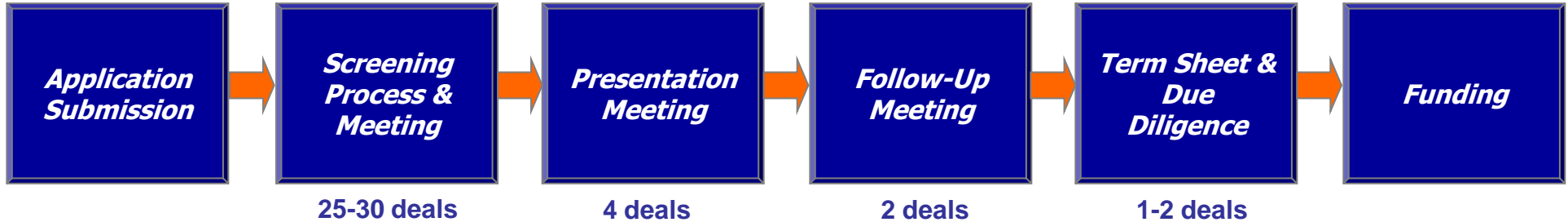


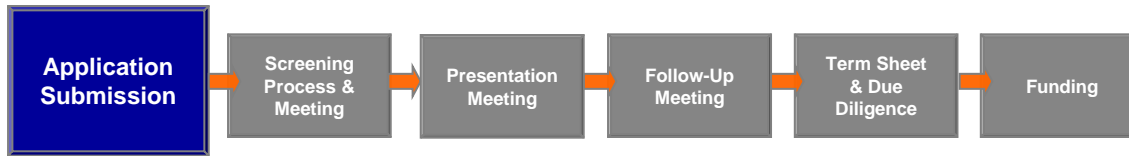
# Funding Process Overview



You may click the following icons to go directly to that stage. Click on the CTAN Logo in the upper left-hand corner to return here.



- 1. Application Submission:** Deals are submitted to CTAN via the [AngelSoft](#) website.
- 2. Screening Process & Meeting:** Submitted deals are screened by the Angels, but only the top four deals will be invited to the Presentation Meeting.
- 3. Presentation Meeting:** Entrepreneurs make a 10-minute presentation to the Angels, followed by a 10-minute Q&A session.
- 4. Follow-Up Meeting:** In the week following the Presentation Meeting, a 1.5-hour follow-up meeting is held between interested Angels and the two deals that received the most interest. The other two deals will receive contact information for interested investors but will be responsible for coordinating follow-ups (Note: should a CTAN member become interested in investing, CTAN will manage the process).
- 5. Term Sheet & Due Diligence:** Angels and entrepreneurs agree to a term sheet and due diligence is completed (Note: unless the deal has a lead investor, CTAN's official term sheet will be used).
- 6. Funding:** Upon completion of final due diligence, funds are transferred to the company.



❑ **CTAN seeks business plans meeting the following criteria:**

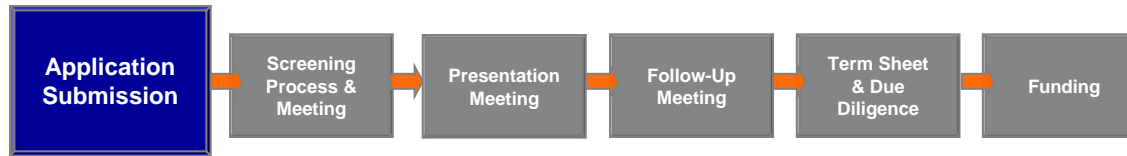
- Deals based in Texas
- Companies are a Delaware C-Corp (criteria may be waived; [contact the Executive Director](#) first)
- Total fund raise no greater than \$2M (any deal above \$1M must come with a lead investor and term sheet)
- Premoney valuation no greater than \$10M
- Complete or near-complete product/service offering (CTAN will invest in “seed-stage” startups, but we recommend you [contact the Executive Director](#) first)

❑ **Applications should be submitted to the Central Texas Angel Network (CTAN) through the AngelSoft website:**

<https://angelsoft.net/angel-group/ctan/apply>

❑ **Once submitted, applications are viewable by all Angels in CTAN.**

❑ **A non-refundable application fee of \$250 is required at the time of submission.**

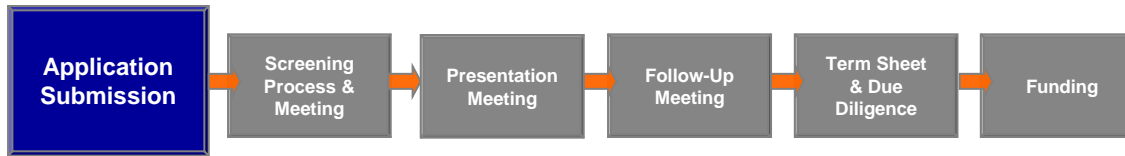


❑ **The on-line application requires the entrepreneur to provide basic business plan information, including:**

