

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
- c) What are my responsibilities going forward?
- d) How do I apply for a business loan?
- e) Check List of best practice and areas to be careful
- f) 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