

Finding Water In A Drought

Today's Funding Challenges

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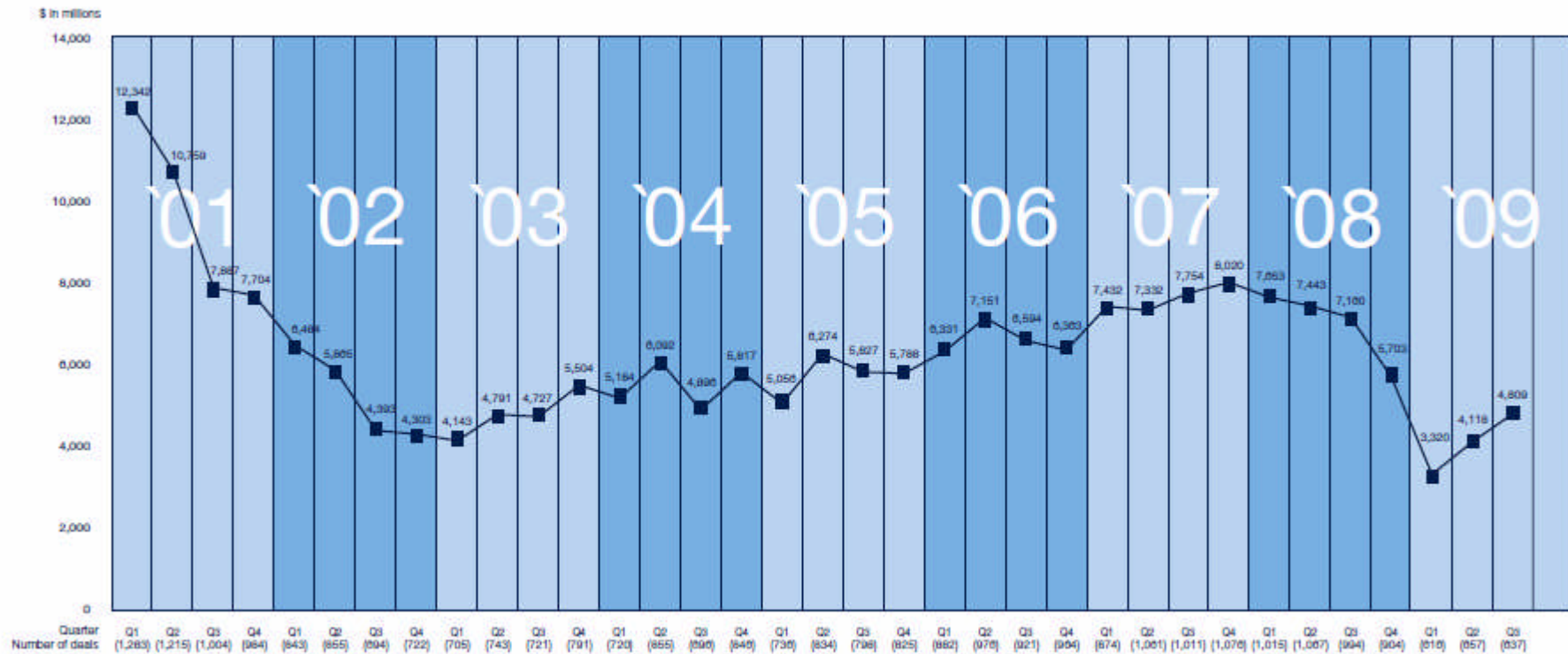
Bio

- Investor and Entrepreneur
- Seventeen years in Start-ups
 - GCC, Cayman, Shiva, New Oak
- Ten years as an investor
 - Atlas, Venrock, Sempre
- Heading Back to an Operating Role

Today's Environment

- Money is out there, but well guarded
 - Existing Portfolio
 - Capital Efficiency
 - Back those with experience and 24K Backgrounds
 - High bar for syndication
 - Delay future fund raising
 - Angel investors act more like VCs

