WHAT REAL INVESTORS REALLY WANT
Terms of Use and Liability Disclaimer

The accompanying material and any related oral or written discussion (the “Materials”) is governed by the limitations detailed below. Security Services are provided by John Lilly Strategic Insights, LLC through Morgan Joseph TriArtisan, LLC.

Terms of Use - The Materials are not to be redistributed or reused in any manner without prior written consent of Lateral Capital Management, LLC (together with its affiliates, employees and representatives “LCM”). Clients who are paying LCM for access to the Materials may distribute them internally. LCM content and information, including but not limited to concepts, descriptive prose, graphs, charts, tables, figures, presentation pages, examples and formats are copyrighted materials and not to be disseminated outside of a client organization to any third party, including a client’s customers, financial institutions, consultants or the public without express written permission of LCM. No agents, brokers, investors or investment banks are authorized to present the Material for the purpose of informing or soliciting clients or potential clients related to transactions of any kind.

Liability Disclaimer - The Material was prepared by LCM based on information from many sources, which may include LCM clients, is given in summary form, and does not purport to be complete. LCM has not verified the accuracy or completeness of the Material and makes no warranty or representation regarding such. LCM expressly disclaims any liability for any damages (direct, indirect, incidental, special or consequential) arising out of or related to the Material, including, without limitation, the use of such information and/or omission from the Material of pertinent information. You must look solely to your own due diligence and any representations, warranties and/or covenants set forth in fully-executed, definitive written agreements to which you are a party. Under no circumstances will LCM (or its members, managers, governors, officers, employees, or agents) be liable for the accuracy, quality or reliability of any of the Materials.

This Presentation is Not Financial or Investment Advice - The Materials do not constitute investment advice, recommendations or solicitations to purchase or sell securities mentioned therein, if any. LCM is not, and does not provide services as an investment advisor, investment analyst, broker, broker-dealer, market-maker, investment banker or underwriter. Information in this presentation, including forecast financial information, if any, is for information purposes only and should not be considered as advice or a recommendation with respect to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information and should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.
Terms of Use and Liability Disclaimer (Continued)

**Forward Looking Statements** - All statements in the Materials other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of a party to market risks and statements expressing the party’s expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, intend”, “may”, “plan”, “objectives”, “outlook”, “probably”, “project”, “will”, “seek”, “target”, “risks”, “goals”, “should” and similar terms and phrases. Although LCM believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, LCM can give no assurance that its expectations will be attained. Readers are urged to consider this factor carefully in evaluating any forward-looking statements. Forward-looking statements made herein are only made as of the date of this presentation and LCM undertakes no obligation to update such forward looking statements to reflect subsequent events or circumstances. LCM shall not be liable for the contents of any such forward-looking statements. Such forward looking statements are subject to significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks include: (i) material adverse changes in the applicable industry conditions; (ii) current global economic and financial market conditions; (iii) unfavorable changes in the key markets served by the company under discussion; (iv) the company’s inability to achieve the level of revenue growth, cost savings, cash generation, or competitiveness anticipated; (v) political, economic, and regulatory risks in the countries in which the company operates or sells products; (vi) legal compliance risks; and (vii) changes in relationships with, or in the financial or business condition of, customers, suppliers, and business partners.

**Independence** – LCM has acted independently in preparing the Materials but may have a variety of disclosed and/or undisclosed pecuniary interests and/or compensatory arrangements with other parties, some of whom may be referenced or discussed in the Materials. LCM affiliates include, without limitation, John Lilly Strategic Insights, LLC, Lateral Capital investment funds’ and such funds respective portfolio companies. In all cases, LCM acts as a direct investor or a consultant on strategic business matters and is not an investment advisor, investment analyst, broker, broker-dealer, market-maker, investment banker or underwriter. LCM does not offer to buy or sell securities nor does it solicit offers to buy or sell securities. Security Services are provided by John Lilly Strategic Insights, LLC through Morgan Joseph TriArtisan LLC.

**Confidentiality Limitations** - All submissions and communications to LCM become the property of LCM upon receipt. No confidentiality is provided as to any submission or communication absent a confidentiality/non-disclosure agreement manually signed by the parties prior to receipt by LCM of such submission or communication.