- Contact Information
- Management Team
- One Line Pitch
- Business Summary
- Customer Problem Solved
- Company Stage (e.g. Product Ready)
- Previous Funding
- Funding Request
- Pre-Money Valuation
- Market Definition & Sizing
- Current and/or Potential Customers
- Sales & Marketing Strategy
- Competition
- Competitive Advantages

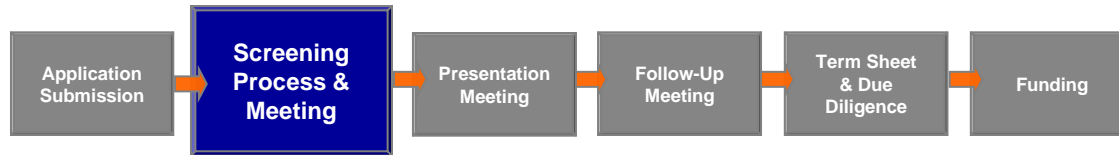
❑ **Entrepreneurs have the ability to provide additional information via attachments and videos. Common examples of attachments include:**

- Executive Summary
- Financial Summary
- Complete Business Plan
- Previous Business Plan Presentations

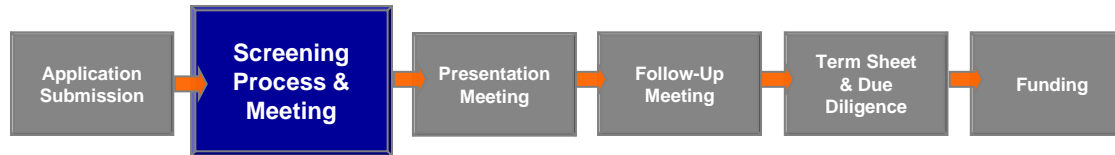


## Application Submission Tips:

- Ensure you have all the necessary data ready prior to filling out the application. **Do not leave fields blank!**
- Be concise and direct in the description of your business – **word limits apply** to the description fields.
- Make use of attachments – Providing additional details or information, including financials, will allow the Angels to better assess your business.
- Be sure to **provide contact information** where you can be most readily accessible:
  - During the screening process, the Executive Director and/or Angels may reach out to you to discuss your business plan in greater detail
- Remember, this application is your first impression!!

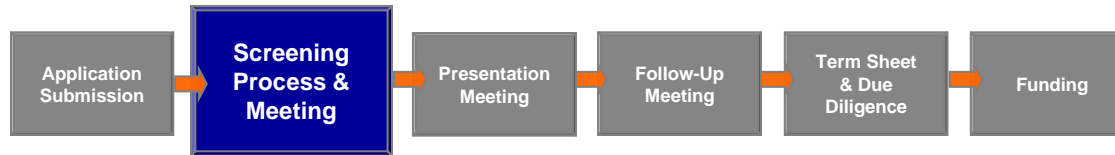


- ❑ **Once the business plan and the application has been submitted, it goes into the screening queue.**
- ❑ **CTAN members will vote on the Top 10 Deals in queue and invite them to the Screening Meeting.**
- ❑ **CTAN conducts five Screening Meetings per year.**
- ❑ **Each CEO/President will have three minutes to provide a Quick Pitch and another three minutes to field several questions.**
- ❑ **Please refer to the [CTAN Calendar](#) for submission due dates:**
  - Submissions made after due dates will not be considered until the following Screening Meeting.

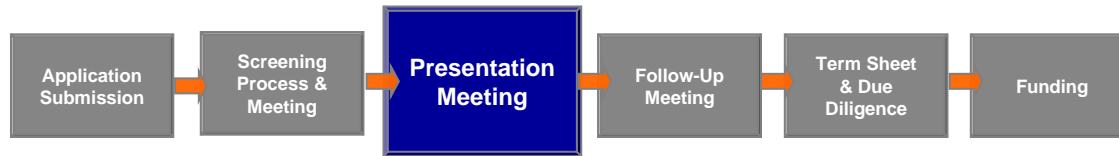


❑ **In preparation for the Screening Meeting, CTAN Members and/or the Executive Director may reach out to the entrepreneur to discuss the business plan in additional detail. Be prepared to answer questions such as:**

