



**FINANCING
FARM
TO
FORK
CONFERENCE**

*March 17, 2011
UIC Forum, Chicago*

YOUR HOSTS FOR THIS 3 HOUR (OR SO) CRUISE ...

- **Successful consumer products investor and executive ... melds experience of Fortune 100 executive with passion and resourcefulness of entrepreneur**
- **Managing Partner, 2x Consumer Products Growth Partners (2xPartners.com)**
 - » Growth capital exclusively to emerging branded consumer products companies (Focus areas include food, beverage, personal care, home care and pet care – particularly in the organic/natural, specialty/gourmet and ethnic sectors. Businesses are primarily within the \$1-15 million revenue range. Sorry no pre-revenue ever.)

INVESTOR & PARTNER

Since 2001

INDUSTRY OPERATOR

General Foods and Kraft

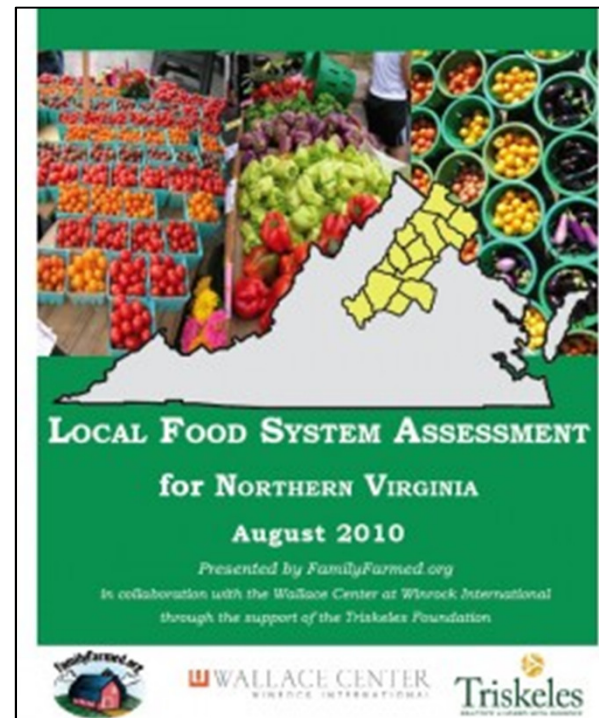
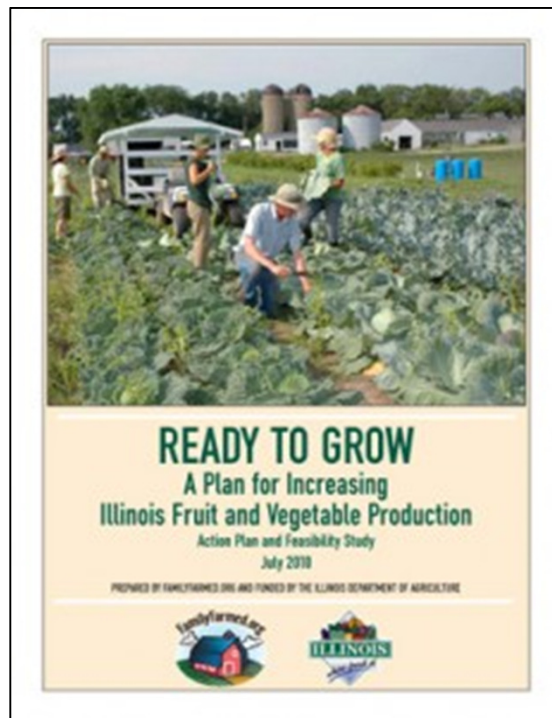
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*Prior functional background
in marketing, sales, operations
planning and corporate
development/M&A*



YOUR HOSTS FOR THIS 3 HOUR (OR SO) CRUISE ...

- **Career in marketing at Y&R, Leo Burnett and Kraft Foods**
- **Now Principal at New Venture Advisors, a consulting firm for new businesses**
 - » Feasibility assessment, business planning, strategy, marketing
- **Partnership with FamilyFarmed.org with focus on social venture business development**



QUICK POLL ...

- **Have you raised capital before?**
 - » From Angels?
 - » From Institutions?
 - » Debt?
 - » Equity?

- **Are you currently raising capital?**

- **Are you planning to raise capital in the next 12 months?**

■ Your Financing Strategy

- » Spectrum of Financing Options
- » Using Cash Forecasts To Determine Financing Needs

■ Finding Financing Sources

- » Traditional Sources
- » Non-Traditional Sources (*joined by Suzanne Keers & Marc Lane*)
- » Where Did You Succeed / Where Should You Look?

