



Raising Capital Seminar

MARCH 30, 2017



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PARTNERSHIP**

- 8:00 **Coffee / food**
- 8:30 **Intro- Mike Colwell / Chris Sackett**
- 8:40 **Timeline and Key Points - Charise Flynn**
- Timeline
 - Mapping Financing Journey
 - How Much to Raise
 - Valuation
 - Stage of Company & Average Size of Rounds
- 9:45 **Common Mistakes – Chris Sackett / Charise Flynn**
- 10:00 **Break**
- 10:30 **Things You Need**
- 10 min -One Pager – Mike Colwell
 - 20 min - Pitch Deck – Charise Flynn
 - 5 min - The Ask / Initial Terms - Charise Flynn
 - 30 min - Financials - JD Geneser
 - 10 min - Online Platforms – Mike Colwell
- Noon Lunch (break before and after)**
- 15 min- Lessons Learned - Matt Ostanik
- 12:45 -1:15 **Before you Raise - Charise Flynn**
- Networking
 - Get Organized
 - Build Momentum
 - Know Your Business
 - Prepare to Manage the Close
- 1:15 - 2:35 **The Raise**
- 5 min – Finding Investors – Charise Flynn
 - 10 Min - Angel Perspective - Sheldon Ohringer
 - 5 min - Lead Investor - Mike Colwell
 - 5 min – Managing Potential Investors – Mike Colwell
 - 45 min – Term Sheet -JD Geneser & Chris Sackett
 - 10 min – Negotiations - JD Geneser & Chris Sackett
- 2:35 - 3:00 **After the Raise**
- 15 min - Post Investment - Sheldon Ohringer
 - 10 min Final Q& A / Wrap-up – Chris Sackett / Mike Colwell

Mike Colwell



Currently Mike is Executive Director of Entrepreneurial Initiatives of the Greater Des Moines Partnership. In this role Mike spends his days coaching, mentoring, consulting, networking and generally asking very tough questions, the kinds of questions most entrepreneurs would rather he did not ask. After spending more than 20 years in the mobile computing and wireless networking markets, Mike brings his knowledge and battle scars to bear with the goal of expanding the central Iowa entrepreneur ecosystem.

Focusing on high-growth-potential companies, he works with businesses ranging from a single person with an idea to \$10 million companies looking to grow to \$25 million. Mike assists with business strategy, business planning, business plan execution and business model development. Mike is the co-founder and co-manager of the Plains Angels, an angel investor group with over 60 members. Mike also has had instrumental roles in starting the Global Insurance Accelerator and an agricultural technology accelerator.

Mike is an angel investor, author and builder. Mike majored in management information systems and minored in computer science at the University of Iowa.

Charise Flynn



Starting her first business at the age of 13, Charise Flynn, owner of C.Results, LLC, has over 20 years of experience cultivating companies from the ground up. Most recently as the Chief Operating Officer of Dwolla, Charise established and led teams in the areas of legal, compliance, risk, customer support, human resources and finance. Raising over \$32M in tier-one venture capital, and overseeing the Des Moines-based company's expansion to San Francisco, Charise played an instrumental role in guiding Dwolla's growth.

Throughout her career she has designed and executed business plans, developed leaders, and coached executives. Currently as the owner of C.Results, Charise consults with high growth individuals to help them achieve results

through strategic planning, executive leadership, team leadership, operational execution and raising capital.

Charise was named as one of The Business Records "40 Under 40", awarded the Simpson College Alumni Achievement Award and the Technology Association of Iowa's Small Business Innovation and Leadership Award. Charise graduated Magna Cum Laude from Simpson College with degrees in Philosophy and Religion.

Chris Sackett



Chris has practiced law for more than twenty years, focusing primarily on mergers and acquisitions, angel, venture capital, and private equity funded companies and related transactions. He represents founders, investors/funds and portfolio and target companies, including representation with respect to initial structure, organization and capitalization, later stage capitalization, strategic partnerships, channel distribution/licensing, intellectual property matters, and ultimately exit transactions. Chris also represents numerous clients in general business, corporate and transactional matters.

Chris is a recognized leader in his areas of expertise, having been recognized by *Chambers USA*® as a leading practitioner in corporate/mergers and acquisitions and business law and selected for inclusion in *Best Lawyers*® in the area of business organizations (including LLCs and Partnerships). Chris is well known in the state of Iowa in the private equity, venture and angel investor communities, where he has extensive relationships that he is often able to leverage for the benefit of his clients.

Chris currently serves on the Board of Directors of the Association of Business and Industry, the Education and Workforce Development Board for the Greater Des Moines Partnership, and the Board for Iowa Corn Opportunities investment fund. Chris is also a strategic advisor to the Iowa Economic Development Authority on appropriate structure and operation of angel investor tax credit programs and serves as an expert panelist for VentureNet Iowa.

J.D. Geneser



JD Geneser – Senior Partner & Shareholder LWBJ. JD delivers more than 30 years of leadership experience in business and financial operations. He has held executive positions in both private and publicly traded companies and has substantial expertise in M&A and capitalization.

JD directs LWBJ Capital Advisors' consulting and investment banking practices, assisting clients in the areas of:

- mergers and acquisitions
- succession planning
- capital formation and financing strategies
- valuation services
- due diligence
- business and strategic planning
- business start-ups
- operational and financial consulting

JD is a CPA and holds the following Securities Licenses – Series 7, 24, 63, 79, 82 & 99

Sheldon S. Ohringer



Sheldon is a Partner at Formation Partners, a business advisory firm, and Mango Seed Investment Fund, an early stage Iowa based fund. Sheldon currently has made over 30 Angel investments and is very active as an Entrepreneur and start up advisor with involvement with the Plains Angels, Square One DSM, Global Insurance Accelerator, and Startup Weekends.

With more than 30 years' experience in business, Sheldon is best known as a Telecommunication Entrepreneur and veteran executive of both the telecommunications and internet services industry.

Sheldon co-founded, served as CEO, and successfully sold Caleris, Inc. an outsourced technology and customer services helpdesk company, in 2014. From its inception in 2003, Caleris grew by more than 1000%. The company has received many awards including the Technology Association of Iowa (TAI) awards for Economic Growth in rural Iowa for 2005 and 2006. In 2008, Caleris was recognized by the TAI as Top Growth Company. Sheldon was honored as CEO of the Year at the TAI Prometheus Awards for 2009. The company was acquired by Iowa Network Services in 2014.

Prior, he was the President and CEO of FirstWorld Communication. He not only rebuilt this company from a \$1M per year CLEC to an Internet Infrastructure and data center company, with \$100M run rate revenue. He led its highly successful IPO with a market capitalization of over \$1 billion. The fundraising was over \$270 million dollars in the IPO and concurrent private offerings in March 2000. Sheldon served as President of ICG Telecom Group, which had a market cap of over \$1 billion when he left.

He is a founding member of the ownership group that owned the Iowa Energy Basketball team. This investment was sold to a group led by members of the Memphis Grizzlies, in May 2014. Sheldon also serves on a number of not-for-profit boards, including the Science Center of Iowa and the Community Foundation of Greater Des Moines.