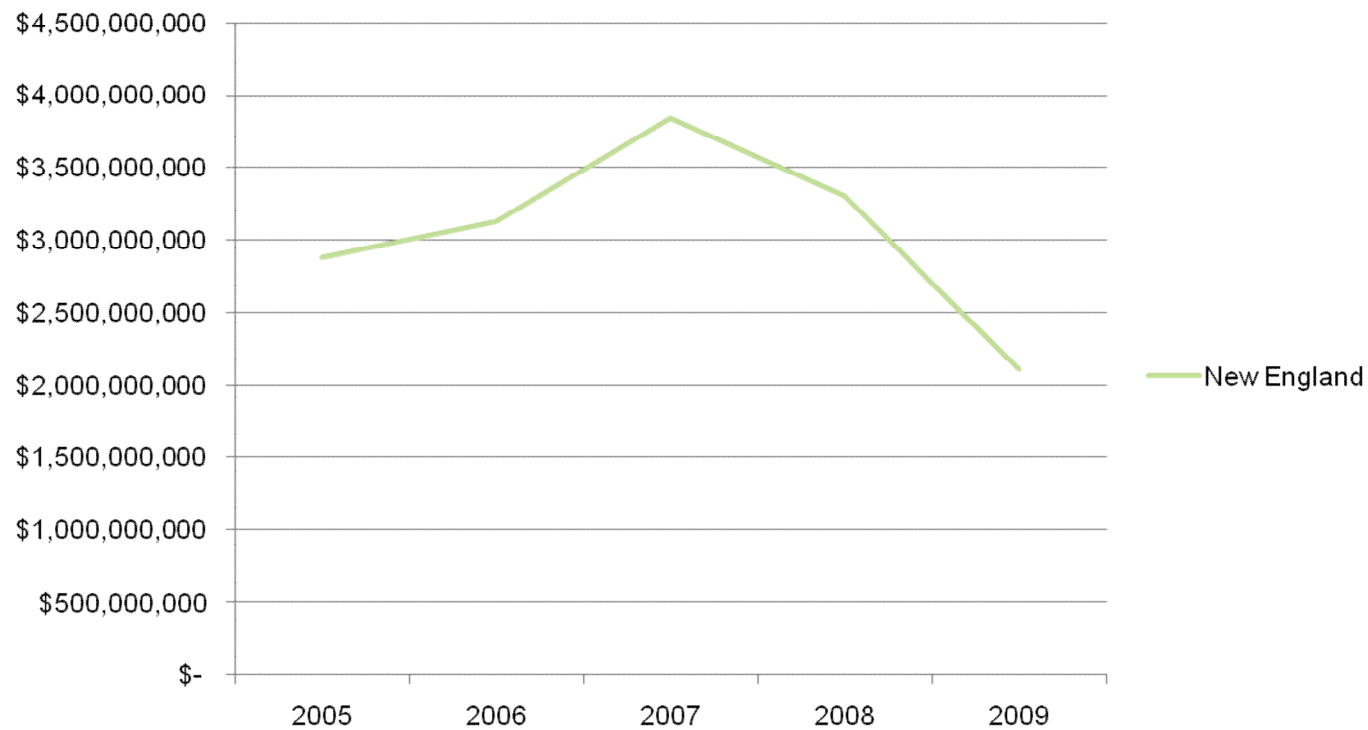
Deep Trough



Source: PWC MoneyTree Survey

New England is No Better

New England VC Investment



Source: PWC MoneyTree Survey

Beyond The Numbers

- Companies Live Longer
- Funds Don't
 - Capital used carefully
- Syndicates break
 - Fewer investors carrying more

Capital Efficiency

- Looking for the golden egg
 - Very low capital required
 - Very large outcome
- Concern for hardware and semi companies
- Burned on big cleantech?
- Starts with end customers
 - Vicious downward spiral

Fear of Failure

- VC Multiples Lower
 - Each loss magnified as big wins are smaller
- Looking to minimize chance of loss vs. maximize chance of win
 - Experienced executives
 - Market experience
- Lack of expertise in most interesting sectors?
- Reverse age discrimination

Syndication Woes

- Weak partners = weak syndicate = capital structure mess
- List of acceptable partners shrinking
- ‘Pay to play’ type terms more common
- ‘Equity Worthy’ companies may be unable to raise capital

This is the Rainy Day

- VCs tried to delay fund raising in 2009
- Many will raise in 2010, but some will push out again
- No new money means making old money last
- Feeds weak syndicate fears

Even the Angels act like The Dark Side

- Angels doing more diligence
- Angel groups well organized
- Tough for raw start-up to survive the gauntlet
- Anti-syndication concern
 - Worried about future VCs wiping them out

Benefits of the Lull

- Less competition
- Easier to hire
- Everything's cheaper
 - People
 - Space
 - Travel

How to Proceed

- Don't lower the bar for your idea
 - Vet idea with your network
 - Take feedback on board
 - If it isn't good enough, move on
 - Think like an investor
- Stage Your Progress
 - How to make money early
 - Product 1 or Version 1 is only a step

Your Assets

- Your Network
 - Up, Down, and Sideways
 - Goes stale fast
- Your Time
 - Do you have time for overtime?
 - Need flexibility
- Your Money
 - Out of pocket costs

Approaching VCs

- **Get an intro**
 - From their network
 - From a trusted VC
 - Relevant
- **Get feedback first**
 - Focus on concept and progress, not \$
- **Multiple meetings**
 - Set and meet progress expectations

Funding Your Progress

- Your money
- Consulting work
- Project work
- Early product revenue
- Friends and family
- Close angels

Your Money

- **Although it's all been done successfully**
 - Don't fund with mortgage money or credit cards
 - Don't keep your spouse in the dark
 - Only use money you could throw away without regret
 - Don't destroy your health and/or personal life

Consulting Work

- Pays the bills
- Look for things that are time efficient
 - Hopefully in your target area
- Highest hourly rate
- Reduces time available, but also lowers pressure
- Another benefit of networking

Project Work

- Projects that help get your product done
- Watch IP rights
- Watch non-disclosure issues
- Some customers really need what you have
 - Good proof point for investors
- Helps build team

Staged Product Release

- Get a first product out there
 - Early customer engagement
 - In-market knowledge
 - Early revenue
- But,...
 - Customers require attention
 - Not the fastest way to the finish line
 - May get distracted

Friends and Family

- Same rules apply as your own money
- Don't put your whole family in hock
- Don't put your family on the Board
- Don't hire them (in general)
- Fastest way to lose friends, too

True Angels

- Willing Individuals
- Fast Decisions
- Ongoing involvement
- Relevant background
- Intros to other funding sources

Once You're Going

- Investor Relations
 - Ongoing process
 - Think about future funding
- CEO's job, not the VC's job
- Viciously Prioritize
- Be Very Cheap

Debt With Care

- Venture Debt
 - High-Yield Debt, with Warrants
 - And Many Caveats
- They only want you when you don't want them
- Worthwhile when you have revenue
- Match funding source with time line

Lessons Learned

- No cookie cutter
- No fear of failure
- Don't compromise personal ethics
- Communicate like mad
- Trusted partners
 - Board, Attorney, Advisors
- Stumble upon shortcuts
 - Don't waste time looking for them

Questions?

Discussion!