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Business is a Blast!



It's our goal to make StartupNation® the most resource-rich small business community in the world – a community built on courage, passion and the spirit of independence.

*Rich & Jeff Sloan*



SMALL BUSINESS BLAST | STARTUP SPOTLIGHT | OUR VIEWS ON THE NEWS | NEWSLETTER ARCHIVES

## Networking with the Money People



PRINTER FRIENDLY VERSION

### WORD ON THE STREET!

Dream financiers you know who they are bankers, venture capitalists, those extraordinary high net-worth individuals called angel investors.

Knowing who they are is one thing, but getting to them is another thing all together.

In all of the murkiness of raising funds, one thing is for certain: someone is getting through. Last year, angels alone invested an estimated \$30 billion in small businesses!

So how can you turn these dream financiers into your financiers? We've successfully raised tens of millions from angels for our businesses, and below is a little street wisdom we've accumulated about how to network with the money people.

#### Prime the Pump

Imagine you're a big-time investor or perhaps a lender. If a total stranger approached you for money, would you be likely to jump in? But what if you already had a months-long rapport with the entrepreneur? Or what if you were introduced by a trusted contact? Then would you give it more serious consideration? Statistics indicate that, yes, you would.

Familiarity always increases the odds of financing success. So, first off, it's all about building and maintaining relationships, especially before you actually need the money. When you're needy, it's the worst time to try to get funding because you have

Audio Summary  
from the Sloan bros.  
[click here](#)

"Small businesses don't know what they don't know! That's why we need to go out and inform them, and why your program, StartupNation, is such an important resource for so many small businesses."

-Hector Barreto  
Administrator  
U.S. Small Business  
Administration



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no leverage. So think ahead and develop relationships now with the people who have the potential to provide you money in the future. Then, when you actually do need cash, you're simply explaining the next evolution of your business to your primed financiers.

To create this rapport, it can be as simple as e-mailing periodic updates to your network to keep your project top-of-mind, or penning a quick note and dropping it in the mail the old school way. Remember, most investors invest in projects they are excited about, and it's up to you to create and nurture that excitement.

### Tap the Professionals

A lawyer, an accountant and an entrepreneur are walking down the street&

Sound like the beginning of a joke to you? Well if your network of financiers is running thin, it's anything but funny& it's a serious opportunity. In our experience, reaching out to accountants and lawyers is a great way to broaden your network of money people.

Give this a try: Drop a line to your legal and accounting professionals and ask them to introduce you to acquaintances and clients who might be able to help you. After all, their clientele typically includes angel investors, venture capitalists and other successful entrepreneurs who see them as confidants and trusted advisors. And if they do help out by connecting you to their contacts, this can add tremendous legitimacy to your project and credibility to the conversation any investor will consider having with you.

But don't stop there! Since law firms and accounting firms typically have multiple colleagues, each with their own roster of clients, be sure to ask for referrals to the appropriate partner within the firm who just might have that magical contact for you. It reminds us of entrepreneur Nancy, who we've become acquainted with through StartupNation® Coaching and who has a baby products business. She talked to her attorney about the money she needed, but he indicated his network was no good. Did Nancy stop there? Of course not! She asked him to refer her to a partner at the same law firm who would be interested in helping her find money people. This new attorney was the right connection; he introduced Nancy to a few of his successful, high net-worth clients in the manufacturing industry who have an

I've got a great idea.  
But what's my next move?

It's one of the most common questions we tackle here at StartupNation®. But before you start talking business plan, product development, distribution deal, or making millions, have a little talk with yourself.

If you have a breakthrough idea, a self-assessment is in order. Perhaps Ben Stein said it best:

"The first step to getting the things you want out of life is this: decide what you want."

Here's what we recommend:

Write down answers to these four illuminating questions:

1. What kind of life do I want to lead?
2. How much time, energy and money am I willing to invest and risk?
3. Do I have the right skills to design, develop and commercialize this great idea?
4. What is my definition of success for this great idea?

These questions are designed to stop you in your tracks and force you to think about your life, situation and goals.

Call it a reality check! Get your arms around the type and extent of involvement you will

appetite for making deals. Voila! With one referral, Nancy expanded her network to include several key investors who could actually help her significantly in the near future.

### Brother, Can You Spare a Lead?

With 25 million small businesses in the U.S., no matter what direction you turn, you're bound to notice plenty of your peers out there who have succeeded in getting funded.

Given that they probably have their own established networks of financiers, as we see it, it's high time for you to introduce yourself! Start by finding the companies that have been successful. Then contact the head honcho and explain your situation. Many times, they will be sensitive to your situation and will try to be helpful. If you sense that they're generally supportive, be direct and ask if they'll connect you with their financiers.

If you're having a hard time even getting through to them, go to conferences and seminars they attend, introduce yourself in person and dazzle them with your charm! Also, frequent networking events in the community, local business clubs and join your chamber of commerce.

### Good Old Hobnobbing

If you have some extra cash, just not enough to pursue your business ambitions to the necessary degree, it might be time to join the club. You know - it's that special place where the crème de la crème of your business community play golf, swim, yacht, attend weddings, etc. The wealthy gather at watering holes, and that's where you need to go to interact with them. If you're like us, you're probably saying to yourself, "I'm so busy, I don't have enough time to throw the tennis ball to my dog, let alone play eighteen holes of golf at the country club. But it's true what they say, "business gets done on the golf course". There's just something very conducive about being away from the habi-trail of everyday life, and being out with the birds and beautiful environs that puts people in a receptive state of mind.

### Grow the Network

Once you make the acquaintance of one potential financier, it can be the beginning of something big & ideally the beginning of a big network of money people interested in what you're doing.

