

Alternative Investments

Angel Investing 101



Investment Types

TRADITIONAL

- Cash
- Stocks (public)
- Bonds
 - Government
 - Corporate
 - municipal

ALTERNATIVE

- Real Assets/Estate
- Private Equity
- Venture Capital
 - **Angel Investing**
- Commodities
- Hedge Funds
- Managed Futures
- Distressed Securities
- Art & Collectibles

Attributes of Angel Investments

Low liquidity

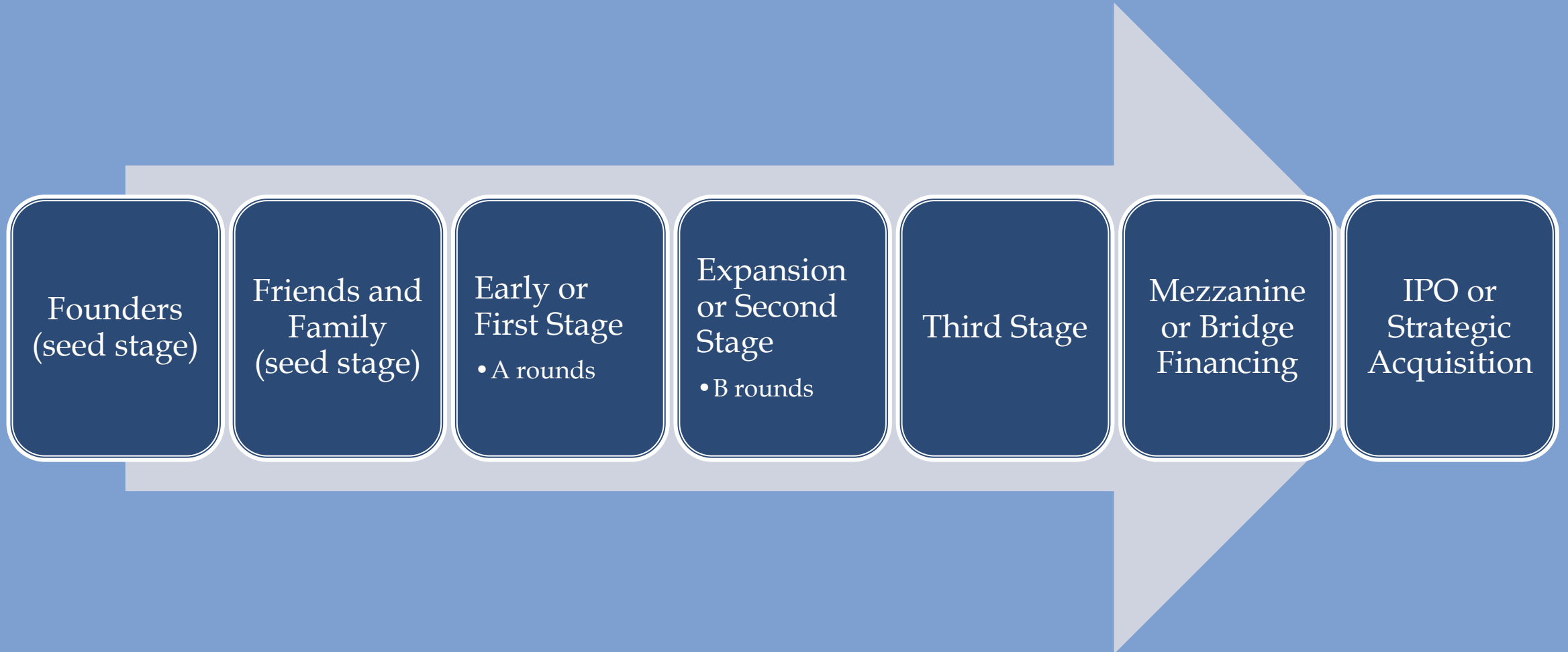
Diversification

Due Diligence
Costs

Difficult
Performance
Evaluation

High risk &
return

Investing Stages



Investment Process of Direct Investment

Private Equity	Public Equity
<i>Structure and Valuation</i>	
Deal structure and price are negotiated, and therefore <u>customized</u> , between the angel investors and founders. Terms of the deal are significant and very important	Price is set in the context of the market. Deal structure is <u>standardized</u> . Variations typically require approval from SEC.
<i>Access to Information for Investment Selection</i>	
Investors can request <u>access to all information</u> , including internal projections.	Investors have <u>access to only publicly available information</u> to access investment potential.
<i>Post-Investment Activity</i>	
Investors typically remain <u>heavily involved</u> in the company after the transaction by participating at the board level and through regular contact with management.	<u>Little to no involvement</u> . Typically, investors are not: (1) directors, (2) making ongoing assessments based on publicly available information, and (3) have limited access to management.

