How to Finance Your Project

By

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Introduction

What some call a “has-been,” I call “experienced”! Which makes me VERY experienced! Or maybe “The King of Has-Beens.” Either way, I have been (in *approximately* this order) a: farmer, minister, insurance salesman, office-furniture-store manager, retail-office-supply-store manager, full-service office-supply-store owner, bookstore owner, gift shop owner, travel-agency owner, employment-agency owner, art-gallery owner, manufacturing-facility designer, telephone-equipment-product-development director, telephone-equipment salesman, consultant, participant in a leveraged buy-out, vice president of marketing and new-product development over four divisions (sporting goods, oilfield and boat trailers, all-terrain vehicle aftermarket products, and Western and equestrian products). And that’s all before I was 35!

Since then I’ve been a: partner and CEO of a retail computer chain (three stores); founder of a business incubator (before we knew what one was); president of a battery distributorship; vice president and stockholder of an oil and gas syndication; co-founder of a business brokerage and a Certified Business Intermediary (CBI); vice president partner and co-founder in a travel-agency franchise, producer of a TV pilot, consultant then COO for a bank-software-and-service company; salesman of small-business telephone systems; director of acquisitions for a venture capitalist; partner in an Internet Service Provider; vice president of a product development firm in fluid technology (oil and water); CEO of a research-and-development company for ballast water treatment and President and Sommelier of Sauce for a food manufacturing company . I am also a past president of the Texas Association of Business Brokers and a past president of the Parent Teacher Association of Crockett Elementary School in San Angelo, Texas (I can organize a mean Halloween Carnival). I have also weathered the lawsuits that accompany these events.

Several of the above experiences were simultaneous. Along with the salaried jobs, I have also run a consulting company that helped dozens of companies in a variety of ways: business evaluations; securing financing; and in developing and manufacturing new products. And I’ve helped numerous owners sell, divest, and/or shut down their businesses.

I have overseen the development of dozens of new products (more than 350 if you include different sizes, colors and modifications); been a stockholder in more than 40 companies; done evaluation and/or financing for more than 150 business-transfer transactions, with more than 400 listed businesses. I have also experienced personal bankruptcy, been divorced twice, raised two children, and was a tennis champion in two towns. Many of these things I would never want to repeat again. That’s experience.

I have a master‘s of science degree in psychology and guidance, and have served as a counselor in grief recovery. This included going to New York City after 9/11 to help some New Yorkers. The uninformed on computers think me an expert; the informed, think I am an idiot. My children will warn you that when you ask me the time, I may tell you “the history of time since time began.” If I had gone with that inclination, this manual might‘ve been 500-pages long, in order to include all the applicable stories. But in this case, I can proudly say, I’ve kept it pretty brief.

With the help of others, I have also raised millions of dollars for new ventures; developed systems for financing that have been copied internationally; developed a system for business acquisition; taken two companies through turn-arounds; and helped manage two others through bankruptcy. I make no claim that I have done everything right; I do think I know more about business problems, pitfalls and solutions than most. So I hope the following chapters will help you “get the goody” without the mess.

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Chapter 1 Italian Math

Debits and Credits

He didn't know it, way back in the late 15th century, but Italian mathematician Luca Pacioli actually created the framework for today's business accounting. Luca derived the concepts of *debits* (something "owed") and *credits* (something "at the disposal of") creating the first financial statements.

I first ran across the concept of "Italian Math" several years ago, in an illustration about a man and his wife who owned a small dance club. The club provided enough money to meet their basic needs, plus a little left over. Over the years the man saved up the "left-over." Eventually, he had enough (combined with some loans) to build his dream dance pavilion. He used the assets (including know-how and frugality) from his smaller experience to create his dream.

If you'd like to do something similar to create *your* dream, you're obviously going to need some credits (money, experience, and/or collateral) already at your disposal: your seed money. But if you're reading *this*, chances are you don't have *all* the assets you need to finance your project. Meaning that you'll probably have to run up some debits (debts to investors or lenders) in order to get your projects running. Besides these financing issues (which we'll deal with later in more detail), what else do you need to get that business running?

Are You an Expert?

One of the most amazing things I consistently see is how many project initiators are so totally unprepared and unequipped to start and run the project they are proposing or buying. The story at right, for example, shows that mere experience as an accountant with a steel fabrication company does not necessarily prepare one to be the top manager at a steel fabrication company.

> Ralph was an accountant who had been laid off by a steel fabricator in the throes of partnership dissolution. For 30 years Ralph had worked as a pricing and cost accountant, so he knew the business's pricing and costs to the penny.
>
> We had a small specialized and aging fabrication plant for sale. Ralph didn't really have enough money to acquire the business, but with some creative financing and the liberal terms of the SBA at the time, we put the deal together.
>
> Ralph was bankrupt in less than a year, even with a primary customer who was contractually obligated to him. Why? Partly because he was psychologically and physically unable to deal with his employees and/or find new customers. The essential qualities he lacked; toughness, focus, sales ability, and leadership. Ralph also lacked dynamism, and was too introverted and shy.

In the process of being involved as an owner, broker, and/or investor in more than 200 companies, I have repeatedly seen that the biggest reason for failure is a lack of management skills and/or capability.

Remember the six blind men (see chapter 7), each describing an elephant based on feeling merely one part of the big beast? Their descriptions varied immensely, of course, since each had such a limited perspective. Similarly, having a narrowly blind viewpoint of your project sets you up for failure.

In fact, narrow-mindedness is one of the prime reasons so many inventors fail. They get so focused on the technical that they don't give enough attention or energy to the manufacturing process, the accounting requirements, and the human resources organization.

On the several occasions when I've been involved in a "turn-around" situation, I rarely received more money, better products, or more time. In fact, I got less of almost all the ingredients that many business owners assume are critical for success.

In fact, you change the downward slide of a business by restructuring its focus, management team, and application of assets. Yet the majority of business founders devote a disproportionate amount of their business plan and effort to the technology of the product, their "competitive edge,"

and the money they need. But concerns that often turn out to be more critical – e.g., management creativity, human resources, and maximizing asset use – usually get little or no attention in the plan.

On one occasion, we sold a steel fabrication business to a gentleman who had managed a large department store for a national chain. I had many concerns about his potential for success (see box). Turns out my concerns were ill-founded; he bountifully succeeded, and taught me much about the vital role of management skills in small-business success.

> Daren bought a company that made an industrial product sold to other manufacturers. His new company's employees were welders, painters and steel fabrication types – very different from the floorwalker, purchasing, and mid-management types Daren had worked with at the department store.
>
> So Daren had none of the corporate support to which he was accustomed, plus his role as manager now also included marketing; in fact, he was the sole salesman for the new company.
>
> Yet Daren succeeded in this new position, because he made sure he possessed or acquired the essential skills in leadership, people-managing, sales, focusing, and self-motivating.

What attributes does good management require? The following (at least):

- **Leadership Aptitudes and Skills**
  Some you can learn, some come by osmosis or lightning bolt, and some perhaps by divine fiat. But howsoever you get them; you will need some combination of *these* leadership aptitudes and skills: personal presence, professional appearance, deep confidence, and broadly adaptable creativity: Leadership. Your employees will respond to it, your investors will require it, and your customers will expect it.

- **People-Managing Aptitudes and Skills**
  If the reason you want to own your own business is to avoid having to work with people, you better make sure it's an absolutely solo business, that will never require any staff or any direct interface with customers (the most demanding bosses of all), because for almost any kind of business ownership situation, it's all about people-management. Negotiating for and getting the best performance from employees, suppliers, and your family. Getting your customers to cooperate with your system and still keep coming back and training employees to make your business as efficient as possible. Seriously – you better plan to be a people-manager if you want to succeed.