Matt Ostanik



Matt previously founded and grew Submittal Exchange, a provider of web-based collaboration tools for commercial construction projects. In a five-year period, Matt grew the company from two employees to more than 100 and more than 100,000 users of their software. He sold Submittal Exchange to Textura Corporation (now part of Oracle) in 2011 and remained its president. He served on the executive team at Textura when the company completed a successful IPO on the New York Stock Exchange in 2013. In 2014 he founded FunnelWise, a provider of marketing and sales analytics software. FunnelWise currently has offices in Chicago and West Des Moines, customers across the country, and completed a \$7 million Series A in January 2016.

FunnelWise was recognized by the Technology Association of Iowa as their 2016 Startup of the Year. Matt earned a Bachelor of Architecture from Iowa State University in 2001 and an MBA in 2009. He received a Design Achievement Award from the Iowa State University College of Design in 2016 in recognition of his creative and professional achievements. In addition to his involvement with his business and the technology industry, Matt currently is serving as President of the Iowa Chapter of the American Institute of Architects.



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Welcome

- Thank you for joining us
- Logistics
 - Phones
 - Bathrooms
 - Breaks
- Goal of today
 - Overview of process and documents
 - This is a lot of work. You need to internalize this.

Thank you



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Morning agenda

- 8:40 **Timeline and key points**- Charise Flynn
- Timeline
 - Mapping Financing Journey
 - How Much to Raise
 - Valuation
 - Stage of Company & Average Size of Rounds
- 9:45 **Common mistakes**- Chris Sackett / Charise Flynn
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- One Pager - Mike Colwell
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 - Financials - JD Geneser
 - Online Platforms - Mike Colwell
 - The Ask - Charise Flynn
- 12:00 **Lunch**
- Lessons Learned- Matt Ostanik

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Afternoon agenda

12:45 **Before You Raise** - Charise Flynn

- Networking
- Get Organized
- Build Momentum
- Know Your Business
- Prepare to Manage the Close

1:15 **The Raise**

- Finding Investors-Charise Flynn
- Angel Perspective -Sheldon Ohringer
- The Lead Investor - Mike Colwell
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- Term Sheet - JD Geneser & Chris Sackett
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2:35 **After the Raise**

- Post Investment - Sheldon Ohringer
- Final Q&A / Wrap-up – Chris Sackett / Mike Colwell

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Timeline and Key Points

Charise Flynn

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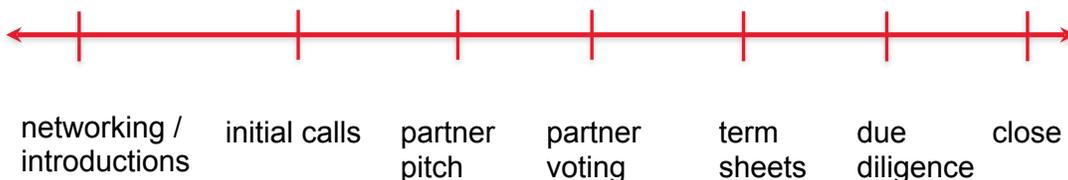


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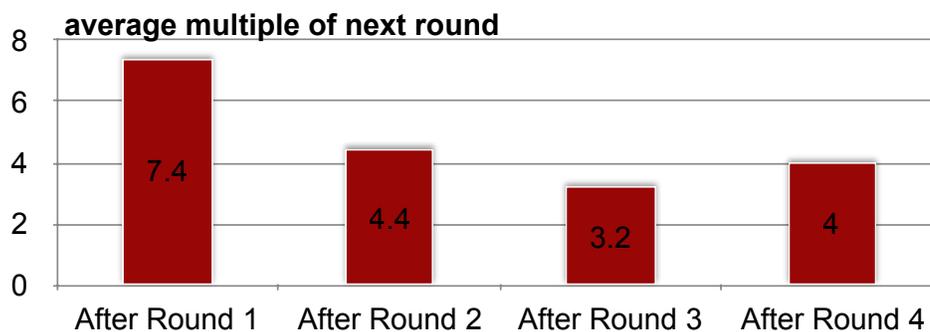
Fundraising takes time!

- 3 months minimum
- 6 to 9 months likely
- Relationships, preparation and demand can shorten process



Important to map your financing journey

- Round sizes tend to increase by ~5x between each financing round
- i.e. if your previous round was \$500k, the following one will be expected to total ~\$2.5m.
- As you develop how much to raise, ensure your plan falls within the perimeters of 3x to 7x increase between each round



Source: AngelList/Crunchbase

How much to raise?

- Raise enough money to achieve a set of milestones that will attract a subsequent round of investment
- Typically raise for a 15-18 month runway

Valuations determined by investor ownership %

Because investors expect 20-25% ownership after the round, your valuation is typically 3–4x of how much you are looking to raise.

Example:

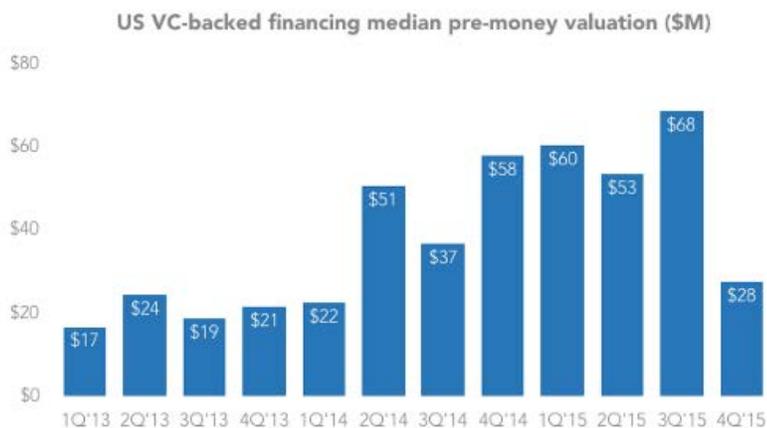
- \$1m raise
- investor likely expects a \$3–4m pre-money valuation
- \$1m = 25% of the \$4m post-money valuation
- Or \$1m = 20% of \$5m post money valuation

How much to raise?

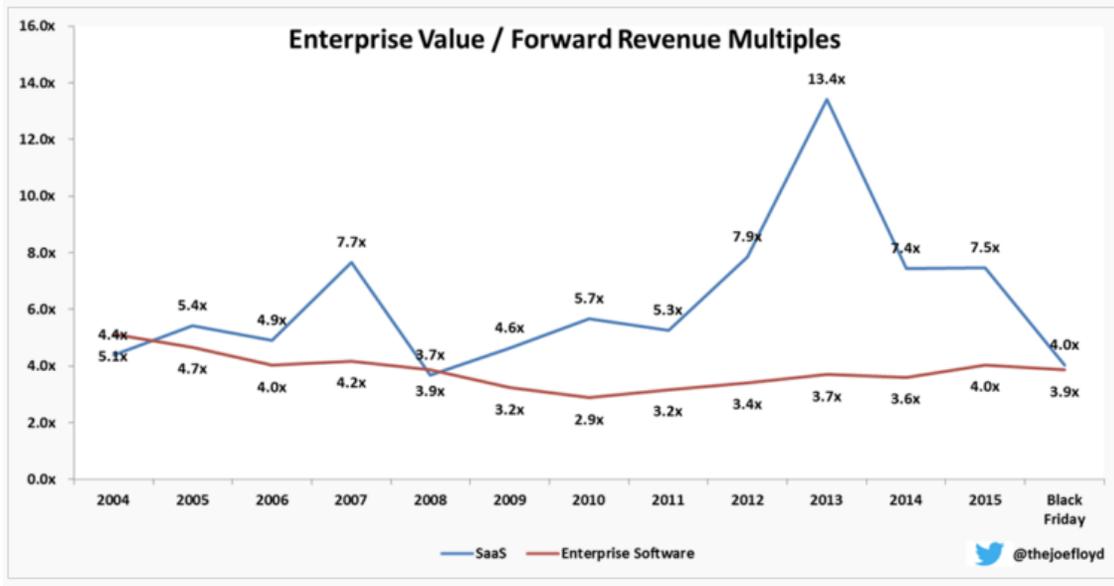
“While having more money makes today easier, having a lower valuation makes tomorrow easier. So just consider the trade-offs as you plot your journey.” - Mark Suster

