

HOW TO START A HIGH-TECH COMPANY

DO & DON'TS

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ROOM# 156

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MAKE THE JOB EASIER

MAKE IT MORE EFFICIENT

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EASIER TO GET MARKET ACCEPTANCE BUT
MORE COMPETITION

CHOOSE THE RIGHT PRODUCT

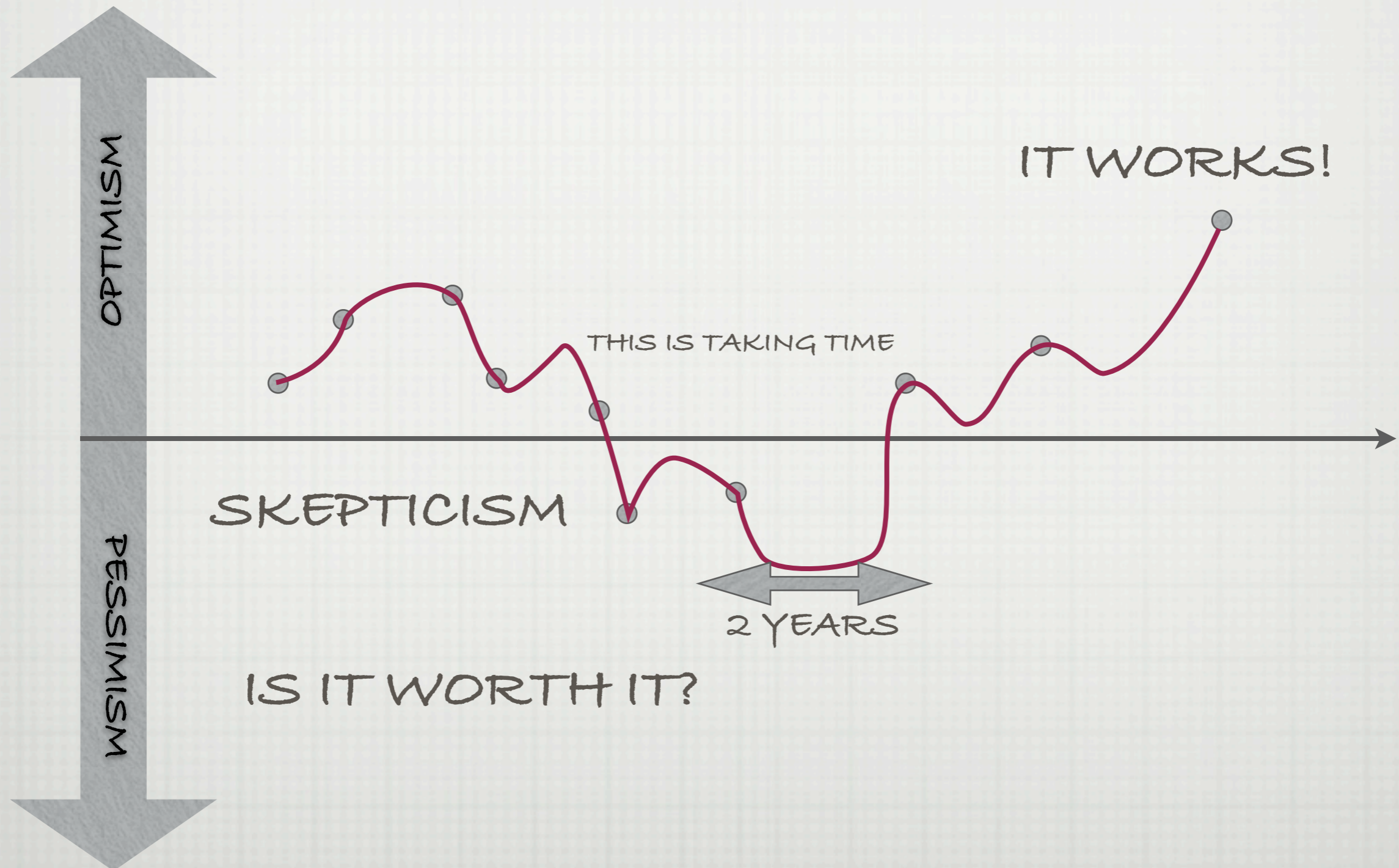
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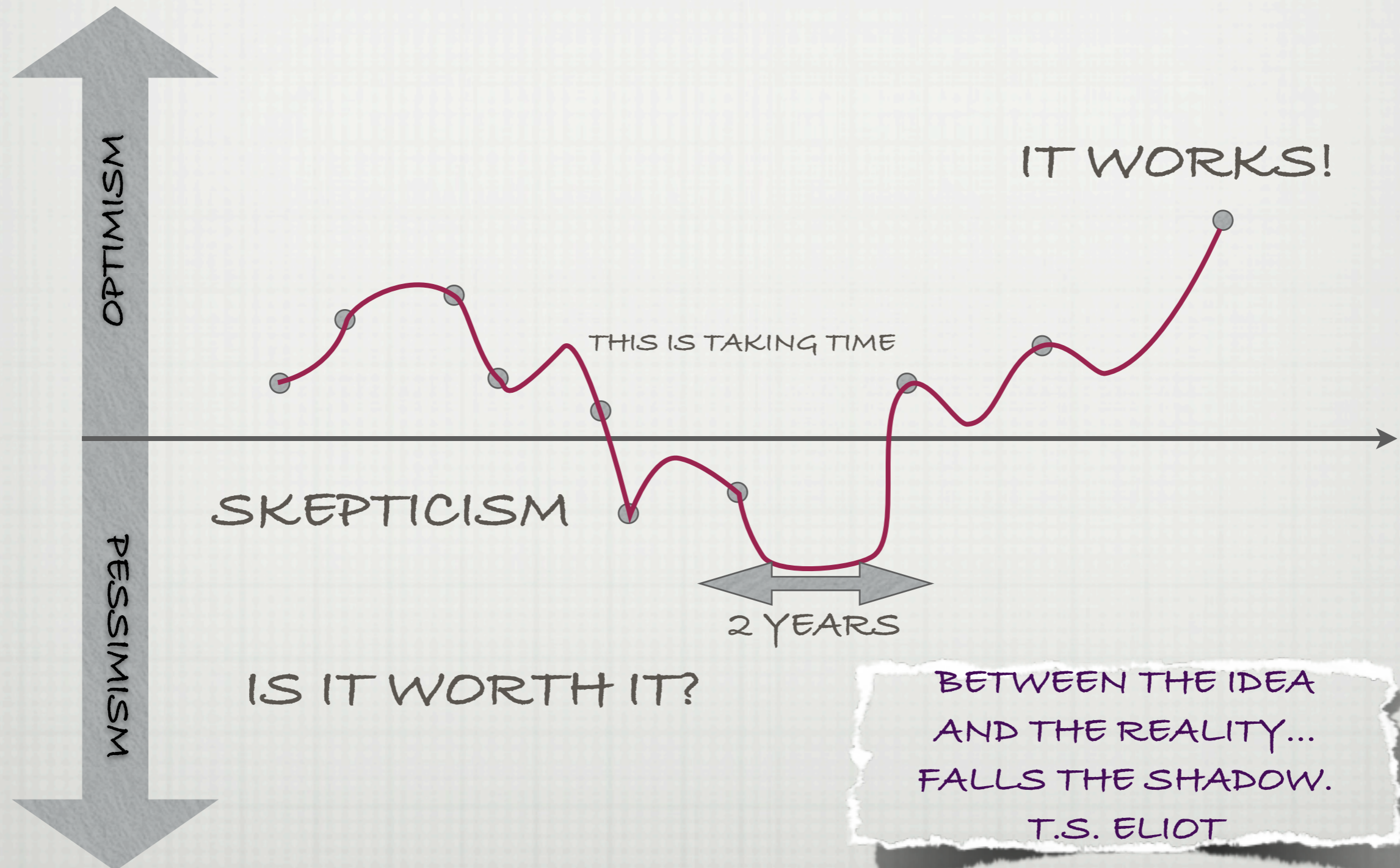
CHOOSE THE RIGHT PRODUCT

