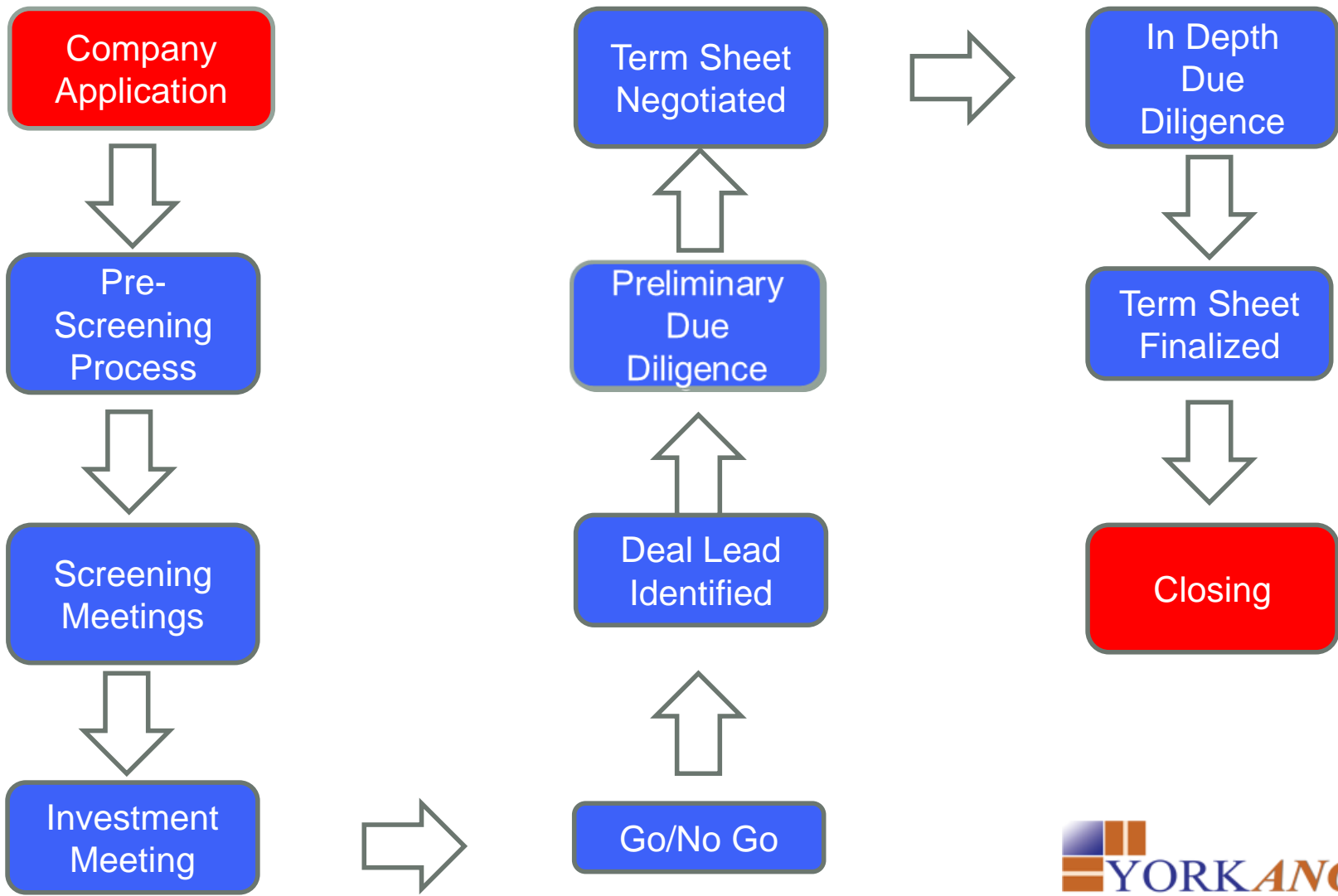




## **DEAL LEAD WORKSHOP**

**October 23, 2013**

# DEAL PROCESS OVERVIEW



# TODAY'S FOCUS

Deal Lead  
Identified

Preliminary  
Due  
Diligence

Term Sheet  
Negotiated

In Depth  
Due  
Diligence

# INVESTMENT MEETING

Investment Meeting



Go/No Go Decision

- Investment Meetings occur once a month at the Markham Convergence Center and are usually held on the last Thursday of every month, except in August.
- The top 2-3 companies from the previous month's Screening Meetings are invited to present
- Companies are each given a 40 minute time slot; 20 minutes of presentation, followed by 20 minutes of Q&A
- After each presentation, there is a member only discussion where the group discusses the investment opportunity, share individual domain knowledge and opinions
- The group is then canvassed as to the interest level in investing and/or any request for additional information
  - If there is no interest, a follow up call and brief explanation are provided to the Company (they may also be referred to VentureLAB for further mentoring and guidance or may be asked to return at a later date to provide an update)
  - **If there is positive interest, the Company is informed of the next steps. A meeting or conference call may be scheduled to facilitate the process and/or continue dialogue with the company.**

