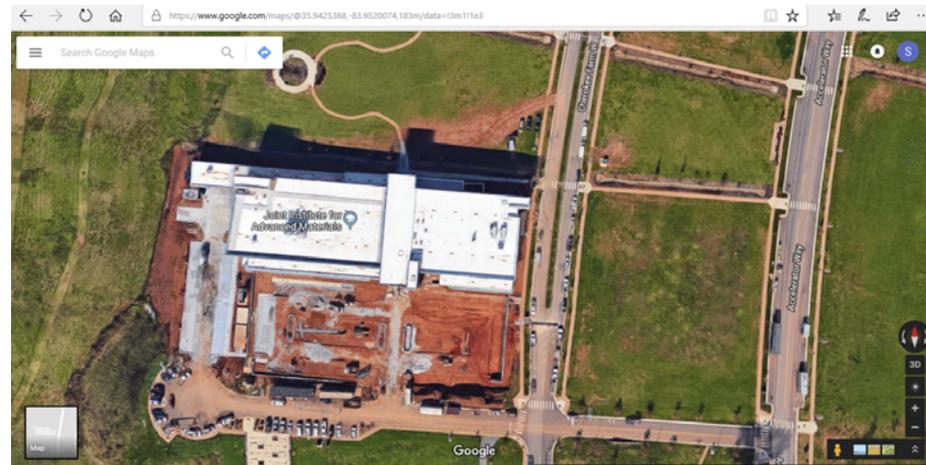


5. Investors check business addresses with online GIS tools.

- Does the company street address match a business location?
- Is the company operating from a residence? Is that appropriate for the type and stage of the business?



6. Investors check online for press about companies and founders.

- Genuine positive press stands out. (It's easy to spot "puff-pieces" and company PR posing as "news.")
- Investors also check industry news and search for information about your competition.

The screenshot shows a web browser displaying the website www.journal-news.net/news/business/2013/08/techconnectwv-announces-spirit-of-innovation-awards/. The page features a navigation menu with categories like NEWS, SPORTS, OPINION, LIFE, OBITS, SPECIAL SECTIONS, JOBS, CLASSIFIEDS, and GARAGE SALES. The main headline reads "TechConnectWV announces Spirit of Innovation Awards". Below this, there is a section for "MOUNTAINEERNEWS" with a search bar and navigation links. The article text is partially visible, mentioning "West Virginia businesses and entrepreneurs to showcase opportunities and new ideas at Capitol". The page also includes a "RELATED" section with a link to "WVU to host IBM Watson Talk on delivering smart healthcare services" and a "REOURCES" section with a link to "Reminder - WVU Benefits and...".

7. Investors check into the company's fundraising efforts.

- Has company tried to raise crowdfunding? On Kickstarter? Indiegogo? Fundable.com? What was the result? (Strong negative if the campaign didn't meet goal.)
- Is the company trying to raise money on iSelect? Gust? AngelList? How long has the deal been posted?
- Is there information on the company's financing available on Pitchbook? CrunchBase? Whoisraisingmoney.com?
- Beware of companies that repeatedly raise new rounds of capital without growing value for investors (Seed I, Seed II, Series A, Series A1, Series A2, Series A3, Series B...).

8. Investors lookup court records and background records online.

- Most states provide civil case records and family law cases online. Some states put criminal records online.
- Basic background checks can be done for low cost or free.

The image displays four overlapping screenshots of web interfaces for legal and background checks:

- Top Left:** Kentucky Court of Justice CourtNet 2.0 Search Court Records. The interface includes a search bar and a sidebar with filters for Party Category (PRIMARY), Case Category (ALL), Party Type, County (STATEWIDE), and First Name.
- Top Right:** LexisNexis Solutions for professionals who shape the world. It features a 'SIGN-IN' button and a 'RISK SOLUTIONS' banner with a 'VISIT SITE' button.
- Bottom Left:** Intelius Perform a Search. This page provides instructions for searching by Case, Party, or Citation. It lists requirements such as providing County and Case Number, or Last Name, Birth Date, and First Name.
- Bottom Right:** Intelius Find Out with a Confidential Background Check. This page features a search form with fields for First Name, M.I., Last Name (required), Current/Previous Address, and City and/or State, along with a 'Search' button.

9. Investors lookup patents and applications online.

- Published patents and applications are necessary for due diligence. A published application is public information.
- Investors gather information on the value of intellectual property and potential competition based on patent citations.

