

FIBAN[®]

FINNISH
BUSINESS ANGELS
NETWORK

The FiBAN Syndication Process

Lead angel role

A Process Description

Purpose

The purpose of this process description is to be a tool for the lead investor as well as other investors joining a syndicate. The idea is to bring transparency to the process and have a framework for an efficient syndication process, that leads up to a successful investment.

Syndication Process Steps

1. PitchFinland	2. Introductory meeting: Company & Investors	3. Lead Angel Preparations	4. Structure meeting	5. Additional Meetings	6. Closing of Investment Round
1. Company Pitches	2A. Meeting with company & investors	3A. Lead angel prepares technical details	4A. Open questions discussed	5. Additional meetings as needed	6A. Lead angel & entrepreneur meeting
	2B. Investors only meeting	3B. Lead angel estimates probability of investment	4B. Structure, terms & initial commitments discussed – preparations for signing term sheet		6B. Signing of SHA & payment of funds

Max. 2 weeks
after PitchFinland

Max. 2 weeks
after first meeting

Approx. 2-3
months after
PitchFinland

GOALS FOR STEP

1. PitchFinland: Company Pitches

Angels

- To find the most interesting cases
- To get in contact with entrepreneurs
- Get enough angel interest to form a syndicate

Entrepreneur

- To get enough interest from angels to form a syndicate
- To kick-start the syndication process

1. PitchFinland

2. Introductory meeting: Company & Investors

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4. Structure meeting

5. Additional Meetings

6. Closing of Investment Round

1. PitchFinland: Company Pitches

- Angels set their interest for a company
 - FiBAN confirms angel interest & sends introductory email
lead investor engaged if available
 - Name & emails of interested investors are shared with entrepreneur if needed
- if less than 3 angels interested, then individual discussion takes place and the case remains in Gust for 3 months

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GOALS FOR STEP

2. Introductory meeting: Company & Investors

Angels

- Choose a lead angel
- Document any open company related questions
- Decide on the next meeting

Entrepreneur

- Ensure the commitment of each interested investor
- Decide on the next meeting

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2A. Introductory meeting: Company & Investors

- Entrepreneur in cooperation with FiBAN office will coordinate interested investors to a first meeting.
- Company presents its investment round, including:
 - Amount seeking
 - Valuation
 - Timetable
- All potential investors should be included (also non-FiBAN)
- All investors should reveal economic and personal ties to the company

1. PitchFinland

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Round

2B. Introductory meeting: Investors Only

This meeting is preferably held in combination with the first meeting with the company. The Entrepreneur should not be present during this meeting.

It is preferable that outside angels should also participate in these discussions

- Introductions: all ties, both economic and personal, towards the company are presented.
 - A lead investor is chosen, and a preliminary discussion on the lead angels compensation should be held.
 - Open issues should be documented by the lead investor
 - **The lead investor agrees with the rest of the investors on the methodology of assessing a fair value for the startup.**
 - Other responsibilities are assigned
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- If no lead is chosen, then the official syndication process ends, angels can continue individual discussions with the company
- Lead angel and entrepreneur decide on next meeting.

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GOALS FOR STEP

3. Lead Angel Preparations

Angels

- To make sure that the process can continue with the right inventors, scope, and format
- To make sure that the syndication has the potential to raise an investment round the size that the company is seeking

Entrepreneur

- To provide the lead angel with any information needed
- To prepare answers to any open company related questions

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3A. Lead Angel Preparations

Roles and responsibilities are assigned, areas include initial plans for:

- a) Form of syndicate*
- b) Scope of DD -process**
- c) Planning of documentation (Term Sheet, Shareholder Agreement, Cap Table)***
- d) Lead angel should propose the lead investor compensation he would need
- e) Lead angel discusses case with industry expert
- f) Lead angel actively drives a discussion about the valuation & estimates a fair value for the startup. This estimation should be based on the methodology agreed by all investors in step 2B. The methodology should include the use of a valuation tool**** as well as consulting experienced investors in the same market segment as the startup.
- g) Get answers to any open questions from the entrepreneur

These items should be communicated to all investors before the next meeting, so that all syndicate members have an opportunity to make a decision on these at the next meeting.

