

Investor Basics

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Step 1: Investor Analysis

- ▶ Accredited vs. Non-Accredited
- ▶ Amount of investment Funds
- ▶ Risk tolerance
 - ▶ Assume you may lose your entire principle investment
 - ▶ Consider other non-economic factors
 - ▶ Diversification
- ▶ Solo or Group
 - ▶ Friends/Family
 - ▶ Angel
 - ▶ Syndicate
 - ▶ Second level analyses of syndicate company

Step 2: Where to Invest

- ▶ Research
 - ▶ Competition
 - ▶ Business plan
 - ▶ Competency and analysis
- ▶ Talk to trust advisors/professionals
 - ▶ Financial
 - ▶ Industry
 - ▶ Legal
- ▶ Ask questions
 - ▶ Vision
 - ▶ Level of success

Step 3: Offering/Disclosure Documents

- ▶ What to look for:
 - ▶ Valuation (what % are investors buying for what price)
 - ▶ Dilution
 - ▶ Information/Disclosures about the company
 - ▶ Type of equity
 - ▶ Common
 - ▶ Preferred
 - ▶ Return on investment (ROI)
 - ▶ How much
 - ▶ How long
 - ▶ Can you get out
 - ▶ Consequences to getting out
 - ▶ Compensation to management (or fees)
 - ▶ How much
 - ▶ To whom

Step 4: To Ink It or Not to Ink It

- ▶ Cost of Legal Review
 - ▶ Complexity of offering and documents
 - ▶ Amount of investment
- ▶ Questions for target company
- ▶ Requested changes in documents
- ▶ Decide