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# **Foreword**

Startup capital or a start up funding is a basic step to run a business. Unlike startup capital for franchises or other businesses, a little amount of capital is required for internet business yet incomes are profitable.

## **Getting The Internet Grant**

Tips on negotiating with venture capitalists and the government to start a huge Internet business

# **Chapter 1:**

## **Start Up Capital Basics**

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### **Synopsis**

There is a need to find out how to get startup capital for your internet business – to have a great start for better internet business chances.

## **The Basics**

1. Personal savings. Always plan your business well before you start it up. Along the way as you plan or even just after you decided to start a business, save your money. Saving money not only aids in supporting your business, it can also help you to control financial usage and cut costs for budgets.
2. Seek help from your family and friends. This is a more common way of getting finance for startup capital. If you do not intend to make a business plan, borrowing money from your family and friends can work well. However, make it professional; return the money as soon as you gain profits from your business with extra interest.
3. Get advice from experienced entrepreneurs. Find out from them how to get startup capital or funding, while getting more information on how to start up your business. They are there to guide you. Some may even support you all the way – they help you in establishing connections.
4. Get a venture capitalist. If you have high ambitions for your business, get a venture capitalist. A venture capitalist is an investment company or someone who makes high-risk investments. Venture capitalists may have no experience in the business you are involved in, but they focus on high potential rate of returns. They can aid in your business financially for a longer period. Note: Getting a venture capitalist you must first prepare a business plan.

## **Chapter 2:**

# **Make Sure You Are Dealing With A Legit Venture Capitalist And Have A Lawyer In Place**

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### **Synopsis**

To save costs, some entrepreneurs would prefer to fund their business with the wrong investors, or use the wrong lawyer's to manage their businesses. In the long run, this is not beneficial at all for your business. It not only represents poor management of your business, it may also bring loss to your business. You should avoid making these two major legal mistakes.

## **Be Careful**

### Dealing With A Non-Legit Venture Capitalist

Dealing with a non-legit venture capitalist or selling your business to the wrong investors affects your business' securities and growth. Not all venture capitalists can afford losing their investment efforts on you. Not all of them truly understand the consequences of investing in you if your business fails.

In addition, inexperienced venture capitalists will file a legal suit or sue you if they are not happy with you. No matter whether the complaints are relevant or not, giving up valuable resources, time and energy to deal with lawsuits and investigations will definitely cause harm to your business, plus tarnish your reputation.

### Have A Lawyer In Place

It is simple. If you do not have a lawyer in place, how are you clear about legal limitations or boundaries for your business, especially when you want to start an internet business?

Some entrepreneurs think that they have enough legal information; they may miss out on many details that are hidden. Overlooking the details may create a huge problem for their businesses.

Do get a lawyer, not any lawyer, but a good lawyer who has experience in dealing with business investments, investors like venture capitalists or

angel investors. There is no time to waste on new lawyers without any experience dealing with it.

# **Chapter 3:**

## **Learn How To Pick Your Battles**

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### **Synopsis**

Investors, usually either venture capitalists or angel investors, prepare a term sheet for further negotiation on partnerships with the entrepreneurs.

Generally, term sheets are unbinding documents- terms and conditions can still be negotiable. Therefore, to get the most suitable investors for your business company, one must know how to pick your battles.

## **Have A Look**

1. Valuation. Valuation refers to the values of a business company agreed to by the entrepreneur and the investors. There are mainly two types: pre-money valuation and post-money valuation. These valuations refer to how much your business worth before or after financing.

2. The type of security. This refers to liquidation preference, a term used in venture capital agreements that specify which investors get paid first, and how much they get paid. This is to secure investors financially, where some entrepreneurs may gain success but investors get away with less money.

3. The option pool. It refers to the shares of stock reserved for partners of the business. Generally, partners or employees who are involved with the business earlier will gain a better percentage of the option pool. The option pool can be a way to attract potential partners or employees.

4. Board composition. Usually, there will be one or two places in the board of directors for investors. A good management of the board of directors or committees will ensure all shareholders get their benefits. The selection for the board must come with a shareholder agreement, of which investors must include this in the negotiations before they provide funds.

5. Your own compensation and rights. This is to protect your benefits and rights in the business. In bad cases investors have a hard time retaining their rights. It is equally important to stand up for your own rights as you are the one who set up the business, as long as you do not violate the rights of others.

