SPI Podcast Session #118 -
How to Raise Capital for Your Startup
with Bill Glaser

show notes at: http://www.smartpassiveincome.com/session118

Pat Flynn: This is The Smart Passive Income Podcast with Pat Flynn session #118. Here we go!

Intro: Welcome to The Smart Passive Income Podcast where it's all about working hard now so you can sit back and reap the benefits later. And now your host, his favorite ninja turtle is Donatello, Pat Flynn!

Pat Flynn: Hey, what's up everybody? Pat Flynn here and welcome to session 118 of the Smart Passive Income Podcast. I'm so thankful you're taking time out of your day to listen in. We've got a great interview about a topic I know hardly anything about which is of course why we have our special guest on today who is really going to give us some insight on some different aspects of online business that I haven't ever really touched on before.

But before I get to that, I want to do something a little bit different. And by the way, if you want to get directly to the interview, just move the cursor over or the time line over to about the 9-minute mark. That's when you'll get introduced to today's guest and get right into the episode. But I have a little sidebar here.

So you maybe subscribe to or have listened to other podcasts out there and there are a lot of amazing other podcasts out there. I listen to a number of them myself. And a common thing for a podcaster to do is to read an iTunes' review, a positive review out loud on an episode. And I think that's great because it's not just for social proof, for brand new visitors who will listen to see how other people in the community respond to the show, but it's also great just – it's a smart thing to do to thank people who have taken time out of their day to praise you. And even though you're only thanking one person and sharing one review or a couple at a time, it sort of represents everybody in the whole. So I think that that's great.

But today, I want to do something a little bit different. I actually want to read you a negative review, a negative review that I got. It's received on July 12, 2014 by the Real

Bob Riley. Now, don't worry. I'm not going to slam this guy. I'm not doing this in defense mode. I'm doing this because there are actually a lot of great things that he said. And just to let you all know, all of you know that I do appreciate everybody's honesty. I do read all of these reviews and when there's criticism and it's respectful, I listen and I appreciate and I respond. And I want to just do this publicly for all of you out there.

Now, there are sometimes people will leave completely negative, just nasty, disrespectful comments. And those people, I don't give any attention to. They don't deserve it and they're obviously trying to stir something up. They got deeper problems to worry about and I don't want to put more fuel into that fire, if that makes sense.

But the Real Bob Riley left this comment and you could see it live on iTunes right now in the US market. This is the title of his comment.

He said, "Some good advice on occasion but be aware of his carefully created persona. I used to be really into Pat but as I learned more about online business, I realized, he's more of a seller of hope than someone who is a serious business powerhouse unlike quite a few others out there. Remember to only take advice from people who are making money in a way you want to make money.

How does Pat make the vast majority of his income? By advising you about how to make money and then profiting from the affiliates you click on. He makes much more money from you clicking on links like web hosts than he ever did on his Green Exam Academy which is how he used to establish legitimacy. This is a very circular business model and IMHO (in my honest opinion), deceptive. To sell his authenticity, he consistently reminds people how much he appreciates or even loves his listeners using a carefully manicured persona.

Note that in business, you typically only butter up your customers in this way which of course not coincidentally is you. Just remember that he has to do this because he is about selling himself hope than serious business advice. He admittedly does have some good guests but people should have a very critical eye at the way he makes money versus the way he is telling you to make money. They are in fact very different and should be taken as a warning sign."

And that's the end of his comment. So first of all, to the Real Bob Riley, if you do continue to listen to the show and you happen upon this episode, first of all, I just want to thank you. Thank you for sharing your honest opinion but also, being respectful in the way that you've shared it.

Now obviously, this is a negative comment toward me and my show. However, it's not disrespectful, and I appreciate that so much. It could be really easy to – and I've seen this in the past, to call me names, to tell me to do things and things I can't say because there are kids listening to the show, that sort of thing.

But Bob, if for some reason you continue to listen to the show and you happen upon this episode, I would love to get on a Skype call with you. Email me. We can connect. And I love to talk to you in person because I think once you do that, you will see that this persona that you're talking about is exactly who I am. I've grown up knowing that the more I help people, the more I get back in return. That was something my mom taught me. And it's just – I mean that's who I am. I think if you talk to anybody who has ever met me in person, this is the type of person I am.

