



Frequently Asked Questions by entrepreneurs

Do you only invest in Tech?

No, we're a lot more than just tech. We're as diversified as the southern California economy we operate in. Name a sector, we're likely invested: financial, media, life science and biotech, software of all kinds, technical services, IT, transportation services, alcoholic beverages, games, retail, anything internet related, consumer products and tech, too.

Do I pay a fee to present?

No. There are no fees for an entrepreneur to apply or present.

Does TCA invest as a group? As a fund?

TCA does not invest as a group. Each member makes their own decision to invest and writes a check to the company.

What's the typical size of an investment?

It varies, of course. It depends on how attractive your company is. TCA can often raise \$700k or more on its own. If you're a very attractive opportunity then one or more of our venture capital affiliates may decide to invest alongside us; that's when fundings can grow to \$1.9M, \$2.3M, \$3.3M, as have several deals in the past few years.

Does TCA invest outside of southern California?

No, not usually. There have been a few exceptions, but mostly we invest in deals close to home.

I hear that "TCA brings more than just money"...

Yes, we do and you'll need more than just our money. Depending on the circumstances we can sit on your board of directors or perhaps we could meet with you on a regular basis and discuss your progress toward the next milestones. We can help you solve problems, (if you tell us what they are). We frequently make connections to key clients or vendors to help make sales and reduce the cost of goods. Keep in mind that many angel investors have lots of time on their hands and enjoy the satisfactions of being involved in a successful startup; they've done it before and they'll contribute their significant expertise to assisting you with your challenges.

The TCA process, how long does it take to get funded?

Good question, it varies. Some deals sail through the process and others lag. What's the difference? Let's review the steps, first the Pre-screen, it's just a single morning meeting, if you pass then you move on to the Screenings in all four networks. Depending on the schedule and the backlog of companies already in the pipeline, it may take a month or two to cycle through the networks. Then due diligence begins; this is the big variable; if

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you're well prepared then the process moves swiftly, if not, then the process bogs down. Due diligence is where many issues are addressed, such as fixing problems in the company's corporate structure, like the cap table, agreeing on a valuation, reviewing your patent applications and many other things besides just checking your references. As you exit the due diligence phase we agree on a term sheet; lawyers can slow the process, too. What's the fastest anyone can complete a funding cycle? About 4 months.

What's the difference between an Angel and a VC?

Oh, so many differences; where to start? A venture capitalist (VC) operates with a large fund, anywhere from \$30M to \$500M; money they have attracted from wealthy individuals and large institutions, like pension funds. They have to put that money to work, let's say in 20 deals, so do the math. For a \$30M fund that's less than \$2M per deal, for a large fund that number might be \$10M or more. When you hear of a large VC funding, say a \$25M Series B, that large number is usually made up from the contributions of several VC funds; there's safety in numbers, it's called syndication. Angels, on the other hand, are often semi-retired business people who may have created a small or large fortune during their career. Instead of starting a new company, many angels enjoy balancing their personal pursuits, like golfing, boating or poker playing, with investments in startup businesses. Ask an angel: are they investing to make money? Yes, of course, it's their primary motivation; they've all been trained to say that, but for many angel investors I suspect they are equally motivated to give something back, to contribute to the success of a startup. There's a lot of satisfaction to be gained by contributing to a successful startup and remember, these angels have all experienced this satisfaction once. This is what we mean when we say that at TCA we contribute more than just money; the benefits of our experience and connections will come to bear on your startup, too. What about the money? Angels typically invest much less than a VC. At TCA we're each encouraged to invest a minimum of \$50k per year and usually that's 2 deals at \$25k each, (many of us find it difficult to only invest in 2 deals and only \$25k per). Every angel makes an individual decision to invest or not. Depending on the popularity of the deal, often 20, 30, 50 or more angels will pool their money to fund a Series A round. Many other differences come to mind; for example, at TCA we stress that the entrepreneur have an effective slide presentation for a Screening meeting. Maybe a few VCs sitting around a conference room table will ignore a poorly presented pitch; they'll forgive you that because they love you, the product and the market. How are angels different? Because we're a larger group often sitting in an amphitheatre, you'll have to put on more of a show to capture and keep our attention.

What does it cost me to get funded by TCA?

Time and effort, only. There's no fee to apply or present. You will be dedicating much time and effort to present in all our of networks, but that just adds up to a few days each month. It will involve the time of the most senior people in your company; there's no such thing as the CEO delegating fund raising to his CFO. Investors will want to hear the pitch directly from the founder. (I often ask, "Who's the genius on this team?") Time becomes more critical during the due diligence process, that's when the investors will hand you a list of questions; it'll take considerable time to prepare your responses and successfully navigate the due diligence process. Don't wait and be surprised; the due diligence checklist is available on the TCA site. Give yourself a head start.