Team	Product/Service	Market	Financials
<ul style="list-style-type: none"> <li>• What is the team's pedigree?</li> <li>• What is the team's overall track record? Is there startup experience?</li> <li>• Do they have the combined requisite skills and experience?</li> <li>• Do they recognize limitations in management, and are they seeking candidates?</li> <li>• Is the management open to discussion and suggestions on improvement to their business model?</li> <li>• Has the management team been previously funded?</li> <li>• How are management and all other employees being compensated? How financially committed is management?</li> </ul>	<ul style="list-style-type: none"> <li>• At what stage is development?</li> <li>• Is it a standalone or platform product/service? If the later, what else is available and/or in development?</li> <li>• What customer need does this product/service address?</li> <li>• How much does it cost to make? To buy? To license?</li> <li>• What is the current sales cycle?</li> <li>• Does the company have adequate intellectual-property protection? Does it need it?</li> <li>• Do any other companies have potential claims to the IP resulting from previous employment relationships or for any other reason?</li> <li>• What is quality assurance like?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the target market?</li> <li>• At what stage is the market (i.e. emerging, growing, saturated)?</li> <li>• Who are the key customers?</li> <li>• Does the company have a realistic go-to-market strategy?</li> <li>• What is the prevailing industry business model? Are there switching costs?</li> <li>• Who is the competition (direct and indirect)?</li> <li>• Are their barriers to entry?</li> <li>• Does the company have a competitive advantage? If so, how sustainable is it?</li> <li>• What will be the market's most likely response?</li> <li>• What will be the competition's most likely response?</li> </ul>	<ul style="list-style-type: none"> <li>• Are revenue projections realistic?</li> <li>• What is the burn rate?</li> <li>• Do salaries account for a large percentage of total expenses?</li> <li>• What is their exit strategy?</li> <li>• What are comparable multiples?</li> </ul> <div data-bbox="1483 935 1959 999" style="background-color: #e0e0e0; text-align: center;"><b>Deal Terms</b></div> <ul style="list-style-type: none"> <li>• What is the premoney valuation? How was it calculated? Is this realistic?</li> <li>• How much is being raised?</li> <li>• Is the offering equity (preferred v. common), convertible debt, or another form?</li> <li>• Are terms negotiable (i.e. anti-dilution provisions, valuation, liquidation preferences)?</li> </ul>



- The top four deals in the Screening Meeting, as voted on by the Angels, will be invited to the Presentation Meeting.**
  
- Deals that do not generate any interest will be declined out and removed from the screening queue.**
  
- Deals with some interest may be held over to the subsequent Screening Meeting.**
  
- No matter the outcome, entrepreneurs will receive feedback from the Angel who led the discussion of their business plan and/or the Executive Director.**



- Approximately two to four weeks after the Screening Meeting, CTAN will hold a Presentation Meeting with the four deals advancing from the Screening Meeting.**
- The Presentation Meeting is catered with an open bar and space for each entrepreneur to setup a display table.**
- The Presentation Meeting will begin with an hour of networking, followed by the presentations and additional time for follow-up with the entrepreneurs.**
- Entrepreneurs will have approximately 10 minutes to give a PowerPoint presentation to pitch their deal, followed by a 10-minute Q&A session.**
- After the presentations, those Angels interested in obtaining additional details about a deal will sign-up to participate in Follow-Up Meetings with the entrepreneur. Note, only the top two deals will have CTAN-coordinated Follow-up Meetings (the other two deals will receive contact info only).**



## At a minimum, entrepreneurs should ensure that they address the following topics during their presentation:

### 1. Value Proposition

- What “pain” does your product/service relieve?

### 2. Product/Service

- Summarize what your company does, emphasizing any unique qualities.

### 3. Competition

- Who are your competitors?
- What differentiates your product/service?
- Address any relevant intellectual property.
- Talk to the sustainability of your advantages (i.e. barriers to entry)

### 4. Target Market with Size of Addressable/Serviceable Market

- What are the characteristics of your target market?
- How big is the market? Where is it growing?

### 5. Business Model

- What are the revenue streams and sales cycles?

### 6. Revenue Growth

- What are the sources of revenue growth? Is it scalable?

### 7. Financial Projections

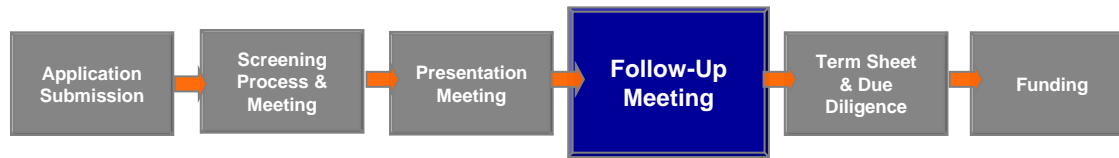
- Address revenue and EBITDA.
- Be prepared to explain key drivers and “dramatic” numbers.
- What is the multiple for a comparable exit?

