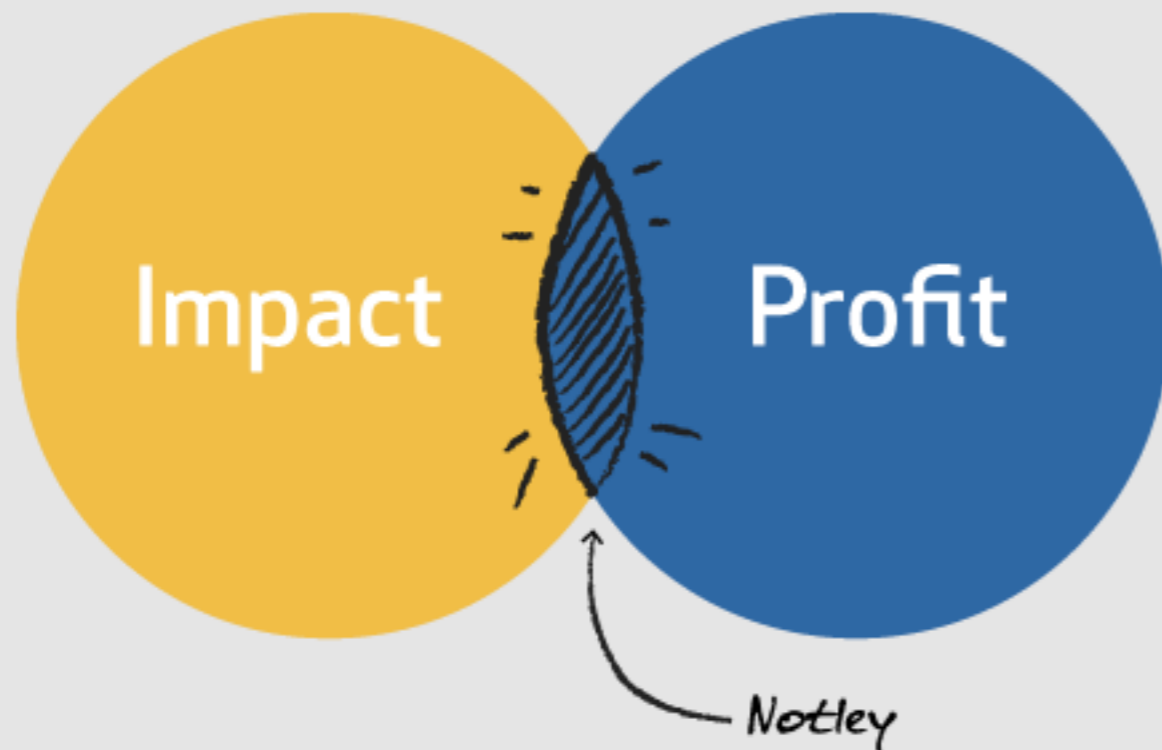


FUNDRAISING

August 2016

CHANGE THE RULES, CHANGE THE WORLD



We fund and support teams with the passion & tenacity to truly challenge the status quo. Whether it's for-profit or non-profit, we pride ourselves in funding innovation that creates positive impact in the world.

WHY YOU SHOULD NOT RAISE MONEY

- ▶ HUGE opportunity cost
- ▶ Not appropriate for all types of businesses and products
- ▶ Limits optionality
- ▶ Potential misalignment of goals in the future
- ▶ Expensive (\$5K - \$40K+)
- ▶ Loss of control
- ▶ Less than 1% of businesses raise VC investment