■ Telling Your Story

- » 10 Elements of Effective Stories
- » 5 Ways You'll Tell It
- » 10 Reasons Investors Pass ... And, Ways To Enhance Odds Of Raising Capital

GENERALLY, GROWTH REQUIRES CAPITAL ...

Operational

- Management
- Sales and Distribution
- Support and Service
- Administration

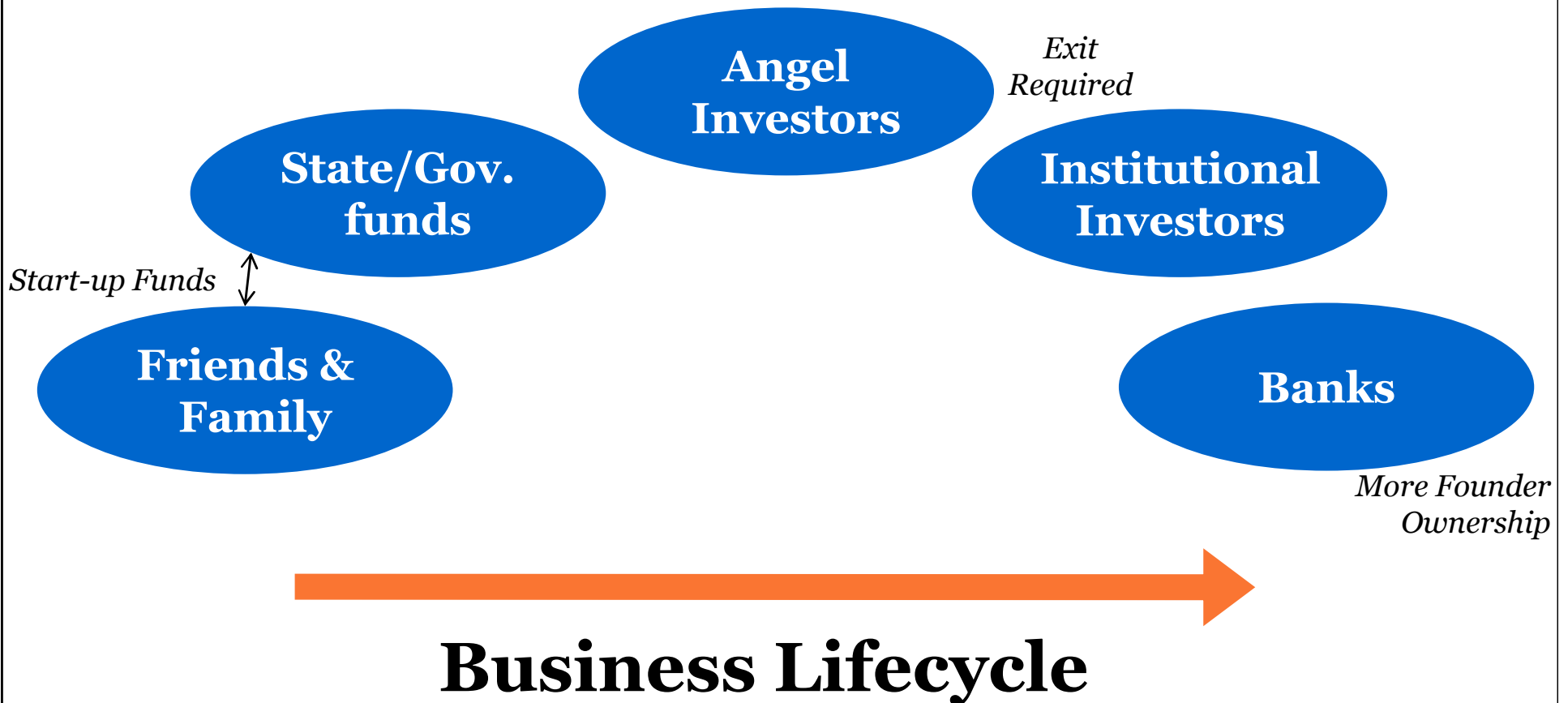
Working Capital

- Accounts Receivables
- Inventory

Capital Expenditure

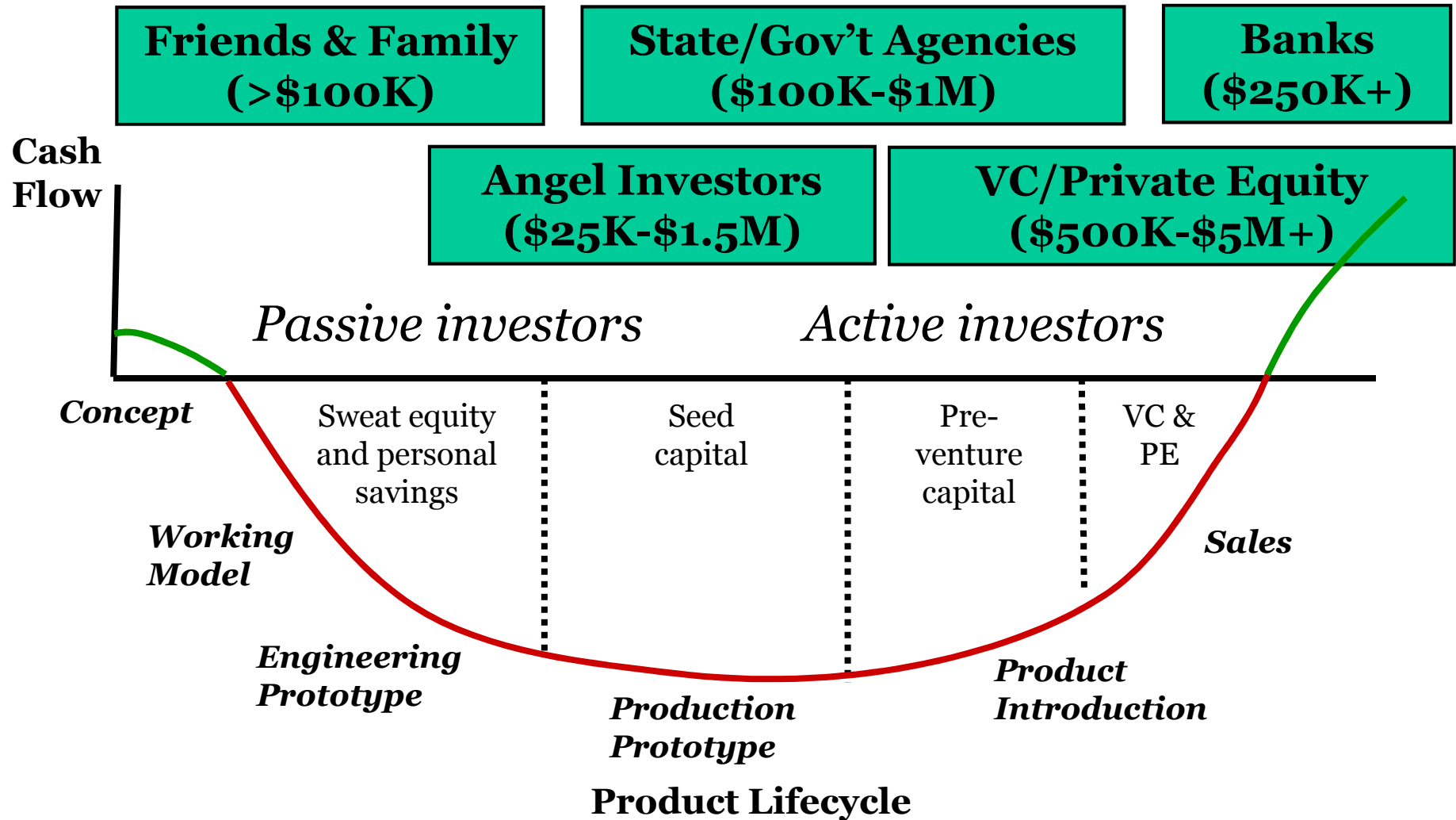
- Technology
- Equipment
- Leasehold Improvements

... AND, DIFFERENT STAGES LEAD TO DIFFERENT NEEDS & AVAILABLE FUNDING SOURCES.



Spectrum of Financing Options

DEBT AND EQUITY ARE AVAILABLE AT DIFFERENT STAGES.



START WITH BUSINESS CASH NEEDS VS. WHAT CASH YOU HAVE OR CAN RAISE.

- **Why do decent businesses fail?**
 - » Run out of cash.

- **P&Ls are nice ... but cash is king.**

- **What's the difference?**

P&L VS. CASH.

