Start-Up Boot Camp for University TTO Professionals and Inventors

Session 5: Pitching Techniques to Get The *Funding You Want*

Presented by:

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Hello everyone. My name is Cindy McManus and I would like to welcome you to today's webinar, *Start Up Boot Camp for University Tech Transfer Professionals and Investors, Session Five, Pitching Techniques to Get the Funding You Want*. I'd like to introduce your moderator for our presentation today, Gerard Eldering of InnovateTech Ventures. Welcome, Gerard.

Gerard Eldering: Thank you, Cindy. I'd also like to welcome everyone to today's session of the *Start Up Boot Camp* series. Our series is giving the listeners some information that they need, the material to help coach their startups or if they're leading a start up, to move it down the roadway from the beginning stages, the startup stages all the way through to that point where there's an ultimate liquidity event. Again, my name is Gerard Eldering. I'll be serving as your moderator. I'm the President of InnovateTech Ventures which is located in Virginia, outside of Washington, DC. Now, in our previous sessions we looked at things ranging from the big picture around university startups to motivations, some of the early decisions that have to be made about feasibility. We looked at funding strategies ranging from bootstrapping on through to raising venture capital, team building, equity related financial issues. We've talked about developing high quality business plans and ultimately about the different funding sources and which ones to go after.

Today, we're going to talk about pitching techniques, perhaps if an entrepreneur's studied the material that we worked through before and worked their way to have the ultimate business plan and they know who to go to for funding, we're going to talk about how to make that presentation to that funding audience that's most likely to have a positive result but a lot of the lessons are also relevant to the sales pitches and other times when an entrepreneur has to communicate. We've got a terrific panel today, all previous members from other programs. Our panel members today include Kef Kasdin and she's a general partner of Battelle Ventures and Innovation Valley Partners. At Battelle, Kef focuses on investments in clean tech and communications technologies. She works closely with the National Labs that are operated by Battelle Memorial Institute or co-managed by them for the Department of Energy. Battelle Memorial Institute is the sole limited partner in Battelle Ventures. Bob Okabe is joining us again, he's an angel investor and university startup expert. Bob's made 13 investments of his own funds since 1995 with one major liquidity event and three other positive returns of capital. In addition to his role as an investor and all his work with startup companies, he's also co-founder of an angel group and helps organize an angel capital fund and also serves as director of the Angel Capital Education Foundation and also joining us again, is Paul Rauch. Paul's founder of the Evan Law Group and very active in the patent area, he's prosecuted numerous patent applications in a range of areas from biotechnology, pharmaceuticals, polymers, materials, semiconductors through to manufacturing simulation or analysis, so very extensive experience. So, we've got a great session today and with that, I'm going to ask Bob to kick it off and talk to us a little bit about pitching to the angel audience.

Robert Okabe: Sure, thank you, Gerard and I appreciate the opportunity to address everybody today. We're going to start here on page six and talk about what the expectations are for angels. Generically, in the United States, about 600,000 new businesses get started each year and that's a number from the Small Business Administration. According to the most widely quoted and best know figures on angel investing activity, about 55 to 60 thousand companies get funded by angels in any given year. So that gives you a rate of about 8 ½% of startup enterprises get funded by angels, which is about 1 in 12 but practically, a lot of people who start these companies and the SBA numbers refers to employer businesses, that is companies that intend to hire employees, a lot of them are started by people who don't intend to get outside capital. So the realistic figure is about 1 in 30 companies were seeking capital, will get capital from angels. Another way to look at it, is with angel groups, organized groups of angel investors,

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your typical angel group will see about 20 to 25 plans a month, that's about 300 a year. They will probably invest in 8 to 10 of those so again, just 1 in 30.

What you can expect from angels and we've talked about this previously, is to look for capital between 100,000 and a million dollars per round. Now, angel groups have gotten together and individual angels have syndicated deals and do deals with large as seven million dollars but the sweet spot for angels is about 100,000 to a million dollars. Per angel, you should expect a wide range, anywhere from $25,000 or $250,000 per person. So you can see that most any reasonably size financing, especially for university technologies and the life sciences is going to require syndication of multiple angels. How long should it take? From the time that you reach an agreement that an angel or group of angels is interested in funding the company and offers a term sheet and they know in the series we've talked about term sheets in the past, it will probably take one to four months for documentation and due diligence and that can vary significantly depending on the type of structure, the type of financing, the number of investors but you should expect that process to take between one to four months.

So, on the next slide, what we see is what tools should a company or an entrepreneur or representative of a company have to be able to pitch to angels and it really centers on four main documents that every company should have. The first is an executive summary and as we talked about in the program last week, an executive summary is, in effect, a resume for a potential funded company. It's a quick overview, it talks about the highlights of what makes it a compelling opportunity. The next is a business plan. A business plan's generally about 30 pages or less. It is a detailed operating map of the company's opportunity, it's market, it's competition. The reason that we use both of these numbers is, as you heard before, I'm involved with the Angel Capital Education Foundation and we surveyed a number of angel groups and 58 angel groups responded and those groups represent about 3,400 individual angel investors and their overwhelming preference was for executive summaries of three pages or less and business plans of 30 pages or less. The company should also be prepared to make a formal presentation for senior management, to stand up in front of the investors and basically tell the story. That's generally done in a PowerPoint presentation and/or through printed books and the core recommendation is keep it at about two dozen slides or less. You're really trying to make your presentation in 20 to 30 minutes and a good rule of thumb is that you are going to take about one minute per slide. It's a good balance between covering the material on the slide and not dwelling on it.

The last formal tool that we would call a required tool for angels is a financial model, projections and what you expect to be able to achieve with the funding and how much funding you'll need, kind of a typical financial road map of an early stage opportunity would include an income statement, a balance sheet and a cash flow statement. There are other tools that you may have if you are dealing with patented technologies, copies of the patent than potentially any freedom to operate studies are often helpful to the extent that the targeted technology is a therapeutic, having information on what's in the regulatory pipeline for competing therapies is also very useful. So those additional tools are really dependent on the type of opportunity and the type of market but regardless, everybody will need that executive summary business plan, presentation slide deck and financial model.

So, as we move forward, we've kind of identified the range and probabilities as well as the tools. So what kind of presentation should you expect to make the angels and the very simplest is the elevator pitch, so called because can you tell the story in the time that you would ride in an elevator and the person you were talking to gets off the elevator? Think of it as a commercial. It's where you are highlighting those things in that 30 seconds to two minutes where you're trying

to get people to engage with you. You're not going to be able to close a sale or to lock down a piece of financing in that period of time, what you're really trying to do is generate interest and follow up. So, you're really focusing on the attention grabber, those two or three things that are really compelling with respect to the business opportunity or the technology.