It would kill me to hear that I am somebody different in real life than I am online. That just leaves me icky. I mean that's why I do business the way I do and I share everything I share. I put my income reports online. And speaking of that, yes, most of my money is coming from affiliate earnings right now, coming from people who listen to the show, from people who read the blog and watch all my videos. But I think you got to keep in mind that even if all of that went away, I would still be generating between $10,000 and $15,000 a month. And I believe it has just grown so big now. The affiliate income from all the Smart Passive Income stuff, it has grown so big because of the trust and the content that I provide for people, and the fact that it works.

A lot of people have sent me thank you notes. A lot of people have thanked me in person at conferences for actually making a difference in their life not just through hope and all that stuff. I think hope, yes, it's important but that's not what I sell. Hope is important because that's how you get people to take action. But what really makes people appreciate what you do, it's not the hope, it's the results they get.

And so my question to you Bob is have you put any of the stuff that I talked about into practice? Because I know a number of people who have who have seen results. So I would be very careful about this approach with how you judge people. And I'm not trying to clown on you or anything like that. Again, I appreciate all your honesty. I would just hate to see you not be able to take action because of these feelings you have toward just people doing internet marketing in general.

And the purpose of me being here is to show how it's done, to lead by example. I don't push anything in people's face. I don't even sell anything on the blog right now in terms of internet marketing and how to start an online business. Everything that's out there is free. And yes, I do earn a commission but it's from my recommendations, from simply showing people how I do things and the results I get from them. And a lot of people do those things too and they see results as well.

I featured a number of those people on the show. There are countless guests ready and lined up to be interviewed who have used the material that I've shared especially – I mean I can't wait to share the Shane and Jocelyn interview with you guys. It's a great story. I met them actually. They came out to San Diego and they attended one of my one-day business breakthrough events with Chris Ducker. And they were just telling me – I mean I was almost into tears when I heard about how much I actually had an effect on their life and how much money they are making now as a result of following the work that I do.

And to finish up on your point of telling my audience how much I appreciate them or even love my listeners and readers, that's not part of a manicured persona. I do that because I wouldn't be living the life I live without them. This brand, the Smart Passive Income blog, my AskPat podcast, and everything I do, without the readers, listeners, and viewers, I wouldn't – I'd have nothing. And I know that the more I can help everybody out there listening and everybody out there reading, the more I get back in return.

I am just so blessed to have understood this business model where you do what you can to serve your audience. And when you serve your audience, they will pay you back in return one way or another. And that is the business model I practice and that is the business model I teach. Bob, that's how I make my money. And if all of you out there listening and you don't feel like serving your audience is the way to make money then you are listening to the wrong show. Plain and simple.

Now Bob, thank you so much for that comment. Again, I appreciate that. It was in good light and of course, you did say a lot of great things. I think it's important to question authenticity because there are a lot of people online who are just playing and looking to get rich off of people's hope. And that's not me. I'm looking to help people and get paid in return. And Bob, again, if you are listening to this, I would love to get on a Skype call with you and have a chat.

Now, shifting gears and back to our regularly scheduled program, I'm really excited to welcome Bill Glaser of OverNear today because Bill is an accomplished financial executive and he has raised over $200 million for companies including over $25 million for companies he has founded himself. So we are talking big money here. This is a whole segment of business I know nothing about which is exactly why I wanted Bill on the show.

So on this episode, we talked about raising capital, funding your startup, and all that sort of stuff. You might have an idea that isn't something you could just pop up a blog for. You might need some help in terms of getting cash to get things started. And this is where Bill comes in. So he has a lot of experience. He drops a lot of knowledge bombs for us, a lot of education.

And this is one of those episodes that definitely, if you can't use right now, it's still great to listen to and have in your back pocket for when you're ready. So let's just get right into the interview. We started off with Bill's story then get into a lot of the tactics, strategies, and all that good stuff. So here is Bill Glaser. Again, you can check him out at BillGlaser.com.

All right. Bill, what's up? Welcome to the Smart Passive Income Podcast. How are you today?

Bill Glaser: Awesome, Pat. So happy to be on, and what's up to your audience.

Pat Flynn: Yeah. Thank you for coming on. I mean our good buddy, Lewis Howes who has been on the show a couple of times, he introduced me to you and we met each other at New Media Expo. And when Lewis started talking about what you do and sharing some of the numbers involved like $200 million for companies that you've helped go public and sold, I mean this is just – this just blows me away. And it's a world that I have no idea. I don't know anything about this world.

