DEAL FLOW BEST PRACTICES
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Deal Flow Overview

Active deal flow is key to successful angel investing. Maintaining a strong pipeline of prospective companies in which to invest requires constant interaction with the local startup ecosystem. A good target is to review an average of 8 – 12 companies per month (100 – 150 / year). From these, TiE Angels typically invest in 5 – 10 new deals per year, along with a handful of follow-on investments. Deal flow tends to be seasonal, with greatest deal velocity occurring in early winter (Oct – Dec) and spring (Mar – May). Summer is typically slower as investors are traveling on vacation at some point.

- **Sourcing:** Initial deal review, often a cursory review of a pitch deck, executive summary, or application package. No more than 5 – 10 minutes. Are the market opportunity and proposed problem/solution attractive?
- **Prescreen:** 30 – 60 minute phone, video, or in-person meeting. Are the general components of the business model addressed? Does the entrepreneur have a first-level understanding of the market, competition, technology, etc? Is the funding ask reasonable?
- **Screen:** 30 – 40 minutes, in-person (preferable) or remote. Committee review; deep dive on key issues. What key components of the business model still need to be refined? Can these be overcome or are they terminal issues? Is the entrepreneur/founding team coachable? How do they respond to feedback?
- **Pitch:** 10 – 20 minutes, in-person (remote only if absolutely necessary). Large investor group. Open discussion to assess interest level, whether to move to diligence, and what key issues need to be addressed during diligence. Who is interested in the deal? Who is willing to participate in diligence?
- **Diligence:** 4 – 8 weeks. Detailed review of company documents; independent assessment of market opportunity, competitive landscape, financial projections, technology, IP, investment documentation, etc. Investment recommendation for angel group. What are the key strengths and risks? Justification for investment recommendation. Who will invest and how much?
- **Invest:** 1 – 2 weeks. Coordinate investment document distribution. Follow-up to ensure execution of documents and wire transfers. Record keeping.

An important part of the overall deal flow pipeline (and to establishing a TiE chapter as integral to the startup community) is providing constructive, actionable feedback at every stage. Capital investment is not the primary role of TiE in the startup community and each prospective entrepreneur should receive at least some insight as to how best to improve his or her business. The depth and detail of that feedback varies greatly, but every effort should be made to provide value. In the long run, this approach almost always leads to high quality deal flow and positive reviews of the chapter and value of the larger TiE organization.

**Deal Sourcing**

Examples of how a new deal might arrive at TiE include:
• Application via chapter website
• Cold contact by entrepreneurs
• Recommendations by charter and entrepreneur members
• Applications through Gust or other investment platforms
• Business plan and pitch competitions (chapter-hosted and others)
• Startup conferences
• Local meetups, such as New Tech Northwest or Code Builders (meetup.com is a great resource)
• TiE programming, such as Pitch Club, Mentor Connect, Meet & Greet lunches, bootcamps, etc.
• Deal sharing with other TiE chapters¹
• Referrals from and deal sharing with other angel groups
• Referrals from and deal sharing with local venture capital firms
• Partnerships with incubators and accelerators
• Social media outreach and calls for applications

Not all sources carry the same weight. Recommendations made by charter members with a good track record of picking companies may require only a cursory introduction before fast tracking to pitch at an investor meeting. By contrast, applications coming through the chapter website or from unsolicited emails should be viewed with greater scrutiny and subjected to more rigorous preliminary screening.

The pipeline’s goal is to allow only those companies at the right stage of development and fundraising to pitch at investor meetings. See Appendices 1 and 2 for prescreening topics and suggested criteria for choosing the right companies, respectively. None of these are hard and fast rules as a balance must be struck between strict criteria that stifle deal flow and permissive criteria that dilute deal quality.

Various TiE chapters, such as Atlanta, Boston, and Oregon, have established themselves as pillars of their local startup communities. They provide a foundation of resources, guidance, networking, and capital to students, entrepreneurs, and investors. As a result, these chapters benefit from recurring community interest and a virtuous cycle of startup development, mentorship, investing, and growth.

