



**Raising Capital for your business**  
How to successfully plan for investment in your business

March 29, 2011





# Good Morning!

- Sign-in Sheet
- Phones on Silent
- Where are the bathrooms?
- Introductions



# Agenda

- Welcome and Introduction 9:00 Colwell
- Types of Capital available 9:20 Juffer
- Formation 10:00 Nigut
  - Break 10:30
- Compliance and Legal 10:45 Sackett / Leo
- Partnering 11:30 Nigut
  - Lunch / Networking 12:00
- Due Diligence 1:30 Claypool
- Governance 2:15 Sackett / Leo
- Valuation 2:45 Juffer
  - Break 3:15
- The Pitch 3:30 Renaud
- Wrap-up / Q&A 4:30 Colwell





# Intro to BIZ

- Mission: To improve the probability of success for Iowa entrepreneurs and businesses
- Focus: Prospective and developing businesses with significant growth potential in central Iowa





# Entrepreneurial Resources

- [www.bizci.org](http://www.bizci.org)
- [www.startupcitydsm.com](http://www.startupcitydsm.com)
- [www.siliconprairienews.com](http://www.siliconprairienews.com)
- [www.startupweekend.org](http://www.startupweekend.org)





# Three Books

- Rework (Jason Fried)
- Art of the Start (Guy Kawasaki)
- Business Model Generation (Alexander Osterwalder)





## Summary: Friends and Family

- Plan on 30 to 60 days
- Costs: \$5K or less
- Should have company legally formed
- May want management team involved
- Deal should be in writing with contract or simple promissory note





# Summary: Friends and Family

- Key Questions:
  - Can the investor part with this money without reservation. Never mismanage expectations
  - Can the investor afford to lose their money and what impact does this have on Thanksgiving dinner?
  - How quickly do they expect a return? If it is 3 years or less, pass
  - Do they like the business they are investing in and are they investing for the right reasons
  - How often are they expecting updates?





# Summary: Angel Investor

- Plan on 3 to 12 months in today's environment
- Costs: \$25K to \$100K
- Need lawyer, accountant, financial advisor and sometimes an intermediary for negotiations.
- Management team is key
- Need pro formas good financials, business plan, web sites, samples, marketing materials, employment contracts, buy-sell, NDA



# Summary: Angel Investors

- Key Questions:
  - Why are they investing
  - How soon do they expect a return
  - How often are they expecting updates
  - Do they expect warrants, liquidity preference or ratchets
  - What is the exit expectations
  - How to handle control
  - Valuation model, cash flow, development costs, barriers to entry, lead time





# Summary: Venture Capital / Private Equity

- Plan on 6 to 18 months in today's environment
- Costs: \$50K to \$200K, percent of raise in addition?
- Need pro formas, financials, business plan, cash flow history
- Do they expect warrants, liquidity preference or ratchets
- Need lawyer, accountant, financial advisor and sometimes an intermediary for negotiations. May use 3<sup>rd</sup> party to raise the funds.
- Management team is key
- Expect excruciating due diligence





# Summary: Venture Capital / Private Equity

- Key Questions:
  - How soon do they expect a return
  - How often are they expecting updates
  - What are their growth expectations
  - What is the exit expectations
  - How to handle control
  - Valuation model, cash flow, development costs, barriers to entry, lead time

