

EQUITY CAPITAL

Equity capital is financing made available for investment in promising firms with a greater risk of loss than what is normally acceptable to traditional lending institutions. Financing is provided by sophisticated investors who seek high returns. Equity capital can fill a vital role in the growth of a company.

Businesses with the following investment characteristics are attractive candidates for equity financing:

- High growth potential. The business has the opportunity and is capable of exploiting a clearly defined market niche, or has a clear advantage over competitors. The product/service should:
 1. Represent a new or revolutionary idea;
 2. Be evolutionary, that is, represent the next version in a series; or
 3. Be a better or lower cost substitute product.
- Large margins. The product/service should have a large profit margin.
- Competent management. The business should have an experienced and capable management team.
- Sound business plan. Equity capital investors are highly sophisticated and require thorough business plans with realistic expectations and solid financial projections.

Such investors include venture capital firms and angel investors. Venture capital firms often have an industry focus and invest primarily in early stage companies with high growth potential. They often take an active role in the management of a company as a condition of their investment. A list of venture capital firms in Michigan can be found on the Web at www.TheMEDC.org/businessdirectory (list not exhaustive).

Angel investors are high net worth individuals certified to make large private investments. They often invest at the earliest stages of a company's capital life cycle prior to venture capital firms. Like venture capital firms, they may also seek a role in the company's management. Angels can invest individually and in groups referred to as angel networks. Michigan has five primary networks:

- Ann Arbor Angels: www.annarborangels.org
- Capital Community Angels: <http://www.capitalcommunityangels.org>
- First Angels: http://www.southwestmichiganfirst.com/First_Angels.cfm

- Grand Angels: www.grandangels.org
- Great Lakes Angels: www.glangels.org/

RESOURCES

Executive Summary and Business Plan

Business plan and executive summary samples can be downloaded from PricewaterhouseCoopers Entrepreneur Resource Center at www.pwcv2r.com.

Michigan Venture Capital Association (MVCA)

Established by venture capital and private equity investors in the state, the MVCA is the state's premier public policy advocate for the private equity/venture capital industry, working to promote entrepreneurship and private equity investment. Visit www.michiganvca.com for more details.

Venture Capital Events/Seminars

Several organizations host regular events where entrepreneurs can present their business ideas to investors including:

- The Center for Venture Capital and Private Equity Finance of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies at the University of Michigan Ross School of Business, Ann Arbor, hosts regular seminars on entrepreneurial finance. The annual Michigan Growth Capital Symposium (MGCS) is a premier venture event that attracts key investors from all over the United States. For further details go to www.michigangcs.com.
- The Great Lakes Entrepreneur's Quest (GLEQ) is a statewide business plan competition providing training and a venue for feedback from successful entrepreneurs and investors. Each year the most promising entrepreneurs receive cash awards and in-kind services from some of Michigan's top service providers in the areas of law, marketing, communication and Web development. For further details, go to www.gleq.org.
- The Annual Collaboration for Entrepreneurship (ACE) brings together entrepreneurs, service providers, investors, students, government agents, and other members of the business community to network, learn and connect. For more information go to <http://www.ace-event.org/index.html>.

For more information, contact the Michigan Economic Development CorporationSM Customer Assistance Center at 517.373.9808.