

Raising Big Bucks

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Raising money is hard

- Nothing I did prepared me for fund-raising
- Almost everyone is bad at it before getting good at it
- It takes an unpredictable amount of time
- And you've got to feed your family

Funding Stage Zero

- Hard to start a business if you have a day job
- Hard to feed a family without one
 - Spouse's income
 - Savings
 - Mortgage
 - Consulting
 - Flexibility
 - Extra Income

Making Stage Zero as short as possible

- Itran and Cytyc
- Cytyc took too long to launch
- Advisors, mentors, experts
 - Target business areas
 - Entrepreneurship/fund raising
 - Scientific/technical experts

From whom to seek funding

- Family
- Bank
- Venture
- Angel

How to raise \$\$\$

- Describe the problem well
- The invention/technology/service
- The value proposition
- The market
- How you protect it
- Risks
- Team/BOD/Advisor

The business plan

- Typically a power point and exec summary
- 20 slides
- Lots of backup
 - Business model
 - Financials, budgets

How investors review plans

- The opportunity
 - Investors are energized by great opportunities, big markets and protectable positions
 - Not by technology!
- The team
 - Nobel prizes
 - Track record of making money
 - Either you've got this or you don't

What a weekly venture meeting is like

- Four hours
- Existing investments
 - Who's running out of money
 - Follow-on financings (incl M&A, IPO)
 - Underperforming
 - Mgmt changes
- New opportunities
 - 20-30 new plans/week
 - Quick look at 2-3/week
 - Do 1-2 deals per partner per year
- And partners step out to handle crises

How do you get an investor's attention?

- Never, never make a “cold call” or send a plan over the transom
- Get properly introduced.
 - Prominent business person or academic who has the confidence of the firm
 - Advisory boards are often published

Try building an advisory team first

- They have little to lose
 - Much easier than hiring team members

The order of things

- The idea
- You become an expert
- The key advisors experts
 - Business (entrepreneurship)
 - Customer's business
 - Scientific technical experts
- The key team members
- Then go for funding...

Talk about your own limits

- How will you overcome them?
 - Advisors
 - BOD
 - Employees
 - Stepping aside

When you don't hear back

- Investors don't like to say no
- Get a 3rd party to inquire on your behalf
 - Take the lessons seriously
 - It's not you

What about your own money?

- Invest your own money
- Ask others to do the same
- But don't risk losing your house, etc.
- Every \$ you invest may be worth up to \$10 as a sign of committment

Believe it or not

- Lots of Money out there
- Venture investors say only 1% to 2% of business are fundable
- Few are worth the effort--ROI

How to structure a deal

- Focus on terms not price
- You'll price to market anyway...
- And you'll get the right amount of stock over time

Deal Terms to Avoid

- Participating preferred
- Ridiculous liquidation preferences
- Redemption rights
- Rescission rights
- Dividends (if possible)
- Milestone-driven tranching financing
- What you're trying to do is align interests!

Venture capitalist or vulture capitalist?

- Do reference checks carefully.
- Speak to CEO's who have left portfolio companies
- Avoid the young (partners only) on your BOD
- Avoid board observers

The added value of lawyers and accountants

- Great referral sources
- Make sure your lawyers are good business advisors, not just legal advisors
- Lawyers and accountants don't need to be local
- Hire the best. Cost very little extra.

Wrap up

- Fund-raising is difficult
- Never, Never Give up