So I want to pick your brain today and sort of get an idea of why do people need venture capital? What does it mean to take a company public and how do you set up a company for a huge sale like this? I know there has been recent news for instance, there's an app called WhatsApp that got sold to Facebook for $16 or whatever, $19 billion. And I'm like, OK, after one billion, I'm like, does it even matter? I don't know. We'll see. We'll talk about all that stuff.

But first, I would love for you to introduce yourself to the audience and talk about what maybe you were doing back in the day and how you got to where you're at now.

Bill Glaser: Absolutely. I would be happy to. So, my entrepreneurial career really began when I was a kid. I was the kid with a lemonade stand. I was the kid with a newspaper route. Any time I had samples of products, I would figure out a way to sell them. And I was always motivated by things that I want to buy. So I would see things in magazines and then figure out how do I get the money and figure out different ways to do that. So, I was always an entrepreneur.

And when I came out of college, I actually started in a financial field and I was originally in financial sales and then move into investment banking. And so, I was focused at the early stage with some larger companies, some Fortune 500 companies that were financed and going public or already public. And then I had a focus on companies that were more in the emerging world side. So, companies that were at a much earlier stages of road test, but that were looking for capital so that they can grow exponentially.

And along the way, I helped companies raised over $200 million. And that includes about $25 million for companies that I've been a founder of. And so, as a principal of those companies, as I mentioned, I've been a serial entrepreneur, the capital that I have raised to help grow my own companies along with other companies is really the fuel in the tank to expedite growth and really shorten the pathway to success.

Now, it comes obviously with a lot of trade-offs and there's a whole array of intricacies. But having raised a lot of money over the years and been successful with some of my companies. I had one company that I grew from zero to $18 million in revenues that I was a founder of. Another company that I took public that was ultimately sold to McAfee software. And a number of other situations that I have been that have been successful.

So I have developed a system of how people can raise capital for their business and I'm actually coming out with a book later in the year, and I think it's something that in the same way you described, it's a topic that most people really don't dive into. And in fact, a lot of people actually avoid it. I think my system will really be helpful for people to take their businesses and get them to the next level.

Pat Flynn: That's really cool. When does the book come out and what is it called?

Bill Glaser: Well, it's going to be coming out in the fall. There is a working title right now called Cut the Damn Bootstraps that may or may not be the title when it releases. But that's the working title right now. And bootstrapping is something that has become popular to a certain extent. But also, it's a default way that a lot of companies actually operate their businesses in. And the reason is, the form of – the derivative of the word, people use the word, "strap" and when you say, "I'm strapped," it means that you have no cash.

And so often, when people are strapped or they're bootstrapping their business, it's not because they don't want to have capital that they could use to grow their business, it's often because it's such a foreign thing for them, how do you go about raising capital, that most people avoid it.

And unlike other components of your business, if you're an entrepreneur, there's a whole array of things that you're going to have to learn on the go. You're going to have to learn accounting. You're going to have to learn selling. You're going to have to learn managing employees and dealing with challenging relationships. There's a whole array of things that an entrepreneur, and particularly, a successful entrepreneur that you need to learn. But when it comes to raising capital, I found that it's often the thing that people avoid and that they then start rationalizing why they're bootstrapping instead of going out and figuring out how to actually raise the capital that they need to grow.

Pat Flynn: Right, right. I mean you've taken multiple companies to millions of dollars and raising funds. Would you say that all businesses should go down this path of getting venture capital? Is it right for all businesses or what is the right type of business to go and start the idea and start seeking this type of money?

Bill Glaser: Sure. Well, just taking a step back just for a second because you've mentioned venture capital a couple of times, there is a number of ways to bring in capital to your business. A venture capital is really more of a niche, what you hear in the news whether it's WhatsApp or Facebook or countless other companies that are venture capital financed before they ultimately either get sold or go public, most companies will bring in money either through debt or selling equity stock in their business. And those are usually to average investors, angel investors, starting with your family and your friends and then moving beyond to investors that are more active. But venture capital is one way you can bring in capital.

Pat Flynn: I see.

Bill Glaser: But it's actually a much lower percentage of companies go the venture capital route then will go out find investors to raise capital. So, that's just to clarify that part.

Pat Flynn: Thank you.

Bill Glaser: And to your question Pat, the answer is a definite no. Not every company should go out and raise capital. And there are certain factors that you should consider to determine whether your business needs to bring in outside capital.

