STEPHEN PEARSE: How many of you guys in here think you might want to one day run your own company or begin a startup? The vast majority of you. Good. Remember that, because at the end of my presentation, I'm going to give you guys an opportunity to begin that process. My name is Steve Pearse and my background, let's see. Former CEO, entrepreneur, I am an angel investor. I work with venture capital companies as a litmus test. If I like it, they might like it too. And I advise CEOs and startups. I live in Colorado, Florida, I used to live here full-time, now I just come and visit.

So my specialty and background, primarily telecommunications, IT, and as of late, the last 10 years or so, health science. I've bought companies, I have sold companies. I have raised over $250 million over six rounds, and my background is kind of up through the ranks. AT&T, then I became chief engineer at Sprint, ran operations and started Time Warner Telecom, I ran a wireless company, was an executive vice president at Bay Networks, merged into Nortel in a successful sale for $7 billion.

And then I did my own startup in Silicon Valley, and that was cool. That, I came in when we were valued at $18 million, and we sold for $2.7 billion less than a year and a half-ish later. Those were the days. You might think that was a bubble. Guess what? There's always a bubble. There's always a bubble. Look what's happening now with Twitter and social networking. There's always a bubble.

Your challenge is to find how can I make my own bubble, or where is the next bubble going to be. Your challenge is to be a hockey player and skate to where the puck is going to be, not where it is now, because you're too late. Where do you think that next big event is going to happen? That's your challenge.

The startup. And these statistics are about right. Some might say I'm over-generous, but out of every 10 startups, maybe one will succeed. Kawasaki will say one out of 20. But one out of 10 will succeed. What's a success? Success is, if you're an investor, you make at least 10x. The investor really wants 100x, and they're going to gun for that, but they'll take 10x. They want something that's going to make-- it's called, hey this company, thanks, Steve, you made the fund.

What does that mean, I made the fund? They've got a fund, they have a lot of private investors give them their money, they invest that money, and they want all that money back, plus more to the investors. If you have a $100 million fund, you've got to give that $100 million back or you're a failure. You really want to give $200 million back, $400 million back. You want to give much, much, much more, and as a venture capitalist, you get to pocket an even bigger percentage than your limited partners or investors will take.

So they want a 10x company that makes the fund. So 10 companies, they want one to be a factor of 10 better. Three out of 10-ish might yield a moderate return. What's a moderate return? Maybe 2 to 4x in four to seven years. And you really want to be shutting down the fund in about seven years. Sometimes it happens, sometimes it doesn't.

And then six are failures, completely shut down. So that's the odds you're facing here. You might think, oh God, if I do this, chances are I'm not going to be a success, a big success. That's fine, because investors know these odds, and if you come from a failure or two, there's no problem. As long as you did a good job, you learn from the failures or mistake. Maybe it was just the wrong bid at the wrong time. But they're not afraid of reinvesting in people who have done this a few times. And look at the Valley. You have people skip companies right and left all over the place. So long history of backgrounds.

OK. Why do a startup? I mean, what's the game here? What are you trying to play? Well, if you do a startup, and you get money from investors, you have to be able to exit. And what is an exit? You have to either go public or get sold. That's an exit. Why is going public an exit? Because finally, I can cash out the stocks that I bought from you a long time ago.

Your investors want their money back. If you're interested in running a mom and pop business with a cool idea and cool technology, no one's going to invest in it except family. Why? Because they're never going to get their money back. It's not a liquid asset. So you have to plan on going public or getting sold.

If you're a technology company-- and by the way, officially, the answer is always I'm going public. I'm not going to sell. Never going to sell. I'm going to run this thing forever, hand it off to the-- why do you have to say that? Why do you have to say we're not going to get acquired? Because if you say I'm going to get acquired, you're not in it. Your heart's not in it. You're looking for a trick, a magic pony, I want to sell this puppy, I'm going to make a buck, and I don't want to-- I want to sell it and make money and that's it. No, no, no, no, no. You can't say that. You say that and no one's going to give you a penny.

So you're always going public. But why would a company ever want to buy you, just in case they wanted to buy you? Bay Networks. At one time, Bay Networks was bigger than Cisco. Bay built routers. Internet IP routers. And I ran the internet and telecom business group. And we built blades to replace the old technology that was maybe 10 megabits a second. We had to come out with 100 megabit a second, and then gig, and play that game. Different interfaces.

And my team was a good team. We could build a blade in about 18 months. That was pretty good. People working maybe 9:00-5:00, 9:00-6:00. Good engineers, teamwork, meetings, stuff like that. A startup can do that in nine months. And nine months' delta in a new product introduction can spell the difference between failure and success in this business. I could not afford to build a new blade that goes into my rack and sell it to my customers, sometimes, if I can only do it in 18 months.

