 VeMiDoc - Deal Memo

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**DEAL LEAD:** Brad Fluke

**PUBLICATION DATE:** April 15, 2021

**Purpose and Confidentiality**

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# Executive Summary

**Company**

VeMiDoc is an El Paso based company that provides a compelling bilingual telemedicine mobile app allowing health providers to remotely monitor patients via regular virtual check-ins and other health management tools. Medicaid Managed Care Organizations (MCOs) incur high and disproportionate costs associated with poor disease management and poor health outcomes in Latino and other medically underserved communities. The VeMiDoc app, which in Spanish represents “see my doctor”, was conceived and developed to improve medical outcomes over time, reducing patient healthcare costs for MCOs and allowing them to better allocate resources to Medicaid beneficiaries. The MCO pays an annual subscription fee of $1600 per each of their health care providers who engage with the app. Once the commercial agreement is established with the MCO, the VeMiDoc team works with the MCO’s Physician Liaisons to onboard providers in their network. The company has signed up two MCO’s in the El Paso area and has successfully onboarded 90 of their 1200 health care providers resulting in $82K in revenue to date.

**Product Highlights**

Aldo Maspóns is the CEO and an MD in El Paso with over 20 years of experience working with medically underserved communities. He is passionate that healthcare access, quality, efficiency and scalability are vital to medical outcomes and will become critical future drivers of healthcare delivery. The VeMiDoc platform addresses the language and cultural barriers for Latino Medicaid patients in the Southwestern US, a target market that has been virtually ignored by existing telehealth companies. The app provides well-conceived medical questionnaires, forms, appointment scheduling and telemed visits to facilitate a patient’s care and track their progress. The patient’s underling condition and responses to on-line questions helps identify the highest risk patients for follow-up care. The Medicaid MCO’s have a huge incentive to minimize re-hospitalizations and the added resulting costs. Medicaid also applies penalties to MCO’s when they underperform to an established set of metrics.

**Primary Market**

There are currently 62,000 physicians in the US Southwest (TX, AZ, NM, CA) that accept Medicaid and are part of a regional MCO, leading to a total available market for subscriptions of $100M. VeMiDoc’s strategy is to expand from El Paso to the larger Texas cities and then to the SW states named above. Texas has the third largest Medicaid budget in the US (>$40B) with over $20 billion of the spending through the MCO’s. VeMiDoc has built a strong relationship with the CEO of the largest MCO in El Paso - El Paso Health (EPH), after launching key medical outcomes-based projects including mental health hospitalizations and hospital discharges. There are regular quarterly meetings among the tight-knit community of CEOs within the Texas Medicaid MCOs. These meetings include exchanges between the CEOs regarding impactful programs and practices that have demonstrated value to the MCOs they lead. The CEO of EPH has assured VeMiDoc that they will have opportunities to present to this Texas Medicaid Care Organization Group, giving the company immediate access to the top decision makers of the 19 Texas MCOs, a rare opportunity for a young company.

It should be noted that Covid has actually provided a cash windfall for MCO’s because of lower expenses (due to less overall patients) and also Covid-based government assistance. MCO’s had set their 2021 budgets prior to the onset of Covid and they now have significant cash surpluses. The state of Texas has broadly tasked the MCO’s to use technology for innovation that demonstrates long term value in a cost-effective manner. VeMiDoc may very well fit this need.

**Technology**

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. Co-founder and CTO JP Garcia (Stanford, Apple) 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. Telehealth is a generally hot market and there have been several exits as described in the deal memo. There are several categories of potential acquirers: MCO’s and private insurance carriers, health care networks and telehealth software providers.

VeMiDoc financial plan forecasts growing from 90 subscriptions today, to over 1200 in 2022 and 10,000 in 2024. This corresponds to revenue of $2M in 2022 and $15M in 2024. See the company pitch deck in the appendix for further details.

**This funding opportunity** is a priced round for Preferred Equity of $500K, with $300K available to SWAN. The deal terms and conditions have already been negotiated by a lead investor named Saba Investments, a small early-stage investor group focused on cross border opportunity investments. Pre-Money valuation of $3.5M, with a 1X Liquidation preference and participation rights in subsequent rounds. Key uses of the capital raise will be to add headcount in development, technical support, sales and digital marketing.