Preliminary Interview

For companies reaching out without a warm introduction, an initial review of the deck should be completed prior to offering a preliminary interview. Companies with warm introductions are usually given an initial interview up front. The preliminary interview serves multiple purposes, from determining growth stage to whether the company and CEO align with TiE chapter’s culture and expertise. Companies typically fall into one of three categories: definite pass, definite approval, and potential but missing key components (majority). Charter member backgrounds, industry experience, typical investment activity, company competition, and chapter portfolio all factor into this decision.

Deals recommended by seasoned charter members or referred through other angel networks may require only a cursory interview (as short as 15 minutes) to review the pitch deck and understand basic deal metrics (total raise, amount remaining, deal terms, major investors, etc.). Most companies, however, require more extensive investigation (~1 hour) prior to progressing through the deal flow pipeline. See Appendix 1 for a detailed breakdown of salient interview topics.

¹ See TGA website for more details: http://angels.tie.org/
If a prospective company is not a good fit, determine why and offer constructive, actionable feedback. Identify areas of weakness (e.g. business model, crowded market, not addressing a problem, team deficiencies) and provide suggestions for improvement. For companies the chapter will clearly decline, connect founders to alternative resources. For example, introduce ill-fitting companies to other local angel groups more likely to invest in their business model or target market. Companies missing key founding team experience should be directed to co-founder resources.

If a company is deemed a good fit for the chapter, several important topics are addressed prior to progressing to the investor meeting stage. These include:

- Areas of the pitch and business model needing improvement to be successful in front of investors
- Historical (if available) and pro forma financial documents
- Target raise amount, use of funds, and exit strategy

Any founder unwilling to accept constructive criticism or feedback, especially about exit strategy and financial projections, may indicate they are hard to work with and pose a threat to successful return of investor money.

Promising companies not yet ready to pitch for funding are directed to the chapter’s mentors and programming. When possible, connect founders with charter members willing to act as advisers with appropriate industry expertise. Encourage founders to join the chapter (if they haven’t already) and invite them to pitch practice and other chapter events to help them network with investors and other entrepreneurs.

Regardless of fit, lay out key milestones to help company grow. Except for a definite pass, identify when a company might be ready to pitch. Example milestones include:

- Improved pitch deck
- Revenue target (e.g. if pre-revenue, bring in first paying customers; if post-revenue, specific MRR or ARR)
- User/customer count
- Product development
- Strategic partnerships
- IP filings or issuance

Discuss typical investment timeline but stress to the founder that the chapter and charter members are under no obligation to follow through with investment or even invite the company to pitch. Much depends on the effort and diligence of the founding team to achieve identified milestones.

**Screening**

Screening meetings are an optional intermediate step before a company presents at an investor meeting. Not all companies require extensive review, but screening meetings add an extra level of qualification to ensure only high-quality companies continue through the pipeline.
The screening committee is typically composed of 4 – 6 active charter members, including the angel program chair or chapter president. These members should be active investors and engaged with the programing and mentoring efforts of the chapter. Former entrepreneurs (either startup founders or CEOs) with successful exits are good choices for committee members.

A typical screening meeting brings in three companies to drill down into key areas of the business plan that are weak or need clarification. Each company is given 5-10 minutes to present followed by questioning from the committee. Suggested agenda for a screening meeting is:

12:00 – 12:05 pm: Arrive and meeting overview
12:05 – 12:40 pm: Company 1 presentation and Q&A
12:40 – 12:45 pm: Discussion and decision
12:45 – 1:20 pm: Company 2
1:20 – 1:25 pm: Discussion and decision
1:25 – 1:55 pm: Company 3
1:55 – 2:00 pm: Discussion and decision

Following each pitch, the committee discusses the company’s merits and determines whether they are ready to present to investors, need additional time to develop, or are unlikely to receive funding and should be declined.

