

Unusual Ways to Attract Investors

At a recent Seraph Capital deal flow luncheon I saw a familiar face, Burt Hammer, founder and CEO of Hydrovolts, a developer of renewable hydrokinetic energy solutions. The company's product, a patent-pending turbine that turns canals and waterways into energy sources, is garnering a lot of buzz. Although Burt only launched the company in 2008, he's been a featured speaker at Angel meetings and visible at many sustainability events. He's won numerous awards and more importantly, successfully raised capital at a very challenging time. Burt's savvy approach to fundraising includes some smart tricks that other entrepreneurs would be wise to emulate.

Get on the Contest Circuit

Every industry gives out awards, but oftentimes very early stage companies don't apply, mistakenly thinking they need more traction before they can win. The truth is there are a lot of awards and contests that young companies can leverage if they are willing to seek them out and follow the rules to win them. Case in point with Hydrovolts: In less than a year of founding the company, with only minimal friends and family capital raised, Hydrovolts won the prestigious Northwest Entrepreneur First Look Forum. Later that year the company entered the Zino Society Green event and won the coveted \$50,000 prize. Following those wins the company entered and won the CleanTech Open and Imagine H20.

Aside from the obvious financial benefits, the early recognition from winning and participating helped Hydrovolts attract investor interest. For example, winning provided concept validation that helped reassure potential investors. However, the exposure at each contest played a role in fueling more visibility and broader investor interest.

Consider the benefits gained by simply moving through the contest rounds. Companies selected to present are paired with industry experts, and benefit from countless, free hours of professional expertise from mentors focused on

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Cheryl Isen

shaping their story to pique more investor interest. Also, many of the attendees and judges are highly connected, potential investors. They help by spreading the word about the company to others.

The lesson to early stage companies: Apply to every event you can find. To improve your odds of success, follow the presentation process explicitly.

Take Advantage of Cheap, Showy Digs

Not every company will be invited, as Hydrovolts was, to rent affordable office space with perks that include dining areas, a gymnasium, conference and entertainment rooms, plus access to professional services, all available in the prestigious and uber sustainable-designed McKinstry Innovation Center. However, there are alternatives such as the Washington Research Foundation (WRF) venture center, plus many incubator facilities that entrepreneurs would be well advised to seek out.

Consider the alternative of launching in a spare room or the cliché garage. Although each is inexpensive, the benefits stop there. Securing professional office space early on enhances a start up's corporate image with instant credibility. It shows that a company is serious, competent, and understands the professional benefits of a proper physical location. Additionally, most incubator start-up facilities provide extra intangible benefits from networking with other

entrepreneur residents and executives. Finally, when the object is to raise money, a professional work address vs. a home address will remove many objectives.

The lesson to early stage companies: Aggressively seek foundations, corporations and incubators that offer start-up facilities. Even if you're short on cash, it's worth the expense.

Don't Skimp on Professional Services

Bankers, lawyers and other advisors don't come cheap, for a reason. They're important. That's partly why Burt Hammer doesn't recommend starting a business without at least \$50,000 in working capital. Burt learned the hard way that skimping on professional services only costs more money and headache later.

Although Hydrovolts wisely set up as a C Corporation, which investors prefer, early on they skimped on attorney fees by repurposing the by laws from another company. Although that approach can work, they didn't have an attorney review the documents. Eventually mistakes lead to penalties that were very costly to fix. The advice: no matter what your friends say, verify all legal documents with a lawyer.

Carefully review banking options as well. Banking isn't just about convenience, its also about alignment of mission, services and building a relationship, which can pay off in rolodex referrals if you work with a bank focused on start-ups.

Lastly, business advisors are critical and entrepreneurs often forget to tap the plethora of resources available at local universities and colleges. In addition to advisors with great research and connections, universities also provide free, educated interns and highly focused

business courses geared to entrepreneurs. Also seek out professional associations that offer similar opportunities.

The lesson to early stage companies: Get creative and tap into the helping hands

that are ready, willing and anxious to help you help yourself.

This column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that

helps companies increase visibility and brand awareness. Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com. Visit IsenandCo.com to learn more.