The image shows a collage of patent search interfaces. On the left, a Google search bar is visible with the text "Search Patents" and buttons for "Google Search" and "I'm Feeling Lucky". In the center, the USPTO website is displayed, featuring the "uspto UNITED STATES PATENT AND TRADEMARK OFFICE" logo and navigation tabs for "Patents", "Trademarks", "IP Policy", and "Learning and Resources". The main content area is titled "Search for patents" and includes a sidebar with "Application process" and "Search for patents" sections. The "Search for patents" section contains links to "New to Patent Searching?", "How to Conduct a Preliminary U.S. Patent Search: A Step by Step Strategy", and "The Seven Step Strategy". Below this, it lists resources for searching patents, such as "USPTO Patent Full-Text and Image Database (PatFT)", "USPTO Patent Application Full-Text and Image Database (AppFT)", "Global Dossier", "Patent Application Information Retrieval (PAIR)", "Public Search Facility", "Patent and Trademark Resource Centers (PTRC)", and "Patent Official Gazette". On the right, the JUSTIA Patents website is shown, with a search bar and a list of "Patents by US Classification". The list includes various classes such as "Class 2", "Class 4", "Class 5", "Class 7", "Class 8", "Class 12", "Class 14", "Class 15", "Class 16", and "Class 19".

Take-aways:

- Every investor has their own process, but all investors perform some version of the “quick look” or initial screen—*before* spending time on formal due diligence.
- Investors are looking to de-select. The 9 steps in this presentation were ordered from quickest and easiest to most time consuming. Get rejected for any reason at any step and it’s unlikely the investor will spend time performing the steps after.
- It takes an experienced investor only about 30 minutes to complete steps 1-9. (*If your company gets through all 9 steps.*) If you are serious about raising capital, you’ll have given your company a critical self-evaluation for all the steps *before* you approach investors.
- If you make it through steps 1-9 (and have made a good first impression), investors will likely want to view your company’s *financial projections as the next step (10)*. For our part, **we don’t want an entrepreneur to “pitch” or “sell” to us in-person or by phone until we’ve done the 9 steps and have had a chance to read the company’s business plan and accompanying financials.** There’s very little we expect to learn about the essentials of your business that we can’t discover in these 10 steps. *When it comes time to meet you, what we want to get to know is YOU.*

Heuristics:
The filter.

Getting to a WOW

Know your WOW and lead with it!

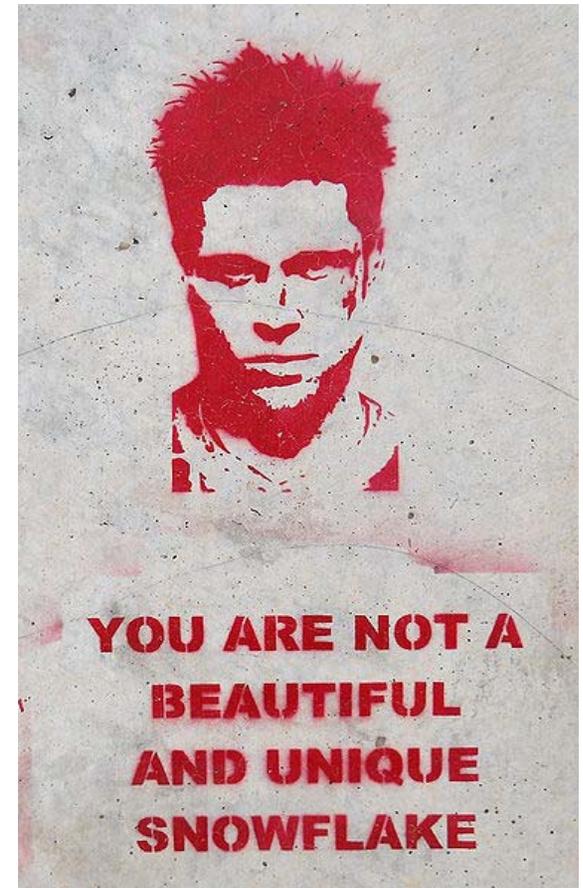
Show Us

Investors Want to See Your Business Plan

Rules of Due Diligence

(Now it gets *real*)

- 1st RULE: You do not talk about ~~FIGHT CLUB~~
Due Diligence.
- 2nd RULE: You DO NOT talk about ~~FIGHT CLUB~~
Due Diligence.
- 3rd RULE: If someone says "stop" or goes limp,
taps out the ~~fight~~ **deal** is over.



When is it “Due Diligence?”

- It's Due Diligence when an investor says it is. Before that, it's just looking. But here are some simple rules:
- When attorneys are involved in going over the documents, you are *assuredly* in Due Diligence.
- Once a term sheet has been offered, you are *usually* in Due Diligence.
- Before a term sheet has been offered, but when investors are asking for financial records, references, intellectual property valuations, etc. you *may be* in Due Diligence.
- When investors ask for and take time to read the business plan, you *probably aren't* in Due Diligence. Yet.

Why “Due Diligence?”

- Due Diligence implies a level of commitment, both on the part of an investor and the entrepreneur. Some investors are cautious about using the term to avoid setting expectations. Others use it freely while casting about for information.
- Once in Due Diligence, an entrepreneur should expect a definite “yes or no” answer from an investor within a reasonable amount of time. Many investors drag out “Due Diligence” without committing, leaving the entrepreneur hoping and guessing.
- In our opinion, an investor that’s not active in asking for supporting info after reviewing the business plan isn’t really interested and you aren’t in Due Diligence.