- **Focusing/Prioritizing Aptitudes and Skills**
  For some strange reason, many new business owners soon forget what the initial keys to their plan were. Yes, I agree with the conventional wisdom: You should be able to write your concept on the back of a business card. But *brevity* is not necessarily the same as *focus*. You also should be able to write that plan out on 100 single-spaced pages, with tons of details and supporting documents included. A complete business plan is not just to convince your investors and lenders to have confidence in you. It is also to allow you to work through all aspects of the business in detail. That way you'll have "layers" of focused priorities, with a well-designed filter for knowing what the top priority is at which times.

- **Self-Motivating/Self-Starting Discipline**
  Almost all sales jobs list "self-motivated" or "self-starting" as a requirement. Well, a small business's owner is almost always the most important salesperson for that business. You must be able to consistently take the initiative to go and get business, finish the work, and make the decisions. So you need to be a great self-starter!

How Will You Live?

Starting or taking over a business is NOT the time to: get married (or work out the problems in a marriage); have a child; buy a new house; get or train a pet; or establish any other new time-demanding relationships. Fact is, most investors will expect you to take as little personal time as

possible during the initial phases, and to spend as little money as possible on anything other than the business start-up.

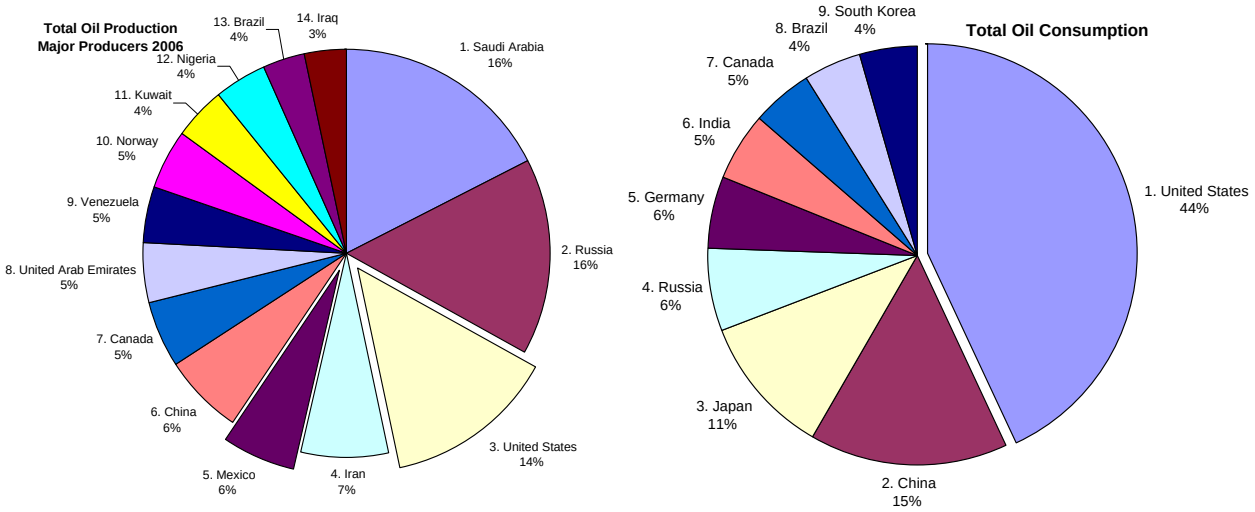
Even if using your own money, you should commit to maintaining a conservative lifestyle. Don't spend any money on personal stuff that should go back into establishing your business. Give yourself a tight budget, because the business may well need more financial buffer than you've estimated.

You can't really blame the investors for this indifference toward your personal life and pleasures. *Their* money in *your* pocket naturally makes them want to see you showing focus, diligence, and dedication to getting them paid back with interest, and as soon as possible.

Keeping your lifestyle simple and conservative will also allow you the flexibility you'll need to go visit investors, customers, and suppliers at the drop of a hat.

Obviously, all these demands from your start-up or takeover will probably not leave you much "leisure" time, money or patience for your (or others') "extracurricular" desires.

Get a small success going for support while you work on your dream.



Some charts used in business plans

Chapter 2 Fill in the Gaps

Evaluate Your Project

Look at your proposal package *really* objectively. If you were an investor with a million (or a zillion) dollars, would you loan *your* money to this unknown person or group, based solely on the information in the (your) proposal package? You'd better make it so.

But what (besides all the right stats, market research, cost-and-revenue projections, etc.) will more incline an investor to consider your proposal? It's the third of "The Three Cs" a banker once told me were his criteria for giving loans: Collateral, Cash Flow, and *Character*.

He insisted that if any of the three were missing, he would "always" (allegedly, see box) pass on the loan. And certainly, your package does need to thoroughly address all three of these criteria. But the last one is often the most neglected in proposals, so I'll focus there first.

> I had a customer who was very late in payment on some very expensive office furniture. So I discussed my options with my banker, and it seems he was well acquainted with my customer. He said the customer had a reputation of "living large," on the come, and of always stretching the truth about his prospects and situation.
>
> In fact, my banker was fairly self-righteous about his "Three Cs," and asserted that he would never make my mistake and give this man a loan.
>
> Well a year or so later, the customer came into some oil properties; these gave him cash flow and collateral. So naturally, the banker loaned him funds to drill some more wells on the property.
>
> And what do you think happened? While the initial loan was a well-collateralized $250,000, by the end the banker lost almost $400,000 – not to mention his elevated distress and lowered reputation.
>
> Character is the most important of The Three Cs. Don't overlook its importance in your package.

How Do You Show Character?

References and your willingness to provide them is the most common way you encourage people to check out your character. There are also some internal ways to reveal this in your business plan. Following the guidelines in this manual is a starting place.

Complete and reliable information, well presented, suggests you have the work ethic and professionalism that constitute a big part of character. Another marker of character is making sure your resume has no "holes" in it, as well as providing either a reference or a reason "why not" for every experience.

Finally, right up front address any potential "issues" in your past history, since most investors *will*, at some point in the process get a background check on all of your company's principals. Maybe you should have one done on yourself in advance, just to see what shows up. That way you'll know the concerns you should address. Now, most investors know that a pristine credit history and background are not the forte of the entrepreneur, but it's best to be ready to explain any negatives that might turn up.

The Things that Create Value

A priority page for most business plans is one that highlights the things in the business that create value. We often focus too much on the EBITDA (Earnings Before Interest, Taxes, Depreciation and Adjustments, or some variant such as free cash flow, owner's discretionary cash, or my own favorite: "guesstimated discretionary cash", and overlook other significant factors such as:

How Much of the Investment is for Assets?

Of the money you're asking for, how much is going into hard assets? Some projects come with more risk than others for very simple reasons. In some, most of the money must be spent on soft

costs and during the time period before the product is finished (burn rate). So prior to product completion, that money has no collateral value.

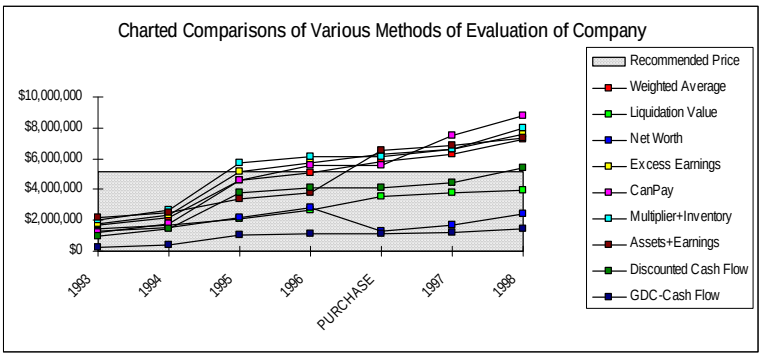
The way you allocate and view these assets can also impact their value. Inventory, for example, can be divided into three categories: 1) raw material; 2) work-in-process; and 3) finished goods. Naturally, if a ready market exists, the finished goods have the highest value, regardless of whether your business thrives or fails.

