



Dear Prospective *Northern Michigan Angel*:

We would like to invite you to join the Northern Michigan Angels Investment Club. As you know, Northern Michigan is facing its greatest economic hardship in history. An unprecedented number of jobs have been lost with profound and ongoing rippling effects throughout the region.

Business start-up and expansion is one of the primary keys to economic development at the local level. In fact, many of Michigan's most successful companies were start-ups in their own right. Most entrepreneurs agree that raising capital is the primary obstacle hindering their growth. While venture capital firms receive a great deal of attention, the fact is that VC's currently invest about 2% of all venture funds in seed and early stage deals.

In the Northern Michigan region, few venture or angel sources are making investments in early stage companies today. In addition, those venture firms outside the region are of little help. Since venture capital funds have increased in size in the past decade, their minimum investment has correspondingly increased to the point where few VC's today consider financings of less than \$3 million.

The goal of the Northern Michigan Angels is to fill the gap between "friends and family" and traditional VC financing for companies in the Northern Michigan area. Funding and assistance from Northern Michigan Angels will allow an early stage company to accomplish critical growth milestones that will make it attractive for a larger follow-on venture capital financing or strategic acquisition sometime in the future.

National statistics demonstrate clearly that small hyper-growth companies are the major source of new jobs AND new wealth formation in our economy. The Northern Michigan Angels seek to participate in these growth trends - creating a vibrant healthy economy in Northern Michigan while also producing healthy economic returns.

The best way to appreciate what membership has to offer is join us at our pitch event meetings where we hold preliminary reviews of applicant companies or at our dinner meetings where applicant companies make formal presentations.

We welcome you to join this outstanding team of executives, professionals and entrepreneurs who make up the Northern Michigan Angels as we seek to promote economic growth and job creation through investment in small businesses in our community.



**Northern Michigan Angels (“NMA”)** is a select network including successful entrepreneurs and other business leaders in the Northern Michigan area, who provide accredited investment capital, strategic advice and mentoring to early-stage companies to help them achieve market leadership. NMA will target deal flow in industries unique to Northern Michigan, including agriculture, technology, light manufacturing, logistics and healthcare.

The mission of the Northern Michigan Angels network is two-fold: to help grow the economic base of the region through the rapid growth of early-stage companies and to provide members an outstanding financial return on their time commitment and invested capital.

Promising companies that meet the following criteria are more likely to be of interest to NMA.

**Applicant Company:**

- Is headquartered within a two hour drive of Northern Michigan
- Is seeking investment of \$1 million or less from NMA
- Is seeking to close its first round of investment with a professional investment group
- Has a market opportunity sufficiently large enough to provide for significant growth of the business
- Has a compelling, well articulated strategy for capturing a significant market share
- Has strong management with relevant experience, a successful track record, a desire for advice and coaching and a willingness to listen
- Has an exit strategy

Companies that meet the criteria listed above should spend the time to apply for funding through NMA at [www.northernmichiganangels.com](http://www.northernmichiganangels.com). Click through on the Entrepreneur page to [www.GUST.com](http://www.GUST.com) to set up a profile and submit your company information. Entrepreneurs applying for funding are asked NOT to share information deemed confidential or proprietary with NMA in applications or written correspondence.

Interested in becoming a Northern Michigan Angel? Accredited investors should visit [www.northernmichiganangels.com](http://www.northernmichiganangels.com) for more information and an application or call Deanna Cannon to learn more about this exciting organization at 231-932-1280.



The following is a list of the Frequently Asked Questions (FAQ) that may help potential members better understand various aspects regarding *Northern Michigan Angels*.

**Q1: What is Angel Investing?**

A1: Angel investors have proven themselves to be an integral part of the capital market, particularly for funding start-up companies and providing the seed-stage financing of businesses. The term “angel” refers to high-net worth individuals, or “accredited investors,” who typically invest in and support start-up companies in their early stages of growth. In the financial world today, angel investors are a critical and essential part of a healthy economy, particularly for the establishment and growth of early-stage companies. Experts estimate that, on a cumulative basis, the level of investments made by angels over the last 30 years has been double that of investments made by venture capitalists.

*\*\*According to statistics published by the National Venture Capital Association and the Center for Venture Research, University of New Hampshire*

**Q2: How is Northern Michigan Angels structured?**

A2: Northern Michigan Angels is a network of investors (referred to in this document as "angels" or "participants") that meet criteria for Northern Michigan Angels and agree to participate in the activities of Northern Michigan Angels. As an entity, Northern Michigan Angels, L.L.C. (a Michigan limited liability company) exists to organize, coordinate, and facilitate activities and investments by Northern Michigan Angels. By paying dues and participating with Northern Michigan Angels, an angel is not an owner (i.e., a member) of the entity. As such, angels do not receive K-1s or have any responsibility for capital contributions to the entity. Northern Michigan Angels is NOT a “fund” where an investment board determines if an investment will be made on behalf of other investors. Instead, each angel is responsible for making his or her own decision whether or not to invest in an opportunity. The entity simply coordinates and helps standardize the investment process.

