Due Diligence Overview and Roadmap

## The Purpose of Due Diligence

* Identify Risks
* Identify Deal Breakers
* Determine if the company could be a viable investment for the fund portfolio (return based on market size, valuation, competition, etc.)

## How Team Members can Contribute

* Ask “dumb” questions
* Try not to get emotional
* Have an opinion
* Let others have an opinion
* Trust the process and group
* If you “don’t know,” then don’t buy
* Don’t let the loudest voice carry the group
* Be objective (don’t drink the KoolAid, or poison the well)
* Protect the fund
* Respect the Entrepreneur

## Overview of the Process

* Document Request
	+ Executive Summary
	+ Pitch Deck
	+ Application
	+ Org Chart
	+ Financials & Taxes for each year the company has been in business
	+ Current team resumes/bios
	+ Detailed plan for use of funds
	+ Detailed terms of offering with term sheet
	+ Market Research
	+ Competitor List
	+ Customer list and contact information
	+ Cap Table
* Initial/Kick-off Meeting
	+ Introduce team and individual strengths
	+ Review materials (ALWAYS review P&L, Balance Sheet, Taxes, and Cap Table)
	+ Set which concerns are deal breakers
	+ Assign team members to investigate deal breakers (based on strengths) including choosing a lead.
* Regroup/Discuss
	+ Discuss status of deal-breakers
	+ Review new findings
	+ Set on-site meeting with company/CEO
		- Set question list for CEO
		- Set who leads meeting for fund
* Meet with Entrepreneur/Team
	+ Tour offices and meet staff
	+ Interview CEO and other key executives
* Debrief from On-site meeting
	+ Impression of office space
	+ Impression of team
	+ Traits of CEO
		- Coachable?
		- Responsive?
		- Intelligent?
		- Integrity?
* Identify New/Outstanding Items
* Decide on recommendation
	+ Is the CEO/Team can execute and be responsive?
	+ Is the market is big enough to offer a 10X return?
	+ Does the company have a viable path to exit?
	+ Is the business model/product/technology disruptive?
	+ Are the terms acceptable (Valuation, round, liquidation preferences, board seat, etc)
	+ Is the business model capital efficient?
	+ Is the company at the appropriate stage for Angel Investment?
	+ Will the investment money be put to good use?
* Write Report
	+ Each team member should be assigned to at least one section
	+ Report sections:
		- Investment Decision and Terms
		- Major Upsides and Risks
		- Financials Overview
		- Market/Sales overview
		- IP/Product overview
		- Team Overview
		- Competition Overview
		- Customer Interviews & Feedback
* Present to Membership
	+ Decide who will be lead for presentation and Q&A
	+ Assign team members to present their respective sections (2 mins max)