Assuming SWAN meets or exceeds a $200K investment, our network will be given a board seat. While VeMiDoc clearly has the passion and deep knowledge of the Medicaid dynamics in Texas, the company’s management has limited experience in starting and growing businesses. Oversight and support in the areas of staffing, cost and revenue forecasting, sales, digital marketing and measuring social impact will be important.

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As shown below, in each of the assessment areas, the company has been reviewed against applicable criteria and given a score using the following scale:

|  |  |
| --- | --- |
| Score | Score Description |
| 5 | Meets or exceeds attributes of an exemplary deal |
| 4 | Meets most attributes of an exemplary deal. Not a barrier to funding |
| 3 | Needs Improvement – Meets some aspects of a strong deal. Concerns are described below, have been discussed with founder(s), and not deemed an impediment to funding. |
| 2 | Potentially Problematic – Fails to meet most criteria; if we deem that the company is not a good investment at this time, no deal memo will be circulated to our investors.  |
| 1 | Critical – Fails to meet criteria. Issues cannot be overcome. Company should not be funded and no deal memo will be circulated to our investors.  |

|  |  |  |
| --- | --- | --- |
| Assessment Area | Overall Score  | Remaining Risks and Concerns |
| Social Impact | 4 | No metrics are currently being tracked, but hospitalization rates will be the key metric at the start with more metrics based on patient surveys added later. VeMiDoc should start gathering this data as soon as possible. They should also establish a feedback process to ensure any issues affecting adoption and sustained us are addressed. |
| Team  | 3.3 | A passionate and energetic team committed to the success of the startup. Lack of experience in startups and in their respective C-suite/leadership roles a weakness. The team appears to be coachable, and it may develop as it grows. The current gap is a dedicated CFO; the future gap is a CTO. |
| Product and Technology  | 4 | The product is developed by Physicians for Physicians and patients. It is a product geared toward the appropriate problem of better communicating with Hispanic patients and integrates into physician workflow. However, there is technical risk in that the team is lacking in software development expertise |
| Market Opportunity and Sales Strategy | 3.5 | The company has a unique opportunity to leverage their success with MCO El Paso Health and present to the CEO’s of the other 17 MCO’s in Texas during their quarterly meeting. This somewhat counters the vagueness of the hiring and digital market plans.  |
| Exit Opportunity | 4 | Telehealth is a hot market and company has a unique angle to address an underserved segment. Limitation in IP protection is somewhat countered by data capture and analytics. Three categories of potential acquirers: private health/MCO’s, Health Systems, Telehealth technology providers. |
| Proposed Deal Terms | 4 | This is a Priced Preferred Equity deal. The price and other terms were negotiated by a lead investor with good credibility and credentials. We are piggy backing on those terms. |
| Corporate Structure and Governance | 5 | The founders have no prior startup experience or corporate governance experience. Therefore, having a BoD with strong startup experience is important. The company has agreed in a side letter to restructure their board to include two investor reps (SWAN and SABA Investment group), an investor rep and two company reps. All concerns have been addressed. |
| Finances | 3 | The founders have a solid understanding of the revenue model, pricing strategy, go-to-market strategy, associated costs, payment counterparties, and drivers for product adoption for the business. Some key growth and cost assumptions could be considered aggressive. |

# Pre-Funding Agreements reached with the company

1. Move to a 7-person board structure: 3 employees, 3 investors (SABA, SWAN, TBD), 1 independent.
2. Increase stock option pool to 15%, fully diluted, post funding.
3. $400K minimum available to SWAN investors.
4. Director and Officer insurance of $1M minimum.

(see side letter in appendix)

# **Social Impact – Score**: 4

**Section Lead(s): Dawn Hooper and Donna Young**

VeMiDoc aims to improve Latino patient’s access to healthcare through a HIPPA compliant mobile application created with the Latino patient in mind. The application allows healthcare providers to improve appointment efficiency and increase patient interaction which allows them to service a higher volume of patients more efficiently and better allocate their resources to their patients. VeMiDoc proposed several impact metrics, but most measured outputs, not outcomes. The most significant outcome that can be measured today is hospitalization rates. While the metric is not currently being tracked, VeMiDoc confirmed that the data exists and is easily obtainable for current hospitalization rates before and after an MCO and its healthcare providers adopt VeMiDoc. The rates can be tracked over time through the adoption cycle and against other MCO’s not using VeMiDoc. This impact of decreased hospitalization rates aligns with Sustainable Development Goal #3 – Good Health and Well Being. Adoption of this technology in Latino communities also addresses social inequalities within Sustainable Development Goal 10 – Reduced Inequalities. As the technology is built out, there is significant potential to measure health outcomes using patient reported data. These social impact metrics can be added in the future.

