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Perfecting Your Pitch

By Brad Feld, Co-founder, Foundry Group

As a venture capitalist, I'm constantly on the receiving end of pitches from entrepreneurs looking for capital. Over time, I've found that these pitches fall into three categories: (1) The Introduction, (2) The First Shot, and (3) The Full Pitch. The same mistakes regularly appear in each category—following are some of the common ones and what you can do about them.

The Introduction

Don't spam 157 VCs with a "Dear Sir" email. It's bad enough to receive a generic email from someone; it's even worse when they include all 157 recipients in the "To" line on the email. Remember to target your audience first and then personalize your emails to them. Oh—and if my name is "Brad," please don't send me an email that starts off "Dear Fred."

Don't forget to know your audience. I invest in early-stage software and Internet companies in the United States. There is a lot of information about me (www.feld.com) and my firm (www.foundrygroup.com) on the Web. I'm always amazed when someone reaches out to me to invest in a telecom company, a retail products company, a clean tech business, or a biotech company. Do your research and make sure the VCs you target invest in the products or services your company provides.

Don't send a 73-page business plan via the U.S. mail. While this might have been the right approach in 1972, these days you should start with a short email that includes two or three paragraphs introducing you and your company. If you must, attach a short (less than four-page) executive summary. Make it easy for the VCs to either engage or say they aren't interested.

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How Do I Get Meetings with Investors?

By Babak Nivi and Naval Ravikant, Founders, Venture Hacks

> **"VCs are generally bombarded by requests for meetings, so a warm introduction helps an entrepreneur's request float to the top of the list."**
> ***— Chris Wand, Foundry Group***

You're not the only entrepreneur in the world who is trying to raise money. Investors get more requests for meetings than they can accommodate in this lifetime or the next. So they use introductions to prioritize and filter meeting requests.

You *could* send investors a cold email, but your traction, team, or product better be mind-blowing—and it probably isn't.

Getting an introduction is a test of your entrepreneurial skills. If you can't convince a middleman to make an introduction, how will you convince employees to join your company? How will you convince customers to buy from you? How will you convince investors to put their money in your pocket?

So don't spam investors with your business plan. Instead, convince middlemen to introduce you to investors. An effective middleman is simply someone investors listen to.

Who makes the best introductions?

Not all middlemen are created equal. The quality of the middleman helps investors prioritize meeting requests—it's easier to land a meeting with a high-quality middleman, and if the middleman is weak, you won't get a meeting.

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How Do I Get Meetings with Investors? *(Continued from page 1)*

Who makes the best introductions? In rough order of effectiveness:

1. Entrepreneurs whom the investor has backed and made money with, wants to back, or is currently backing.
2. Other investors whom the investor has co-invested and made money with, wants to co-invest with, or is currently co-investing with.
3. Market, product, and technology experts such as senior executives at dominant companies or lauded professors.
4. Lawyers, accountants, and sundry industry people like us.
5. Someone the investor met at a party once.

Use this list to measure a middleman's potential. But the details of a middleman's relationship with investors are more important than this list. So ask your middleman questions like: How do you know the investor? What have you done together? What companies have you sent him that he has subsequently backed? What makes our company interesting enough for you to make an introduction?

Who makes the worst introductions?

There are some introductions that hurt more than they help. First, investors who decline to invest in your company may offer to introduce you to other investors. An introduction by an investor who makes it a habit to invest in businesses like yours but doesn't want to invest in you is a useless introduction. So skip these introductions if the first investor doesn't have a good reason to not invest. Instead, ask the first investor whom he wants to introduce you to. Then get your own introductions to these investors.

Second, you don't want introductions from middlemen whom investors barely know. Or middlemen whom investors don't trust. These introductions just make you look bad. Use the questions in the previous section to weed out these middlemen. If an introduction starts with "I don't know if you remember me," you're in trouble.

How do I get an introduction?

Pick up the phone and call everyone you know who knows investors well and will listen to you. Call in all your favors to get the attention of middlemen. Explain why investors will appreciate the introduction by using your high-concept or elevator pitch.

> Get the middleman to focus on a single great introduction. Three weak emails won't do anything, but one strong phone call might.

If you're building an interesting company, people will offer to introduce you to investors. It makes them look good. In Hollywood, *content is king*. In Silicon Valley, *deal flow is king*.

Get the middleman to focus on making a single great introduction. Three weak email introductions won't do anything, but one strong phone call might.

If you're not having any luck convincing middlemen to make introductions, consider making them advisors as an incentive or reward.

If that doesn't work, ask the middleman to recommend investors or other middlemen: "Can you suggest just one person we should be talking to? We'll find our own way to him or her, and we won't use your name."

If you can't find middlemen who know investors at all, start asking people, "Who do you know, who knows investors?"