If I have another company start advertising and have a good marketing person and they're telling the industry analysts and all the industry rags, hey we got this new widget. And it's got 100 megabits now. And we're selling and customers love it. I have to do a make or buy decision. I may interrupt my development. I may say, finance, go strike a deal. Let's buy this company quickly. And Bay did that all the time. I bought a bunch of startups, hot startups for internet dial-in modems. That was big time back in the '90s.

So you had a box that was 10 times smaller, faster, cheaper, all that stuff, using chips that just came off the line from Intel or TI or whatever, and you can build something in nine months, I'd buy that company. That's a great example of how you can go out, take the state-of-the-art today, the latest chip sets, build it smarter smaller, faster, all these nice characteristics, and sell your company. And you can do it over and over and over again.

Why can you do that as a startup? Why can't big companies do that? Because you're working for stock. You're not working for a promotion, you're not working for a lot of things big companies' people work for. A nice stable lifestyle. You're willing to work until midnight and bring in pizza. The CEO, when I was a CEO, I'd bring in Chinese just to entice people, please stay longer and work harder.

Because everybody's working for the same thing. Everybody wants to get rich. Everybody wants stock. It's a great unifier. It is the enticement that makes everybody think along the same way. When I was at AT&T, everybody wanted to make you look bad so they might step on you and get another $5,000 raise, or maybe run the department with five more people. That's big company mentality. Startups were such a great cleanse when I left the big corporate environment and went to the startup world. That's what we're talking about here. That's the taste of what could be your future.

OK, getting money. Signal to noise. Signal to noise. Do you know how much noise is out there that you're going to be fighting against, if you want attention as a startup? If you want attention from a VC or an angel, you're wading through a tremendous amount of noise. Your signal has to be muy powerful. And we're going to talk about how to make your signal very powerful, and punching through that noise. Because you've got to go out and grab people by the neck, shake them, and make them listen to your pitch.

So, this is a terrible elevator pitch, but it's the elements of what you want to be looking for. I'm going to paraphrase. For this huge, great target market who really hate the stuff they're using now, our thermostat is a new [? Heigelberg ?] category that provides all your solutions you've been looking for. Unlike the bozos who we're competing against, we have assembled incredible, groundbreaking technology that is going to be ready in six months.

Essentially, that's kind of what you want to be saying. You have to have all these elements in your elevator pitch. And say it a lot better than this format up here. That's what you need to do. I'd like you to start thinking about filling in the blanks for your ideas now. Whether or not it's a real product or technology, or something you think, hey, this would be cool if I could ever do this. Think about how you would say this. Because that's the elevator pitch and will determine your readiness to do a startup. Your readiness to get money.

You've got really one shot, because once a venture capitalist has seen your face, and you've said a few words, they're either thinking right away, I'm going to go ahead and listen to the rest of this, or you're having trouble here, and then you're gone. Why? Too much noise. They see thousands of pitches and thousands of people, and they have to quickly-- it's almost neuronally implanted. They can very quickly determine whether you're worth it or not. So that's why it's important to rehearse this stuff and get it down right.

Everybody's maybe heard this. I didn't have time to write you a short letter, so I wrote you a long one. What does that mean? It means you've got to be super, super crisp. You've got to be able to say what you're going to say and enunciate it. Grab them-- you have to hit him over the head with a hammer with what you're saying. It's got to be so compelling. We'll talk more about that, but you really got to capture their attention.

And then Jeffrey Moore. What do you mean, you have to induce greed? Greed doesn't sound good. Well, when you go to the store and you see something on sale, what are you thinking? You're thinking that's on sale. Do I need it? I don't know. Maybe I should buy it now while it's on sale. You're inducing spontaneous greed when you buy something for sale, because it's a good deal. Might not be there later.

You have to induce greed on the part of your investors venture catalysts or angel investors, even family. You have to say I'm on to something really big. Really, really big. This is going to be huge, and you need to think about investing now. You have to get that greed going, and that greed has to be started from the very first elevator pitch. And really, a good elevator pitch isn't what I just said up here. A good elevator pitch starts with a hook. And we're going to talk about that hook a little bit later.

The pitch. Keep it simple. Keep it simple and stupid. Keep it really, really simple. No matter how simple you think your pitch is, no matter how easy and clear you think you are, you're not. You're not being clear enough. You need to really dumb it down. Like third grade. You need to be able to explain it to a third grader. If you can explain it to a third grader, you're doing a good job. Don't worry about coming across as too simplistic. They'll pull you up to a different level if they need to, like, let's talk more about the technology, let's get into the weeds a little bit. But if you lose them early on by being too technical or too complex, you're gone. They won't give you the chance of explaining yourself later, because you weren't able to communicate effectively up front.