Northern Michigan Angels, L.L.C. is an independent entity in the Traverse City area with a local board of directors. The angel group has established a network with and receives assistance from other angel groups in the State in providing ongoing angel education and sourcing and facilitating deal flow.

**Q3: How is Northern Michigan Angels administered?**

A3: The Northern Michigan Angels, L.L.C. board has appointed an Executive Director to currently serve on a volunteer basis and has hired part-time administrative assistance both of whom handle recruitment and management of members, marketing and public relations, event management, initial screening of participants, etc.

**Q4: How will investment opportunities be evaluated?**

A4: NMA has adopted best practices from the Angel Capital Association and other angel groups to make deal evaluation as simple and efficient as possible. The criteria listed on the previous page will be the initial guidelines, but each deal is evaluated on its own merit.

All Northern Michigan Angels have access to a confidential and secure website customized for Northern Michigan Angels by Gust, the top provider of deal flow software - <http://gust.com>. These web-based tools are available to review documentation associated with potential deals, evaluate, score and rank each deal, and communicate concerns and/or comments with other angels via e-mail and the Northern Michigan Angels private website.

Ultimately it is the decision of the screening committee, comprised of active Northern Michigan Angels, that gets a company invited to present to the full group at an evening or breakfast/deal meeting. Once the company has presented, if there is interest from the group, an angel will be selected to “champion” the deal and coordinate subsequent communications with the entrepreneur and coordinate negotiation of investment terms, due diligence, communications with Northern Michigan Angels, and closing of deal.

**Q5: As a participant in Northern Michigan Angels, what is my expected level of participation?**

A5: The level of involvement by individual angels is left to each angel’s discretion. Typical angel investment groups see 1/3rd of members actively involved in all aspects of the group, attending all meetings, helping screen potential deals, involved in due diligence, post-investment support, etc. Another 1/3rd of the membership is occasionally involved. The remaining 1/3rd are rarely involved, relying heavily on the opinions of more active angels when making investment decisions.

**Q6: What is the minimum annual investment commitment required of angels?**

A6: Angels are required to pay \$2,000 annual dues and it is anticipated that they will make minimum investments of \$5,000/deal for the companies they decide to invest in. Annual dues are adjusted from time to time, and are set to defray the costs of the organization. Dues are not capital contributions or other investments in the Northern Michigan Angels L.L.C. As the club matures, it is anticipated that angels would invest \$25,000 annually in companies that are presented, contingent upon high-quality investment opportunities being made available to the group. Angels will make individual investment decisions and will not be required to make an investment if not interested in the investment opportunities presented to the group.

**Q7: What will my annual membership dues be used for?**

A7: Northern Michigan Angels' dues will be used to offset administrative expenses for operating the organization. Such expenses include administration time to manage deal flow, educational seminars with a professional moderator, hosting pitch events, holding screening committee meetings, communications, other related administrative expenses, legal fees, etc.

**Q8: What do I get as a Northern Michigan Angel?**

A8: Northern Michigan Angels will have numerous benefits including:

- Access to pre-screened investment opportunities.
- Participation with a larger group of sophisticated investors to evaluate investment opportunities.
- Potential networking and possibly co-investment with other angel group members.
- Access to best practices in angel investing and other educational opportunities and membership in the Angel Capital Association (<http://www.angelcapitalassociation.org>) and discounts at ACA events.
- Opportunities to participate in the due diligence process for those companies in which you are interested in investing.
- Names and contact information for all Northern Michigan Angels.
- Your annual dues cover your meals at pitch events/deal reviews and registration fees for Northern Michigan Angel sponsored events.
- Annual dues include the opportunity for a spouse to participate in Northern Michigan Angel activities as an Angel. However, to help cover expenses, spouses may be required to pay registration fees for dinners and/or events.



## Application Process

For accredited investors (defined on the following pages) interested in becoming an angel member in Northern Michigan Angels, annual dues are \$2,000 and pro-rated for the first year you join.

- Checks should be made payable to Northern Michigan Angels, L.L.C.
- Your Membership demonstrates your willingness to invest, with a goal of a minimum of \$25,000 annually, provided high-quality deals are made available that are of interest to you.
- Your Membership demonstrates your willingness to volunteer in the activities of the organization and use your skills and expertise, as appropriate.
- We hope you will share information about the organization with other accredited investors that may have an interest in becoming a Northern Michigan Angel.

