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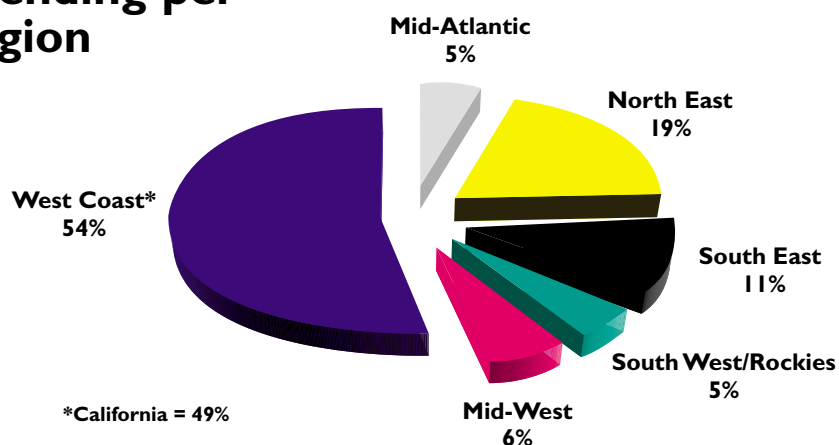
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Red flags entrepreneurs should avoid when seeking VC funding

Are you looking to get venture capital funding? Do you have your business plan polished and your management team in place? What else should you be thinking of when searching for VC funding?

Silicon Valley venture capitalist, Joerg Sperling, shared with GB Communications some of the warning signals he looks for when considering new investments in start-ups based on his own experience. Prior to joining Ridgewood Capital in Silicon Valley, Joerg worked as VC for Siemens' Semiconductor venture capital group.

1998 US venture capital spending per region



10 Red flags for venture capitalists:

- The company's founder asks you about the best way to get a green card
- The sign-in book at the receptionist has no entry for the last 2 weeks
- The only full-time employees are actually only the receptionist and the founder
- The founder insists that the best place on earth to start a company is his ranch in Idaho
- The company is 6 months old and there are 115 patents in the "pipeline."
- The company is in business for 5 years, has flat sales and projects a 50% growth rate from now on
- On the reference list for the management team, every second phone number is wrong or out of service
- Target customers who are expected to place orders in the next months have actually never heard of the company
- The management maintains that the company has no competition
- The business plan is written on a typewriter

Welcome to your first globusnews

Thank you very much for signing up for globusnews. Our goal is to provide practical business advice for setting up your IT or Internet business across the Atlantic from professionals who have already been down that road and like to share their expertise. Tell us how we are doing and the topics you want covered. Sincerely, Thomas Neubert, President, GB Communications, tneubert@globuscom.com



And the "3Ms:"

"Beyond these 10 red flags," adds Joerg, "remember VCs care most about the '3Ms': Management, Market and Money.

VCs want an experienced management team 'who's been there, done that.' The management team is the most important single guarantor for success. If the management team goofs up, even the best market will not render a sufficient return.

Then, VCs naturally want to see a market. Are you already selling the product or service? Do you have customers lined up? What better indication of market potential can you offer if you already have happy customers using your product or service!

Last, and not least, VCs want to make money and they are looking for a sufficient return on their investment to warrant the risk they take."

Thus, work hard to maximize the "3Ms" and avoid the pitfalls of fellow entrepreneurs, and you will be on your way to get your first round of VC funding.



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