# FIRST TIME FUNDERS – PORTRAIT OF A TYPICAL SWAN INVESTMENT COMPANY

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## Equal emphasis on impact and return on investment

- **Impact Bottom Line:**
  - Delivering significant societal impact is your primary mission, and not an afterthought
  - Historically, we have invested ~60% in Clean Tech, 25% in Life Sciences, and 15% in other impact companies (Education, Empowerment, etc.)
- **ROI Bottom Line:**
  - The business has a convincing path to profitability and an exit
  - Strong Management team augmented with critical advisors
  - Strong Product/Market Validation with some traction and/or early revenue
  - Expect significant growth potential in the next 5 years
  - Strong Exit potential within 5 to 8 years

## Under-Represented Founders

- SWAN provides equal access to funding opportunities for all early-stage companies.
- We actively welcome companies with underrepresented founding teams, particularly those with a C-level co-founder holding a significant equity position, as we believe diversity is a competitive advantage.
- While diversity is valued, it is neither a requirement nor a guarantee for funding from our network. In fact, half of our portfolio companies do not have an underrepresented founder.

## How We Invest

- Investment decisions are made by individual investors, and SWAN runs four funding cycles per year. We only consider first-time funding opportunities within these cycles and do not review investments outside of them.
- If you are re-applying, make sure that your progress (especially to the feedback that was provided) is clearly stated and significant.
- The SWAN Impact Network mostly invests in pre-seed to early-seed companies, but has invested in the past from pre-seed through series B.
- Deals with valuations significantly outside the range our members consider fair typically do not advance, as members prefer to avoid price negotiations that could strain the relationship with the entrepreneur.
- The SWAN Impact Network considers a range of investment instruments, including:
    - Convertible notes (preferred over SAFEs), typically with a valuation cap, discount, accrued interest, and maturity date. While we may invest in SAFEs on an exception basis, a strong case must be made.
    - Preferred stock equity investments
    - Revenue-based financing or other debt instruments for companies that we believe may not have the potential for a significant exit.
- We do not prefer LLCs that do not have a path to becoming a C-Corp due to governance risks and potential annual tax implications.
- We do not invest in foreign companies that do not have, or plan to have, a US entity.

## What we typically don't invest in

The SWAN Impact Network typically does not invest in the following. There can be exceptions, but the bar is high for getting funding for the following:

1. Investment funds
2. Consumer packaged goods
3. Food or nutritional supplements companies
4. Services-based companies, as opposed to product-based companies
5. Brick-and-mortar or venue-based businesses
6. We have not yet invested in a cannabis-related company or an alcoholic beverage-related company.
7. We don't invest in the project financing needed by system operators.
8. Therapeutics are usually not a fit for SWAN unless there is an early exit relationship already established with a strategic partner (we are interested in medical devices and digital health.)