The second is what angels call speed date, which is basically a three to five minute version. It's longer than the elevator pitch, you're going into more detail or you're covering a broader range of subjects but it's still a relatively high level story and that is about the time, if you were going to leave kind of your calling card, that calling card would be the executive summary. Again, you're really trying, at the very first level, to get people involved in engaging you more formally and in a more detailed way and that would lead to the formal presentation which is where you're presenting that PowerPoint, where you should expect to have anywhere from 20 to 30 minutes to give a formal presentation. There, you're going to go into more detail and it's going to be interactive. Angel investors are inquisitive, they're actively engaged in analyzing the opportunity so you should expect a lot of Q&A. It's going to end up being a dialogue and I would recommend personally that you encourage the dialogue. To go through and have a 20 to 30 minute presentation with no Q&A and then only to find that you lost part of your audience three minutes in and they spent the next 27 minutes not understanding what's going on. It is not an effective way to engage with your investors.

So, as we move forward to the next slide, think about the ways you'll engage with angels. Those are – you have the tools and you have the kind of the types of presentations that you'll make but how do you make contact with angels? Starting as very basic as casual contact, whether at a conference or at a social event, there you need to limit to your elevator pitch because there's a lot going on around you, you don't have the full attention of the investor and so, you really need to understand that you're going to have a limited amount of time and that it is not an optimal venue. So there, you're giving your elevator pitch and you're being respectful of the listener's time. Hopefully, the goal is to trade business cards, don't try to press a 30-page business plan to an angel at a casual interaction such as at a conference or at a social event and you know, one thing that's kind of sales 101 is you know, agree for a time or a method for follow up, whether it's, "hey, I'll call you in two days" or "I'd look to hear from your in the next week." Set a deadline so that when you follow up, that follow up is not unexpected.

The next level is meeting somebody through networking or referral and there you're also going to start with the elevator pitch but it may not be an in person referral, maybe an email or a telephone or other introduction. So, you're a little bit on your own and it's not a direct face-to-face, an interactive initial contact. So there you're going to start with the elevator pitch and should you have the opportunity to do it over the phone, that's great because you can have a little bit of inter activity but you should have an email script version. Don't just rely on your executive summary. As I noted before, members who are angel groups, angel groups will get typically between 200 and 300 business plans a year so the percentage of them that will get read, is relatively small, unless there is an affinity, a level of interest so you're really leading with that elevator pitch, what you would probably follow up with the executive summary and the ask, the next step is to ask for that formal meeting. There're also multiple presenter events such as show cases or investor conferences or chamber of commerce events where you are one of potentially a number of presenters. There, you're presenting your slide deck, you know, you're using that forum to stand out from the crowd but it's also a public forum so you go back to some of the things that we talked about at top of this slide with respect to casual contact. It's hard to trade more than a business card or an executive summary, it's relatively unlikely unless the investor is very engaged where you're going to get them to accept than look at a business plan in a large forum such as that.

So, on the next slide, we're moving forward to what is the value of those referrals and those types of contacts? And the Angel Capital Education Foundation, in that survey, we asked of 58 responding angel groups to rank one of seven sources for referrals. We asked them to rank them one to seven and so, as you can see on the chart, the most valued referrals, virtually every respondent rated it one or two, is referrals from other investors, people who have the same perspective, the same motivation, the same desires as that. The second, which was also rated either one or two but just not as many ones and a few more twos, was referrals from successful entrepreneurs, people they've backed or people who've been successful in starting growing and selling a company in their community.

The next three categories which had more favorable than unfavorable ratings but certainly not as strong as the first two groups are first, business incubators. Many communities have business incubators, the National Business Incubators Association is a great source of connecting with those facilities and programs that can offer resources to entrepreneurs and angel investors tend to like working with incubators but there was a little bit of a negative reaction which is the red part below the zero line and so, it's important with these categories, incubators, service providers, which we're defining as law firms, accounting professional service firms and technology transfer offices that investors have had some mixed reactions although it's great to know that the overall reaction's more favorable than unfavorable.

The last two categories, the unfavorables outweighed the favorables. One was economic development organizations and just kind of anecdotally in talking to some of the survey respondents, the feeling was that the push for economic development was stronger than the push for, am I going to make money on this investment and while a big part of angel motivation is to invest locally, the vast majority of angel investments happen locally. They are investments, they are not donations and so the angels' view of the economic development communities inner face was that the pushing of the economic development agenda over the investment agenda made those contacts less valuable. Now some of you or your portfolio companies may also encounter certain matching websites that often match you with investors and those were overwhelmingly viewed as negative by the respondents and to the survey. So, it's important to understand the types of contacts that you would prefer to make and the level of value that they add and again, the top two categories are by far other investors and successful entrepreneurs. So if you meet an investor and the investor is not interested, one of a great follow up is, well, do you know anybody else in your circle of friends or the people you invest with who you think might be interested in this opportunity? Because, in any case, a kind of less warm referral is still better than a cold call. A good source for finding angel groups is the Angel Capital Association which is a professional trade association. It's about 150 angel groups around the country who are members and they're website is www.angelcapitalassociation.org.

So, on the next slide, how do you present to an angel group? Or how do you present to a group of investors and there are some key guidelines that I'd like to recommend. The first is the limit to one or two presenters. It's sometimes very tempting to put the whole management theme up for presentations that each presenter presents that area of the business that he or she is most expert in. The challenge with that is that there are different presentations that's as low as well, people have different speaking style, it slows down the tempo and the rhythm of the presentation. Also, most successful entrepreneurial companies have tended to be led by a single visionary or one or two co-founders rather than a whole team and so, when investors are evaluating the opportunity, they're really evaluating that visionary, those leaders. So giving those leaders more air time in the presentation has greater value.

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Second thing is have an observer. A lot of times the speaker is so engaged in giving a good presentation and answering questions and thinking and anticipating about the questions from the audience that he or she doesn't have time to really identify who in the audience is interested, who was bored, who's making – has positive body language, who has negative body language. So, it's always helpful for presenting company to have an observer, somebody who's not engaged in the presentation at the moment, figure out who's interested, who's not interested so that you can target follow up during the networking part of those types of sessions.

The last thing is test the technology. It's something very simple, you don't want to spend the first five minutes of your allotted time trying to get the projector to render your slides correctly or if you're going to do a demo, to have a difficult internet connection or your device doesn't work or your extension cord isn't long enough. Those little things mean a lot in that they reduce the amount of time you can spend doing what you're there to do, which is to pitch the company and the business and that's especially important if you've got a product demonstration.

So, moving to the next page, a few presentation tips for dealing with angels. First is to lead with the opportunity, not the technology and this is especially critical in university technology backed companies because a lot of times the technology is very complicated, especially in biotech and therapeutics and getting people to wrap their heads around it who are not also scientists, can be difficult. So you want them to wrap their heads around the opportunity, you may have a great antibody or a great molecule but if that molecule solves a big problem, prostate cancer or Alzheimer, MS, something that can ground you and connect you with the audience and also it's relatively likely that somebody in the audience who is an investor can directly relate to that due to a friend or family member with an indication. So you're really trying to develop affinity pretty quickly in order to make that connection because most angels are experienced business people, they're not scientists.

