# Investor FAQs

## Questions about our Model

### How do you get deal flow?

Our deals teams, both our own and those for our sibling funds, are constantly networking and sourcing. Our parent company, Alumni Ventures Group (formerly Launch Angels), now manages alumni funds all over the country (each with a full-time deal team) and will be building to 20 funds in the next few years. In addition, our total alumni community across all funds is over 100,000 strong, and they are constantly sending us deals—with this rate accelerating as our network grows by the month. Currently, we review about 30 - 35 deals for every one that we add to the portfolio.

### How do you pick which deals to do?

We start with a broad funnel, allowing us to choose the best alumni-connected deals that we see. Normally, we select 2-3 deals per month to take to the Investment Committee, who advises us on deals, and then we choose 1-2 to invest in.

Key considerations: Is their an alumni connection? How does an investment provide us with diversity across sector, stage, and geography? Does the lead investor know and have a good record in the space, as well as skin in the game?

Beyond that, we look at the classic things that all experienced VC investors consider: team, market opportunity, moats, traction, attractive deal terms, etc.

### What is the investment minimum? Maximum?

Our investment minimum for most Annual Funds is $50k and the maximum is $1M. Some of our Annual Funds do have a minimum of $25k. Please check with the Managing Partner to inquire about the fund minimum. Each annual fund is limited to 99 accredited investors, which allows us to keep within SEC regulations while still hitting our target fund size of about $8-$10M per year. Writing checks in the $100k-1M range per deal makes us big enough to matter to portfolio companies, but not threatening to traditional VCs.

### How do you make money and what do you charge?

Fund management does well when we make money for investors. Our fees are industry standard: a 2% annual management fee used to cover business costs over the 10-year life of the fund and 20% carry, which comes from profits.

The big firms like KPCB charge 3/30, and to get into the fund you have to write a check of $10M. We are offering a proxy for those big firms, but giving you that access with a $50K check and charging less (2 & 20 v. 3 & 30).

## You mention the importance of strong lead investors. What venture funds have you co- invested with?

Our large alumni community and Ambassador network have enabled us to participate in many deals led by top VCs. Examples of lead investors from previous deals include:

- Alsop Louie
- Bessemer Venture
- Borealis Ventures
- Elephant Partners
- F-Prime
- Founder Collective
- General Catalyst
- GV
- Generator Ventures
- Javelin Venture
- Maveron
- Nokia
- Norwest
- Obvious Ventures
- OrbiMed
- Summit Partners
- True Ventures
- Venrock

## Why would entrepreneurs want you involved?

There are a number of reasons entrepreneurs want us involved:

- They appreciate our low-friction, streamlined, and responsive process. In as little as 1-2 months, we can move from initial conversation to a check in their hands, with little extra work on their part.
- We don't dictate terms or take Board seats.
- We can offer our extensive network connections and resources such as Calls to the Network (appeals to our community for assistance to a portfolio company) and
- Resource Connector (fellow alums offering business services).
- They value the alumni connection and our mission to foster the entrepreneurial ecosystem of the school.

## Why would lead investors want you involved?

Lead investors appreciate our involvement for several reasons:

- We don't compete with them; our checks are small enough to be helpful but not competitive.
- We are responsive, make decisions quickly, and deliver funds quickly.
- We don't dictate terms or take Board seats.
- We reciprocate by sharing deals that might be of interest to them.

## What size checks do you write? What percentage of a deal is it typically?

The check size is in proportion to the size of the fund, but in general we write checks in the $100k-$1M range. In earlier stage deals, it may be more like $50k-$200k, and in later stage situations $400k-$1M. We typically aim to be less than 10% of a deal.

## What are the terms you generally get?

Our model is based on following experienced professional investors into deals. We enjoy the same terms as the lead investor. As industry professionals, they generally receive favorable terms—though it is the job of the deal team, our Investment Committee, and Ambassador consultants to evaluate this.

## Isn't being focused on alumni-only deals overly restrictive?

The number of opportunities is actually very large. Two things to keep in mind: first, the generations of alums that have graduated and continue to graduate from the school is very large and evergreen, and second, we broadly define this alumni connection so we can consider a broad set of opportunities. Not only can we invest in a company where there is an alum (or school connection) on the executive team, but also where an alum is either a Board member, investor, or the source of the deal.

## How does the Investment Committee actually work? Who has final say?

Ultimately, the Fund Manager has final say in the investment but we select a top-tier Investment Committee because we value their assessments and carefully weigh their advice. We also look to them for guidance in keeping the portfolio diversified.

