



Introduction to the Deal-Memo Process, for Section Contributors



for helping!

Agenda

1. How to think about Startups
2. Simple cookbook for working on your section
3. Collaboration Tools

How to think about Startups

Startup company risk assessment



- **Does the company have the potential to be successful?**
 - We expect over half the companies to fail
- Does the company really excite us in few functional areas and have an adequate story for the other functional areas
- Finances are preliminary
- Are there red flags that we believe that the company is incapable of overcoming?
 - Strong teams will work to mitigate risks over time

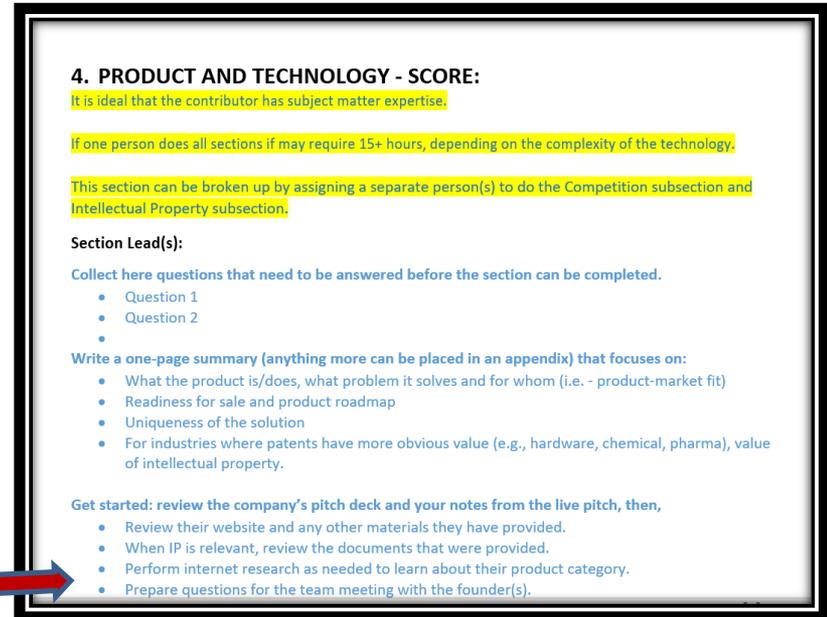
More-mature company risk assessment



- **Is the company successful?**
- Is the company a leader in their market segment?
- Financial analysis dominates
 - Revenue growth & trends
 - Profit margins, PE ratios
- Market analysis
 - Market share
 - Product leadership

Get Ready

- On the SWAN web site, go to “For Members” and then “Participate in Writing a Deal Memo”
 - Read the Deal Memo Guidelines document
 - Read the Deal Memo Template
 - Pay special attention to the questions template for your section (blue text)
- Review all the material in dealum, including the Comments and the link in Documents that points to the zoom down-selection recording



4. PRODUCT AND TECHNOLOGY - SCORE:
It is ideal that the contributor has subject matter expertise.

If one person does all sections it may require 15+ hours, depending on the complexity of the technology.

This section can be broken up by assigning a separate person(s) to do the Competition subsection and Intellectual Property subsection.

Section Lead(s):
Collect here questions that need to be answered before the section can be completed.

- Question 1
- Question 2
-

Write a one-page summary (anything more can be placed in an appendix) that focuses on:

- What the product is/does, what problem it solves and for whom (i.e. - product-market fit)
- Readiness for sale and product roadmap
- Uniqueness of the solution
- For industries where patents have more obvious value (e.g., hardware, chemical, pharma), value of intellectual property.

Get started: review the company's pitch deck and your notes from the live pitch, then,

- Review their website and any other materials they have provided.
- When IP is relevant, review the documents that were provided.
- Perform internet research as needed to learn about their product category.
- Prepare questions for the team meeting with the founder(s).

First step: Identify key questions

- Identify the **three or four** questions that point to significant strengths and/or significant risks
 - We are not trying to understand everything about the company. Ignore curiosity questions that don't materially impact an investment decision
 - We just want to understand the most critical strengths and risks
 - Have discussions with the deal lead or a mentor if you are unsure
- The ***Win-Win Payoff of Focusing***
 - Focusing on just a few issues decreases your work effort and also makes the process less burdensome to the CEOs



Start recording your Ideas:

Use the Deal Memo as your scratch pad

- Delete the template questions that don't point to significant strengths or risks
- Put your initial rough-draft/stream-of-consciousness in the deal memo
 - Helps to educate the deal lead, mentors and other section authors
- List the top three or four questions you most need to ask the company in a group follow-up call
 - Ignore non-critical or curiosity questions
- Ask for help from the deal lead or a mentor

4. PRODUCT AND TECHNOLOGY - SCORE:

It is ideal that the contributor has subject matter expertise.

If one person does all sections it may require 15+ hours, depending on the complexity of the technology

This section can be broken up by assigning a separate person(s) to do the Competition subsection and Intellectual Property subsection.

Section Lead(s):

Collect here questions that need to be answered before the section can be completed.

- Question 1
- Question 2
-

Raise any Critical Concerns

- Can critical concerns be mitigated by getting a pre-investment agreement with the company on a specific action to be taken by the company?