**Licensed Content and Ownership** - Content distributed within a LCM client organization must display LCM copyright notices and attributions of authorship. Content related to One Page Strategic Planning®, OGSP®, The Five Questions | One Page® Strategic Plan and 5Q|IP® are used under license from One Page Solutions, LLC. Other trademarks used in this presentation are the property of their respective owners.
Assumptions about the Audience

• Where You Are.
  – Seed ("I have an idea …")
  – Proof of Promise ("I have a customer …")
  – Series A ("I have a plan …")

• What You Need.
  – Money, but not too much.
  – Customers, to prove out your idea.
  – Help to avoid potholes

• Who You Want.
  – Experienced Angels
  – Angel groups
  – Family offices
  – Investors who are also customers
How Early Stage Companies See Fundraising

1. Guess
2. Pitch
3. Hope
4. Repeat
Why Are Fingers Crossed?

• The typical **Early Stage Investor** doesn’t see enough deals to generate broad-based learnings on what makes a good investment.
  – They are often flying blind --- just like the entrepreneur!
  – Unlike banks, there is no “standard” evaluation or valuation process

• **Early Stage companies** don’t have --- or don’t believe --- market experience on what has made other startups succeed or fail.
  – Investment proposals are all over the map
  – Thank heavens entrepreneurs do not know what they are up against

• **Early Stage Funds** (VC or Angel) are typically focused more on “making a great deal” than on building successful companies.
  – Many investors look to make money on the buy, not on the sell
  – This turns “win-win” into “win-lose”
How Do I Know All This?

- **Startup Experience**: Started in lemonade --- founded five companies
- **Big Company experience**: 50 businesses in 25 countries for P&G and Pillsbury
- **Direct Investments** in 37+ companies over 12 years --- $25,000 to $1,000,000 each
  - 13 categories in 10 states --- B to B, B to C --- and B to B to C
  - Software, hardware, education, cancer, heart disease, truck tires, etc.
  - You name it, I have lost money investing in it!
- **Angel / Accelerator Investments** in 100+ companies, coast to coast.
What is a Real Investor?

**Real Investors**

are individuals or organized groups who have the experience, capacity and conviction to invest in Early Stage companies which they can help to succeed.
## What Makes An Investor Real?

<table>
<thead>
<tr>
<th>Not Real</th>
<th>Real</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Angels:</strong></td>
<td></td>
</tr>
<tr>
<td>Wears big hat</td>
<td>Has actual cattle</td>
</tr>
<tr>
<td>Looking for “the one”</td>
<td>Portfolio investor (Minimum of 15X)</td>
</tr>
<tr>
<td>Looking for Facebook (50x)</td>
<td>Reasonable expectations (3-5X)</td>
</tr>
<tr>
<td>“Never lost a dime”</td>
<td>Failed before</td>
</tr>
<tr>
<td>Make it on the buy</td>
<td>Make it on the sell</td>
</tr>
</tbody>
</table>

| **Venture Fund:** |  |
| Generalist fund | Have worked in your space |
| Knows everything | Know what they don’t know |
| Focused on the 2% | Focused on the 20% |
| Tellers | Helpers |
| One and done CEO’s | Returning CEO’s |
How Do Real Investors Make Money?

“You know what I learned? No one can pick ‘em.”

Jimmy Nederlander
Broadway Producer

• Real Investors understand Early Stage is about an asset class, not “picking winners”.
  – 52% of deals fail to return their capital --- vs. 80% in Venture Capital
  – 7% of investments product returns of 10X or more
  – But the 10X deals produce 80% of total returns

• Simple math tells you:
  – 7% x 15 investments = 1 “winner”
  – If you make less than 15 investments, you will lose money on average
  – If you do enough of it, Angel investing produces 2.5X your money

• So … if your investor thinks they can pick winners, you should …
  – Recognize that they are probably wrong
  – Tell them you are the one!

Real Investors Are Driven By You

“Your job is to make people care about your obsessions.”