Valuations are influenced by fluctuating markets

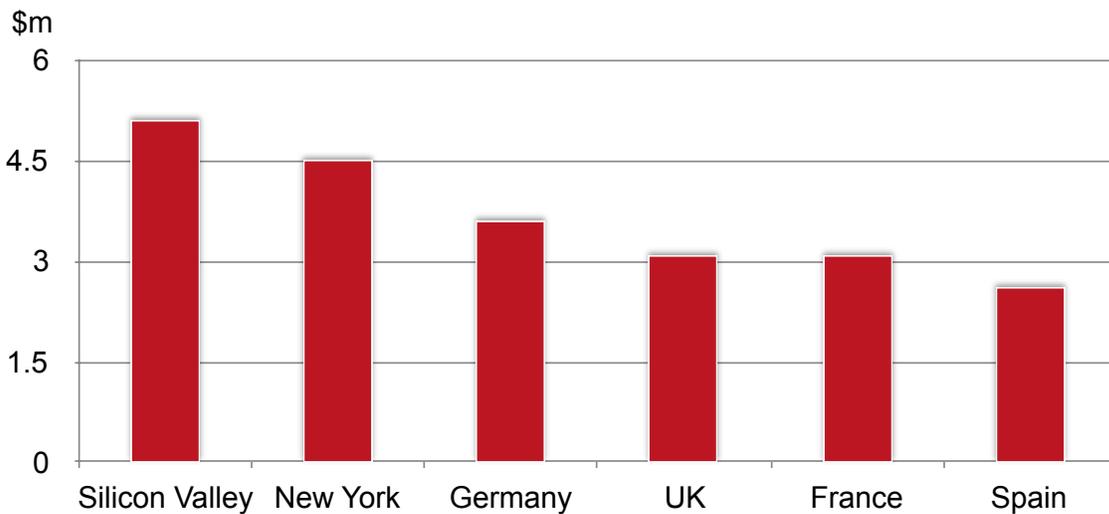
Private market valuations rose unsustainably, massive correction Q4 15



Another look at valuations



Seed / Angel valuations

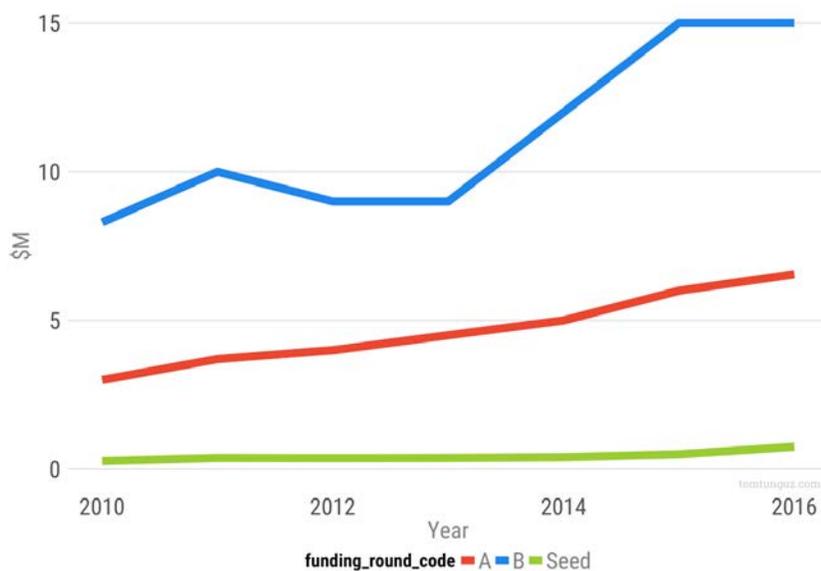


Iowa: typically sub-\$500K raise on a sub \$2MM valuation

What am I raising? Seed? Angel? A?

*“...none of it will matter unless you **build shit people care about and use en masse** and thus you can attract capital even if you call it a Z-round. But my advice to entrepreneurs-- stop sweating the silly optics. It's more likely a negative signal to VCs than a positive one.” - Mark Suster*

Funding sizes are increasing



Series A round- what influences size?

Investors perspective:

- \$3M deal: “This is an experiment. I like the team and the concept, but one or more critical hypotheses needs to be proven out, or the business will need to overcome a few hurdles”
- \$6M deal: “I see a path to generating real revenue over the next twelve months, but it’s early. There is not enough data to give me 80%+ confidence that the company will hit its projections”
- \$10M deal: “This is a HOT deal. I need to win it! I expect the company will get multiple term sheets based on the uniquely good team / traction / unit economics / product”

source- <http://www.nea.com/blog/what-size-series-a-round-can-you-expect-to-raise>

General stages

review handout

Typical Fundraising Stages and Expectations

	"Pre-Seed"	Seed	Series A	Series B
\$'s RAISED	\$50,000 - \$250,000	\$250,000- \$2m	\$3-\$10m average ((lowa: typically \$1.5MM to \$2MM)	\$10m- \$25m average (IOWA:\$2MM+)
VALUATION		\$750k-\$8m	\$10m-\$40m (lowa: \$4.5m-\$8m)	\$30m-\$100m (lowa \$8m-\$10m+)
INVESTORS	Friends & Family Angels	Angels, Micro VC's	VC's	VC's
OWNERSHIP %	less than 5% ownership	no more than 20% ownership	average 20% ownership	average 20% ownership
BOARD SEAT	no	no	yes	yes
*MRR	-	\$0-50k	\$100-250k	\$350k-800k
PREFERENCE		1x	1x	1x
TEAM	Smart, committed with relevant experience	Found market fit: E.G. sales DNA, product design DNA, strong tech for API companies	No star VP's yet but often good director-level hires. Ability to attract and manage great people.	Senior leadership in most function and proven ability to recruit senior people
PRODUCT MARKET FIT	Market research indicates strong need for the product	Strong indication of product/market fit from early customers and pilot users	Clear product market fit (PMF) and increasing evidence of PMF in large market	
TECH	Strong tech co-founder with relevant experience	Proven ability to move fast	Proven ability to attract and manage great engineers (product scales but still breaks)	Excellent tech leadership. Product doesn't break and meets SLA's (3-4 9's availability). Meets security, compliance and disaster recovery requirements of enterprise clients
OPERATIONS			Regular P&L and Balance Sheet. Human Resources is formal (benefits, salaries, taxes)	Financial maturity demonstrated in projections
SALES & MARKETING	Understand best practices, good ideas	Strong indications of demand (e.g. organic trial signups)	Strong organic demand. Success with at least one customer acquisition channel. Decent understanding of funnel and pipeline conversion rates.	Excellent understanding of sales and marketing costs and CAC payback times by channel. Increasing confidence in scalability of the sales / marketing machine.
MARKET POTENTIAL		Conviction that there is a \$100m Annual Recurring Revenue (ARR) potential	increasing conviction of a \$300m Annual Recurring Revenue (ARR) potential	increasing confidence in exit potential (large strategic buyers or IPO)
TRACTION		If pre-monetization, growing waiting list, trial user base	Get from 0-\$100k MRR within 12-18M	Growing 2.5 X y/y

* MRR = Monthly Recurring Revenue

Typical Fundraising Stages and Expectations				
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What happens when things don't go as planned?