## How does the school view you?

We are completely separate from the school. However, we have a great relationship with the school and regularly meet with the administration and departments. Occasionally we've even informally collaborated with the school on events.

## Are there other funds like this out there?

There are angel groups, university-fostered funds, and other VC funds that focus on companies affiliated with a certain school. We are different on several scores. Unlike most university-run/affiliated funds, we are private and for-profit. Also, unlike most angel groups and VC funds, we are part of a network of alumni funds, each independent, but sharing costs, best practices, systems, processes, and sometimes deals across funds. We also uniquely rely on alums as the source of our capital, deal referrals, and portfolio. Finally, unlike many school-focused funds, we consider a diverse range of deals across industry, geography, and sector.

## Do you think the market is overheated for VC?

There is a lot of capital out there. There are also many deals, and some of the most interesting companies are staying private for extended periods. We hedge against "irrational exuberance" by only investing in companies with strong lead investors that we believe can cut through the froth. We also spread our bets by investing across sector, industry, geography—and time.

## Who is involved in running and managing the fund?

We have a full-time Managing Partner and Vice President who are in charge of assembling the portfolio. We manage the fund with the assistance of our parent company, Alumni Ventures Group. AVG is the back-office support for our fund and multiple sibling funds. This structure allows us to share expenses, systems, processes, best practices, and even deals. The AVG Board advises on strategy, growth, and governance.

## What is the deal team's background?

Our deal team has extensive entrepreneurial and investment experience. As professionals, advisors, and investors, they are thoroughly acquainted with the challenges of launching and growing a successful business. Both are also loyal and connected alums of the school, which has helped them recruit entrepreneurs, Ambassadors, and general supporters. For more on their backgrounds, visit your fund's website and navigate to the Team page.

## How many people work for the fund and umbrella organization, Alumni Ventures Group?

At the end of 2017 we had 40+ full-time employees, including the fund deal teams, plus an extensive network of fellows (part-time grads and undergrads from our schools) and freelancers. We will be expanding over the course of 2018 as we add new school funds.

## Where are you located?

Alumni Ventures Group is headquartered in downtown Manchester, New Hampshire. Our first regional office for our Boston-based funds (Dartmouth, Harvard, MIT, and Yale) is just outside of Boston. We have also established four more regional offices for our other alumni funds throughout the country.

## What happens if a Managing Partner leaves?

There always some risks involved in losing key people, but our approach greatly mitigates that risk. First, our model emphasizes deal access vs. deal-selection skills. Deal access is more about the community, strategy, and process. We rely on the network for deal flow, strong professional co-investors to vet deals, and the Investment Committee to advise on deal selection. If a Managing Partner leaves, AVG corporate would work with the Investment Committee and VP to keep the fund on track while a replacement is found.

## Do you ever get together face-to-face?

Yes. We like to stage periodic get-togethers for our existing and prospective investors, Ambassadors, portfolio companies, and other supporters. This is a chance for our community to get updates about the funds, hear from an alum guest speaker, and socialize with other alums. Whenever an event is planned, we alert supporters via email and the fund’s newsletter, as well as posting them on our website.

## Are there ways I can assist the fund besides investing?

All investors are invited to join our Ambassador Program. Our Ambassadors refer alumni-connected companies and deals and occasionally consult on deals when they have sector expertise. Additionally, a select group of alumni are invited each year to serve on the fund’s Investment Committee. Occasionally, we’ll also put out a “Call to the Network” for portfolio company assistance (e.g., a job opening). Finally, we appreciate all our supporters giving us feedback and helping us spread the word about the fund.

## What is your fund's relationship to the school?

Our relationship is friendly but separate. We are active participants in the ecosystem and appear on panels, meet with faculty and students, and generally try to be helpful. However, the school is not a co-investor or directly involved with the fund. Our primary goal is to deliver a good return for investors, and we believe this is best achieved by a private, for- profit organization.

## What is your relationship with Alumni Ventures Group (AVG) and your sibling funds? What is the advantage of this structure?

AVG is the parent company for a series of alumni venture funds, including our own. AVG provides the back-office support, processes, systems, and playbooks to guide our fund. Sharing these resources over a number of alumni funds creates economies of scale and makes a smaller venture fund like ours economically feasible. While the funds are independently managed, we and our sister funds do sometimes share deal sources and particular deals. We also exchange learnings and best practices to make all of the AVG funds stronger.