### 8. Funds Sought and Use of Funds

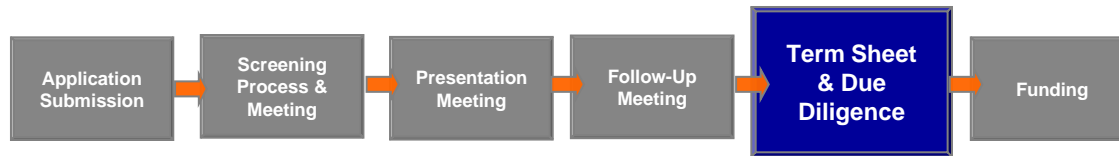
- Identify the major uses of funds for each round
- Describe the size and composition of your current “burn-rate”
- Address your pre-money valuation and how it was calculated

### 9. Management Team

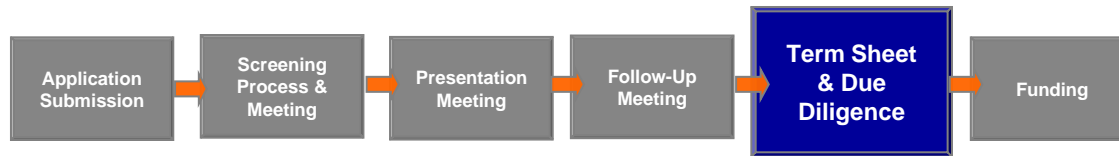
- Do you have a permanent management in place?
- What is the relevant experience and qualifications of the management team?



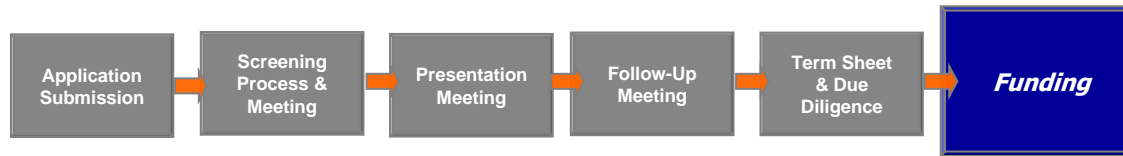
- The two deals that receive the most interest at the Presentation Meeting will begin the due diligence process with CTAN (the other two deals will receive contact info for any interested Angels ... if a CTAN member commits to investing, CTAN will lead the remainder of the due diligence process)**
  
- The Executive Director or lead Angel will schedule the Follow-Up Meetings with the interested Angels to meet at the entrepreneur's office in order to review the deal in greater detail. Note, the meeting may also be scheduled at the Austin Chamber of Commerce by the Executive Director.**
  
- The goal of this meeting is to determine a general outline for the due diligence process and what information the Angels need to move forward.**
  
- After the first Follow-Up Meeting, Angels interested in pursuing the deal further will begin the due diligence process as well as term sheet negotiation.**
  
- An interested Angel will update his or her status on Angelsoft concerning the particular deal, to include the amount that he or she is considering investing.**



- If there is a term sheet already established and agreed upon by all parties, then the Angels will begin working with the entrepreneur during due diligence.**
  - Term sheet negotiation and due diligence may run concurrently.
- If there is not a term sheet, then a Lead Angel is established to facilitate the process with the assistance of the Executive Director.**
- The Lead Angel will work with the entrepreneur to coordinate agreement on the major terms (i.e. valuation, liquidation preference, anti-dilution provisions)**
- CTAN has a standard term sheet that may be used as a starting point in the term sheet negotiations.**
- CTAN negotiates a standard term sheet to be used by all Angels, although each will invest individually.**



- Additional meetings will be scheduled for interested Angels to meet the entire team, see the operation, and continue the due diligence process.**
- A checklist of due diligence documents will be sent to the entrepreneur.**
- Meetings will likely be held for:**
  - Product/Service demonstration
  - Access to previous investors and/or references, if applicable
  - Access to complete management team and/or Board Members, if applicable
  - Copies of relevant slides and historical reports/documentation
- Angels will conduct due diligence as a group, however entrepreneurs should expect to be contacted by individual Angels as well.**



- ❑ **Upon completion of due diligence and the final negotiation of terms, the Lead Angel and/or Executive Director will invite interested angels to make an investment.**
  
- ❑ **Angels will make individual investments and inform the Executive Director when funds are transferred.**
  
- ❑ **The Funding Process varies in length:**
  - **For clearly defined deals, it typically lasts 1-2 months**
  - **For less defined deals, it typically lasts 2-4 months**