Down Rounds and Recaps:

- significantly reduced valuation
- early investors maybe eliminated
- Refocus established on single product, short & measurable goal
- Fat Trimming – employees, offices, perks, anything deemed extraneous



10 Common Mistakes in Raising Capital

Charise Flynn & Chris Sackett

3/30/2017

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10 Common Mistakes

Poor Corporate “Housekeeping”

10 Common Mistakes

Overcomplicating the Company or Offering Structure

10 Common Mistakes

Prior Round Mistakes

10 Common Mistakes

Using Equity as a “Cash Substitute”

10 Common Mistakes

Thinking an amazing pitch deck will get you there.

- *If the idea and execution are not great, then no incredible pitch deck can get you to investors.*

10 Common Mistakes

Not understanding fundraising is a process that takes a ton of time.

- *Start fundraising well before you run out of \$\$ and develop a process to keep it organized and on track.*

10 Common Mistakes

Not Understanding Your Company / Clueless about your financials

- *You may not be a CFO but you need to know and understand your numbers.*
- *You should have a clear roadmap for what you are raising \$ for and what you will accomplish with it.*
- *Some startups fail to take off because they are unable to keep track of their cash flows, do proper financial calculations, or even work on their monetization plan.*

10 Common Mistakes

Picking the wrong investors

- *Money is a commodity. Find investors who can bring value to your company in a non-monetary way; for example, a network, business assets, and mentorship.*

10 Common Mistakes

Not understanding your strengths, weaknesses and role.

10 Common Mistakes

Not having the right team(s)

- *Many VC's are looking for companies that have tech founders / co-founders.*

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One Pager

Mike Colwell

3/30/2017

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Company Profile:
URL: www.torsionmobile.com
Industry: Mobile Internet
Employees: 6
Founded: August, 2010

Contact Information:
Richard Kirsner
206 6th Ave, Suite 1103
Des Moines, IA 50309
(515) 724-7045
rkirsner@torsionmobile.com

Product:

Mojaba

Product Stage:

Shipping, Jan. 2012

Management:

Christian Gurney, CEO
Richard Kirsner, CFO
Cade Cannon, CTO

Advisors:

Drew McLellan, Marketing

Investors:

Co-Founders
Friends & Family
IA DED Demo Fund Grant

Business Summary:

Torsion Mobile sells a web-based service for designing and publishing mobile-optimized websites. Sold to creative professionals, our Software as a Service platform, called Mojaba™, provides an easy to use, intuitive interface for the creation of mobile websites by non-technical persons.

Customer Problem:

Google research shows that nearly 80% of websites do not offer a mobile-optimized version. Kleiner Perkins predicts that by 2015, more people will access the Internet via mobile phones than by a laptop or desktop computer. Consumers expect any place/any time access to web content. Creative professionals do not have a cost-effective way to create mobile websites. They often rely on outsourced web programmers that create mobile web solutions with costs that far exceed the typical client's budget.

Product/Services:

Mojaba is our turnkey solution that enables creative professionals, with no HTML knowledge or skills, to rapidly create mobile-optimized websites for mobile users, no matter what brand or type of mobile phone those users have. Mojaba provides the complete hosting and analytics reporting environment. Mojaba is an agency-only tool that offers a generous margin/mark up potential. There is no software to buy, install or maintain.

Target Market/Customers:

Our target market is the small to mid-tier advertising, marketing, creative and web services agencies that already have relationships with clients and provide those clients web and Internet solutions. We leverage those relationships and do not engage in expensive demand creation amongst end-users. There are approximately 35,000 advertising agencies and creative professionals in the United States, the majority fitting the mid to small size description and having less than 20 employees.

Sales/Marketing Strategy:

We are building out from a core group of agencies acquired through an exclusive invitation-only beta tester program. We will leverage this core for referrals and case studies. We will execute traditional direct marketing to the agency population which includes social media advertising, speaking at regional

and national conferences, affiliate programs with other providers of services to agencies and email marketing. Our marketing initiatives are built on 60-day cycles for feedback and adjustment.

Business Model:

Our pricing model is an annual subscription fee of \$300 per published mobile website. Basic features are included in a base-pricing tier with premium features to be offered for an additional charge. Our subscription model produces a recurring revenue stream that creates an attractive and lucrative business for both Torsion Mobile and our agency customers. Unlike a direct-to-consumer model, by selling to agencies, we think that we will see multiple sites created for each agency customer acquired. Acquisition costs are thus covered by the first subscription, with subsequent subscriptions generating attractive gross margins.

Competitors:

The competitive landscape is clustered around low-cost direct-to-business players, very high-cost companies focused on international brands and celebrities and few direct competitors. Low-cost direct-to-business entrants include Mofuse, MobiSiteGalore, WebsiteSource, Movitas, GetGoMobi, 2eogoPublish, MobilizeToday, and Dudamobile. High-cost competitors include Digby and Mobify. Direct competitors include FiddleFly and Pijinz.

Competitive Advantage:

- Turnkey solution that offers mobile site build and hosting
- No software to buy or maintain
- Build tool does not require HTML knowledge/skills
- Any agency employee, with 30 minutes of tutorial exposure, can build a site – regardless of technical skills
- Automatically adjusts for all mobile platforms to optimize user experience
- GeoAnalytics reporting provides ability to analyze behavior tied to consumer location
- Mojaba is an agency only tool – clients cannot access
- Generous agency margin/mark up potential
- The subscription model provides agencies with a client retention tool



Company Leadership

Christian Gurney, President & CEO

A co-founder of the company, Christian is responsible for leading the Torsion Mobile team. Since 1988, Christian has been designing, developing and delivering award-winning desktop, Internet and mobile software solutions and leading sophisticated business organizations. He is well-versed in the challenges of leading a technology business, having helped many companies resolve complex software development and product delivery issues.

Christian is past-president of NASDAQ-listed firm CE Software. That company was an Internet product pioneer producing QuickMail, one of the first comprehensive, business-class E-mail solutions that was used by millions worldwide.

Prior to CE Software, Christian was the Director of IT for Catalog Media Corporation, a company started by Priceline.com founder Jay Walker to bring the benefits of overnight package delivery to the American catalog consumer.

As a past member of a special information technology modernization planning subcommittee appointed by the governor of Iowa, Christian helped formulate the structure of a Technology Governance Board, portions of which were enacted into law by the Iowa legislature.

Christian is also co-founder of KG InterDev, which developed and implemented the web technologies used by the leading collector car auction firm, Mecum Auctions, whose live television broadcasts are seen by millions on Discovery Network's Velocity channel (formerly HD Theater). Christian's first startup was Race Legends, a firm dedicated to representing the great champions of the golden age of sports car and Formula One auto racing.

