



RSVP Capital – [Mobile Monday](#) – [SME Consulting](#)

Presents

Understanding Start-up Funding
Friends & Family, Angel, Venture Capital

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February 13th, 2011

**I have not failed. I've just found
10,000 ways that won't work**

***- Thomas Edison, inventor and
scientist***

**Entrepreneurship is living a few
years of your life like most people
won't, so that you can spend the
rest of your life like most people
can't**

- Anonymous

**Entrepreneurs average 3.8 failures
before final success. What sets the
successful ones apart is their
amazing persistence**

- Lisa M. Amos

**The greatest reward in becoming a
millionaire is not the amount of
money that you earn. It is the kind
of person that you have to become
to become a millionaire in the first
place**

- Jim Rohn

Pain: Many Entrepreneurs don't know how to structure/present a start-up for financing/funding!

Solution: Bite Size Overview of key elements to improve success in funding/financing.

Overview.....	1
Start-up Framework.....	2
Misconceptions of Getting Funding	3
Timing of Different Types of Financing.....	4
Different Levels of Funding.....	5-6
Presenting for Investment.....	7
When is it Time to Explore Funding Options.....	8
Funding vs. Financing.....	9
Bootstrapping.....	10
Bank Financing.....	11
Friends & Family Financing.....	12
Angel Investing.....	13
Strategic & Alternative Investing.....	14
Venture Capital Investing.....	15
Conclusion.....	16



Growing an Idea!

The following presentation will provide an overview of:

- An Entrepreneur's Roadmap to Success (Start-up Framework)
- Misconceptions of Getting Funding
- Different Levels of Funding & Financing
 - ✓ Bootstrapping
 - ✓ Friends & Family
 - ✓ Angel Investing
 - ✓ Venture Capital
 - ✓ Private Equity
- Conclusion



The Best Way to Fail is NOT Plan!

- The ability to think through all areas and underlying assumptions of a start-up business are necessary for success!
- Many entrepreneurs think through certain parts, but leave other aspects underserved or even worse untouched.
- Understanding the entire opportunity from infancy to potential exit is vital to building with sophisticated funding (Accredited Angels and Venture Capital)!
- Develop a sustainable Go-To-Market strategy. A great idea (product/service) is only as good as the EXECUTION.



Understanding all the components of your start-up business!

Misconception: Everyone with a start-up idea can get Venture Capital Funding?

Reality: Funding is staged based on level of risk and size of potential opportunity!

Misconception: All ideas are good ideas?

Reality: A good idea is only as good as the execution and realistic assumptions behind it!

Misconception: All you need is an Idea?

Reality: Most of the time investors invest in people, NOT only Ideas! – The Need for a good cohesive Management Team is essential!

Advice:

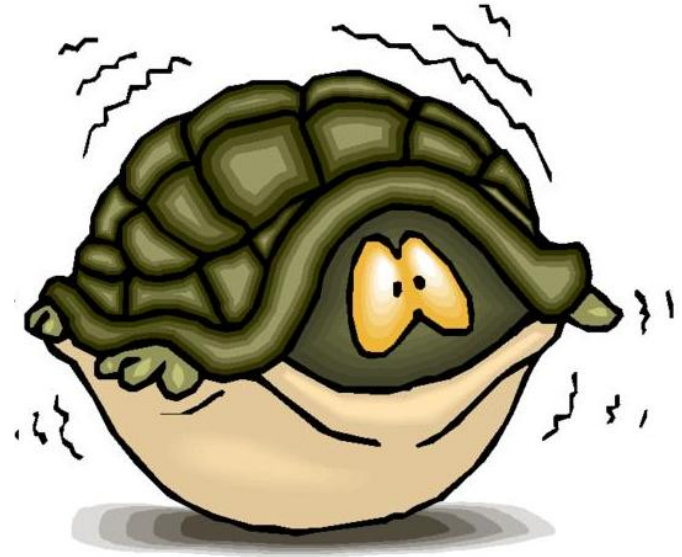
Know your opportunity and know what level of funding will most likely come from and return!

It becomes an exercise in efficiency – Not barking up the wrong tree!



This has to be Reinforced more than you can imagine!