Actively take notes during presentations and discussion in order to provide actionable and relevant feedback to presenting companies. Feedback should be provided within 2-3 days post-screening:

• If the committee passes on a company, explain major concerns that led to this decision.
• If a company is good but not yet ready, indicate necessary changes or milestones and suggest reconnecting once those are achieved (company may require another screening or, if issues are minor, could go directly to investor meeting upon satisfactory update).
• If approved to pitch, provide actionable feedback with insights into how the company may improve going forward. Also provide initial information (time and date) of next investor meeting and extend informal invitation.

Once a company accepts an invitation to present at an investor meeting, add it to the list of invitees and send a formal calendar invite with meeting location details and expectations.

**Investor Meetings**

Investor meetings are the most critical part of the deal flow pipeline. Founders pitch their companies, TiE Angels decide whether to pursue due diligence as the next step to investing, and investor leads give updates on current portfolio companies. Investor meeting frequency depends on how robust the deal flow pipeline is but typically ranges between every 6 – 8 weeks. Investor meetings tend to cluster around high deal velocity periods (see Deal Sourcing) with summer being a slow period (investors often take vacations and are not available for diligence or meetings).

Suggested investor meeting calendar:

• Early/mid-February
• Mid-April
* Late May / early June
* Mid-September
* Late October
* Early/mid-December

Investor meetings are best run with 3 or 4 company presentations. Typical investor meeting agenda:

- 4:00 - 4:30 pm: Networking, introduction and meeting overview
- 4:30 - 4:55 pm: Company 1
- 4:55 - 5:10 pm: Discussion
- 5:10 - 5:35 pm: Company 2
- 5:35 - 5:50 pm: Discussion
- 5:50 - 6:15 pm: Company 3
- 6:15 - 6:30 pm: Discussion
- 6:30 - 6:55 pm: Company 4
- 6:55 - 7:10 pm: Discussion and wrap up

Begin with new member introductions, review of meeting protocol, and a chance for updates on active due diligence or portfolio companies. Meeting overview is used to briefly introduce presenting companies and review deal flow and meeting processes. Pitch decks for each company are sent to investors one week prior to allow sufficient time to review each deck. This preparation makes the investor meeting much more fruitful as investors have time to formulate question and make initial determinations about which companies are most interesting.

Each company is given a 25-minute time slot: 10 minutes for uninterrupted pitch and 15 minutes for questions. This achieves several goals: 1) the presenter can cover all information he or she deems necessary and important, 2) group members have time to assess whether their initial questions were answered by the presentation or formulate new questions, and 3) group members can form an initial opinion of the presenter as CEO of the company. Questioning following the pitch is limited to 15 minutes to ensure efficient answering of questions and prevent delays for subsequent presenters. If a question remains unresolved, presenter and questioner are connected after the meeting to continue discussion.

After questions, presenter leaves and group members hold a private debate about company’s merits. Although TiE Angels invest individually, this group discussion is essential to potentially sway undecided members. Following discussion, a poll is taken to determine whether sufficient interest exists to proceed with due diligence (usually at least 3 investors); if so, one member volunteers (or is appointed) as diligence lead. The program manager participates in and facilitates due diligence along with due diligence lead.

Upon meeting conclusion, each company receives constructive and critical feedback within 2-3 days of the investor meeting, regardless of outcome. Briefly summarize main areas of confidence or concern (preferably both) expressed by the group and provide actionable suggestions for how to proceed.

- If the group chose to pass, suggestions may relate to how the company can improve its pitch, pivot the business model to a different market or target customer, address key team weaknesses, and which other investment groups may be interested in the deal.
• If there is no intent to review company’s progress in the future, feedback clearly states as much. If the group concluded the company is not yet ready for investment but remains interested, feedback includes direction on what areas to improve and potential timeline for another opportunity to pitch.

• If the group chose to proceed to due diligence, feedback covers key areas to address during diligence, requests for additional documentation, expected diligence timeline, and an introduction to the diligence team lead.

See Appendix 2 for sample feedback emails.