Yet in the event of a closure, the other two categories are valued quite differently. Usually, raw material can be returned to the vendors (though it'll probably cost a restocking fee), but work-in-process, where it's between raw materials and finished goods? *Almost always worthless*. By using these criteria in counting the inventory, you can increase the amount of assets in relation to risk. The net result is to improve your negotiating position.

Will the Resources of the Company Support the Projections?

How much growth is the company positioned to handle without additional funds? Perhaps they have already proved their ability to support projections by purchasing some new, higher-volume equipment. Or maybe they've already increased their safety equipment or personnel.

When I place a value on a company, I look at a wide variety of methods of considering value and then use a weighted average to get a "Recommended Price". One of the advantages of this type of chart is its ability to reveal variations and sometimes hidden reasons for selling. Where practical, I also produce a seasonal variation chart for several previous years (by product if the information is available). This helps you understand the inventory and receivables cash requirements—an important number in your business plan.



One company I was involved in produced a seasonal product and used 'dated billing' to allow them to ship product several months in advance of the season. The result of this was a huge buildup of accounts receivable (and cash requirement) several months before the accounts receivable invoices were even due. Interest rates rose to 24% during this time and even though the cash was available from a lender, net profits resulting from this product line were virtually eliminated by this single business practice.

One of the worst errors is to have information in your plan that proves your plan will not work. I have seen a business plan where the facilities simply did not support the projections. That is, they wanted funds to buy a machine that would only produce 3,000 widgets a day, yet they had a sales projection for *10,000* widgets a day.

If it takes a year to train an employee for a job, you have to factor both the time and the necessary redundancy into your projections. While this just seems like common sense, business plans sometimes get forced into scenarios and the assumptions don't get reviewed for the changed plans.

Your Competitive Advantage Should be Clear

You need something in your plan that clearly shows you have a definite advantage that should logically allow you to surpass your competition. Maybe in the concept, or the location, or the newness and practicality of the product, or some innovative marketing system, or in the manufacturing process – something that should plainly put you ahead of the other guys/gals.

Sometimes this competitive advantage must be shrouded in ambiguity – particularly if you don't have adequate intellectual property protection (you never have all you need). But you must reveal enough to convince investors that your plan is outstanding enough to make (and keep) it profitable.

Yes, you should be careful to whom you reveal your intellectual property. Some countries are known to harbor those who are intellectual-property pirates. Minimal protection? After initial interest and conversation, and maybe a preliminary overview of the major points, *get everyone to sign a non-disclosure agreement*. *Then* you can show them an addendum or supplement containing your competitive-advantage/intellectual-property points.

Creative Capability

If the company and its continuing management have shown the ability to make the most of opportunities, that is a valuable attribute. Getting a company going always requires some creativity either in management or in product development or in both. The danger here is that creativity is often related to "loose-cannon" and you must show the investor that you know the difference.

Strong Continuity of Management

If the management team has already proven its ability to work together and weather the storms of business, that is perhaps the most valuable of all assets. Yet most business plans practically overlook it, or just give it a one-paragraph blurb. If you've got strong continuity of management, make something of it!

What is Missing?

Most projects have some critical issues. Below are a few of the most common ones that almost any business plan should address.

Is There Really A Market For It?

In some cases, the project is based on a known-demand commodity or product. For example, why do you think brand-new restaurants often open up right near several other restaurants? Because the variables of market and location have already been narrowed down.

Several "new-concept" restaurants have opened "test locations" on Beltline Road in Addison, Texas. Why? For one thing, because that section of thoroughfare represents a competitive environment with plenty of customers already drawn to the area. The market research has already been done—plenty of customers for meals are available every day.

Still, because of timeliness, one has to be cautious about such assumptions. Fifteen years ago, "the place to open" a restaurant in this area was five miles south, nearer to downtown Dallas.

Sometimes, new laws or regulations may produce a new market. Obviously, that will depend on whether or not these new edicts are actually enforced and their impact on the demand for products. Several investors have told me of investing in products based on forthcoming regulations that had no "teeth" in them and resulted in the impacted companies ignoring them rather than buying the products developed to comply with the regulation.

For example, the music distribution business will probably be affected by lawsuits and criminal actions against people who have downloaded copyrighted music off the Internet and by

a total overhaul of the marketing conduits. Lack of clarity in these areas will make investment in music industries less tenable.

Environmental regulations, trade barriers, agricultural and scientific changes and improvement – all these impact the global marketplace. And those impacts will probably trickle down to your business, its opportunities, and its challenges.

Your proposal package needs to show that a market clearly exists, that it has enough stability to provide adequate profitability throughout the investment period, and that it presents a reasonable likelihood of providing your investors a reasonable return on their investment.

Will It Provide Adequate Return?

Most business plans spend a lot of time on this issue, and it *is* an important one – but worthless if the other questions in this section are not adequately answered. You give me a desired return on investment and the amount invested, and I can back in the projected sales and pricing. The crucial questions in this section have to do with the size of your targeted market, what share of it you can possess, and the profit you can achieve. Spend most of your time on determining those.

Can It Really Attain Market Share?

Does your plan emphasize some special advantage (perhaps in capability, versatility, or pricing) that reasonably will bring your business the share of the market that you project? It ought to! Just because the market exists, that doesn't automatically mean you will get your projected share. Because whatever you do, your competition *will* react. So in your plan, make sure you devote ample space to how you plan to "beat them (your market competition) to the punch."

How "Safe" Is the Intellectual Property?

How will you protect your idea? Will you have copycats as soon as (or before) you open your doors? Obviously copyrighting and patenting are good ideas, but in today's society, even a patent is not automatic assurance of protection.

For example, we had several patents on a product for the sporting goods industry. And while we had several competitors – all U.S. companies similar in size and capability to ours, our patent protection (theoretically) made our products superior to theirs. But the customers in this market were large national chains who were under constant pressure to lower their costs and/or find alternate cheaper sources.

Each of our units included a piece of spring steel that we stretched to its maximum, using a special piece of equipment designed for that very purpose. This maximum stretching made the product function better. But the stretching process had a small side effect: it left a tiny scratch on the spring steel. We didn't worry about this scratch, though, because we subsequently coated the spring and the scratch had no ill effects on its functioning.

Well, a few months into our operation, one of the large discount chains stopped buying from us. We soon learned they had arranged for a duplicate of our product to be manufactured in Taiwan. Upon examination, we knew this was a duplicate in appearance only, because it was made of rolled steel (not spring steel) and used an inferior coating. Yet they clearly tried to copy the appearance of ours, because underneath their inferior coating they had gone to the trouble of reproducing that little scratch.

Given our patent protection and this obvious attempt to duplicate our product, we thought we had an open-and-shut case. But our attorneys said that because these other guys used neither spring steel nor the same coating as us, most courts would hold that they did not infringe on our patent – even though their product and its packaging looked almost identical to ours. In any case,

the discount chain continued to buy other products from us and we knew we would not get our customer back if we filed suit. In this case, our patent protection was worthless.

During this same period, one of our U.S. competitors copied another of our patented products. After visiting with our patent attorney, we decided not to file a claim against them, but rather to duplicate one of *their* patented products. We did this for several reasons.