The scale of the potential impact is quite large, and especially so in Texas. As of July 2019, the US Census Bureau estimates that Hispanic or Latino people make up 39.7% (approximately 12 million people) of Texas and 18.5% (approximately 60 million people) of the United States as a whole. Many areas of Texas have a significantly higher percentage of Hispanic or Latino individuals including El Paso County (82.9%), San Antonio (64.2%), and McAllen (84.8%) to name just a few. According to a recent article by [American Progress,](https://www.americanprogress.org/issues/race/reports/2020/05/07/484742/health-disparities-race-ethnicity/) Hispanics are disproportionately affected by many chronic health conditions such as diabetes, high blood pressure, and cervical cancer. These health issues can be successfully treated with the proper medical care. With sufficient MCO and patient adoption, it is reasonable that VeMiDoc can improve Latino access to healthcare, thereby improving their long-term health.

Following the Impact Management Project's nine types of [impact risks](https://impactmanagementproject.com/impact-management/impact-management-norms/risk/), we believe the primary impact risks are stakeholder participation risks, drop-off risk, and endurance risk. SWAN is not aware of a strategy for receiving and addressing general feedback from all of the stakeholders that would allow the VeMiDoc team to tweak the application and associated processes to address issues or concerns. Adding a feedback process will help ensure sustained adoptions and minimize shareholder drop-off. In addition, there is risk that healthcare providers become overwhelmed with using multiple technology platforms with limited integration. Without sustained and consistent use by patients, impact metrics will be unreliable.

Overall, VeMiDoc has high potential for improving Latino patients’ access to healthcare, and healthcare provider’s ability to more effectively and efficiently manage Latino patients’ health. VeMiDoc should start gathering the appropriate hospitalization rates as soon as possible. In addition, thoughtful consideration should be given to a formal process for collecting input from stakeholders that will allow VeMiDoc to address any concerns prior to drop-offs.

#  Team – Score: 3.3

**Section Lead(s): Charmaine Tang and Victor Mieres**

VeMiDoc’s management team is comprised of 4 key players:

• Aldo Maspons, Founder & Chief Executive Officer

• Jose Alamo, Founder & Chief Financial Officer

• JP Garcia, Chief Technology Officer

• Guadalupe (Lupe) Lopez, Chief Legal Officer, and Acting COO

**Aldo Maspóns, MD Founder & Chief Executive Officer – Score 3.75**

Aldo has a solid educational background, having attended Santa Clara University for undergrad and UT Southwestern-Dallas for medical school. He completed his pediatric residency at UNM and practices at the Baylor College of Medicine Texas Children’s Hospital in Pediatric Gastroenterology. Aldo continues to balance his clinical work and VeMiDoc. Ideally, he would like to spend 100% of his time on VeMiDoc vs. 80% of his time currently. Based on the success of the raise, the CEO will reduce their clinical work to one day a week.

**Jose Alamo, DDS – Founder & Chief Financial Officer – Score 3**

Jose is personable, affable, and involved with finance, raise, and sales/marketing. A dentist by training, he attended St. Mary’s University for undergrad and Boston University for his DMD. Jose has worked with New York-Presbyterian, Weill Cornell Medical Center, and Kings County Hospital Center in New York. Our concern is that Jose is the CFO but does not have a finance background. He is a childhood friend of Aldo (the CEO). VeMiDoc should consider hiring a fractional CFO and deploy Jose’s talents towards business development, sales, and focusing on growing business with MCOs. Jose is a practicing dentist in Austin, but VeMiDoc is based in El Paso, which is also a concern. He would ultimately like to expand VeMiDoc to dentistry, which could become an additional revenue opportunity. Jose plans to split his time as follows: 80-90% VeMiDoc and 10-20% at his dental practice.

**JP Garcia – Chief Technology Officer - Score 3.5**

JP has an impressive background – a graduate of Stanford University, followed by experience at Apple as a Senior Engineer; Digivera as Co-Founder and CSO; Intero Mexico SA de CV, as Co-Founder; and XNetworks as Founder and Managing Partner. JP is a hands-on, resourceful, and engaged technical head. However, while his resume lists some relevant experience, we believe he is still growing into the CTO role and is open to taking guidance and advice. JP is learning about the industry and modern cloud/AWS technologies, as he develops the product from the current MVP. JP spends “110%” on VeMiDoc – he “eats and breathes” VeMiDoc. He currently has 2-3 contractors writing code, whom he is training to eventually will be employees. JP seems passionate about mentorship and the development of talent from underserved minority communities.

