

757 ANGELS

Matching Talent and Smart Capital www.757angelsgroup.com

Summary

757 Angels, Inc. connects early stage businesses seeking capital with high net worth investors who have an appetite for early stage risk. 757 Angels is a clearinghouse for presenting quality Hampton Roads early stage investment opportunities requiring funding generally in the \$100,000 to \$5,000,000 range to a broader base of "angel" investors in order to encourage successful new business growth in Hampton Roads.

757 Angels is managed by a Board of Directors comprised of highly experienced entrepreneurs and professionals who 1) understand the subjective challenges associated with identifying promising business models at an early stage, 2) assess the capabilities and potential of a company's management team, 3) determine a fair valuation for the company, and 4) set other investment terms that fairly allocate risk between the early stage company and 757 Angels Members. Members of 757 Angels are successful "accredited investors" who seek the types of returns that are commensurate with the risk they assume in making investments in typically pre-EBITDA positive companies with truly promising financial models and strong management teams.

757 Angels seeks to de-mystify the complexity and improve the efficiency of early stage investing to help our region (a) attract successful entrepreneurs who learn of the sophistication and ready capital of our group, (b) retain its native intellectual talent who might otherwise see more opportunity elsewhere, (c) band together selflessly to increase the number of high paying careers throughout the region, and (d) enhance the business prospects generally of all the cities and counties of Hampton Roads and neighboring regions

757 Angels takes advantage of the deal flow directed by the broad spectrum of its Members and others to find the best opportunities to present to our Members. Unlike many other angel groups, our Members choose individually whether to invest in a presented opportunity and 757 Angels takes no carried interest in any deal. Members of 757 Angels become exposed to pre-vetted investment opportunities in early stage companies that they likely would not encounter were it not for our group. 757 Angels provides more than capital. Membership is about much more than attending meetings.

The group also provides a forum to educate entrepreneurs and investors who actively exchange information and ideas regarding the formation, financial modeling, development, and structuring of early stage companies before, during, and after the meetings. Not all companies that present will get the capital they seek; some companies who are not chosen for meetings will be funded anyway by Members who learn of them in the vetting process. All involved will learn material lessons about which models truly have promise, and perhaps more importantly, which don't.

Entrepreneurs win because they get assistance, perhaps capital, and learn a lot about what their prospects really are relatively early in their life cycle so they can adapt or even abandon their plans if necessary. Members win because they get access to promising companies looking for capital on fair terms. The residents of Hampton Roads win because 757 Angels enhances its well-

deserved reputation for being a great place for businesses to grow and for businesses outside the area to relocate.

Structure

- We have a Board of Directors (“Board”) of experienced entrepreneurs and business leaders who provide high level supervision to the vetting and selection process.
- 757 Angels is staffed by a highly-experienced Executive Director capable of vetting potential investment opportunities and selecting quality companies to present to our Members. The Executive Director’s work may be supplemented with free intern labor provided by regional colleges and universities.

How Do We Operate and Fund Our Operations?

- 757 Angels operations are funded by our Members through membership fees.
- We have three different classes of Members - Founders, Contributing Members, and Supporting Members. To assure the sustainability of the organization, Founders and Contributing Members must commit operational funding through the payment of membership fees for three years of 757 Angels' operations. The annual operating budget of 757 Angels is expected to be no more than \$250,000.
- **Founders**
 - These individuals and business entities (public, private, or foundations) commit to pay a membership fee of \$5,000 each year for three years. Entities with more than 25 employees must be Founders.
 - Business entities which are Founders must appoint at least one accredited investor as their representative. Founders are entitled to appoint up to six representatives provided that each representative is an accredited investor.
- **Contributing Members**
 - These individuals and entities will commit to pay at least \$2,500 each year for three years. Entities with 25 or fewer members may be Founders or Contributing Members.
 - Entities which are Contributing Members must appoint at least one accredited investor as their representative. Contributing Members are entitled to appoint up to three representatives provided that each representative is an accredited investor.
- **Supporting Members**
 - Open to individuals only, these leaders will pay \$1,500 per year for the opportunity to attend each meeting for that year.
 - Each Supporting Member must be an accredited investor.
- No Member or representative of a Member will ever be required to invest in an opportunity unless they so elect. However, each Member and each representative of a Member is expected to make at least one (1) investment, in a company presenting at 757 Angels Membership Meetings, over a rolling three year period. The membership fee is not included in this total.