- **Would you like to start & own this business?**

**NEVER
LOOK
ANNUALLY**

	2011	2012
	<u>FY</u>	<u>FY</u>
Revenue	\$ 2,400	\$ 4,400
Cost of Goods Sold	\$ 1,760	\$ 7,920
Gross Profit	\$ 640	\$ 6,480
Gross Margin %	40%	45%
Sales		\$ 1,440
Marketing		\$ 2,160
G&A	\$ 650	\$ 2,160
Net Profit	\$ (163)	\$ 720
Net Margin %	-5%	5%

Determining Financing Needs

P&L VS. CASH.

- Would you like to start & own this business? First year ...

Financing Farm-To-Fork Inc.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	FY	
Revenue	\$ -	\$ -	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 90	\$ 90	\$ 90	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 60	\$ 60	\$ 60	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	\$ 1,300
Gross Margin %	#DIV/0!	#DIV/0!	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 80	\$ 90	\$ 100	\$ 110	\$ 110	\$ 650
Net Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10)	\$ (13)	\$ -	\$ (20)	\$ (23)	\$ (25)	\$ (28)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%



**P&Ls
DON'T
REALLY
MATTER**

P&L VS. CASH.

- Let's convert revenue to cash ...

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
REVENUE BUILD													
2% Cash Disct			\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 8	\$ 9	\$ 10	\$ 11	\$ 65
Bad Debt						\$ 100							\$ 100
Returns										\$ 35			\$ 35
Discounts			\$ 5	\$ 8	\$ 10	\$ 25	\$ 15	\$ 18	\$ 20	\$ 23	\$ 25	\$ 28	\$ 175
Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875
Cash Received													\$ 93

P&L VS. CASH.

- Let's convert revenue to cash ...

Financing Farm-To-Fork Inc.													
	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
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Bad Debt						\$ 100							\$ 100
Returns										\$ 35			\$ 35
Discounts			\$ 5	\$ 8	\$ 10	\$ 25	\$ 15	\$ 18	\$ 20	\$ 23	\$ 25	\$ 28	\$ 175
Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899

P&L VS. CASH.

- Let's examine cash impact of COGS ...

Financing Farm-To-Fork Inc.													
	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
COGS DRILL DOWN													
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500

P&L VS. CASH.

■ Let's examine cash impact of SG&A ...

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Total SG&A	\$ -	\$ -	\$ 45	\$ 68	\$ 90	\$ 113	\$ 135	\$ 158	\$ 180	\$ 203	\$ 225	\$ 248	\$ 1,463

CASH MODEL													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ 115	\$ 115	\$ 115	\$ 123	\$ 130	\$ 113	\$ 120	\$ 128	\$ 155	\$ 163	\$ 170	\$ 178	\$ 1,623

Note: Do by employee and expense line item.

P&L VS. CASH.

■ Let's examine cash impact of 2011 ...

Financing Farm-To-Fork Inc.

	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	\$ 1,300
Gross Margin %	#DIV/0!	#DIV/0!	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Net Profit	\$ -	\$ -	\$ (5)	\$ (8)	\$ (10)	\$ (13)	\$ (15)	\$ (18)	\$ (20)	\$ (23)	\$ (25)	\$ (28)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%

CASH MODEL

	Jan '11	Feb '11	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11	Oct '11	Nov '11	Dec '11	2011
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ (115)	\$ (615)	\$ (115)	\$ (123)	\$ (37)	\$ (473)	\$ 66	\$ 93	\$ (476)	\$ 163	\$ 202	\$ (794)	\$ (2,224)

P&L VS. CASH.

Remember ...

- **It takes several times as long as you think!**
- **It costs several times more than you think!**

■ Your Financing Strategy

- » Spectrum of Financing Options
- » Using Cash Forecasts To Determine Financing Needs

■ Finding Financing Sources

- » Traditional Sources
- » Non-Traditional Sources (*joined by Suzanne Keers & Marc Lane*)
- » Where Did You Succeed / Where Should You Look?

■ Telling Your Story

- » 10 Elements of Effective Stories
- » 5 Ways You'll Tell It
- » 10 Reasons Investors Pass ... And, Ways To Enhance Odds Of Raising Capital

UNDERSTAND WHAT YOU'RE LOOKING FOR BEFORE YOU START LOOKING.

■ **Passive Financing – Debt or Equity**

- » Just Money
- » Absolutely Nothing Wrong With This

■ **Partner Oriented Investor – Almost Always Equity**

- » “Value Added Capital”

■ **Activist Investor – Definitely Equity**

- » Often “Runs” the Company or Leads Direction
- » E.g. Carl Icahn

TRADITIONAL SOURCES: INVESTORS.

■ Are you ready?

