

APPENDIX 4

ANGEL INVESTOR EDUCATION PROGRAM AGENDA

TOPIC	CONTENT	MATERIALS
I Introduction: A. What is Angel Investing?	<ol style="list-style-type: none"> 1. What is an “angel investor?” <ol style="list-style-type: none"> a. Historically, “angels” were individuals who financed Broadway productions b. Accredited Investor under the SEC rules and regulations: <ul style="list-style-type: none"> ▸ Individual annual income of \$200,000 or joint of \$300,000 ▸ Net worth of \$1,000,000 c. Angel investing statistics: <ul style="list-style-type: none"> ▸ Funding gap ▸ Angels invest more per year than VCs d. Characteristics of an angel investor: <ul style="list-style-type: none"> ▸ Invest locally, desiring to give back to their community and prefer to be close to their investments ▸ Often successful entrepreneurs ▸ Looking for different investment model ▸ Interested in a return on investment ▸ Typically early stage before venture financing or with VC financing 2. Why be an Angel Investor? <ol style="list-style-type: none"> a. Significant possible upside: In recent years, VC investments have boasted high returns b. Possible involvement in company c. Helping entrepreneurs: rewarding 3. Why <i>not</i> be an angel investor? <ol style="list-style-type: none"> a. High risk b. Invest only what you can lose c. Stressful 4. Options for angel investing <ol style="list-style-type: none"> a. Independently b. Angel organizations and structure c. Relationship with company 	<ul style="list-style-type: none"> ▸ Regulation D ▸ Partial reprints from selected materials on angel investing ▸ Case studies

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B. Deal Flow	<ul style="list-style-type: none"> a. Angel group members b. Other angel networks and investment groups c. Investment forums <ul style="list-style-type: none"> ▸ Generally screened so “best of breed” ▸ Industry/technology focused, or just early stage ▸ Interact and learn from experienced angel investors d. Venture capitalists e. Investment bankers f. Professionals: lawyers, accountants, bankers g. Professional/business journals h. Internet 	
II Due Diligence: A. The Process	<ul style="list-style-type: none"> a. How and when to use consultants and other third parties b. Process: What to ask; how to ask; when to ask c. Internet searching; Federal and state searches d. Expectations e. Sources for market analysis f. Sources of comparables: <ul style="list-style-type: none"> ▸ Recent IPOs (10Ks, annual reports) ▸ Recent companies funded in this space ▸ Venture One, Edgar, investment banks ▸ Verify financial model via comparables 	<ul style="list-style-type: none"> ▸ Due diligence checklists ▸ Due diligence request letter ▸ List of independent analysis resources
B. Governance/Business Structure	<ul style="list-style-type: none"> a. What are the corporate structural options and the advantages and disadvantages of each from an investor’s perspective? C corp. v. S corp. v. LLC v. LP b. Board of directors and advisory boards c. Internal structure d. Shareholder structure and options e. Typical ownership percentages for founders, key management, etc. f. What dilution means and how to calculate g. Various liquidity options h. Founder share allocations and vesting 	<ul style="list-style-type: none"> ▸ Table comparison explaining different attributes of each structure (tax, shareholder liability, ownership restrictions, etc.) ▸ Sample capitalization table showing various types of ownership and shareholder status ▸ Representative documents ▸ Example dilution tables

TOPIC	CONTENT	MATERIALS
B. Governance/Business Structure (continued)	<ul style="list-style-type: none"> i. Organizational structure: options j. Option plans: what are they and importance k. Dilution upon investment 	
C. Financials	<ul style="list-style-type: none"> a. How to read them b. What to look for c. GAAP basics d. Valuations e. Financial assumptions and revenue sources 	<ul style="list-style-type: none"> ▸ Sample financials ▸ Typical assumptions ▸ Valuation options
D. Market	<ul style="list-style-type: none"> a. Market-size assessments and questions to ask b. Competitive assessments and questions to ask 	<ul style="list-style-type: none"> ▸ Sample market plan ▸ List of market-information sources
E. Management	<ul style="list-style-type: none"> a. How to determine if the team fits the company b. What makes a good team? c. How to conduct interviews and reference checks d. How to analyze management receptiveness to input and flexibility 	<ul style="list-style-type: none"> ▸ List of management attributes to consider ▸ List of key management positions ▸ List of industry-specific needs ▸ Questions for employee and reference interviews
F. Intellectual Property	<ul style="list-style-type: none"> a. How to conduct a technology assessment/audit b. The basics of intellectual property c. How to determine if adequate systems in place to identify and protect IP d. How to use technology experts for analysis 	<ul style="list-style-type: none"> ▸ Technology audit checklist ▸ IP vignettes on patents, copyright and trademark ▸ List or samples of company IP-protection documents such as employee confidentiality and inventions agreement ▸ IP decision process and procedure
G. Operations	<ul style="list-style-type: none"> a. Components of a good operations plan b. Relationship to financials and marketing plan 	<ul style="list-style-type: none"> ▸ Sample plan

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III Term Sheets	<ul style="list-style-type: none"> a. What is a private placement? b. What is the investment process? c. What should one expect? d. What are deal-structure options? <ul style="list-style-type: none"> ▸ Common vs. preferred ▸ Rights, preferences, and privileges e. Negotiating term sheets <ul style="list-style-type: none"> ▸ Mock negotiations 	<ul style="list-style-type: none"> ▸ Example Term Sheet (annotated) ▸ Definitions glossary ▸ Case Studies
IV After the Investment	<ul style="list-style-type: none"> a. Level of Involvement <ul style="list-style-type: none"> ▸ Monitoring or participating ▸ Relationship to investment amount ▸ Individual vs. group investment ▸ Potential liabilities for board positions b. What You Want <ul style="list-style-type: none"> ▸ Information Rights (financials, annual reports, business plans) ▸ Ability to attend Board meetings 	