The next is that pictures speak louder than words. If you have a demo, if you have a prototype, it's very important to show that you can make progress and show tangibility on what is going to be produced. Track record is important. A business plan, a pitch for investment is selling the future. This is what's going to happen from this point forward if you give my company money. So in being able to say this is what the future will look like, track records and credibility is key. To the extent that the technology has been peer reviewed, has won grants, NIH, NSF or another granting agency, that's a big validation. To the extent that significant milestones have been made, whether it's in vitro testing or compassionate care case where an experimental use for the technology, any kind of milestone with a product or service is achieved, is also a strong indicator of the potential for that technology to make it into the marketplace. It is important to understand that even though it's funded companies, only a relatively small proportion make it all the way to the exit, all the way to a successful investment outcome and a product that's in the market place and serious and experienced angel investors understand this, so they're really trying to evaluate will the size of the opportunity support the investment involved?

On the next page, just want to kind of give you a few, what I'll call anecdotes and the first one relates to that. Your typical baseball player, I don't know how many baseball fans we have in the audience but your typical baseball player bats 300 and makes millions of dollars a year. Well, batting 300 means you fail 70% of the time and that's about the experience of most investors with angel portfolios. There was a large study funded by the Kauffman Foundation a few years ago, studied the personal portfolio of the 539 angel investors and only about one sixth of the companies were true home runs in that they produced outsized returns of the 10 to 20 times what they put in, what the investors put in category and fully a third returned virtually

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nothing, companies did their best but either the technology or the market place wasn't sufficient and the companies went out of business.

The next which is also a little bit of a baseball analogy is the Babe Ruth syndrome which is Babe Ruth led for many decades in home runs but he also led in strikeouts but nobody remembers the strikeouts, everybody remembers the home runs. They provide the great returns, they are justification for moving forward as an investor. So you really want to focus to the extent that you can, on any home run aspects of your technology or market your opportunity. A little bit different way to look at it is when you go to the movies, you see a movie trailer and what I called the next James Bond movie. When you see a movie trailer for the next James Bond movie, you see three things, you see cool gadgets, you see beautiful, well dressed people and you see things blowing up and those are the three compelling things that they're going to take you to the next level but they're going to get you to show up at that theatre again and spend two hours watching that movie. It's the same thing when you're pitching to investors. What is your cool gadget? What explodes and makes a cool picture and you know, what's your beautiful, compelling story? Those things are going to keep your process moving to engage with investors and hopefully secure investments. What is that explosion? It's usually the difference between a vitamin or a pain killer. When you're hurting, you'll take a pain killer; when you feel healthy, you won't necessarily always take your vitamin. To the extent that your solution, your technology, is that your pain killer or vitamin, that's a distinct advantage with investors something which should be highlighted. Another is something I call "Ocean's Eleven", that big, star studded movie. To the extent that your team has people who have track records, highlighting those track records, highlighting that experience, once again telling the story of a company's telling the story of the future and so to the extent that everybody who was involved in telling that future, in constructing that story has a track record, is credible, has a measurable successes in their careers, helps make that story stronger and more credible itself.

The last is kind of "Guess Who's Coming To Dinner." What's the surprise? It's usually always a surprise. Typically the surprise that most companies, most presenters don't anticipate is somebody in the audience who surprisingly knows a lot about their field. Angel investors tend to be diverse, they come from a wide background, both professionally and personally and so, their level of understanding about what you may think is an arcane technology or an arcane market or an arcane product, it's more than likely, especially with angel groups where there're 20 or 30 people in the room and there's only one or two people who know a surprising amount about both the market and the technology. So, it's important to keep all those things in mind as you practice and you decide how you're going to present your opportunity to investors.

So as we move forward to the next page, there are a few process considerations. One is how do you protect your idea and as mentioned a couple of times earlier, angels who are active angels or involved in an angel investor group, will see dozens of executive summaries a month and it's very hard for them, it's not impossible to keep track of all of those. So, if you're at the introductory stage of the process, don't ask for non disclosure agreement. An angel investor's highly unlikely to sign one just from the administrative burden involved.

The second is if you have something that you have to protect and that you can protect, is go seek intellectual property protection when the two patents are copyright. So, it's also important to understand the investor demographics. Angels are generally accredited investors and an accredited investor is somebody who satisfies you to a net worth or minimum annual income requirement that's set by the Securities and Exchange Commission. Should the financial reform pass, the numbers will change but as of right now it's a net worth after all debts, of over $1 million or annual income of $200,000 if you're single or $300,000 if you're are married. The

important value of accredited investor status is first, these are people who should have the resources to be able to make a significant investment in your company but the designation of accredited investor also comes with an expectation that this person is not only able to withstand the loss of their investment but also is experienced and savvy and it's accredited investor status gives the investor a little fewer places to hide, here the apocryphal stories about investments being sold to widows and orphans. Well the definition of accredited investor is somebody who cannot make that claim or can only make that claim in a very limited way.

So you can make a more comprehensive presentation to an accredited investor with fewer caveats and warnings than you would if you were making a presentation to somebody who was not. The number of shareholders in closing, it cost money to get money and that is usually in documentation in closing and so, what you want to do is you want to minimize the number of times you close, think about the idea of buying a house. You close once on the sale of the house, you may have multiple closings if you're trying to raise a million dollars, you may have two to three closings. It may be 300, 400 thousand dollars, you to do a closing and you collect that money and start working with that money as the rest of the money comes in. You probably don't want more than two or three closings. You don't necessarily want to deal with a huge number of shareholders, you know, to get a million dollars, $10,000 a time, you would be basically have a hundred investors for a million dollars. It can be a tremendous administrative burden in tracking and providing information and meeting your corporate governance obligations to investors so you really want to try to either get investors to band as a group and invest in a group to a single entity like an investment club or an angel group or to just try to find fewer investors that can make larger investments.

Documentation. Some angels receive private placement memoranda. For experienced angels, this is not a plus because the expectation is that in their due diligence, in their working with you to come to terms on a deal, that there is room, there is flexibility in a deal versus a private placement memorandum which has to offer and generally does offer a very fixed deal structure. It is always important to let investors know that there are potential pitfalls and angel investing is risky, even if you're dealing with accredited investors. So, it's important to have and recognize that there are places where it's appropriate to make disclaimers and it provides cautions to your investors. And at this point, what we're going to do is we're going to move forward and go to the next slide which talks a little bit about the process and so I'll hand it off at this point.