Due Diligence

As accredited investors, each member must decide individually whether to invest. Due diligence is intended to give investors an in-depth understanding of a target company and help them make educated investment decisions. Diligence should result in a non-binding investment recommendation supported by evidence (customer interviews, industry research, technology and IP review, etc.) and a written report. This may be a short-form memo or a longer, more comprehensive report. Diligence template material, including outlines for both reports, customer interview templates, initial diligence questionnaire, and other documents are available at the TGA website: https://angels.tie.org.

• Negative recommendation: A negative recommendation by the diligence team implies the company is not fit for investment from the TiE Angels. Such a recommendation addresses major weaknesses uncovered by the diligence team and underlying reasons for not recommending investment.

• Neutral recommendation: For some companies, diligence team may split regarding investment recommendation. This usually occurs when some members of the diligence team have a higher investment risk tolerance than others. Experts in the company’s competitive industry may view the company’s risks and potential return differently than investors without industry knowledge. This diligence report clearly states no investment recommendation is made and lays out major diligence findings. Those members strongly opposed to or in favor of investing may write a short defense of their positions for other investors to consider.

• Positive recommendation: A positive recommendation by the diligence team implies the company is a good fit for the TiE Angels, given the general risk tolerance and investment philosophy of TiE Angels. Such a recommendation addresses major weaknesses uncovered by the diligence team but also major strengths. Emphasis is given to explaining how the company intends to overcome its weaknesses and leverage its strengths.

The diligence lead is expected to have both means and intent to fund the target company if diligence concludes with a positive recommendation. While none of the diligence team members (including lead) are under any obligation to invest, failure to do so (without good cause) following a positive recommendation undermines the diligence process and calls into question the chapter’s reputation as a reliable part of the startup community.

Every effort should be made to complete due diligence expeditiously. Following notification of interest, entrepreneurs are rightly excited about possible investment. Delaying due diligence efforts or not moving quickly to address concerns leaves entrepreneurs in limbo and may affect company viability (depending on additional funds at company’s disposal). The sooner diligence is complete and funds are deposited, the sooner management can get back to operational execution. Frequent updates
during the diligence process should determine whether diligence is proceeding towards a yes or no recommendation. If the likely outcome is a no, diligence should wrap up quickly so as not to prolong the process and set inappropriate expectations with the entrepreneur.

Once commitment to invest is made, investors sign and return necessary paperwork (term sheet, company-issued accreditation certification, etc.) as quickly as possible. Entrepreneur is notified of potential delays in funding (such as moving funds between accounts or timing of asset sales).

**Funding and Updates**

**Types of investment**

Funding rounds typically range between $100,000 and $1.5M but may be higher if the company is extremely attractive. Companies pitching to TiE investors are typically raising seed capital through a convertible note, SAFE, or preferred equity sale. Common terms (aligned for approximate comparability) for each are provided below:

<table>
<thead>
<tr>
<th>Convertible Note</th>
<th>SAFE</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3-8M valuation cap</td>
<td>$3-8M valuation cap</td>
<td>$3-8M pre-money valuation</td>
</tr>
<tr>
<td>8% interest</td>
<td>8% interest</td>
<td></td>
</tr>
<tr>
<td>20% discount</td>
<td>20% discount</td>
<td></td>
</tr>
<tr>
<td>Optional conversion</td>
<td>Optional conversion</td>
<td>Liquidation preference (1-2x)</td>
</tr>
<tr>
<td>Automatic conversion</td>
<td>Automatic conversion</td>
<td></td>
</tr>
<tr>
<td>Term limit (12-24 months)</td>
<td></td>
<td>Antidilution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Drag along</td>
</tr>
</tbody>
</table>

Board seats and information rights negotiations occur when appropriate, usually resulting from large investment amount, strategic connections, or close working relationship. Risk tolerance among the investor group plays a key part in determining acceptable investment terms. Many resources exist for comparing SAFEs, convertible notes, and equity financing. While tempting to negotiate hard for terms that heavily favor the investor, careful thought is given as to whether those terms become punitive to the entrepreneur and create improper incentives (e.g. not to raise additional funding).

