



**PITCHING INVESTORS,
NEGOTIATING THE DEAL,
AND EVERYTHING ELSE
ENTREPRENEURS
NEED TO KNOW**

**THE
ART OF
STARTUP
FUNDRAISING**

ALEJANDRO CREMADES

FOREWORD BY **BARBARA CORCORAN**

WILEY

Praise for *The Art of Startup Fundraising*

“Alejandro’s *The Art of Startup Fundraising* is a must read for any entrepreneur. Clear and concise, he outlines in today’s startup community the steps to successfully fundraise. This is the golden era for entrepreneurs, any good idea with proof of concept can get access to money. Know your options!”

—Angelo J. Robles, Founder and CEO of Family Office Association

“One of the biggest crimes in the startup community is to watch good ideas and good teams go unfunded because the fundraising process isn’t friendly to first-time entrepreneurs. *The Art of Startup Fundraising* is Alejandro’s contribution to the ecosystem that does a masterful job filling in knowledge gaps and giving entrepreneurs the best chances of raising the capital they need.”

—Frank Rotman, Founding Partner at QED Investors

“*The Art of Startup Fundraising* delivers a smooth ride on the bumpy road of raising capital and starting a business. Alejandro Cremades delivers up-to-date details and a clear vision—an important guide for any entrepreneur who seeks to build and scale a business today.”

—Jeanne M. Sullivan, Co-founder, StarVest Partners

“Fundraising can be an incredibly frustrating experience for startup founders because they are at a fundamental disadvantage: they know very little about the process, and investors know a lot. Luckily, Alejandro has taken the time to assemble a detailed blueprint of how it works behind the scenes that will help any founder level the playing field and navigate the process like a pro. If you are raising money for your startup, don’t start without reading this book.”

—Pedro Torres-Picon, Founder and Managing Director at Quotidian Ventures

“*The Art of Startup Fundraising* translates art into science. By sharing proven formulas, strategies, and case studies that work, Alejandro Cremades provides a needed service to future entrepreneurs.”

—John Cohen, Managing Partner at City Light Capital

“This ought to be a reading requirement for all entrepreneurs when building a business and raising capital. This is a very well written and informative book, by a man who is a testament to dedication and creativity when confronted with the challenges of being an entrepreneur and raising capital.”

—Carter Caldwell, serial entrepreneur and Principal at Cross Atlantic Capital Partners

“Alejandro is on the bleeding edge of equity crowdfunding today. When he talks about fundraising, startups listen.”

—Andrew Ackerman, Managing Director at Dreamit Ventures

“Starting a company is full of ups and downs for an entrepreneur and foremost among them can be how to raise money for it. There is no magic bullet to make the process easy, but Cremades comes close in *The Art of Startup Fundraising* by at least making it intuitive and accessible.”

—Weston Gaddy, Principal at Bain Capital Ventures

“Raising capital can be tough. Alejandro provides a step-by-step guidebook to all entrepreneurs that rather spend their time thinking about changing the world instead of thinking of how to raise funds.”

—Tobias P. Schirmer, Managing Partner of JOIN Capital

“A superb book on fundraising. Alejandro’s guidance should arm entrepreneurs with the necessary tools to close with success a meaningful round of financing.”

—Ellen Weber, Executive Director at Robin Hood Ventures

“Raising money is hard. But startup founders all over the world can make it exponentially easier by educating themselves on the process of raising equity capital before they dive into it. The practical, hands-on advice from Alejandro Cremades in this book provides a solid foundation in that self-education process. Delivered in an approachable format with a key lesson to take away every few pages, *The Art of Startup Fundraising* is essential reading for entrepreneurs everywhere.”

—Allen Taylor, Managing Director at Endeavor

“There are very few complete resources available to entrepreneurs today to help them navigate the world of fundraising. Alejandro Cremades does a great job of explaining and demystifying the fundraising process. *The Art of Startup Fundraising* will, without question, provide entrepreneurs with a great jump off point.”