And if you're a company that you have – you're a single practitioner, you're sole operator and you have a one person online marketing company as an example or your business doesn't require having any inventory, you don't have to manufacture a product, you don't have to take it into inventory, you don't have much selling costs or marketing expenses or whatever product you're selling isn't proprietary, in those cases, if you could be a sole operator or an operator with a partner and you don't need cash flow or rather, the cash flow of your business can be sustained without bringing in outside cash then the answer is no. You don't necessarily have to raise capital.

If your business requires capital because you're building a technology, again, speaking with WhatsApp or Facebook, there's a certain point after you as a developer, if that's what you are or someone that you put together the initial product, at some point, you need to bring in other people that can help build it. So if you have any type of technology product that you're developing, if you have a business that you require to have products manufactured and need to have inventory and have a facility to store the inventory, if you need to have employees or have an office leased or a retail location or have marketing budget or file patents, or any of those things, and you don't have the capital to achieve those then you might want to consider bringing in outside capital.

Pat Flynn: Perfect. No, that's a great answer. And thank you. That clarifies a lot for me. So let's say for example, I know that I have a business idea that is much bigger than just me or a couple of people to make this happen. It's huge. It's something technology-based perhaps or something that requires everything you just mentioned like manufacturing and inventory and perhaps employees to help with all the different parts of the business. OK, I know I need money now, where do I start? How do I even go about setting up – going down this path?

Bill Glaser: OK, great question. And there are a couple of things for you to consider. One is you have to find how you're going to bring in that money. So that's – let's call that the structure. So whether that's debt or that's equity. Then the other path is going to be what you need that money for and how are you going to present that opportunity to investors. And the last piece is once you identify how – what you need the money for and how you're going to structure it and then who are those people that are going to invest in your company.

So that could be whether if you need a small amount of cash, you might consider taking a cash advance on your credit card. A lot of entrepreneurial stories out there, people leverage themselves because they believe in what they're doing and they could bring in some cash through some creative means. You can go out and get a bank loan if you qualify and if you have the collateral or the personal credit to do that.

But what I'd like to focus on is how you go about raising money through investors. And with investors, what you need to usually start with are the people that know you, your friends, your family. You often hear about the friends and family round. And the reason that you start there or that you should start there is those people know you the best. Those people have a clear understanding of who you are and they believe in you. They're willing to take a chance on you. They have a personal history with you. And so …

Pat Flynn: They know where you live.

Bill Glaser: They know where you live if they need to knock on your door in the middle of the night to make a certain call then they could certainly do that. So that's usually the best place to start. And when you start with friends and family, when you advance beyond them, that will also give you credibility because when you go out to the next round to show that people that were close to you actually took a risk on you, that's going to give the next round of investors who you might not know personally a feeling of much more confidence that those people were willing to risk their money with you and they know you the best. So that's the first part of why friends and family can be beneficial.

But when you're dealing with friends and family, you need to have very clear boundaries. So often, a lot of times as an entrepreneur is very enthusiastic about what their business opportunity is and they explain to their friends and family the opportunity in the way that you only think that they're going to make money with it. And so, if those people invest and something happens, that it doesn't turn out in the outcome that you expected, it often leads to conflict in your relationships.

So what I explain to people I think are really two very important factors when you're dealing with your friends and family. One, you need to have clear terms. So if your friends and your family are investing in you, they need to know either the percentage of equity in your business that they're going to own or if it's a loan to you, there needs to be clear terms of when they're going to be paid back and what happens if they don't get paid back because the business didn't materialize the way you expected or it took a longer period of time.

When you have clear terms then there's no ambiguity. People can't misinterpret that you're not paying them back or that they didn't get their stock when they thought, and that will lead to a very clear understanding of what they're putting up in terms of their capital and what they're actually getting in terms of either it being a loan or a percentage of the business.

The second that's really important when you're dealing with friends and family is to fully explain not only the opportunity but the risks. And all early stage businesses no matter how convinced you are as the entrepreneur that it's going to be successful, there are always risks. There could be risks in the marketplace that you're operating in. There could be risks with a certain manufacturer of your product. There's a whole array of risk that could happen. And often you gain wisdom through your path as an entrepreneur but you don't necessarily have the foresight to know those challenges that you might encounter.

So the best way to explain those risks is to make your friends and family fully aware that while there might be a big return if things go according to plan, that they also could potentially lose their entire investment. And if they're OK with that, then you've done what you needed to do. You've established proper terms, you've established boundaries in those personal relationship that you've explained both sides of the equation.

And if they choose to invest then all you have to do is your best to make sure that your business is succeeding as much as you can and for whatever reason if it doesn't, then you're not making that call and saying, "Hey, that guaranteed 1000% return I told you about? Well, that didn't happen." They might still be disappointed but the outcome is one of the scenarios that you properly explained.