This hook is kind of like a pain point, or a statement of greed. You have to say something that is so exciting, they're going to stop what they're doing and continue to listen to you, because I've never heard of that. How is that possible? Think about your target audience. Is your target audience technical? Is your target audience a lay consumer? Is it the financial analysts who don't know anything about technology, they want to hear about money and numbers. You need to really understand who your target audience is. If the eyes start to glaze over, you failed. You didn't do your homework. You didn't understand who your audience was. Talk to them on their level. That makes them excited. Everybody's listening to you, greedy for something. Give them what they want.

And if you're in a room of different people, change your pitch to the lowest common denominator You might have a room full of VCs and a couple of junior VCs. If one of the partners in the room is not from this industry at all, you need to lower it down to that person's level, because if you lose that person, they're going to blackball you later. They're going to say, they lost me. They weren't able to communicate with me. I don't like them. So be sure, when you're scanning the room, or before you even walk into the room, get a list of who the VCs may attend, what their backgrounds are, what companies they work for.

If you can connect with any of them by their past history with a person or a company that you're familiar with, bring it in. Say, by the way, I happen to know you were from Nortel. Did you know so and so? Try to engage that person. But bring it down to the lowest common denominator. The whizzes in the room will try to bring you back up, but always try to remember there's one or two people who may not understand what you're talking about.

Joe's already covered 10, 20, 30. But really, 20 minutes. 20 minutes? They gave me an hour. Why do I need to make this a 20-minute pitch? Well, for two reasons. One, they're going to have trouble-- you're going to have trouble getting your presentation to work with the AV equipment. That's going to eat up some time. But realistically, you're going to be interrupted over and over and over again. People will drag you into minutia and detail. You need to fight that and resist that, but you'll be stopped. And you'll never get through your 20-minute pitch. That hour will go just like that. So you really have to make it, if you're pitching it alone in a room, no more than 20 minutes. It will expand to the full hour.

Use pictures. Seriously, use pictures. There's nothing more boring than this right here.

There's always somebody in the room, whether it's angels or a venture capital partnership, someone in the room who wants to show off they know more than you do. That's not going to work. We did that three years ago. It was a failure. Or, wait a minute. The neural resistance, I thought was going to be higher than that. You need to defend that. You're always going to be teased into a rat hole. Here, follow me into this rat hole, let's run around, waste everybody's time, and then you're going to be asked to leave. Don't fall for that.

You have two options. You either firmly and with a nice, reasonable answer, say, nope that's not the case, and this is why, but I'll get back to that later if you want to. Or you say, good point, I'm not familiar with that point you just made. I'll get back to you later. Don't let them continue that conversation. You've got to know how to shut off the questions, shut off the spigot, and move on, because you have an agenda to get to asking for money at the very end. If you don't get to that, then it was a nice, thank you for the information, there's the door. You have to be able to get to that.

So as important as anything I've talked about is the need for you to be a competent presenter. You need to show passion, you have to show confidence, and you have to engage the audience. Not easy to do, and it takes, sometimes, years and years to learn how to do that. It's very difficult. If I were to grab any one of you down here and say, please give a presentation on whatever your most passionate thing is, you're going to be kind of hard-pressed, you're going to want to kind of recite things from memory, and forget about the engagement. You're going to speak too fast.

It's almost impossible to speak too slowly, especially if you're from a technical background. Slow the pace down. Make sure everybody's keeping up with you. See if you've lost eye contact. If you have, focus on the person who you lost eye contact with and say, I must be confusing you. Can I answer any question you've got? You've got to pull people out.

You've got to get everybody in the room along with you nodding their heads, because the more they nod their head and agreeing with you, the more likely at the end, and all I want is $25 million, and I'm going to give you 10% of my company. It's a great deal. So seriously, that's like sales 101. Get them nodding their heads. Look at everybody in the eye. Be bold, be confident, use passion, change your pitch and elevation, do whatever you have to do-- histrionics, get their attention. Focus them on what you're saying.

So Joe has basically covered the elements. And this isn't the right order. This isn't maybe Joe's order fir a business plan or even a pitch, but basically, you want to have these things. You want to have the hook. The hook as to be an exciting statement. You know, hey, I think we did fusion. It's in my basement. What? Then talk about it.

Then you need to have your solution. Your solution is, we have a great product. It's using this technology, using all these things in the elevator pitch. Not everybody will agree with my order, but this is the order I like. What's your magic? Don't wait to talk about the technology at the very end, and don't do it right up front. Hey, we solved this implant issue.

Talk about why it's exciting, what's the market, what problem are you going to solve, and we did it with this unbelievably great new technology, fresh out of the labs. Or wherever it came from. Or a new chip or whatever it is. Talk about the magic and technology, so the technologists can get excited and go, yes, what are you going to do with it now?

