



ACE 21 Annual Fund Overview

August 2020

Why We Launched An Annual Fund in 2018

- We were **missing out on the best companies** due to our funding process
- We were **losing members** who didn't want to build a diversified venture portfolio at \$25K to \$50K per company
- We wanted it to make it easier and **more fun** for members to lead deals and engage in our due diligence process
- To **drive better investment returns** to our members!



Summary of ACE 19 and ACE 20 Results

- \$2.26M capital raised from 112 members for ACE 19
- \$3.75M capital raised from 164 members for ACE 20
- 35 investments
 - \$100K - \$500K checks
 - 23 Life Science (8 digital health), 12 Tech
 - 20 Southern California, 15 outside SoCal
 - 1 exit (Paradigm Diagnostics), 34 still in business
 - < 3.5% of reviewed deals were funded
- Administered by Fund Exec. Committee with support from Moss Adams (CPA) and First Republic (bank)



Benefits of the ACE Annual Fund

- **Diversification** in 10+ companies a year for as little as \$10,000
- Our fund model delivers on our commitment to be the **BEST place for the BEST teams to raise their seed funding** – resulting in better deal flow and ROI
- Our funding process is **EASIER** for the entrepreneur and our due diligence teams, and fund investors (before it was hard)
- **Inclusion for ALL members** to have skin in the game
- Real-time **portfolio tracking & reporting** on Seraf investor platform



How It Works...

- New fund every year
- Existing screening & DD process doesn't change
- Company gets money from Fund if they inspire at least four members of the Deal Team to recommend **and** at least 67% of all voting member units to vote YES
- Members can still make individual investments alongside the fund
- Fund only invests in US-based C-Corps (no exceptions)



Here Are The Rules...

# of DD Team Members	% of Member Unit YES votes	Deal Type	Maximum Funding Provided
4 or more	67%	Fast Track	Up to 6% of fund
4 or more	67%	Full Track	Up to \$500K or 30% of fund

Fast Track vs. Full Track

- **Fast Track**
 - Typically a syndication, led outside of TCA
 - We rely on a trusted group for primary DD
 - Accelerated DD process (typically 2-3 weeks)
 - Company completes our 5-page DD Survey
 - Single funding tier, e.g. \$200K
- **Full Track**
 - Led by TCA
 - Full 30-day DD process
 - Company completes our 20-page DD Questionnaire
 - TCA has board visibility
 - Two funding tiers, e.g. \$300K & \$500K



How To Invest

- Be an active TCA member
- Purchase one or more units of the Fund at \$10K per unit in multiples of \$10K
- Get one vote per unit purchased
- Fund invests for approximately 12 months
- Target investment in 10-15 companies each year

Fees And Expenses

- The Fund is volunteer-managed, allowing us to keep fees very low
- **Up to 3% expense allocation for life of fund**
 - For CPA, legal, 3rd party manager, etc.
 - NOT an annual fee
- **5% carried interest**, paid to TCA only after 100% of member capital is returned to members

Our Goal Is 100% Member Participation

- With the Fund, **you meet your TCA investing commitment** and ensure that you are invested in the **strongest TCA companies for as little as \$10K per year**
- WE WANT EVERYONE to participate to ensure that we can deliver on our vision...and bring in those strong company teams that have previously avoided us
- Our group is stronger if all members have a vested interest in the companies we screen



Next steps for ACE 21 Launch

- Capital call through August 31, 2020
- Signed agreement and funds must be in by 8/31 to participate this year (easier online process via Glassboard!)
- **Electronic funds transfer is strongly encouraged** over paper checks to ensure timely and accurate deposits
- Companies eligible for funding starting on September 1, 2020

If you don't participate in ACE 21...

- You will have NO voice (or vote) in whether companies that you support receive funding from ACE 21 – even if you are the deal lead
- You will not be able to share your comments on the ACE 21 funding template or recommend companies for fund investment
- We will expect you to honor your TCA commitment to invest \$50K on your own

Frequently Asked Questions (FAQs)

- When can I invest?
 - The 30-day Capital Call for the ACE 21 Fund takes place from August 1st – August 31st, 2020. This period is the **only** opportunity to join the Fund.
- How do I make my investment?
 - ACE 21 is managed by a company called Assure (one of the most widely used online fund managers) and you invest by creating an account and signing documents in Assure's **Glassdoor** platform, followed by wiring your money to the ACE 21 bank account. **We strongly encourage electronic funds transfer for ACE 21 to ensure that funds are received accurately and on time.** A Glassdoor tutorial guide is [HERE](#).

Frequently Asked Questions

- How do I vote for deals?
 - Every vote will be launched with an email notice to all Fund members, and post on Flock. **The email notice is the official vote start time and votes conclude after 48 hours.** Votes are submitted via a Google Form linked in the notice.
- What about follow-on investments?
 - Since these are annual Funds, every company signs a side letter assigning any current or future follow-on rights to the then-current annual Fund, which can vote to exercise follow-on investment rights in the same manner as any Fund investment.

Frequently Asked Questions

- Can all TCA chapters participate?
 - Yes. **Any TCA member from any chapter is welcome to participate in any chapter Fund.** Each chapter Fund has its own management, structure and rules and operates independently.
- Do you have to be a member to invest?
 - Yes. Since we will be using member-only tools like Proseeder and Flock to engage in deal-screening, we are **restricting Fund investment only to members.** We also hope that the Fund will serve as an incentive for new members to join us.

Frequently Asked Questions

- Who gets the carried interest?
 - **Carried interest is paid to the chapter.** A portion of the carry is shared with our Executive Director as an employment incentive.
- Can I invest through my retirement fund?
 - We prefer that you didn't, since the Fund will not be providing any formal correspondence to any 3rd parties, and many plan administrators require annual valuation and other certifications. **Note that we will not accept investments through AltoIRA for ACE 21.**
- Will I get the IRS 1202 benefit?
 - We expect that our members will receive the tax benefit for any investment we make that meets 1202 criteria.



Frequently Asked Questions

- How is the Fund managed?
 - The Fund is legally managed by Assure, a 3rd party fund administrator. It is organized and advised by a volunteer Fund Executive Committee composed of 3 - 5 members from the TCA-San Diego's Board of Directors. **The Executive Committee does NOT make investing decisions**; it only sets and administers rules and processes.
- What is the Fund reporting policy?
 - The Fund uses an online platform called **Seraf** to make real-time reports available to all Fund members, on demand. The Fund also issues an Annual Report once it is fully invested.

Frequently Asked Questions

- What happens when a company exits?
 - We will distribute funds from company exits or distributions as soon as practical after they are received. In the event of an IPO, we will liquidate shares in the public market and distribute to members as soon as any lockup period elapses.
- Will I get a K1 at tax time?
 - Yes. You will get a **single K1 for each annual Fund you participate in**. Since the annual fund will not invest in pass-through entities (LLC's, partnerships, etc.), your K1 will typically show “zeros” unless we have an exit in a specific year.



Frequently Asked Questions

- How can I help make the fund a success?
 - Participate!! First, by purchasing units of the fund. Then, by being active. This is YOUR fund.

The Fund overview deck and subscription guide can be accessed HERE and you can begin investing by visiting <https://tcasandiego.com/ACEfundinvest>

**Questions? Contact Ashok:
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Thank You!

- This fund is largely volunteer driven. Special thanks to...
 - Our fund executive committee: Caitlin Wege, Mary Temple, Sergio Gurrieri, Dean Rosenberg, Ashley Mullen
 - Sponsors First Republic Bank and Moss Adams
 - D.J. Anderson and Ashok Kamal
 - All of you who have put your faith (and money) with us!