For example:

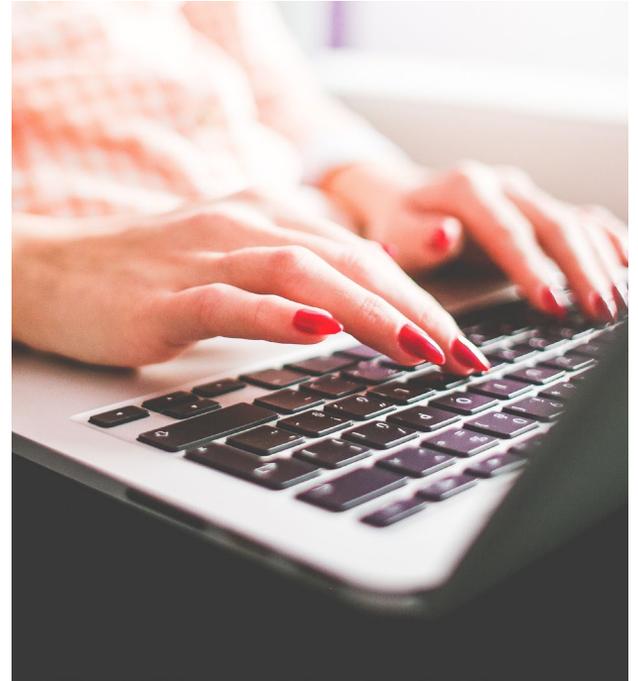
“The company agrees to hire a mutually-acceptable fractional CFO within two months of having received our funding”

- The deal lead can try to get a side letter signed by SWAN and the CEO before the deal memo is published
 - If the side letter gets signed, this may raise the score of a section



Finish your Writeup

- Can be written as a bulleted list of **key observations** regarding key strengths and risks
- This is not an investment recommendation, but rather records observations
 - We are not an investment bank and therefore cannot legally recommend investments
- Don't include advice for the company
 - Save that for post-investment



5. PRODUCT AND TECHNOLOGY- SCORE: 4

Section Lead: Sam Kessel

(call notes from technical call with CTO in appendix)

VeMiDoc has developed an initial product that has been used in several clinics including El Paso Health. As a physician, Dr Maspons deeply understands the challenges that clinicians and patients face on a daily basis. He designed VeMiDoc to solve the problem of reaching the poor, Hispanic population and help them adhere to medications, better communicate with their physician and improve their overall health. The idea of having an application that helps patients stay better in touch with their care team is not novel, however, the cultural sensitivity of VeMiDoc toward Spanish speaking populations is the competitive advantage. This and the deep understanding of physician/clinician and patient needs are the two key value propositions of the product. The interface shown is clean and user friendly which is critically important to low health and technology literacy populations.

The executive team is mainly comprised of healthcare professionals and is uniquely suited to developing the product toward the stated ends. However, the team is currently lacking in deep software experience that may hinder the apps development moving forward. Key technical risks as well are that this will be an additional software for physicians and patients to navigate and will not be able to be integrated into already used Electronic Health Records. As a software company, there will be limited ability to patent and competitors in telemedicine could potentially enter this space with the only barrier to entry being a cultural competency of understanding Hispanic populations. The company seems to have a broad vision for their impact including expanding to dental patients and Hispanic populations with commercial insurance which would entail expanding past Medicaid Care Organizations. As a software company, the technology should be able to be adapted to various patient populations, but the ability of the technical team to update VeMiDoc at this point remains in doubt.

Overall, VeMiDoc has developed a platform addressing a verified patient need and has gotten traction doing so. The company has developed the first generation of their mobile app with no external funding. We deem the architecture and development process as adequate for a company of this size. The CTO, JP Garcia, has managed the development for three years with a small group of contract developers. While there is virtually no traditional IP in today's solution, the data captured on improved care and the ability to develop highly impactful data analytics are likely to be meaningful VeMiDoc assets.

VeMiDoc's middleware partner is Redox (CEO is ex-EPIC). Redox is a well-known provider of interoperable, cloud-based clinical data exchange using clinical-grade compliant technologies. This reduces concerns around APIs access, mandated FHIRs standards, inefficiencies of clinical data sharing, better care decisions, risk stratification per case, scaling to newer networks, and quality of deliverables.

Goal: a one-page writeup

- VeMiDoc example
- Refers to notes in appendix

Finally, Score your Section

Your score reflects the company's potential for success based upon your observations

Score	Score Description
5	Meets or exceeds attributes of an exemplary deal.
4	Meets most attributes of an exemplary deal.
3	Acceptable although some areas for improvement as noted in the memo.
2	One or several areas of concern. A score of two indicates that the company is not a good investment at this time, and no deal memo is distributed.
1	Critical concerns/issues that cannot be overcome. No deal memo is distributed.

Collaboration Tools



Slack channel

- Allows the internal communications to be easily accessed by everyone on the team
- No need to wade through a bunch of emails

Dealum + Google Doc

- Dealum contains everything we know about the company, including all files received and a link to the zoom down-selection
- Google Doc allows everyone to simultaneously edit the Deal memo

Questions?



Contact Bob

(512) 658-2240
bob.bridge@swanimpact.org