

Frequently Asked Questions About Raising Investment Capital©

What Is Investment Capital?

Investment capital is money investors, such as venture capitalists and/or business angels, provide companies to help grow or expand their firms.

How Will Investment Capital Help My Company?

The money can be used to finance the startup of a new company, finance the development of a proposed new product, finance the commercialization of a consumer tested product and finance the acquisition of an existing business.

What Does An Investor Want for Providing the Money?

Investors are looking for two things: (1) a partnership in your company as active shareholders and (2) a high rate of return on the money invested in your company. Over a three to five year time period, investors work with a company's management to increase value in the business (i.e., capture market share, generate consistent revenues, control and/or reduce operating costs and earn profits). Afterwards, investors seek to leave the partnership and earn the high rate of return on the investment capital through three possible exit outcomes: the company merging with another firm, the company being acquired by a competitor or the company going public through an initial public offering (IPO).

What Percentage of My Company Must I Give Up to Gain Investment Capital?

Typically, investors seek between 30 to 40 percent of the company. Investors are not interested in possessing a majority stake in a company. Investors, in fact, prefer that the existing management own the largest share as an incentive to continue growing the company.

What Do Investors Look For In A Potential Investment Target?

Investors are usually interested in businesses that boast a combination of the following:

- Seasoned management team possessing the skills, knowledge, energy, creativity and persistency to move a product idea successfully from the lab/office suite into the competitive commercial marketplace.
- Unique product that is consumer tested, highly advanced, difficult to replicate patent protected. And, the product meets an existing consumer need/demand.
- Targeted market size experiencing at least \$500 million in annual sales and experiencing a double digit growth rate.
- Comprehensive business plan outlining how the company intends to enter the market with its innovative product, explaining the company's competitive advantages, articulating the company's management structure and operations strategy and presenting realistic financial projects that show when the company expects to both break-even and earn a profit.

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What Must My Company Do To Attract The Attention of Investors?

To attract the attention of investors, your company needs to develop effective business presentation materials. Specifically, the materials should include a 20 to 25 page business plan, a two page executive summary from the business plan and a 10 to 12 slide PowerPoint presentation.

Next the company needs to search and find investors, such as venture capitalists, business angels or small business investment companies (SBICs), interested in funding companies like yours. Finally, the company must use the investors' submission process, which is usually their website, to submit the two page business plan executive summary.

The company can also use a business reference, such an accountant, a lawyer and/or a business advisor, to submit the business plan executive summary to targeted investors.

What Type of Capital Investors Are Available?

There are the four types of capital investors available to small businesses:

- *Venture Capitalists*- Private firms that raise money to invest in small businesses.
- *Business Angels*- Wealthy individuals using their own money to invest in small businesses, especially start-up firms.
- *Corporate Venture Capitalists*- Subsidiaries of large corporations that invest in small businesses as potential strategic partners or acquisition targets.
- *Small Business Investment Companies* - Private venture capital firms and/or banks using funds from the US Small Business Administration to invest in small businesses. NOTE: SBICs offer both capital investments and loans.

Are SBIR Awarded Firms Good Investment Candidates?

SBIR awarded firms are excellent candidates for private sector capital investments. With seed capital provided by the US government for proof-of-concept and product prototype development, investors view SBIR awarded firms as prospective applicants to receive early stage investment funding.

The early stage round of funding enables a SBIR awarded firm to strengthen its organizational capacity, initiate and implement its full-scale product production process, and develop solidify and launch its marketing strategy.

Do You Have Questions About Raising Investment Capital?

Well, submit your questions to us and let us provide the answers for *free*. Go to the bottom of the **Information** webpage, at www.eightenventures.com, and submit your questions.