BOOTSTRAPPING

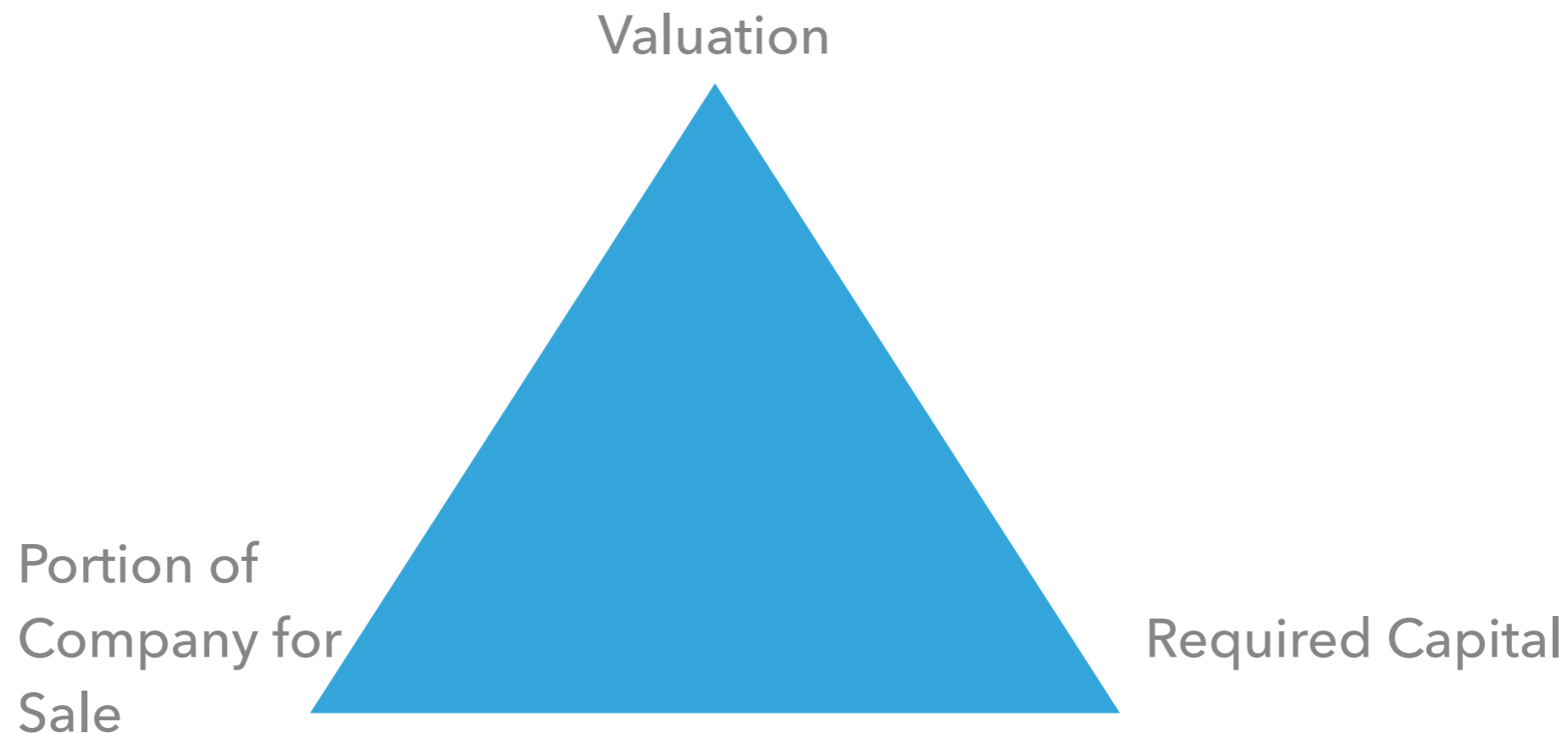
- ▶ Build your company by reinvesting profits without taking outside investment
- ▶ First purchase profitable companies, e.g. **BUILD A SIGN™**
- ▶ Services firms e.g. legal & accounting firms, agencies
- ▶ Most MVP's
- ▶ E-commerce resellers *chargecords*

WHY YOU SHOULD RAISE MONEY

- ▶ You are working on an exponential technology
- ▶ Your product is scalable
- ▶ You need expertise and relationships that would take too long to develop yourself
- ▶ Your solution requires significant investment in R&D
- ▶ Capturing market share is particularly important
- ▶ You have a very good understanding of how you will spend it

EQUITY

- ▶ Traditional VC financing
- ▶ You sell preferred shares of your company with special rights
 - ▶ Participation, liquidation preference, dilution



CONVERTIBLE DEBT

- ▶ Less costly than equity financings and you don't have much to negotiate
- ▶ Rapidly losing favor
 - ▶ Maturity Date
 - ▶ Interest
 - ▶ Discount
 - ▶ Cap
- ▶ Being replaced by SAFE (Simple Agreement for Future Equity)
 - ▶ Convertible notes without the debt - it's an option on preferred stock

DEBT

- ▶ Financing inventory
- ▶ Expanding a business that has strong cash flows
- ▶ Funding a company without giving away control
- ▶ Many Sources
 - ▶ Able
 - ▶ Factoring
 - ▶ PO Crowdfunding
 - ▶ Bank
 - ▶ SBA
 - ▶ Private debt

CROWD FUNDING

- ▶ Equity (Title III JOBS act)
 - ▶ Appropriate for seed stage venture
 - ▶ Very nascent market
- ▶ Traditional Crowdfunding (Kickstarter, Indiegogo)
 - ▶ Niche product R&D
 - ▶ Test/Prove demand
 - ▶ Build a community of supporters
 - ▶ Your first marketing campaign
- ▶ This field is evolving rapidly - always do your research

REVENUE BASED FINANCING (RBF)