Then go into the business model, and then more detail, the marketing and sales issue. You really have to have a credible way to sell what you've got. You've got to have a credible way to channel it or retail it into the customer's hands. How are you going to be successful at that? There's a lot of great products that need to be sold through Home Depot. And Home Depot has thousands of these ideas coming in, and then they, one by one, nope, no time for you, go away. Nope, no, and then what are you going to do, with all of your channel strategies closed off? Have a credible solution for that.

Talk about the competition. If it's a new product, never been sold before, well, that could be nice, but you've got to spend a huge amount of money and time and your personal capital creating a new niche, or a new market for this. You don't know how hard that is. It's going to be really hard. If nobody's buying this sort of thing now, you have to-- look at Dean Kamen. The Segway. Remember everybody got all excited?

I mean, my home in Boulder, we had activists saying, we don't want Segways riding down my sidewalk. And they had protests. Dean didn't realize how hard it was to create a whole new market where the whole country stops driving and uses Segways. It didn't work at all that way. He was trying to create a whole new approach towards travel. Very difficult. If it's a substitution, then who are we substituting against and why are you better? Because we're 10 times cheaper, faster, better, smaller. All those sorts of things.

And I have management here, not at the top. Why? Because I don't care who you are unless I really am excited about your ideas, and then I want to know who you are. Where'd you were to come from, how do I know you've got to take my money and spend it wisely? Have you done this before? Then give me all your credentials, but not until I'm greedy, because I want some of your stock, please, and now, who are you and what's your team? | at that point it's credible. If you hit them too soon with here I am an all that, without knowing whether they're excited or greedy yet, they're going to not listen to it. I won't listen to it I'm going to skip it.

Then go over your financials. What are you going to do with the money that you get? How are you going to spend it? Is it a credible timeline you have for spending that money, or are you going to run out of money? Which is a problem, because then you have to stop what you're doing and go raise money sooner, than later, and stop the company.

Then go over your status and your timeline. Have you built anything yet? Do you have any prototypes? When are you going to have it done? How do you know you're going to have it done? Is it a credible timeline? What people have you lined up to build this thing? Status and timeline.

And then don't forget-- a lot of people forget this, at the very end, the offer. You have to make the offer. What is that offer? And for all this cool stuff, and the $100 million we're going to make over the next five years with this product, I'm going to give you 10% of my company for $25 million. And we're looking at closing in the next 60 days, and oh, by the way, we're talking to four other venture capitalists and three of them are quite interested. Love to hear back from you. Make the request, which is the offer of your stock for money.

A little bit about the hook. When you very first meet somebody, you've got about seven seconds to engage, to make them excited about hearing the rest of what you have to say. So that hook could be whatever the cool part of your technology or product is going to be. The hook could be-- imagine a safe rubber coding that conducts electricity. Wait a minute, why would I need-- well, before I say, but how do you-- OK, keep talking. So that's a hook. An example of a hook.

Have you ever felt threatened? Wow, what kind of a question-- yes, of course I have. Are you threatening me? No, we have a solution for you. Our box is 10 times smaller, faster, cheaper, better than this. Oh, cool, the next generation of that. People will want that. Anyway, that's kind of a hook. So think about what is your hook? What is your bold statement that's going to wake me up and stop what I'm doing and listening to you, whether it's an elevator or the beginning of a pitch.

So no geek speak. No geek speak. What does that mean? I've had lots and lots of pitches, and they start off with technical jargon. And that's the wrong thing to do, because then my job is now, pull out of you, why am I greedy about that? You need to explain it simply. This is a real example.

"Our technology is the first integrated automatic book scanner that will scan and digitize bound documents at a speed of 1,200 pages per minute at a fraction of the cost of existing solutions, based on destructive digital imaging technology initially developed at Bell Labs"-- Bell Labs isn't around anymore-- "and protected by 12 patents." That's the wrong way to start a pitch about what you're doing. A better approach is, we enable massive knowledge sharing. We're going to digitize all the physical libraries at an incredibly low cost, and there's people lined up who want this technology. So that's what I mean by geek speak.

Focus of the pitch. So again, it's really tempting to talk about the technology improvements, or the technology that is going into your product, and how exciting it is, but you've got to convert that into something that customers really will care about. So talk about the customer benefits, not the tech benefits. The tech benefits-- if you talk about the tech benefits, it's a so what? Why do I care about this next generation of thing that you're building or producing?

It has to have benefits for the customer. If it's telecom improved network utilization, this is scalable and adaptable. It integrates well, seamless integration. The figures of merit that a buyer are interested in, not just the fact that this is a cool next generation technology. And then you've got to talk about the business benefits. And the business benefit-- every business has pain, and you have to find what the pain point is.