Paul Rauch: I'll just mention a little bit about the legal ramifications of the non-confidential disclosure. In general, in the rest of the world, outside the United States, if you describe or talk about your invention or your ideas, in sufficient detail for somebody to do it, you'll lose the right to seek patent protection in much of the world, not the United States. United States we have a one year grace period. To avoid that problem, the disclosure should either be insufficient for somebody to do it or copy it or carry it out or you need to have some sort of confidentiality. The confidentiality does not have to be explicit, you don't have to have it written down. If you would like the ability to sue them on it, you should have it written down but as far as destruction of rights on intellectual property, implicit which is either in a setting where it is well understood that the information is confidential or maybe a little bit more informally where you simply discuss before you present that information, that you want it kept confidential, then you can have some sort of protection there. So the important places and the rules for them, Europe you disclose it non-confidentially and it's sufficient for somebody to carry it out and you lose the rights immediately. If the confidentiality is there but they violate it, then Europe gives you six months to seek patent protection. So you end up with a grace period there. If you end up with a non-confidential disclosure and that disclosure, you just sort of gets out of the bag, it's well

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worthwhile to speak with attorneys within the individual countries that you may wish to seek patent protection and do it within six months, as many countries have six months to one year grace period, similar to the United States but they often have special criteria. So never assume you lost the rights but you want to make sure that in general, either your disclosure is not enabling, that's the term we use for meaning that they have all the parts they need to do it or that there's at least an understanding of confidentiality and just to give you an example how easy you can make it, there was a situation where there was a seminar at a university, the professor was not ready to file the patent application. We wanted to protect our foreign rights and he didn't want to have to skip the seminar. So, to the seminar audience he told them that they wanted to protect their initial property rights and did anybody have an issue with keeping what he discussed with them today confidential and there was no hands raised and he went on and although I would not want to have to litigate that, I think that meets sort of a minimum requirement, to at least have a good argument that you have a confidential disclosure. Okay, I'd like to pass this on.

Kef Kasdin: Great, thank you. So, this is Kef Kasdin and I'm just going to take up this point about confidentiality agreements and then move back into more of the VC perspective on preparing and executing on pitches. I'll start off by saying I'm actually very much in agreement with everything that Bob has told you and so what we're going to try to do is go into some more detail, sort of take it another level down, in terms of the VC process but first on the points regarding non disclosures, you shouldn't ask a venture capitalist to sign an NDA, certainly not what I would sort of joke about, it's the first date because very unlikely that that will happen and it's more than the administrative burden. The fear of a venture capitalist, since VCs also receive many plans a year and there are similar ideas out there in the world, potentially to yours that through no fault of their own, VCs may end up investing in something very similar to what you might have told them about and if they'd signed a non-disclosure agreement, you know, there could be issues down the road. So VCs, as a matter practice, do not sign NDAs. I have seen from time to time, much later on in the process and I'll come back to that later in my presentation, where for specific diligence request, specific information about technology, customers, etc. a venture capitalist, will sign a very limited non-disclosure agreement in order to be able to dig more deeply into the company's business but certainly not on a first pass.

So, the lesson is, in that first meeting or contact, keep it at a high level, don't go into the details, don't go into anything that you really do believe is an issue, of much of what Paul was describing in terms of enabling somebody else to execute on your technology but also understand the venture capitalist really can't do anything with what you tell them. They're not technologists, they're not starting businesses on their own, they're investing in other people's businesses so it would be actually very hard for a venture capitalist to actually walk away with your idea and recreate it somewhere else. So take some heart in that but understand that that's very unlikely that anyone's going to allow you to or sign an NDA, certainly early in the process.

If we move on to the next slide then, so part of what I want to talk about is, just like angels, venture capitalists are very busy and are typically going to take a lot of time to go through their process of evaluating an investment opportunity and you should sort of set out understanding that that is the way it's going to work and sort of pace yourself accordingly. Now, when I've given these presentations in the past, I've usually said, you know, give yourself six to nine months to raise money. I'm thinking now it's more like 9 to 12. We're in an environment where venture capitalists are very cautious about making new investments, especially at the early stage and are also, should I say, more distracted by issues in their existing portfolios and therefore, just don't have the bandwidth to delve into new investments. So it just takes longer and it typically is now taking a lot more diligence time to get to the point where a venture capitalist feels comfortable

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making an investment. So just keep that in mind and sort of plan accordingly in terms of how much time you need to raise that money. Understand that if you can show some early success on friends and family money or some other sources, which we actually talked about in the panel discussion last week, then that only helps so showing some early success is milestones being met, can start to accelerate the process. The flip side of that is if you say early on in the process, well, we're going to hit this milestone in three months, chances are some of you are going to say great, why don't you just come back when you've hit that milestone and we'll talk to you then. So, just keep that in mind as you think through how you plan, when you start your fund raising process. In the meantime, use the capital that you do have, friends and family, etc., very efficiently, outsource as much as you can, use consultants, don't just to start to beef up this staffing in the company until you can show the progress you need to show. Other things to think about in terms of timing is leave yourself enough time to prepare the pitch and I'm going to go into some more details on this but it's all about practice, practice, practice, just like the old joke about having it at Carnegie Hall. Prepare the pitch, practice it in front of people who are friendly, who can give you really good advice, pick a VC that is going to be honest with you and you know, kind of road test it with them before going to a broad audience and really learn from that feedback and hone the pitch and go into it again but understand that it's going to take time to prepare the pitch, it's not going to happen overnight. If we can go to the next slide.

So other things to think of, in terms of the preparation time, research your market, just think of this like a selling process and figure out who are your target audience VCs, figure out who's investment in your sector at the stage of the company, who have interest or align with yours, who may be don't already have investments that are very similar and make sure that they're prepared to invest in a pre-revenue business which, I'm assuming is mostly the case for this audience and then, once you've identified the targets, figure out where you can run into them. So whether it be conferences and trade shows or other networking events, figure out if there's some events that are open to the public that you can just drop in on or what I've seen happen is even if it's a conference that might cost a lot of money to attend, you know, just happen to be at that same hotel, hang out in the hallways. If that's the more capital efficient way to start the dialogue and you know, and/or apply to present at events and seek the opportunity to get in front of people in a more formal way. So all of these are, all of the above are appropriate ways to think about how you identify your target and how you start to approach them, just like a selling or marketing process. Next page.

The other point I wanted to make and I think Bob already had said this as well, it's always better to be referred in. So if you're not going to just happen to find somebody at a conference or meet them that way or present them in that context, what you're trying to get somebody's attention, being referred in by the attorney, the accountant, your investment banker, if that exists, you know, anybody else who may be able to be more of a warm referral, always helps. You can just sort of send something in over the mail but it's less likely, in that context, if it's a completely cold send in, that it will be paid attention to in the same way as something that's come in referred or in an event where you met them at a conference.

So, some of this is again, already been covered but I'll just mention that much like what Bob said, our perspective is you need to start with the value proposition. What's the pain? What's your solution? So lead with the opportunity, not with the technology, just as Bob had indicated, you should do. Once you've established that the pain and the market place and gotten head nods, that that's important, then you can say alright, here's our technology, here's how we do this differently from other people, here's why we're better. I'll also point out that yes, the management team and relevant experience very important to a venture capitalist, probably

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the most important factor in making an investment decision. So the more you can say about the relevance of that experience, the depth of the team, the better off you'll be and then provide so the rest I think is sort of more backup market analysis to substantiate the size of the opportunity. The competition, always acknowledge there is completion, there's always some kind of competition but be upfront about what it is and then how you're different. You need to talk about the business model, how you're going to make money, how you're going to make money for the company and then that leads to how do you make money for the investor. So talk about that and the way that you're going to approach the market, how you're going to get to the market and of course, indicate specifically how the amount of money you're raising, what it's going to go for, how it's going to move the needle in terms of accomplishing any of these objectives.