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What's the typical profile of a TCA member?

Successful and semi-retired, which means they tell their friends they're retired, but they're really busy doing several projects; they're just not punching a clock or showing up in an office each day. Members may be sitting on several boards of directors, of startups and non-profits. They're often well connected (because we screen for that) and they'll assist you in making the critical connections to make your startup a success. Oh, and they're all [accredited investors](#), according to the SEC. They've all signed our membership rules of conduct which details our process including reasonable confidentiality and fairness to the entrepreneur. The typical TCA member is investing in multiple sectors, not just the one they spent their career in. Some members are actively involved with their portfolio companies and some members invest and are never heard from again. One overriding characteristic of a TCA member is their astuteness; they are constantly looking at deals, they can size them up quickly and they often ask questions that get right to the heart of the issue.

I hear it is too difficult to get funded by TCA...

Let's start with a positive attitude! Although it's a process with many steps, you'll always know where you are in the process and what the next step is. Statistically we fund a higher percentage of the deals we see than do VCs, partly because we're so diversified. There are few sectors we don't invest in, because our membership is so diverse. You've also got to look at the present investment climate, e.g. in the early years after the internet bubble it was difficult to attract funding, but look at the recent years of 2005 and 2006. We funded 21 startups in 2005 and 20 in 2006 which made us the largest source of early stage funding in the United States. Add to that number all the transactions involving previously funded companies coming back for additional funding; in 2006 that brought the total number of transactions to 39. That's busy! That's a vigorous funding machine at work!

Why do I hear of entrepreneurs who did not like the TCA process?

Let's face it... they're probably the ones that didn't get funded. And there are more of them out there than those that do get funded. We fund between 4 and 5% of all the deals we see (versus VC's funding less than 1%); that means there are a lot of disappointed entrepreneurs out there. But don't get discouraged, get to work. Learn how to succeed at the funding process and give it your best shot.

How many meetings/presentations do I need to make?

Let's count 'em: the Pre-Screen is a verbal presentation (1), then the Screenings in the four networks (5) then after due diligence you'll visit each network again during a dinner meeting, that's another four presentations (9), but subtract one dinner meeting if you're lucky enough to be scheduled for one of our quarterly joint dinners in Long Beach, when the Los Angeles and Orange County networks converge (8.67). Just a thought... think of it as raising \$100k each time you present.

What percentage of the companies that go through the process get funded?

Is this a trick question? The answer is: all of them, because going through the process includes getting funded. Oh, not what you meant? How 'bout: what percent that start the process actually get funded? About 4-5% or so; of all the deals we see only about 4-5%

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get funded. Think of a funnel, wide at the top and narrow at the bottom. However, your odds improve dramatically if you get to a Screening, then your odds jump again once you start due diligence and once you start the dinner circuit, the final Screenings during our monthly dinner meetings, you're gonna get funded!

TCA won't sign a non-disclosure agreement (NDA), so how is confidentiality maintained?

Why don't we sign NDAs? We just see too many deals, often in a similar space; the same is true for VCs. If you have intellectual property (IP) that has not been patented, then you should not disclose it to us. Anything you place in your funding application remains password protected, available only to our members. In general, we're more interested in the business issues behind the technology; we don't invest in inventions, but in concepts supported by attractive business models. In final due diligence we may need to research IP issues and then NDAs might be used in certain cases.

After I'm funded, how much interference will TCA members create as I try to execute my plan?

Interference? We like to think that our role as investor, director and coach adds more value than interference. We will hold you accountable for execution of the business plan, and failure to achieve results can and does lead to changes in the team; that's life. This is a good thing and adds to your equity value. Investors with expertise may be called in to help with strategy and tactics, again in way that should help you get through tough areas, not interfere.

What happens if I underestimated the time frame and I need more money before my company turns cash positive?

Many companies do need more money, maybe they underestimated their expenses or they're growing faster than they planned, or both. Maybe you're ready for a Series B and your board has timed everything perfectly; venture capitalists are waiting in your lobby with term sheets. Or maybe it's taking longer to close those big customers, or your suppliers are slowing you down, or a new software release still isn't finished; these can be a harder sell to your investors. The best thing to do about this situation is to avoid it in the first place: raise more money than you think you'll need. Not every entrepreneur has that luxury, but many can raise more than their original plan; in all cases the advice is: take the money. It's easier to raise it at the point when people want to give it to you. A year later when reality hits and you're behind plan and expenses are high and the cash is dwindling, well that's a tougher sell to your investors. But we're used to these scenarios, we're experienced (that's why you choose to work with us in the first place), so we'll work something out.