VENTURE CAPITAL INVESTMENT FOR TECHNOLOGY AND ECOMMERCE COMPANIES

By Scott L. Allen

I. Introduction

A. Venture Capital Raising Process. This article addresses key issues for a technology company in raising venture capital. These issues are addressed from a practical perspective with the objective of presenting a *checklist* of important legal and business considerations for the technology company in raising its initial capital from the venture community. The venture capital raising process is addressed in the following stages --

1. Pre-Funding Considerations
2. VC Selection Process
3. Mechanics of the VC Process
4. Terms of the VC Financing

B. Checklist Features. The checklist of practical pointers presented below is from the perspective of a technology company with the following features --

1. This is the initial round of VC financing
2. Any capital raised to date has been minimal (and probably from friends and family)
3. There is minimal (or no) revenue to date
4. A Business Plan (or at least an Executive Summary) has been prepared
5. A broker or investment/merchant banker has *not* been retained

C. Attachments.

The attachments include:

1. ***Attachment 1*** - Flowchart of Practical Pointers in the VC Process
2. ***Attachment 2*** - Preparation of the Executive Summary
3. ***Attachment 3*** - Proposed Capital Structure - Rounds 1, 2 and 3
4. ***Attachment 4*** - Venture Capital Investment Termsheets