First, as our attorney reported, defending against the competitor's claim of patent infringement (if they filed one) would cost us only one-tenth of what it would cost us to pursue our claim against them. See, when you file a claim, you must pay for acquiring the burden of proof, the discovery of evidence, and all of the legal-filing fees. All that before your competitor will even think it necessary to call his attorney. Then he can pretty much just say "oops" and the case is over – unless you want to spend additional substantial amounts to prove exactly how much the competitor had harmed your business.

The second reason? I had learned something from the previous (Taiwan) case: I could "adjust" our competitor's product just enough so that it would be very difficult for them to win a patent-infringement case against me.

At the next trade show, I walked into their booth carrying my "new" product. I said: "See how great this looks?!" Well, after several minutes of his recrimination and vituperation, I suggested to the owner that if he desisted in violating *our patent*, I would desist in introducing my "new" product. A few days later, he called and agreed. And the only "bad" thing about this affair? No attorneys had to be paid.

Now, don't try to be a patent expert. Do hire a good patent lawyer to prepare your patent filings, one with many scars and years of experience (and lots of muscle). But remember: It's up to YOU to do due diligence in protecting your intellectual property from the thieves of the world.

The best protection is to continually improve your product and to produce and market it at a price and image that will discourage the competition from going to the expense of duplication. The patent should be just one of the many potential hurdles a competitor would have to overcome rather than the only one.

Will You/Can You Keep The Quality High?

In the 1960s, the Strategic Management Institute launched a project called the Profit Incentive Management Strategy (PIMS). This project evaluated 3,500 new products over a period of time, to see what made them succeed or fail in the marketplace. The evaluators determined that the most important factor was *quality*. Over the long haul, inferior products seldom, if ever truly succeed. In my Taiwan example above, the discount chain that replicated our product soon went out of the market, and later filed bankruptcy. Customers want good products cheap – not low quality products.

Can Its Problems Be Fixed?

Some business plans just have fatal flaws. But most can be fixed. I'm not talking about the written physical copy. I'm talking about the actual plan. As a consultant, one obligation I feel is to let the proponent know if I believe the whole concept is a mistake. The second obligation I feel is to honestly discuss what it will take to make it work. Your plan may be only a nudge away from what it needs to be just right. But like the old saw says: "Close only counts in horseshoes and hand grenades." So if your plan is flawed, acknowledge that before you go any further.

Are You Willing To Do The Fixing?

Now the question becomes: "How willing are you to change your plan to something that will work?" I know I'm not God, and thus do not make the ultimate decisions as to what will or will not work. And I never reject a plan just because it is different or innovative. I have supported

some unbelievably outlandish plans. But some plans are obviously flawed (usually in one of the areas discussed in this section), and I have a lot of experience in spotting the flaws and coming up with workable solutions.

One thing we often do is a brainstorming session, where we "paper the walls" with thoughts and suggestions. We try to gather up several friendly faces, but with independent opinions. That way we ensure diversity of ideas and perspectives. Then we take all these ideas – never criticized or challenged – and have another meeting to determine what tools we have to make them work. Such a full review by a host of minds will often reveal your plan's weaknesses/problem areas, and often will result in surprisingly effective solutions.

All plans need to go through this refining process *before* they are presented to investors.

Money begets Access
Access begets Influence
Influence begets Results

-Marc Rich-Pardoned by Bill Clinton on his last day in office.

Chapter 3 Prepare for Success

Several years ago, there was a best-selling book titled *How to Dress for Success*. One of the book's major premises: If you want to *be* successful, you have to *look* successful. I take that even a step further: If you want to be successful, you have to thoroughly *look*, *act* and *think* successful. Your "success attitude" should significantly affect your clothing and personal style, as well as your posture, personality and social demeanor.

Smart investors will consistently be looking to see whether you have the integrity, intelligence, common sense, and capability to properly shepherd their money. One of the obvious evidences they will consider is the way you dress and carry yourself.

A friend of mine teaches a class called "Social Savvy," and a lot more prospective business owners should probably take it. Your smooth adoption of prevailing social customs, rules and etiquette can make so much difference in getting potential investors to see you as trustworthy and competent. If your business plan is well prepared, they might not reject it on the basis of your slovenly appearance and bad manners. But why take a chance on it? Make your person as "put-together" as your proposal.

The Professional Plan

And speaking of a "put-together" business proposal, here are a few guidelines on how a professional plan should physically look:

- Bind it in booklet form. Stapled or loose pages look disorganized and unprofessional. Almost any binding system *may* work, but I generally prefer the comb binding. It's functional, it looks professional, and it's easy to use in your own office. I have tried several other binding systems – hot glue, spiral wire, folders with brads, loose-leaf notebooks – and they all leave something lacking. Worst are those that don't allow for page changes! For particular investment types or strategic partnerships, you *will* get requests for revised or modified plans. So you need a binding system that will allow you to quickly make the changes and produce the modified product right in your office or local copy shop.

- Don't go over-glamorous. I have seen elegantly packaged plans – saddle-stitched and bound in gold-leaf covers – but they were sitting on dusty shelves along with other projects that never got funded. Think about it: Would you want to invest with a business-proposer who just spent $200 on a single copy of a tentative business plan?

- Produce it all on a computer, so it can be sent electronically saving hundreds of dollars in production and shipping. More and more investors, venture capitalists, and lenders do accept applications electronically, but there's no standardization. The fact is, those with money to invest or lend do "make the rules," particularly in regard to electronic formats. So for now, just be prepared to cut and paste your data into their electronic system (it would be a great service if we could get everyone to agree on a single electronic format!).

- Make it look interesting. You are competing with magazines, television, and experts on the web. While it shouldn't be gaudy, use color, graphs, sidebars and quotes to make it readable and fascinating. Don't make it so lengthy that the reader loses interest. If an investor has an area of particular concern be prepared to back it up, otherwise, 50 pages is the max and 25 should be adequate.

Commercial Business Plan-Writing Software and Outlines

Several companies offer software packages or outlining systems for producing a business plan. I have investigated several, but never see the results I want. They all seem to have similar flaws:

- They try to encompass too many types of projects, thus not allowing enough customizable adjustments for specific applications.
- They'll tell you the general, basic elements you need in a plan, but can't know enough about you or your project to guide you in putting the proper spin on your particular information.
- They often tend to force a focus on elements that may well be a total waste of time for your specific project, while failing to help you address aspects of your project that will be critical to your potential investors.

When all is said and done, some of these commercial systems *can* help you better understand and evaluate your plan. But I firmly believe you should not rely exclusively on these systems to finalize the plan that you present to investors.

When You Get Funded

Many business plans overlook details about actually getting funded. For example, say you have a plan that needs an investment of $1 million and loans of $3 million for a total funding of $4 million. You have to decide how you want portions of that money given to you, and what you will do with the portions until the project is entirely funded.

Almost no successful business-proposer expects very much of the money on the actual day that the lender or investor commits to the funding. It's usually just a minimal good-faith retainer. In general, most funders will want to dole the money out to you as your project requires it. A few, however, may want to put it all in your company on Day One. You need to have scenarios ready for either type.

On repeated occasions, I've been asked to work as a consultant on projects "about to get funded." Several times, I soon learned that neither the funder nor the recipient had given any thought to how all this cash was going to be invested, controlled, or distributed. That was my first clue that neither funding nor success was likely to ensue.

Your "Sources and Uses of Cash" statement shows how much you need, and how you will use it. Except for the smallest projects, you also need a "takedown schedule" and a timeline (GANTT, PERT or similar), showing when the money will be needed.