And so, that should be OK for your relationship to continue to co-exist. And if for any reason, you think going into it that your relationship will be strained regardless of the scenario, you might want to reconsider whether you take money from those friends or those family members.

Pat Flynn: Yeah. That's really important. I think setting those boundaries and making it clear what all the possibilities are. I mean you have to do that or else you're going to get into trouble. I just interviewed actually somebody who started a food truck. And they did just the friends and family round. They didn't need too much money. Some of their friends and family had enough to sort of give them enough money to fund a truck and then they went off from there. And now, they're doing really well.

But of course, a lot more businesses require a lot more capital. So after their friends and family round, what is the sort of next round of being able to find funding for your business?

Bill Glaser: OK, another great question. And before moving on to that whether it's with your friends and your family or other investors that may come in behind them, I mentioned the structure in terms of whether it would be debt or equity. But one important factor to consider is how you value your business.

So if you are selling a percentage of your business, you want to do it in a really fair way that's win-win. This is the type of approach that I really like to take and it sounds like the way your audience, that the type of audience that you have, Pat, the type of scenario that they would resonate with. And what win-win and valuation mean is that if you just started a messaging app and you see in the news that WhatsApp was acquired for $19 billion, don't compare yourself to WhatsApp and even think that your valuation should be remotely close to WhatsApp.

Start with a valuation that's much more realistic that doesn't require the best possible scenario for you to achieve success and for them to make money. Start with a valuation where you're giving up as little of the company as possible but while also giving your investors the opportunity to have an upside whether you're a moderate success or whether you're a major online.

And my book will address much more specifics of how to set that valuation but always going to live with a win-win. Don't always try to get the biggest valuation possible.

Pat Flynn: Right. How do you value company that that's not fully functional yet because you don't have that income?

Bill Glaser: Right. Well, that's great. So there's a lot of different metrics that are used to value the company. That's the science part of figuring out the valuation. So there are multiples of revenue. There are multiples of recurring. There are multiples of EBITDA. There are other valuations. There are a lot of social media companies as example whether it's WhatsApp or Instagram or Tumblr or others. Often, they're being valued by the number of users and engaged users that they have. Those are valuation metrics.

So the first thing you should do is look at your industry. Whatever type of business you are operating, look at other companies in your industry. Look at them from early stage. You could often find companies that will finance publicly. There are things like AngelList and CrunchBase. You could go to those sites and you could see what some early stage companies have been valued at in terms of how much money they raised and what valuation it was raised at.

And you could look at how many users they have or what type of revenue they have or what their earnings were or whatever the metrics in your industry that is being used as a proper way to value a company.

And then compare yourself to them along with some of the big vision items. And so, you could look at the WhatsApp type of scenario. You could look at the Instagram scenario. But bring it back to reality in terms of where you are now in terms of if you have a limited number of users or small amount of revenue or if you're profitable or if you're losing money. And you find an average of those metrics and relate it back to you. That's the science part.

The art is figuring out a valuation that's going to make them your investors. So you have to know who your investors are and know types of investments that they make and where they a match what they typically do to how you structure and value your company and your investment.

And you – along with finding a valuation that will work for them, find a valuation that's going to work for you. So if you're the only owner of your company as an example, at the first raise that you do, the first amount of money that you bring into your company, you want to give up a percentage that you're going to feel comfortable with.

So the entrepreneur wants to give up the least or the lowest amount of equity as possible, the investor wants to get the biggest amount of equity. And again, it comes back to the win-win. Establish a valuation that is consistent with the metrics and the comparables in your industry and then figure out and massage that valuation so that it meets your investor needs and also meet your needs.

Pat Flynn: OK. I mean maybe for clarification here for myself and everybody else, we're not raising money to fund an idea. It's not like you have an idea and you're trying to get people to back your idea, right? You have a company that sort of exists and you want to grow it. Is that correct?

Bill Glaser: Well, people raise money in all ages of their growth. Some people literally do raise money out an idea, back of the envelope, back of a napkin type of idea. But what people are going to invest in is more than the idea. They're going to invest in the people that are running the business. So the people that are willing to invest at the idea stage, those might be more closer akin to your friends and your family.

