

Top Ten Tips of the Keiretsu-Funded Entrepreneur

As an entrepreneur who was able to raise millions of dollars for a technology company through the Keiretsu Forum, I've been asked by some of the chapter presidents to put together a short list of ideas on how to successfully work the Keiretsu network for other entrepreneurs who are confronting their assault on Capital Hill.

But first, a plug for Keiretsu, from the perspective of someone who is both an investor-member and entrepreneur. I've raised angel and venture capital for ten ventures now, including five of which I founded and ran as the first CEO – the one who needs to bring in the most difficult and expensive money the company will ever raise. Having pitched deals to literally thousands of angel and institutional investors over the years I thought I had seen it all.

When I heard about Keiretsu, I thought to myself “all these angel groups are the same, this one is just dramatically more expensive.” What I can tell you in hindsight is that no other angel group in North America is in the same league as Keiretsu. It goes well beyond the access to capital. The cost of fund-raising through Keiretsu is *dramatically* lower than alternative methods because of the high concentration of serious investors, the syndication of deals across chapters, and the seriousness with which they take not just due diligence but assisting the companies they invest in to be as successful as they can be.

Should you decide to take your company through the sometimes-grueling, but always rewarding and illuminating Keiretsu process you will make some of the best contacts that you've ever enjoyed in your business life – and don't be surprised if some of them become great personal friends, too. I am constantly awed by the offers of assistance from members – even those who were unable to or uninterested in investing in my company, just as much as those who did. The caliber of individuals who pay a lot of money to be part of this hard-working organization is astounding, and their contribution to entrepreneurs – as well as non-profit organizations – comes as much from their rolodexes and their wisdom as their wallets. Prepare to be blown away.

So, to the matter of getting through the process successfully, here are a few tips from one who has traveled the course before you and grabbed the brass ring:

1. If you, a member of your management team, a board member or even a close-in investor is an accredited investor, join the one or more angel groups, like Keiretsu, as an investor-member, as early before you pitch your deal as possible. Get to know the community, and the process, from the inside. It doesn't take long to find out who the thought leaders are. Sell them on your company *before* you get to the screening committee, or at the very least, before you pitch the full audience. The goal is not necessarily to have advocates inside the group so much as to have well-

- informed people who have seen your deal previously in attendance at these meetings. You *will* flub a few details in your pitch, so when you're asked to leave the room so that investors can have their "mind share" session, these people can stand up for you in your absence and fill in blank spots that might otherwise become as suspect as the 18 minutes on Nixon's tape recordings.
2. Get some seasoned pitch coaches to work with you *before* you get to the screening committee. Hire one if you have to... there are plenty of really good ones out there – ask Keiretsu for recommendations if you need help finding some in your area. Follow their published guidance – get your pitch down to exactly the number of minutes you are given, make sure your PowerPoints are as good as they can be, bring visual props if they will help, get plenty of sleep the night before. Ask if you can attend a screening committee meeting and a Forum meeting as a guest before you pitch... walk the course ahead of time before you play your 18 holes.
 3. Assuming you succeed with the screening committee you should already begin to identify which members will be willing to serve on the due diligence (DD) committee for your deal. This is extremely important. In particular, you'll need to find the "lead" for the DD team. Finding a lead is extremely difficult because – let's face it – these are busy people and it takes a LOT to get them to devote time to leading a team of other busy people (all volunteers). Remember, these people see somewhere between 48 and 60 deals a year... that's a lot of temptation, and there's only so much bandwidth to go around, so you have to really stand out in the crowd to garner any of their precious time. You will often find potential team leaders and team members at the screening committee – these are the real deal junkies – but keep in mind they can see as many as 120 deals a year... your business plan – and you as a charismatic CEO – better be compelling to get their attention.
 4. Do not make the common mistake of waiting too long to make contact with your "gold sheet" members after pitching to the forum. New deals come along all the time and attract members' attention, so strike while the iron of interest is still red hot. Get on the phone and send an email letting them know that you're now soliciting members for the due diligence team. Invite them to ask questions. Lay out a schedule for the next few weeks. Find out in advance if they have any schedule restrictions that might affect your calendaring. Ask each member who they think would be good for the due diligence team out of their chapter – and *mention these referrals when you call up those members asking if they'll participate.*

