



MICHIGAN ANGEL SUMMIT

EXIT EVENTS – BASICS FOR ANGEL INVESTORS • SEPTEMBER 2020

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AGENDA

- Introductions
- Panel Discussion on Exits for *Angel Investing*
 - Maximize Investment Terms to Maximize Exit
 - Sale Process
 - Role of an Angel
 - Shareholder Representative
 - Post-Closing Process
- Q&A

PANELISTS



- Charles Hess – Firefox Ventures



- Yan Ness – Verge.io



- Ron Reed – Cascade Partners



- Timothy Damschroder – Bodman PLC (Moderator)

INITIAL PLANNING PROCESS

- Determine your roll as an angel.
 - Generally, be ready for prompt action. Stay informed. Be ready for the closing and helpful to process.
 - If you are on the board or have an advisory position, you could assist the founding team and its advisors to identify the right time to exit and prepare for the exit.
 - An exit may take 2-3 years, starting the process early is the best way to be most prepared.
- The company will assemble a team. Typically includes:
 - A select set of Directors
 - One or Two C-Level Executives
 - Investment Banking Firm
 - Accounting Firm
 - Legal Counsel

STAGES OF THE DEAL

- Initiation of the “Process”
- Potential Buyer List and Administration
- Confidential Information Statement (CIM)
- Preliminary Due Diligence
- Letter of Intent and Choosing the Buyer
- Primary Due Diligence
- Definitive Agreements
- Closing
- Post-Closing

ROLE OF AN ANGEL INVESTOR

- Roadmap for financings and an eventual exit.
- When in an advisory role, help confirm that financing and exit terms are standard and appropriate.
- Assist the founding team and its advisors in identifying the right time to exit and prepare for the exit.
- Could also have a roll which is different than being a company “advisor” or board member.

ROLE OF AN ANGEL INVESTOR

- Make sure you understand the “waterfall” before you invest. What is the flow of money when the company is sold?
- Make sure that you speak to your CPA to ensure they get all the information they need for your personal tax return. Be prepared and know your exit tax situation before the process starts. No surprises.

SHAREHOLDER REPRESENTATIVE

- What is a shareholder representative?
 - In the purchase agreement- the buyer and the seller agree that all decisions and post-closing clearing of funds will go through a single party.
 - Reps, warranties and indemnification claims
 - Tax filings
 - Working capital adjustment
- Make sure you (if you are in this role) or they are:
 - Trusted
 - Funded
 - Compensated Fairly

POST-CLOSING PROCESS

- Indemnification Requirements
 - Limit to angel's own actions
 - Limit to angel's pro rata share (joint vs. several liability)
 - Rep and warranty insurance
 - Consult with your advisors to ensure you understand how you are being treated under the indemnification provisions
 - Encourage management to set up a shareholder conference call with the sellers' counsel so all documents can be reviewed and questions answered
- Type of consideration to be received
 - Cash
 - Securities – Rollover equity
 - Earnout
 - Escrow

ABOUT BODMAN PLC

- Bodman PLC is one of the Midwest's leading business law firms, providing counsel to some of the most successful companies and individuals on a broad range of issues.
- Our Emerging Companies and Venture Capital practice helps startup and emerging companies address the broad range of issues they face when trying to form and grow a business. As business advisors, we also understand the non-legal, commercial and strategic side of business and provide pragmatic, down-to-earth advice that is aimed to place clients in the best position for future success.
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