

The Venture Capital Checklist

Or

(“The Simple Yet Critical Questions You Must Be Able to Answer BEFORE talking with Venture Capitalists”)

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The Venture Capital Checklist

Right...so...this was supposed to be a quick one page checklist of all the things Venture Capital Companies look at before putting their shareholders hard earned cash into a company and what can I say...it...sort of...morphed, (and you should have seen the list before I got crazy with the editing....) but once you really start to consider the areas an entrepreneur must be able to cover...there are literally hundred of questions, and although they seem simple, they need to be answered correctly – no, every single one needs to be completely knocked OUT OF THE PARK.

This is a great list of questions you should have the answers for if you are looking to get funding for your business...and I've added some commentary to help you consider what you are really being asked. In terms of knocking them out of the park – knowing how to do that comes with experience or just downright luck...

Its true that Venture Capitalists may not ask these exact questions, but I can almost guarantee that by being prepared to answer these questions, you'll be much closer to gaining the benefits of becoming a portfolio company – namely cash, the network and some smart folks who want you and your business to succeed and to help you take your business to the next level...

So – again, this checklist is will not cover EVERY question you will get asked – but it's how I would structure my thinking when getting ready to talk with Venture Capitalists - and if you can completely blow these questions away then you'll be much closer to your goal...and as an aside - you should know the answers to these questions anyway...

The Company

What is your company's mission? (**How will you change the world?**)

**** Go Crazy here...seriously consider the ultimate vision of what your business can become – Don't pull back because you're concerned about being considered crazy – Venture Capitalists like crazy, they invested in companies who have literally changed the world – having a BIG vision is not a bad thing!**

What is your legal structure? (LLC / C Corp / S Corp / Other)

What are the products or services your company delivers?

**** Again, don't just answer with your current product or service – take them through what products or services you deliver today and what your roadmap looks like. What will you sell next year? Or the year after? How will your products and services create an evolution within the market?**

What problem or pain does your products or services solve or resolve (if any)?

**** Know your customer – take the VC through the pain or problems your customers experience – get customer testimonials, focus group insights, data, and better QUANTIFY the pain – show the financial impact of the problem your product resolves**

Who experiences this pain or problem?

How has the company funded its development so far?



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The Market

How does your company make money?

What is the value chain in the market? (**Distributors / Suppliers / other key decision makers?**)

How large is the market? How could it be made larger? (**Think BIG! Think EXPANSIVELY!**)

What are the market trends over the next 3 to 5 years?

Who are the target customers? (**Think BIG!**)

How do you reach out and get customers? How will you do this over and over again?

What prices do you charge? What price do your competitors charge?

What are your competitive advantages? (**Why are you better than your competition?**)

How do you meet your ideal customers needs better than your competitors?

What are the barriers to stop new competitors entering your market?



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The Team

Who owns the company?

How is your company shared between the various shareholders now and in the future?

Who are the key team members and what functions do they perform?

Who manages the Sales / Marketing / Operations / Production / Administration / Finance?

What experience do your team members have?

What gaps do you have in the team and what steps are you taking to fill them?

**** Be honest and make sure you have a plan for filling these gaps. Don't try to wing this one....**

How critical are these roles now and over the next 1, 2 and 3 years?



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The Operations

How are your products or services delivered?

How long does it take to create and deliver your products or services?

How much do they cost to deliver?

What intellectual property is owned by your company?

**** What are the Venture Capitalists actually investing in? How are their investments protected? Does the company own the intellectual property it uses?**

How do you protect your intellectual property?

Do you have competitive advantages within your operations?

Are there any members of the team critical to producing the products or services?

**** If there are, what happens if they leave the company? How will you ensure knowledge trans**

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The Finances

How much will the company make in the next 1, 2 and 3 years conservatively?

How much will the company spend in the next 1, 2 and 3 years conservatively?

Of the money spent, how much will be invested in set up costs, developing intellectual property and other forms of investment versus just keeping the business running?

How much money are you looking to raise this round?

What are you offering for this investment? i.e.....

- Types and quantity of shares
- % of equity
- Pre- & post-investment



This Checklist...

There are literally hundreds of questions you could get asked when going through the Venture Capital Fund Raising Process but the pages you have just read cover many of the key areas you need to be able to answer (and answer well....) before you spend time trying to secure significant investment dollars from Venture Capitalists.

Actually, you should be able to answer these questions if you are going to speak to ANY investors and as they are not the toughest questions in the world – you really should know the answers for yourself and your business.

As you may already know, I have spent months putting together The Venture Capital Boot Camp to help people who are looking to raise significant amounts of money for their businesses – in this tough economic climate you may be thinking that all the investors have buried themselves in bunkers somewhere and will not be seen or heard from until the economy is steadily climbing once again.

This is NOT entirely true. Its just much tougher to convince them to invest – that's why I've invested so much of my time creating the Venture Capital Boot Camp – to help Entrepreneurs prepare and be ready to go through this rigorous process. This is one time when being prepared can mean the difference between success and failure.

Interested in finding out more...?

The Venture Capital Boot Camp Will be launched Early 2010

Sign up to be notified just before we launch...

...to ensure we deliver a great product

numbers will be limited

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