Bruce Springsteen

• Most investors won’t understand your technology.
  – It has to be “kitchen logic”
  – Not similar to what they know

• Angel Funds will focus on the process.
  – No one wants to bring others into a bad deal
  – Everyone in the group sees a different reason to say no

• Venture Capital investors will worry about their careers first.
  – No one gets fired for not making an investment.
  – The chances that you are Google or Facebook are very small, so why worry?
Real Investors Demand Clarity

“*What is not possible is not to choose.*”

Jean-Paul Sartre

1. “Why” does the organization really exist?
   ▪ This is the emotional ethos of your company --- the real reason people really come to work and invest.

2. “Where” is the organization headed long term?
   ▪ This is a compelling, aspirational view of the your company’s long-term future.

3. “What” will the organization achieve?
   ▪ This is a fact-based definition of success over the next 1 to 3 years.

4. “How” will success be achieved?
   ▪ These are the choices about the work needed to deliver the “What”; who will be responsible for delivering it and when.

5. “Which” work will the company NOT do?
   ▪ This is a list of all the things the organization will not do --- so it can focus completely on the “What”. The Won’t Do List®
Why is Your “Why” Most Important?

Outside In (Dell) | Inside Out (Apple)
---|---
**How** – We will make custom-made computers. | **Why** – We want to deliver really cool experiences.

**What** – We take orders online and on the phone --- and we are worldwide. | **What** – We make computers, phones, music devices, watches and who knows what else.

**Why** – We want to reinvent the computer industry -- - and make lots of money. | **How** – We have assembled a group of perfection-driven fanatics in California to do it.

---

**Investors don’t put money in what you do --- they invest in why you do it.**

*Source: Adapted from Simon Sinek, TED Talks, : [http://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action.html](http://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action.html)
Some Great “Whys”

“To sell clean energy at a cost lower than fossil fuels. Period.”

“To raise poetry to a more visible and influential position in American culture.”

“We empower generosity.”

“Helping families honor the lives of those they love.”

“To enrich women’s lives.”

“Make people happy.”
Real Life Example: Pedia Solutions

• Why are they in business?
Real Life Early Stage Example:  Pedia Solutions

• Why: Alleviate infant discomfort.
• What: New way to delivery drugs to infants.
• How: Introduce a new nipple/vial system.
Real Life Example: Pedia Solutions

• Here’s their promise to investors:

![Image of a baby sitting on a pile of money with text: Ok, so what’s our ROI?]
What Gets Real Investors to Invest?

• There is no sure thing.

• Top Ten thoughts on what investors look for.

• Welcome to …
The Case of The Phantom Meter Reader

A company invented a system to measure electricity consumption without “reading the meter” --- a van simply drives by homes and businesses reading their meter data using wireless technology. This eliminates the need for meter readers, internet metering, etc. However, solving this problem has yet to be turned into a profitable business.

How come?
1) Solve Meaningful Problems

• Entrepreneurs fall in love with solutions --- then try to find a problem it can solve.

• These solutions rarely address a meaningful problem --- one that is:
  - Large enough to support a standalone business
  - Simple enough to be obvious without a lot of marketing
  - Important enough for people to pay to solve
  - Tough enough to be unsolved, but easy enough to be solvable
  - Compelling enough to drive conviction ahead of prudence

• To attract Real Investors, your solution needs to solve a meaningful problem.

• Remember: Every Real Investor has a hidden, unexpressed, non-monetary standard for Meaningful. Here’s mine:

   Will my investment in this company be something my children will be proud to tell their friends about?
2) Skip the Team --- Find a Partner

“All things considered, there is only Matisse.”

Pablo Picasso

“Only one person has the right to criticize me. That is Picasso.”

Henri Matisse

• The great innovators of the world have been teams of two:
  • “We often hate each other, but it’s the kind of hatred that’s like flint and steel – the sparks that come out make it worth the while.”
    Penn Jillette on Teller
  • “Charlie does the talking. I just move my lips.”
    Warren Buffett on Charlie Munger
  • “I forged the thunderbolts. She fired them.”
    Elizabeth Stanton on Susan B. Anthony

• Two key skills: Product and Customer --- outsource everything else.