What are Angel Investors looking for?



Scalable & potential for *high* growth

Capital *light*

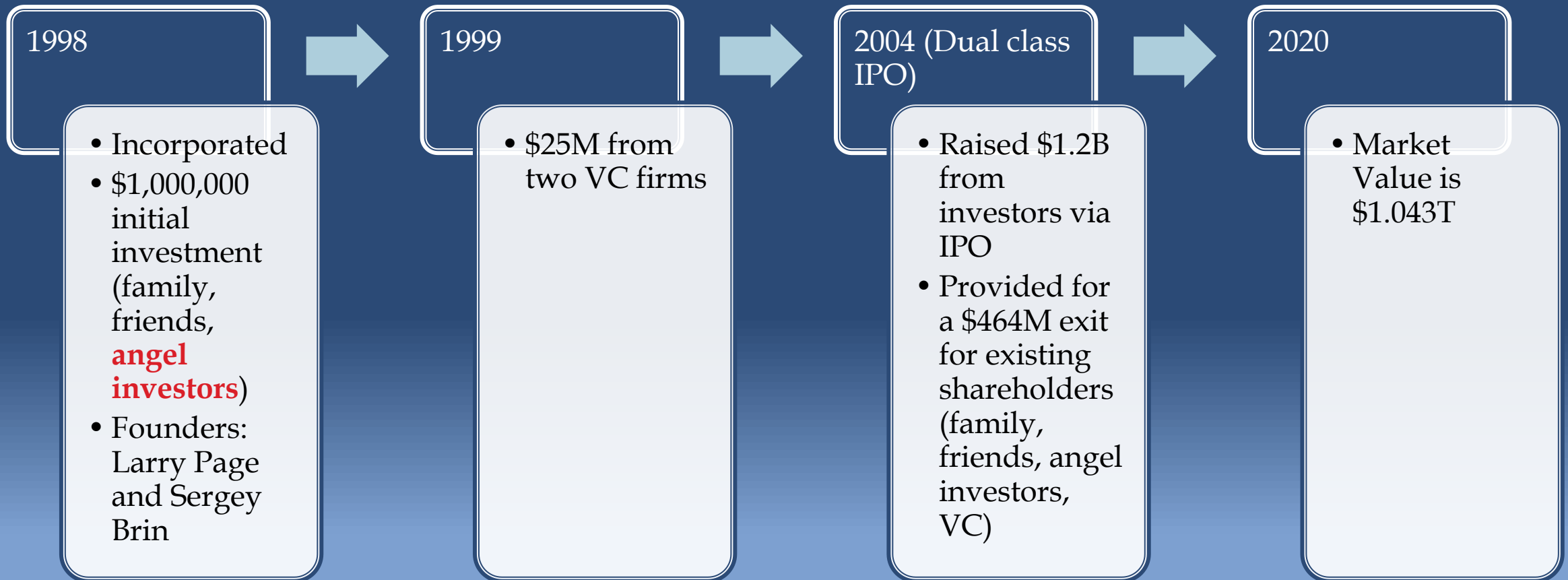
A strong *belief* in management's ability to successfully execute strategy

