

***“Great Association with Quality Deal Flow”***

KEIRETSU



FORUM

**Unlocking Investor's Minds and Wallets**

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# About Keiretsu Forum

- Largest North American Angel Network
- 400 members
- 11 chapters (10 in the US and 1 in China, soon in Europe)
- Founded in September 2000 in order to provide structured approach to private equity investing
- Diverse investment portfolio
- Members are passionate about charitable endeavors

# Sources of Funding

- Friends and families
  - Sweat equity to \$250,000
- Angel investors
  - \$250,000 to \$2,000,000
- Venture Capital
  - Over \$5,000,000
- Banks and finance companies
- Not all deals are venture capital deals



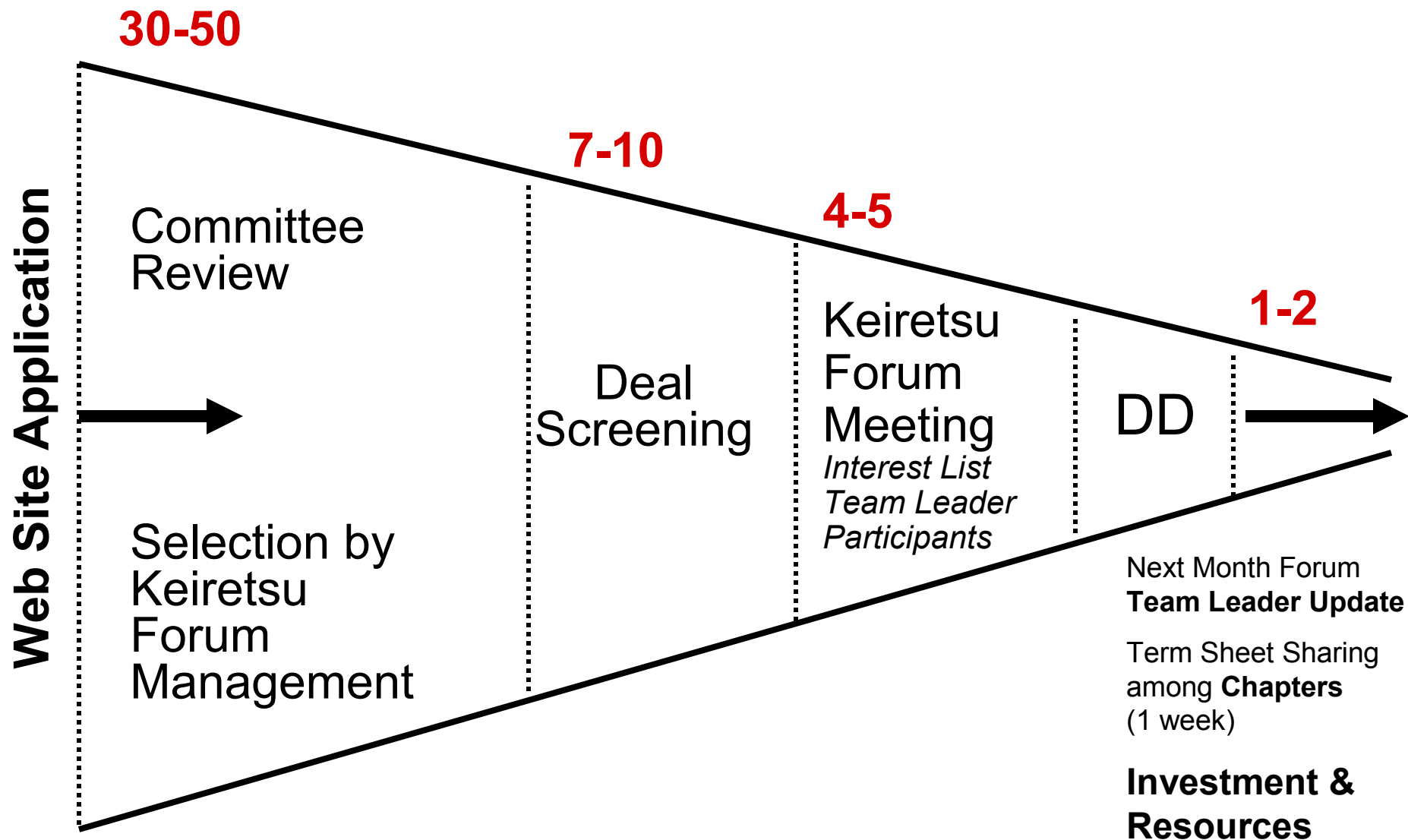


# Investment Profile

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- **Sources of Deal Flow**
  - 70% from the referrals
  - 20% from Speaking Engagements and Conferences/Events
  - 10% from PR, Internet & Referrals from other sources
- **Company Stage – Angels**
  - Early Stage/Growth – Some Seed Stage
  - Funds primarily used for marketing, distribution, growth – rarely development
- **Company Stage – Venture Firms**
  - Mostly growth stage
  - Fund size limits number and size of deals
  - Interested in customers, deal flow, and cash flow