# Questions about our Investment Strategy

## What is your investment strategy?

Our strategy is to spread our bets over a number of high-quality venture deals: 15-25 per annual fund. Diversifying across industry, stage, and geography minimizes risk and lets us focus on best opportunities for value creation. Another key part of our strategy is to co- invest behind smart, professional investors (the folks with sector expertise) who lead the round and provide material value-add to a company. The third element to our strategy is relying on our alumni community to not only provide capital, but to also help us source and evaluate deals. That alumni connection helps us gain access to a steady flow of interesting deals. Simply put, we can do better together than we can alone.

## Do I get to pick and choose investments?

For our annual fund, the portfolio is selected for investors by our full-time deal team with advice from our experienced alumni Investment Committee. Our co-investment program, on the other hand, does let investors opt into select deals. We offer these opportunities when the fund does a deal and the company still has room for additional investment—a situation that occurs for about a third of all annual fund deals. However, if the co-investment deal is oversubscribed, priority is given to investors who've participated in our annual funds.

## What types of deals do you do?

Our co-investment strategy facilitates the creation of truly diversified venture portfolios. By following in smart money, we can be agnostic to stage (from early to later stage venture), geography, and sector. Our deal team and Investment Committee do consider this diversification in selecting deals.

## What kind of school connection do you look for when considering a deal?

We look for an alum and/or someone affiliated with the school (e.g., a professor) on the executive team, Board, lead investor group, or source of the deal. Sometimes, given the strength of alumni ties, we actually find multiple points of connection in a deal.

## How many companies are in a typical annual fund? How long do you usually take to invest the fund?

A typical annual fund has a portfolio of 15-25 companies assembled over 1-1.5 years. We reserve a little to do occasional follow-on investments.

## What stage of deals do you do?

We are industry agnostic and stage agnostic. We have done seed deals and $30M growth equity rounds. Given our check size of $100k-$1M, often the best fit is a later-stage seed or early-stage venture. All deals must have an alumni connection to the school/fund and have a strong lead investor in place.

## What happens with future rounds of financing for a portfolio company? Do you reserve?

We save a small amount in reserves for follow-on investments (5-10% of the fund). We might also consider a follow-on investment through a future annual fund.

## What do you look for in a deal?

We perform our own extensive diligence and these are the key things we look for:

- Strong lead investor: a professional investor with experience in the sector
- Alum on executive team, Board, investor group, or deal source
- Impressive, experienced team
- Competitive moats / “special sauce”
- Plausible execution plan

- Attractive market
- Attractive deal terms
- Traction / proof of concept Potential Investor Detail Questions

# Potential Investor Detail Questions

## What is the investment minimum? Maximum?

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## What reports does an investor receive?

We send statements and portfolio summaries twice per year. K-1s are sent well before the April tax filing deadline. Our Investor Portal makes  all investor information available at any time. In addition, we provide informal updates on investments and portfolio companies via our newsletter, plus occasional investor-only communications. We also pride ourselves on being transparent and available and have a reputation of being very responsive to questions or comments.

## When is your next fund? Can I reserve a place in a future fund?

We raise a new fund each year. Our Waitlist Program lets investors reserve a spot in future funds for the next year or several years out. Those who reserve a spot are given priority when fundraising begins.

## How do I make money? How do distributions work?

You make money when a portfolio company is acquired or goes public. As soon as we receive the distribution, it’s sent to you (or your trust/retirement vehicle, if that was your designation). At a certain point, once a set profitability threshold is reached, the fund management will share in the distributions.

## What do I need to do to become an investor?

- We have a very streamlined onboarding process for investors. Essentially, these are the steps:
- You reserve a place in the fund and commit (not legally binding) to an investment amount ($50K-$1M).

- By e-signature, you complete the Subscription Agreement and investment papers.
- You provide evidence of accredited investor or qualified investor status—generally a very simple process.
- You wire or mail us funds.

## What are the risks and rewards of investing in your fund?

We will be investing in illiquid assets, some at an early stage, and therefore the potential is great for both gain and loss. No one should invest in venture capital without understanding, accepting, and being able to bear the risks, and we suggest all our investors consult with their financial advisor before making a commitment.

In general, the benefits of investing in venture are diversifying your portfolio, partaking in a key asset class, and making countercyclical investments. Further, our model attempts to moderate risk by following the leads of established VCs and by placing a number of small bets on a variety of deals, limiting commitments to any one deal and sector while gaining access to the many companies that are now staying private longer. Side benefits to venture investing with our fund: learning about many interesting deals, entrepreneurs, and sectors; fostering the school's ecosystem; and connecting with an impressive group of alums.