# **Chapter 4:**

## **Make Sure The Term Sheet Is In Order**

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### **Synopsis**

The term sheet is an outline of terms and conditions for a business agreement, usually an initial summarization, followed up by legal documents. It is a document prepared by investors, to show agreements where investors are interested in investing in your business. A term sheet is important to start partnerships and cooperation between entrepreneurs and their investors.

## Terms

### Importance of a Term Sheet

1. Prevents misunderstandings. When both parties mutually agree on general terms of a deal, it is best to put it down on paper. This is to prevent future disagreements or misunderstandings, creating bigger issues. Generally, involvement of someone new to this business (especially the entrepreneurs) will cause this problem, as they have no experienced with the process.
2. Creates moral commitment of good faith efforts by both parties to complete the deal. Generally, when both parties discussed and agreed on the deal, they would most probably think the deal is completed. However, without the existence of a term sheet, one side may not fulfill the other party's needs- or have full commitment.
3. Ensures information given to both parties is confidential. Term sheets feature the obligations and confidentiality of information exchanged between both parties. Term sheets can also include specification on the costs and expenses one should bear or the duration of time for investing.
4. Becomes a full binding document. This prevents excuses made from either one side to avoid conforming to the agreement. However, this is usually unfair to the investors, where they have no idea about problems the entrepreneurs are facing.

5. Acts as an intermediate step to pinpoint potential suitors for auction. If entrepreneurs are up to hold an auction, term sheets can help in searching for serious investors. When investors are getting information about the business, entrepreneurs can ask for a term sheet within a specific timeframe.

# **Chapter 5:**

## **Learn How To Use The Government's Information Reserve**

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### **Synopsis**

No matter how you get your startup capital by raising funds from investors or from personal loans and savings, it is crucial to learn how to use the government's information reserve to start your business.

The government has vast information about businesses- Gaining this knowledge will ensure you have a promising future for your business.

## **Get The Info**

Find out which loans and grants are available and suitable for you.

There are many loans and grants provided out there, but shortening the long list to get potential suitors is quite hard. Using the internet there are websites run by the government and you will get a detailed loan application checklist, allowing you to decide what you want.

Test your readiness.

The main reason a majority of entrepreneurs fail doing their business is because they are not prepared and ready to start a business; this includes getting sufficient information. With the government's online business website, you can get all information you need to prepare your business to success.

Check out your local library for speakers and free events.

The government may hold some helpful events or motivational talks on how to start or run a business. Attend those events to get more information for your business. For the long run, invest your time in preparing your business. It will bring greater success and profits for your business.

Check out state resources.

The government's online business website will provide you with links to state resources for small businesses or your internet businesses. Special

programs or consultant seeking may also be available for financial help and further assistance.

Check out the Small Business Administration website.

It is a useful tool to get all information needed to make a business a success. It also includes an online business planner, tips and free training, a list of business mentors around your area and much more.

# **Chapter 6:**

## **Why It Is Important To Put Together Venture Capital Correctly**

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### **Synopsis**

It is important to put together venture capital correctly, as it can aid in sticking to budgets. Even though an internet business may not require a large amount of venture capital, budgeting can save time and money for greater success.

## **Budgeting**

Importance of keeping a budget:

1. **Facts.** Budgets give space for entrepreneurs to anticipate money usage in the future. Most entrepreneurs create budgets annually to keep track with their spending. An annual-based budget planning can avoid wastage of time, energy, money and resources, thus allowing entrepreneurs to manage their capital well.
2. **Limit Expenditures.** Budgets can limit extensive usage of money. Budgets usually include expenses accounts to ensure that there is no fund spending on unnecessary items; budgets make sure no overpayments take place.
3. **Create A Financial Roadmap.** Budgets can provide a guideline for entrepreneurs to refer to for the next planning session. A wise entrepreneur usually looks back at the written documents on budgets to plan budgets for the upcoming events or to bring better profits. These guidelines may also provide information on the management of the business.
4. **Plan For Future Growth.** Keeping budgets saves the venture capital for better usage. These budgets help entrepreneurs to increase growth as well as expand business opportunities. It is helpful if there will be any changes to any situation and a quick financial decision has to be made.

5. Considerations. If you have less experience or need help to make budgets, there are several online business and accounting software programs to help automate the budget planning and process. This is quite important as entrepreneurs nowadays tend to forget about budgeting, hence, forgetting how to put together venture capital correctly.

# Wrapping Up

Venture capital is funds gained from investments by investors. These funds support starting a business, while it can ensure the business runs well from the start. Learn everything you can about it to insure success in your business.

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