

Start Up Financing

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Walk Before You Run – Think Things Through!

- Starting a Business is a big deal and commitment
 - Your Energy
 - Your Time
 - Your Financial Resources
- Ask yourself....
 - Why are you doing this?
 - Make money
 - Change your lifestyle
 - "Save" the world
 - How much time are you willing to commit
 - How much of YOUR money are you willing to commit
 - Where are you going to get the other people you will need



Be Honest with Yourself

- You have to be totally HONEST about the risks and unknowns
 - Is the product or service really needed
 - Do you have the team and competence to build it
 - Can you build it AND also sell it at a profit
 - How competitive is the products market



Financing Options & Approximate Ranges

Self-	Friends &	Angel	Venture	Initial Public
Financing	Family	Investors	Capital (VC)	Offering
< \$500K	< \$500K	\$500K to \$1M	\$5M to \$20M	\$20M +



Difference Between Angels & VCs

Angels	VCs	
•Angels use their own personal money	•VC money comes from pool of outside investors	
•They will accept a smaller return		
	•They will want a much higher return for	
•Invest at a much earlier stage	their money	
•When choosing an Angel it is advantageous if they are close to a VC	•They will likely want to see some sales	
group to fund the next stage	•If they invest they will usually have	
	proven exit strategies	
	•They can be of great help with planning, partnership, further funding and staffing etc.	

Why is VC Helpful?

Low High	Friends & Family	Angels	VC
Capital			
Advice			
Connections			

Are You Ready to Present to a VC?

	Great Team	Huge Market	Product in Market
Seed <i>(\$50K - \$1M)</i>			X
Series A (>\$1M - \$5M)			

How VCs Make Their Money

- Where they get their money
 - Pension Funds, Financial institutions and Fund of funds
- How long do they invest for
 - Generally 3 to 5 years
- How they make money
 - A small management fee 1% to 2.5%
 - A percentage of the profits ("carry") 20% to 25%
- What is their historical "success rate"
 - 1/2 of investments lose money
 - 1/3 of investments break even
 - 1/6 are very successful and more than make up for the others.



Types of Investment

Ordinary Shares

- Simplest, often used by Angels
- All Shareholders have similar rights

Convertible Loan

- Sometimes used by Angels and VC's
- Typical when another financing is pending
- Loan will usually convert at a discount (20-25%) to next financing round

Preferred Shares

Typical structure used by VC's and larger Angel groups



Materials You Will Need

Executive summary

 Document to get the first investor meeting. It is usually part of a much more detailed business plan which will be needed later on in the process

Presentation

More detail to generate further follow-on interest



Financials

 Detailed financials to layout how the business will unfold over the first three to five years

Topics to Cover

- Location
- Mission
- Overview
- Addressable Market
- Competitive Landscape
- Barriers
- Achievements
- Financials
- Capital Raised
- Objectives
- Management Bios



Executive Summary

Presentation

Thank You!

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Copies of a Business Plan Guide and a Marketing Plan Guide are available for free by E-mailing me and requesting "Guides" at Solarjpl@aol.com