Raising Money from Venture Capitalists

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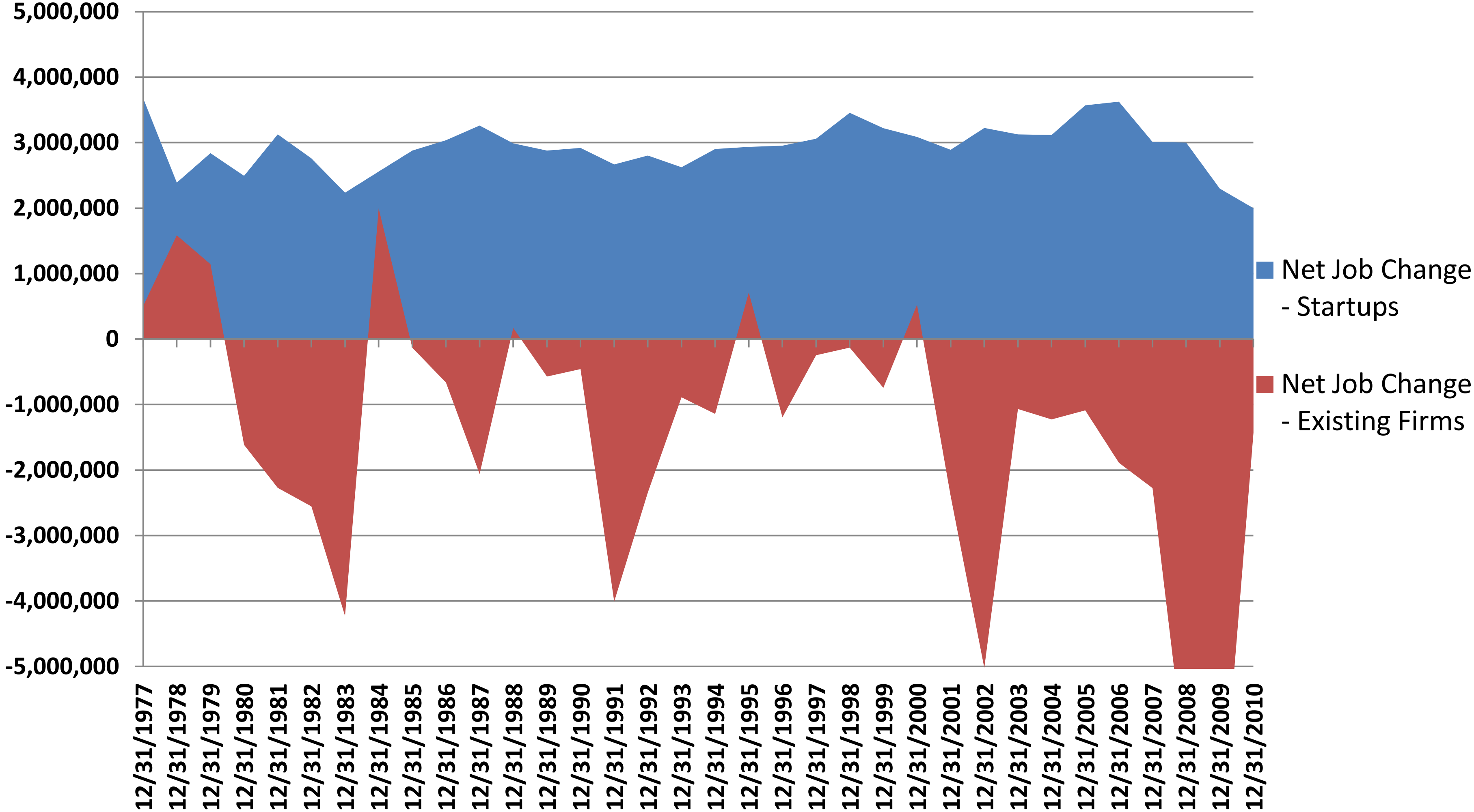
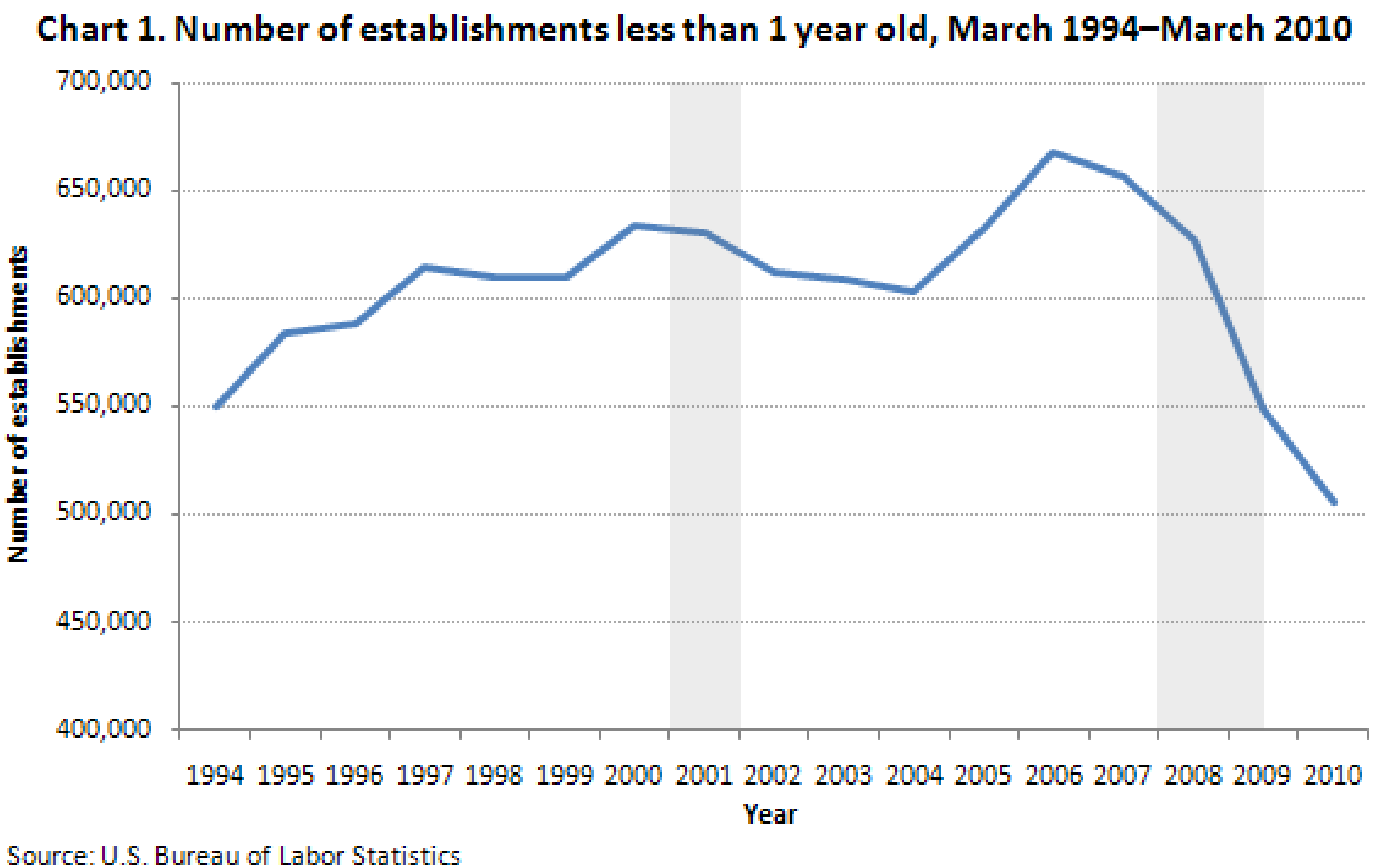
Net job growth occurs in the U.S. economy only through startup firms



Tim Kane, Kauffman Foundation, US Dept of Commerce (Census Bureau/Business Dynamics Statistics)

The number of startup firms is off sharply



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Other observations

For the first time in over 30 years, startups created far fewer than 3M new jobs in 2009

- Lack of seed and startup capital in many regions previously active in the creation of new companies
- The last 10+ years have not been good for VCs both in terms of performance, but also in attitudes
- Many entrepreneurs have “given up” on getting started

Many remaining VC sources are not focused on fundamental innovations that expand our economy

- Even counting these “quick rich” companies, VC’s are doing about half the seed deals when compared to a decade ago

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Deal terms and investor attitudes

- Liquidation preference
- Participating preferred
- Anti dilution
- Preemptive rights
- Pay to play
- Bringing money to the table vs. sweat equity
- Board vs. management
- Check negative references!

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