Directory of Capital for California
Small and Mid-Size Businesses

Proposal: Design a web-based directory of capital targeted at entrepreneurs. There is no need to "reinvent the wheel." Our goal would be to more effectively link the existing resources and focus the EDM Advisory Group's time on capital sources #7 and 8.

Sources of Capital

1) Personal Savings
2) Family and Friends
3) Home Equity
4) Personal Loans
5) Micro loans
6) Business Loans
7) Early Stage Equity Investors
8) Mid-Stage Equity Investors
9) Money to Build and Expand Facilities and Infrastructure
10) Selling Your Family Business

Choosing the right combination on financial resources

- Brief description of business capital
- Ten questions to help decide which resources are best suited to you and your company's needs.

[Based on these answers, a list of resources and types of capital will be generated.]

Sources of Capital Detailed

1) Personal Savings
   a) Types of saving accounts
      i) Accounts with banks
         (1) Types of financial institutions and links
         ii) Individual development accounts (IDAs)
            (1) Types of IDAs and who offers them and links
      b) Check list for starting a bank or IDA account (address immigration issues)

2) Family and Friends
   a) Short explanation on how many entrepreneurs obtain money from family and friends to start businesses
   b) Examples of structures
      i) Types of formal and informal agreements
      ii) What are my responsibilities going forward?
   c) Check list of best practice and areas to careful
3) **Home Equity**  
   a) What is a home equity loan?  
   b) Expectations of Lenders  
      i) What are the minimum qualifications for home equity loans?  
      ii) What are my responsibilities going forward?  
   c) How do I apply for a home equity loan?  
   d) Check List of best practice and areas to be careful  
   e) Links to where to find information on this type of loan

4) **Personal Loans**  
   a) What are personal loans?  
   b) Expectations of lenders  
      i) What are the minimum qualifications for a personal loan?  
      ii) What are my responsibilities going forward?  
   c) How do I apply for a personal loan?  
   d) Check List of best practice and areas to be careful  
   e) Links to where to find information on this type of loan

5) **Micro loans**  
   a) What are micro loans?  
   b) Expectations of lenders  
      i) What are the minimum qualifications for a micro loan?  
      ii) What are my responsibilities going forward?  
   c) How do I apply for a micro loan?  
   d) Check List of best practice and areas to be careful  
   e) Links to where to find information on this type of loan

6) **Business Loans/Debt**  
   a) What are business loans?  
      i) Straight loans  
      ii) Mezzanine debt  
      iii) Receivables  
   b) Expectations of lenders  
      i) What are the minimum qualifications for a business loan?  
         1) Minimum of three to five years of business operation  
            a) The role of loan guarantees  
            b) Resources for loan guarantees  
         2) Business plan  
            a) Best practices for business plans  
            b) Examples of business plans for early stage and small companies  
            c) Resources for putting together business plans  
      ii) What are my responsibilities going forward?  
   c) How do I apply for a business loan?  
   d) Check List of best practice and areas to be careful  
   e) Links to where to find more information on this type of loan
7) Early Stage Equity Investors

a) What are equity investments?
   i) Investment models
   ii) How are equity investments structured?

b) Check List on how to know if you and your business is ready for an equity investor:
   i) Strength of your management team
   ii) Intellectual property
   iii) Scalability
   iv) Exit strategy
   v) Business model
   vi) If I am not ready, what are my other financial options?