—Sid Paquette, Managing Director, OMERS Ventures

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THE ART OF STARTUP FUNDRAISING

ALEJANDRO CREMADES

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*To my parents, Bernardo Cremades and Leticia Roman,
who created me, and to my wife, Tanya Prive, who pushes
me every single day to make the impossible possible.*

Contents

<i>Foreword by Barbara Corcoran</i>	<i>xiii</i>
<i>Acknowledgments</i>	<i>xvii</i>
1 Everything Started with Onevest	1
2 Raising Capital for Your Startup	5
<i>Speeding Up the Machine</i>	5
<i>It's Not as Easy as Reading an Article on TechCrunch</i>	6
<i>The 18- to 24-Month Plan</i>	7
<i>Milestones</i>	8
<i>Breaking Even</i>	9
<i>Expectations of Investors</i>	9
<i>Outperform the Competition</i>	11
<i>Marketing</i>	12
<i>Storytelling</i>	13
<i>Leveraging Help</i>	15
<i>Divide and Conquer</i>	16
<i>The Rollercoaster of Emotions</i>	17
<i>Learn to Love Rejection</i>	18

<i>Connect the Dots</i>	19
<i>The Pros and Cons of Raising Capital</i>	21
<i>Don't Underestimate the Need for Capital</i>	22
3 <i>Setting Yourself Up for Success</i>	25
<i>Investors Don't Want to Invest</i>	25
<i>The Core of Your Business</i>	26
<i>Experienced and Talented Management</i>	27
<i>Organize Your Corporate Structure with a Legal Team</i>	28
<i>Helpful Advisors</i>	29
<i>Building Momentum</i>	31
<i>Team Alignment</i>	31
<i>Show Your Competitive Advantage</i>	32
<i>Know Your Terms</i>	33
<i>Vision</i>	34
<i>Attracting Investors Requires Patience</i>	35
4 <i>Crafting the Pitch</i>	37
<i>The Business Plan Problem</i>	37
<i>Get the Message Straight and Your Team behind It</i>	38
<i>The Elevator Pitch</i>	40
<i>The Pitch Deck</i>	41
<i>Awesome, Effective Pitch Deck Design</i>	43
<i>The One Pager</i>	45
5 <i>The Due Diligence Package</i>	47
<i>The Interview and the Visit</i>	61
<i>Find Balance</i>	62
6 <i>Sources of Capital</i>	65
<i>Bootstrapping</i>	65
<i>Credit Cards</i>	67
<i>Business Loans</i>	68
<i>Friends and Family</i>	69
<i>Crowdfunding</i>	71

<i>Angel Investors and Super Angels</i>	74
<i>Angel Groups</i>	76
<i>Family Offices</i>	77
<i>Venture Capital</i>	78
<i>Venture Debt</i>	80
 7 Understanding the VC Game	 81
<i>Defining Roles in a VC Firm</i>	81
<i>The Process of Getting Funded by a VC</i>	83
<i>How VCs Monetize</i>	84
<i>VC Involvement in Your Company</i>	85
<i>Understanding the Value a VC Brings</i>	85
<i>Cutting through the VC Noise</i>	86
<i>Differences between Venture Capital and Private Equity</i>	86
 8 Investment Rounds Explained	 89
<i>Friends and Family</i>	89
<i>Micro Seed Round</i>	92
<i>Seed Round</i>	95
<i>Series A Round</i>	97
<i>Series B, C, D Investment Rounds</i>	99
<i>Initial Public Offering (IPO)</i>	100
<i>Research Is Critical</i>	102
 9 Deciding Investment Amounts and Prospects	 103
<i>Needed, Realistic, and Ideal Investment Levels</i>	103
<i>Your Valuation versus Market Valuation: The Asking Price</i>	105
<i>Persuading Investors with a Financial Forecast</i>	106
<i>Identifying Prospective Investors</i>	108
<i>Six Ways to Contact Investors</i>	109
<i>Creating a Buzz around Your Startup</i>	111
 10 PR: Creating a Storm and Building Momentum	 113
<i>The Rainmaker Code</i>	113
<i>Journalist Outreach</i>	114

	<i>Self-Distributed Press Releases</i>	116
	<i>More Buzz-Building Tactics for Smart Startups</i>	119
11	What to Look For in an Investor	123
	<i>Why Selecting the Right Investors Is So Critical</i>	123
	<i>Three Factors You Should Be Looking For in Investors</i>	124
	<i>Three Factors to Avoid in Investors</i>	126
	<i>Six Key Questions to Ask Potential Investors</i>	128
	<i>Speed Is a Two-Way Street</i>	128
	<i>Arming Yourself with Answers</i>	129
12	Term Sheets and Terms	131
	<i>Term Sheets 101</i>	131
	<i>Terms within Term Sheets That You Need to Know</i>	140
	<i>Term Sheet Tactics</i>	143
	<i>Smart Term Sheet Strategies</i>	144
	<i>If Things Don't Go Forward</i>	145
13	Closing the Deal	147
	<i>The Importance of Urgency</i>	147
	<i>Creating a Completion Schedule</i>	148
	<i>Managing Expectations</i>	149
	<i>Updating Your Investors</i>	151
	<i>Closing the Deal Is Not the End of the Deal</i>	152
14	Avoiding Common Fundraising Mistakes	153
	<i>Failing to Connect</i>	153
	<i>Clarity and Doing What You Say</i>	155
	<i>Self-Sabotage in the Deal-Making Process</i>	158
15	Understanding the JOBS Act	161
	<i>The Game Changer</i>	161
	<i>The JOBS Act</i>	162
	<i>Implications for Startups and Raising Money Online</i>	173
	<i>Implications for Individual Investors</i>	174