How do you make the leap from one relationship into a broader network? Again, it's all about relationships. Typically, financiers

need to bring your ideas to fruition and achieve success. Once you know what you want, there's a clear list of next moves to make, and we'll be here to help! Stay tuned for more tips from StartupNation &

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have cronies who are also potential sources of funding. To beef up your Rolodex, ask the financier you've already met for introductions to other financiers. Ask if he or she would make a phone call or two, maybe arrange a dinner, or set a meeting at the office. You'll see, in the beginning, you find yourself drawing on someone else's network, but in no time if you're smart that network becomes your own.

Keep in mind that more often than not, friends like to invest together, and they'll often look into each other's eyes and say, "I'm in" or "I'm out" together. It might be smart for you to lobby the most influential investor in the group to encourage others to get on board.

### Now Get Going!

It's true that a lot of people are frustrated by lack of access to financing. But with the right preparation and by exploring some of these strategies, it's possible to replace frustration with progress. In fact, you might just see that you can transform those dream financiers into your financiers. So, start networking with the money people!

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## STARTUP SPOTLIGHT

### Want to get inspired?

There's an endless array of business ideas just waiting to be thought up and pursued! Check out one that's already on its way.

Company Name: Moosejaw

Founders: Robert Wolfe & David Jaffe

Number of Employees: 80

Business Angle: We're in the specialty outdoor retail business. As we see it, it's not about price—it's about quality. It's about an experience.

Motto: Everest is a state of mind.



Robert Wolfe pictured above

It could be just right for you. Take it from us—we operated a very successful business out of a windowless basement for ten years!

With the latest technology, a brick and mortar storefront or commercial office is no longer a must. The Internet, cell phones, efficient delivery/distribution, and outsourcing all contribute to this business-from-home trend.

### Treat Your Home-Based Business Like A Business:

1. Check local zoning laws to make sure it's okay to run a business from your address.
2. Set up a dedicated workspace that's free from distraction and equipped with the tools you'll need.
3. Dress for work even if you're not going out of the house. Simply suiting up for business sets the right psychology.
4. Don't be a hermit! There's nothing like face time when it comes to important business relationships.
5. Invest in well-designed business cards, letterhead and a professional website.

Stay tuned for more **Small Business Blasts!**

Stage: Six retail operations, one warehouse and global online retail

When and why did you start up? Summer, 1992. As avid backpackers, we led trips for a wilderness guide service. We realized the opportunity to sell high-quality outdoor gear. Instead of going to law school (as our parents preferred), we followed our passion and created Moosejaw.

Where did you come up with the name? We looked in an atlas and came upon Moosejaw, a town in Saskatchewan, Canada. Bingo! That was it!

How did you get funding? We obtained a SBA loan. We literally started with nothing but an idea.

Definition of success: When your risks bring you reward.

Companies you admire: ROOTS and REI. They have great cultures, great brands.

Advice to other startups: If you plan to go into retail, be realistic as to how many hours and how much staff it takes. Also, for success today, it's essential to mix brick and mortar with online retail.

Future plans: Keep growing our mail order business, our stores and our brand. Focus on international sales, which is untapped territory.

What is the movie of your life going to be called?  
The Road Less Traveled

Where can people find out more? [www.moosejaw.com](http://www.moosejaw.com)

## KNOW OF A COOL YOUNG COMPANY?

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Your Ideas for the Startup Spotlight!

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## Sunrise, Sunset - Bush's Jobs And Growth Plan

What does the new Bush Plan really mean for your business? Well, there s good news and there s bad news. As you re probably aware, Congress recently passed President Bush s \$350 billion Jobs and Growth Tax Relief Reconciliation Act to provide tax relief to 136 million American taxpayers.

### The good news:

As a small business owner you can now keep more of your well-earned money. The tax cut reduces the top four tax brackets through 2010 by at least 2% (current rates of 38.6, 35, 33 and 27 percent will be reduced to 35, 33, 28 and 25 percent respectively). With less than \$400,000 in annual capital investment, you can now expense 25% more, or \$100,000, of new equipment in your first year of business. At the same time, you can also depreciate half the cost of new equipment used in a given year. These changes are helpful because they allow small business owners to access more of their previously locked-up funds.

This law reflects a common sense economic principle. The best way to have more jobs is to help the people who create new jobs, and those are the small business owners of America, remarked President Bush when he signed the plan. We re fortunate to have a President in office that understands the importance of small business to this country s economy. Small businesses, which account for 99% of the country s employers, have historically led the country out of tough economic times by creating new innovations that stimulate whole industries, like the PC in the 80s and the Internet in the 90s. Moreover, small businesses typically are the first to start hiring, which further stimulates any economic rebound.

### Now the bad news:

The new tax plan includes sunset clauses in order to stay within the Senate s \$350 billion limit. This means that the good news we just told you about will be short-lived; the new expense allowances expire after 2005, and the new equipment depreciation ends after

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2004. The National Federation of Independent Businesses is lobbying to make the expense limits permanent, but this will be difficult considering the massive cost of the program to the government. According to calculations by William G. Gale and Peter R. Orszag of the Brookings Institution, it will cost the government \$164.9 billion to extend the lower dividends and capital gains tax rates, \$46.5 billion to extend the expanded 10% tax bracket, and \$12.5 billion to extend the more favorable depreciation rules of businesses.

So what s our bottom line on this? Your small business will be getting some useful stimulus from the Bush package, but it s only a sliver of the tax cut pie, and there s a lot more that can and should be done to promote the startup and the growth of small businesses.

Did someone say "affordable healthcare"?!

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## What Interests You?

**As we see it, if you are a success, we are a success!**

In order to ensure that we re keeping you razor sharp in your small business endeavors, we need to know what s important and of interest to you.

So share your questions and comments below and we ll make sure to address them in the near future.

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**Send us your Thoughts & Comments**

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