- PRODUCTS THAT ARE AIMED AT BUSINESSES IN GENERAL ARE EASIER TO FINANCE AND MARKET
- TARGET NICHE MARKETS
- PRODUCTS THAT ARE AIMED AT THE GENERAL PUBLIC ARE MORE DIFFICULT TO FINANCE
- COMPETING FOR SHELF SPACE AMONG OTHER PRODUCTS

THE PATH OF INNOVATION REAL WORLD



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NEVER UNDERESTIMATE THE ROLE OF
PASSION, MANAGEMENT TALENT AND
TEAMING WITH RIGHT PEOPLE

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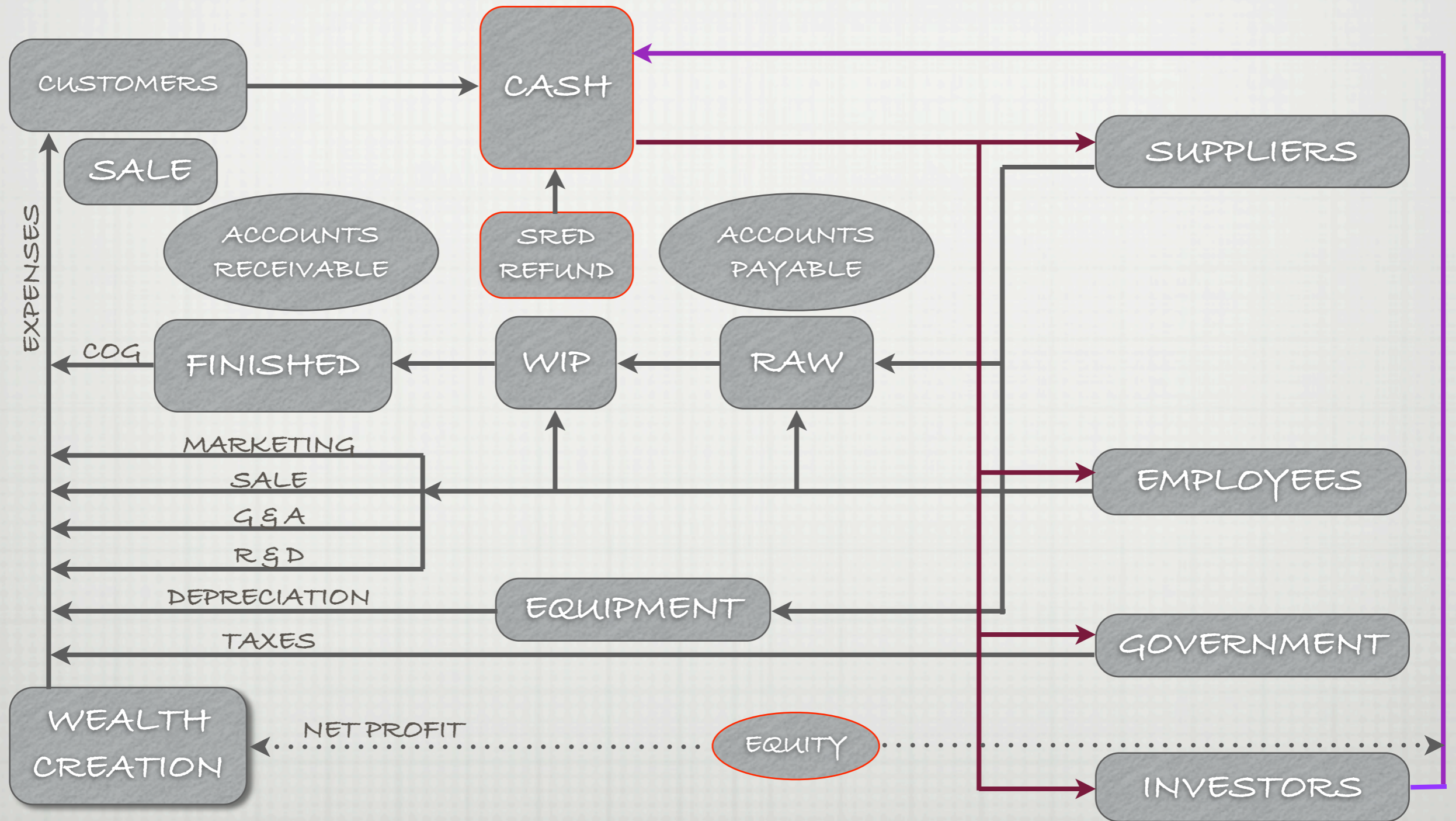
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- SECURE BUSINESS RELATIONSHIP
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- INTRODUCE TO MARKET AS QUICKLY AS POSSIBLE

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- HAVE FOCUS
 - DO NOT ATTEMPT TO DO TOO MANY THINGS AT THE SAME TIME
- IF THE IDEA DOES NOT WORK, MOVE ON

A RUBE GOLDBERG FINANCIAL PERSPECTIVE ON YOUR BUSINESS



KEY SUCCESS FACTORS IN ANY PARTNERSHIP

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CHOOSE A TEAM THAT YOU TRUST WITH PEOPLE
THAT HAVE COMMON GOALS

LIES AND DECEPTION ARE THE MOST
DESTRUCTIVE FACTOR IN ANY PARTNERSHIP

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- AS BUSINESS GROWS CONCENTRATE ON WHAT YOU DO BEST

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- EVERY INDIVIDUAL HAS TO CONTRIBUTE AND HAVE TO
BE KNOWLEDGEABLE IN THEIR FIELD.