If you're someone who has been successful before and you had exits, successful exits, you've built companies or you've sold them or you've taken them public or you had an exit where your investors had made money and you have a pedigree that is attractive to investors then you might also be able to get away with raising money at the idea stage. But for most people, it's going to come after you started to implement, after you started to develop, after you've shown certain milestones that you've hit and the longer you can hold out before you bring in outside capital then the better valuation you can get and [inaudible] you're going to have to your ownership interest.

Pat Flynn: Love it, love it. Bill, I'm learning so much here. Thank you for all of this. Another question, the formalities of all of this, we're working with friends and family or maybe even investors beyond that. I mean there are going to be lawyers involved, correct?

Bill Glaser: Yeah. Whenever you have the financing document, and again, whether that's a loan or whether you're selling equity, you do need to have a legal document and you should have a legal document that memorializes exactly what that transaction is. So if someone is buying a certain percentage of your equity for whatever dollar amount that they're investing in then you need to have the appropriate documents to do that.

Now, there are – you could obviously hire a very experienced security lawyer that deals with the sale of equity. You could find some cheaper resources or even off the shelf resources that – sorry?

Pat Flynn: Like templates or something for that specific type of thing.

Bill Glaser: Exactly. So the typical way – there are a couple of typical ways that earlier stage companies raise money by selling stock. They can have a convertible note which is a loan but that at some later point can convert into stock. And there's plenty of off the shelf documents that you could find. And if you're selling equity, it's usually is something called a private place where you're selling private shares of your stock, meaning, it's not publicly traded.

And someone will fill out a subscription agreement that will tell them, for every certain amount of dollars, they're getting a certain number of your shares which once they subscribed then you issue the shares of your stock. You obviously would have a legal entity. And then if you're selling a percentage ownership in your business, it's highly advisable to use a C corporation. There are other ways you could do it but that's – usually, if your vision is big and that you'd ultimately plan to have a bigger exit, that's definitely the advisable way to do that.

Pat Flynn: OK, perfect. Now, I imagine beyond friends and family, you're trying to pitch your idea or your business to other people and have them invest in your company. And maybe you don't have a proven track record because this is the first time you're doing this. So what advice would you give somebody who is trying to get somebody they don't know to try and invest in their own business? Are there any strategies for really making sure that somebody understands the benefit of what you have to offer?

Bill Glaser: Absolutely. And there are ways that I go about this that are very similar to the way that you and other people in online marketing or in the podcast world do with their email list. So if you attracted someone to your email list, let's call it similar to finding a potential investor. When you send out an email, if all it was doing was selling something that you are offering, you're going to push away your audience.

What most people do is they offer value first before they sell. And it's a strategy that in this economy, a lot of people really resonate with. It's something Gary Vaynerchuk who is on my advisory board just had a book that came out, *Jab, Jab, Jab Right Hook*, which is all about giving value first and then after you've given value, asking for something. So when it comes to investors, it's really a very similar approach.

So the first thing you want to do is target who those potential investors are. So there are a number of ways you can do that. You can talk to people that you know and find people that are outside of your friends and family that might be successful business people that have the financial wherewithal that might have invested in other companies and ask for referrals.

You can target people in your social network and find out the people that you think might be the types of people who might be interested in investing. There is a technique that I use that I look at public filings for companies that are public or going public. And you can go to SEC.gov which is where all the public filings are housed and you can look at companies in your industry and go through what's called an S-1 Registration thing. I know this might sound a little bit complicated or esoteric but there's a lot of value in what I'm about to say.

So you can go to SEC.gov. Find companies in your industry. Look at their registration statements which are called S-1. When you're there, if you go to a couple of sections, one is called selling shareholders, the other is called sales of unregistered stock, you're going to actually see a list of people who invested in those companies that will tell you how much they invested. So that's a really, really good way of targeting and finding individual investors that not only are willing to take risk but have taken risk in companies that are in your industry.

So there are a number of other ways you can go about targeting. Every place you go, everywhere you meet people, everywhere you network, every learning event you go to, you could always be mindful about talking to people about what they're doing and finding potential investors.

My advice though is that once you targeted that list, you don't start going out with the approach of raising money. It's always best if you can start to think about raising money well before you need to raise money. And that's going to give you a much greater pathway to actually succeeding in raising money. So if you do that, then what I suggest you do is you could try to give them some type of value. Find either something that they can benefit from.

So you might have an introduction you can offer to someone that might be valuable to them or you could think about putting together an advisory board. And you've probably heard most – a lot of the companies have advisory boards but there are actually some very strategic reasons to do that.

