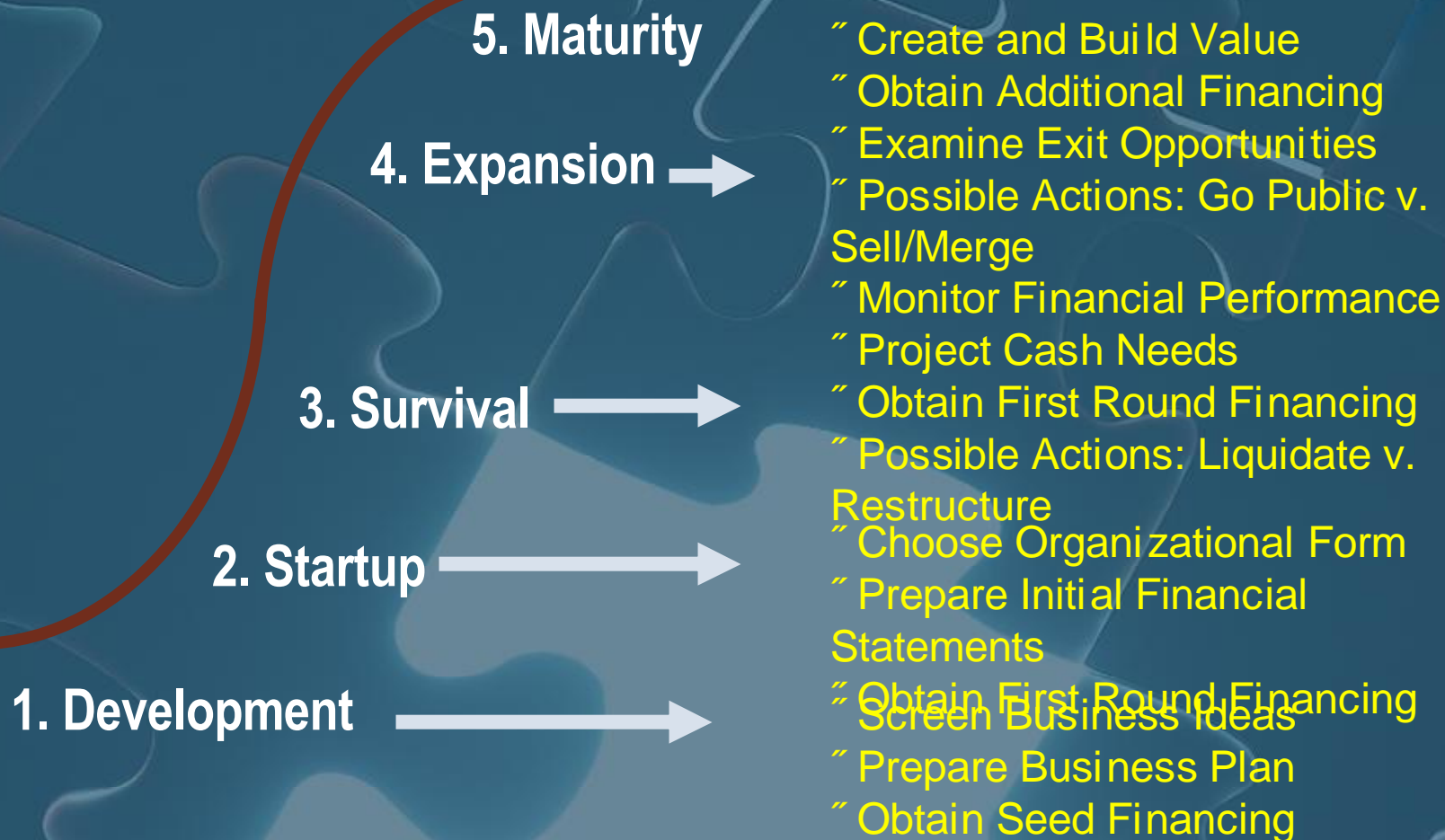


Capital and Financing

Visioneering Wichita . Entrepreneur and Small Business Alliance



VENTURE LIFE CYCLE: OPERATING AND FINANCIAL DECISIONS






Investments 2007

Midwest Venture Alliance

Financing	Stage	Investor	\$ invested 2003
20M - up	Late Stage	IPO	12.2 Billion
5M - 20M	Expansion	VC	10.8 Billion
100k - 5M	Seed/Early-Stage	VC/angel	24.0 Billion
Up to 200k	Pre-seed	FFF	?

É Angels invested in 51,000 deals (2006)



The 4 F's

- **Founder**
 - Almost always first
- **Family**
- **Friends**
- **Fools**
 - Tend to make decisions based on emotions,
not based on industry/financial expertise



Bootstrapping

- Pre-selling
- Outsourcing
- Partnerships with other firms
- Lean on suppliers
- Work out of 'home'
- Limit payroll



Debt versus Equity

Debt – Exchange of money for promise of repayment (+ interest)

- Commercial Banks and similar

Equity – Exchange of money for ownership in company

- Angel Investor and Venture Capital



Commercial Banks

- Typically not a source for working or seed capital for start-up
 - Banks are regulated – risk issues
 - Need a positive track record of cash flow
 - Loans are typically made on 5 C's (character, capital, collateral, capacity, condition)
- SBA Guaranteed Loans
 - Usually completed through a bank