**Guadalupe (“Lupe”) Lopez - Chief Legal Officer and acting COO – Score 3**

Lupe has a solid legal background, attending the University of Texas at El Paso for undergrad and American University in Washington for her JD/LLM. Lupe seems very bright and engaged. She was formerly Senior Associate at Freshfields Bruckhaus Deringer in New York and serves as a member of NYC FinTech Women. Lupe works full time at VeMiDoc but noted that she focuses more on legal and Jose helps with operations. When pressed, Lupe said that she and Jose split operations 50/50. Our concern with Lupe is that she does not have deep experience in operations and businesses and is more comfortable in the legal space. The plan is for Lupe to expand her role to manage operations and HR. She seems committed to the new role but will need guidance given her lack of experience in those areas.

# 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.

# Market opportunity and sales strategy - Score: 3.5

**Section Lead(s): Raven Veal, Don Fowler**

Overall, early revenue from existing MCO customers is a good sign of future growth potential. Caution: within the two MCO customers already contracted, a relatively small percentage of contracts have been signed (~5%) with actual physicians. There is some concern that the company is relying too heavily on the MCO physician liaisons to do their selling. (Passive sales approach) This is not a surprise as there is currently no one focused on sales. When asked who the sales team consisted of today it was the CEO Aldo and CFO Jose. I don’t see any expertise within the current management team with the sales and marketing acumen to drive and grow the business. Sales is being passively planned for by the MCO and their physician liaisons and not directly by the company.

The company plans to hire “sales and success champions” to work with physician leads in order to scale to other cities in Texas, including Houston, Dallas, and San Antonio, which have large Spanish-speaking populations. However, greater clarity is needed around the specific channels of distribution and how they will successfully connect with potential customers. What’s still missing is the sales channel that is going to secure the next group of MCOs. Great that Aldo and Jose are building those relationships in El Paso, but this is not a strategy to scale the organization.

The company is solely relying on word-of-mouth marketing from existing clients in order to gain new customers, which is limiting. A digital sales strategy that leverages the existing website and shortens the overall sales cycle will help the company stand out against key competitors, such as Hoy Health. Exit Opportunity

Relying on social media as your sole marketing and customer outreach is both limiting and very risky. May be OK to get patients involved, but they are not your customer, the Physicians / MCOs are your customers and they do not make purchasing decisions via LinkedIn or Facebook.

# Deal Terms – Score 4

**Section Lead: Mike Cope**

This is a priced round for Preferred Equity. The size if $500K of which $200K is already spoken for. We have access to $300K and will have approval to over-subscribe to a certain degree if there is demand. The deal terms and conditions have already been negotiated by a lead investor named Saba Investments, who have committed the initial $200K. Saba is a small early-stage investor group focused on cross border opportunity investments. The principals are mature and sophisticated investors and they have negotiated terms typically found in an A-Round lead by a VC. SABA has solid connections to local El Paso health care systems which could be very helpful to VeMiDoc. One principal serves as a member of the Board of Directors of El Paso Children’s Hospital and a member of the Board of Directors for Paso del Norte Health Foundation, a private non-profit health foundation providing leadership and funding for preventative health programs.

We are piggybacking on the SABA deal terms. They include:

1. Pre-Money valuation of $3.5 Million.
2. 1X Liquidation preference
3. Participation Rights in subsequent rounds
4. Full Dividend and Voting rights.
5. Board rights (see more on this in Governance section) which include virtual veto rights in some decisions
6. Right of First Refusal and Co-Sale
7. Reporting rights for Quarterly and Annual financial reports.
8. VeMiDoc pays for or reimburses for legal fees up to a $5k limit

There may be opportunity to refine some terms and conditions (for example Tag-a-long / Drag-along and Registration rights elements) via discussion with Saba who did the original negotiation with founders.

The valuation seems to be reasonable. I would place the range of valuations for companies of this type and stage of maturity to be anywhere between $2.5M and $4.5M. In any case the valuation was negotiated with Saba and it is unlikely we could make a strong case to change it even if we wanted.