c) What is the investment process?
   i) Timing and relationship development
   ii) Presentations and meetings
   iii) Negotiations and Term Sheets
   iv) Due diligence
      (1) Expectations
      (2) Required documents

d) Expectations of early stage investors
   i) What are the minimum qualifications?
      (1) Strength of your management team
      (2) Secured Intellectual property
      (3) Scalability
      (4) Foreseeable exit strategy
      (5) Solid business model
      (6) Years of operations and business experience – vary according to deal
      (7) Audited financials
   ii) Business plan Summary
      (a) Turning your comprehensive business plan into a concise two-pager
      (b) Best practices for business plan two-pager
      (c) Examples of business plan summaries for early stage and small companies
      (d) Resources for putting together business plans and plan summaries
   iii) Business Plan PowerPoint "Deck"
      (a) Best practices in taking key parts of business plan and presenting them in a "deck"
      (b) Resources for putting together your deck
   iv) Best practices in "pitching" – Solid Answers for the 4 Questions
      (i) Who are we?
      (ii) What is our product and why is it different?/What is the pain?
      (iii) How do we make money, how does the investor make money?
      (iv) Who believes in us?
      (b) Resources for assisting you preparing your presentation to prospective investors
v) Term Sheets
   (a) What are term sheets
   (b) Examples of term sheets

e) What are my responsibilities going forward?
i) The role of the Equity Investor in an early stage company
   (1) Advisor/mentor
   (2) Governance
   (3) Partner
   ii) Creating financial and administrative transparency and accountability
   iii) Transition to formal board governance structure
   iv) The role of an advisory committee

f) Check List of best practice and areas to be careful
   i) Know who you are dealing with – due diligence
   ii) Ask for portfolio companies; talk with them

g) Additional links to where to find information on early stage equity investments

h) Directory of early stage investors who invest in California, by region, by industry sector
   i) Directory of California companies seeking capital by industry and region. Include some pre-qualification information for potential investors.

8) Mid-Stage Equity Investors
a) What are mid-stage equity investments?
   i) Investment models
   ii) How are they structured?
b) Check List on how to know if you and your business are ready to take on an equity investor
   i) Strength of your management team
   ii) Intellectual property
   iii) Scalability
   iv) Exit strategy
   v) Business model
   vi) Willingness to give up control
   vii) If I am not ready, what are my other financial options?
c) What is the investment process?
   i) Timing and relationship development
   ii) Presentations and meetings
   iii) Negotiations and Term Sheets
   iv) Due diligence
      (1) Expectations
      (2) Required documents
d) Expectations of Mid-Stage Investors
   i) What are the minimum qualifications?
      (1) Strength of your management team
      (2) Secured Intellectual property
      (3) Scalability
      (4) Foreseeable exit strategy
(5) Viable business model
(6) Years of operations and business experience – varies by industry and investor
(7) Audited financials
ii) Business Plan Summary
   (a) Turning your comprehensive business plan into a concise two-pager
   (b) Best practices for business plan two-pager
   (c) Examples of business plan summaries for mid-stage and small companies
   (d) Resources for putting together business plans and plan summaries
   (e) Audited financial statements
iii) Business Plan PowerPoint "Deck"
   (a) Best practices in taking key parts of business plan and presenting them in a "deck"
   (b) Resources for putting together your deck
iv) Best practices in “pitching” – Solid Answers for the 4 Questions
   (i) Who are we?
   (ii) What is our product and why is it different?/What is the pain?
   (iii) How do we make money
   (iv) Who believes in us?
   (b) Resources for assisting you preparing your presentation to prospective investors
v) Term Sheets
   (a) What are term sheets?
   (b) Examples of term sheets

e) Check List of best practice and areas to be careful
f) Additional links to where to find information on mid-stage equity investments
g) Directory of mid-stage investors who invest in California, by region, and by industry sector
h) Directory of California companies seeking capital by industry and region. Include some pre-qualification information for potential investors.

9) Money to Build and Expand Facilities and Infrastructure
a) Sources of capital for building and expanding facilities and infrastructure
   i) Financial Institutions
      (1) Links to resources
   ii) Local governments
      (1) Links to resources
   iii) Industrial development bonds
      (1) Links to resources
   iv) Pollution Control Financing Authority
      (1) Links to resources
b) Blending funding to complete projects
   i) Resources to help package deals

10) Selling Your Family Business
a) Check List on whether you are ready to sell your family business
b) Expectations of buyers
   i) Financials
c) Check List of best practice and areas to be careful
d) Links to useful information and resources