You're in pain. I can heal your pain. I have something that's going to make things better for you. And it usually has to boil down to a dollar. You have pain that's costing you $700,000 a year in something, and my product, my device, my process, whatever you're selling can cut that in half, and I can prove it to you. So that's a pain point. Increase revenues or decrease costs.

Everything's got to boil down to a dollar. A dollar. Your technology is not important. It's what that can do for a business or a customer that can reduce their pain, and that's usually evidenced by costing them money. And you're either going to make them money or save them money.

Style. If you're making a pitch, either you've got to be the best presenter of your team, or find the best presenter of your team and let that person do it. It's best if the founder or the CEO does it. I haven't seen a whole lot of companies that aren't led by the founder or the CEO making the pitch. So between the two of you, unless you're the same person, get good at making the pitch. Be the best presenter.

If you're not the egghead, have the egghead in the room on a really short leash. Because they're going to get into the rat holes. They love rat holes. I love a rat hole. I have to sometimes wake up and go, stop talking about that. You're excited about it, nobody else is. But be prepared to ask the one-off technical question. Exactly what frequency will that resonate? Tell them.

[LAUGHTER]

I said this earlier. Give firm answers, even if you don't have the answer. Don't sound hesitant, like, oh we hadn't thought of that. Crushing defeat. If you don't have an answer, say, let me get back to you. I'll get back to you in 24 hours. I think I know the answer. Or the answer is, yes of course, we've always been that way and we always will, or no, that's not a problem, and here is why. Be firm in your answer, smile, I mean, don't get angry, smile, and say yes or no, but be firm. Have the presence to be confident, because you're asking for their money, and they want to give it to people who are firm and confident and all those nice things.

I talked about looking at everybody in the room. Try to grab their eyeballs. Practice that. By the way, if you've never given a speech in front of a large audience, the best confidence builder before you start the speech is, look at everybody in the room beforehand, at the bottom or wherever you are, look at everybody in the room, and pretend like they're an old buddy. They're an old friend. And you won't any trouble with confidence or locking up or things like that. Try it.

Do your homework, like I said earlier. Know who you're talking to. And practice your pitch. Practice it. Have all the points at your fingertips. Be ready to go over them at any time. And then pull questions out of the quiet people. Even if, you can tell, this person does not like me or what I'm doing or anybody that I brought up here, still, pull them out. Ask questions. Because if nothing else, you will learn what they don't like about you. They might say, well, I don't understand that. You said that, I don't believe it. You may not be able to convince that person, but make sure everybody in the room has been able to say something, or ask them a question of these venture capitalists.

OK, here's some pitch examples. You saw some earlier from Joe, here are some more. Good and bad. Name are changed to protect the innocent. This was a pitch made to me, I think, in 2003 or 2004. don't do what they did. So here's a company, CyberEx LLP. Here's the executive summary. Remember, the year is, I think, 2004. The year was 2004. What they're telling me, in 2005, we'll have customers, and in 2007 $60 million in sales. How about that. 2007, investor IRR greater than 200%, you all are going to get money back and the investors are going to be happy.

What a terrible, terrible pitch. It's insulting. You're telling me this is what's going to happen. You haven't even told me what you do yet, and you're telling me how much money I'm going to make on it. Please. And here's the people-- the next slide is, here's who we are. I don't know what you do, but you're telling me who you are. So we got Aunt May, Peter Parker, Doctor Octopus, and here's our advisory board. Great. I see all the backgrounds, is it relevant to what you do? I don't know yet. I don't know what you do.

So, now maybe they're going to get to what they do now. Let's see. Sentinel eStrand technology. What does that mean. "Dynamically adjusts to block emerging"-- what kind of threats? Emerging threats, holy cow! DNA, I see DNA. They're a medical product company. There's DNA there. Special ISTAT-- is that like a statin? ISTAT detects mutation-- oh, that sounds terrible. Mutations, immunization of-- spam?

Spam. There's a DNA, Powerful [INAUDIBLE] Identify Spam. Don't do that. And then CyberEx technology benefits. "The sentinel technology provides complete cyber messaging"-- this is a lot of words. This isn't 30 point font, is it? No, not exactly. So, OK. This meeting ended really fast.

This is a good example of an on-the-spot pitch made by somebody in a company I helped start up in Boulder. Everybody's heard of the internet of things? You have the [? Hue ?] light bulb and shades and the lights that you can control in your house, and the Nest thermostat, all that sort of thing. The house is being filled up with smart, intelligent, IP-addressable, programmable objects. It's really cool. But if you have 15 things that are programmable in your home that do things automatically, you need 15 apps to do it.

So we have a company in Boulder that's integrating all these addressable things, programmable so things can talk to each other. This is an example of a fairly decent pitch.

[VIDEO PLAYBACK]

-Brought to you by Toyota.