The form and of syndicate and scope of DD process should take into consideration the size of the total investment, so that the costs are reasonable.

* See FiBAN joint investment agreement <https://gust.com/organizations/fiban/folders/3473886>

** See Angel Best Practices: <https://gust.com/organizations/fiban/folders/3372019>

*** See contract templates: <https://gust.com/organizations/fiban/folders/936099>

**** See Valuation materials: <https://gust.com/organizations/fiban/folders/3976444>

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3B. Lead Angel estimates probability of investment

The lead angel should at this point collect from the syndicate members individual investor estimates on potential investment amounts. This is a non-binding estimate, but vital to get an understanding of the probability of achieving an investment round.

FiBAN recommends a minimum ticket size of 10k€

- The entrepreneur should be told if the aggregate is above or below the amount he is seeking.
- If the amount is less than the company is seeking, then the syndication should be put on hold, until more commitments are gathered.

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GOALS FOR STEP

4. Structure Meeting

Angels

- Decide on the structure of the syndicate
- Decide on the scope of the DD process
- Decide on lead angel compensation
- Agree on valuation with entrepreneur
- Be able to sign term sheet
- Decide on goals for entrepreneur

Entrepreneur

- To convince each investor of the economic reasoning of his/her investment case

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4A. Structure Meeting: Investors & Company

- Lead investor calls for a second meeting, when the previous step is finalized
- Entrepreneur presents answers to all open questions from first meeting.
- If open issues remain, the lead or entrepreneur call to a new meetings once they are resolved
- Any investor not interested in investing should leave the discussions

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4B. Structure Meeting: Investors Only Meeting

This meeting is held without the entrepreneur, preferably directly after the second meeting with the entrepreneur.

- a) The lead angel presents the initial individual investment estimates on an aggregate level (NOT revealing individual angel investments at this stage).
- b) The investors should make decisions based on lead angel steps 3a-e
- c) **The investors should agree on the financial terms, including valuation, with which they are ready to make an investment.** It is important to reach an agreement on the acceptable level of valuation. Should the investor syndication not be able to reach an agreement, it is important to document the reasoning and the methodology on how to reach an agreement. Those investors who cannot agree on this, should leave the syndication discussion. If the investors conclude that it is probable that an investment round can be made with these terms, and the initial commitments, then the round should continue. Otherwise the angels should agree, together with the entrepreneur, to collectively look for additional angels.
- d) The investors should prepare the signing of a Term Sheet.

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GOALS FOR STEP

5. Additional Meetings

Angels

- To resolve any open issues

Entrepreneur

- To provide the lead investor with any information needed
- To actively take part in closing the investment round

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5. Additional Meetings

The lead angel, together with the entrepreneur, coordinates any additional meetings that are required to successfully close the investment.

If the syndicate sees further business development necessary, the business milestones should be agreed upon. After they are completed the investment discussion can continue

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**6. Closing of
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GOALS FOR STEP

6. Closing of Investment Round

Angels

- To successfully close the syndicate

Entrepreneur

- To successfully close the syndicate

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6A. Closing of Investment Round: Lead Angel & Entrepreneur meeting

The lead angel and entrepreneur meet to confirm the details of the closing

- a) The lead angel goes through the final DD documents and concludes that there are no significant findings prevent the investment
- b) The lead angel goes through the investment documentation with the entrepreneur and confirms that they are aligned with industry best practices
- c) The entrepreneur, with guidance from the lead angel, decides the final composition of the syndicate

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6B. Signing of SHA & Payment of Funds

The closing of an investment round will be different, depending on the form of syndication chosen in meeting 4B. Each closing should, however, at the minimum consist of the signing of a SHA (either with the company or with the investment vehicle chosen by the syndicate), so that each individual investor can be certain of their rights and obligations in the investment round.

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Comments & Feedback

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