So, what are some things to avoid? So, when you talk about the market, I always prefer to see approaches that go bottoms up, there're these kinds of customers here, it's how much they might buy, here's how big the opportunity is, as opposed to saying this is a ex-billion dollar market so if we only get one percent, it's still going to be a huge business. It doesn't usually help, it doesn't really help the venture capitalist to understand how you're going to approach that marketplace. Not knowing your market or the customers, is another problem, so bone up on that before presenting. I already mentioned this but always acknowledge there's some competition, even status quo is competition, whatever they're doing today to solve their particular problem is the competition and acknowledging that and then explaining how yours is significantly better is important to do, not focusing on the management team, especially about the experience, all of these points are all around stuff you need to do ahead of time to be able to go in to a pitch with the best foot forward and be able to really explain and understand the business and the market that you're pitching. Not doing enough practice ahead of time, as I counseled before, you know, not being able to anticipate the questions that might come up so that you sort of caught a little flat footed and don't know how to respond. Clearly if you're in that position, the best thing you can say is I don't know the answer to that question, let me get back to you, rather than trying on the fly to come up with an answer that might be less than ideal and finally, in terms of common blunders, I found in the lot where folks get in front of me and don't understand the VC perspective, may be have never raised venture capital money before and have unrealistic expectations of the venture capital perspective and the venture capital process. So, I think the main point of all this is get educated ahead of time, be prepared, be ready to hit the ground running when you're presented with the opportunity to make your pitch.

So, we touched on this a little bit when we talked about the NDA but striking the right balance between too much information and too little is really important and one of the ways to accomplish this is to develop a comprehensive Q&A document. So think up all the questions that could possibly be asked as you give your pitch and develop answers for them, doesn't mean you have to present all of them. In fact, quite the country, a lot of that you probably want to hold back but at least you're prepared so that when the question comes up, you've thought about it and out of those Q&A pick the key points that you do want to make in that initial opportunity to present your story to an investor. Try to hit the key points briefly and then presumably, you'll have an opportunity then to follow up in more depth later on. Try not to get caught in the details too early in the process because then, you'll probably lose your main message and it kind bogged down too much in the fine print and not be able to then get your message across plus you run into the problem that you could disclose things that you may not, at the early stage, want to disclose to the potential investor. So try to keep it at a top line to whet the appetite and then understand that there's going to be many stages to this process

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and you will have opportunity to go into more detail as time goes on but sort of organize it that way.

So let me talk a little bit about the venue because there are different venues and that does impact sort of how you pitch and what you pitch and understand that, in fact, you may be working through all of these opportunities over the course of those 9 to 12 months that it's going to take to raise the money. So, much like where Bob said elevator pitch really important when you have a more casual contact with someone and you don't have a lot of time or you don't have their full attention span, what you really want to do is state your value proposition, the industry, the market place pain and what your solution is. You really want to just whet somebody's appetite and get them to want to have a longer conversation with you via a call or in person and as Bob said, just make sure you walk away with some follow up action, give them a business card, make sure you have their contact information and can follow up. If you have the opportunity to present at a conference, which I indicated earlier, is a great way to get in front of the venture capital audience, that you might want to appeal to, understand that typically at these conferences, there is a time limit to your presentation. So that will limit what you can say and these time limits vary so there's usually certain rules, depending on the conference you attend, practice ahead of time, usually a lot of these conferences will provide you with a coach or a mentor or somebody that'll help you through their specific way of doing things, take advantage of that and when you create your slide decks of the conference, this is sort of presentation 101, a few words on each page, large type, you're usually presenting in a big room where you want to make sure people in the back can read what you're saying. Don't read your slides? Really try to make eye contact with the audience and have energy and really tell your story but understand that you are under, usually a pretty significant time pressure. I mean, I've seen as little as three minutes, maybe as much as 10 minutes but that's really on the outside. As to the typical time you get to present at a typical sort of CC oriented event and then, hope you have the ability afterwards for people to come up to you, give them a business card. If you have an exec summary or a one pager on the company as a take home for those, that will be terrific. That's a good way to make sure you get the follow through.

So then, the next step is, if you've gone this far, next slide is a phone meeting and the reason why typically these do happen by phone, instead of in person, unless you're lucky enough that you're actually in the location of the venture capitalist that you're approaching, they could be on the other coast, they could be far away, so you should expect that the initial meeting before anyone's going to get on an airplane or drive a long distance is to talk to you by phone. There are some issues with having to present your story by phone that you should be sensitive to. So, there're really very few cues, you can't read your audience, you can't see them. You might get audio cues but that's about it. So you need to sort of pace yourself to make sure that you stop, ask for any questions, make sure you haven't lost your audience, you never know whether the person on the other side of the phone is doing their email at the same time or something else and so, you want to make sure that they're engaged and sort of check in with them every once in a while. One thing I've seen that's done well is standing up so that you keep your energy level high and you know, make sure that you've figured out a way to get the materials to your audience ahead of time or do something like what we're doing here which is a web-based system so that you don't actually send the presentation. It's like, I've found lately that that's a better way because you get to keep, you know, you're not actually sending anything that then you lose track of. In terms of being worried about sharing information, it's a good way to keep a control on that so use any of the tools that are out there to do a web based presentation. So that's something I've seen done a lot more recently and I think it works pretty well.

If you're so fortunate to be able to have gone through all these steps, you've done the elevator pitch to somebody that, you know, cocktail hour, they agreed to take a phone meeting and that's gone well and now you get the opportunity to do your in person meeting, a lot of time may have elapsed, by the way, by the time you get to this point, even after the phone meeting, there might be questions back and forth, you may have to send additional materials so the diligence process has begun but you have the opportunity to meet in person. The main reason why a VC wants to meet you in person is to meet the team and this is maybe one place where I would disagree with Bob. I don't mean to bring your entire management team but do think that part of the value here is showing the strength of that team. So that to the extent that there's more than the CEO and the technical lead, who are important to the team and have depth of experience and present well, bring them along because I think it's important to show the key elements of the team, that's the key reason why the VC wants to meet you face to face but, if you're going to bring more than one or two people, make sure they all have something to say or do. If they're just sitting there, it's probably not going to go so well that people are going to wonder why did you bring this guy along? What purpose did he serve? So think about that and practice how you'd allocate the presentation so that everybody gets some air time and it probably means you're not talking about more than three people because otherwise it probably gets a little complicated to try to figure out the logistics so, but that is one area where at least I found that that's the key part of why I want the in person meeting is to meet key elements of the team and really get to know them. I think otherwise I've kind of covered this.