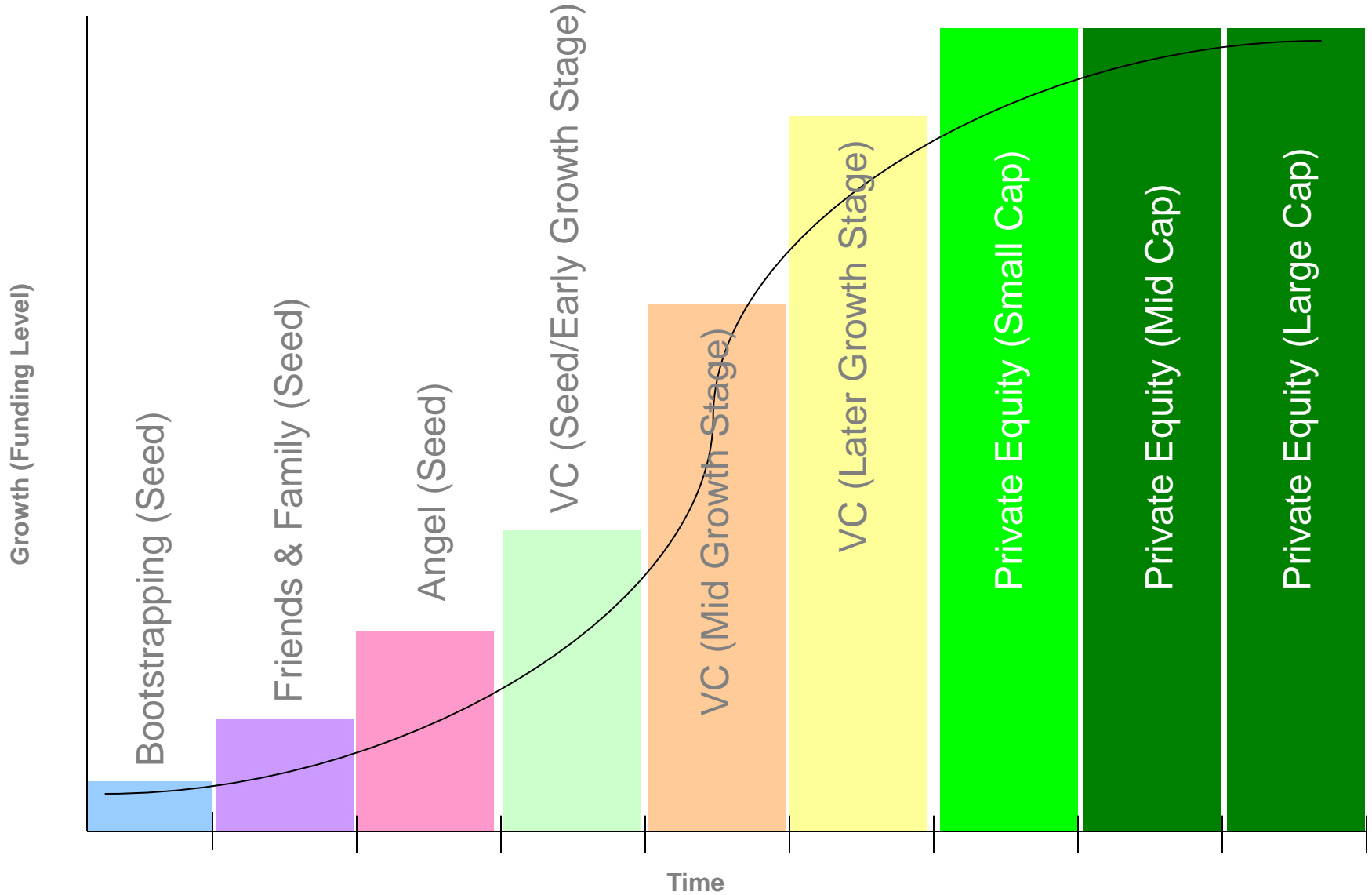
- Most don't know that Venture Capital is further down the lower risk road. This is not true for proven entrepreneurs.
- There are exceptions!
- Times have changed since Tech Boom 1.0. Prove your business model before funding.
- Networking and connecting with key people is essential to moving your idea towards getting funding!
- Angel Investors are GREAT Friends!



Most investors are afraid unless:

As an Entrepreneur you must provide a compelling story to get funding!

