INVESTOR READINESS CHECKLIST

WILSON SONSINI

LEGAL DISCLAIMER: The purpose of Wilson Sonsini's Investor Readiness Checklist is to give you an overall sense of your Company's readiness for a future outreach, whether that be to a venture capital investor or strategic partner. This checklist is not exhaustive and should not be construed as legal advice—it does not create an attorney client relationship. It also does not consider the facts and circumstances of your business and it is not intended to outline a specific outreach strategy or identify the ideal partnership approach. This checklist should be used as a gut check on your current outreach preparation and is a useful framework to identify some key strategic gaps to consider as you refine your approach.

Do You Have The Key Components Of A Business Plan?

- [ ] Mission statement or problem/solution statement?
- [ ] Management team and organizational structure?
- [ ] Viable product(s) with a clear value proposition?
- [ ] Addressable market opportunity?
- [ ] Intellectual property portfolio and filings?
- [ ] Tractable development and/or commercial plan?
- [ ] Competitive landscape analysis?
- [ ] Risks and mitigations?
- [ ] Finances (expenses, financial projections)?

NOTES:

Have You Created Supporting Materials?

- [ ] Have you developed a non-confidential pitch deck, and practiced the pitch on external parties?
- [ ] Have you developed an executive summary document?
- [ ] Have you drafted a "hook" paragraph to summarize the investment or strategic partner opportunity?
- [ ] Have these materials been reviewed by external parties (i.e., third parties can include friends/family, professional network, VCs, and other validating sources of feedback)?

NOTES:

Is Your Business Ready To Be Invested In?

- [ ] Financially?
  - What are your specific objectives for raising external capital?
  - What is your preferred deal structure and terms, and does the deal structure satisfy your objective(s)?
  - What will be the target amount and why?
  - What will be the target pre-money valuation and why?
  - Have you considered alternative types of financing (e.g., venture capital, angel, family, incubator/accelerators, corporate venture, venture debt, grants, convertible note, SAFEs)?
  - How would different fundraising scenarios impact your capitalization table?
- [ ] Strategically?
  - Why is this the right time for your business to raise outside capital?
  - What specific activities would this investment be used for?
  - Have you tested these economics against other benchmarks and analogous financings?
  - What are some exit scenarios that would be attractive to investors, and how realistic are they within a given timeframe?
  - Do you have an intellectual property portfolio and filings?
  - Who from your team will be the "deal champion" (e.g., leading the outreach, diligence, negotiation, and ultimate integration process)?
  - What type of investor would best fit your objectives?

NOTES:

Which Investor Is Right For You And Your Business?

- [ ] Financially?
  - Does the investor's investment strategy fit your business and financing objectives?
  - Has the investor made any investments in similar businesses in the past?
  - Has the investor historically executed your preferred deal structure?
  - Does your business compete with any of the investor's active portfolio companies?

☐ Strategically?

- Does your business fall within the prospective investor's communicated corporate strategy, and are your short and long-term interests aligned?
- Does your milestone-driven development and/or commercial plan meet the exit needs of the investor (e.g., ROI timeline, acquisition, IPO, etc.)?
- Have you developed any benchmarks, comparable analyses, or financial forecasts to determine what your target fundraising economics and structure could look like?
- Do you have an existing relationship with someone at the investor's firm?
- Does the investor have the resources, personnel, and expertise that would complement your business well?

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Have You Thought About A Venture Capital Term Sheet?

☐ Have you thought about the amount of capital each investor will commit as part of the fundraising round (Investment Amount)?

☐ Have you thought about the value of your company *before* external funding (Pre-Money Valuation)?

☐ Have you thought about the value of your company *after* it receives external funding (Post-Money Valuation)?

☐ Have you thought about the return an investor receives following an exit—receiving their preferred return as originally started, or converting into common shares and receiving their percentage ownership (Liquidation Preference)?

☐ Have you thought about veto rights that investors have over specific corporate actions—may include anti-dilution provisions (Protective Provisions)?

☐ Does the investor require that you do not initiate discussions with other investors for a specific time period after the term sheet is signed (Exclusivity)?

NOTES:

Ready For Next Steps?

When you're ready to negotiate your term sheet, engage your Wilson Sonsini attorney.

If you have any questions on the above checklist or more generally, please contact your Wilson Sonsini attorney or email us at NEST@wsgr.com.