Moths

You will also come into contact with individuals who will pose as funders when in reality; they just have some kind of relationship with a legitimate funder. I have had dozens of individuals who represented themselves as funders at some point introduce me or name the "real" funder. The advantage and disadvantage is that they occasionally have an agreement with the money source for payment of a fee. Regardless of how it is structured, it comes out of the deal and in my opinion it is better to sign a finder's agreement with them immediately upon learning that they are not the "light", but just a moth to lead you to the light. This will prevent double-dipping or delaying a closing while they are "taken care of".

Bogus Funders

Over the last several years, an associate of mine has collected all the "bogus-funder" letters and emails he has received from Nigeria, the Ivory Coast, South Africa, and others. The pretext is usually quite similar. Someone – often allegedly titled royalty, military generals, bankers, or widows of same – has come into a large amount of money—usually over $20 million..

They go on to say that they are unknowledgeable about business (and they must take some kind of standardized course in misspelling and improper typing), and they need your help to get their money out of their country (or bank, or estate, or trust fund). So they are ready, they claim, to allow you to put these millions of theirs into *your* account on some kind of sharing scheme (even including contributing to your church via a born-again Christian widow).

At one time, I wondered why these people would put so much effort into trying to look like viable funders for large projects, yet never came through with any real money. Then I learned the reason: Fees – major fees – that can bleed you dry before you've gotten one penny.

Yes, before you can even hope to get any of the money "Out of Africa" (so they say), handling or business fees must be paid to attorneys, agents, document preparers, for closing costs, etc. And you must pay at least half, if not all, of these fees (supposedly, the funder is sometimes splitting the cost with you, but who knows?). And obviously, your project goes nowhere while you're paying all this money in hopes of the eventual big payday. My friend and I theorize that all of the 1000's of allegedly different African-funder missives have come from the very same person and/or group.

These scams are very sophisticated and have included a very legitimate looking internet bank, a Fed-Ex'ed cashier's check that was a loan to pay the fees. It could have been several weeks before it was realized that it was a stolen check sent with a bogus credit card—long after the check sent to them to cover the fees was cashed.

Legitimate Finders

What makes the above scam (called a 4-1-9 scam for the provision in Nigerian law that allows them to continue) so aggravating is that legitimate people – certified finders and brokers of start-up financing – do tend to charge *some* up-front fees. So if you warily decide you will never pay *any* up-front fees, you're probably negating some genuinely valuable connections to success. Here are some clues to help you determine when the brokers/finders/lenders (and/or investors) are legitimate, and when they are bogus:

- Do they have an office? In this day and age of the virtual office, this may be less important, but most of the legitimate money brokers I know have an office, a fixed phone line, and a receptionist.
- Do they possess any evidence of previous deals? This is usually visible in their office. Tombstones of previous deals can be fabricated, but still should give you some references to check – particularly if they were published in a financial periodical. The good ones probably also should have scattered-around gifts, photos, and advertising promotional items from some of the companies with whom they have worked.
- Will they give you references? The African sources always have a caveat in their letters; they suggest that what you are doing for them must be kept secret, so you can't really contact any objective sources to verify the substance of the plan. Yes, transactions-in-process often are kept secret. But legitimate brokers/investors/lenders should have completed deals that can be confirmed.
- Is any information about them publicly available? This could include websites, abundantly distributed brochures, published advertisements and articles, and such like.
- Do they do anything to earn their fee? Most transactions with brokers, attorneys, or contacts involve two types of fees.
    - First, most have fees to pay for getting everything put together, from analyzing and assessing your project to preparing your business plan, producing multiple copies for various lenders, and analyzing your plan to filter it for various funding sources. Recognizing that they are

always one heartbeat away from you terminating your project, most brokers, attorneys, etc., will insist that you must pay in advance for anything they do that costs them time or money. They have to do this, since about a third of the time these projects fail to get funding because the principal changes his mind or his plan. Another third of the projects never get funded because no investor sees them as viable. So the brokers' et al. can't fairly charge the costs of these transactions to the one-third that do get consideration.

- Second, most of these transactions have some kind of "success fee." These vary with the size of the transaction, the type of transaction, and the country of origin, but they usually involve some variation of the "Lehman Scale." The Lehman scale (Lehman Brothers usually charged from $50 to $250,000 up front) is based on a fee of five percent of the first million, four percent of the second million, three percent of the third, two percent of the fourth, and one percent of all additional amounts after an up-front fee to cover start-up costs. For bigger projects or less-probable projects, many brokers will charge slightly more, usually either a "double Lehman" or a larger fee on all remaining balances. Just as you wouldn't negotiate with your doctor before surgery, I don't recommend you try to negotiate these fees. You need 100 percent effort, and you're unlikely to get that for a 50 percent fee.

The Best Kind of Funders

Statistics and experience have the same failing. They rely on what *usually* happens (previously). But entrepreneurship, by definition, is about trying something new – **so ignore some of this**.

Most *actual* funders (you will soon learn that you can waste much time chasing those who will never really fund a deal) have the following qualities that would cause me to spend most of my effort on them:

- They have a philanthropic motivation for wanting to fund your project. This group usually includes relatives, best friends, and close associates. Also, your project may have attributes that will improve the world in some way. Make as much as you can of these in your plan, because even a miser tends to feel better if he is doing some good as he is making money.

- They have a strategic motivation for wanting to fund your project. Perhaps your product or idea will enhance their existing product line. Or give them an opportunity to increase their sales. Or eliminate a regulatory problem for them. Or make their property more valuable. In fact, such "secondary" motivations can even justify the investment of corporate funds in your project.

- They have an employment motivation for wanting to work (literally) with you. On a number of occasions, we've had smaller investors want to take part in the actual operations of the new company, because they were excited about using the skills they had that related to its efforts. Essentially, they wanted a job in the company. Of course, it's best if the philanthropic and strategic motivations are also part of their interest. And obviously, you need to be sure that such working relationships are carefully defined and don't reduce the CEO's ability to manage the business.

Looking successful doesn't necessarily mean wearing a tuxedo – but you better look like you'd be comfortable in one. And the credibility of your business plan is raised by its neatness, completeness, and practicality – not by how much gold leaf is on its cover. And learning how to discern between the legitimate and the fakers can be crucial – you may even need to hire someone legit to help you!

Chapter 4 Ignore the Doubters

Even under the best of circumstances, most people have quite a few challenges going on in their lives beyond getting a new project going. Starting a new project with outside funding requires an extremely solid personality.

A Stable Personality

A few years ago, I worked on a project with an individual who seemed to have all the pieces put together. He had a great idea, solid business plan, tremendous market potential, and a solid board of directors. To get him ready for a meeting with a group of investors who had ample capability and interest to fund the project (almost $1 billion), I helped him put together a PowerPoint presentation.

The night before the big meeting, at a pre-meeting with a representative of the investors, my client went berserk, accusing and cursing the representative for some seemingly innocent comment about the structure of the funding, then stormed out. But our presentation was still set for the next day, with many of the participants already on the way, so the representative and I flew on to the destination, not knowing exactly what to say or do.

Late in the evening prior to the presentation, the client called and we met him for what has to be one of the strangest meetings I have ever had. He acted as if nothing had happened. Needless to say, our uncertainty and confusion definitely hurt the presentation. And to my knowledge, that client never had another opportunity to get his project funded, despite having spent 10 hard years on it.

I never spoke to him again after that, but have kept track of him through others. He seems to have dropped his project for good, and seems to be stuck in a very mundane job.

To accomplish an externally funded project, you have to continually maintain control of your emotions and moods no matter how high the stress level.

