Funding Sources
Before you can get funded, you have to know where to look.

Before you know where to look, you need to understand what you are.
Entrepreneurship comes in many types

<table>
<thead>
<tr>
<th>SOCIAL VENTURE COMPANY</th>
<th>NORMAL GROWTH COMPANY</th>
<th>HIGH GROWTH COMPANY</th>
<th>EXTREME HIGH GROWTH COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Goal is to fulfill a social need</td>
<td>• Includes all service businesses</td>
<td>• Company can grow fast (on-line) or has a scalable system</td>
<td>• Growth profile ultra-scalable</td>
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<tr>
<td>• Has mission orientation</td>
<td>• Exploiting a local market need</td>
<td>• Team often motivated by exit</td>
<td>• Team focus is exit</td>
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<tr>
<td>• Team needs to support mission</td>
<td>• Team has ‘great jobs’</td>
<td>• $7-10M revenue in 5 yrs &amp; market size allows significant additional growth</td>
<td>• Revenue $40M+ with lots of room for growth (5 yr.)</td>
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<td>• Growth profile often one resource at a time</td>
<td>• Growth by adding resources one by one</td>
<td>• Exit will be based on value of cash flow (mature biz.)</td>
<td>• Based on $20M+ investment</td>
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<td>• Exit …much harder to find fit</td>
<td>• Exit will be based on value of cash flow (mature biz.)</td>
<td>• Exit by M&amp;A</td>
<td>• Exit targeted to IPO or by ‘large’ M&amp;A event</td>
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- Social Venture Company
  - Includes all service businesses
  - Exploiting a local market need
  - Team has ‘great jobs’
  - Growth by adding resources one by one
  - Exit will be based on value of cash flow (mature biz.)

- Normal Growth Company
  - Includes all service businesses
  - Exploiting a local market need
  - Team has ‘great jobs’
  - Growth by adding resources one by one
  - Exit will be based on value of cash flow (mature biz.)

- High Growth Company
  - Company can grow fast (on-line) or has a scalable system
  - Team often motivated by exit
  - $7-10M revenue in 5 yrs & market size allows significant additional growth
  - Capital efficient total investment $2-4M
  - Exit by M&A

- Extreme High Growth Company
  - Growth profile ultra-scalable
  - Team focus is exit
  - Revenue $40M+ with lots of room for growth (5 yr.)
  - Based on $20M+ investment
  - Exit targeted to IPO or by ‘large’ M&A event
What Type of Company Are You?

• In many cases the nature of the business decides the type of company …

• In others, changing how you bring the product to market can really affect the cost of scaling and the funding requirements
  • Example: license new battery technology to existing players vs build a battery company with outsource manufacturing or build a manufacturer

• Every company’s financing path is unique

• Funding comes in distinct flavors; all financial partners are specialists
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<td>Friends, family, founders</td>
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<tr>
<td>Debt, Bank, and other</td>
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<td>(Future) Crowd funding (portal style)</td>
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<td>Angel List</td>
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<td>Micro-cap Funds</td>
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<td>Increasingly Strategic Corporate VCs</td>
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Early on
- Accelerators
- Individual Angels
- Micro Cap VCs
- Seed from VC

Later stages
- Venture Funds
- Strategic VCs
- Angel Syndication
Debt Capital

– Funding based on a set schedule of principal and interest payments that provide a fixed return for the lender. Availability may be based on asset value or cash flow or personal guarantee

– Sources:
  • Personal Loans – Friends/Family
  • Bank Loans
  • SBA Loans
  • Expect debt classes from Jobs Bill crowd funding portals
  • Credit Cards
Equity Capital: Shared Upside (VC / Angels)

• Requires an exit:
  – IPO & Private Equity
  – M&A (most)

• VCs invest other people’s money
  – Returns are measured on a per fund basis
  – Focus find the best & adding resources to aid success
  – ~$26.5B annually, ~ 3,700 new investments 2012

• Angels invest own money
  – Prefer capital efficient / early exit opportunities
  – ~$23B annually, ~ 67,000 new investments 2012
  – 26 New England
Alternative Sources of Capital

• Business Plan Competitions and Accelerators
  • Many firms gain enough for some product completion

• Revenue – Best of all (Bootstrapping)
  • Revenue history opens more fundraising opportunities
  • Pre-payments, etc.

• Vendors, partners and customers
  • Including NRE to build joint product
  • Great source of quick capital for marketing or sales collaboration

• SBIR Grants
  • ~$2 Billion department specific funding
  • 2 or 3 ‘research’ calls from each department each year, must be used for research … then you commercialize with other funding

• Other government funding
  • i.e. Mass Life Science & Sustainable Energy, Mass Growth Capital –loans or convertible notes
Capital Sources: Size & Cost

- Traditional VC
- Micro VC
- Angel List, etc
- Angel Groups
- Corporate / Strategic Venture
- Jobs Bill Portal
- Venture Debt
- Equipment Financing
- Vendors
- Customers
- Grants
- Personal Loans
- Friends & Family
- Founder
- Crowdfunding: etc.
- Accelerators & Contests
- B’Plan Competition
- Jobs Bill Portal
- Venture Debt
- Equipment Financing
- Vendors
- Customers
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- Personal Loans
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