Real Investors Look For Teams of Two

• Source: Adapted from The Atlantic, July / August 2014. Quotes from “Powers of Two: Finding the Essence of Innovation in Creative Pairs” by Joshua Wolf Shenk.
The Case of Green Pigment --- With No Black Ink

“Green” pigment / no heavy metals
Made from cheap clay
Huge global market
Composition of Matter patent

Results to Date:
Hundreds of companies “interested”
Global distributor in Switzerland
Practically no sales --- after five years
3) Be Sure Your Business Sells Aspirin, Not Vitamins

- Vitamins lead to long term good health, but aspirin cures headaches.
- People will pay to get rid of their headaches, but the value of “better health” is hard to quantify --- or bill for.

Results to Date:
Hundreds of companies “interested”
Global distributor in Switzerland
Practically no sales --- after five years

“Green” pigment / no heavy metals
Made from cheap clay
Huge global market
Composition of Matter patent

Real Investors want to know how you will eliminate pain --- not how you will make things better long term.
Entrepreneurs and investors have different time horizons.  
- Timing for innovation is not everything --- great ideas find their time  
- Timing for investors is the only thing --- money can’t wait for the market  
- To attract capital, the product or service has to move NOW

Real investors look for cheaper, better, faster --- *not* “new to the world” inventions.
4) Focus on Benefits --- Not “Cool” Features

“Customers don’t want a quarter inch drill, they want a quarter inch hole.”

Ted Levitt

• Real Investors do not care about your technology.
  – “I don’t understand how your technology works.”
  – “I do not plan to learn.”
  – “I only care that it works, how much it costs and when you can ship.”

• Customers care about what the product actually does --- these are benefits

<table>
<thead>
<tr>
<th>What's a Feature?</th>
<th>What's the Benefit?</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;This new car gets great mileage</td>
<td>&quot;This new car is so efficient, you will look smart --- and</td>
</tr>
<tr>
<td>... 100 miles per gallon.&quot;</td>
<td>environmentally conscious --- by driving it.&quot;</td>
</tr>
<tr>
<td>&quot;Our new product is made with</td>
<td>&quot;When you serve our Organic product to your kids, you are</td>
</tr>
<tr>
<td>all Organic ingredients.&quot;</td>
<td>doing what's best for them.&quot;</td>
</tr>
<tr>
<td>&quot;Our lawn fertilizer has a weed</td>
<td>&quot;When you use our weed killing fertilizer, your lawn will be</td>
</tr>
<tr>
<td>killer built in.&quot;</td>
<td>the envy of your neighbors.&quot;</td>
</tr>
</tbody>
</table>

Real Investors invest in what real customers buy : Benefits
5) Ask Only For The Money You Need.

“The less money you need, the harder it is to run out.”

Paul Graham
Y Combinator

• Early Stage investors typically need a 35% IRR.
  – After 52% of their deals fail, this means they can still get a 15 – 20% return.
  – Every day you have their money, they need more money back. So wait.

<table>
<thead>
<tr>
<th>AFTER THIS MANY YEARS</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2x</td>
<td>22</td>
<td>14</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>2.5x</td>
<td>41</td>
<td>26</td>
<td>19</td>
<td>15</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>3x</td>
<td>58</td>
<td>36</td>
<td>26</td>
<td>20</td>
<td>16</td>
<td>14</td>
<td>12</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>4x</td>
<td>73</td>
<td>44</td>
<td>32</td>
<td>25</td>
<td>20</td>
<td>17</td>
<td>15</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>5x</td>
<td>100</td>
<td>59</td>
<td>41</td>
<td>32</td>
<td>26</td>
<td>22</td>
<td>19</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>6x</td>
<td>124</td>
<td>71</td>
<td>50</td>
<td>38</td>
<td>31</td>
<td>26</td>
<td>22</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>7x</td>
<td>145</td>
<td>82</td>
<td>57</td>
<td>43</td>
<td>35</td>
<td>29</td>
<td>25</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>8x</td>
<td>165</td>
<td>91</td>
<td>63</td>
<td>48</td>
<td>38</td>
<td>32</td>
<td>28</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>10x</td>
<td>188</td>
<td>100</td>
<td>68</td>
<td>52</td>
<td>41</td>
<td>35</td>
<td>30</td>
<td>26</td>
<td>23</td>
</tr>
</tbody>
</table>

