

Funding Source's, What to Look For When On the Hunt, and How To Present

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Sample of Content:

How do you find that money? If you have saved up some, you can use that, or you can go to friends and family and get some money from them, if they support your concept and think you can do it. (F/F/P phase)There are two other sources to go to as well, Angels or Venture Capitalist.

Content:

Now that you have written your business plan, have your preliminary financial data in place, you need money to make it happen.

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There are two other sources to go to as well, Angels or Venture Capitalist.

An Angel is a person or group that typically gives a startup up idea from \$25K to as much as \$1M (that much is typically an Angel Group) to begin developing the Proof of Concept or the product itself. You should go to an Angel Funding Source if you need less than \$1M, and typically less than \$500K, to get your product built, or if your plan requires a Proof of Concept, the Proof of Concept built.

If you go to an Angel or Angel Group you need to look at some factors before starting to talk to them. Do some research and find out:

1. What the person/group you are interested in asking money from typically invests their money in.
2. If they accept Venture Capital as a future source of funding.
3. If they are willing to add more cash down the line to help reach that "next" milestone.
4. If they have contacts with people that may be interested in providing more money should the need arise.
5. If they have contacts that may want to use your product/services.
6. How much control/hands on activity they want to have with your company. (Do they want to sit on your Board of Directors or Board of Advisors, do they have any say on how the money is spent within the company?)
7. And if you are going for a lot more money in the near future, if they work with or know any Venture Capitalist that like your industry/product type.

It is the recommendation of TDBell Enterprises, Inc., that you work with your Angel Investors as an Equity Play, meaning they get a small portion of your company for the money they invest. We do not recommend that you use the money as a loan.

A Venture Capitalist is typically a person or company that has gone to from one to many people, companies, retirement funds or other large pools of money and created a Venture Fund that is geared to one or more industries/products/services. These funds typically finance a company from \$500K to over \$200M, taking stock in the company as "collateral".

Like going to the Angel Investors, you need to look at a few things when you go to a Venture Capitalist:

1. Has the person/group invested in companies in your industry?
2. At what stage of the company (Proof of Concept, Development, Revenue in place (and if so, at level of revenue is required), etc.)
3. Are they going to be Sole Investors at this stage, or are they going to have other groups joining in this round with them.
4. How involved are they going to get with your company? (Do they want to manage the company, etc?)
5. Do their portfolio companies need your product and will they introduce you to them if they do?

6. How much of the company stock do they want?
7. Will they add more funds to the company should it be needed? (And if so, at what cost to you?)
8. How much reporting do you have to do to them?

After you have looked at the available Angels that you can find, the available Venture Capitalist you can find, you need to decide which path is the best way to go for your company and your "style".

If you are confident that you will need Venture Capital level funding, after you narrow your search down to the Venture Capitalist you are going to target, and have answered the above 8 (and a few more Iâ€™m sure) questions, you need to decide if you need to go to an Angel first.

At this point you start fine tuning your financial section to meet the needs of the Investor you are going to approach. The over all business plan stays the same through this process (unless you are fine tuning it to meet development/production needs due to feedback, etc.). The only part of the business plan that changes is the Financial Section(s) and that changes based on the target Investors. You already have in your plan the steps to go live and to go to revenue. You have your milestones written down, etc, in the plan, and you have "line items" in the financial section that correspond.

Example:

You are going to create a software/hardware intensive service product that requires FCC approval of the Concept. To create the Proof of Concept to meet the FCC needs, you need \$750,000, but to go to revenue you will need roughly \$35M (which includes the \$750K). You are able to get a Friends/Family/Personal Pockets (F/F/P) round up of \$150K.

Your research shows that the available list of Venture Capitalist out there that would fund this project require you to have your FCC permits in place, a working model of your service product in place, and 1 solid customer ready to pay for your services once you are able to build out.

In this example you would need to go to one or more Angel Investors to help you reach the remaining \$600K to get your prototype up and running to do the testing that will satisfy the FCC. You would want to find an Angel or Angel Group that allows for future rounds of Venture Capitalist backed funding. This group would hopefully be willing to add a bit more in if needed to go past any "gotcha's" that may crop up as you answer the FCC requirements.

Now that you know you are going to an Angel or Angels you rewrite your financial section to show an investment of \$150K (F/F/P), the need and the use of the \$600K from the Angels, and when the remain investment of \$34,250,000 will be requested and how it will be used.

When you write up your presentation to the Angel(s) you show the Living business plan, current Financials, and talk to your needs.

When you get to the Venture Capitalist later you write up your presentation, you show the current business plan, which no longer has the Proof of Concept stage in it (itâ€™s completed successfully, and not part of your plans now, living business plan remember?) but shows next stages over the next three to five years as perceived today, with the financials now showing how you spent the last \$750K, and what you will be doing with the next \$34,250,000 that you are asking from the Venture Capitalist.

Following this plan of action in targeting your funding request will save you time, effort and lead to stronger successes!

Don is a Venture Capitalist with over 15 years of successfully funding early stage Ventures. Information on his fund can be found at <http://www.tdbellenterprises.com/fund.html>
His company also consults start up companies on business plan development and start up strategies, <http://www.tdbellenterprises.com>

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