Christian is a graduate of the University of Wisconsin.

Product Profile:

URL: www.Mojaba.com

Type: Software as a Service

Employees: 6

Available: January, 2012

Technical Requirements:

Windows, Mac OS

Web Browser: Internet Explorer, Safari, Firefox or Chrome

Supported Mobile OS:

Apple iOS, Google Android, Windows Phone 7, BlackBerry 5+, XHTML-MP/WAP

Product Infrastructure:

Amazon Web Services
PHP/MySQL (via AWS RDS)
Linux with Apache
Kohana PHP Framework
Backbone JS Framework
jQuery Mobile
Akamai CDN

Richard Kirsner, Vice-President & CFO

A co-founder of the company and CFO, Richard is responsible for all finance, accounting, and investor relations activities of the company. Richard's is a certified public accountant and has ten years of experience as a tax accountant and manager with KPMG Peat Marwick and Coopers & Lybrand.

Prior to forming Torsion Mobile, Richard co-founded KG InterDev, a web technologies firm. Richard is also past-president of CE Software prior to its NASDAQ listing and later was in charge of business development. Richard's varied business career includes having served as CFO of a Rolls-Royce dealership in Florida and a telecommunications company in Dallas, Texas; he owned and operated a film animation company in St. Louis and a custom acoustic guitar factory in New Hampshire; and he was a founder of Sud Cable Services, a cable television provider located in the Provence Region of Southern France.

Richard's multi disciplinary educational background includes having studied architecture at the University of Illinois and received degrees in studio art and business from the University of Iowa.

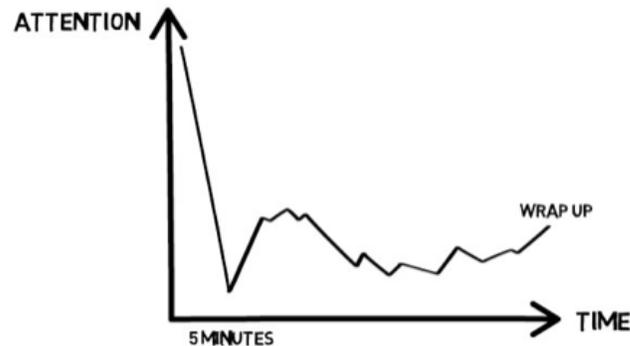
Cade Cannon, President & CTO

Cade Cannon leads the Torsion Mobile development team. Cade is past primary architect and development team lead for Synapse Multimedia's content management system, used by mid-market local television stations to reach over 1.5 million audience members and deliver over 60 million advertising impression per month. These systems included solutions for desktop websites as well as native mobile applications for Apple iOS and Google Android. Cade is an expert practitioner of agile software development, particularly SCRUM. Other notable achievements include bio-informatics systems development for the Louisiana State University Health Science Center providing for the storage, retrieval and dissemination of micro-array experiment related data, results and discoveries, including integration with an 80-node supercomputer cluster for advanced computation and analysis.

Cade is a graduate of LSU Shreveport.

60 minute mistake

Assumption that if you get a 60-minute meeting, you get 60-minutes worth of attention. **You don't.**



First 5 minutes are critical to hooking interest for the rest of the meeting.

Typical pitch decks

	DAVE MCCLURE	SEQUOIA CAPITAL	AIRBNB
SLIDES	12	11	12
Problem	X	X	X
Solution / Value Proposition	X	X	X
Market Validation/Why Now		X	X
Product	X	X	X
Market Size	X	X	X
Business Model	X	X	X
Underlying Magic	X		
Competition	X	X	X
Competitive Advantage	X		X
Marketing Plan / Go-to Market	X		X
Founding Team	X	X	X
Board/Advisors		X	
Traction / Milestones	X		
Press / User Testimonials			X
Fundraising	X	X	X
Financial / Use of Funds		X	

Use google for examples

You can find a ton of examples by googling “Pitch Deck templates”

Additional info that might be requested

- market data
- compelling metrics
- case studies
- customer examples / top 10 customers
- further screen shots or demos of your product
- financial overview
- sales funnel

Tell a compelling story

Slide titles

- Short, punchy and explain exactly each slide
- Instead of the blatant “Problem” “Solution” “Team” slide headings, your deck needs to tell a story through your headings.
- Example: “The Right Mix of Passion and Experience”.... instead of “TEAM”

Language

- Avoid obvious phrases that everybody uses (disruptive, innovative, world-class)
- Use your voice - It needs to sound like a story you would tell

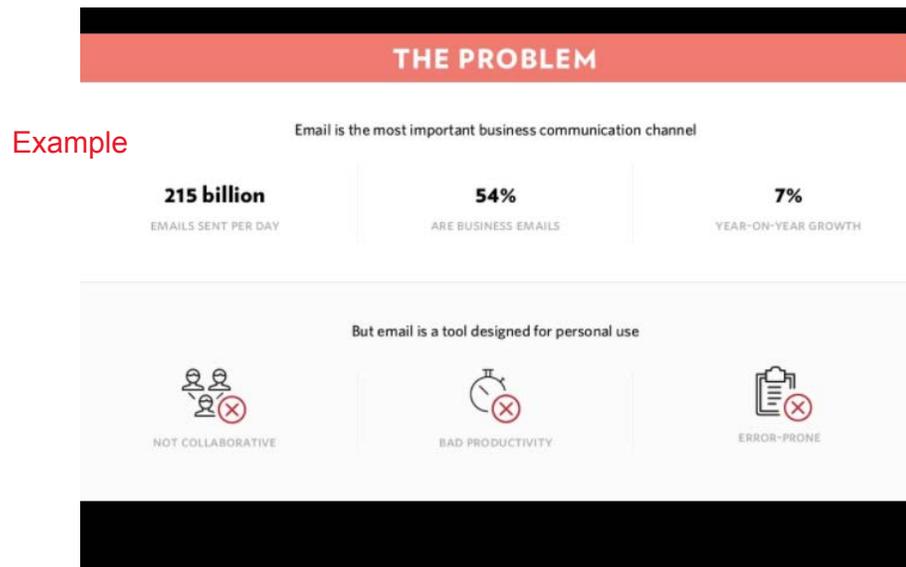
The Problem: What is the pain you are alleviating?

- The goal is to get everyone to buy in
- Describe the pain your customer feels
- Outline how the customer addresses the issue today
- Avoid looking like you are a solution looking for a problem

If you cannot convince an investor there's something broke, they will not be interested in a solution.