> "A woman is like a teabag, only in hot water do you realize how strong she is."
>
> Eleanor Roosevelt and quoted by Nancy Reagan, Ivana Trump and, Adelle Davis

A Secure Personality

This is more than "a stable personality, and even more than leadership attitudes. You may be elected leader or captain every time the opportunity comes up, but you will still need *more*. Naturally, if you're the proposal initiator, the others involved will usually expect you to take the reins, to be the spokesperson. So a leadership attitude is important in the employee-inspiring realm, as well as in helping your investors and lenders have confidence in your project. But beyond leadership, a secure personality is a quality that helps you know you are *okay, no matter what happens*. Over the long haul, *that* is far more important.

Support Network

Build a group of people who believe in you. It is essential that your mate or spouse be in this group, and also any others working with you in the project. (See Chapter 7 "Seven Blind Men")

Presentation Solidarity

Nothing will so undermine you at a presentation than to have another member of your team contradict, disapprove of, or doubt you. This is worse than all the other errors you can make combined. These "underminers" can be presented in the subtlest of forms: a little grimace when you misspeak or get a statistic wrong, a rolling of the eyes when you use bad grammar or commit a social faux pas, etc. Inevitably, everyone watching *will* sense it. So school your support team on the

importance of solidarity. **After** the meetings is the time for debriefing, criticism, corrections and recommendations.

A critical quality necessary to achieve funding is openness. This involves several qualities. One is a part of trust and integrity. If your associate CPA or attorney "shushes" you in a meeting, he might just as well turn the table over. The funding representatives will lose all trust that you are being forthcoming with them. Accel Partners, a venture capital firm addresses this dual concern of integrity and openness effectively in their article on "How to Win a Venture Capitalist" (I have a list of over 500 venture capitalist from around the country and the world). Funding an unknown person, even one with great references, resume and credibility is always a matter of trust. No matter how well you do everything else, if you fail on this one issue, funding is highly unlikely.

Everyone will doubt your ability to succeed. If it causes you to doubt, get a job!

Jousting with Windmills
Bois grave de Louis JOU extrait de
Don Quixotte, de CERVANTES

Accel Perspectives

HOW TO WIN A VENTURE CAPITALIST
by Jim Swartz

"…Integrity. Unlike leadership and vision, this quality is nearly impossible to assess on first impression. But after six months of working closely with an entrepreneur, integrity, or the lack of it, becomes apparent.

Judging an entrepreneur's integrity is crucial. The entrepreneur must tread a fine line between being honest and creating so many problems that everyone's enthusiasm is dampened. The venture capitalist must have a keen sense of where this fine line is drawn to anticipate problems and not overreact to the entrepreneur's concerns. The goal is to build a constructive team with a relationship built on mutual trust.

Openness. Most great entrepreneurs are continuously taking input from everyone around them. Entrepreneurs who are open are constantly re-evaluating their own positions, questioning their own assumptions and becoming their own management consultants.

It's essential not to confuse openness with flexibility. Sometimes, flexibility is insecurity in disguise. Just as relying on a plan that depends solely on a venture capitalist's vision is a major error, so too is investing in a management team that depends too much on the advice of its own board or its venture capitalists. Openness is watched very closely during the decision-making process. It is the surest path to building a true partnership."

Chapter 5 Use Professional Help

Many great project/proposal ideas come out of one's hobbies and outside interests. Your unique work experience, combined with these interests, can result in "hybrid vigor" and new ways of solving problems. This combination often results in the entrepreneurial idea that leads to a project.

Yet these "hobbies run amuck" are often started by someone with little capital or management skills. And so all too often, they try to do everything themselves, all the way from concept to completion. Seldom does this work.

The basis of a successful project is a well-thought-out plan that takes into consideration all of the potential pitfalls in addition to the opportunities.

Work Your Consultant

Professional help is not cheap. And cheap help is rarely professional. But you can get a lot more out of your professional if you follow a few rules. Here are my "Eight Simple Rules for Working with a Consultant":

1. Have an agreement such that you feel comfortable telling the consultant everything. On many occasions, when I've been consulting on a project for several weeks or even months, I've had clients suddenly reveal a vital part of their information that I should have known right at the very beginning. Whether it's anything from some small-but-important technical detail to a felony conviction, the consultant must know the facts to really help you. Just as you wouldn't conceal the fact that you were a diabetic from your surgeon, the consultant must know exactly what has to be dealt with.

2. Keep your deadlines "soft." Hard and hurried work is rarely the best. Remember that you are not the only client who has needs. Just as you wouldn't demand that your doctors do surgery on *your* schedule, but rather when all of the support and information was available. Sometimes gathering information to make the best case for your project takes time.

3. You will get higher quality work if you spread your project over time. One-thousand dollars a month for 10 months will get you significantly more quality and quantity than $10,000 in one month. I know you want the project to get going as quickly as possible, but in most projects the possibility and probability of success will hang on a nuance. Give it some time to evolve.

4. As much as you can, do all of the work yourself. If you need to screen 50 websites for competitive information, you can email the list with "ready to click" links to your consultant– and/or take him an organized stack of printed copies. The cost to you is five hours on a Sunday afternoon and some printing supplies. The cost if your consultant does this task is $1,000 or more, plus a day or so delay.

5. Respect their experience. The concept is absolutely yours. But they may have suggestions that will refine and improve your project to a more-profitable level. So at least listen to them.

6. Use a team of consultants. In our firm, we always assign two consultants to a project: One as a lead and one as a backup. That way, say, if another project interjects itself or personal problems impact concentration or whatever, the backup can simply take over. It will cost little more, and will represent one of your first good management decisions.

7. Criticize their work, not their capability. Sometimes communication is foggy and the result will not be what you want or need. Recognize that, to some degree, this is usually caused by both of you, so admit that and get on with co-producing the best result.
8. Keep them on board. Now that you have your consultant trained, knowledgeable, and involved, keep them on the board in an advisory role and as an ongoing consultant. You will need their support and help again.

The Professional Plan

Almost every week, we see business plans and loan applications that, on the surface, look okay. But the minute you start reading and analyzing them, you begin to uncover such problems as:

- Typographical, spelling and grammar errors. This indicates a lack of attention to detail. Not a quality you'd want in someone who will be responsible for accurate accounting and reporting to you on your investment.
- Financials that don't match the write-up. That attention-to-detail thing again. Also a sign that the plan is still in flux and lacks focus. The principals need to be flexible in negotiation, but firm in their presented plan.
- Financials that don't follow generally accepted formats. Portions of the plan and charts highlighting salient facts are great in the write-up, but the full financial projections should include an income statement, balance sheet, and cash flow with notes and assumptions. Besides the fact that the investor will almost certainly have his accountant look them over, you yourself need this information in order to design a viable plan.
- Too much detail, not enough sense. Filling a business plan or financing package with irrelevant data is a waste of everyone's time and does nothing to improve your chances of getting funded.
- Devoting too much of the space and time to the beauty of the result, and never addressing the potential problems or weaknesses.
- Forgetting that the people who have the money to fund your project probably got it by astute business sense. While there are con artists who use scams to get money from lottery winners, the majority of investors are professionals, and will expect the same from you and your plan.

It can take months to 1) write a truly professional business plan; 2) put together credible projections; and 3) really know what investors want. But failure to do any one of these three can delay your plan by many *more* months.

Window of Opportunity

Chapter 6 Are You Looking for A Job?

"Out of Work" Does Not Equal "Entrepreneur"

The driving force in many business buyers is "finding a job." A few years ago, during one of the slumps in the oil business, I was asked to speak to a group about opportunities to buy a business. Who was in the group? Terminal employees going through a required outplacement seminar.