If TiE investors lead an investment or are first to commit, they have significantly more leverage in negotiating deal terms. When TiE members fund a company with a previously signed term sheet, the TiE Angel group has much less leverage to alter investment terms (unless, for instance, significant funds are coming from TiE investors or certain terms are deemed unacceptable). Attempting to negotiate on a nearly full round, especially when TiE investors are contributing only a small amount (e.g. $100,000 into a $1.5M raise), is unlikely to bear fruit and may create animosity between entrepreneur and investors (or between prior and new investors).
Special purpose vehicles and other investment vehicles
Most deals garnering investment through TiE are funded by individual investors. Nevertheless, at times a special purpose vehicle (SPV; also called sidecar or syndicate) is formed to allow multiple investors to contribute through a separate fund.

• **Investment minimum** Some investors may lack sufficient funds to meet the minimum required investment as defined in the term sheet but strongly want to participate in the round. If the entrepreneur is willing to make an exception, investors need not form a fund. However, if multiple investors wish to contribute but have insufficient funds or no exceptions can be made, investors may form a sidecar to pool their money to exceed the minimum.

• **Cap table control** A company may be very attractive and bring in many TiE Angel investors. In this case, the entrepreneur may wish to limit clutter in the capitalization table or investors may simply request to form a fund to manage ongoing communication with the company.

Sidecar funds are useful under certain circumstances. However, they require fees for fund formation and ongoing maintenance. Since angel investments are highly illiquid, cost of formation and management fees are weighed against total investment and number of participants in the fund. For example, a very small sidecar might cost $2,000 for formation and $1,000 - $1,500 in annual maintenance fees. With a five-year time to liquidity, sidecar participants could pay up to $10,000. Three investors each contributing $10,000 for a $30,000 fund may rightly conclude fees generated by the fund are prohibitive to their already risky investment.

Along with sidecar funds, TiE may also invest via collaborations and indirectly via funds. Examples of such opportunities include participation in investment accelerators (as a source of funds), co-investment with partner funds (e.g. Elevate Capital, 11-11 Ventures, TiE Tampa Bay Angels Fund), and by joining preexisting funds that are already receiving investment from TiE Angel investors. Often the main benefit of these vehicles is to allow TiE to participate in a deal when a significant amount of money must be raised or to increase the funding base for the target company.

**Updates**
Depending on the level of investment, TiE Angels may have information rights allowing them to gain insight into the company’s progress whenever desired. More likely, investors must rely on quarterly and annual updates from the company. While not as thorough as board updates, investors should expect information on financial performance, sales relative to projections, major employee changes, and growth plans.

The chapter president or angel program chair also prepares quarterly and annual updates for the TiE chapter board. At a minimum, these updates include:

• Total investment, year-to-date (YTD)
• Number of new investments, YTD
• Total active investments
• Number of exits, YTD

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• Total returns from exits, YTD
• Total member count
• Number of active individual investors, YTD
• Number of companies active in each stage of deal flow pipeline
• Number of companies reaching each stage of pipeline (regardless of outcome), YTD
• Attendance at regular meetings

See Appendices 4 and 5 for example board update and summary statistics for TiE Oregon investments, respectively.

**TiE Global Angels**

TiE Global Angels (TGA) is a platform to promote inter-chapter investment. TGA was created to benefit all TiE Angels and entrepreneurs. By participating in TGA, TiE Angels collaborate with investors from other chapters, maximize investment opportunities, and expand their professional networks. TiE entrepreneurs gain access to global capital and engage with mentors from broad industry backgrounds. TGA also benefits individual TiE chapters by helping to establish robust deal flow, promote diversity within the startup community, and assist in creation of new chapters and Angel groups. More information can be found at [http://angels.tie.org](http://angels.tie.org).