Get creative on how you weave multiple storylines

- Great example of working market size into the problem slide



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The Solution

- Stay focused on solving the pain – focus on the gist
- Explain how you alleviate this pain
- A demo is worth a thousand words
- If not possible to demo use screenshots and the workflow to bring the solution alive
- Provide use cases- demonstrate how your company makes the customers life better

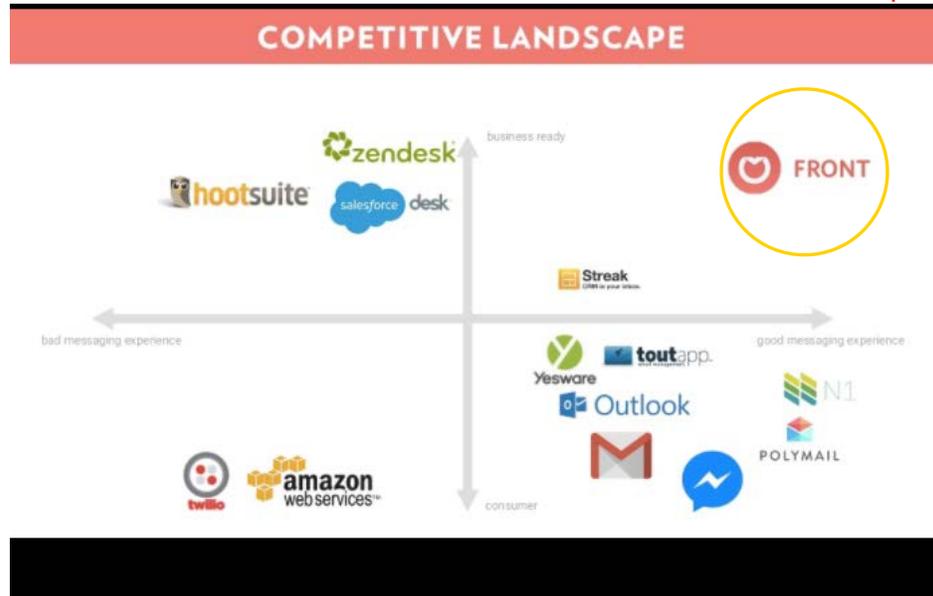
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Competitive Landscape example

- Better to identify all competitors than have investors discover them

Example



Product Roadmap

- Product line-up (features, functionality, architecture, IP)
- Most costal VC's care most about your product / tech innovation

Example



Business Model: demonstrate effective go-to-market strategy

- Revenue model / pricing
- Average account size / life time value
- Sales and distribution model
- Customer / pipeline list

Example

ACQUISITION CHANNELS

3 acquisition channels

ORGANIC GROWTH	SALES	MARKETING
70% of 2015 leads	40 qualified demos / month / SDR	✓ Content playbook
Customer word-of-mouth	28% post-demo conversion	✓ Co-marketing playbook
Leader on "shared inbox"	\$36k ARR added / month / AE	✓ Paid acq. unit economics

We've identified repeatable strategies to acquire new customers.
We will iterate on those and double down on the winners.

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Team

- Highlight any special talents or experiences that make team well-suited to building the business.
- Key players, board of directors, advisory board
- Don't be afraid of having some holes in your team. Show that you understand the hole and are willing to fix them.

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Financials

- Keep it simple: 5 tab financial model
 - P&L annual
 - P&L monthly
 - Revenue
 - Expenses
 - Headcount
- A simple timeline can be used to show how you spend money (eg: headcount) in relation to achieving specific milestones (e.g.: launching service)

Have P&L, Balance Sheet, Cash Flow, Cap Table prepared but do not go through in first meeting

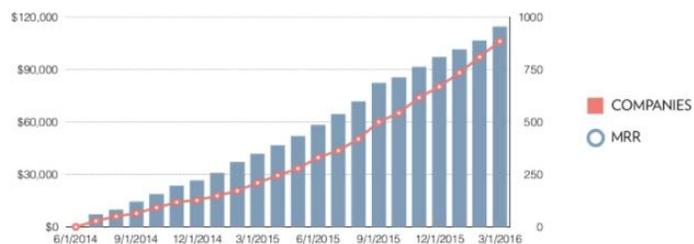
Need to demonstrate traction

Accomplishments to date

- Product / launches
- Sales
- Partners

Example

CONSISTENT ORGANIC GROWTH



MRR grew 5.4 times in the past 12 months.

Wrapping up

- plan to get through the entire presentation in 20 minutes
- save time for discussion afterwards
- best meetings feel more like conversations than presentations

THE OPPORTUNITY

Slack proved that businesses are ready to buy good communication tools.
They're going after the internal communications market.

We're going after the bigger opportunity.
Front will own the external communications space.

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The Ask / Initial Terms

Charise Flynn

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Be clear and consistent on your ask

- How much are you raising?
- Do you have a valuation in mind or are you going to let the market determine it?
- Are you looking for a new board member?
- When are you looking to receive term sheets?

Example

RAISING \$10M SERIES A
TO ACCELERATE GROWTH

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Financials

JD Geneser

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CAP Table

- Documentation of capitalization or ownership stakes in a company, including:
 - Common shares / units
 - Preferred shares
 - Rounds of Financings
 - Options
 - Warrants
 - Price paid by the stakeholders

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CAP Table

- Keep Cap table current at all times
 - Assist you in making good decisions quickly
 - Running scenarios on pre-money valuation on new financing or future rounds of financing
 - Analyzing dilution impact of different sizes of financing round
 - Impact of option pool or granting of specific amount of options to a new hire
 - **REQUIRED DURING INVESTOR DILIGENCE**

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CAP Table

- Keep it organized and simple to understand
 - Illogical organization causes confusion and can slow down investment process
- Tailor Cap Table to Supporting Corporate
 - Have all supporting documents complete and in good order
- Hire good attorney!!!

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Forecast

- Take the time and effort to develop a realistic and detailed financial forecast
- Grounded in realistic assumptions
- 3 to 5 year forecast
- First 12 to 18 months critical and must be supported

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Forecast Revenue

- Revenue Assumptions
 - Tied to marketing / distribution plan
 - Target market, market segments, geography, size, etc.
 - Know who is making purchasing decision and how you get to them. Direct, Indirect etc.
 - Pricing model tested / proven

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Forecast Expenses

- Expense Assumptions
 - Cost to serve revenue – **KNOW YOUR GROSS MARGIN!!**
 - Manufacturer – cost of goods, warranties, support
 - Service / SAAS – on boarding, ongoing support costs
 - Cost to sell – resources, commissions, revenue share
 - Operating Costs – personnel, general and administrative
 - Capital Expenditures – equipment, computers, furniture

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Cash Flow

- Good operators manage to cash flow
- Know your cash requirements and manage the process
- Spend wisely, be thrifty
- Find creative ways to bring on resources or delay hiring
- Reduce salaries or take no salary
- **ALWAYS HAVE DETAILED CASH FLOW FORECAST OF AT LEAST 60 DAYS!! MANAGE YOUR CASH**

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Online Platforms

Mike Colwell

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Platforms

- Gust
- Angel.co
- Other crowdfunding platforms

Why Online

- It's part of your startup's resume & identity
- Documents existence
- Recruiting Tool
- Fundraising Tool
- Single point of data-room dissemination

GUST

- Popular Platform for Pitch Events
- Absolute Necessity for Angel Funds and Networks
- Startup Controls access to their Data
- Easy to Share Deal Docs
- Non-Trivial – Needs time Commitment

GUST – Best Practices

- Always Upload a Pitch Video
- Ensure Financials Typed-in are SAME as those Uploaded in Business Plans
- Ensure an Understanding of Valuation, Run-rate, etc. when filling in #s
- Review Your One-Pager as Most Investors Look at this Document FIRST
- Remove Access from Disinterested Parties Immediately

ANGELLIST

- Popular Platform for Accredited Crowdfunding
- De-facto Site for Syndicated Funding Rounds
- A Recruiting and Fundraising Tool