As an advisory board member, they are not only going to get some stock in your company for a very limited time commitment, they're also going to be exposed to your business and your development before you ask them for money. So if you're approaching someone and you offer them to sit on your advisory board, give them something of value which a lot of successful entrepreneurs are willing to do because they like to give back and like to offer that wisdom and mentorship and in particular, because it's limited time commitment.

When they join your advisory board then you could tell them about some of the milestones you expect to make and even if they don't join your advisory board, you could still develop a relationship with them. Tell them what you're planning to do, when you're planning to do certain things.

And then as you start to progressively hit your milestones, to let them know about it. And the more you do those things, the more credibility you're going to build with those people who if you first started to sell them right away, they would have been pushed off.

Now, they're seeing that even the guy that has a great idea, but he's also implementing. And I see that he's going to be successful with, I want to get involved. That's when you go and you start talking about investing and talking about that particular advisory board member or that person that you start to cultivate a relationship. They're going to have much more confidence and credibility with you to be able to make a decision to invest with you.

Pat Flynn: I love that. And I'm thinking of how Clay Collins from LeadPages and I got hooked up together. I'm an adviser for LeadPages now. And that didn't start with just him saying, "Hey, would you like to be an adviser?" I'm not an investor per se but I am investing my time and my knowledge and my connections into that company, if you know what I mean.

And so, I remember, he actually helped me out quite a bit, helping me improve the conversion rates on my site. He took me out to dinner and we talked about just business in general and gave me some advice based on his experience working with LeadPages.

He didn't ask me for anything. And then when he asked me to potentially become an adviser, I got really excited because I had already known what the company was doing and I got really excited about its trajectory. So absolutely, I think that's – I mean value first and sell, *Jab, Jab, Jab Right Hook*. Absolutely.

Bill Glaser: Absolutely. And you're pointing out the other component that advisory board can give you, and that's they can open doors. They can give you wisdom. They can help shorten your learning curve because they've done it themselves. And then they can make an introduction.

You mentioned at the beginning of the interview that Lewis Howes introduced us. Lewis Howes is an adviser to my company. So you and I have an opportunity to talk now because of an adviser to my company that opened the door that wouldn't have perhaps existed if that adviser wasn't the go between.

Pat Flynn: Yeah.

Bill Glaser: So advisers can bring a lot of value but then they could also become investors. So like I said, even if there are people that don't become advisers, even just targeting people as potential investors and letting them know, "Hey, you're letting them know what your business does and what your opportunity is and that you like to keep them informed of your development for some potential synergy down the road.

And then as you begin to send those emails updating them or make the calls and letting them know you hit those milestones, inevitably, you each are going to develop a relationship and inevitably they're going to see that you're someone that is – you're doing what you said you're going to do, that always will build confidence whether they invest or not. There are a lot of factors but that's going to be a much shorter pathway for them to actually say, "Yes, I want to write you a check."

Pat Flynn: Huge, huge. Now, I want to give you a chance to talk about your current company because you've had other companies and you sold them which is awesome. Now, I want to get to and I want to finish off with how do you go in for that big sale and what makes a company saleable versus one that is not. But I want you to talk about OverNear really quick because that's what got me introduced to – I mean that's what got me excited about talking to you was through Lewis' connection with OverNear. I know you guys have sponsored some events like New Media Expo and things like that. So we've heard about you. And Lewis introduced me to your app.

So why don't you spend a couple of minutes telling us what OverNear does and maybe how it got started and maybe relate it to some of the things we talked about already.

Bill Glaser: Well, OverNear is an event discovery and sharing mobile app where you can find events or share your events and when it's relevant to the user, meaning that you're interested in something, whether you're interested in Gary Vaynerchuk on that tour, you're interested in your favorite band or meeting up with your friends when they come to town, when it's relevant to you based on your interest and your location, you get a push notification through OverNear.

So for the user, we're insuring that you won't miss out on something that you are interested in and for the person whose event it is weren't showing that their content gets delivered to people who can actually take action and show up. And that's a problem that we're solving that if you post in social media, Facebook, Twitter, and others, often your audience even if you have a big audience, they don't see your content and that's because they either have to be online at the time you posted, spend the time to scroll through their news feed. More often, the algorithms of those sites filter it out.

So we provide you a way to reach your audience when you have an event or if you're looking for events, we make it really easy to find and be notified of events without having to be there through all the clutter. So that's potentially what OverNear does.