-[INAUDIBLE] CES 2014 at Digital Experience is the [INAUDIBLE] And I found Mike from Revolve. Hi, Mike, how are you?

-Good, Sharon, how are you?

-Doing great, thank you. Now Revolve, I hear that this is going to make my life so much easier.

I'm excited. Please, tell me how this makes my life easier.

-Well, Revolve is essentially a smart home automation solution, focused on taking those premium devices like Philips Hue, [INAUDIBLE] Nest, and Sonos, bringing them all together under a single application and then allowing you to automate them in ways that you can't do with just a single native application that comes with those.

-Oh, that's excellent. I have like 10 of these apps sitting around at home because I have the Hue, I have Sonos, and It drives me nuts that I have to skip from one app to another. So is this easy for consumers?

-It's really easy, and actually, again, it's direct to consumer play. So, if you want, I'll walk you through how easy it is. We pride ourselves on 60-second setup, and you'll be up and running, discovering your devices and being able to control them.

-OK, I'm counting. Do it.

-All right. So here we set the app here. And the first thing that you'll see is that we essentially allow you to just plug in the hub in a central location in the home. You're not tied to your router, is often in the basement or some obscure place. And the reason was we wanted to get the best signal to talk to all the devices that you have. So the key, though is getting this onto your local Wi-Fi network. And what we've done is created a proprietary technology that essentially takes your Wi-Fi credentials that you that you have on your iPhone or iPad and then transmits that optically to the hub.

So if you just enter our password, hit done, replace the iPad right onto the hub and optically, it's transmitting the data to the hub, and within 30 seconds, we'll get notification that the hub is now on your local WiFi network. And as soon as it does, it'll automatically start discovering these great devices like Sonos, Nest, Phillips Hue.

[END PLAYBACK]

STEPHEN PEARSE: It goes on for another minute or so. [INAUDIBLE] kind of cool. I like that show. So that's an example of how you get to the point, talk about why do I care about your technology? If you have things in your home that needs to be controlled or automated, but they don't talk to each other because they're from different manufacturers, that's the solution. And he gets to the point quickly.

Here's another example of a presentation or a pitch that we did in the year 2000 to telecommunications company. We built a box that was 10 times faster, smarter, smaller, better, than the Nortel box, where I had just left. And this is an example of how you might want to use pictures and clearly talk about the superlatives of what you're trying to sell.

So talk about a big, total addressable market. Now, remember, this was a long time ago. In 2008, the prediction was, this kind of technology was going to be huge. So therefore, we need a product in that space. And why is the stuff that you're competing against terrible? Talk about why things are terrible today. And then talk about why what you're selling is being purchased, and people want it, but they want it faster, cheaper, smaller, better. And then talk about the evolution of how your product-- and how the history of the technology, inevitably is going to lead to what you're trying to sell. So you want to show a nice picture showing things getting better and faster, and more products later on.

And then in our case, we're simplifying the telephone central office, so we show how complicated things are now, and how the picture gets a little simpler when you buy our product. Keeping it simple. Now, all these things were technical, kind of jargony, but the audience we were pitching to knew it intimately, because that was the big bubble at that time. Fiber optics and telecommunications.

And everybody knew a lot about it. But I try to keep it even simpler than what they might-- they were being given pitches of terribly complex, brand new protocols, new-wave division-- experimental stuff. We kept it simple. And I think that's one of the reasons why we had lots of customers and we had lots of money coming in, because we made our value proposition compelling, simple, and easy.

I'll talk about that later. When do you want to raise money? So you always, always, always, always get money when you do not need money. Why? What if I just had a round not too long ago, I got $2 million in the bank, and I'm good for another nine months, a year, now's a good time to start raising money again, because people who have money don't want to give it to you under duress. If you're going to run out of money in six months, and it takes six months to close a deal.

And assume it's going to take six months for you to start your campaign and close a round. If that's the case, then by the time you close, you're going to be almost out of money, and if somebody holds up the deal or bargain or whatever, your company's done, or you start laying people off and you lose all your momentum. So always start raising your money and plan to close around at least six months before you really need it.

How do you raise money? Let's go to this VC, oh, they said no. Let's go to that VC, oh they said no. Do you do it serially or in parallel? You not only have to do it in parallel, but you have to orchestrate it in parallel, because this is important. If you go to one or two VCs and spend a month or so with them, and they're kind of dragging their heels, and then you go to the next ones, and the next ones are saying, well, what did the first one say? Well, they're thinking about it. How long did-- OK.

They see hesitancy on some other people, some other investors' part, they're going to make them hesitant, and all of a sudden, everything's being strong along. Everybody's waiting to see, well, why didn't they-- if you do everybody at the same time, nobody knows what hand is being dealt where, what potential partners might be thinking, because you often don't get money from just one person. You get it from several venture capitalists, and they want to team and partner.

