martinez was joined by other angel investors who also shared their insight and advice on how to do the same.

The event was hosted by Michael Price, Chairman of AngelPool.

To view and listen to the event and presentation go to <http://www.angelpool.org/knowledge-2013-09-05.html>

Panelist:

Charlie Paparelli, AngelLounge  
Charles Sidman, ECS Angels  
Stewart Guenther, Family Media Angels  
Emanuel Martinez, GreenHills Ventures  
Rhys Williams, New World Angels  
Matt Greenfield, Rethink Education Capital  
Bud Ward, Shoals Angel Network  
John Ricci, US Angels

The agenda and discussion by the panelist provides helpful hints when making or structuring your investments in companies.

### TOP 20 ANGEL SYNDROMES.

1. Doubling down (Weak Hand Syndrome).
2. Reinvesting too soon (Midas Syndrome).
3. Just needs good leadership (Messiah Syndrome).
4. Failing too late (Damn the Torpedos Syndrome).
5. Can't let others down (Martyr Syndrome).
6. Longer sales cycle than expected (Product Sucks Syndrome).
7. Swimming upstream (Superman Syndrome).
8. Timing too early (Pioneer Gets the Arrow Syndrome).
9. Market too niched (All Dressed Up Syndrome).
10. Loss of key people (Elvis Left Syndrome).
11. No competitors (Ignorant Bliss Syndrome).
12. Bad leadership (CEOh No! Syndrome).
13. One shot so must be perfect (Failure to Launch Syndrome).

14. Unrealistic projections (Billion Soon Syndrome).
15. No market validation (If We Build It Syndrome).
16. Market is about to turn around (Nuclear Winter Syndrome).
17. Just starting to ramp up (Fizzled Syndrome).
18. Built a great pipeline (Failure to Convert Syndrome).
19. Far better than competitors (Will Crush WalMart Syndrome).
20. Demand is about to explode (Great Expectations Syndrome).

#### **B. ERRORS IN SELECTION.**

1. Poorly designed business model.
2. Picking a niche that looks good but isn't.
3. Following a hot trend with no substance.
4. Failure to adapt to a changing market.
5. Poor pricing strategy.
6. Failure to prepare for volatility of uncontrollable costs.
7. Declining or consolidating market.

#### **C. ERRORS IN FINANCING.**

1. Overborrowing and too much leverage.
2. Undercapitalizing the business.
3. Reliance on critical financing that dries up.
4. Negotiating equity rounds based solely on the valuation.
5. Fraud or personal use of business funds.
6. Inadequate or ill-timed financing.
7. Securing the wrong type of financing.
8. Miscalculating the amount required.
9. Underestimating the cost of borrowing money.
10. Poor inventory management.

#### **D. ERRORS IN PRODUCT DEVELOPMENT**

1. Lack of competitive advantages.
2. Ignoring customer needs.
3. New products that drag down profitable ones.
4. Falling in love with the product/business.
5. Lack of market, customer or buying habit awareness.
6. Failure to anticipate or react to competition.
7. Failure to anticipate or react to tech or market changes.

#### **E. ERRORS IN MARKETING/ SALES.**

1. Competing head-to-head with industry leaders.
2. Sloppy or ineffective marketing.
3. Trusting your capital to well marketed salespeople.
4. Failure to get market traction.

5. Overdependence on a single customer.
6. Poor customer service, unqualified or untrained employees.
7. Poor market research leading to an inaccurate understanding.

#### **F. PROBLEMS WITH MANAGEMENT.**

1. Poor internal controls and execution.
2. Failure to control controllable costs early.
3. Poor accounting.
4. Breakup of the founding team.
5. Poor execution.
6. Growing too fast or overexpansion.
7. Owners who cannot get out of their own way.
8. Tolerance of operational mediocrity.
9. Divorce or family pressure on time or money commitments.

#### **G. ERRORS ON LEGAL**

1. Issuing founder shares without vesting.
2. Waiting to consider international intellectual property protection.
3. Disclosing inventions without an NDA or before Patent App filed.
4. Starting employees from competitors without checking their agreements.
5. Promising more than the business can deliver.

#### **H. ERRORS IN EXITING**

1. No detailed exit plan.
2. Planning the optimum time for an exit.
3. Waiting too long to sell (optimum value during high growth).
4. Too much stock to cash ratio.
5. Spoiling by asking too much or too little.
6. Not structuring to minimize taxes.
7. Going steady with one buyer vs auction environment.
8. Insufficient preparation.
9. Earnouts gone bad.

#### **About GreenHills Ventures**

GreenHills Ventures, LLC., established in 2001 as a private investment holding company and General Partners for GHV Fund I and GHV Fund II, (GHV Fund), an early stage venture fund and GHV Wealth Management Holding, LLC. (GHVWMH), a wealth management firm focused on alternative investments for its single and multi-family offices and institutions. For more information visit [www.greenhillsventures.com](http://www.greenhillsventures.com)