



NEW WORLD ANGELS  
FUNDING FLORIDA'S FUTURE™

## Why become an angel investor?

Entrepreneurs are an important component of a growing US economy. Startups create both jobs for their community and increased net worth for the founders and their investors.

Successful entrepreneurs are most likely to become new angel investors, once they have the time and resources to participate. Thus, angels helping entrepreneurs grow their businesses becomes a virtuous cycle, created more angel investors over time.

Motivations include financial returns, community, jobs, desire to affect change, continue to use and hone business skills, giving back to the community in an effort to create jobs and wealth, leveraging personal and professional networks.



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# Who are Angels?

An angel investor must be accredited, meaning she or he must generate an annual income of \$200,000 (\$300,000 as a couple) and/or have a minimum net worth of \$1 million, in addition to their home.

Angel investments can be a part of an individual's wealth management strategy. A portfolio approach helps diversify the risk.



# Ways to Invest as an Angel

## Individual, network, or fund

Over 50% (some studies say as many as 80%!) of angel funded companies fail, and virtually all the upside from angel investing comes from about 10% of funded companies.

Keys to portfolio success for angels:

1. Invest in a portfolio of ten or more companies; twenty such investments increasing the likelihood of satisfying returns.
2. Each investment must demonstrate the potential to scale to 10X, 20X or even more.
3. There does not appear to be a relationship between scalability and risk, that is, low scaling businesses, such as single store retail, seem to have the same failure rate and scalable companies, such as software companies. Lesson: Only invest in scalable startups!



## Key Diligence Areas

- Leadership: Management Team, Board of Directors, Advisors
- Opportunity: Marketing, Sales and Competition
- Finance and Capital: Lifecycle of funding
- Technology and Product
- Legal and Operations



## Term Sheet Basics

- Structuring the deal: LLC, C-corporation, preferred shares, state of incorporation
- Financial terms: Valuation, liquidation rights, redemption, preemptive rights
- Investor/shareholder rights: Governance (board make-up), shareholder voting, registration right
- Protective provisions: Anti-dilution, employee contracts, communications with shareholders
- Other issues: Confidentiality, termination, who drafts definitive docs, costs and more



## Some Deal Killers

- Unreasonable terms, especially valuation
- Excessive debt or current liabilities
- Any deception - false or misleading statements or reports
- Harmful pre-existing agreements
- Disruptive management team or shareholder issues
- Inappropriate use of proceeds
- Inadequate IP protection or ownership issues

Source: Angel Capital Association



Angel investors continue to add value after the check is written through:

- Board representation
- Strategic relationships and partnerships
- Entrepreneur mentoring
- And more.....