

IEMed 2015  
Friday 25th September

Topic: Startup funding  
Speaker: Evan McClure

1. Why raise capital? (ask and discuss)
2. What are the sources of capital to grow your company? Pros and cons?
  1. Organic (sales)
  2. Friends & Family (& Fools)
    1. Pros: accessible, not price sensitive
    2. Cons: usually not much \$, personal stressors
3. Grants
  1. Useful for early stage companies, usually non-dilutive
  2. SBIR
  3. State
  4. University
  5. Nonprofit (Forge)
4. Angel (wealthy individuals with economic + noneconomic motivations)
  1. Pros: not as price sensitive as pros, can be good mentors, can supply critical early seed capital and credibility for larger financings
  2. Cons: limited money, may not provide nonfinancial help (and may be meddlesome), may ask for financial provisions that make future financings difficult
5. VC
  1. Explain how VC works (GPs, LPs, funds, drawdown, holding period, exits, IRR, fees)
  2. Pros: they are professionals and know the risks and issues, provide a network of experts and managers, can provide additional capital
  3. Cons: they are professionals à price and control (Golden rule = he who has the gold makes the rules)
6. M&A/IPO
  1. Strategic acquisition vs. financial acquisition vs. public offering
  2. Touch on private equity if appropriate
7. What do investors look for?
  1. Primary: Team, Market, Technology (the order depends on whom you ask) (Jockey v. Horse)
  2. Key Milestones
  3. Understanding of market and competitors
  4. Reasonable financial projections and uses
  5. Exit strategy
8. Talk about terminology if appropriate:
  1. Equity
  2. Ownership vs. control
  3. Valuation (pre- and post-money, methods, etc)
  4. Preferred shares vs common shares (liquidation preference, stack, etc)
  5. Term sheet standouts (anti-dilution, positive and negative covenants, dragalong rights, etc) - remember that everything is negotiable