Any TiE Angel may invest in TGA deals regardless of chapter affiliation. However, only eligible deals may be proposed for TGA consideration and investment. Eligibility criteria include:

- **Company**
  - Sponsorship from TiE Angel
  - Minimum $100,000 remaining to close current investment round

- **Chapter**
  - Minimum $100,000 investment already committed from TiE Angels
  - At least one TiE Angel invested
  - Complete diligence package (see website for more details)

Additionally, the company or sponsor chapter must provide TGA with most recent pitch deck, executive summary, and investor list.

The TGA Chair and Program Manager vet new deals to ensure they meet minimum eligibility requirements. Once a deal is approved, the TGA Program Manager actively promotes the deal via email with TGA members and making the company profile visible to the TGA Gust group. An investor call is then scheduled for the CEO to pitch and TGA members to ask questions. The main purpose of this call is to obtain investment commitments. All TGA members have access to the company profile and due diligence documentation prior to the call. Therefore, participants in the call should have a positive view of the company and be either undecided or likely to invest. The TGA Program Manager follows up with interested investors after the call to obtain investment commitments and begin paperwork distribution. Once investments are completed, the company profile is restricted only to active investors.

**General Thoughts**

Robust deal flow is critical to ensuring success, from member engagement to quality investments and lucrative returns. Investors like to see deal flow move quickly to avoid wasting time with companies
unfit for investment (regardless of reason) and to ensure they have opportunities to invest in the hottest deals. Entrepreneurs prefer quick answers so they are not left in limbo waiting for investment decisions (this is particularly true of the initial interview and during due diligence).

Member engagement is another key factor in chapter success. One of TiE’s central pillars is community support and reciprocity; consequently, many charter members tend to self-select investors eager to actively participate in the startup community and mentor budding entrepreneurs. Ways to engage mentors include:

- **Events and networking**: Events and networking with early stage companies are the best way to engage mentors and entrepreneurs. Charter members can use these events to meet entrepreneurs at the beginning of the deal flow pipeline. They can also network among themselves to increase their social and professional networks.

- **Industry expertise on screening committee**: Leveraging specific industry expertise when screening select companies is another good opportunity to actively engage charter members. While the Screening Committee may have semi-permanent appointments, maintaining an open seat for industry experts gives charter members another look into the deal flow pipeline and allows them to influence the quality of companies seen by the entire investor group.

- **Due diligence**: Due diligence is an excellent opportunity to actively engage chapter members and draw on varied backgrounds and experience. As noted above, due diligence team should be composed primarily of potential investors. Though tempting to always engage the same people for diligence, spreading responsibilities among different charter members ensures no one person dominates deal flow. Additionally, multiple opinions can be weighed against each other to determine the merits of potential investment in a target company.

Providing opportunities for members to engage with TiE entrepreneurs sets the groundwork for robust deal flow and brings greater visibility to the chapter. Entrepreneurs benefiting from TiE mentoring are more likely to bring their entrepreneur friends into TiE as well, creating a virtuous cycle of growth and investment.
Appendix 1: Prescreening and Due Diligence Topics

Key Deal Metrics
- Total round size
  - Current round funds in bank (closed)
  - Committed (hard circled)
  - Contingent (soft circled)
  - Remainder to be raised (open)
- Terms
  - Valuation cap
  - Discount
  - Interest (% and term)
  - Qualified financing threshold
  - Liquidation preference (including participation if applicable)
  - Other provisions (board representation, information rights, etc)
- Cash burn
  - Current monthly burn rate
  - Total burned since inception
- Incorporation information
  - Date founded/incorporated
  - State of incorporation
  - # founders
  - Ownership and current cap table

Problem
- Identify whether this is a true pain point for target customers
- How do customers currently solve this problem?

Solution and Market Fit
- Is the solution novel?
- Does the solution make sense?
- Is the solution tractable?
- How well does the product solve the problem?
- What are barriers to adoption?
- How much customer education is required?

