IDEABRIDGE

The IdeaBridge White Paper Series: Insider's Guide to Venture Capital Requests

INSIDER'S GUIDE TO VENTURE CAPITAL REQUESTS

Summary

Most entrepreneurs reduce their chances of securing Venture Capital due to overly complex funding requests. In order to separate yourself from the crowd, follow this outline which is the preferred format that most VCs expect when analyzing a new funding request.

1. What is the business model? Explain the business concept in very clear terms.

2. How big is the market you are pursuing? How much do you expect to capture?

3. What is the revenue model, your source of income? How do you make money?

4. What is your strategy for capturing and defending market share? What is your growth strategy and is it defensible? The VCs will be looking for a reasonable growth strategy; avoid pie-in-the-sky projections unless you can back them up with hard data and rigorous analysis.

5. Is there a defensible product, service, technology, process, business model patent, unique employee talent, etc? What assurances are there that you won't have a host of 'me-too' copycats chasing down a similar model as yours? The key element here is that VCs are looking for a *defensible* position that won't immediately be copied.

6. How strong is your management team? Have they worked together before? Have they worked in the same industry? What makes this team better than the ones fielded by your competitors? Has this team weathered tough storms, do they know Include all relevant Bios.

7. What are the capital requirements? Include projections of income, expenses and required investments over the following periods:
   - Months 1 – 3 (Prove the concept period)
   - Months 4 – 9 (Build a working model and develop key partnerships)
   - Months 10 – 15 (Rapid growth and expansion)
   - Year two by month
   - Year three by quarter
   - NOTE: Most VCs ignore projections beyond year 3; going beyond five years will make you look like an amateur.

8. What is the exit strategy? How do you and the investors get out, and when? Do you have a fallback plan? A potential sale or merger with a competitor, sale or lease of the proprietary technology or customer lists, etc?

9. Explain the key risks of your business, and be brutally candid. To help you in this process, imagine this scenario: If you were to sit down the same time next year, and you had to describe to the investors why you lost all of their money, what would you state as the leading causes for the company's demise? IMPORTANT NOTE: If the VCs come up with major risks that were not candidly acknowledged and discussed in your Risk Assessment, you will immediately lose all credibility and your deal will likely be scrapped.