- Each Member must complete a membership application. Each representative of a Member which is an entity, and each individual Member must also confirm their status as an “accredited investor” which will entitle them to register themselves on the GUST platform to assure access to the important information that will be housed on that site. Any such individual is entitled to access the password-protected information contained on the 757 Angels website/GUST once they have so registered. Upon receipt of a completed application, members will also be given access to the Angel Capital Association (ACA) website. The ACA is a trade association rich with educational and research resources available at no extra charge to 757 Angel Members.
- Each Member and all representatives of business entity Members will be entitled to attend each meeting of 757 Angels. Members are encouraged to recommend others for membership.
- 757 Angels has meetings at least three times per year to present two or three qualified investment opportunities at each event. Meetings will be held on the dates set by the Board, but will never be held during the months of December, July or August.
 - Meetings will begin around 5:00 pm and refreshments will be available. During our dinner meeting each company will have 25 minutes to present and answer questions. Members of our board will then take Q&A for an additional 10 minutes after the company leaves the room. Meetings will end at approximately 8:00 pm and will be followed by cocktails and a chance for members to interact and discuss the presenting companies.
 - After each presentation, 757 Angels Members will fill out a detailed questionnaire intended to provide objective, anonymous feedback to the presenting company. This feedback will also be made available to the other Members who may be considering making an investment in the company. On the questionnaire, the Member will indicate if he or she is interested in investing and, if so, the Member will also indicate whether he or she would like to participate in a company led conference call or in person meeting to learn more.
- After a meeting, presenting companies are provided with a list of interested Members. Companies are encouraged to contact interested members directly. Members are invited to contact the presenting companies either individually or as a group, directly or indirectly through GUST. 757 Angels Members do not vote as a group on whether to make an investment in a selected company. Instead Members will make their own, individual investment decisions.
- Members and representatives of Members are required to abide by the 757 Angels Rules of Membership and Code of Conduct, a copy of which will be provided to each Member. Presenting companies will be required to abide by their own Code of Conduct.
- Service providers (law firms, accounting firms, marketing firms, and individuals who are service providers etc.) are permitted to become Founders, Contributing Members, or Supporting Members (individuals only) but direct marketing efforts will be constrained by the Rules of Membership and Code of Conduct.
- For members interested in making investments less than the minimum investment amount required by a presenting company, members can pool smaller investments into an LLC. 757

Angels agrees to facilitate to creation of the LLC if a minimum of \$50,000 is attracted to the underlying deal. If the LLC attracts \$50,000 the LLC will charge an annual fee of \$1,500 split between LLC investors on a prorata basis for the first five years. In its sole discretion, the company can determine whether it will accept LLC investment and the LLC will be subject to customary LLC documentation.

Qualification Process

- 757 Angels works with the region's gatekeepers (incubators, accelerators, accountants, lawyers, etc.) as well as Members to build a strong flow of opportunities to further vet and present to its Members.
- 757 Angels encourages early stage companies to contact the group via the website. Our Executive Director will then review all information submitted by early stage companies through GUST.
- The Board of 757 Angels then decides which companies to put through the vetting process. A clear preference will be to choose businesses providing the highest quality investment opportunities to the members of 757 Angels. Potential investments that are headquartered outside of Hampton Roads may be evaluated. However, assuming comparable investment quality, a clear preference will be to choose businesses headquartered in Hampton Roads for presentation to our Members. Moreover, Hampton Roads investment opportunities must derive or expect to derive a significant portion of their revenues from customers located outside of Hampton Roads. While these criteria are not designed to ignore the value of so-called "lifestyle" or tourist-oriented businesses, it is designed to better support an influx of dollars into the area (hence growing our economy) rather than from one Hampton Roads company to another.
- 757 Angels will vet potential investment opportunities to confirm basic strengths and weaknesses of the opportunity across a structured set of criteria. After the initial review, the Executive Director will recommend a group of companies to the Board. The Board will then select the most compelling opportunities and select a multi-disciplinary diligence review group from the Board and or Membership to then do a deeper dive on each company with its management. Included in this deeper dive is a review of the type of offering (equity or debt), the size of the offering, the pre-money valuation implied by the offer, and other terms accompanying the offer. This process is meant to help management understand better what will be attractive to potential investors, and to generally help the management team make a more successful presentation to the group should they be chosen. Companies will be encouraged to tailor their offerings in simplified structures (such as straight equity or convertible notes) that enable limited cost negotiation following the decision by one or more Members to invest so the company can retain as much of each dollar invested as possible.
- At the next Board meeting, the diligence teams will discuss their findings and the Board will select two or three to present to the group at its next meeting.
- Companies initially recommended to the Board for vetting by the Executive Director (not just those ultimately selected to present at a meeting) will have their application materials including an executive summary posted on the 757 Angels GUST password protected site so all members can review those opportunities at the earliest possible time. This posting enables a broader array of companies to begin to attract attention from Members, even if they are not chosen to present at the next meeting.

- The Executive Director and the vetting team will then help the selected teams prepare to present the opportunity at the meeting

Membership

Potential Members interested in joining or learning more about 757 Angels should contact either Paul Hirschbiel at phirschbiel@edencapital.net , John Paris at jparis@williamsmullen.com or Monique Adams at moniqueadams@757angelsgroup.com.