Finally, if you can't get a single introduction to an investor who makes it a habit to invest in companies like yours, go back to the drawing board. Grow your company to the point where investors get interested. Go work at a start-up and make the right connections. Hang out in the lobby of conferences and develop the right contacts. Start blogging about your company. Sit down with your team and brainstorm about how to get introductions or grow your company to the point where you *can* get an introduction. And see Marc Andreessen's "When the VCs Say 'No'" for more advice: tinyurl.com/yutrb8.

Nobody said this was fast or easy.

What should I send middlemen?

Send an elevator pitch that the middleman can forward to investors with a thumbs-up. Also consider attaching a deck. Don't ask for a non-disclosure agreement from the investor or the middleman. Don't send a business plan or executive summary. We cover all of these topics in *Pitching Hacks*.

This is an excerpt from the book Pitching Hacks, *available at http://venturehacks.com*.

Babak Nivi and Naval Ravikant are the founders of Venture Hacks, a popular blog offering advice for entrepreneurs. In the course of their careers, they have founded companies like Epinions; helped start companies backed by Sequoia, Benchmark, Kleiner Perkins, and Atlas; worked at funds like Bessemer; and invested $20 million in companies like Twitter.

They can be reached at team@venturehacks.com.

Avoiding Trouble: Provisions in Previous Employment Documents that Every Start-Up Company Founder Needs to Review

By Yokum Taku, Partner (Palo Alto Office)

A potential founder of a start-up company needs to review various documents they signed with their previous employers in order to avoid unnecessary problems in the future. Most employees have signed an offer letter and a confidential information and invention-assignment agreement, as well as other documents such as a stock option agreement. Depending on the company and the employee, other relevant documents might include an employment agreement, an employee handbook, a conflict-of-interest policy, or a severance/separation agreement. These documents should be reviewed carefully for provisions that may inhibit the activities of the future start-up company. Enforceability of some provisions in these documents, such as non-compete clauses, generally depends on the state where the employee is located.

Founders should review the relevant documents for the following provisions and consult with legal counsel:

Confidentiality. All technology companies require employees to sign a confidentiality agreement that prevents employees from using or disclosing employer confidential information except for the benefit of the employer. These confidentiality provisions are usually for an indefinite period of time, as opposed to a finite period such as five years in a typical confidentiality agreement between companies. In any event, most states prohibit the misappropriation of trade secrets as a matter of law, regardless of whether or not the employee signed a confidentiality agreement. Thus, a potential start-up company founder needs to ensure that he or she does not use former employer confidential information in connection with the new company.

Invention assignment. All technology companies also require employees to assign inventions created during employment to the employer. In California, there is an exception to this requirement to assign inventions if: (a) the employee has made the invention on his or her own time not using company equipment, and (b) the invention does not relate to the business of the company or did not result from work for the company. However, an employee still may need to notify the company of a non-assigned invention under the terms of the invention-assignment provision.

Some companies may have invention-assignment clauses that require the employee to assign inventions created for a certain period of time after termination of employment, such as from six months to a year. These clauses may be enforceable depending on the state and the facts and circumstances of the situation.

Invention disclosure. Even if an employer does not require post-termination invention assignment, some employers include provisions in standard documents that require the employee to disclose inventions created (or patents filed) for a certain period of time after termination of employment. This is less common and may be enforceable if it is reasonably necessary to protect the company's business interests.

Non-compete clauses. In many states, non-compete clauses are enforceable if they are reasonable in scope and duration. However, non-competes are generally not enforceable in California except for limited exceptions, including in connection with the sale of a business. Therefore, most start-up companies located in California do not have non-compete provisions in their standard employee documents. If a potential start-up company founder is subject to a non-compete, the founder needs to review carefully the scope and time period of the non-compete.

Non-solicitation of customers and vendors. Some employment documents also include a prohibition on soliciting the employer's customers and vendors. In states like California where non-competes are generally not enforceable, provisions on non-solicitation of customers and vendors are likely to be considered a restraint on trade and also not enforceable.

Non-solicitation of employees. Most technology companies require employees to refrain from soliciting employees for a specified term, such as one year after termination of employment. Thus, start-up companies where founders intend to hire their former co-workers need to carefully navigate the bounds of permissible action under these clauses. Please also note that key employees of a company may be subject to fiduciary duties to the company and may be subject to claims of breach of fiduciary duty, fraud, and intentional interference with contract for soliciting co-workers even in the absence of written agreements.

No moonlighting. Some employment documents contain explicit provisions that prevent employees from working on business activities unrelated to their employer, even if it is after hours. This may limit pre-resignation activities of the potential founder.

No conflicting stock ownership or directorships. Some company conflict-of-interest policies prevent an employee from investing or holding outside directorships in other companies. This may limit pre-resignation incorporation of a new company.

Potential start-up company founders need to be aware of these issues and identify them for their legal counsel as soon as possible prior to starting a new company.