- ▶ The company sells a set percentage of future revenues for capital investment today.
- ▶ Great for CPG and companies with significant top-line revenue
- ▶ Relatively few capital providers in this space but increasing in popularity
- ▶ Often paired with advisory services
- ▶ Unlike banks, no personal guarantee required

ACCELERATORS & INCUBATORS

- ▶ ***Alignment of needs and offerings***
 - ▶ Space
 - ▶ Advisory services
 - ▶ Curriculum
 - ▶ Network
 - ▶ Investment
 - ▶ Time/Location
 - ▶ Thematic offerings
 - ▶ Building a team

NOW THAT YOU HAVE CHOSEN THE
CORRECT INVESTMENT OPTION:

**HOW DO YOU ACTUALLY
RAISE MONEY?**

IT'S ALL ABOUT RELATIONSHIPS

- ▶ “Ask for advice get money, ask for money, get advice”
- ▶ An emotional investment always precedes a capital investment
- ▶ Establish a regular cadence of communication
- ▶ Work with people you like
- ▶ Integrity and authenticity are the only things that matter
- ▶ It's never too early to start
- ▶ **DON'T BE AFRAID TO TALK ABOUT YOUR IDEA!**

DEVELOP KEY MENTOR RELATIONSHIPS

- ▶ Mentors are people with whom you have built a deep relationship over time
- ▶ They root for **YOU**
- ▶ Mentors don't come along often, be ready to take advantage of these opportunities
- ▶ Don't be overly opportunistic when it comes to mentors - a genuine affinity is most important
- ▶ Mentors are people that will share their networks with you

BUILD A NETWORK OF ADVISORS

- ▶ Advisors have deep expertise in one or more fields
- ▶ They help you tackle specific challenges, e.g. strategy, finance, technology.
- ▶ They may become mentors over time
- ▶ Cadence will depend on your current challenges

MATERIAL PREPARATION

- ▶ Deck
 - ▶ Get examples from mentors and advisors
 - ▶ Plan on 10+ full iterations
 - ▶ Reading vs Teaser decks
 - ▶ One pager
- ▶ Legal Documents?
 - ▶ Deal Structure
 - ▶ Document Prep
 - ▶ Looking for lead?
- ▶ Business Materials
 - ▶ Actual & pro forma financials
 - ▶ Cohort analysis, marketing test results etc.
 - ▶ Other germane metrics

PROSPECTING

- ▶ Do your homework
 - ▶ Industry
 - ▶ Check size
 - ▶ Other requirements
- ▶ Create a pipeline
 - ▶ Excel, Streak, Pipedrive
 - ▶ Batch outreach
 - ▶ Iterate on materials based on quantitative metrics

THE FIRST MEETING

- ▶ Come prepared
- ▶ Tell the truth
- ▶ Be prompt with follow up
- ▶ Remember, this is dating, not a dating show
- ▶ Don't take advisors with you - core team (3 max) only.

THE ASK

- ▶ Are you looking for a lead investor or have you set terms?
- ▶ What value are you hoping to receive in addition to capital?
- ▶ Do you know how this particular person can help you solve specific, timely challenges?
- ▶ How, specifically will you use the funds?
- ▶ What role do you want the investor to play in the future?

FOLLOW UP MEETINGS

- ▶ More relationship building
- ▶ Investor is developing an understanding of the company and team
- ▶ Beware of implicit negotiation
- ▶ Keep communication very clear and direct

DILIGENCE

- ▶ Dependent on the specifics of your deal and capital provider
- ▶ At the very least be prepared with:
 - ▶ All corporate documents
 - ▶ Historical financials
 - ▶ 12 -24 month pro forma
 - ▶ Key financial metrics for your industry e.g. unit economics, churn rates, inventory turn over, etc.
 - ▶ Key legal agreements - option grants, major customers, etc.
 - ▶ Cap table

TERMS

- ▶ Term sheet or offer of terms
- ▶ Do your own analysis
- ▶ Hire an attorney to create/review documents
- ▶ Reassess downside risk
- ▶ Reassess alignment of interests
- ▶ Reassess use of funds

CLOSING AND UPDATES

- ▶ Closing is relatively straight forward - just be diligent
- ▶ Closing is just the beginning of the relationship
- ▶ Provide regular investor updates that include
 - ▶ Progress
 - ▶ Challenges
 - ▶ Assistance needed
 - ▶ Financial updates
 - ▶ Reporting on key metrics

SOME PARTING ADVICE

- ▶ This is your full time job - shuffle your responsibilities accordingly
- ▶ Adhere to 12 - 18 hour turn around times
- ▶ Be exceedingly professional
- ▶ Get organized and stay organized
- ▶ Practice, practice, practice, then practice some more
- ▶ Don't be dumb
- ▶ Ask for what you need
- ▶ Remember that everything always takes longer than you think

THANK YOU &

GOOD LUCK