- » Can you provide a 10x return in 5 years?
- » Can you grow the business ten fold in 5 years?
- » Are you willing to give up 25% -50% of the ownership of the company?
- » Are you willing to have external parties involved in decisions?
- » Do you have professional advisors (especially relevant legal advice)?

■ Do your homework.

- » Review the existing portfolio of the potential investor
 - Size of deal? Type of business?
- » Talk to people who have received funding or know the firm
 - What do they expect? Management style?
- » Which professional advisors are connected to the firm and the portfolio companies? Possible introduction through these people.

TRADITIONAL SOURCES: INVESTORS.

■ Resources

- » Check out *New Equity Business* www.NewEquityBusiness.com
- » List with *Funding Post* www.FundingPost.com
- » See Resources at *2x Partners* site www.2xPartners.com
(updated list coming – email cfriend@2xPartners.com)
- » Visit *Angel Capital Association* www.AngelCapitalAssociation.org

TRADITIONAL SOURCES: LENDERS.

■ Are you ready?

- » Do you have enough cash flow to cover the debt payments (even if/when things don't go according to plan)?
- » Do you have collateral to pledge?
- » Are you willing to personally guarantee a loan?
- » Are you looking for a line of credit or a term loan? (Do you understand the difference?)

■ Do your homework.

- » Which banks are SBA Preferred lenders?
- » Is there a local community bank that is aggressive on small business loans?
- » Talk to others who have worked with a particular bank before

NON-TRADITIONAL SOURCES.

■ Impact Investors

- » List is increasing rapidly but many different varieties
- » Questions to ask (expect answers to be all over the board):
 - Do they fund non-profits, for-profits or both?
 - Size of the typical investment?
 - Do they invest in your industry?
 - What are their return expectations?
- » Be prepared to discuss what returns are you giving to society?

- » Partial list of those interested in food systems:
 - Calvert Investments
 - Investors Circle
 - PVGrows
 - RSF Social Finance
 - The Carrot Project

SPECIAL GUEST.

Marc Lane

- **Business and tax attorney and financial advisor to entrepreneurs**
- **Teaches law at Northwestern University School of Law**
- **Drafted Illinois' Low-Profit Limited Liability Company (L3C) law**
- **Author of 34 books including *Social Enterprise: Empowering Mission-Driven Entrepreneurs* (American Bar Association, 2011)**

MARC J. LANE

WEALTH
GROUP

PROTECTING TODAY'S WEALTH. BUILDING TOMORROW'S.®

PROGRAM-RELATED INVESTMENTS (PRIs).

- **High risk**
- **“Charitable”**
- **Income production or property appreciation not a significant purpose**
- **May not influence legislation, or support or oppose candidates for public office**

PRI_s COME IN MANY FLAVORS.

- **Interest-free or low-interest loans**
- **Leases**
- **Loan guarantees**
- **Equity investments**

PRI_s IN ACTION.

- **Low-interest loans to disadvantaged business owners**
- **Direct investment in businesses which create jobs**
- **Investments in land conservation or brownfields mitigation**
- **Investments in community development initiatives**
- **Investments in educational or workforce development training opportunities**
- **Investments in businesses that develop cutting-edge technology in rapidly changing environmental and health-related fields**
- **Development of new organic-farming processes***

THE LOW-PROFIT LIMITED LIABILITY COMPANY.

- **Limited liability**
- **Flow-through tax treatment**
- **Management flexibility**
- **Tracks PRI requirements**

A CASE STUDY.

- **MOOMilk Co., L3C**

SOCIAL IMPACT BONDS.

How Do They Work?

- **Allows government to encourage innovation without paying for unsuccessful social programs**
- **Government contracts with bond issuer, funded by private investors**
- **Bond issuer pays service provider**
- **Investors' return is based on hitting social performance targets**

SOCIAL IMPACT BONDS.

Benefits?

- **Improved performance**
- **Lower costs**
- **New solutions**
- **Rigorous impact evaluation**

For further information:

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www.MarcJLane.com

SPECIAL GUEST.

Suzanne Keers

- **Co-founder of Local First Chicago**

- » A not-for-profit organization formed to promote the economic and social benefits provided by locally owned and independent businesses

- **Principal, Main Street Innovations**

- **Focused on helping business owners grow and optimize their companies**

- **Industrial Engineer, UW – Madison**

- **MBA – University of Chicago**



ALTERNATIVE LOAN SOURCES.