Now you have a longer a period of time, so you can do a longer presentation than you might have done in the conference or on the phone but understand that you probably still aren't going into excruciating detail, you're keeping it at a fairly high level and then drilling down in the Q&A which by the way, isn't going to be at the end, people will ask you questions throughout the presentation. Be prepared to address those questions, appear knowledgeable which, hopefully, you are and not be afraid to say, you know, I'm going to have to follow up with you on that. We have that information but we don't have it with us. We'll be able to provide it to you after the fact and that's really the key is the next steps before you walk the door that in-person meeting. This is where the real brass tacks of due diligence are going to start taking place. The VC's going to want to see a lot of detail on the technology, on the financial plan, on the customers, if there are customers or who the potential customers are. They're going to want to talk to a whole bunch of people and the one thing I counsel folks is just understand that there could be quite a deluge. It's a good problem to have but there could be quite a deluge of requests for information from the venture capitalist if they're interested in following through. It's actually one good gauge of whether you do have the attention of the venture capitalist and they are seriously interested in making an investment if they're asking a lot of questions. That's the good news, the bad news is you got to follow through on them and you have to address those questions in a way that's going to meet the venture capitalist's needs and then it's really where a lot of the time in that 9 to 12 months takes place. Next slide.

So, what are some of the kinds of things that a VC might be asking you about or want to make sure that you cover in your presentation and your subsequent follow up? So typically a proprietary technology that solves a real problem, so that means they're going to understand what the technology is, they're probably going to want to probe pretty deeply into that. What is the IP position, the patent position on that technology, you know, does it solve a real problem, that gets back to who's the target customer, what are their problems? They're going to want to talk to people who look like target customers even if you don't have any customers so that they can validate that in fact, this is solving a real problem.

We've already touched on the importance of the management team and the relevant industry experience. Typically, the diligence will be around management background checks, etc. but that's very late in the process. If you get to that point, you know, you've almost took them so that's a really good sign. A large and growing verifiable market so the verifiable is, can the VC do their own independent checks and kind of get to the same market size number that you've gotten to market adoption on the part of customers so this really where again, they'll want to talk to customers and figure out okay, you've got a real problem. This solves the problem but how long is it going to take, what are the steps in evaluating and then adopting the technology. Figuring out what the milestones are, time frames, etc. so that a VC can figure out what their return on investment would look like and you know, is this too long a time frame for them. Being able to articulate that there are multiple exit opportunities, venture capital is all about getting to a return so what are those exit opportunities? Are there similar kinds of things that have happened before? Have other companies, in similar space, either gone public or been acquired for lots of money? So being able to explain that is important and, you know, what is there that helps you with your valuation analysis? What exists in the market that helps make that point? So, bottom line, what you really want to across in any of these pitches and understand that it happens after those as well, if they ask you more questions is, do you have the right products, the right plan at the right time and with the right team to be able to execute on it and if you can handle those points, then you have a great shot at attracting venture capital.

Just some other tips on the next slide around delivery techniques so prepare, practice, have passion in what you're communicating, be clear about your messages, make sure that you try to be as concise as you can, don't ramble. I had one recent experience where afterwards someone told me that one particular slide took half an hour to present and that was way too long and so, it's something to think about, you know, can you get through your slides in a reasonable period of time, don't lose the attention of your audience. Make sure you don't put the priorities in the wrong place, how you make money needs to be part of it but you may also need to explain who you are and what you do. Public and private settings are very different so be prepared for the different venues and the opportunities that you have to do different things in a private setting, much more time to be flexible to allow for interaction at a public setting, like a presentation at a conference, make sure you understand what's expected and what the process is and then, hopefully provide a way to follow up afterwards and answer the questions. Again, never read your slides, try to be conversational in the way you approach your presentation. If you don't believe what you're saying, the audience won't either. So have that conviction and have that passion and try to use analogies, anecdotes to help tell your story. Don't make it, you know, too jokey but it helps to try to bring it, make it real and bring it home though understand sometimes an anecdote can get you off on tangent and take too long so you just have to be sensitive to that and then, just a last slide for me and then I'm going to turn it back over to Gerard is just do a reality check on actually getting to a close, understand that there are multiple stages, it's going to take time. It's okay to check in and figure out where you are in somebody's process and make sure that you're still being considered but understand that it's going to take time. I typically get turned off when I receive a business plan over the email and somebody calls me that day and says so, you want to invest, when I haven't even had a chance to open the email, much less absorb or read what's presented. So have this realistic set of expectations around the venture capitalist's time and how long it's going to take for them to get back to you on things. Don't expect to leave with a check in hand at any of these initial meetings. It's going to take a long time but keep the process moving without being too pesky about it and it's not over until the money's in the bank, of course and things can get, go awry even in the final hours.

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If things change, with the company, good things, hopefully, you win a grant or you get a customer win who hit a key technology break through. During this 9 to 12 months you're going through this process, it might very well be you talk to somebody early and then good things happened, go back, tell them what's new. I've seen people, you know, put together essentially little newsletters that they send to select folks that they've been interacting with, that just say, hey, here's what new, here's what's happened. It re-engages, it gives them a chance to see that you've made progress and that perhaps that opens the door for the investment opportunity and overall, I guess, good luck. It's a tough process. It takes a lot of effort and energy but there is reward at the end of that time so I will turn it now back over to Gerard.

Gerard Eldering: Great, Kef, thanks a lot, those are great points and great set of sort of checklist items for somebody preparing to pitch, to go through. Well, good, we're going to go ahead and open up for audience Q&A in a moment and I have a number of items already on the list here to discuss but for the moment, Cindy, I'm going to turn it over to you and ask us to get us started on the Q&A process.

Cindy McManus: Sure, thanks, Gerard. Ladies and gentlemen, we're going to open up the telephone lines, if you are listening on the phone so that you can ask your questions live. A quick reminder, obviously, we have the chat feature. Look to the lower left hand corner of your screen, if you'd like to chat in a question, you're going to see a blank box with a blue send balloon to the right, type your question in, hit that send balloon and it will place it into the queue and Gerard will be dealing with it shortly. Secondly, if you'd like to ask a question over the phone, all you need to do is press star one on your touch tone phone keypad. This places you into the queue, one by one I will open up the lines so that you can each ask your question and once again, star one for telephone and the chat feature for those of you who are viewing the event on the web and just a quick reminder on both, if you could please direct your questions to a specific speaker, that will help a great deal and we thank you. Alright, Gerard, it's back to you.

Gerard Eldering: Great, thanks, Cindy. And I want to pose some questions for our panelists. I brought this up in another session but I've been seeing some blogs and discussions arguing that nowadays you don't need to repair a business plan, a 30 or 40 page business plan although Bob, you mentioned that in the beginning of your presentation and the argument is that investors never read that anyway, what they want to see is a good quality executive summary, PowerPoint and the spreadsheets which is what they're really going to dive into and Bob, I wanted to start with you. Is that fair or do you think that's poor advice or are things changing?

Robert Okabe: I don't think it's unfair but I'm not sure it's wise. I think there are two things to the business plan process. One is it forces you to examine your business opportunity, the market, the competition, going through the process of developing a business plan helps you prepare for the inevitable questions. The second part is that when you are doing a wider solicitation and as I mentioned before, angels have to and you are probably going to ask multiple investors. It's sometimes easier to do that information transfer by passing along a formal document. Also in due diligence one of the things that gets checked is the veracity of things that are in the business plan and you can sometimes speed the due diligence process, just by providing information on here's how we determine the market size, the study that we used came from this source or, you know, basically it's also where to pre-package a little bit of due diligence.

