



# Deal Memo Development Guidelines

## Requested SWAN Deal Memo Development Timeline

The schedule below describes a four and one-half week schedule for completing a deal memo.

<b>Week One – Team Creation</b>
<ul style="list-style-type: none"> <li>• Pitch Night occurs, during which Members complete survey form on their interest in helping with a Deal Memo.</li> </ul>
<ul style="list-style-type: none"> <li>• The day after pitch night:               <ul style="list-style-type: none"> <li>○ Decision on what companies advance to Deal Memos. This based upon the pitch night survey of angels on their potential interest in investing.</li> <li>○ Supplemental Information request sent to CEOs. This augments the information provided in the pitch deck and application form.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• By the end of the week (5 business days):               <ul style="list-style-type: none"> <li>○ Deal leads have been recruited by Executive Director, based in part upon the pitch night survey results of who is willing to be a lead. Candidates should be asked to review this doc before saying yes.</li> <li>○ Deal Team has been staffed and roles assigned . This is accomplished by the Executive Director working with the Deal Leads. Candidates should be asked to review this doc before saying yes</li> </ul> </li> </ul>
<b>Week Two – Homework and Due Diligence Call with CEO</b>
<ul style="list-style-type: none"> <li>• At start of the week: optional, short, internal kickoff call, to answer any questions of the contributors</li> </ul>
<ul style="list-style-type: none"> <li>• During the week, team members do homework in preparation for the Due Diligence call with the CEO. Section contributors should review all available material, including down-selection video, and have developed their questions using the memo template as one source of potential questions.</li> </ul>
<ul style="list-style-type: none"> <li>• At end of the week, Due Diligence meeting w/ CEO. Team asks questions.</li> </ul>
<b>Week Three – First draft of Memo</b>
<ul style="list-style-type: none"> <li>• During the week, team members can make follow-on inquiries of the CEO, as needed. The Deal Lead coordinates communication with the CEO.</li> </ul>
<ul style="list-style-type: none"> <li>• At the end of the week, first draft of all sections are completed. Note that Reference calls may go into the next week.</li> </ul>
<b>Week Four – Final Draft of Memo</b>
<ul style="list-style-type: none"> <li>• During the week:               <ul style="list-style-type: none"> <li>○ Internal review of the draft Memo by the team with an optional internal call sometime in the week. Follow-on inquiries of the CEO, as needed. The Deal Lead coordinates communication with the CEO.</li> <li>○ Any <i>Side Agreements</i> between SWAN and the company are negotiated by the Deal Lead and an agreement is signed.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• By end of the week, all sections of deal memo finalized, and a Team call meeting to agree on scoring and any other final details</li> </ul>
<b>Week Five – Publishing Memo and Funding Commitments</b>
<ul style="list-style-type: none"> <li>• By two days into week five, the Executive summary finished by the Deal Lead and final edits completed. And the Deal Memo is sent to the Angels</li> </ul>
<ul style="list-style-type: none"> <li>• Investment commitments are collected from the angels</li> </ul>

## Deal Lead Role description

Whether you are an experienced deal lead or it's your first time, you should find this role description helpful in guiding you through the process of leading a SWAN due diligence project.

We have defined two Deal Lead roles:

- Deal Lead Learner - someone who is being a Lead for the first time, and will perform the major part of the Lead work as defined below.
- Deal Lead Mentor – a person who has deep experience in the SWAN deal memo process, and who acts as a friend, coach, people connector, consultant, advisor and information source for the Learner. The Mentor participates in all the team meetings and lets the Learner take the lead in those meetings.

Although every due diligence experience is unique, you can expect to spend 25 to 45 hours to perform the Learner role – equal to about one full work week spread out over four weeks or so.

If you would like administrative support, for example, setting up zoom calls or Doodle polls, please request that support of the Executive Director who will help identify a resource..

### Key Responsibilities of the Role

- Establish timelines, organize meetings, facilitate collaboration, troubleshoot; endeavor to complete the deal memo according the schedule above.
- Ensure that all team participants have easy access to whatever documents they need at the outset, including the company's application, pitch deck, cap table, financials, and website link.
- Help the deal memo team stay focused on the biggest risk factors, ensuring time is well spent.
- Be the primary point of contact between SWAN and the CEO, and coordinate all such communications.
- Participate in key decisions, especially scoring decisions or, for example, if major concerns about the company come up, develop consensus on whether to discontinue due diligence and not distribute a memo.
- Write the Executive Summary and be the final editor for the entire deal memo.
- If applicable, manage any side agreements with the company. This might include, for example, changes to the board of directors or hiring key resources (fractional or full-time), by a certain time after funding. This entails drafting a simple letter and obtaining the CEO's signature.