ANGELLIST For Startups

- Profile Needs to be Simple, Complete, Fresh
- Reporting Needs to be Frequent
- Video Profiles a Necessity
- It is a Social Network Also – Ensure key Connections Properly Documented – founders, investors, advisors
- Use This Profile for Recruiting Talent

ANGELLIST For Investors

- Profile Needs to be Simple, Complete, True
- It is a Social Network Also – Ensure key Connections Properly Documented – investments and interests
- Follow Relevant Syndicates
- Understand Syndicate Firms' Rules/SOP
- Time Commitment Can be High At Times
- Due Diligence Ability May Be Limited Due to Time
- Heavily Standardized

ANGELLIST Investment Process

- VC/Fund Creates Lead Investment and Invests \$
- VC/Fund Creates Syndicate (single purpose LLC)
 - VC Representative is Managing Member
 - Syndicate Members Receive Deal Notification
 - First 98 Syndicate Members to Fill Round Invest
 - Amounts may be Varied Amongst Members
 - Closing in 2-3 Weeks

ANGELLIST – Post Investment

- Monthly/Quarterly Email Reports
- Annual K-1 for Interest/Dividend if Any
- First Priority to Follow-on Future Rounds (if any)
- Little to No Control on Exits/Future Rounds

Break for Lunch



Lessons Learned

Matt Ostanik

3/30/2017

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Lessons learned from a recent raise

- FunnelWise – closed \$7M Series A in January 2016
- 112 meetings over 14 weeks to get verbal commits for the full amount
- Took an additional two months to finish legal and receive the funds
- 26 total investors

Lessons learned from a recent raise

1. It takes a ton of work
 - Raising capital is effectively a full time job in itself
2. Most investing is local
 - All investing requires a connection of some kind
3. Getting a \$1M check took the same amount of work as getting a \$20,000 check
4. Play the long game
 - Some of the best future investors are those who turn you down now

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Before you Raise

Charise Flynn

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Start networking before you need \$

- It takes time to build relationships with VC's
 - choose carefully what metrics you talk about
 - VCs take note of everything and try to detect trends
 - Be clear when you are and are not raising
- Whoever leads your Series A will likely ask for a board seat
 - You can't really get rid of a board member, it is important to start getting to know them early

Get organized

- start a dropbox or box with all the anticipated due diligence documents (**handout**)
- create a detailed tracking sheet of all investor contacts, what stage they invest in, when and who you talked to, next steps
- create folders for each investor you start to share material with to track versions/data you share

Data Room: Information Request List

Note: Preferred file formats are Excel, Word and Powerpoint (otherwise PDF); files can be put into a data room (Google Drive, Dropbox, etc.)

1 Corporate

- 1.01 All legal governing documents (articles of incorporation, shareholders' agreement, bylaws, etc.)
- 1.02 Summary of any IP / patents and technology
- 1.03 Fully diluted cap table in Excel including any/all options and stock grants

2 Management and Employees

- 2.01 Summary bios of senior management team
- 2.02 Organization chart (current)
- 2.03 List of projected hires in the next 12 months
- 2.04 Copy of key employee agreements and standard employment agreement template
- 2.05 Details regarding employees that have left the business and brief description of reason (new opportunity, grievance, change in pay/commission, etc.)

3 Metrics and Financials

- 3.01 Summary of accounting policies (specifically revenue recognition and cost allocation)
- 3.02 Excel files of monthly financial statements (IS, BS and CFS) for most recent 18 months
- 3.03 Excel financial model with income statement projections for next 3-5 years
- 3.04 Summary of assumptions for the income statement projections
- 3.05 Annual financial statements prepared by accounting firm
- 3.06 State and Federal tax filings for history of company
- 3.07 Summary of key performance indicators on a monthly basis for 18 most recent months
- 3.08 Uses of funds in excel by month/quarter demonstrating key spending: hires, advertising/marketing, inventory, capital commitments (debt), other
- 3.09 Detailed accounting schedule of inventory balance sheet account (current)
- 3.10 Breakdown of revenue forecast itemizing: repeat orders, repeat order growth rate, new customers acquired - paid, new customers acquired - organic/free, etc.

4 Market, Customers and Products

- 4.01 List of all customers (name or other unique identifier), date of order/s, dollar amount of order/s, location/zip (if available) in excel for the last 18 months
- 4.02 Summary of customer contracts (amount, term, structure, etc.)
- 4.03 Contact details of 10 reference customers
- 4.04 Industry research in regards to market size and competitors
- 4.05 Comparison of MSL's product/technology and pricing positioning versus competitors
- 4.06 Summary of the technology and product development roadmap (features, timing, costs, etc.)
- 4.07 Review of customer acquisition costs (CAC) for the past 18 months showing detailed calculations in excel

5 Partners, Suppliers and Agreements

- 5.01 Summary of any partnerships or other strategic relationships
- 5.02 Summary of any major suppliers / vendors
- 5.03 Material contracts including existing / pending bank/debt financing

6 PR & Customer Reviews

- 6.01 Document and link to Press and Media covering your company
- 6.02 Links to customer reviews, survey data, etc.

Build momentum

- it will be hard to raise if you aren't demonstrating momentum
- at different stages this will look different
 - product / tech momentum
 - early users
 - sales traction
 - industry traction / news
 - partnerships

Anticipate questions, know your business

- know how your type of business is being measured and demonstrate you know these numbers
 - SaaS business example: MRR, ARR, CAC, LTV, Run rate, cash burn
- know your customers
 - be able to give clear use cases
 - explain succinctly why they buy
- know your industry / competitors

Prepare to manage the close

- set expectations for a close date
- create a closing checklist- it requires time and organization to keep the close on track
- determine roles of all parties involved (ie: your lawyers, investors lawyers, internal team that may help with logistics)
- keep close communication with your board and when you will need them
- set expectations with all parties who need to sign paperwork

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Finding Investors

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Finding Investors- do your research

- get clear on what stage you are
- research who invests in your industry and stage
- Crunchbase is an excellent tool
- Google, google, google
- ask other entrepreneurs

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Hustle to get the conversation

- warm introduction can make or break if you get a response
- get to know other entrepreneurs who can make introductions
- get to know advisors in the community who can make introductions
- press helps drive name recognition
- conferences with speaking opportunities can open doors

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Angel Perspective

Sheldon Ohringer

3/30/2017

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Angel perspective

Background:

- raised over \$400M as President/CEO
- made over 75 angel investments
 - over 20 investments through Angel List
 - over 20 investments directly or through seed fund

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What I'm trying to understand when being pitched

- Does he / she get it!
 - Do they have a well thought idea?
 - Have they built something already?
 - Do they have revenue?
 - What are the clients and prospects saying?
 - Do they have a team?
 - Are they prepared to grow and manage a team?

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Who are they as an entrepreneur?

- They may be smart but can they oversee all the pains and opportunities of growth?
- How do they handle questions?
- Do they realize taking \$\$ means more accountability?
- Are they prepared for more questions and more updates?

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What is my confidence for a return?