## Are there capital calls, or do I invest all up front?

You commit all your funds up front. This streamlines the investing process for investors, the entrepreneurs, and the fund.

## What would happen to my holdings if AVG folded?

Your fund investment is governed by our investor docs. Even if AVG went out of business, the fund itself would survive and continue. We have reserved capital for the fund to ensure that expenses would be paid throughout its 10-year term. Also, AVG has the right to designate a replacement Manager.

## Can I invest via a retirement account?

Yes. This is a popular and very straightforward option. We have a third party who works with us and our investors to set up an IRA on an investor's behalf. Monies can be transferred to our self-directed IRA partner without penalty or without jeopardizing tax-deferred status. Our partner then invests in the AVG fund "for the benefit of" the investor in a simple, straightforward process and manages all administration.

## Do I need to be an alum to invest?

In general, yes, though the Fund Manager can elect to make some exceptions. For example, if an alum invests with a family member or other acquaintance via a Trust or LLC formed to combine people's interests, the Manager is likely to accept that investment.

## What happens if I die?

In the case of an investor's death, the investor interest can be passed on to successors as part of normal estate planning and procedures. An investor interest can also be transferred to surviving family members (or designated receivers) with proper notification to the Manager.

## Why are your annual funds limited to 99 investors?

Under Section 3(c)(1) of the Investment Company Act of 1940, venture funds created by Alumni Ventures Group and other similar partnerships are limited to 99 accredited investors. We can accept more investors than that only if they're qualified (rather than accredited).

## Will participating as an investor help me learn more about venture capital?

We take great care to share our news, deal materials, and thinking about venture capital with investors. We do this through our newsletters, website, social media, investor communications, investor portal, and events. Our level of community involvement and transparency is unprecedented in the VC community.

## Are there any extra fees or expenses I'm responsible for?

Our fees are industry standard 2% management fee and 20% carried interest. There are no additional fees or expenses associated with investing through us. If you are investing via a trust or retirement vehicle, your account managers will likely charge you some fees for setting up and maintaining those accounts.

## What is an accredited investor? A qualified investor?

Click here to read the official SEC definition of accredited investors. Click here to read the official definition of qualified purchasers.

## Can I speak with a few existing investors?

We protect the privacy of our investors. However, our Managing Partner does have the discretion to arrange and facilitate calls between existing and prospective investors.

## How does co-investment work?

Co-investment opportunities (CIP deals) are chances for investors to participate in deals that still have extra room after the fund has invested. We are able to offer CIP opportunities with about one-third of our deals. In addition, when our sibling funds have extra capacity, they might offer our investors a chance to participate. To date, most of the co-investment opportunities we have offered have been oversubscribed.

As a CIP investor, you can review each deal and opt in or out. Alternatively, you can set preferences (sector, stage, amount) and automatically opt in to deals that fit your criteria.

Here’s the CIP process for a typical deal:

a. We announce the deal to investors who have indicated an interest in CIP.
b. We provide due diligence materials for investor review.
c. Investors have about two weeks to decide if they'd like to invest and the amount they want to commit.
d. The send us their funds (wire or check).

# Track Record Questions

## How are your investments doing?

We feel very good about our portfolios so far. However, it’s still early: our first investment isn’t even two years old yet. Out of about 30 deals, we’ve had two positive exits, one very small write-off, and about a dozen companies having completed up rounds.

## What are some of the companies you’ve invested in?

We invest in diverse industries, geographies, and stages of development. Examples of past deals from our family of funds include:

- BinaryVR: VR software and developer kits
- Clear Ballot: election tech
- CloudApp: media-sharing platform
- Compass Therapeutics: antibody discovery & development
- Conversica: AI sales assistant

- EverQuote: online auto insurance marketplace
- FINsix: power systems for consumer electronics
- Florence Healthcare: SaaS platform for clinic workflow
- Homepolish: online marketplace of interior design and services
- Koru: AI-based employee assessment
- Kuvée: smart wine bottle
- Lish: home delivery app and service for local chef meals
- Madison Reed: premium at-home hair care products
- Groups: opiate addiction clinics for underserved areas
- RevolutionCredit: SaaS platform to assess consumer credit scores
- Sapho: Software platform that streamlines enterprise software
- Whistle: **acquired**; digital pet care