If you are an accredited investor and would like to become a Northern Michigan Angel, please print and complete the following questionnaire and “Confirmation of Accredited Investor Status” form, which will remain confidential and securely filed at Northern Michigan Angels. Our Board of Directors reviews and approves all applications for Membership. Please include a check for annual dues at the pro-rated amount and mail the next four pages to:

Deanna Cannon  
Northern Michigan Angels, L.L.C.  
161 E. Front St. Suite 210  
Traverse City, MI 49684



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### Northern Michigan Angels Application

Please answer the following questions regarding your interest in joining **Northern Michigan Angels**. Your answers will be used to help manage the group, possibly provide assistance or contacts to entrepreneurs and/or portfolio of invested companies.

1. Name: \_\_\_\_\_
2. Are you an accredited investor? (Review attached document for guidelines)
  - Yes
  - No
3. What is your preferred investment range per deal? \_\_\_\_\_
4. What County is your primary residence located? \_\_\_\_\_
5. Are you interested in assisting with preliminary screening of potential deals?
  - Yes
  - No
6. Would you like to be contacted regarding various opportunities to sponsor the Northern Michigan Angels dinner/deal reviews or related events?
  - Yes
  - No
7. Do you have any potential deals that you would be willing to share with other members of the Northern Michigan Angels?
  - Yes
  - No
8. Are you interested in investing in a Northern Michigan Angels Paid-in-Pool or sidecar fund, if we decide to establish one?
  - Yes
  - No
9. Please list your area of expertise and/or investment interest:  
  
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10. Have you been or are you currently the subject of, a defendant in, or respondent in any investigation, civil litigation, arbitration, or other action or proceeding in which your professional conduct, in either a direct or supervisory capacity, was at issue?
- Yes
  - No
11. Have you been or are you currently the subject of a written complaint regarding your professional conduct in either a direct or supervisory capacity?
- Yes
  - No
12. Have you been or are you currently permanently or temporarily prevented from: (i) acting as a person regulated under any law or regulation (e.g., investment advisor, insurance agent, broker, dealer, etc.); (ii) acting as an affiliated person or employee of any entity required to be registered under any law or regulation (e.g., investment company, insurance company, brokerage firm, bank, etc.); or (iii) trading on any securities or commodities market?
- Yes
  - No
13. Have you been or are you currently found to have violated, aided, abetted, counseled, commanded, induced, or procured the violation by any person or entity of any securities or commodities-regulated law or regulation or any rule promulgated thereunder?
- Yes
  - No
14. Have you been convicted of or pleaded no contest to (i) any felony or other crime punishable by more than one year in prison, or (ii) a misdemeanor involving moral turpitude (lying, cheating, stealing, or other dishonest conduct) or any substantially equivalent crime in any court of law?
- Yes
  - No



**Confirmation of Accredited Investor Status**

Name of Individual or Organization	
Social Security, Tax Identification, Passport Number	
Street Address	
City	
State	
Zip	
(Area Code) Phone Number	Fax
Email address	

The undersigned hereby confirms that (s)he or the organization that (s)he represents is an accredited investor as defined in Rule 501 of the Securities Act of 1933. The undersigned, or the organization that the undersigned represents is an accredited investor because (s)he/it is (please indicate):

\_\_\_\_\_ a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million, not counting the equity in the primary residence of the person<sup>1</sup>;

\_\_\_\_\_ a natural person with income exceeding \$200,000 in each of the two

<sup>1</sup> In calculating the net worth, indebtedness that is secured by the primary residence, up to the estimated fair market value of the primary residence at the date of an investment, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the investment exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and indebtedness that is secured by the primary residence in excess of the fair market value of the primary residence shall be included as a liability.



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most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year;

\_\_\_ a bank, insurance company, registered investment company, business development company, or small business investment company; or

\_\_\_ an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million.

## **Confirmation of Accredited Investor Status (continued)**

\_\_\_ a charitable organization, corporation, limited liability company, or partnership with assets exceeding \$5 million;

\_\_\_ a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases are directed by a person who has such knowledge and experience in financial and business matters that such person is capable as evaluating the merits and risks of prospective investments;

\_\_\_ a trust that is a revocable trust in which the grantor is an accredited investor under one of the categories above; or

\_\_\_ a business in which all the equity owners are accredited investors.

I will notify Northern Michigan Angels immediately if my status changes such that I would not constitute an accredited investor in accordance with the foregoing.

Signature \_\_\_\_\_  
Date \_\_\_\_\_

Information in this document is CONFIDENTIAL and will be stored in a secure location.