Defensible position

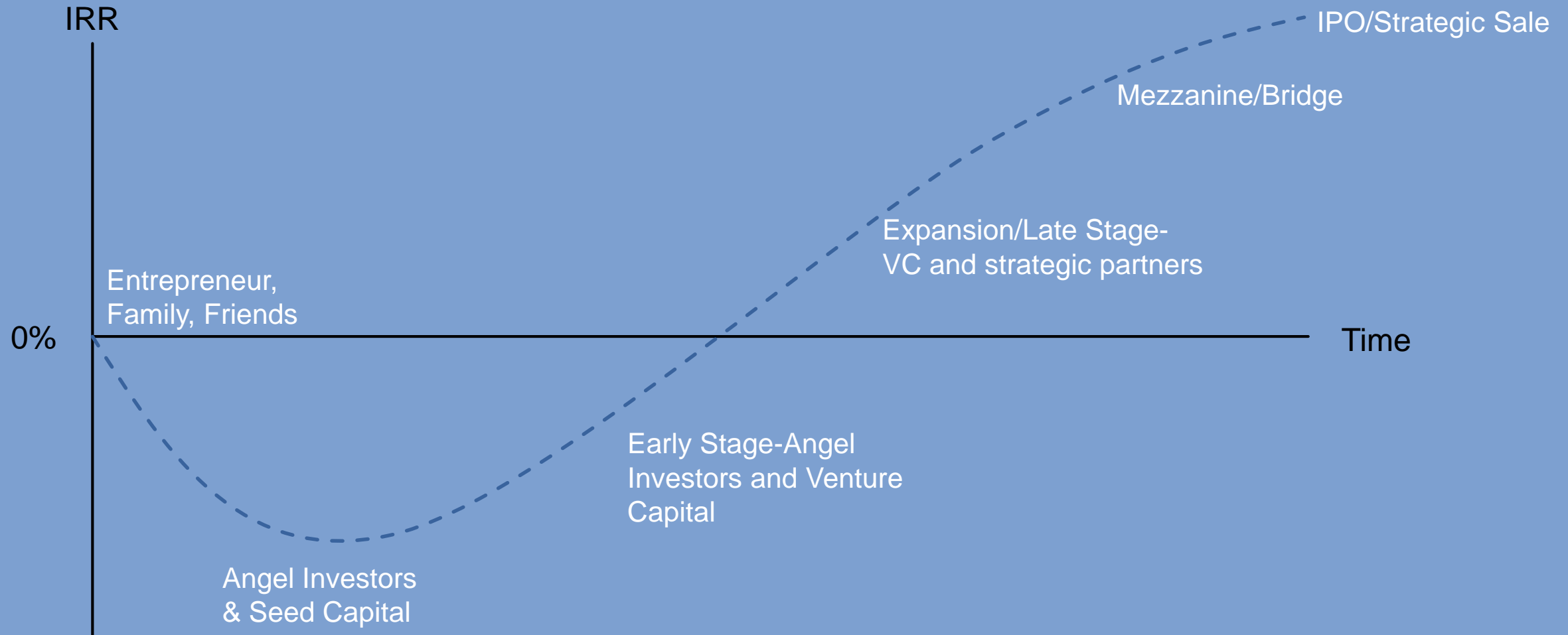
Clear *exit* strategy



The IPO of Google



Life Cycle of a Start-Up and the J-Curve



How Else Do Angels Benefit?

**Exposure to
new
technologies**

**Camaraderie
and member
networking**

**Learn from
talented
entrepreneurs**

**Intellectual
challenge**

**Interaction with
smart people**

**Share your
expertise with
entrepreneurs**

**Exposure to
investment
ideas**

**Education
seminars and
materials**

**Complimentary
food &
beverages**

Angel Deal Terms

- Rights, Preferences, Privileges and Restrictions of the Convertible Preferred Stock:
 - Liquidation Preference 
 - Voluntary Conversion
 - Automatic Conversion
 - Redemption
 - Anti-Dilution Provisions 
 - Voting Rights 
 - Dividends
- Protective Provisions
- Employee Stock Option Pool
- Vesting of Management 
- Information Rights 
- Rights of First Offer
- Co-Sale Right in Sale by Common Stock Holders
- Registration Rights
- Assignment of Technology 
- Board of Directors 
- Purchase Agreement
- Insurance
- Exclusivity and Confidentiality

Angel Deal Terms...Want to know more?

