

# A Fund-Raising Formula For Everyday Entrepreneurs

(NAPSA)—If you've contemplated starting your own business but let money concerns hold you back, now might be the time to release your inner entrepreneur.

Finding financiers for your plan may be easier today than it has since the dot-com bubble popped. During a recent quarter, venture capital (VC) firms raised a record amount of new money for their funds—a clear signal they're in the mood to invest. According to Thomson Venture Economics and the National Venture Capital Association, VC commitments increased significantly during the third quarter of 2004, with 46 funds raising \$5.5 billion. This represents a 78 percent increase over the second quarter, when 51 funds raised \$3.1 billion.

Two hot sectors for investing continue to be the software industry and biotech. That translates to opportunity if you're looking to raise capital for launching a technology-related company. Taking the right steps could mean your success.

**Step 1: Put Yourself in the Investor's Shoes.** Be prepared to criticize your own proposal. Investors typically look for several key elements when selecting proposals: a solid plan and vision, savvy management and strong financial potential in a growing market segment. Expect to demonstrate you can deliver on these before you begin knocking on the doors of potential investors. Also, give thought to questions investors are likely to ask and be ready with answers.

**Step 2: Know Your Audience.**

Plenty of VC funds are willing to invest in good financial opportunities. Look for one whose style, values and strategic intent complement your own. Some play an active role in day-to-day activities of the companies they fund, helping with networking, sales calls and financial decisions. Others are low-touch, with minimal interference. Profiles of investors can be found at [www.nvca.org](http://www.nvca.org), [www.endeavor.org](http://www.endeavor.org) and [www.vcinstitute.org](http://www.vcinstitute.org).

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—Michael Aleles,  
director, strategic investments,  
Intel Capital



**Step 3: Prepare a Business Plan.** Your business plan needn't be 100 pages long but it must be meaningful and articulate. The plan should describe your management team, marketing strategies, products, competitive advantage, cash requirements, financial projections and so forth. Tables, spreadsheets and charts help. Make the first page or two an executive summary you can send as a "teaser" to potential investors. Highlight the business opportunity, the solution you intend to bring to market, how you plan to execute your business strategy and why you expect to succeed.

**Step 4: Call Your Lawyer.** Lawyers interact with the potential investor's legal representative. Professional legal advice is

important to protect your intellectual property rights. If you're hiring a lawyer, look for someone who has experience in corporate law, preferably with venture capital transactions.

**Step 5: Get Ready for a Road Show.** During this part of the fund-raising process, you'll present your business plan, participate in meetings and introduce the team that will start the company with you. Expect to repeat your story a dozen times but know this will be worthwhile.

As you follow this formula, it may help to know what turns VCs on vs. off. Consider the perspective of someone who reviews investment proposals for a living.

"We look for companies that are strategically aligned with our business, and the opportunity to earn a return on our investment," says Michael Aleles, director of strategic investments at Intel Capital. "Those are the things we get excited about. Then you have the standard things that any investor looks for: Is the market sufficiently large for this company to succeed? Is the management team well-equipped to make the company into a success? Does the company possess unique intellectual property? Does it have relationships with potential customers so it can quickly achieve a couple of key customer wins? Does it have a channel established? Does it have other investors who are capable and willing to help the company grow? On the flip side, when these things are missing, it's an immediate turn-off for us."



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Editor's note: This story is useful at any time, but it could serve as a year-end piece by adding a sentence here, e.g., "Consider making a New Year's resolution to take your life in a new direction."