DD is to Validate Your Biz Plan

- Don't treat a business plan as if it were classified information.
- Don't expect investors to sign Confidentiality or Non-Disclosure Agreements. Professional investors won't. Investors see too many similar deals. Portfolio investors (not wannabe "Sharks") aren't interested in stealing your idea.
- Patents and published patent applications aren't secrets.
- Investors don't need to know secrets of your invention—they need to know in detail how your **business plan** or model will make them money. If you can't freely give them that information, and supporting documentation/evidence you aren't prepared for Due Diligence.

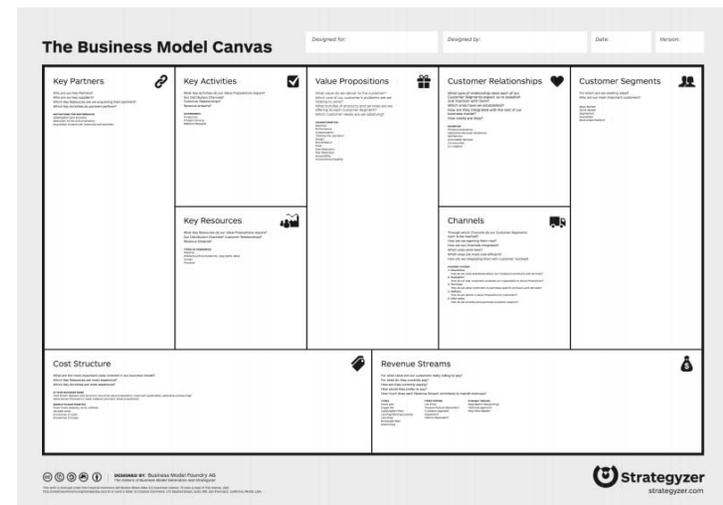
“But I Don’t Have a Business Plan!”

- Don’t cool entrepreneurs/investors say you don’t need one? Didn’t THAT GUY → say he doesn’t make formal business plans? And that he wrote “plans on the back of beer mats and envelopes”?
- Yes; but you’re not THAT GUY →
- ALSO, he insists on receiving an executive summary with a “crystal clear concept” of the business proposition, including detailed knowledge of suppliers, demand, markets, distribution—in other words, *a business plan!*



Business Plan or Business Model?

- Business Model isn't a shortcut for a proper Business Plan.
- Both require you to clearly state assumptions and intentions. Provide justification: Why your business will be profitable.
- Investors don't care to read 30 pages of "fluff" about the size of the opportunity, history of the invention, and who the distinguished "strategic advisors" are.

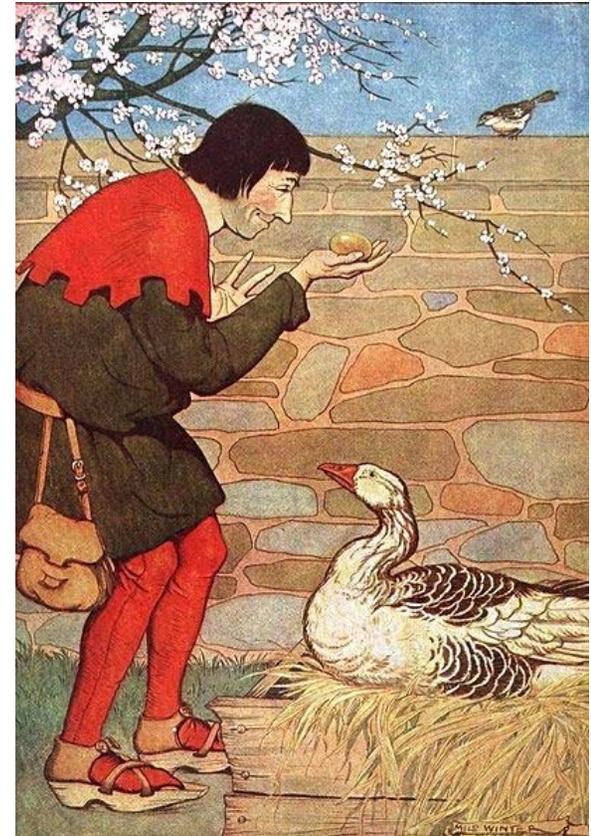


<http://www.businessmodelalchemist.com/tools>

<https://creativecommons.org/licenses/by-sa/1.0/legalcode>

Remember:

- Investors are reading your plan for one reason: You've told them you want *their* money, and that you are going to return their investment with profit.
- Profit doesn't come by magic. Business plans shouldn't be fairy tales.
- Investors are going to read the executive summary to get the gist of the business idea—which (as Branson insists) must be crystal clear and concise...



Concise...

- As in: You can convey on a postage stamp your business idea (how you plan to make a profit).



- Which should convince the investor to turn next to your...