- **Loan Funds – Chicago Community Loan Fund, Chicago Community Ventures**
- **Community Foundations – Program Related Investing Loans for mission based businesses.**
- **Micro Lenders – Accion Chicago, Duman Microenterprise Center**
- **Credit Unions – Geographic requirements**

NEW ALTERNATIVES.

- **Peer to Peer Lending – Prosper.com and Lending Club**
- **Community Supported Business – Customers pay in advance and receive your product later.**
- **Crowd Funding – all or nothing**
 - » Kickstarter – Funders pledge money and receive “rewards”. Chicago brew pub raised \$40K.
 - » Profounder – Funders receive a share of future revenue. BucketFeet was able to raise \$60k from 33 investors.
 - » Indie GoGo – Funders receive “perks” rather than profit. Seems more focused on the arts and pretty small amounts of money.



Pipeworks Brewing, Chicago - Small Batches, Big Beers!

Project by [Pipeworks](#)

[PROJECT HOME](#)[UPDATES 10](#)[BACKERS 492](#)[COMMENTS 47](#)

492

BACKERS

\$40,075

PLEGGED OF \$30,000 GOAL

0

SECONDS TO GO

FUNDING SUCCESSFUL

This project successfully raised its funding goal on January 1.



PLEDGE \$5 OR MORE

A snazzy Pipeworks Sticker mailed to you in an envelope! Feel free to put it on your bumper or in the stall of your favorite bar. (J/K we don't endorse vandalism)

SHARE THIS PROJECT WITH YOUR FRIENDS



We are artists with a dream. We aren't doing this project to become wildly rich (which brewers usually are not). We are doing this because we can't imagine doing anything else with our lives. We take this venture very seriously as both brewers and business savvy go getters. We understand that it is one thing to have a dream and another to have the pieces in place to execute it. Over the past two years of serious planning we are confident that we have both the brewing expertise and good business sense to not just reach for our dream but make it a success.



What are we doing?

- Opening a microbrewery in Chicago, IL

Pipeworks' ultimate goal is to stay true to our home-brewing roots by producing unique, small batch, handcrafted ales and lagers. Small batch brewing allows for more freedom to experiment, providing for an ever-evolving product range rather than a fixed seasonal schedule. Examples include the hefty barrel aged 13%ABV Imperial Stout "Abduction," previewed at Goose Island's Stout Fest 2010, and Pipeworks' unique take on an IPA "Glaucus," brewed with Belgian yeast, coriander, citrus peel, and Szechuan peppercorns.

42 BACKERS

PLEDGE \$100 OR MORE

The Sticker, Bottle Opener, "Pipe Brew Drink" T-shirt + Pipeworks Tasting Glass

53 BACKERS

PLEDGE \$250 OR MORE

Same as \$100 reward + a nifty Pipeworks Hat extra tasting glass and... YOUR INVITED TO THE BEST DINNER EVER! Hard to describe in words. Check out photos of our Earth Day Dinner with City Provisions to get a taste! www.facebook.com/pipeworks under our photo albums or click on the hyperlink under our links section at the bottom of this page. (If you can't make the dinner I'm sure we can find alternate ways to make you happy) [we're moving the Beer Dinner to the \$250 reward!] (if you've already chosen the other \$250 reward you can switch to this by clicking 'manage your pledge' or you can keep your original reward choice) + there's more... you'll get put on an exclusive 'Pipeworks Tasting Panel' list that invites you to the brewer to help us develop our beers. You can help us retool test batches and put in your valuable input, as well as coming in

COOPERATIVES.

■ **Consumer, Worker or Producer Cooperatives**

- » Member equity
- » Member loans
- » Non-voting private stock
- » Coop Loan Funds

- » Dill Pickle Food Coop

SO ... WHERE DID YOU FIND YOUR FINANCING?

- **Please have short answers (2-5 words!)**
- **Entrepreneur stories**
 - » Neil Balkcom
 - » Part-Owner & Head of Quality Control
Crop to Cup (Family Farmed Coffee)
 - »
 - »

■ Your Financing Strategy

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ALL HELPING PEOPLE TO “IMAGINE THE POSSIBILITIES”.

■ **Guy Kawasaki’s 10/20/30 Rule of Telling Your Story (Starting today with a presentation in mind)**

- » 10 slides
- » 20 minutes
- » No font smaller than **30 points**

■ **TEN Slides**

1. Problem
2. Your solution
3. Business model
4. Underlying magic, technology, unique selling proposition, etc.
5. Marketing and sales
6. Competition (e.g. features/benefits – comparison slide)
7. Team
8. Projections and milestones
9. Status and timeline
10. Summary and call to action

ALL HELPING PEOPLE TO “IMAGINE THE POSSIBILITIES”.