So are there cases where people get funded without a business plan or an incomplete business plan or just done an executive summary and a PowerPoint? Certainly. Is it absolutely required in every case? No, but what I would say is that it's more prudent to have one than not because it

can be used for everything from making sure you understand your story and can answer as many questions as possible to accelerating the due diligence process.

Gerard Eldering: Thanks, Bob and related to that, I know in some of the startups I've been involved with often we're always going through the business plan process in developing the concepts and doing the research but often the collection of materials is a bunch of posters we've drawn and hand collected notes and the challenge was preparing that business plan is going through the whole labor of turning that into a high quality product. Have you seen anybody pitch with sort of the basic information without having to put it into polished form?

Robert Okabe: Yes, to be honest, I have seen that because… I have a few sayings and one of them is, there's an inverse relationship between love and due diligence and sometimes an investor will just fall in love with a deal and the structured due diligence process takes a little bit of a back seat. So there are certainly times where there'll just be this heap of information that gets passed along and no formal business plan but I would say that on the average, in the main stream, it would still be better to have than not, and again, that's not to say it doesn't happen the other way. I'm just not sure it happens that way often enough to rely on, you know, I think you walk around Silicon Valley and the last company I invested in, moved to Mountain View. Yeah, you know, it probably happens there more often than not but I'm not sure in smaller locations or locations with a less robust entrepreneurial and start up community whether that would truly be effective.

Gerard Eldering: Okay, and Kef, how about from your perspective and you know, you see environment at times is a little more formal. Do you ever get situations where there's something less than a full business plan?

Kef Kasdin: Yes, actually I guess I have seen that more and more recently but what I have seen instead is pretty sophisticated day rooms with a whole bunch of information, economic models, financial models, technology details, etc. I don't disagree with Bob that the beauty of spending the time on creating the business plan is really in the process of doing it because it does introduce a discipline on how you need to think about your business and organize your thoughts and in a way, it's easy, it's sort of the Mark Twain analogy of, let me see if I can get it right but you know, it's part of the writer short story than a long story is that you almost need to start, sometimes you need to start with the business plan but then be able to get to the PowerPoint presentation because you can get all your soft sell in the business plan in organized way and then distill from that to what you need to put into a PowerPoint pitch so I do agree that it's an important part of the preparation process. Will I admit that I have seen more things come across my desk that don't actually have a business plan or where I haven't spent time as much on the business plan as on some of these other things in the data room? Yes. And again, there's no, if there's no other information, it's bad, right? But if you can put that information in other forms, I'm not sure it's really quite that bad but I think the process of creating the business plan is really important.

Gerard Eldering. Okay, great and we've certainly heard that in other sessions. Let me ask about another topic about the issue of local investment or regional. I've heard a fair number of investors say that they want all their investments to be basically within driving distance which creates an inherent limitation for the entrepreneur, particularly depending where they are. Kef, I'll start with you. Is that your experience? Do you guys fly around the country?

Kef Kasdin: We do, so we are maybe a little bit more unique in that our strategy is that we work with some of these national labs that are in all sorts of different places. We're based in New

Jersey and they're all over the place and we actually do have companies that are in various geographies around the country. We do only focus on the U.S. so I think that maybe we're in a more unique position of being willing to get on airplanes and invest in lots of places. I've heard that that is the case and especially if you look at Silicon Valley or the Boston area where there's a lot to choose from pretty close to home but even in that case, I certainly know of investors who look much more widely afield and especially in certain sectors where you don't necessarily limit yourself to a particular region. So I think it's going to vary and I think it's one of the things, as an entrepreneur or someone helping entrepreneurs make their pitch that needs to be factored in when you look at who the VCs are to target, you know, are there VCs outside your region who still could be interested and you know, how do you make a compelling case to them about why they want to invest a little further afield, especially at the early stage there's lots of engagement between the investor and the company and yes, it's harder to do when you're not right next door and so, that's why there's predisposition to just do things in your own backyard but I wouldn't counsel somebody to only limit themselves to VCs who are in their backyard. I think you should look more broadly than that but you need to understand whether that VC feels the same way before approaching them.

Gerard Eldering: And Bob, how about from the angel perspective? Did most of the angel groups invest pretty regionally or locally?

Robert Okabe: Mostly but I think part of it is that again, angels invest as angels, not solely for the financial return. Most angels are or have been entrepreneurs in their lives and part of it, part of the process of being an angel is the support the entrepreneurial community so being connected to the companies is a little bit more important to angels. It's also a productivity perspective from the company's point of view even if you're getting 25 or 50 thousand dollars at the time, you can't afford to be getting on planes to chase that level of investment whereas if you're talking to venture capitalists, it's easy to get on a plane to justify securing two to three million dollars just based on the number of contacts you'd have to make in order to be able to close on that amount of money. That said, I think most angels who invest together, trust each other such that if at least one or two of the angels are known, they don't all have to be local, kind of continue with the example I gave earlier with the last company I invested in. I was okay even though I'm based in Chicago, to have that company move to California because I actually knew one of the other investors and he was committed to being very involved in monitoring the company and it's progressed. So, from that standpoint, it wasn't necessarily that I be local but just that someone I knew and respected was.

Gerard Eldering: Bob, did that particular company move because of investors and I have heard that happen before.

Robert Okabe: No, it didn't move with respect to the investors, it's a mobile lab company so it moved to be closer to the center of that universe.

Gerard Eldering: Great, thanks. That's very helpful. Some other questions I, like all of us have seen many different pitches and seen some interesting things and some tough things and a couple of questions about that. First off, any advice on dealing with an aggressive audience member, you know, I've seen some that are just tough, tough investors and they're asking very hard questions in an aggressive manner, very legitimate questions and I've seen other entrepreneurs attacked, I think perhaps a little unfairly, any suggestions on how to deal with that, without losing it?

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Paul Rauch: Maybe I could start here. I think it's a little bit like being a standup comic and dealing with a heckler. You have to be able to re-direct. I did see one entrepreneur very artfully saying, "I'd love to try to answer your questions during the networking time, but there are other people in the audience who would like to be heard, so I'd like to kind of spread the wealth around" and it's really then hard for the heckler to say, "no, I don't care about anybody else, you only have to pay attention to me." The entrepreneur who did that really did a great job of that redirection but I do think that you can't make it adversarial you can't tell the person to be quiet, you know, you can't refuse to answer their questions but I think if you do it in a positive manner like that and which is really frankly only fair to the total audience anyway. So that's one example of an artful way to do that.