Your schedule should include:

- a. Weekly email updates to the "gold sheet" roster (put their names in the BCC field, not in the TO field!) with the progress your due diligence team is making and any news on the company's progress during this time. Use it to reinforce the other scheduled events.
- b. Within two weeks hold at least two conference calls for "deep dive" Q&A. It may be very difficult to get more than a handful of people

on these calls because of time conflicts. Don't worry... in my experience the few who participated in the conference calls were among the first check-writers in the deal. 10% will invest early; 90% will follow only *after* your Due Diligence Binder is completed.

- c. Schedule a "deep dive" conference room session one month after your pitch. Work with the Keiretsu staff to see if you could rent the Forum room after they leave, or find a restaurant with a private room nearby... once members are out for their monthly meeting it will be easier to keep them out than to get them to make time on a different day. 30 days is about right in any event to get some momentum going on your deal.
5. Get your due diligence binder out as fast as possible. Ostensibly the DD leader will be in charge of this document production, but in all practicality it will be up to you to provide most of the fodder for this tome. Make sure that the leader has assigned every section of the binder to someone (you need a minimum of three team members including the leader, but the more the merrier). If the leader is not able to ride the other team members to stay on schedule then reach out to them yourself and beg, bribe or cajole them to turn around their due diligence work as quickly as possible. By the 5th or 6th week after your pitch you should have your binder ready to distribute.
6. Send out weekly updates on your progress. Do whatever you can to keep interest and enthusiasm level high. Some ideas:
 - a. Offer a tour of your company facilities.
 - b. Offer a meeting with some key customers or partners
 - c. Announce any new key hires
 - d. Announce any new sales hurdles met, impressive customers
 - e. Announce product development milestones
 - f. Copy in links to press appearances on your company
 - g. As your round starts filling out announce the percentage that is completed... make sure everyone understands that stock in your company is a rapidly-depleting resource. Make clear the date you expect to close – set a deadline. This will likely be somewhere between three and five months from when you pitched the first chapter.
7. Pitch at as many chapters as possible. Start with the smaller ones if you can, and work your way up to the bigger ones. Practice presenting at other angel groups just to get your rhythm perfected, then come to the Keiretsu Forum when you know you're ready to do a perfect job. The nice thing about Keiretsu is that you can "road show" your pitch very easily because the chapters stagger their meetings for the entrepreneurs' sake. The more chapters you pitch the more buzz there will be about your company, the more due diligence team members you'll pick up, and the faster your deal will close.
8. If you find there's a particular Keiretsu member that you really like, who really understands you, your deal, and your space, see if they'd be willing to take a board seat as the representative for the Keiretsu investors. This

- is not a casual decision – for either of you! - you only want to add a board member if they are *really* appropriate for your company and your stage – but this will give other Keiretsu members much greater comfort, especially for the ones investing outside their own geography. I offered my due diligence team leader a board seat if we topped \$500K from Keiretsu members. As of this writing the commitments we received are 10x that amount. He even graciously stepped aside to allow a different Keiretsu member to take his place when we found one who could contribute even more strategically... since they're all investors in the deal they can be unselfish and focus on what's best for their ROIs, not their egos. Today three out of my five board members are Keiretsu members and I've never had so much fun, or been so productive, with a group of board members.
9. Come back to the Keiretsu meetings and give speed updates on your progress. There are many events you can participate in, such as the Academy sessions, to increase your face time with the members. Make yourself visible, and network with the other entrepreneurs to learn about who the real movers and shakers are in the group. Find out about the 10% you *must* win over, and the 3% to avoid.
 10. Once you get your funding closed stay in constant communication with your Keiretsu investors. I send out an "angel-gram" at least once a month. What I get in return are endless offers to assist with customer contacts, strategic partnerships, management recruiting, advice on patents, marketing, and technology. The "returns" on the entrance fee are endless!

Most of all, enjoy the process and the great people you will meet.