Different Levels of Funding



Time

Venture Capital:

10X & UP

Angel Capital:

5X – 10X

Friends & Family Capital:

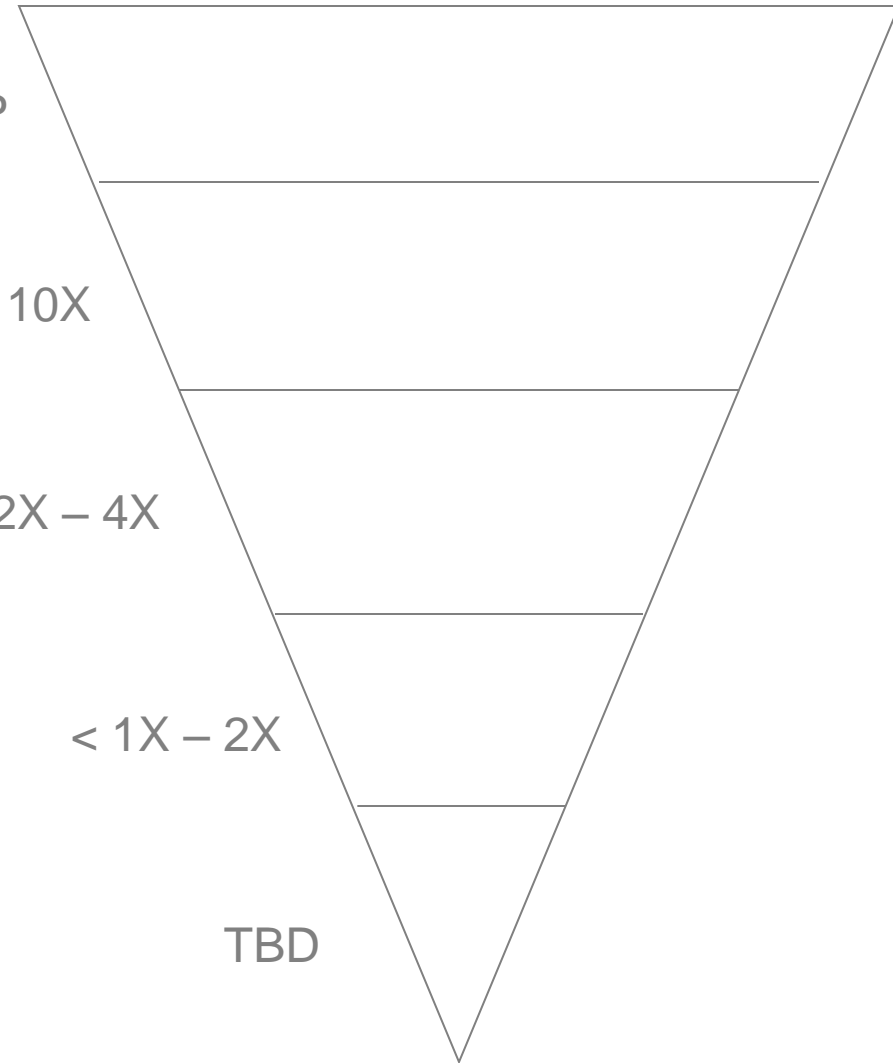
2X – 4X

Bank Loan:

< 1X – 2X

Bootstrapping:

TBD

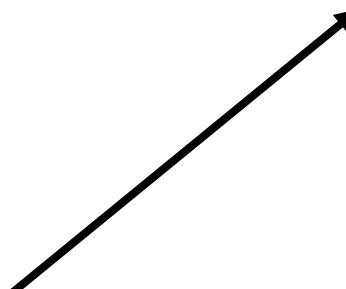


It is Key to Present Entire Story from Beginning to End (to best of ability):

Things to include:

- ✓ Framing up your opportunity
- ✓ Full business plan (not always)
- ✓ Execution Strategy – Go-to-market
- ✓ Valuation (will discuss)



- 
- Valuation plays an important role in terms of the deal. It gives the Entrepreneur leverage.
 - This is the opposite then what you have seen on the Shark Tank!



- Do you have a MVP (Minimal Viable Product) presentable product/service?
- Is your business model showing signs of scaling?
- Do you have a team that can execute on growth opportunities?
- Do you have a good understanding of your underlying assumptions and the primary market you are entering (i.e. Focused Execution)
- As an Entrepreneur, seeking funding distracts from the goal of building a product further for the customer!



Tollgates – The ability to plan, manage growth, and build on successes allows for quick passes through tollgates!

Financing

Q: Does your business have a low ceiling (i.e. no scaling opportunities) to it?

A: Bank Loan or SBA Loan



Funding

Does your business has the possibility for growth outside of specific geographic area?

Do you have an efficient one-to-many (scalable) business model?

How do I know what kind of funding or financing I should get?

Bootstrapping is a viable option for the Entrepreneur in the early stages of a conceptual idea!