■ TWENTY Minutes

- » People arrive late, leave early
- » Typical 1 hour time slots, do 20 minute pitch, 20 minute discussion and assume the other 20 minutes evaporates

■ THIRTY Point Font

- » Headlines so you can tell story and audience won't read ahead of you.
- » If too dogmatic, find out age of oldest person and divide by two = optimal font size

ALL HELPING PEOPLE TO “IMAGINE THE POSSIBILITIES”.

■ 5 Ways You’ll Tell Your Story

1. Elevator Pitch

- Succinct – 30 seconds
- Easy to understand – grandmother test
- Contains 2 key elements
 - Pain statement: customer problem your venture solves
 - Value proposition: how your venture solves that problem
- Conveys the opportunity for investors – financial, social return

2. Executive Summary

- 1-2 pages
- Summarizes key elements of the business plan
- Gives investors a quick glimpse into your business

3. PPT Presentation

ALL HELPING PEOPLE TO “IMAGINE THE POSSIBILITIES”.

■ 5 Ways You’ll Tell Your Story (Continued)

4. Full Business Plan (Sometimes)
 - Sometimes Complete Narrative (.doc) and Sometimes More Bullets (.ppt)
 - Keep It Simple

5. Financial Model (Excel not PDF – People Want to See Assumptions)
 - Detailed Income Statement, Balance Sheet & Cash Flow Statements
 - Source & Uses
 - Key Ratios
 - Returns
 - Etc.

ALL HELPING PEOPLE TO “IMAGINE THE POSSIBILITIES”.

■ **Resources**

- » Lots of Good Web Resources and Books
- » Good Workshops (e.g. www.naturalconsulting.com/seminars)
- » Chicagoland Entrepreneurial Center
- » Get Help If You Need It (And, Might Cost A Few Dollars)

SO, WHY DID THEY SAY NO?



AND, WAYS TO ENHANCE THE ODDS OF RAISING CAPITAL:

1. Dazed and Confused

- » Too Hard To Follow
 - Tell Story Concisely
 - Be Compelling with Passion & Facts
 - 1-3 Page Exec Summary
 - 10-20 Slides
 - Bottoms Up Excel Model



10 Reasons Investors Pass ... And, Ways To Enhance The Odds of Raising Capital

By Andrew S. Whitman, Managing Partner – 2x Consumer Products Growth Partners
as presented at *Financing Your Natural/Specialty Products Company Workshop*
(www.npcinstitute.com/Financing%20seminar.htm) and *BevNet Live* (www.BevNetLive.com)

Entrepreneurs often ask why investors, and more specifically institutional investors like 2x Consumer Products Growth Partners, might choose not to invest in a given Company. While the answer is often "it depends", the following are 10 common reasons investors pass and ways to enhance the odds of securing the investment you seek:

1. Dazed and Confused A business plan consisting of 60 pages of repetitive and hard-to-follow narrative, a weak executive summary and confusing spreadsheets are unfortunately all too common. Try to tell your story in a concise and compelling way. A few pages of text (exec summary with summary financials included), 10-20 slides and an easy to follow bottoms-up excel model is often much more compelling than a 60 page Private Placement Memorandum. It takes a lot more work to be concise but it's worth it.
2. Wrong Way Seeking growth capital from the wrong sources will prove to be a frustrating endeavor. While many investors will visit with a Company that sounds interesting, don't confuse a courtesy visit with a likely investor. In general, an institutional Private Equity investor with a \$200 million to a \$1 billion Fund, for example, will not invest \$5 million or even \$10 million in a Company, regardless of excitement for the business. These Funds generally invest much larger amounts per Company. It's dangerous to believe that your Company will be the one exception to their investment profile. Do your homework. Make sure you're spending time with investors who say their "sweet spot" investment (amount of capital deployed per Company) and industry focus are exactly what you're looking for. Also, if you're seeking capital below \$1 million or maybe \$2 million, you're almost certainly looking for friends/family, individual angels or possibly angel groups (see list of angel groups interested in consumer products archived at www.2xPartners.com).
3. All Sizzle, No Steak A pure marketing pitch doesn't work. Remember, you're pitching an investment

*If you'd like a copy, send an email to
awhitman@2xPartners.com*

For investors like us, the two most important metrics are gross margins and velocity (also known as same store sales or sales per point of distribution) growth. See more below.