Market Analysis
- Total available market (TAM), both in number of potential customers and value
- Target market segment
- Geographical segmentation if applicable
- Customer persona

Traction
- Product stage (alpha/beta/launch/v2)
  - Relevant details: i.e. how many beta testers, target launch date, planned features for v2, etc
- Product evaluation
  - Ease of use
• Customer feedback (if available)
  • Customer breakdown
    o Paying customers/users
    o Non-paying customers/users
    o Conversion rate (non-paying to paying)
    o Pipeline
  • Pricing strategy

Competitive Landscape
• Competitor breakdown
  o # of competitors (large and small)
  o List most relevant and/or dangerous competitors
• Competitive advantage (barriers to entry)
  o IP – patents, trade secrets, etc (list)
  o Development time (first to market)
  o Key relationships
  o Industry expertise
• Cost comparison between current product and competitors

Financial Plan
• Pro forma documents: balance sheet, cash flows, income statement (P&L)
  o At least 3 year projections, monthly for year 1 if possible
• If multiple products, breakdown of revenue from each product (or subscription tier)

Exit Strategy
• Current M&A activity in industry
• Potential acquirers
• Recent acquisitions
  o Include comparable metrics when possible
• Target exit price based on comparables
• Target exit date

Team
• Founders and relevant experience
• Background checks and professional references

Legal
• Certificate of incorporation
• Articles of incorporation (AIC)
• Bylaws
• Initial board meeting minutes
• Restricted stock purchase agreement (vesting)
• SAFE note purchase agreements (if applicable)
• Cap table
• Supplier agreements
• Contracts
• NDAs
Appendix 2: Sample Investor Meeting Feedback
Company and entrepreneur names and other potentially identifiable information have been redacted to maintain confidentiality.

Rejection
Hi ___,

Thank you for presenting to TiE Angels Wednesday afternoon. The group found your value proposition and customer traction compelling. While there was some initial interest, ultimately the concerns around competition were too great for us to move forward with due diligence. I’ve outlined the major concerns below:

- What is _____ doing and how big is their current market penetration? You acknowledged the difficulty in revealing information about Google-backed companies. Nevertheless, we will want to understand whether _____ is a direct competitor or if their technology addresses a different market need.
- How quickly will you be able to scale to achieve reasonable market presence and compete with larger incumbents?
- To be attractive as an acquisition target, you mentioned installed sensor base as the primary metric. How much coverage is enough and how long will it take to achieve?

Thank you again for presenting and please keep me up to date as _____ continues to grow. Let me know if you have any questions or would like to discuss the feedback further.

Some interest and move to diligence
Hi _____ and ______.

Thank you for presenting to TiE Angels Wednesday afternoon. The group found your technology and technical expertise compelling. However, there were several concerns raised that we’d like to address before committing to a thorough diligence review.

- Time to market: how long will prototype development take and, from there, to the different target markets you mentioned?
- Effect on hospital revenue: _____ will potentially reduce hospital revenue. While this technology could be very valuable from a true healthcare standpoint, it may be difficult to make a compelling financial argument to potential customers.
- Target market: veterinary care was mentioned as another potential market to pursue. Is human healthcare your primary market or are you willing to consider alternative markets with potentially faster adoption and less regulation?

These questions and issues do not need to be addressed now but are intended to highlight areas in which we will focus our initial efforts. I will coordinate with our team and we will hold our first meeting within the next week. I will follow up with a more complete list of questions, requests, and next steps. Thank you again for presenting and congratulations on your success to date.
**Strong interest and likely quick diligence**

Hi _____ and _____.

Thank you for presenting to TiE Angels Wednesday afternoon. The group was impressed with your product development and the potential for _____, especially as an infrastructure development tool in underserved countries. Investors also understood the value in your partnership with _____.

Several concerns arose during discussion, many of which focused on supply chain (manufacturing, margins, etc) and revenue model.

Despite these concerns, several investors expressed a desire to pursue due diligence towards possible investment. We typically aim to complete our due diligence within 4 weeks but given the holidays, this process will likely take a bit longer. We have already scheduled our first diligence team meeting to jump start the process and will follow up with a list of specific questions. Before then, please complete and return the attached initial diligence questionnaire.

