



Decision CFO

Raising Early Stage Capital

Investors Circle, Boston, MA
November 10-12, 2008



Overview

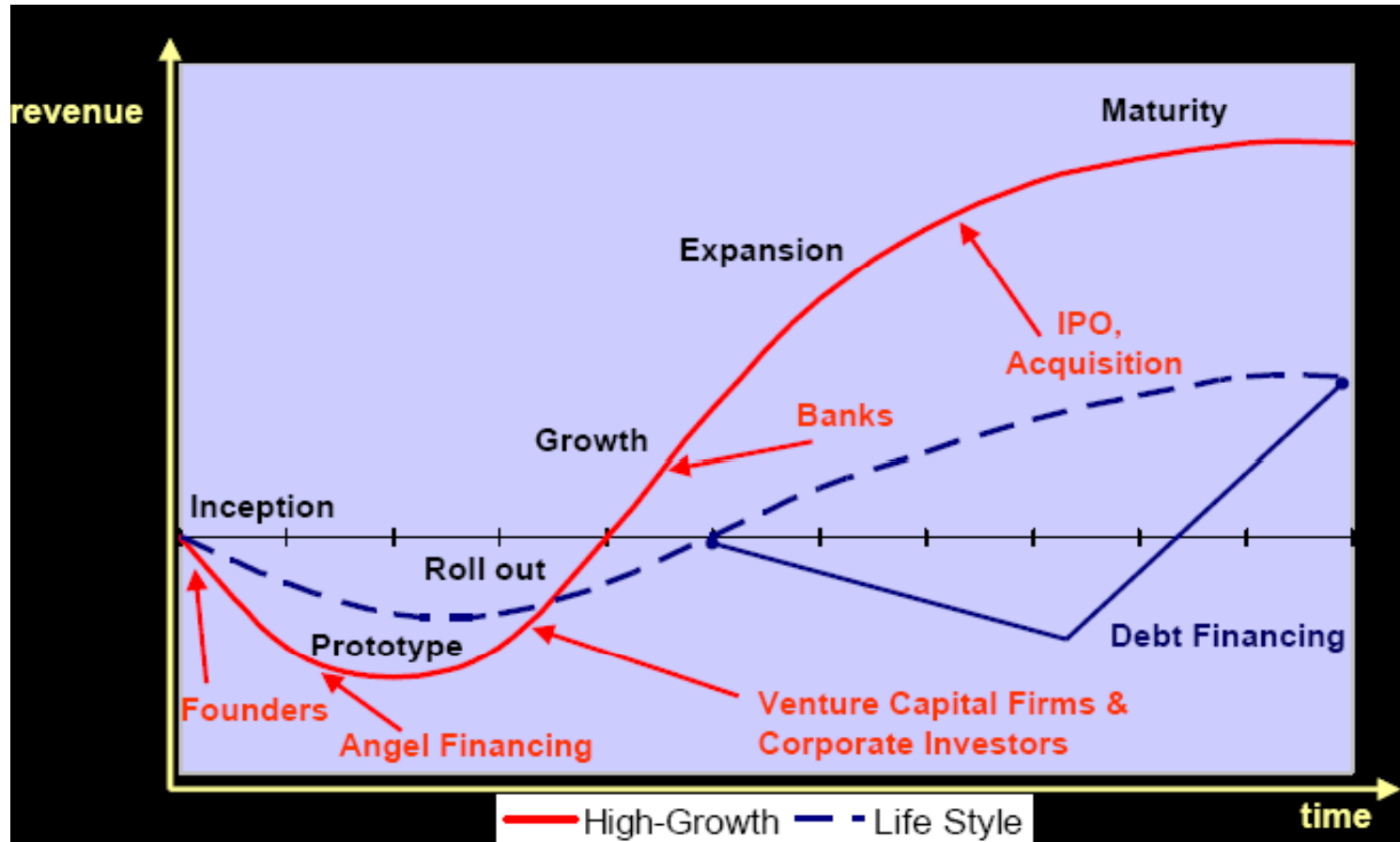
- Investment Sources
- Funding Sources & Decision Making
- Seed Stage Valuation
- Entrepreneurs Checklist
- Preparing for the next steps
- Meeting with the Investor
- Other considerations



Investment Sources

- Angel Investors
 - ✓ Wealthy individuals with industry background
 - ✓ Usually small investment (<\$1mm) in a very early or “seed” stage investment
- Financial VCs
 - ✓ Most common type of VC, investment firm with capital raised from institutions and individuals
 - ✓ Fund sizes: ~\$25M to 10’s of billions
 - ✓ Exit through - IPOs, Mergers and Acquisitions (M&A)
- Strategic VCs
 - ✓ Typically a (small) division of a large technology company. Examples: Intel, Cisco, Siemens, AT&T
 - ✓ Corporate funding for strategic investment
 - ✓ Not exclusively or primarily concerned with return on investment
- Social Capital VCs
 - ✓ Wealthy individuals, Foundations
 - ✓ Seek “social” rate of return with longer time horizons on the return of investment
 - ✓ Small investment (<\$1mm) in a very early or “seed” stage companies

