Scrubbed Version

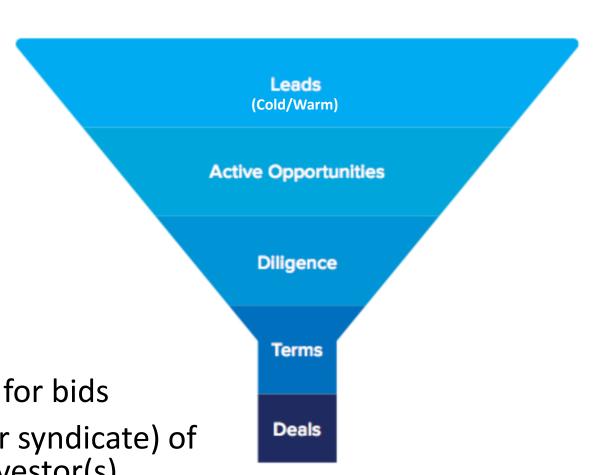
Diligence Training

2021



The Deal Flow Pipeline

- □Deal sourcing: webform
 - o Cold
 - Warm
 - Goose Investor/Founder Sourced
 - Fellow VC Sourced
 - Goose Network Sourced
- □Fund fit
 - Stage: Seed/Srs A
 - Appropriate raise (\$) and past financing
- □Begin diligence
- □ If we like discuss round logistics (price/terms/logistics) & round timing for bids
- □Pull a round together (right co-investor syndicate) of lead investor(s) and strategic follow investor(s)



The Problem: What Does Your Company Address?

- □What problem does your company address?
- □How costly or big is the problem?
 - Time problem (money)?
 - Ocost problem (also money)?
 - Quality problem (which leads to money)?
- □Evidence of the problem

The Solution: What Is Your Solution?

- □What stage is it?
 - o Pre-product?
 - o MVP?
 - O Working Product?
- □What traction do you have so far?
- □ Detailed explanation of how the product/service works
- □Consider all stakeholders for their solution who benefits and how?
 - Customers
 - Partners
 - Suppliers

Market: How Big Is The Market?

- □Total Addressable Market?
 - Top-Down
 - o Bottoms-Up
- □\$1B+ market size
- □Growing market
- □Tailwinds/headwinds
- □Customers in each market?
- □How do those customers spend/what do they care about?

Sustainable Competitive Advantage

- □Unique, sustainable, competitive advantage to solve this problem?
- □What's your value prop?
- □Patents?
- □Trade secrets?
- □First mover advantage?
- □Is your solution a "vitamin" or a "painkiller?" Be a "painkiller"

Competition

- □Who are your competitors?
- □Why are you better than them?
- □Do you understand your competitors pricing?
- □Do you understand your competitors value proposition?
- □How easily can they squish you?
- □ Is what you're doing easy or hard to copy?

Exit Opportunities & Next Round Financing

- □ How will we get our money back?
- □Who will buy you?
 - O Are they feasible acquirers?
 - What reasoning would the company have for an acquisition?
 - O Are they large enough for a big exit?
- ☐ How much are comparable exits going for?
- □What revenue/EBITDA multiples do similar companies sell/trade for?
- □What will you have to do for me to believe you'll raise the *next* round of financing?

Go-To-Market Strategy

- ☐ How are you going to launch your product?
- □How are you going to scale?
- □Partnerships? Pilots?
- ■Marketing campaign?
- □CAC/LTV?
- □Customer churn/retention?

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Traction

- □Traction, traction
- □Real traction, not made up traction
- □If you don't have real traction, figure out some way to show people actually want your solution
- □Talk to your customers. If you haven't talked to any customers, this is a red flag

Fundraise & Use Of Funds

- □How much are you raising?
- □What's your net burn rate?
- □What are you scaling your burn rate to for growth?
- □What revenue/milestone goals will you achieve to reach your next raise?
- □What will you do with the money?
 - Hire staff
 - Develop product
 - Marketing
 - Inventory

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Prior Fundraising, Security Type, & Valuation

- □ Cap table
- □ Convertible securities & dates
 - Notes
 - SAFEs
 - Post-Money
 - Pre-Money
- □ Priced round amount/pre-\$/post-\$
- ☐ High level valuation discussion what % equity would they like to give up for what amount?
- Expected dilution?
- □ Comps/Analogs?
- ☐ This is often not explained in detail in the pitch deck, but you can choose to divulge upfront whatever you want the best is to not set a price (valuation) unless you are forced to, let the market set a price. You can always say "no"

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Operating (Financial) Model

- □What's the revenue model?
- □What are the cost assumptions?
- □SG&A assumptions?
- □Cash flow requirements?
- □What do they need to accomplish to hit their next round?
- □ Future dilution assumptions

Team & Governance

need?

□Who's on the team? □Who's full time? □Founder-market fit? Missionary vs mercenary Industry insiders or not □Prior successful exits? □Do the founders have the grit/sales chops to recruit and raise additional capital? □Board of directors – how many, who? □Board of advisors? ☐ Has founding team attracted the talent and advisor expertise they

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Documentation Request

- □Copy of charter & bylaws
- □Copies of IP
- □Copies of licenses
- □Copies of manufacturing agreements
- □Copies of publications
- □510(k) clearances (healthcare)
- □Use of funds
- □Go-to-market strategy
- □Cap table & convertible debt with terms

- □Past two year financials (or fewer)
 - Balance sheet
 - Profit & loss statement
 - Statement of cash flows
- □5-year projection (annual)
- □Detailed two-year financial projection
 - Are they sophisticated enough to have a working operating model to meet their next milestone?
 - O Have they identified their KPI's?

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