16 Recommended Tools for Fundraising	177
<i>Using the Right Tools</i>	177
<i>Organization</i>	178
<i>Research</i>	181
<i>Social Media</i>	182
<i>Outsourcing</i>	183
<i>Sales and Administration</i>	184
<i>Finding Your Investors</i>	185
17 Red Flags	187
<i>Key Red Flags for Startups</i>	187
Glossary	193
About the Author	197
Index	199

Foreword

MY MOM ALWAYS SAID IT was *never* a good time to have a baby, and she had 10. Whenever she told my dad, “Okay, Eddie, I’m pregnant,” he would run right out and buy another bed. When I started the Corcoran Group, I grew the company the way my mom did her family. We grew from 6 to 60 salespeople in our first five years, and from 60 to 1,000 salespeople over the next 20 years, because I knew the secret to growing a business fast is to never wait until you’re ready.

Every great entrepreneur I know expands long before their business is ready. It’s the only formula I know for aggressive growth. It forces you to think faster and move smarter because you’re always overextended and you have to pay the rent. With growth, many times additional funding is required to support the operations.

I sit in a privileged seat as a shark/investor on the Emmy-winning reality show *Shark Tank*, and each season we hear hundreds of heartfelt pitches from passionate entrepreneurs who are looking for funding. We listen to pitches for everything from the ingenious to the ridiculous, and get to put our own hard-earned money behind the concepts we believe will be big winners. Once a deal is closed, the fun part begins when I get to work one-on-one with the entrepreneur with

whom I'm investing. I shepherd them from dream to execution, past all the hurdles and hard times, and if we're all a little bit lucky, on to a genuine, breakout success!

However, before I put my time, my money, and my partner's money behind any entrepreneur, I want to know everything I can about them and make sure every business I choose is a real winner. Investing in startups is a very risky business. Most of them fail, some eventually prosper, but only a few make a 20-to-1 jackpot return.

First, I'm looking for an entrepreneur with street smarts. Most of the entrepreneurs I've met don't have street smarts, and too many of them have answers that are way too smooth for me to trust. I'm trying to single out the winners with good gut reactions who are also smart enough to trust those reactions. I'm looking for entrepreneurs who can size up people quickly and motivate them, and spot opportunities where others see only obstacles. This takes not the usual book smarts, but real live street smarts.

I want to invest in the risk takers. Every great entrepreneur I've succeeded with has an unusually high tolerance for uncertainty—in fact, they're turned on by risk. Too many would-be entrepreneurs have buttoned up business plans with lots of numbers, fancy projections, and reasonable deductions. Those aren't the ones for me.

I want to put my money on entrepreneurs who know how to get back up fast after they've been kicked in the gut. They get knocked down just like us, but unlike most of us they take very little time feeling sorry for themselves. I sometimes think to be a great entrepreneur you need to have a low enough IQ so once you're knocked down you're too stupid to lay low, and instead pop back up saying "Hit me again!" I don't think you can learn resilience; it's a built-in attitude.

To me, this is what can make or break a pitch. The best entrepreneurs have faced challenges and risen above them. That resilience is what I'm looking for when I hear new ideas on the show (and in life).

I need to invest in founders who know how to communicate. I've learned that a new business goes nowhere if it doesn't have a good

salesman at the helm. Somebody's got to sell the new product or service and that's the job of the founder. At the end of every interview I find myself asking, "Would I buy from this guy? Is his sales pitch irresistible?" Based on the answer to that one question, I turn down 95 percent of the businesses that are presented to me.

I've learned that the number-one rule in sales is that everybody wants what everybody wants and nobody wants what nobody wants. When you tell someone they *can't* have something, they always want it more, but let that same person know there's plenty to go around and they'll always go home to think about it. If you don't have people clamoring for your venture, you've got to dream up a way to create the illusion that there is demand. This is why salesmanship is key in fundraising.

