

MAXIMIZING YOUR BENEFIT FROM THIS BOOK (How to use this Book)

I like to use metaphors, so let's look at snow skiing as a metaphor for angel investing. Make the leap to the idea that not everyone knows about snow skiing as a sport. It is new to you. It starts to become something you see and hear about. It looks fun, but it also looks like it could be dangerous. Someone thinks to themselves, "I know how to slide down a hill, I can walk in snow, maybe I should give this a try." If that person just grabs a pair of skis, climbs to the top of a hill, and gives it their best shot, they will most likely fall, get back up and try again a few times. But once they break their leg or some other injury, they decide it isn't "fun", and definitely not worth the risk.

On the other hand, if they invest in good equipment and lessons, find a coach to guide them down the hill, they will have a much more pleasant experience. They might start small on a bunny slope until their confidence and skills build. They get better at navigating the turns and bumps (moguls) on the hill, eventually progressing to green circle and even the occasional expert level black diamond course. They will come to love the exhilarating feel of the cool air on their face, the adrenaline from the physical exertion, the view from the top of their game, and the celebration at the end when they have had a successful run.

Being an Angel Investor can be one of the most exhilarating and personally and financially rewarding experiences you will ever know. If you follow the skier example, and embrace the idea of becoming a Compassionate Capitalist with specific intent to learn, grow, and stretch, you will prosper at many levels.

The goal of this book is multifold:

- 1) Demystify angel investing
- 2) Give the reader practical knowledge necessary to start angel investing.
- 3) Provide resources to help speed your journey in the world of angel investing.
- 4) Give momentum to the Compassionate Capitalist Movement.
- 5) Build the community of investors known as the National Network of Angel Investors.

To that end, each chapter starts with a brief intro and bullet points highlighting what will be covered in that section. Each chapter wraps up with a *Summary* section to summarize the lessons learned within that chapter and a *Next Steps* section to show you how to apply the information, use the Resource Center, and practical steps you can take to become an Angel Investor.

Here is a high-level overview to give you a taste of what is to come within:

Chapter 1: The Making of a Compassionate Capitalist provides a glimpse into one investor's journey from Executive to Compassionate Capitalist.

Chapter 2: The Economy and the Rise of Angel Investors offers a brief history lesson on the evolution and impact of angel investing on the American economy and the evolution of innovation.

Chapter 3: The Investment Cycle...from Introduction to Marriage is a lighthearted look at how investors connect with opportunities and move through the process to become an Angel investor in that company. I compare it to the process of finding a mate and getting married.

Chapter 4: Type of Capital Needed at Various Stages of the Business Lifecycle provides a foundation for the stages businesses go through as they grow and the capital that is available at each stage. This is important for any Angel Investor to understand to help mitigate the risk of a company having insufficient capital to reach its objectives.

Chapter 5: What Defines an Angel Investor explores all the different types of angel investors and how they participate, passively or actively, in the companies they invest in.

Chapter 6: When Is an Angel Investor Really a Bank? looks at the banking industry, and explores how investors can provide capital in a different manner than straight equity investment, on a shorter-term basis, and a different measurement of return on investment.

Appendix: Regulations Impacting Investors provides a lesson on the economic and financial impact of government regulatory changes over the years.

Private Equity Investment Glossary is the comprehensive ledger of terms that have been used and are currently in use regarding all the aspects of entrepreneurship and investing.

And if you haven't read it already, I hope you will read the section on *My Journey – Becoming a Compassionate Capitalist*. It is an important part of understanding the vision and application of Compassionate Capitalism.

Sprinkled throughout the narrative are 44 *Inside Secrets* that are little nuggets from my vast experience working with Angel Investors and knowledge gained over the 15 years working with capital sources. The "Secret" may be an application of the information in that section or other tidbit not directly covered in the narrative that has been shared with me by investors or something I know from my experience in dealing with investors and entrepreneurs for so long.

There is an extensive and rich Glossary provided at the end of the book in which I have made every effort to include definitions for most of the key terms used within this book, as well as explanations of the industry lingo you may hear as you begin your journey as an Angel Investor.

Inside Secrets to Angel Investing wraps up with an Appendix that provides a chronological history of the financial regulations that initially created "angel investing" and has shaped the industry of investing in private companies over the course of many decades.

A critical element in your journey of becoming an Angel Investor and embracing the Compassionate Capitalist Movement extends beyond reading this book and taking the Next Steps as outlined. I have created an online portal with resources, templates and tools that will help you along the way, as well.

Your resource center can be found at: <http://KarenRands.co/Resources>

Click on the title for this book. You will be asked to create a login and profile. Your access code is **IN THE BOOK**

Within the Resource Center you will find these valuable resources and more:

- Cheat Sheet with all the Next Steps
- Private Equity Due Diligence Check List
- Private Business Ownership & NPV Calculators
- Entrepreneur Questions Worksheet
- Company Review Assessment Scoring Tool
- Sample Investor Questionnaire (SEC)
- Capitalization Table White Paper & Sample
- Assortment Samples of Offering Documents
- Inside the deal that made Bill Gates \$350,000,000
- Personal Investment Model Template
- Milestone Tables Example
- And so much more

Start small, get your “ski legs,” and begin your journey as a Compassionate Capitalist. Make the decision to impact your local economy, and possibly the world, by financing a small company that will weave innovation into the fabric of our lives. Then, be proactive in learning about the process by finding a mentor or coach to help you navigate the journey. I welcome the opportunity to be that mentor / coach for you.

Be forewarned: learning to fall is part of learning to ski. It is very likely you will lose money in at least one of your investments, and that will be a painful lesson. However, by committing to a journey of developing your investor muscles, you will achieve a great sense of accomplishment along the way—the ability to multiply your financial efforts through the hard work of many entrepreneurs and businesses that you believe in is a profoundly rewarding experience.

Inside Secret #1

Most Angel Investors who are in the business of investing, anticipate some of their investments will fail. They mitigate risk through garnering information about the company and the market. They make a commitment to invest in multiple companies over time and to build a diverse portfolio, yet, they also only invest what they can afford to lose.

Serious investors seeking to create generational wealth through owning small pieces of multiple companies and having their investments work for them, understand the concept of discipline and commitment. It is imperative that as an Angel Investor you have the:

1. Discipline to complete due diligence,
2. Business acumen to assess the viability of the business to generate revenue and sustain operations
3. Objective evaluation on financial feasibility and the company's ability to raise or qualify for the money they need to go to the next level, and
4. Commitment to set aside capital to make at least 1-2 investments per year for at least 5 years to build your portfolio the way a Venture Capital fund would build a portfolio. Your goal should be to have 10 private investments in that time so that your exits overlap new investments.

Seasoned Angel Investors plan to build a portfolio of at least 10 investments and anticipate at least one in five will be a big win. For example, \$25,000 invested in Intel in its Early Stage investment rounds, would be worth more than \$40 million today depending on the ups and downs of the market.

The point is that the rich, affluent investor, the "millionaire next door," has already made his or her money before the public knows the company exists to put their order into their stockbroker. And with the information garnered from this book, you have the opportunity to learn those same Inside Secrets and accomplish on a private level what Warren Buffet has credited to his creating his \$60 billion fortune:

“We select such investments on a long-term basis, weighing the same factors as would be involved in the purchase of 100% of an operating business:

- favorable long-term economic characteristics;
- competent and honest management;
- purchase price attractive when measured against the yardstick of value to a private owner; and
- an industry with which we are familiar and whose long-term business characteristics we feel competent to judge.”

- Warren Buffett, *Epic Investor*