

Topic Inventory Summary

FOUNDATIONAL TOPICS

1) *What role should angel investing play in your total portfolio?*

- Compare Publicly Traded Companies with Alternative Assets
- Compare Financial Returns
- Unique psychic returns from angel investing
- Among Alternative Assets how much should Angel Backed Companies represent?

2) *How to construct your angel portfolio*

- Focus on for profit, impact investing, green, minority, economic development?
- Your tolerance for risk, false negatives, and false positives
- The stages at which angels invest in young ventures
- Amount of time you can invest (seek to ever serve as a Director?)
- Dollar limits & dry powder
- Minimum number of portfolio companies

3) *Ways to invest as an angel*

- Local deal flow volume & sources are factors to consider
- Syndicated Deals; Your ability to access them
- Lone wolf angels
- Crowdfunding & platforms
- Join an angel group (member managed? Venture development organization-led?)
- Angel Funds (sidecar, follow-on funds, Rain Source/Boise type funds)
- Discuss Manager Role & compensation (including carried interest)

4) *Legal, Tax & Accounting Issues*

- Prevalent corporate structures (LLCs, S Corps, & C Corps)
- Federal tax incentives for angels
- State & local tax incentives
- Voting issues (per LLC Operating Agreements vs. C Corps)

5) *Types of securities angels buy*

- Debt (convertible notes with caps & warrants); SAFE's & Revenue Participation Notes
- Equity (Preferred)
- Rights & remedies/outcomes map for possible situations after buying debt or equity (high level, not a term sheet deep dive)

MAKING YOUR FIRST ANGEL INVESTMENT

6) Presentation Materials

- Elevator Pitch
- Executive Summaries
- PowerPoints
- Business Plans
- PPMs

7) Deal Evaluation & Basic Due Diligence

- Assessing management & CEO's coach-ability
- Business model, MVP & product road map
- Financial reporting
- Validating projections
- IP assessment
- Valuation issues
- Capital Access Plan/Fund Raising Strategy to assess dilution
- Right-sizing this round
- Special considerations for regulated industries (e.g. FDA approval for life science deals)
- Pre-Mortem
- Exit strategy

8) Term Sheets

- Examples of debt & equity "plain vanilla" documents
- Negotiating valuation
- Terms & Conditions
- Relative importance of "control" versus "economic" issues

9) Corporate Governance

- Composition of the Board of Managers (BOM) and Board of Directors (BOD)
- Director versus Observer roles & responsibilities
- Voting blocs & voting issues

10) Exit pathway

- Minimal Acceptable Deal (MAD)
- Will raising VC funding be mandatory to achieve any meaningful exit?
- Requisite voting bloc to approve the exit

AS YOUR PORTFOLIO GROWS

11) Follow-on Rounds

- Dry Powder allocation
- Your decision template for participating in future rounds
- Up, flat, & down rounds

12) Coaching & Mentoring the CEO

- Informal coaching & role of the angel directors
- Formal reviews & Compensation Committee duties

13) Pivots with & without divots

- What factors suggest that now the best alternative is a pivot?
- The essentiality of keeping investors informed

14) How to be the Lead Investor

- Your role versus being a follower
- Leading the Due Diligence Team
- Filling out the round by driving the syndication
- Compensating the deal lead

15) Working with VCs

- Lack of exit goal congruence with angels due to their fiduciary responsibility to their LPs
- Their ability to block exits (and their preference stack)
- Pay to Play & getting "crushed"

16) Managing your portfolio

- Information tracking
- Marking to Market?
- Maintaining records for tax & estate purposes
- Maintaining the "exit tension" with the CEO & Directors
- Exiting the "un-exitables" (aka Zombies)
- Keeping family members informed
- Post mortems

17) Liquidity Event Issues

- IPO versus M & A (a step-by-step for each path)

Early exits versus swinging for the fences (and who will decide?)
Turning out the lights to achieve The Perfect Loss
Tax treatments

(Submitted by John O. Huston; August 27, 2017)