

## Advice to Foreign Companies Seeking US Venture Capital: The Critical First Paragraph

For foreign companies seeking US venture capital, your executive summary serves an important purpose. Along with an introduction by someone who knows the target VC, it helps you get an initial hearing. A typical US VC is leanly staffed, always short of time and may process 400 to 500 business plans a year, ultimately making eight to ten investments a year. Some US VCs tell me they often do not read beyond the first paragraph of the executive summary. So what should that first paragraph show?

First, that your company has disruptive proprietary life sciences that solves a major problem in a huge, rapidly growing addressable global market. Typically, US VCs don't invest in markets that aren't at least \$400 million to \$500 million. Any patents or pending applications should be indicated. They evidence that your R&D is resulting in ideas that are unique and protectable.

Second, where US VCs have made their biggest mistake is in investing in world-class life sciences and finding, when it's too late, that management had no understanding as to how to successfully commercialize it. In addition, any indication in the first paragraph that your company has serially successful entrepreneurs or an experienced management team that understands the practical requirements of commercialization is highly welcome. If you tell US VCs you have no competitors and they identify competitors of which you are unaware, your credibility evaporates.

Third, US VCs are especially looking for late-stage pharmaceutical opportunities, but on the other hand are suspicious of new approaches to an old problem, and particularly of new formulations or modes of delivering old drugs. The generics are aggressive and creative; US VCs will need confidence that you can keep them out of your market. For US VCs, third party validation is important, especially when in the form of strategic partners or investors whose names the VCs recognize and respect.

Fourth, there should be a brief indication of your revenue model, as well as the money raised to date and how it was spent. US VCs are especially focused on investing in capital-efficient companies with well controlled burn rates where they can see a path to a successful exit. The reason for this focus is that in 2011 it remains a challenge for many US VCs to raise funds and they need to keep in reserve significant existing funds to support their existing portfolio companies.

The first paragraph of your executive summary may be the hardest paragraph you will ever write, but it will be your most important. You will come to understand your value proposition and how to communicate it in the perfect elevator pitch.

What is the single most important take-away for a US VC from the first paragraph of your executive summary? That your company has the potential to be a global industry leader.

If you wish to discuss any of these matters further, Stephen Hurwitz can be reached by telephone at (617) 248-5088 or by email at [hurwitz@choate.com](mailto:hurwitz@choate.com).

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