# DEAL LEAD IDENTIFIED

Deal Lead  
Identified



Preliminary  
Due Diligence

The Deal Lead is best described as a Project Manager

- The initial step involves shepherding the interested investors & perspective company through a 'shallow' due diligence dive
- First a 2-3 hour meeting, preferably at the company's premises, hopefully with all/most interested investors to review the opportunity
- Focus should be financials, competitive assessment, business strategies, and sales pipeline
- Key details for above should be documented and circulated to all interested investors
- The Deal Lead should then re-confirm level of interest (# & \$)
- Deal lead confers with investor group as to a reasonable valuation and maps out key issues to be dealt with in the term sheet
- Deal lead can turn to a YAI Deal lead mentor for advice and guidance
- The Deal Lead then has a one-on-one with the company principals to rough out in broad terms the major provisions for a deal sheet, including valuation, Board representation, use of funds, the YAI pref. share approach
- Any concerns regarding Company strategies, personnel issues, actual \$ needed, etc., should be discussed at this stage

# TERM SHEET NEGOTIATED



**Term Sheet  
Negotiated**

- Scott MacCannell or some other experienced YAI negotiator will then assist the Deal Lead in developing an initial term sheet.
- Additional provisions may include:
  - Restrictions on management decisions
  - Employment agreements, non-compete etc. for key management
- The negotiations with the Investee Company continue until a mutually agreed Term Sheet is signed or the deal is abandoned.
- Legal counsel only brought in if necessary
- Only after the term sheet is signed is Venture Lab brought in to assist in the “deep dive” of Due Diligence
- **Term sheets are always subject to due diligence and may be modified after due diligence**

# DUE DILIGENCE/TERM SHEET FINALIZED

In Depth Due  
Diligence

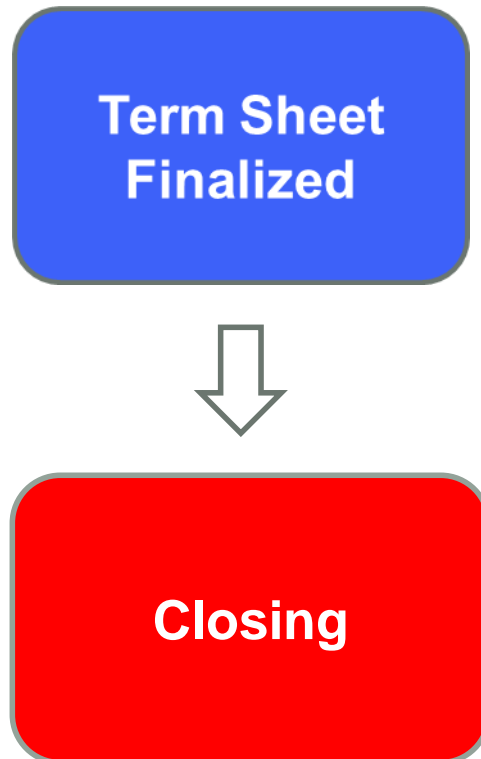


Term Sheet  
Finalized

- A much more thorough review is now conducted primarily by VentureLab through the “Genesis” program (working closely with the Deal Lead) of all of the assembled due diligence materials (refer to the YAI check list)
- Interested investors are encouraged to thoroughly review the DD materials and compile a list of questions/issues/red flags
- The detailed due diligence findings are shared with the investor group via Gust and/or DropBox folder and discussed via conference call
- A due diligence issues list is shared with the investor group and another face to face meeting with entrepreneur(s) is organized by the Deal Lead if needed to address all open issues
- In some cases, if DD issues arise, the group may decide to do further DD or break into smaller groups to do further assessment
- In some cases, the outcome of this meeting may impact the terms of the Term Sheet and negotiations may continue, likely once again involving an experienced negotiator from YAI
- Final investment commitments are then gathered from YAI members and a final term sheet is to be issued to the Company
- If other Angel groups are involved in a syndication, the Deal lead must ensure that all of the previous processes are synched with their efforts to make sure everyone is on the same page

# CLOSING PROCESS

- The subject of our next workshop





# Deal Lead Reference Guide

Issue You Need Help With	Contact	Contact Information
General Questions on Being a Deal Lead	Scott MacCannell, Terry Mocherniak Peter Aghar Rudy Joss	
Term Sheet/Deal Structuring/Valuation	Scott MacCannell Terry Mocherniak Peter Aghar	
Due Diligence	Mike Betts, Venturelab	
Financial Analysis	Ana Misra Ron Smith	
Administrative/Member Communications	Kevin Lin, Administrative Coordinator	
Legal Questions	Alex Kilgour, Legal Counsel	

Questions?