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)