- [Series Seed](#)
- [National Venture Capital Association \(NVCA\)](#)
- [Y Combinator](#)
- [Venturesouth](#)



Diligence Update (300+ angel investors)

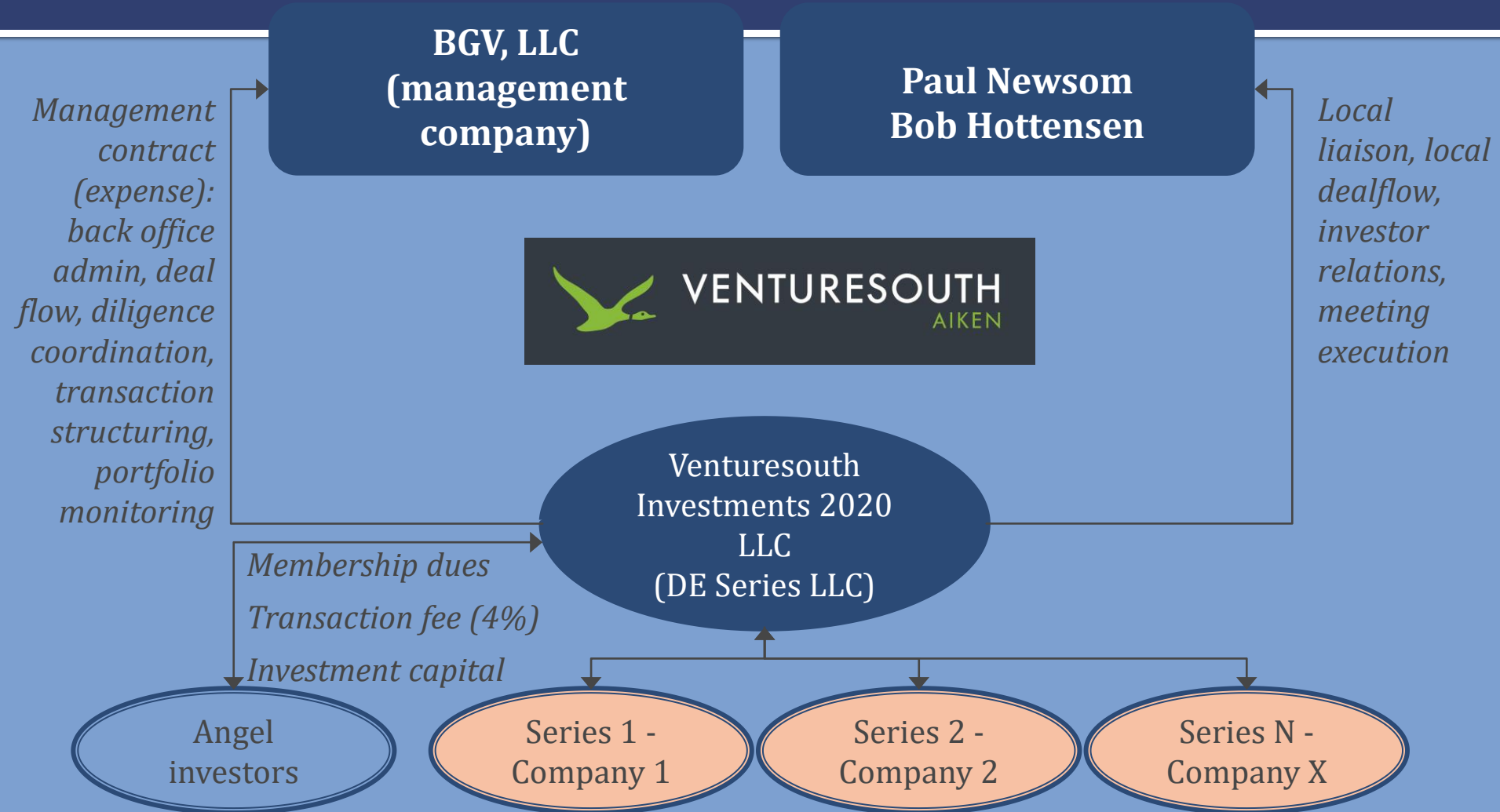
Diligence Scores



Category	Score	Notes
Concept	1.7	Strong niche with high value customers
Team	1.3	Know their stuff, been at it a while
Market	1.3	Large market, can scale quickly
Competition	1.0	Unique approach, solid industry partnerships
Technology/IP	0.3	Not proprietary, but first mover helps
Progress to Date	1.3	Over 50 clients signed up, over \$1M revenue
Path Forward	1.0	Baseline in place, now growing partnerships
Cash Flow	0.3	Need to double revenue to get to CFBE
Exit Strategy	1.3	Many potential strategic buyers
Deal Terms	0.0	Anticipating convertible note
Weighted Score	0.95	Avg = 0.xx (n=x); Invested Range = xx-xx

3 of 4 diligence team members plan to invest

Structure



Bottom Line