Well, I knew none of them were going to leave the corporate cocoon for the risks of business ownership, and to their surprise I told them so. People who work for 30 years in the same job, often for the same company, do so because their personalities need the support system and security more than they need opportunity and independence. I understand that losing your secure job is frightening, but analyze your personality carefully before you decide to make the leap to entrepreneurship.

Do You Want to Be the Owner or an Employee? Or Both?

One of the hardest decisions in any business is the one to fire someone. Almost every small business owner I know struggles with this one. In most small businesses, your employees are also your friends. Often their families are friends of your family. Sometimes they are – or become – like family members. On several occasions when I was brought in to "turn-around" a company, the first thing I had to do was fire some member of the owner's family, and replace them with a professional.

Before I got to that, though, the owner had to make the hardest decision – to fire himself – and hire me to replace him. In every instance, I still made a place for the owner in the business, but in a role that better suited his aptitudes and capabilities.

Is Your Family Ready?

Starting a business or buying a business will impact everyone in your family. Take them into consideration. Single focused individuals start most successful big projects. I have endured hardships that I would never have asked someone else to endure. The tolerance for work, deprivation and parsimony varies greatly. Differences between partners in regard to these attributes is a major reason partnerships –and marriages--fail.

Is Your Resume Right?

A part of any business plan is your resume, particularly if you are planning to run or work in the project. Pretend you're the manager of human resources or the chairman of the board of your project. Would you hire the individual revealed in the resume as your new president? What qualities do you have that make you think you could do the job that are not on your resume? Your new investor will need to know what those qualities are---so will you.

Your Capabilities Change

I was out running one morning and the high school cross-country track team started gathering for their morning run. I was running my normal pace when one of the runners warming up passed me like I was a post. I sped up a little but it was hopeless. This caused me to start thinking about how my speed as a runner (jogger) has changed over the years. When I was in High School, I could run about a 6-minute mile. That was actually top speed and appropriate for one who had been known as "Turtle" on the Jr. High football team. When I was about30, I ran almost every day for a while and could run three miles at a 7-minute pace. My running has been spasmodic over the years so I don't

remember the times in the interim, but at the age of 59, I was averaging about 11 minutes for a mile and a half. That means I am slowing down about a minute a mile every 10 years.

My abilities, leadership, and intellectual ability have all fluctuated over the years impacted by my personal life, my health, my work, and my family. They don't decline in the way physical abilities do, but rather fluctuate. Several years ago, I went to work for a company as a consultant and then as COO to rectify some internal and growth problems. While the financial results were successful, I was going through a horrible time personally and was a horrible leader. I just didn't have the emotional strength remaining to lead.

Starting a major project requires that you have a good support system in your life. If you are going though a divorce, suffering through the death of illness of a loved one, or in a legal or financial mess, starting a project is almost always a recipe for disaster. I often compare starting a major project to climbing Mount Everest (Read "Into Thin Air" by Jon Krakauer). You have to be in peak shape, strong-willed, focused, committed, and trained. Even with all that less than 25% succeed in reaching the summit and about 25% die; many on the way down.

Don't Whine

When you set out on this trek, like the Mount Everest climbers, you know certain things will be present in the environment. On a 29,028-foot mountain, you can expect the air to be thin, the surface to be difficult and the temperature to be frigid. If you decide to make the trip, don't complain.

Starting a project that required outside financing also has known obstacles during the process. Several are addressed in other places but I will summarize them here.

- Everyone will think they are smarter than you—including me.
- It will take twice as long to get money than you originally expect.
- You will spend it twice as fast as you planned.
- You will run out of money—again—and again—and again.
- You will never get as much cooperation and help from others as your project deserves and needs.
- You will often be wrong—but you still have to forgive yourself, again, and again, and again.
- No one will admire you or forgive you unless you succeed.
- When you succeed everyone will say you were just lucky. You should only hit the first few. After that it will ruin your social life.

Ownership has to be important enough that you will hire a better manager than yourself if one is available.

Chapter 7 Seven Blind Men

It is generally accepted that entrepreneurship is a lonely business. Just the opposite should be true. While it is true that "the buck stops here", and "it's lonely at the top", it also should be very friendly. Even if it's not friendly, you need the support of an inner circle.

One of the most impressive things you can do to your business plan is to name a board of directors, advisory board, or executive committee to work with you though the process. Preferably, they will work for free on an occasional no-risk basis. You need these supporters for a number of reasons. One of the most important is to get different viewpoints from experienced interested parties.

The poem talks of 6 blind men. While you don't really want blind men, diversity of viewpoint is important. Frankness also is essential and respect for your right to make the final decision is critical. All of your team needs the following qualities.

American poet John Godfrey Saxe (1816-87) based the following poem on a fable which was told in India many years ago.

Six Blind Men

It was six men of Indostan
To learning much inclined,
Who went to see the Elephant
(Though all of them were blind),
That each by observation
Might satisfy his mind.

The First approached the Elephant,
And happening to fall
Against his broad and sturdy side,
At once began to bawl:
"God bless me! but the Elephant
Is very like a wall!"

The Second, feeling of the tusk,
Cried, "Ho! what have we here
So very round and smooth and sharp?
To me 'tis mighty clear
This wonder of an Elephant
Is very like a spear!"

The Third approached the animal,
And happening to take
The squirming trunk within his hands,
Thus boldly up and spake:
"I see," quoth he, "the Elephant
Is very like a snake!"

The Fourth reached out an eager hand,
And felt about the knee.
"What most this wondrous beast is like
Is mighty plain," quoth he;
" 'Tis clear enough the Elephant
Is very like a tree!"

The Fifth, who chanced to touch the ear,
Said:"E'en the blindest man
Can tell what this resembles most;
Deny the fact who can
This marvel of an Elephant
Is very like a fan!"

The Sixth no sooner had begun

About the beast to grope,
Than, seizing on the swinging tail
That fell within his scope,
"I see," quoth he, "the Elephant
Is very like a rope!"

And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!

Moral:

So oft in theologic wars,
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean,
And prate about an Elephant
Not one of them has seen!

Reality Check

The most important quality in your advisors who will help you define and fund your project is that they continually give you a reality check. I don't really recommend your ex-wife as a member, but you need someone who: i) believes in you (she may have at some point, but it needs to be current), ii) someone who thinks your idea is doable, and iii) someone who will tell you when you are full of s___! This quality you need in all of your advisors. While this is your cheering section, sycophants will not help you succeed.

The recommended members of your support group will include supporters with the following characteristics and backgrounds:

1. **Business Experience**

You need someone with executive level experience in business, preferably a related or similar business. This person should insure that you have a good overview of the entire entrepreneurship process. They will help you evaluate and find the other advisors. They will know how to understand the personalities and capabilities of your advisors and top management. The key word here is "experienced", not just loud and opinionated—you should fill that role.

2. **Accounting and Tax Matters**

One of the important jobs of a CEO is to look down the road for problems that can kill the business. Many of those are accounting, tax, and compliance related. You need someone who can tell you about these potential problems. I had an accountant at one time that had previously worked for the IRS and we did a lot of things on the "fat chance" theory. He believed that your chances of being investigated were slim and if you had a reasonable explanation the penalty would likely only be to pay the tax as a result of the investigation. We were never investigated and never had a problem. I

personally don't mind paying tax and hope someday to be the biggest taxpayer in the county—in the meantime I am still doing everything I can to invest my profit in my businesses, not in the country.

3. Financial and Business Structure

A banker from a small bank would not be a bad choice for this spot. Another possibility is an investment banker or money finder. If they are experienced, they know how other deals have been put together. At some point in the funding process, you may have to make a lot of decisions about equity, loans, options, warrants and convertible debentures. You need someone who understands this process and can help guide you thorough this maze.