Funding Sources & Decision Making



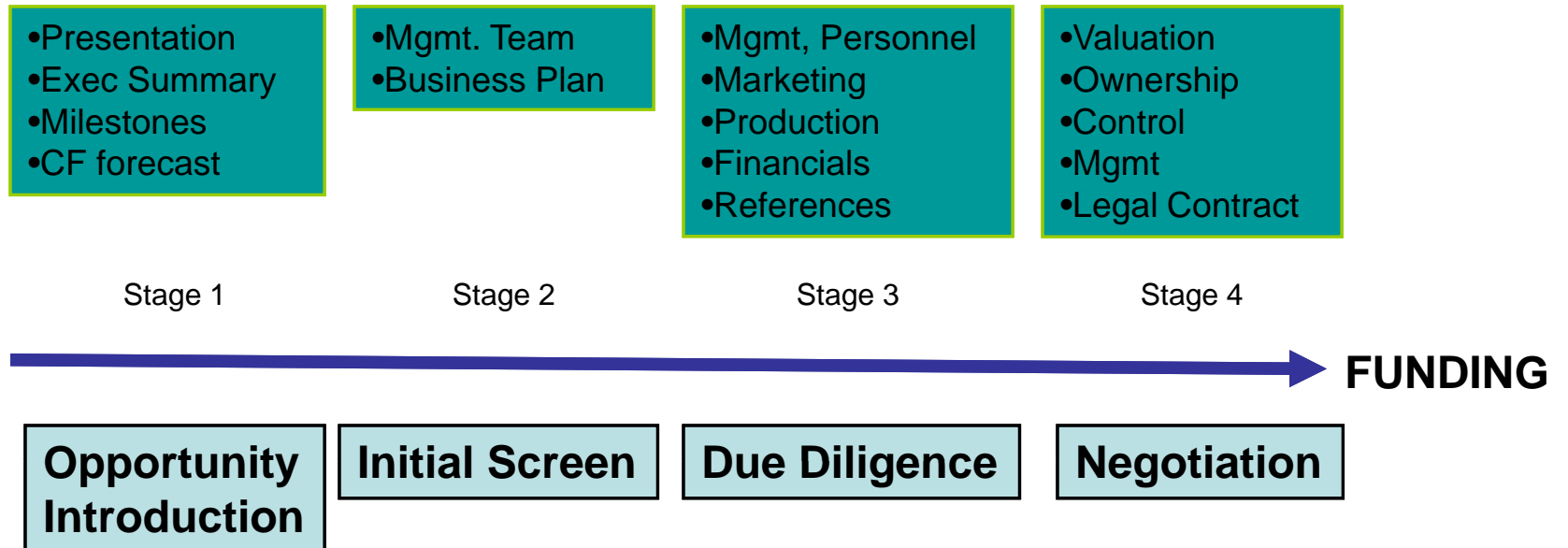
Source: Ten3 Coach

Investment Criteria

Criteria	Ranking by Angels	Ranking by VCs
Trustworthiness of the entrepreneur(s)	2	1
Enthusiasm of the entrepreneur(s)	1	3
Expertise of the entrepreneur(s)	4	2
Sales potential of the product	3	5
Growth potential of the market	6	6
Perceived financial rewards	8	4
Investor liked entrepreneur(s) upon meeting	5	9
Quality of product	7	10
Track record of the entrepreneur	9	8
Expected rate of return	10	7

Source: Ten3 Coach

Opportunity Evaluation



- 6 in 1000 business plans get funded on an average
- 5% of business plans are read beyond the executive summary
- 10% of proposals pass initial screening
- 10% of pre-screened proposals pass due diligence & receive funding

Source: Venture Economics funding benchmarks



Seed Stage Investment

- Historically seed stage funding is limited \$1mm+ (higher risk – lower funding)
- Seed valuations tend to be subjective
 - ✓ Quality of leadership
 - ✓ Strength of intellectual property
 - ✓ Time to market expectations
 - ✓ CapEx and burn rate expectations
 - ✓ Sector volatility



Entrepreneur's Checklist

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- Understand short-term and long-term financial needs of the company
 - Provide accurate forecasts of revenue, market share and margins
 - Have clear milestones for development
 - Understand selling and buying process
 - Understand competition and market trends



Preparing for the Next Step

- First “big” round of financing (>\$3mm)
- Financing dependent on progress made with seed capital
- Before Series A
 - ✓ Assemble a quality team
 - ✓ Meet development milestones and targets
 - ✓ Develop “proof of concept”



Resources | Handouts

- Elements of a Successful Business Plan Power Point Presentation, Wilson, Sonsini – The Entrepreneur’s College
- VC Term Sheet Structuring Provisions, Wilson, Sonsini – The Entrepreneur’s College
- 15 Things Missing from Business Plan Models, Jon Paul, PSS and Founder, Finance Leaders



What We Do

We provide pro-active lifecycle financial management solutions that enable companies to align their financial strategy with their business strategy.



Thank you!



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