Kef Kasdin: Yes, I would agree completely with that. I think you need to somehow figure out a way to take it, you know, take it out in the hallway essentially and deal with it one on one. I've been privileged to be parts of various conferences where there's really structured to the Q&A and that helps as well so that the conference organizer's really taking responsibility for how to manage the potential, you know, outliers in the audience and there's one forum that I'm involved in where they don't actually allow Q&A from the audience. It's just from a group of panelists who are all venture capitalists or somehow involved with the industry so that certainly controls things and maybe that's an extreme. Other times, you know, it's limited amount of time for Q&A. One of the thing I've seen lately that I love, is when there's a ground rule that says you know, when you're asking a question, you have to ask a question, because I think we've all experienced the people who get up there in front of the mike and start to pontificate, there's no question, they're just there to spew in their own point of view and so they, you know, I guess my answer would be do what Bob suggested or hope that the conference organizers have helped to create the kind of environment that doesn't allow that kind of thing to happen very often and that they're trying to help you control that but you know, other than that I'm not sure I have any other wisdom.

Gerard Eldering: Let me go to another area on this, all of you have talked about ways that we connect with these investors and one thing I recommend to entrepreneurs, especially young and aspiring entrepreneurs is to try to build up relationships and credibility with potential investors and venture capitalists, you know, well in advance. Do you guys have suggestions on how people can do that, I mean, is that effective and any particular techniques for trying to start to build those relationships very early?

Kef Kasdin: Yes, sure. So what I've seen done is if you've got your list of the target VCs you really want to make sure you get in front of and you find out that, you know, venture capitalist A is going to be at this particular conference that you're going to be at, you're going to present, you know, shoot them an email say, see, you know, we're both going to be at this conference or maybe you don't know but you assume that they're going to be at that conference because it's a good target for them, you know, would love to, you know, grab a cup of coffee with you, you know, I'm presenting at such and such a time, I mean, you could do it that way and try to at least get on their radar screen and I've seen that done very effectively so schedule meetings around conferences, understand that the real reason why people go to these conferences is not necessarily to hear the pitches but to network in the hallways and play into that and say, alright, great, you know, I'm going to here, you know, let's find each other or let's set a time during this break where, you know, I'm going to in touch at such and such place, I'd love to meet you, you know, text them ahead of time, don't become too much of a pest but I think that there are some ways to kind of prime the pump and make sure that you're going to be able to productively use that time when you go to those events. So that was my suggestion.

Gerard Eldering: Bob, anything to add?

Robert Okabe: Yeah, I think the best time to build up a relationship is when you're not asking for money so, e.g., if you're at the angel round, start talking to VCs and say, you know, I'm in this business where you got this technology, this is our market opportunity, we're not ready for you yet, what are the things that you'll be looking for when we start to seek venture capital a year from now, year and a half from now and most venture capitalists are very willing to share what their perspectives are, you know, they want to help entrepreneurs, it's not just about making money, these are the types of people they engage with every day, they're supportive of the entrepreneurial community so if you're asking a year in advance, say, you know, we think we'll be ready for you in a year, what are you looking for, what kind of milestone should we reach and engage when you're not asking for money, you start to build that dialogue and then when that entrepreneur or that scientist comes back a year later or a year and a half later, it's hey, this isn't a cold call, I've been thoughtful, I'm prepared and I fit your criteria and I think that goes a long way toward making it easier to raise money when the time comes.

Gerard Eldering: Right, absolutely and Bob, I've also seen people who have an expertise, you know, network and kind of offer their expertise to investors or venture capitalist, you know, say they're an expert in green energy and kind of say hey, you know, anytime you have questions on that, let me know and I think sometimes that's been effective at building a long term relationship long before you're going to go to them to try to raise capital.

Robert Okabe: Yeah, and exactly, it's all part of building the relationship when you're not asking for something.

Gerard Eldering: Yep, okay. And Kef, let me go back to something you said and I'm not sure if we covered this in our funding session but regardless, I'd like to bring it up again. One of the challenges I find with the VC firms is that to really get them interested, you got to hit the right firm at the right time, and there seems to be a couple of issues. You need a firm that's looking for that technology and from what I understand that can vary at times. A firm might be looking to fill a gap in cloud computing right now but not another in other areas that they normally would invest in. You need to get them when they're going to invest at the right stage right, and if it's a seed round investment, they have to be ready to do seed round and that's often doesn't seem to be very clear, clearly advertised and then there's also a timing issue with the fund's cycle, from my experience, where, if they're towards the end of their investment cycle on a particular fund, they're probably not going be as likely to do a new investment. So one of my struggles that I've seen in the process is figuring all that out before you go out and get them so, do you have the magic solution to that?

Kef Kasdin: I wish it did, probably the easiest of those to track down is, are they in the right place and there, you know, in their fund, so one of the targeting techniques to use is, you know, who's announced that they've raised a new fund. Unfortunately, they aren't as many of those these days but there're some or you know, who raised a fairly big fund in 2008. They probably still have some money to invest, you know, if they're raised their last fund, you know, five years ago, maybe not so much, so look at that and those do tend to make news so you can track that down by just doing some searches. You know, whether someone's really right for your particular technology at this particular time, that's really hard. I'd go back to saying, be referred in by someone and one of the ways to leverage those referrals, those service providers, you know, those intermediaries is let them have, you know, pick their brains for insights on who's at the right stage, you know, and is interested in my area, right now. So, you know, these intermediaries, the lawyers, the accountants, etc., they might not – they have other interactions with these firms,

they know what other deals they've done recently, they might not be able to tell you the details of that because that's confidential but they may be able to steer you in the right direction and say, you know, I think this fund is, you know, not really in the right space for you but this one might be, based on what I've seen them do recently. So that might be an approach but it's sometimes it's tough and it's going to be some trial and error where you try to reach out to folks and hopefully they tell you no, sorry, this is really just not a fit for us right now and, you know, unfortunately, we tried to a very good job of following up with companies who contact us, regardless of whether we're interested or not. I know others may be quite not so prompt so sometimes you'll reach out to someone and you won't hear anything. Generally, you won't hear anything and the answer's no so, you know, I sometimes you just have to do that. It's still a loss of large numbers, you'll have to reach a lot of people before you get a few hits but my advice is don't do a blast to everybody all at once, pick a few that you think are the target, learn from that, then do the next chunk and so on.

Gerard Eldering: If they're not getting back to you, one possibility is, it's just the wrong time, wrong match for them, there was nothing inherently wrong with your pitch.

Kef Kasdin: Exactly, exactly.

Gerard Eldering: Okay, great, great. Well, thanks, Kef. We're about out of time today so we're going to wrap it up. I want to thank our panelists for their time, insights, information. I think it was a great overview, great advice for anybody going to pitch for investment and some general advice for pitching, for all sorts of purposes. Again, I'd like to thank our audience members for participating in the program today. We've got a great final session in the series planned for next week. We're going to provide a recap of the entire program and then focus our talk on impacts and outcomes. We'll talk about things ranging from the economic or financial outcomes, that is exits, acquisition of the start ups, even IPOs and a lot of issues that come up around that and also talk on a little more of a policy level about the overall economic impacts. What are some of the numbers? What's some of the history and some of the implications for university start ups so, we're looking forward to having all of you join us for that final session. Thank you very much.

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