They are raising what feels like a minimum amount. We would like to see them raise more at this valuation and they agree to an over-subscribe if there is demand. Management plans a $1M A round in 2022 and intends to do that after having established greater customer traction and deal traction with more MCOs and other organizations. It is very likely that more than $1M, either in the A round or in multiple future rounds, would need to be raised to fund achievable potential. Keep in mind that we would have pro-rata participation rights in future rounds.

# Exit - Score: 4

**Section Lead: Buddy Owen**

VeMiDoc’s value proposition has the potential of providing significant cost savings to the MCO’s and private insurance companies making them potential acquirers. The direct cost savings through better patient outcomes is the lead rationale but so is the data collection and potential analytics that their platform will capture. Both private insurers and the Medicaid MCO’s fundamental are driven to pay out less and minimize rehospitalizations both of which could make VeMiDoc an attractive acquisition.

Health and hospital systems are another pool of potential acquirers, such as Kaiser Health and Parkland Health Care that provide a more complete “managed health care” model.

The third category of potential acquirers would be technology companies that provide platforms in the health care space that target areas like care quality and efficiency, a virtual workforce or an all-in-one service like Advanced MD. All of these companies could potentially see benefit is the niche that VeMiDoc addresses (Latino, Medicaid demographic).

Below are some examples of acquisition activity in the telehealth space:

**Teladoc Health’s acquisition of InTouch Health**, a telehealth solution provider for hospitals and health systems, valued at $600 million in 2020.

**GoodRx’s acquisi9on of Hey Doctor**, a virtual care platform valued at $1.7 million in 2019.

**Teladoc Health’s acquisi9on of Livongo**, a digital health company that provides connected devices and health platforms for people with chronic condi9ons for $18.5 Billion in 2020.

**Medici’s acquisition of Chiron Health**, an Austin-based telehealth company for undisclosed amount in 2019.

The passion and purpose of the founders is compelling; the social good (reducing health disparities) is overwhelming; and the cost savings accruing to the payers are undoubtedly huge. Should they achieve success in both the product and market development areas, there is a chance that an organization that is “just right” (not too big, not too small) will discover the jewel that VeMiDoc represents. Such an organization will be willing to pay a significant multiple of revenues for the opportunity to advance the mission and purpose of VeMiDoc. It is not clear, however, how many of these organizations are put there.

Large insurance companies (operating multiple individual MCOs) have acquired telehealth solutions and continue to do so. However, there are very few of those players and their acquisition focus is on technologies that address a broader swath of their telehealth needs. Also – they need immediate solutions. They recognize the necessity of addressing the needs of a Latino Medicaid population, but may settle for a less-capable product that they can deploy now, using existing technology staff. This may be viewed as offering a higher ROI due to lower development, support, and operational costs.

# Governance -Score: 5

**Section Lead: Bob Bridge**

Board of Directors: The founders have no prior startup experience or corporate governance experience. Therefore, having a BoD with strong startup experience is important. The company has agreed in a side letter to restructure their board to include three investor reps (SWAN and SABA Investment group), an investor rep and three company reps. From what we have learned to date about the SABA investment group, we feel good about having them on the board.

Cap table: the company has agreed in a side letter to increase the option pool so that post funding the fully diluted cap table includes a 15% pool.

Based upon these agreements, there are no concerns regarding governance.

# Finances – Score: 3

**Section Lead: Matt Lillard**

**Merits**

* The leadership team has a solid understanding of the revenue model, pricing strategy, go-to-market strategy, associated costs, payment counterparties, and drivers for product adoption for the business.
* The leadership team has leveraged a market-based approach for deriving the appropriate pricing strategy for a product of its kind.
* The model appears to correctly leverage several key drivers as assumptions.
* The business leverages 3rd party bookkeeping / CPA services, which is a critical function to outsource for a fast-growing software business.

