

EQUITY FUNDING SELF-EVALUATION CHECKLIST

Venture Capitalists, Angel Investors, and any groups that explore equity investments are faced with challenges in the selection of worthy business concepts. Many are gun-shy when assessing hi-tech companies after the poor showing in the stock market over the past several years. However, investments are still being made, but the bar has been raised. Fewer “deals” are funded now. And, the ones that are funded are well-prepared when they approach investors. The following questionnaire will help you determine your readiness.

Let’s start with an “acid test” . . .

Would **YOU** lend money to your business concept?

HOW MUCH would you put into it?

WHAT WOULD YOU EXPECT IN RETURN (equity, control, etc.) to cover your risk?

Consider the following before approaching investors!

Source and Status of the idea / concept: (check all that apply)

- My personal idea / hunch
- Extensive knowledge and/or research
- I know the person who has the idea
- Other _____

- I have No Direct Indirect experience in this product/service area
- I have Idea only Draft Business Plan Complete Business Plan
- Cash Flow Projections Marketing Plan Exit Strategy
- I have Patent Copyright Working Model Revenues from Sales

Concept is:

- Merely an Idea
- Pre start-up (start-up plan in place, some infrastructure, etc.)
- Start-up (early stage, staff and infrastructure in place, at beta test and/or selling product)
- 1 to 3 years in business (revenues and profits below projections)
- 1 to 3 years in business (revenues and profits at, or above, projections)
- Established company (3+ years in business) – never had equity investment
- Established company (3+ years in business) – had equity investment in the past

Knowledge or experience with Equity Investment:

- None
- Was an owner/officer of a firm that obtained equity investment Succeeded Failed
- Am an officer of a firm that obtained equity funding Successful Failing
- Obtained equity funding for the firm I now own Successful Failing
- Have successfully completed an exit strategy for a firm that had equity investment

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Advisory Board: A well-structured advisory board adds credibility to your business concept

- I do not have an advisory board
- I have a partial advisory board in place (list functional expertise)
- I have a comprehensive advisory board in place (list functional expertise)

Legal Protection:

- My product/service is covered by a: [] Patent [] Copyright [] Trade Secret
- My patent is Provisional - - term expires _____
- I have a: Use Design Software Patent - - it expires _____
- I have explored legal protection with a patent attorney
- I have retained a business/patent attorney

Exit Strategy:

- My Exit Strategy is in process
- I have considered all appropriate exit strategies (i.e. IPO, sale, employee buyout, mergers)
- I need assistance selecting an exit strategy

Risks:

- I have identified all likely risks associated with my business concept
- I am convinced the potential success of my concept outweighs the risks
- I have developed contingency plans to combat the apparent risks

Cash Flow Projections:

- I need assistance to develop projections
- I have incomplete projections
- I have comprehensive projections, with assumption statements, for years 1 through 5

The RIGHT STUFF:

- I can show that my concept/technology works
- My concept is evolutionary My concept is revolutionary
- I can present my concept enthusiastically, with passion and “fire in my belly”!
- I can show that this is the right time to invest in this concept
- All members of my team can describe the concept the same way
- I / we have an effective 2-minute elevator speech for our product / service
- I can show that my concept is “scalable”
- I can clearly state why someone should invest in my concept
- I have determined how much equity I must surrender to attract investors

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Investment to date:

____ Personal funds invested to date (\$ _____) Committed in future (\$ _____)
 ____ Personal time invested to date (months / years: _____)

		<u>\$ Amount</u>	<u>% Equity</u>
____ Investment sources:	Family	_____	_____
	Friends	_____	_____
	Partners	_____	_____
	Angel Investors	_____	_____
	Venture Capital	_____	_____
	Other: _____	_____	_____

____ Have been seeking equity funding since: (month / year _____)
 ____ Have strategic partners ____ Seeking strategic partners ____ None desired

Market Research to Date:

____ I have direct personal experience in this field (considered an expert? [] Yes [] No)
 ____ I have indirect experience in this field (explain: _____)
 ____ Personal market research: describe _____

____ Have conducted own market analysis: [] with surveys [] without surveys [] focus groups
 ____ Have hired a market research firm to conduct a formal market analysis
 ____ Have conducted market research through a trade association
 ____ Other: describe _____

Marketing Strategy:

____ I know my target markets, their size, growth rates, and market trends [] Yes [] No
 ____ I know my competitors, their niches, their trends, their reputations [] Yes [] No
 ____ My product/service is well-positioned in the market based on my research [] Yes [] No
 ____ My pricing model indicates market acceptability and significant profitability [] Yes [] No
 ____ Distribution channels are established and can support forecasted volume [] Yes [] No
 ____ I have identified a "corporate identity" and have a trademark [] Yes [] No
 ____ I have identified appropriate promotional media [] Yes [] No
 ____ I have a website and am prepared to conduct e-commerce [] Yes [] No
 ____ I have established effective customer service policies and procedures [] Yes [] No
 ____ I have contingency sales plans to allow for market demand shifts [] Yes [] No
 ____ I know the barriers to entry in my markets – and they support my concept [] Yes [] No
 ____ I have a realistic estimate of potential market share for my product [] Yes [] No

Management:

____ None ____ Some ____ All functional managers have been identified
 ____ None ____ Some ____ All functional managers have committed to join the business
 List Titles: _____