



TCA Strategy Meeting: Funding Pre-Seed Deals

Feb. 9, 2021

What is “Pre-Seed”?

- No standard definition
- Varies among verticals
- Changes over time/market
- Common threads: minimal/zero external financing, limited team, pre-launch, no product/market fit, low valuations (~\$3M or less), immature governance

Leading Pre-Seed Investors



500
startups

RSCM

RIGHT SIDE CAPITAL MANAGEMENT, LLC



On Deck



techstars



Pros & Cons of Pre-Seed Investing

- PROS
 - Deal diversity
 - Diversification
 - Getting in early / pro rata rights
 - High upside ROI
 - Supporting startup community
- CONS
 - High failure rate
 - Difficult to evaluate
 - Risk/reward ratio compared to Seed+ deals
 - Increasing downstream investor competition

Hurdles to Pre-Seed Investing at TCA

- Lack of pre-seed framework
- Heterogeneous appetites
- Outside TCA's "Goldilocks Zone"
- Bandwidth for running SPVs
- Administration, e.g. ACE Annual Fund
 - Not designed for making more than 20 investments
 - Cost of running a pre-seed fund may outweigh interest

Reasons for Pre-Seed Investing at TCA

- Catering to more member interests
- Diversifying TCA's portfolio
- Engaging more of the startup ecosystem
- Blockbusters are made early

We Need Your Feedback...

Questions,
Answers,
Comments,
Ideas