# Keiretsu Forum Process



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# Committee Structure

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Software

Health Care/Life Sciences

Real Estate

Telecommunications

Media/Entertainment

Automation &

Instrumentation

“Cool Stuff”

Food & Beverage

Energy

Participation

Venture Capital

Speakers Bureau

Charitable Foundation



# Pre-Screening Questions

| <b>Characteristics</b>   | <b>Score</b><br><i>0=weak</i><br><i>1=medium</i><br><i>2=strong</i> | <b>Comments</b> |
|--|---|-----------------|
| <b>1-Current State – Future State</b><br><i>Clear Problem? Seriousness of Problem?</i><br><i>Strong Benefits to customer from the solving the Problem?</i>   |   |                 |
| <b>2-Product/Solution</b><br><i>Understandable Solution? Solid Technology? Defensible IP? Scability?</i><br><i>Technology Barrier to Entry?</i>  |   |                 |
| <b>3- Value Proposition to Prospect</b><br><i>Magnitude of Prospects value?</i><br><i>Desire to change? Willingness to Pay?</i>  |   |                 |
| <b>4- Market Size &amp; Targets</b><br><i>Market Size? Positive Market Trends? Understandable Target Segment?</i><br><i>Ability to dominate this Target Segment? Competition? Market Barrier to Entry?</i>                       |   |                 |
| <b>5- Revenue Traction &amp; Potential</b><br><i>Made a commercial sale? Customer satisfaction? Sales Approach? Sales Cycle?</i><br><i>Projected Company Revenue growth?</i><br><i>Pricing Model? Pricing Changes Over Time?</i> |   |                 |



# Pre-Screening Questions - 2

|   |   |   |
|---|---|---|
| <b>6- Management, Board of Directors</b><br><i>Team complete? Relevant experience? Track record?</i>  |   |   |
| <b>7 Financial Projections</b><br><i>Current Revenue? Current Burn Rate? Projected Breakeven? Projected Positive Cash Flow? Projected Pretax Profit Margins?</i>          |   |   |
| <b>8- Investment Required</b><br><i>Solid use of Proceeds? Follow-on investments required?</i>  |   |   |
| <b>9-Existing Capital Structure and the Deal</b><br><i>Friends and Family? Angles? VC? Fair Valuation? Proposed Deal? Unique Capital Terms? Reasonable Exit Strategy?</i> |   |   |
| <b>10-Investor ROI Potential</b><br><i>Balanced Risk and Opportunities? Credible superior growth story? Solid Potential return to investors?</i>                          |   |   |
| <b>TOTAL</b>  | 0 | To re-compute the TOTAL put your cursor on the TOTAL CELL and push F9. A TOTAL Score of 15-20 = Best of Breed |
| <b>Member Recommendation</b><br><i>INVITE? DELAY? DENY?</i>   |   | <b>If 'Delay' state the milestone to be accomplished:</b>   |

# How to Communicate

- 1-2 page executive summary
  - Be concise
  - People see too much paper
- Financials should be a piece of that
  - 1/3 of page dedicated to the financials
  - At a minimum, show:
    - 3-5 year plan, annual numbers
    - Revenues
    - Gross Margins
    - Operating Expenses
    - EBITDA
    - Net Income
    - Cash
- Be realistic!



# Communication

- Plan should show company getting to breakeven
  - If it takes more than 5 years, it may not be fundable
- Reality check on key metrics:
  - Revenue ramp
  - Gross margins
  - Cash needed to get to breakeven
- Avoid excessive optimism
  - More profitable than Google and Microsoft in Year 2?
- Avoid excessive pessimism
  - Does plan fail the “Who Cares Test”?
  - Will investor be able to generate attractive returns funding your company?



# Important Items

- Competition
  - Every company has it
  - Do nothing is always competition
- In the meeting
  - Act like an adult
  - Be prepared
  - Listen
  - Engage
  - Follow-up
- Reference sell
  - Customers
  - Other investors



# Investor questions

- What is the exit?
  - When?
  - How much?
  - Who?
- What is the risk?
  - **Risk = Exposure X Uncertainty**



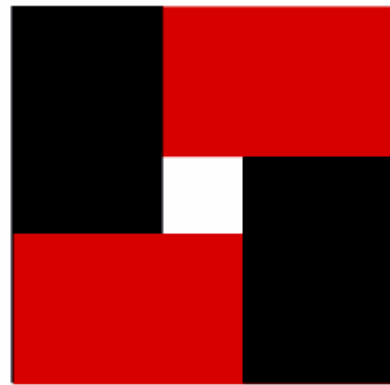


# What Investors Should Provide

- Cash
- Potential investors, customers, board members, advisors.
- Resources, referrals.
- Feedback.



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