Good salesmanship is never anything more than emphasizing the positives and playing down the negatives. And if you can find a unique gimmick, you'll have a huge leg up when raising capital, and also over your competition while you are executing on your vision.

I first learned the power of using a good gimmick as a young waitress in a New Jersey diner, trying to compete with Gloria, a blond bombshell with attention-grabbing breasts. Following my mom's advice, I tied red ribbons to my blonde pigtails to look like the innocent virgin I was. My tips immediately doubled. When I started my real estate brokerage company, the Corcoran Group, I used lots of gimmicks to build my brand.

I'm always looking for someone who's a bit arrogant, as I've learned that aggressive entrepreneurs bring home the bacon. They make lousy employees, have issues with authority, and don't want to be told what to do. I like to put my money in the hands of an entrepreneur who thinks he or she knows more than me. They'll need that kind of confidence to jump over the huge obstacles that stand between them and the finish line.

What I like best about angel investing is that I get to use everything I've already learned on *Shark Tank*. How do you impress an angel? How do you win their confidence and get their investment? There are tons of new business ideas out there—good, bad,

and crazy—and I’ve seen my fair share of them all. The difference between a good idea and one that makes money is simple: *It’s gotta make sense*. The idea can either be a totally new invention lots of people will use or a much better way of doing something that’s been done a hundred times before.

Another key ingredient that I look for when investing in a new company is work ethic. Before I invest in any business, I’m looking for a partner. A fancy website may get me in the door, but if you can’t woo an angel, you won’t woo your customers and build a huge success.

This book by Alejandro Cremades will help entrepreneurs in obtaining a clear understanding of how fundraising works and what it takes to be successful in the process in order to impress people who invest in the startup ecosystem, like myself.

Alejandro’s experience as the founder of Onevest makes this book unique, as the fundraising game has been changing substantially over the past years with the implementation of new laws that were introduced with the JOBS Act. With the capital moving into the online world very quickly, this book should be a must-read for any entrepreneur who is beginning to raise capital to build their venture.

—Barbara Corcoran
Investor on ABC’s *Shark Tank*
Founder of the Corcoran Group

Acknowledgments

THIS BOOK WOULD HAVE NOT BEEN possible without the patience of my wife, Tanya Prive. At the time of writing this book she was pregnant with our first daughter. Tanya is the love of my life and without her by my side I highly doubt I would have been able to make it this far. I still remember the day I called her and said I wanted to give up my legal career to change the world. She did not hesitate for even a second about jumping on board with me on this crazy journey. We have experienced many ups and downs together. She is my better half and cannot wait for what the future holds for us.

Thank you as well to my parents, Bernardo Cremades and Leticia Roman. They have been my unconditional supporters and are always there for me when I need them the most. My father has been a great inspiration to me, as he also started his own business away from home when he was young. My mother has been concerned for me during the hard times and has always picked up the phone at 1 A.M. when I needed to talk to someone.

My brother, Bernardo Cremades Jr., has been a great sounding board as well as being my best friend. He is the godfather of my daughter. In fact he was the first investor of Onevest, before we even had PowerPoint slides. When we were young he took care of me and

always looked after me, making sure that I would make the right decisions at school and outside of school. When I told him that I wanted to give up my law career and start an entrepreneurial journey, he was incredibly supportive. My sister-in-law, Beatriz Larrea, has also been amazing and understanding at all times.

Furthermore, I would like to thank my father-in-law and mother-in-law, Robert Shereck and Gisele Prive, not only for their generous support but also because they have been a very valuable asset with the work that they have kindly given our team in order to transform inside and outside the way we are, the way we think, and the way we execute via the services of their company, Legacy Transformational Consulting.

I could not forget my two brothers-in-law, Evan and Zack Prive. Evan has shown me how to get out of my comfort zone by target shooting in the deserts of Nevada. Zack interned with us over the course of 2014 and was very helpful.

Carmen Posadas has given me great advice through the process of putting together this book. Her wealth of knowledge and experience as a successful author has provided a wonderful guidance in this journey. I still remember the dinner at a restaurant in Madrid in which Carmen encouraged me to move forward with writing this book, and for that I am very thankful.

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Last but not least, I would like to acknowledge Onevest’s board members: Ted Vucurevich, Javier Santiso, and Benjamin Coppel; and our advisors: Sangeet Choudhary, Anyndya Ghoose, and Barbara Corcoran. They have played a critical role in making Onevest what it is today.

Thank you all. I am very privileged and lucky to have you in my life.