4. Environmental Problems and Opportunities

Depending on your concept, you will probably need someone who is a "tree-hugger". As our world is more and more stressed by pollution, population growth, political changes and war, the EPA or some environmental agency often rears its head as a potential problem for businesses. Acquisition of any property requires an environmental assessment, but more problems likely wait. You need someone on your board that is sensitive to these potential problems and can help you avoid future potential problems. Besides, having a screaming liberal in your camp always spices up the meetings.

5. Marketing and Market Connections

If you can find a reliable, non-competitive individual who understands the market you want to enter, they would be ideal. Otherwise, you might look for a marketing professional in a similar market. Ideally they would have enough of a pulse on the market to help you see the future in your crystal ball (if you don't have one, get one—a critical piece of business equipment).

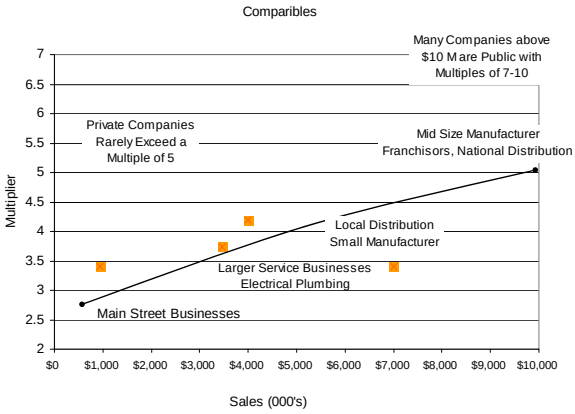
6. Suppliers of Important Components of Your Offering

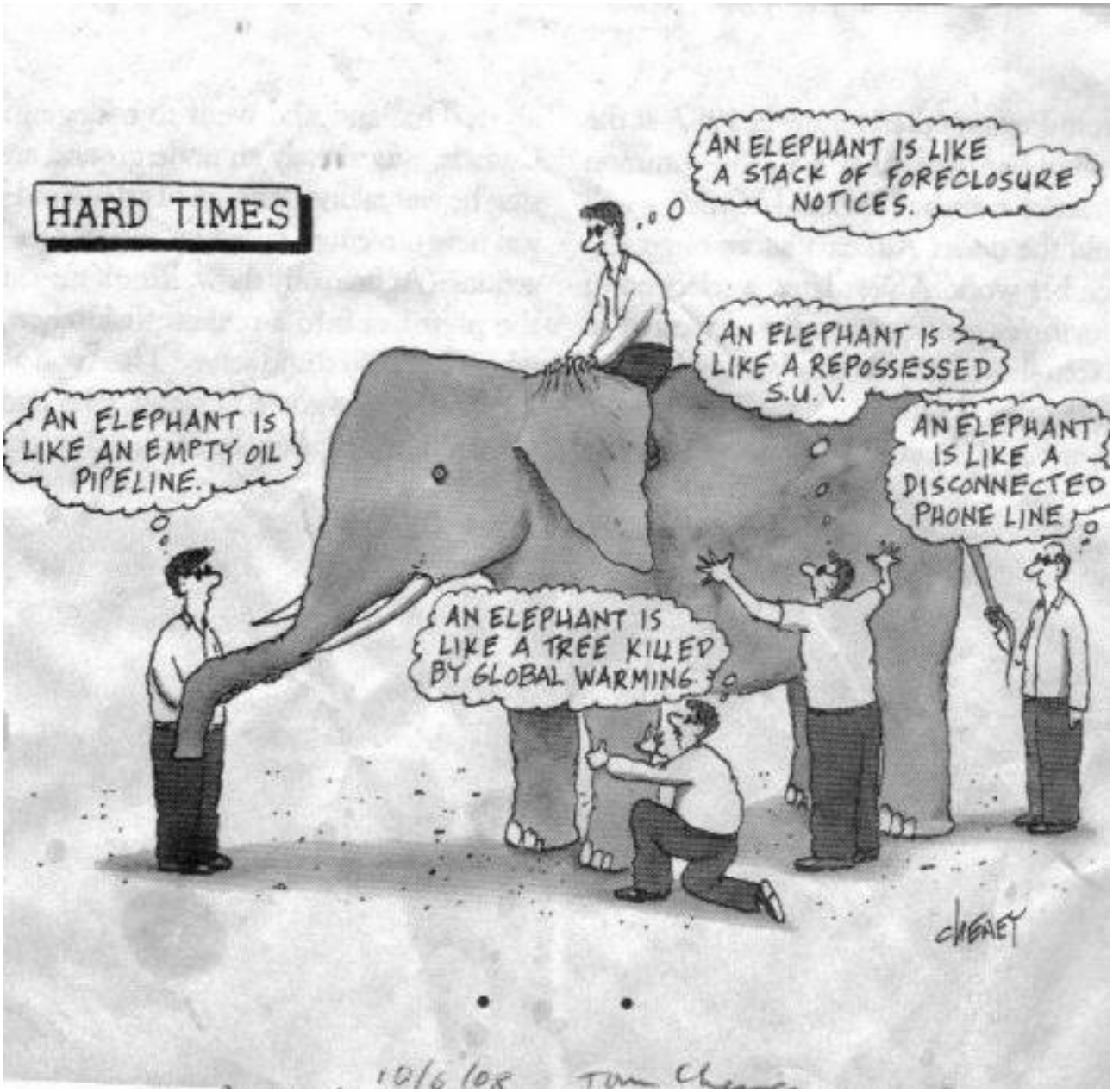
Never forget the other side of your product offering, your suppliers. They are critical to your success and to your fundraising. An advisor who supplies components will often help you make your product cheaper, reduce inventory, and foresee changes in supply and market before you can.

So there you have your six advisors, but you will still need one more.

7. Legal

Our litigious society requires an additional blind man--a lawyer or legal professional. While he might sue the owner of the elephant for misrepresentation to all of the others, it is necessary to have someone who can advise you on legal matters. Every business needs to keep out of the path of potential legal problems before the problems happen. You will have to hire a lawyer to do many of these tasks, but if you can find one to advise you without working for you, you will get an entirely different perspective.




HARD TIMES
AN ELEPHANT IS LIKE A STACK OF FORECLOSURE NOTICES.
AN ELEPHANT IS LIKE A REPOSSESSED S.U.V.
AN ELEPHANT IS LIKE AN EMPTY OIL PIPELINE.
AN ELEPHANT IS LIKE A DISCONNECTED PHONE LINE.
AN ELEPHANT IS LIKE A TREE KILLED BY GLOBAL WARMING.
CHENEY
10/6/08

Summary

Buying a business, starting a business, developing a new product, perfecting an invention or any of the above is a daunting task. You may fail. If you are afraid of failure, choose another lifestyle. This is not an attractive lifestyle, many of the projects will fail, others will be bought for a "mess of porridge" and all of the profit will go to someone else. Some of those who begin these projects will err too close to the legal line and the principals will face legal problems. Many will have to deal with divorce and alienation from family and friends. No one will feel sorry for you or rush in to fix these problems for you. No policeman will waive a ticket because you are concerned with a greater good or building an empire. No landlord will give you free rent.

That's most of the negatives I can think of right now. Most certainly you will be able to add to the list if you go down this path.

But, if you chose to go down this path, risk your assets and become an entrepreneur, you will play a role in one of the most exciting and challenging opportunities. Entrepreneurs play a major role in advancing our society in technology, business processes and organization, and information management. These enterprises and individuals generate most new jobs around the world.

If you choose this route, look for me on the way up or the way down,--I can't be anywhere else.