Pro - Funding will come from Friends & Family – Opportunistic Terms

Con - Certain needed skills may be lacking to grow business correctly

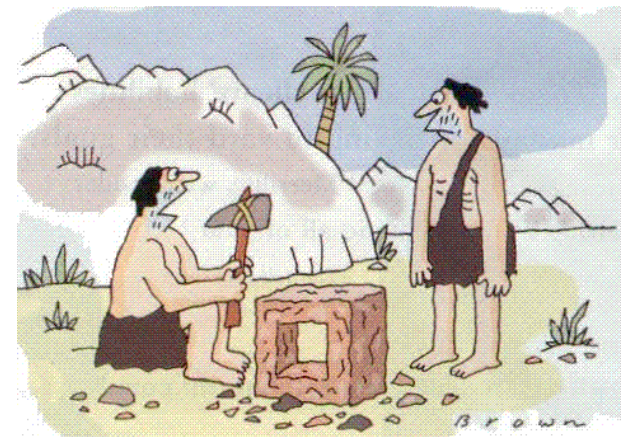
Pro - Proves business model has merit on its own before capital investment

Con – Scale is more difficult!

Pro – Majority of equity is retained by entrepreneur!

Con – Talent pool is limited by deployable capital (limited salaries)

My Opinion – Bootstrap to early tollgates before funding conversations! – you only get one chance with investors (maybe two if your lucky)!



"I call my invention 'The Wheel,' but so far I've been unable to attract any venture capital."

- ❖ Many small business start-up do not have scalability opportunities outside a limited geographic region.
- ❖ These types of business would most likely include:
 - Franchise - like TCBY
 - Old school business - Locksmith
 - Restaurant – constrained by size
- ❖ They are constrained by a geographic location!
- ❖ A Bank Loan to start-up a business like this is ideal because though still risky, the ability to pay the loan through steady sales and early cash flow!



A loan can be more risky than giving up equity!

Time is ticking!

- **Step One** - You have come up with an a GREAT idea!.
- **Step Two** - You have answered the questions:
 1. Is this opportunity scalable?
 2. Can MY TEAM execute on this idea?
 3. How much do I need to build this idea?
 4. Build a Presentation with all necessary assumptions. Be confident and thorough in your analysis
- **Final Step** - Ask Family and Friends for the capital to build first version. Proceed with caution!



"It is a standard contract - sign at the bottom. The first clause forbids you to read any of the others!"

This is your shot...

Get it Right!

1. If you have built your first version MVP and have shown a little success that this new product or service is valuable to a customer base then:
2. Present to Angel Investors
3. Through networking, you may be able to present to an Angeles and Angel Groups around the country.
4. Develop a defined road show to help assist in presenting to the right people.



**Angel Investor's can be a
Entrepreneur's Best Friend!**

Certain investors may come from larger institutions or alternative investment entities.

This includes

➤ Large corporations
Ex: Compuware

➤ Hedge Funds

➤ Family Trusts

➤ Teacher Pension Funds

Build them into your alliance.



**A Bird in Hand is Better Than Two
in the Bush!**

**This saying is very relevant in
terms with investors.**

When is VC ready?

- Venture Capital money is available when certain metrics show high growth capabilities. This includes month-over-month user base or revenue growth.
- There are exemptions all these rules, but majority of the time. These are fairly accurate assumptions.
- VC's also want a portion of control to better provide for chances of success due to their business acumen and relationships.



**Venture Capital
Is your New Head Coach!**

- ✓ Understanding the stages of growth of a Company will allow for greater chances of success and allow for efficient execution!
- ✓ Proper funding will propel a company to the next stage of growth faster!
- ✓ Capital raising is a tedious process which slows the growth of the company down in the short term!
- ✓ Unlike Steve Jobs and other stories many have read about, arrogance and the inability to work NICE with others leads to lack of investment not more investment!



It's that Simple!

RSVP Capital

- Entrepreneurial Investment Fund – Director
- Currently funding a number of start-ups – Amplifinity, Biovigil
- Deep Management Expertise
- Always looking for entrepreneurs ready for the challenge of building an Exciting Business!

SME Consulting

- Detroit/Los Angeles/Boulder Consulting Firm – Founder
- Provides management consulting advisory services to start-ups that need to properly build correct storyline and other documents necessary to gain investment capital.
- Mission to provide continual education and services to entrepreneurs and start-up businesses along with reviewing potential companies for investment.



- Los Angeles/Detroit Start-up
Michael Liedtke – Co-Founder
- Bite Size Classes offer condensed classes or “learning excursions” on timely subjects that will allow its attendees to learn in a social setting and apply their knowledge in everyday settings. Each class is taught by a subject-matter-experts on subjects including: social media, business, career!
- Interested in classes or working/interning on Entrepreneurship and Start-ups – please email me at Mike@bitesizeclasses.com.