You want to create this feeding frenzy all at the same time. Hey, did you get a pitch by this company? They're going to do you next week? Let's talk about them right afterwards. They'll talk, they'll compare notes, and you're just more likely to end up with a really successful high valuation if you orchestrate your pitch. Don't dribble it out. Do it all at once at the same time, get all the feedback at the same time, and hit it hard. Again, assume it's going to take six months to close a round.

Signal to noise. Why should they pay attention to you? You have a nice, pretty business plan and a pitch deck, why won't they return your calls? Because they don't know you. And most pitches come across their desks and they throw it away. So you really need to have a differentiator. You need to be introduced or have somebody do something that gets their attention. Or maybe an article in a newspaper or something like that, to get their attention. Think about what signal you're going to punch through the noise that they're hearing every day,

If you can be introduced because so-and-so knows somebody in this venture capital partnership, that's the best way. So hand out a lot of cards, meet people go to social networking functions where VCs and angels are going to be. An angel is a great way to get introduced to big money, to the venture capitalists. Because chances are, the good ones have worked with them before, too.

Oh, you've got two good offers from two venture capital companies. Yay! One is better than the other. One is better than the other. What should you think about when you decide whose money should I take? Does it matter? One's a better offer. One is going to give you $25 million for 10% of the company. The other is going to give you $25 million for 15% of the company. Hey, that's my company you're taking there. I want that.

What do you think about? Go for the best offer? It really depends. If one is a mid-level, not so well-known venture capital company, and the other is a super top-tier, NEA or one with a great track record and history of getting their companies acquired, you should probably go with the name brand because they can make deals happen. They can bring in money for the next round. They have a cachet. That's hard to compete with. That's my belief.

And don't focus too much on the equity dilution, because chances are, founders and CEOs, even if you have a highly diluted round, they don't want you to walk away or lose interest. They're going to re-up your percentage. So good management tends to keep a big hunk of the company, no matter how many rounds you go through. So don't focus too much about dilution. It's important to focus on it, but not too much,

Anybody know what this means? C-F-I-M-I-T-Y-M. There's usually someone who knows what that means. Cash Is More Important Than Your Mother. Ever heard that term? Finance people use it all the time. Cash is really, really important. Cash flow. The fastest way to kill your company is not pay attention to cash flow. Wait a minute-- we have orders pouring in like crazy. Everything's going great. What do you mean, we're dead? We have to shut the doors?

Because you can go bankrupt if you're not paying attention to cash flow, and you need emergency debt, and you scared off the investors from giving you a bridge loan because you weren't paying attention to the business. So if you don't want to hire a CFO, have a good rental-- and a lot of startups just rent a CFO, but make sure they're paying attention to it.

Flexibility and pivots. You're not going to end up selling the product you think you are. In fact, the company probably is not going to be the company you think you're building. A very large percentage, and no one has the data statistics, but I think most startups end up, at some point, pivoting. Pivoting a little bit, pivoting a lot.

We were going to build-- this company, Revolve in Boulder. They came to me and said, we want to build an internet-addressable irrigation system. Well, OK, that's interesting. Nest is building the thermostat, and now they're building fire alarms and stuff, and maybe irrigation is important, too. But we talked, and I convinced them that there is a bigger problem. And you can be the one. The ring that rules all devices in the home. You can build this product, because you guys are all [? ex-Amber ?] people, and you know how to do wireless, and we have seven radios in the box and can control every protocol in the universe. You can do it! And they went and built it. They pivoted. They were building this irrigation system.

So you might end up having to do that once or maybe even twice. Don't be afraid of being flexible. Don't be afraid of taking rapid customer feedback. Use the lean, Eric Ries' lean startup methodology. Do a lot of prototypes. Show it to customers. What do you think about that? Well, I don't like the color, or I don't like that button. Whatever it is, take that feedback quickly, build more prototypes, and don't be afraid to change course in what you're building.

A few more success factors. So intellectual property. I have five patents. I really don't care, because patents have never successfully, in my experience, or most VCs I've talked to, has never successfully defended anything. In fact, most of the patents that startups pull out of universities end up being handed back later, either because the terms are too onerous, from the university, I want so much thousands of dollars a year. Well, I'm going to figure out a way how not to have to give that to you.

But anyway, IP is good and it's important, and some people who might buy your company may say, thank you, I would like that patent as part of my war chest to defend this or that. It could be important. But speed is far more important than patents. Outrun your competitors. Even if everybody steals your idea and they're building it right away, and they're stealing all your intellectual property, if you beat them to the market, first mover will win. Just be first, be fast, be the best. So focus more on speed than intellectual property.