Please let me know if you have any specific questions or concerns about this feedback. Thank you again for presenting and congratulations on your success to date.
Appendix 3: Initial Due Diligence Questionnaire
Please fill out completely and reply-all on the email from which you received this form. Include all attachments as necessary.

Itemized initial due diligence

1. 12-month operating plan and milestones
   a. Please describe your operating plan (including use of funds) for the next 12 months.
   b. Please describe key milestones for the company to be accomplished in the next 12 months. Include requirements (capital, headcount, market conditions, etc) and approximate date of completion for each milestone.

2. Management team
   a. Please provide bios of all management team members, including LinkedIn profile links
   b. Please provide bios of your advisory board and board of directors, with at least 2 references for each (total of 4).

3. Market Information
   a. Please include all market research pertaining to general demand for your specific sub-industry and vertical that your company relies on to make decisions. Attachment A.

4. Financial Information
   a. Please include a copy of trailing 24-month income statements, broken down by month, with a line item for cumulative cash position and net cash change. Revenue should be recognized based on the period over which it is received (i.e., 12-month contracts paid up-front should be recognized over the forward 12-month period, month-by-month).
   b. Please include a descriptive and current balance sheet, with details of outstanding liabilities and valuations for intangible assets (IP, goodwill, etc.).

5. Company Specific Questions
   a. Please provide list of customers under contract, including contract price and duration, and copies of signed and executed agreements.
Appendix 4: Sample TiE chapter Board Update

Q1 2018 update

Exits

<table>
<thead>
<tr>
<th>Company</th>
<th>Exit date</th>
<th>Return multiple</th>
<th>Cash/paper return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit 1</td>
<td>2/15/18</td>
<td>3x</td>
<td></td>
</tr>
<tr>
<td>Exit 2</td>
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Investments

6; $1.6M total - $900k from TiE and $700k from [Partner Fund]
- [Company 1] - $500k; $200k from [Partner Fund]; $250k from [TiE Angel]; $25k each from [TiE Angel] and [TiE Angel]
- [Company 2] - $275k; $150k from [TiE Angel]; $125k each from [TiE Angel] and [TiE Angel]
- [Company 3] - $125k; $50k from [Partner Fund]; $25k each from [TiE Angel], [TiE Angel], [TiE Angel]
- [Company 4] - $50k; $25k each from [TiE Angel] and [TiE Angel]
- [Company 5] - $250k (reopened 2017 note); $25k each from [TiE Angel], [TiE Angel], [TiE Angel], and [TiE Angel] (non-member); $150k from [Partner Fund]
- [Company 6] - $450k; $300k from [Partner Fund]; $50k each from [TiE Angel], [TiE Angel], [TiE Angel]

Due Diligence

Active: 2
- [Diligence 1] (4/10/18)
- [Diligence 2] (4/10/18)

Completed: 5
- [Diligence 3] (1/5/18) - Pass
- [Diligence 4] (1/23/18) - Invest: 2 investors in for $50k
- [Diligence 5] (1/31/18) - Invest: 3 investors in for $275k
- [Diligence 6] (2/15/18) - Invest: 5 investors in for $250k; candidate for TGA
- [Diligence 7] (2/15/18) - Pass

Investor Meetings

Pitched: 4

Average attendance:

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Off-cycle presentations:
- Pitch 4 (1/23/18)
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Upcoming:

TBD

### Prescreening meetings
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### Meet & Greet
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Appendix 5: Sample TiE chapter investment statistics

2018 investments, by industry

- Sports tech, $45k
- MedTech, $580k
- VR, $350k
- Cannabis, $275k
- Food, $k
- SaaS, $150k
- Apparel, $100k
- CleanTech, $100k

2018 investments, by company

- Company 1, $550
- Company 2, $375
- Company 3, $205
- Company 4, $200
- Company 5, $150
- Company 6, $100
- Company 7, $100
- Company 8, $75
- Company 9, $75
- Company 10, $75
- Company 11, $50
- Company 12, $45
- Company 13, $25
- Company 14, $25