Real Investors love to invest less money, more often.
The Failure Corollary: Small, Early, Often

“*The predominant cause of big failures versus small failures is too much funding.*”

Shikhar Ghosh - HBS

- Excess funding covers up mistakes you feel you can afford to make.
- Excess funding allows the company to focus on things that aren’t important to the company’s success.
- When you have a lot of money, you can afford to argue that the dogs should like the dog food because it is nutritious.
- The more you embrace --- and learn from --- the little failures, the less likely the whole system will collapse.
The Exit Corollary: Your Are Not Going Public

“There is nothing so depressing as boundless optimism.”
The Wicked Witch of the West

• Every entrepreneur dreams of “Going Public”. This is not likely.
  – Public companies “spend” $500,000/year on audit fees, insurance, etc.
  – This means the threshold for “going public” is about $5MM in EBITDA
  – Median IPO’s are now valued at about $140MM
  – Investors know this --- so promising an IPO sounds naïve.

• So --- promise to sell your company to a strategic buyer --- at a 35% IRR.
  – This means returning 5-6 times your investor’s money --- within 5-6 years.

<table>
<thead>
<tr>
<th>Internal Rate of Return (%)</th>
<th>Excellent</th>
<th>Good</th>
<th>Borderline</th>
<th>Unacceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5X Return On Investor Money</td>
<td>124%</td>
<td>71%</td>
<td>50%</td>
<td>38%</td>
</tr>
</tbody>
</table>

1 Source: NYT, October 25, 2012, pg. 86.
6) Show Investors Your Patent Program

“If you don’t have a patent, you don’t have a prayer.”

Med Tech Investor

• Patents are expensive to get and defend --- with money you don’t have.

• But your buyer will see Patents differently: As the basis to justify your high price.
  – Patents represent legal monopolies for buyers.
  – Buyers have legal departments who live for defending what you can’t.

• So…hire the lowest cost patent attorneys, not the lowest price.

Real Investors have sold businesses before --- and patents were likely a part of the package.
The Case of The Do It All CEO

A clothing company was built from scratch by a CEO who had a much better product idea. He took control of the process from start to finish. He ordered his own custom fabric, built a warehouse (then a second one), had his own customer service department, etc. He built the business to $10MM in sales --- before he was fired by his investors.

What did he do wrong?
7) Tell Investors You Can’t Do It All

“We will only do what only we can do --- and outsource everything else.”

Joe Cucci

• Entrepreneurs love being in control --- of manufacturing, selling, shipping, etc.
  – That’s one reason they aren’t working for someone else!

• They refuse to listen to successful entrepreneurs who tell them this impulse is wrong.
  – “Interesting complexity” is the entrepreneur’s drug of choice.

• Our counsel is to adopt the mantra above.

Real Investors want to see that you know --- what you don’t know.
8) Tell Investors You Are Not A Distributor

“Don’t tell me how many doors you are in. Tell me how you are doing in the doors you are in.”

Andy Whitman
2x Consumer Growth Partners

• Resist the temptation to “go national”, much less global!
  – Early Stage companies can barely support going local
  – Going national is what your buyer will do

• Focus on proving you have a business in a region, a market segment or with a certain group of customers.
  – Start with Amazon --- world’s cheapest test market
  – Work in channels that a likely buyer will understand
  – Watch out for focusing on “specialty” channels

• Know your target market better than anyone on the planet.

Real Investors want you to go deep, not wide.
An Entrepreneur was telling the story of his company to a group of experienced Angel investors in San Francisco. He led off by saying this was the perfect business for him because his product --- helping non-profit organizations with online fundraising --- was so meaningful. The audience learned about his religious affiliation, his personal values and the fact that the CEO would like to run the company “forever”.

Surprisingly, no one was interested in investing. Why?
9) Don’t Lead With Your “Social” Agenda

“We didn’t get to where we are by being confused. We invest the same way we earned it --- in businesses that produce a profit. We don’t mix investing with philanthropy. If you want a contribution, we have a foundation for that.”