Angel Investor

- An **angel investor** or **angel**, is a high net-worth individual who provides capital for an early-stage high growth company.
 - Equity Investment
 - High Risk – Potential for Above Average Returns
 - \$50,000 - \$2,000,000



Typical Angel Deal Metrics

- \$50,000 - \$2,000,000
- Most fall in the \$500,000 range
- High Growth – 10x expected return
- Management is key
- May or may not have a product to market
- 5-8 year exit window



Venture Capital

- **Venture capital** is a type of private equity capital typically provided by professional, outside investors to new, growth businesses.
 - Equity Investment
 - High Risk – Potential for Above Average Returns
 - \$2,000,000 +



Company Characteristics

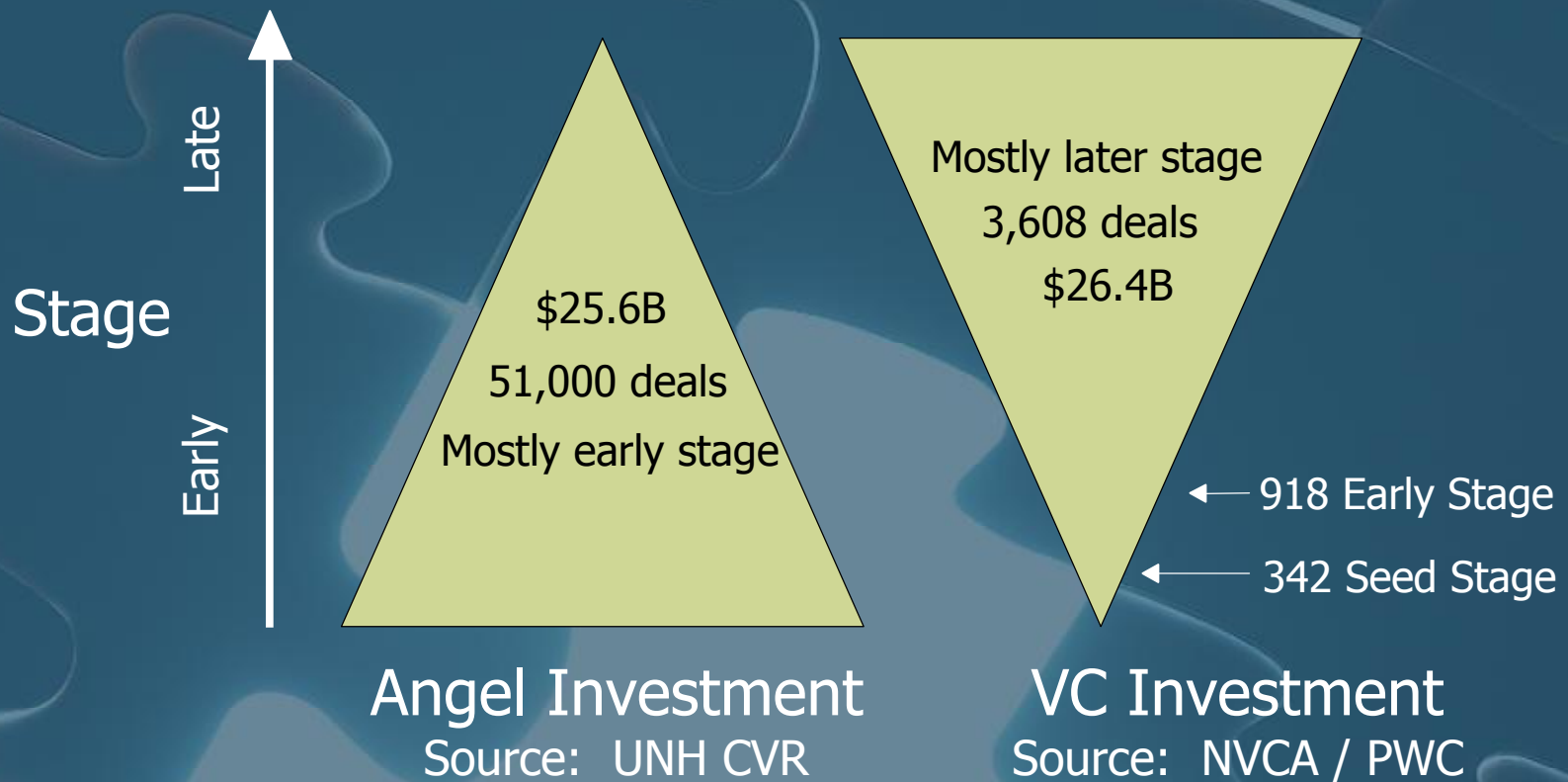
High-growth seed and early-stage technology companies

- Potential to rapidly scale
- Sustainable competitive advantage
- Large market opportunity (\$30M+ annual sales)
- Disruptive or new-market innovation
- Proprietary technology / strong barrier to entry
- A strong management team
- An exit strategy for investors



Equity Investment 2006

Large & Complementary Markets





Grants and Community

- Grants through the SBA
 - [SBIR](#) – Small Business Innovation Research
 - [STTR](#) – Small Business Technology Transfer
 - [Grants.gov](#) – Main clearing house for federal grants
- Community Partners – Investors



Sources of Finance Throughout the Life Cycle

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