

# Talking Technology

## New sources of capital for CEOs to actively pursue

By Steve Burns, Capital News contributor

I attended a presentation by the Okanagan Science and Technology Council last week on some new sources of financing for technology entrepreneurs.

There were three companies presenting: BDC Venture Capital, Altura Growth Fund and BC Discovery Fund.



The investments that they are interested in range from early stage to growth stage companies with the potential for follow on financing.

What I found most interesting was not the type of investment they are looking for but rather the type of company that attracts them. Here are some common themes:

1. A Strong Management Team.

All of them comment that they are primarily investing in the management team.

The people involved in the deal, including their previous track record and experience, goes a long way to determine whether or not they will fund an opportunity.

2. A Distinct Technology Platform.

This is another way of saying that they want your technology to be unique – preferably you have protected your intellectual property through patents, etc.

3. A Sustainable Competitive Advantage.

Your product should have a significant competitive lead that is very difficult to duplicate. This also means that you must solve a problem the customer understands and which is causing significant “pain” to them – lost profits, decreased productivity, etc.

4. A Comprehensive Business Plan.

Your business plan must be comprehensive and not leave things out. For instance, the comment that “we have no competitors” will likely result in your business plan being tossed into the dumpster.

Admit your weaknesses but show what you plan to do about them.

#### 5. Excellent Market Potential.

What they are looking for is a large and rapidly growing market.

They are also looking for a market that has no dominant competitor now with gross margins of at least 40 per cent to 50 per cent.

They are looking for early positive cash flow and break even sales.

#### 6. Syndicated Deal

You are much more attractive to an investor if you already have more than one interested party coming to the table.

Syndication is just another way of saying that they want to reduce their risk by sharing the risk with another investor.

#### 7. Credible Exit Path

You need to give serious thought to how the investor will exit.

They want to see your business plan clearly address this with more than one line – “exit via IPO” just isn’t good enough.

I couldn’t help but think while I was listening to the presentations that if someone looked at this criteria they would think that they had to have the perfect management team with the perfect opportunity with a gold plated business plan.

This is far from the truth. Investors expect blemishes in your plan– they expect that you won’t have everything together from the start.

However, they do expect you to know your market cold and why you will dominate your little marketplace.

What I find most useful about the criteria is that it should allow you to “score” your business.

What if you rated each category on a scale of 1, being terrible, to 10 being awesome, how would your business stack up?

If you consistently rated yourself poorly there are only two possible reasons.

First, you are being like 98 per cent of the entrepreneurs out there that are too hard on themselves.

Or second, you are seriously considering folding your tent.

However, before you give up so easily give your business plan to someone else to read and see how they rate you.

A start up technology entrepreneur in Kelowna recently did this and was surprised – not only did the person like the concept but they invested in the business.

They are well on their way to being a successful technology business. Remember what Ross Perot said “Most people give up just when they're about to achieve success. They quit on the one yard line. They give up at the last minute of the game, one foot from a winning touchdown.”

Don't let that person be you!

Steve Burns, CA, CMC, CFP, is the president and CEO of the Burns Innovation Group Inc. If you would like your company profiled in the column, contact Steve at 763-4716 or e-mail:

[steve@burnsinnovation.com](mailto:steve@burnsinnovation.com)

[Short story](#)