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- GOOD INVESTORS CAN PROVIDE SIGNIFICANT LEVERAGE

INVESTORS CONT'D

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- CONCENTRATE THE EFFORT ON GETTING THE PRODUCT INTO THE MARKET ASAP WITH MINIMAL INVESTMENT - IF POSSIBLE
- START GENERATING REVENUE FROM SELLING THE PRODUCT AND BUILDING EQUITY IN THE COMPANY, INSTEAD OF GETTING FINANCING AT THE EARLY STAGES AND GIVING AWAY THE COMPANY

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- SUBSTANTIAL EFFORTS ARE NECESSARY TO OBTAIN FINANCING - SAME LENGTH OF TIME AS GETTING THE PRODUCT TO MARKET
- THERE IS NO GUARANTEE TO GET THE TERMS THAT YOU WANT AFTER ALL THAT EFFORT
- MOST LIKELY THE FOUNDERS WILL LOSE THE CONTROL AND BECOME "JUST ANOTHER EMPLOYEE"

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- KEY CHALLENGE - PEOPLE
 - RIGHT PEOPLE ON THE BUS AND IN THE RIGHT SEATS
 - WRONG PEOPLE OFF THE BUS

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- IRAP GRANTS
 - TYPICALLY THE FOUNDERS INVESTMENT CAN BE MATCHED WITH INDUSTRY RESEARCH ASSISTANT PROGRAM (IRAP) GRANT
 - IF THE PRODUCT HAS A HIGH RATE OF TECHNICAL UNCERTAINTY THE COMPANY WILL QUALIFY FOR 50% MATCHING FUNDS
 - THIS WILL DE-RISK THE PRODUCT FOR INTRODUCTION TO THE MARKET

SOURCES OF INCOME, CONT'D

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- THE FUNDING AVAILABLE CAN BE IN TENS OF THOUSAND TO MAXIMUM OF \$200K IN THE FORM OF GRANT
- THERE IS NO PAY BACK OF THIS GRANT
- NO DILUTION OF THE SHAREHOLDERS OWNERSHIP
- NEED APPLICATION FORMS AND SUMMARY OF BUSINESS PLAN
- A TEAM OF THREE FROM IRAP WILL EVALUATE THE PROJECT AND DEPENDING ON THE AMOUNT OF GRANT CAN TAKE UP TO 3 MONTHS TO RECEIVE APPROVAL
- LIMITED FUNDING IS AVAILABLE. IRAP 'S FISCAL YEAR STARTS IN MARCH

SOURCES OF INCOME CONT'D

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- OCRI / OCE
 - FUNDS ARE AVAILABLE FROM ONTARIO GOVERNMENT FOR INVESTMENT IN SMALL START-UPS. HOWEVER THERE ARE A FEW HUNDRED COMPANIES THAT APPLY EACH YEAR AND THERE IS A 6 MONTHS PROCESS TO GET THROUGH THE EVALUATION - SIMILAR TO PRIVATE INVESTORS
 - REQUIRE FULL BUSINESS PLAN AND LONG DRAWN QUALIFICATION PROCESS
 - THE FUNDS AVAILABLE VARIES AND STARTS FROM FEW HUNDRED THOUSAND TO MILLIONS OF DOLLARS
 - HAVE TO REPAY THE INVESTMENT
 - BUT ON BETTER TERMS THAN PRIVATE INVESTORS

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- DISADVANTAGE
 - EXPERIENCED RESOURCES HAVE TO SPEND VALUABLE TIME TO EDUCATE AND SUPERVISE THEM CLOSELY

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- REQUIRE FULL BUSINESS PLAN AND CAN TAKE UP TO SIX MONTHS AND PERHAPS LONGER

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- EXIT STRATEGY FOR THE COMPANY THROUGH ACQUISITION BY LARGER CORPORATIONS

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- MEDIUM TO LARGE VENTURE CAPITAL
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- SOME PROVIDE SEED FINANCING WITH FOLLOW-UP ROUNDS
- A, B, C, ETC.

VENTURE CAPITAL, CONT'D

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- TYPICALLY TAKE THE CONTROLLING POSITION OF THE COMPANY
- THEY BECOME MAJORITY SHAREHOLDERS
- FOUNDERS WORK FOR THEM
- THEY ASSUME CONTROLLING ROLES THROUGH BOARD OF DIRECTORS (BOD)
- RESTRUCTURE THE COMPANY AND REMOVE FOUNDERS IF THE COMPANY DOES NOT PERFORM ACCORDING TO THEIR GOALS

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- THEY EXPECT 5 TO 10 TIMES RETURN ON THEIR INVESTMENT (ROI)

KNOW YOUR BUSINESS & THE MARKET

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KNOW YOURSELF, KNOW THE OTHER
FIGHT WITHOUT DANGER

KNOW YOURSELF BUT NOT YOUR OPPONENT
WIN AND LOSE

KNOW NEITHER YOURSELF NOR YOUR ENEMY
ALWAYS ENDANGER YOURSELF

SUN TZU
(ART OF WAR)

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- LACK OF FINANCIAL CAPITAL, IS NUMBER THREE
- NUMBER TWO IS "LUCK" - NO ONE HAS PERFECT KNOWLEDGE