AND, WAYS TO ENHANCE THE ODDS OF RAISING CAPITAL:

1. Dazed and Confused
2. Wrong Way
 - » Seeking Capital From Wrong Sources
 - Recognize That Courtesy Visit Does Not Mean Likelihood To Invest
 - Match Your Prospecting With Their Investment Criteria
 - Talk To Angels And Angel Groups Where Appropriate



10 Reasons Investors Pass ... And, Ways To Enhance The Odds of Raising Capital

By Andrew S. Whitman, Managing Partner – 2x Consumer Products Growth Partners
as presented at *Financing Your Natural/Specialty Products Company Workshop*
(www.npcinstitute.com/Financing%20seminar.htm) and *BevNet Live* (www.BevNetLive.com)

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1. Dazed and Confused A business plan consisting of 60 pages of repetitive and hard-to-follow narrative, a weak executive summary and confusing spreadsheets are unfortunately all too common. Try to tell your story in a concise and compelling way. A few pages of text (exec summary with summary financials included), 10-20 slides and an easy to follow bottoms-up excel model is often much more compelling than a 60 page Private Placement Memorandum. It takes a lot more work to be concise but it's worth it.
2. Wrong Way Seeking growth capital from the wrong sources will prove to be a frustrating endeavor. While many investors will visit with a Company that sounds interesting, don't confuse a courtesy visit with a likely investor. In general, an institutional Private Equity investor with a \$200 million to a \$1 billion Fund, for example, will not invest \$5 million or even \$10 million in a Company, regardless of excitement for the business. These Funds generally invest much larger amounts per Company. It's dangerous to believe that your Company will be the one exception to their investment profile. Do your homework. Make sure you're spending time with investors who say their "sweet spot" investment (amount of capital deployed per Company) and industry focus are exactly what you're looking for. Also, if you're seeking capital below \$1 million or maybe \$2 million, you're almost certainly looking for friends/family, individual angels or possibly angel groups (see list of angel groups interested in consumer products archived at www.2xPartners.com).
3. All Sizzle, No Steak A pure marketing pitch doesn't work. Remember, you're pitching an investment

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AND, WAYS TO ENHANCE THE ODDS OF RAISING CAPITAL:

1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
 - » Pure Marketing Pitch Doesn't Work
 - You're Pitching Your Business Not Selling A Customer
 - Have The Data (e.g. SPINS or IRI/ Nielsen if CPG business)
 - Detailed Financial Model And Use of Proceeds
 - Be Specific Regarding Important Metrics (e.g. sell-through velocity and gross margins in CPG)



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1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
4. Leaky Bucket
 - » E.g., Distribution is Growing but Velocity (Sales/Door) is Declining
 - Buy The Data (e.g. SPINS or IRI/ Nielsen if CPG business) – Not As Expensive As You Think!



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2. Wrong Way
3. All Sizzle, No Steak
4. Leaky Bucket
5. No Margin for Error
 - » Even Sub-Scale, Margins Are Weak
 - Get Margins Right Early
 - Don't Assume Scale Is Cure All



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3. All Sizzle, No Steak
4. Leaky Bucket
5. No Margin for Error
6. Know Not Thy Business
 - » Founders Don't Know Their Financials (Or Other Metrics)
 - Know Your Business Even If Not The CFO Type
 - Get Help Where You Need It



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6. Know Not Thy Business
7. Betting on the Come
 - » Most Of The Growth Comes From Products/Channels/Etc. That Aren't Here Yet
 - Have Mix of “Step on the Gas” Existing Business And “New Stuff”



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5. No Margin for Error
6. Know Not Thy Business
7. Betting on the Come
8. Mismatched Returns
 - » Returns From Investment In Your Company Are Too Low For Investor
 - Align Potential Investors With Your Company Return Potential
 - Know That Investors Will Discount Projections and Returns



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6. Know Not Thy Business
7. Betting on the Come
8. Mismatched Returns
9. Failure of Confidence
 - » Investor Doesn't Have Absolute Confidence In Founder/Management
 - Ensure You're Not Giving Reasons To Doubt
 - Do What You Say and When You Say You'll Do It
 - PLEASE Don't Say Projections Are Conservative!



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6. Know Not Thy Business
7. Betting on the Come
8. Mismatched Returns
9. Failure of Confidence
10. Too Messy
 - » Deal (or Company) Is Not Worth The Effort
 - Clean Up “Odd” Structures or Terms ASAP
 - Proactively Avoid Unrealistically High Valuations and Therefore Subsequent Down Rounds



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Questions?