



Virginia Business Lawyers

Point Number 6 on How To Pursue Venture Capital

By: Thomas L. Bowden, Sr. *This was posted Wednesday, December 8th, 2010*

Watch what you say.

Last time, we focused on [having a plan](#). As a corollary to presenting that plan in your conversations while seeking venture capital, here are some things you should never ever say (or at least do your best to avoid saying) to a venture capitalist:

This is really several tips in one post. It's a nonexclusive list of statements and phrases that will not help you, and may even hurt you in your quest for investors.

1. "If we can capture just one percent of the market, we will..." This phrase is bad in two respects. First, it is naïve, because it implies that in a large market, almost anyone can grab a small percentage. This may be true in economics textbooks, where they describe "perfect competition" but it's definitely not true in the real world. The other problem with the phrase is that it may give the listener the impression that you're not thinking big enough. Venture investors don't want to invest in bit players and also-rans, they want winners. By definition, you cannot achieve extraordinary returns on investment with ordinary performance.
2. "We have no competition." In other words, there is no market for your product? If you don't have obvious competition, then your product is competing against pre-existing solutions to the same problem that your product purports to solve. Plus, without acknowledging competition, you are really asking investors to make a double bet: the first that is that a market for your product will emerge, and the second bet is that you have the winning solution.. Venture investors are not in the habit of compounding their risks.
3. "The rest is easy!" If only this were true! Even if the steps after your "breakthrough" appear simple, it's never good to underestimate the challenges you face. At every step in the process of bringing your product to market and making it succeed, there are real-world obstacles. People make mistakes, lose motivation, fight with other team members, etc. Circumstances can conspire against you in, totally

<http://vabizlawyers.com>

[Richmond](#) • [Christiansburg](#) • [Fredericksburg](#) • [Research Triangle](#) • [McLean](#)

Copyright Sands Anderson PC

THE INFORMATION CONTAINED IN OUR WEB SITE DESCRIBES LEGAL MATTERS HANDLED IN THE PAST BY OUR ATTORNEYS. OF COURSE, THE RESULTS WE HAVE ACHIEVED DEPEND UPON A VARIETY OF FACTORS UNIQUE TO EACH MATTER. BECAUSE EACH MATTER IS DIFFERENT, OUR PAST RESULTS CANNOT PREDICT OR GUARANTEE A SIMILAR RESULT IN THE FUTURE.

unforeseen ways. In my venture company, some of the most painful delays we experienced were caused by the most mundane issues or quirk events.

4. “We guarantee you X. percent return on your money.” If you could do that, you wouldn’t need venture capital, you could borrow the money. This is beyond naïve. Enough said.
5. “It’s not about the money.” If it’s not about the money, why should they give you any of theirs?
6. “XYZ Co’s solution is pathetic.” In other words, don’t denigrate your competition. If they are already up and running and especially if they have raised capital, they may know something you don’t know. Plus, it’s bad form. Worst case, one of the investors in your audience may have invested in the company, when they were with the different fund, or even pitched them internally to their partners just last week. After all, if they are interested in your market enough to talk to you, how do you know they haven’t already talked to your competition? Oh, and by the way, check their website before sending your plan just to make sure that they haven’t made a competitive investment.

I could go on, and there are numerous other examples on the many websites that deal with the topic of raising venture capital. You can be sure that the venture fund, partners that you talk to will have their own pet peeves for the best general advice I can give you is to be circumspect and professional about your opportunity in your plan to capitalize on it. Bold statements alone will not carry the day, and actions speak louder than words.

Have you ever said something you’ve lived to regret? How did it affect your chances for business success?

<http://vabizlawyers.com>

[Richmond](#) • [Christiansburg](#) • [Fredericksburg](#) • [Research Triangle](#) • [McLean](#)

Copyright Sands Anderson PC

THE INFORMATION CONTAINED IN OUR WEB SITE DESCRIBES LEGAL MATTERS HANDLED IN THE PAST BY OUR ATTORNEYS. OF COURSE, THE RESULTS WE HAVE ACHIEVED DEPEND UPON A VARIETY OF FACTORS UNIQUE TO EACH MATTER. BECAUSE EACH MATTER IS DIFFERENT, OUR PAST RESULTS CANNOT PREDICT OR GUARANTEE A SIMILAR RESULT IN THE FUTURE.