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# MAKING ANGEL INVESTING A WIN-WIN EXPERIENCE

Delivered by Steven M. Cohen, Scott MacColl and Brian Morin to  
Keiretsu Forum on May 5, 2021

# Who are these Angels?

## Individuals and family offices motivated to invest in private companies

Friends and Family	Wealthy Stranger Seeking Profitable Investments	Strategic Interest in business subject matter	Angel Groups (like Keiretsu Form)
			

# What Is the Sweet Spot for an Angel Financing?

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\$250k-\$1 million (too large for most founder groups to fund and too small for most VCs)

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Seed Stage (pre-revenue or pre-product launch) or Early Stage (less than \$1 mil revenues)

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Something is Done and Something is Missing – (ie product developed, market not yet established or market compelling, product development completion required)

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Government grants and bank loans not available or not sufficient

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Scalable market size – potential for significant return on investment

# What Is Basic Deal Structures For an Angel Financing?

Common Stock/Units

Preferred Stock/Units (participating or convertible)

Convertible Note

SAFE

# FINANCIAL TRANSACTION

## What Do Angels Want?

Significant Return on  
Money Invested

## What Do Founders Want?

Money to Grow Business

# KEYS TO SUCCESS

## What Do Angels Want Management to Focus On?

- Great product or service with protectible edge
- People who can make company successful
- Substantial market size with differentiation from competitors
- Capital efficient to reach valuation inflection milestone
- Ability to manage risk as company grows

## What Do Founders Want To Focus On?

- Company science or technology
- The market
- Product or service differentiators to customer
- Obtaining sufficient cash to commercialize
- Team that has already been built

# COMPANY PRESENTATION TO INVESTORS

## What Do Angels Want?

Concise Business Concept  
and Implementation Plan

- The Problem
- The Solution
- The Market
- The Competition
- The Team
- How we get from here  
to there

## What Do Founders Want?

Share the dream

# VALUATION

## What Do Angels Want?

Reasonable Valuation to Appropriately Reflect Risk

Next Round at Higher Price

## What Do Founders Want?

Highest Fair Valuation to Minimize Potential Founder Dilution

Next Round at Higher Price

# INVESTOR PROTECTIONS

## What Do Angels Want?

Reasonable Investor Protections to Manage Risk -

- Preemptive Rights,
- Information Rights,
- Approval Provisions,
- Investor Board Representation
- Not get screwed in later VC round

## What Do Founders Want?

No single investor veto rights or other special angel investor rights beyond NVCA customary rights for major investors

Angel investor rights shouldn't impede venture round

Be Left Alone – Not have Angel investor rights impede management of the company or a larger VC round

# CORPORATE GOVERNANCE

## What Do Angels Want?

Angel board representative  
to represent investor  
interests

Provide oversight to  
management

Add value, experience  
and investor relationships

## What Do Founders Want?

Do Want: Value from  
experience network CEO  
mentor “reality check”,  
feedback and input. Take  
company to VC level/board  
member experience level  
then depart for VC/independent  
director

Don't Want: Daily phone call  
or email, someone who  
thinks they are an “expert” in  
two hours a month, someone  
who needs to tell CEO what  
to do

# PERSONAL RELATIONSHIP

## What Do Angels Want?

Pleasant Experience

## What Do Founders Want?

Pleasant Experience

Example of  
Excellent  
Communication  
By Founder CEO  
To Angel Investors

**To: OtoNexus Investors**

**From: Caitlin Cameron, CEO, and the OtoNexus Team**

We have lots of exciting news to share with you in our first update for 2021. There are updates on product development, new partners, new IP, and more.

We couldn't have reached this point without great investors like you. Thank you for your unwavering support of our work. It means the world to us, especially as the world changed around us this last year. As difficult as it has been, it does clarify that tools like ours are critical for infection control solutions. Not only will this device have a tremendous impact on children's treatment, but it will also help clinicians practice antimicrobial stewardship, which benefits us all. You are part of a new medical innovation that will affect generations to come, and we are glad you are on the team.

Please enjoy the update, and as always, please feel free to contact me at any time. You can reach me at 206-919-2623 and [caitlinc@otonexus.com](mailto:caitlinc@otonexus.com).

Thanks again!

Caitlin & the OtoNexus Team

**An Angel investment should not be an adversarial experience, but a win-win relationship for both the Angel investor and the Company.**