Family Office Patriarch

- For many entrepreneurs, “helping the world” is a major non-monetary objective.
- Real Investors will agree this is “just wonderful” --- and then not invest.
- As you share your “Why”, be very clear: Your business serves investors first.

Real Investors “dance with the one what brung’ em.”
10) Don’t Wing It

“Proofread carefully to see if you any words out.”

Author Unknown

• Most Business Plans are filled with typos, run-ons and syntax problems.
  – Would you trust your money to a slob?

• Standardize your presentation approach.
  – Short PowerPoint in two forms: presentation and take home
  – One pager for use on GUST or Proseeder

• Learn to write right.
  – Short sentences / short paragraphs (9 lines max)
  – Proper footnoting to sources
  – Three bullets can explain or defend anything
  – Update and tag each generation

Real Investors look for accuracy, precision and transparency.
The Accuracy Corollary: The Don’t Say List

• **Huge** (as in “Our market is huge!”)
  – **Translation**: “They don’t have data on market size, or they are not willing to define the target market they can actually reach.”

• **Conservative** (as in “We conservatively forecast that …”)
  – **Translation**: “They made all this up with no basis whatsoever, then cut the numbers in half.”

• **Revolutionary** (as in “Our revolutionary technology …”)
  – **Translation**: “They are so enamored with their idea that they haven’t thought about whether it is actually superior to competition.”

• **No Competition** (as in “We have no competition …”)
  – **Translation**: “Of course they have competition! Competition is good --- it says someone besides these guys think the problem is worth solving.”

• **We Believe** (as in “We believe that …”)
  – **Translation**: “They don’t have data. No evidence? No facts? No investment!”

**Source**: Adapted from John W. Mullins, *The Wall Street Journal*, June 27, 2009, pg R3
The Big Lie Corollary: Top Ten List

1. It’s going to change the way you live
2. It’s going to simplify your life
3. It’s plug-and-play
4. Our servers can handle the traffic with no problems
5. We’re not an aggregator; we’re a curator
6. We expect to be profitable by the end of the month / year / decade / time
7. We’re going to make our money from subscriptions
8. We’ll make our money on buyers in the long tail
9. Users are ready to pay for premium content
10. This is perfect for people who travel a lot
11. Battery life is fantastic
12. We don’t need live customer service --- we have online troubleshooting
13. At $1.99 for the APP, we’ll make a fortune
14. This will be the next Angry Birds®
15. There are only Ten Lies in Early Stage investing!

Source: This material is adapted from Vanity Fair, December 2010, pg 214.
The Long Life Corollary: Be Scrupulously Honest

“You have undertaken to cheat me. I won’t sue you, for the law is too slow. I will ruin you.”

Cornelius Vanderbilt

• Real Investors don’t expect you to know it all.

• Practice convincing people you don’t know everything.
  – “We don’t know yet.”
  – “Our working theory is …”
  – “Here’s what we know so far.”

• And always tell them the truth.
  – Get bad news out fast
  – When you get stuck, ask for help

• Remember: No investor wants to be made out to be a schmuck.
  – Some will blame themselves for investing
  – Some will blame you and move on
  – Some will blame you and ruin you
Thank You!
Sources and Acknowledgements

Lateral Capital is greatly indebted to a range of individuals and organizations for their insights and learnings, which we have incorporated into our thinking and this presentation:

- Professors Sahlman, Porter and Bowers at Harvard Business School
- Monitor Group
- LEK Consulting
- The Procter & Gamble Company
- Mark Schar
- Erwin Kelen
- Will Fleming
- Joe Cucci
- Twin Cities Angels (John Alexander)
- GrowThink, LLC (Jay Turo & Dave Lavinsky)
- 2X Growth Capital (Andy Whitman)

Many of the facts and conclusions in this presentation come from the following sources:

- DeGennaro, Ramon and Dwyer, Gerald, “Expected Returns to Angel Investors”, Federal Reserve Bank of Atlanta, March 2009
- “Analysis Reports”, Center for Venture Research, University of New Hampshire, http://wsbe.unh.edu/analysisreports