### Getting Started

Upon accepting the role to lead a due diligence team:

- Work with the executive director to finalize your team. Please refer to the Section Lead section below for information of what is expected of Section Leads.
- A quick review of the deal template can help you identify ways to split up the work according to sections/subsections, especially if you have more than one experienced person per section.
- If a Section has more than one participant, make sure that the contributors have defined a plan for sharing the work. If the two contributors are Mentor/Learner, share the guideline for that.

- Review the timeline for producing the deal memo; develop a schedule with dates.
- Organize the first Due Diligence meeting with the CEO and all team members.

## Section Contributor Role Description

Whether you are highly experienced in performing due diligence on startups (a Section Mentor) or a total newbie, (a Section Learner) you should find this helpful in guiding you through the process of participating on a SWAN due diligence team.

Note that the Deal Memo template includes prompts to help you know what to do.

Although every due diligence project is a little different, you can expect to contribute about this amount of time based on your section:

- Social Impact (5-10 hours)
- Team (10-12 hours + two to four business references, about 1 hour each)
- Product and technology (10-15 hours)
- Market & Sales Strategy (10-15 hours + plus customer references)
- Finances (5-8 hours)
- Governance, Deal Terms, and Exit (4-6 hours)

### Key Responsibilities of a Section Contributor

- Review all previously available information, review the Deal Memo template and prepare questions for the company.
- Attend the Due Diligence Meeting which includes all Deal Memo contributors, and the founder(s)/CEO of the company, and ask your questions.
- Perform research, analysis, data collection, interviews with experts or references, as appropriate. Write up your assessment ([the blue-toned content on the template will guide you](#)).
- Endeavor to complete your first draft in ten days after the Due Diligence Meeting and a final draft 11 days after that.
- Recommend the score for your section; participate in a team meeting to finalize all scores.
- Participate in key decisions that might arise. An example would be if major concerns about the company come up, necessitating a consensus on whether to proceed in distributing the memo.
- Optional attendance at the post-distribution Q&A meeting for prospective investors.

### Getting Started

Upon accepting the role to work on a Deal Memo Section:

- Prepare by reviewing available company information:
  - Pitch deck
  - Company application form
  - Down-selection notes (these are notes written by down-selection reviewers)

- Down-selection video (this is a 90-minute due diligence call with the company that occurred as part of down selection)
- Review your section on the DD memo template
- Develop your questions for the kick-off meeting
  - At the kick-off meeting you will have dedicated time to ask questions and drill down where you want more information.
  - Note, the person(s) doing the Team section will use their meeting time to determine with the CEO who will be included in 1-1 interviews that they will organize right away. During the meeting, the Team person has the chance to observe the company leaders – their communication skills, responses to difficult questions and how they interact w/ each other.
- If an Angel or Associate has not worked on a Deal Memo before, a **Learner**, we will assign a Section **Mentor** who has previously worked on a Deal Memo, to collaborate with you on the section.
  - Roles and Responsibilities
    - The experienced person will serve as a Mentor, and the Learner will perform most of the actual work.
    - The Mentor will provide guidance, answer questions, and be available if the Learner gets stuck.
    - Note that the diligence template has prompt questions in each section that should be helpful. And prior due diligence memos are available as examples.
    - The Mentor will review the final work and help in final edits if needed.
- If you are a section co-lead where both of you are experienced, determine how you want to split up the work. (e.g. – for Team, different team members can interview different people at the company; the Product and Market & Sales Strategy sections have subsections that lend themselves to separating. References can be done by different people.)

## Issuing the Due Diligence Memo and Circling Investors

1. All newly published Deal Memos are sent out by the executive director to all members in an email.
2. The email subject line should read: SWAN Due Diligence: Memo on Company Name
3. The email should include:
  - a. The names of the deal and section leads and links to their LinkedIn profiles
  - b. Investment minimum, deal terms, and any other investment requirements
  - c. The executive summary (copied from the memo)
  - d. An invitation to join the lead(s) on a group or private call to answer questions
  - e. Respond back to [admin person]@swanimpact.org with your decisions by date [typically 5-7 days]. Be sure to indicate Yes or No and if you are investing, the \$ amount.
4. The Deal Lead(s) will organize a group call and/or 1-1 calls with interested investors to answer questions.
5. To ensure that all members are fully aware of the investment opportunity, especially members who expressed an interest in a particular deal, a **SWAN intern or admin** will:

- a. For members who request it in advance, send a personal email or text, and request confirmation of receipt, upon newly published deal memos.
  - b. Cross-reference the investor list (the SWAN admin has it) with those who indicated potential interest in investing pitch night to identify prospective investors who haven't responded. Check with them by phone or email to confirm one way or another.
6. The **SWAN intern or admin person** collects emails of confirmed investors and their investment amounts in a spreadsheet.