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## Fair Game

In hot pursuit of funding? Impress investors at a venture capital fair.

By Art Beroff and David R. Evanson | [Entrepreneur Magazine - October 1998](#)

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There's no doubt about it: Mark Tofano is on the cutting edge of telephonic integration. His 4-year-old company, TeleSys Technologies Inc. in Charlotte, North Carolina, has developed a product called SynPhony, which controls, routes and manages a business's data, voice and video communications through a single consolidated (and literally black) box.

"By simultaneously handling the switching functions for the three primary communications media, our product taps into the market potential to replace or enhance PBX equipment, voice-messaging systems, videoconferencing, local and wide area networks, and data servers," says Tofano, 54. "Standing alone, they're big markets. But when combined, it's [an even bigger] opportunity." To tap this potential market, however, TeleSys needs about \$1 million to make the transition from the product development stage to the initial rollout.

But as much as Tofano and his company may be on the leading edge of computer telephony integration (CTI), when it comes to raising capital from angel investors or early-stage venture capital funds, they're in the same place as everybody else. To raise money, Tofano must methodically beat the bushes for investors, call each one personally, send them his business plan, then follow up, follow up, follow up. "Raising capital can be tough because in many respects, it's a number's game," he says. "Generating the right number of leads and then tracking them down takes a lot of time."

Time that many small or emerging businesses don't have. It's a sobering thought when you consider that most small businesses don't fail—they run out of money.

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*David R. Evanson's newest book about raising capital is called *Where to Go When the Bank Says No: Alternatives for Financing Your Business* (Bloomberg Press). Call (800) 233-4830 for ordering information. Art Beroff, a principal of Beroff Associates in Howard Beach, New York, helps companies raise capital and go public.*

So how does an entrepreneur increase the number of investors who are exposed to his or her company and compress the time frame for raising the oh-so-critical early-stage financing? The answer for Tofano, as well as a growing legion of capital-hungry entrepreneurs, can be found at one of the many venture capital fairs popping up nationwide.

The idea of venture capital fairs is certainly not new. Professional and institutional venture capitalists have held them for years. What is new, according to David Freschman, president of the Delaware Innovation Fund and chairman of a venture fair known as Early Stage East, is the increasing number of venture capital fairs that are catering to early-stage businesses. These fairs are attended by individual angel investors as well as early-stage venture capitalists. Such venues are materializing, Freschman says, because traditional venture capitalists focus largely on more mature companies. "That leaves not only entrepreneurs but also investors in a lurch," he says.

Testimony to the void being filled is Freschman's Early Stage East, which was held in June in Wilmington, Delaware, with a big boost from the state's Economic Development Office. More than 180 investors from Boston to North Carolina attended the event to rub elbows with 24 entrepreneurs, who were on hand to share their stories and convince investors that investing in their companies would return a multiple of the investment in a very short period of time.

Early Stage East, like many venture fairs, offered entrepreneurs several opportunities to pitch investors. First, there was the opening reception, held the first evening, where entrepreneurs and investors circulated freely. Says Freschman, "The better

you are at working a room, the more successful you'll be in this environment." But regardless of your networking skills, these fairs give you a target-rich environment in which to work.

Next, there were the display booths. Each of the 24 companies that presented at the fair had the opportunity to showcase their wares and work the show's investors as they filed past their booths, stopped to ask questions, or picked up the freebies that some presenters offered.

Another big opportunity for entrepreneurs to meet and interact with investors was during lunch. Tables were "owned" by the presenting companies and clearly marked. Investors who wanted to meet with the small-business owners had only to find the table of the company that most piqued their interest. Sometimes investors sat at tables for reasons related more to musical chairs than interest in a deal. But, says Freschman, many investors proactively used the situation to get to know a company better and to ask questions in a setting that didn't tip off other investors to their plans. "Whatever the motivation," says Freschman, "meeting an investor over lunch represents a golden opportunity for entrepreneurs who want to raise capital."

Finally, there were the formal presentations, which Early Stage East held during four sessions scheduled throughout the second and final day of the conference. Here, each presenting company at the conference got the stage for eight minutes to tell their story. Says Freschman, "The formal pitch is important because it often gives companies the highest-quality exposure to the greatest number of investors at one time."

Evidence of the value these fairs offer entrepreneurs in getting their companies funded is offered by Tofano, who trekked several hundred miles from Charlotte to Wilmington to be present for the two-day event. "I've heard that if someone in the investment community hears your company's name three times, that's when they start to take notice and get interested," he says. Accordingly, Tofano says he wasn't necessarily looking to close a deal at the conference but to gain exposure for the company in a forum that was recognized by and would have some sway with investors.

Freschman says gaining entree into Early Stage East or a similar conference can, indeed, offer the prestige that's required to make investors sit up and take notice. "Each company that presents has made it through a careful screening process of professional venture investors. For every company that gets to present, 10 to 15 others are turned away."

Tofano confirms the punch Early Stage East gave his TeleSys Technologies. "Some of the most promising calls I've gotten were from investors who weren't even there but who had the opportunity to review conference materials," he says. He believes the sanction of a recognized organization makes investors pay more attention than they would, say, to an unsolicited business plan received in the mail.

Between travel, display rentals, fees and materials, Tofano says he spent about \$3,000 attending Early Stage East. So what did he get?

"From the conference itself, I got seven leads I feel very good about," Tofano says. In addition, he got calls from three investors not in attendance who read the conference materials, liked what they saw and contacted him directly. "In some cases, these leads are superior to the leads the conference generated," he says. And Tofano may dig up even more nuggets of gold if he follows up on the conference attendee list with a letter and a phone call.

Having been there and done that, Tofano would urge any entrepreneurs looking for capital to attend a venture capital fair, if you can get in. And once you do get in, take his advice:

**1. Look for a good match between the investors and your company.** Make sure you're attending a fair where the investors are likely to take an interest in your company, says Tofano. For instance, he says, if you own a low-tech company and all the investors in the room are high-tech investors, it will likely be a frustrating experience for you.

**2. Fight for a good time slot.** If your formal presentation is near the end of the day, by the simple mathematics of the situation alone, you can guess there will be fewer investors in attendance, and the ones who are present may be worn out from listening to so much information in one day. As a result, Tofano advises presenting as early as possible.

**3. The positioning of your display booth matters.** Whether all the companies are placed in one room or disbursed in a labyrinthine hotel conference center, make sure your booth is in a traffic-heavy location. "Numbers are the name of the game," says Tofano. "If your booth is [on the perimeter], you just won't meet as many investors."

Above all, he says, entrepreneurs need to be realistic about the process. In other words, a requisite number of "nos" are required to get to "yes." A venture capital fair may not immediately yield the "yes" you need, but it will likely speed up the process.

Venture capital fairs are often closely linked with chambers of commerce or state economic development commissions. Call your local chamber or commission to find out if there is a venture fair in your area.

**Contact Sources**

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