- It may start with an idea but can they be a team that is willing to do what it takes to do all the other not so cool stuff to really grow and build a company and team to a profitable company?
- What is my confidence in them doing this so I can get a return?
- Do I believe in the use case / market potential?
- *get virtually all of the return from 1 or 2 out of every 10 investments*

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When I invest

- I write a check when I have confidence they have:
 - right team
 - right idea
 - what it takes to grow a successful business
 - ability to execute
 - willingness to take advice
 - ability to bring in professional management along the way

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The Lead Investor

Mike Colwell

3/30/2017

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Lead Investor Role

- Sets terms of deal
- More than just being first
 - Typically 25% of total raise or more
 - Willing to help with other investors
 - Experienced and knowledgeable relevant to your company
- May be a board member
- Should help facilitate the next round

Follow-up and staying in contact

- What is generally accepted is a monthly or bi-monthly email that:
 - Doesn't have to be long; can be only 1 page
 - Needs to give runway update and most importantly a sales update. Also update any other milestones.
 - i.e., hired new person or platform is launching 1.4 last Friday

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Term Sheet

JD Geneser & Chris Sackett

3/30/2017

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Term Sheet

- The **term sheet** is the document that outlines the basic terms by which an investor (angel or venture capital investor) will make a financial investment in your company

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Term Sheet Includes

- Financial Terms
 - Amount Raised
 - Pricing / Valuation
- Investor Preferences / Rights
 - Dividends
 - Liquidation
 - Anti-Dilution
- Corporate Governance
 - Board Seats
 - Voting / Approval Rights
 - Information Rights

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Valuation / Pricing

- Pre-Money Valuation
 - Value of a company prior to investment or financing
- Post-Money Valuation
 - Value of a company after an investment has been made. This value is equal to the sum of the pre-money valuation and the amount of new financing received.

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Valuation / Pricing, cont

– Pre-Money	\$2,000,000	Shares 1,000,000 \$2/share
– Capital Raise	\$1,000,000	\$2/share = 500,000 shares
– Post-Money	\$3,000,000	Total Shares 1,500,000

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Valuation / Pricing, cont

- Valuation / Pricing
 - Ownership % Founder / other early investors
 - \$2,000,000 / \$3,000,000 = **66.7%**
 - Shares 1,000,000 / 1,500,000 = **66.7%**
 - Ownership % New Investor
 - \$1,000,000 / \$3,000,000 = **33.3%**
 - Shares 500,000 / 1,500,000 = **33.3%**

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Liquidation Preference

- Determines the payout order in case of a corporate liquidation and/or sale of the company
- Investors often make it a condition for their investment that they receive their investment money back first before other shareholders

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Liquidation Preference

- $\$2,000,000 / 1,000,000 \text{ shares} = \$2 / \text{share}$
- New Money $\$1,000,000 / \$2 = 500,000 \text{ shares}$ (33.3%)
 - 2X Preference = $\$4 / \text{Share}$
- Sale Business for $\$4,000,000$
 - New Investor receives $500,000 \times \$4 / \text{share} = \$2,000,000$ or 50% of sales price while holding 33% ownership.

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Stock Option

- Employee stock option (ESO) provides employee the right to buy company shares priced at date of grant.
 - Priced at today's value with expectation of increasing value over time
 - Usually vested over time (3 – 5 years)
 - Provides employee the opportunity to participate in the upside and increased valuation of the company over time

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Option Pool

- Pool of shares available to be granted
- Average Pool approximates 10% of outstanding shares
- Employee is granted a certain amount of shares that vest over a period of time, priced at today's share price.
- **Most investors require that the pool be established prior to their investment – so as to not be diluted by the Option Pool**

Key Employees

- Founders salaries – influx of cash can alter the incentives and behavior in a company, including such major items as founder compensation as well as minor items like benefits.
- Term sheets may dictate how much or if the founder can give themselves a raise.

Board / Governance

- New money means new bosses / governance
- If no board exists, term sheet will call for establishment
- Term sheet will outline number of board seats required by new investors into this round
- Generally 1 seat (based upon 5 member board)
- Negotiable

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Preferred Shareholder Protective Provisions

- Preferred Shareholder approval required for “fundamental” transactions
- Carefully consider the list and thresholds
- Blocking versus affirmative rights
- Minimum ownership requirement?

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Management and Information Rights

- Major investors want (need?) certain rights
- Financial Statements, budget, tax returns, etc.
- Carefully consider the list – balance need with interference

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Matters Requiring Preferred Director Approval

- Preferred Director approval required for certain “operational” decisions
- Carefully consider the list and Board makeup
- Blocking versus affirmative rights
- Minimum ownership requirement?

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Right of First Refusal and Co-Sale

- ROFR typically runs to Company and certain (all?) investors
- Consider which shares are covered by ROFR
- Consider which shares are benefitted by Co-Sale
- Minimum Ownership Requirement?

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Drag-Along

- Requires shareholders to vote in favor of specified events
 - generally exit transactions
- Consider balance of power

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Term Sheet - Control

- Right to Participate in Future Rounds

Term Sheet - Control

- All The Rest
 - Intellectual Property/Assignment of Inventions
 - Confidentiality and Restrictive Covenants
 - Employment Agreements



Negotiations

JD Geneser & Chris Sackett

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Getting to Agreement

- Know what you want and what you will be willing to accept
- Understand the other party's interests and situation
- External pressures? Anyone desperate?
- If you know you will need more money, be very aware of giving away too much of the company too early

Getting to Agreement (CONT.)

- Do your homework on the investor - you are going to be working with them in the future
 - Speak to other founders and companies they invested in
 - If you expect strategic value, make sure they have delivered in the past
 - Share strategic vision?

Getting to Agreement (CONT.)

- Negotiation approach: reasonable deal or best deal possible
- Create a sense of urgency, more than one suitor – get best deal sooner so they can stay in the running
- Don't negotiate against yourself (don't give something that someone doesn't ask for)

Walking Away

- Dollars are important, but what are you willing to give up
- Know what has value to you, have a hard line
 - MSL Chicago Investor Story
 - Wanted the world for only \$150,000
 - What you give away now you will definitely give away later

Legalities Behind Negotiation

- NDAs
- Term Sheets, LOIs, No Shop Provisions
- Formal Documentation
 - Get the general deal agreed before doing the big drafting. If you can't agree on the economics there is no point in paying to have all of the documents drafted



Post-Investment

Sheldon Ohringer

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Overview

- Stay Connected
- Be Truthful
- Ask for Help
- Share Bad News Early

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Stay Connected

- Early and Angel Investors Want to Be Part of Team
- Email Monthly or Quarterly Updates
 - Runway
 - Sales Progress
 - HR Needs
 - Key Wins and Losses
- Annual In-Person Meeting Will Go a Loong Way

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Truths

- You're no Longer Pitching – Share Real #s
- Projections Should be Based on KNOWN Pipeline
- Share Team Dynamics – Warts and All
- Fibs Catch Up and Hurt Future Investment Potential

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Ask for Help

- Startup Investors Are Rarely Passive Investors
- Use Their Experience
- Leverage Their Network
- Ask for Guidance, Mentorship, Advice
- Investors can Often Step in at Times of HR voids

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Share Bad News Early

- There Are Lots of Indicators – Share Them
 - Operating: Maybe you thought about expenses
 - Make Payroll: Maybe you've thought about layoffs
 - Obligations: You did Notice A/P growing
 - Landlord: You Negotiated
 - Miracles: Don't happen – You Control Them Through Resources

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STAY in TOUCH

frequently

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Final Thoughts

Mike Colwell & Chris Sackett

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GOING FORWARD

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