**Risks and Potential Mitigants:**

* The model is not as sophisticated as might be expected in a larger capital raise. The deal team was unable to validate back-up to underlying assumptions - customer acquisition costs, timing of revenue acquisition, churn rates, timing, cost, quantity of headcount additions, etc. - primarily due to the lack of a historical track record.
	+ *Mitigant:* This fact pattern is not unusual for a business of this size and stage.
	+ *Mitigant:* Businesses of this size and stage are challenging to forecast.
	+ *Mitigant:* The unit economics for this business provide some cushion in the event growth is slower than projected or costs are higher than projected.
* The external financing contemplated in the model implies several months in the projected period with cash runway < 3 months.
	+ *Mitigant:* Management indicated a willingness to raise more capital than is reflected in the model.
	+ *Mitigant:* There is $1.5mm of projected capital raise (inclusive of the contemplated transaction) which provides some comfort management is willing to raise additional capital if needed.
	+ *Mitigant:* SWAN is partnering with another institutional investors aligned to provide additional capital for the business if needed.
* At face value, some key growth and cost assumptions could be considered aggressive. Most notably, # of new MCOs, rate of user adoption within MCOs, # of headcount required for MCO sales/contracting, # of headcount and costs for back office and professional services in a scaling business.
	+ *Mitigant:* See mitigants above.
* The individual focused on finances has a good grasp of key concepts but does not have capacity/requisite experience to run financial strategy and operations for a rapidly scaling software business.
	+ *Mitigant:* Management leverages an outsourced bookkeeper/CPA to run day-to-day finances. It is important that an experienced, startup, part-time CFO beintroduced to support strategic planning and decision-making. Assuming SWAN receives a Board of Director seat, engaging with a CFO can be addressed at the Board level until achieved.
	+ *Mitigant:* The management team was able to answer key questions around the financial logistics of the business.

The Company might receive a higher rating for Finance if they (1) target a larger raise, (2) employ a fractional CFO to take manage modeling, budgeting, and expense management, (3) refine modeling expectations to provide a more conservative forecast given the higher uncertainty associated with a start-up.

# Appendix – additional notes that support the one- page summaries above

Call notes from Brian Kerns after call with CTO JP Garcia and Brad Fluke (3/30):

**Pros:**

* Creative / resourceful. JP has managed to build a set of MVP target projects with 1-2 FTEs, some advisors, and use of open source and licensed libraries.
* Engaging. Presents well and is honest / pragmatic. Clearly was able to tell us what he knows, what he is researching, and gaps in his knowledge.
* Understands the market persona. Articulated the challenges with the target audience(s) and how the technical team was working to address those challenges.
* Hands on; at this stage a requirement for the company. Provides some support, back-end coding, and research technical options, etc. Keeping the lights on.

**Cons:**

* Domain experience. Acknowledged he was actively researching or catching up on cloud / AWS, agile techniques, potential Federal requirements, etc... Adds some planning and investment risk.
* Presented more as a VP of Dev than CTO. Did not really engage on longer term issues, risk mitigation, refactoring, and technical roadmap planning. Very rooted in the here and now and getting things done.
* First role in medical / records area. So minimal domain experience in capabilities like complex medical records integration or leveraging technical frameworks specifically for the medical space.
* Not clear on use of new dev funds. Not uncommon in companies of this size, but with funding we need more pragmatic clarity around staffing plans, where they are realistically located, what can be near shore / outsourced, skills required. Initial action post-funding may be a more detailed planning document for technical staffing and options.

Overall, I liked JP and he is moving the development team forward for what is required right now. I do think as the business grows, assistance may be required to help with investment planning by headcount need, process, location, and contract v. full time approach. I would also expect the challenges to increase in the areas of security, compliance, scale, library / tech component management and possibly targeting IP. Understanding how this will be addressed is critical, even if the software is not the primary barrier to entry.

Attachments - Company Provided Information

Company Pitch Deck:

[https://1drv.ms/b/s!AsmaEq9ngBOygukPxbxpxhFyKnEpHw?e=8kUrml](https://1drv.ms/b/s%21AsmaEq9ngBOygukPxbxpxhFyKnEpHw?e=8kUrml)

Company Application form:

[https://1drv.ms/b/s!AsmaEq9ngBOygukNC1FwvKdXUBXn4w?e=25rAkf](https://1drv.ms/b/s%21AsmaEq9ngBOygukNC1FwvKdXUBXn4w?e=25rAkf)

Company Supplemental Information form:

[https://1drv.ms/b/s!AsmaEq9ngBOygvhunCQcnBSAjRzumQ?e=25gPde](https://1drv.ms/b/s%21AsmaEq9ngBOygvhunCQcnBSAjRzumQ?e=25gPde)

Medicaid MCO budgets:

<https://www.kff.org/other/state-indicator/total-medicaid-mco-spending>

List of Medicaid MCO’S in Texas:

[https://1drv.ms/x/s!AsmaEq9ngBOygvtZ0nV5JdVSOqaoCg?e=QTNKan](https://1drv.ms/x/s%21AsmaEq9ngBOygvtZ0nV5JdVSOqaoCg?e=QTNKan)