Think about the mission. What is the mission? Well, isn't the mission in the pitch? No, it's really not. The mission is when you sit down with your team and go, what are we trying to do here? Oh, well, we want to build this box, we want to sell a million of them. No, what are we really trying to do here? What are we doing? Well, we want to change the way people think about this whole field, or we want to change the way people interface with their home, or what is it you're really trying to do? And you're using a technology for right now to do it, but later on you may move on to other things. But what are you really trying to do? Figure out your mission statement, word for word. Figure it out.

How am I doing on time? Am I out? I'm out? I'm good? OK, all right.

The team. The team. Really, venture capitalists do look at the team, and a lot of them say, yeah, the most important thing is the team and we're betting on the team. Well, really, they want your idea to make them a lot of money. That's the most important thing. But the team can pivot or be flexible and have the integrity to be able to handle shocks, whether it's a money shock or a technology shock. Or we just came to market and so did three other companies. What do we do now? Do we buckle or are we tough? Is this team going to stick with it? Are we going to work whatever we have to?

The team is really important. Think about that as you're assembling it. Make sure the chemistry works. There will be the time when you'll have founder versus CEO issues. Who's really running this company, or this is my baby, or whatever. Or you'll have hires of people who you really like, but they're not working out, and what do we do with them?

These things have to be thought out well in advance. You have to be able to make the tough decisions. And part of that toughness has to be displayed to the venture capitalists, to the people giving you money. Yet you have to have good answers for when people-- what would you do if this were to happen with the team? Have that thought out.

How much money will it cost to build a company? That's part of the business plan. And how much money you will you make us? Also goes into your final exit strategy when you go public. Think about what happens when you go-- have a credible story when you go public. Even if you end up getting acquired, always plan on going public.

Just a few more real quick. One of the things about startups, if you don't have any experience, it's really, really tough to convince money people that you know what you're doing. So you have to surround yourself with people who compensate for your weaknesses. If you want to be the CEO of a company but you don't have any experience in finance or sales, whatever, this is my team, and everybody rounds each other out. You have to make sure you answer that issue of, are you really ready for this startup, based on your experience level? We talked about trying to do it again after a failure. Failure is not bad. In Silicon Valley, it's a mark of courage.

Speed and execution are personality traits. They really are. If you don't come across as high energy, I'm going to be a hard time believing that you have this as a personality trait, that you are going to get this product done fast when you say it's going to be done. You're willing to put in the late midnight oil, burning that to get this thing out the door. Try to convey that you're capable of these things.

Focus, focus, focus. The worst thing that can happen to a startup is, OK we started out building this, but oh, here's a shiny, pretty little thing over there. And I'm going to start going build that. Oh, wait a minute. I just read about that, it's cool, too. That's losing focus. Sometimes you're going to be forced to pivot because there's a major block that you didn't expect thrown up in front of you, and you need to get around it. You need to pivot around it and move on to something similar, but you don't want to give up one perfectly good thing that you spent six months doing just because something else nicer and prettier came along.

So focus. You have to stay focused. If somebody says, hey boss, look at this. They just came out with that. Shouldn't we be building that? Focus. We're getting this done now. We're going to work on it and that's that.

We talked about stock dilution and control, and not to worry too much about that. And then finally, take help from your investors. But investors probably aren't going to be very helpful. You might think they are, they might tell you they are, they're going to say we're your buddies, I love what you're doing, I love you, I'm going to help you, I'm going to roll up my sleeves, and it's all BS. They can't. They're doing too many companies. They're sitting on too many boards

They know people. Use the network and use their connections. At the next round, have them help you. Who you're partnering with now, can we parade in front of them as well? But they're not going to help you that much. Angel investors are more likely to roll their sleeves up because sometimes they're retirees like me who want to have fun and play with gadgets and stuff like that, and they could help. But in general, the kind of help from your investors is more who they know. Customers and networks and partners.

OK, so the bottom line is, this all really boils down to leadership. Whether it's technology leadership, CEO leadership, team management, you want to be the leader in whatever you do. So leadership wins. In order to be a leader, you've got to show passion, you've got to be confident, and you have to engage. You have to do those three things.

You need to have a call to action. I'm going to go do this. Do you want to be a part of it? I can give you a piece of my company. Love to have you on board, but we're going to change the world. You need to make that pitch and then you win the war, even if you don't win that battle, even if you don't get that VC. The word will get out, what you're trying to do, and you're going to do fine.

[APPLAUSE]

MODERATOR: Thank you, Steve.

STEPHEN PEARSE: Thanks, Joe. Thank you, guys. And by the way, all of you can be the next Tony Stark or Betty Stark. We need another Tony Stark, a female Tony Stark, captain of industry. So good luck, OK? Thank you very much.

[APPLAUSE]