My current business partner, he and I were partners in another company which is completely related business but we work well together and we had a successful outcome in another company. And so, we decided to form OverNear together and we have developed a technology and some of the things that I was just preaching before, I practice for OverNear. So before, while we were in development, I was out there forming relationships with people that can ultimately help expose OverNear to a larger audience.

And so, I've developed the relationships, we mentioned Lewis Howes and Gary Vaynerchuk but we have the co-founder of Pandora, we have the former CEO of Logitech, we have Robert Scoble. We have a number of other people who are on our advisory board or investors because they believe in what we were doing and the opportunity that we were addressing and problem that we were solving. And so, we started to build those relationships even before we started raising money. And then we started raising money and of course, that made it easier. And to date, we've raised a little bit shy of $6 million.

Pat Flynn: Yeah, that's really cool. Congratulations by the way. I mean it's just so cool. Now, how would somebody who hasn't had success doing this type of stuff before get in touch and perhaps have somebody like somebody from Pandora or one of these larger companies to come and support and be an adviser or even invest? Is it not possible?

Bill Glaser: Everything is possible. So I was not in the social media industry. I was not in a mobile development industry. Everything that I've done before was completely unrelated to that. So my contacts of [Lewis Howes] and Robert Scoble, Gary Vaynerchuk and others were completely from scratch. So regardless of the fact that I had other business successes, I had no contacts or relationships whatsoever in this industry.

So I started out doing exactly what I talked about where I started identifying people. I started identifying the big names like the Gary Vaynerchuks I started identifying other names that were the up and coming social media superstars. And I tried to find what value I can offer them, what benefit that I can give them, what service that I can provide to them so that we can start having a relationship.

And so, it really started with someone who is social media that was an up and coming name that I saw was trying to raise money for his business, and that's something I have an expertise in.

And so, I reviewed their documents, I reviewed their plans, and gave them a lot of input and I helped give them guidance. And that has developed a relationship and that ultimately introduced me to Lewis Howes and Lewis introduced me to Gary Vaynerchuk and it mushroomed from there.

So find what you could do regardless of your experience, regardless of your success level. Everyone knows someone and everyone knows someone that could be valuable to someone else whether it's a pure introduction, whether it's a pure contact or whether you could provide a certain area of expertise that you may have that can benefit that other person and start to form relationships with people.

And once you have those relationships, later on, you can go for the ask whether it's to sit on your advisory board or whether it's to raise capital or whether it's to open up some type of door.

So it doesn't matter what your experience is. It doesn't matter what your success is. All you have to do is believe that what you're doing is going to be successful, believe that you're the person or the team that can execute it, have that confidence and make your target list of who you think could be valuable to your company, and then begin the process and go do it. And like anything else in sales, it's always a number's game.

You're going to have to go through a lot of nos to get to the yeses. But if you're determined and you believe that your success and your positive outcome is part of your path, there's nothing that can stop you from being successful and doing that.

Pat Flynn: Love it. That's such an amazing great advice, Bill. Thank you for that. And I want finish off with one more question as we exit here. Let's talk about the exit really quick. A lot of people start companies like this because they want to go for the big sale or the big exit or the big payoff. And I think that, and please correct me if I'm wrong, some companies right from the start, they're just – and you could tell that they're not going to make it. Whereas other companies, you know they have a shot. What makes a company attractive to a buyout like that?

Bill Glaser: Well, it's the same thing that makes a company attractive even when they're at very beginning stage, even when they're at the idea stage or the beginning of the implementation stage. And so, it always comes down to the people. People have to be able to resonate with the people who are running the company. They have to believe that whether they have an incredible pedigree or whether this is their first entrepreneurial company, they have to believe that those people are capable of taking that vision and making it into a successful business. So that's the case whether it's at the beginning or whether it's later on for the exit.

It also has to be something that there's a big opportunity to your business. So obviously, if you're starting a business that is highly competitive that you're not solving a problem, that you're just doing slightly different or maybe even similar to a lot of people. If you're starting a pizza business, your pizza maybe phenomenal but it's a very crowded space.

And so, to attract investors initially or to ultimately have an exit, you're going to have to execute and really do things differently. But you have to have a big opportunity for your business to really attract the early state investors and then to attract the big payoff at the end, even Whatsapp that has 450 or so million users, Facebook believes that they can at least double their user base and that there's still a big opportunity ahead,. That was a critical factor.

So the opportunity of your business, your ability or your management team's ability, who you have associated with your company whether it's a board of adviser or more importantly, even the people that are operating your company and their skillsets or their related roles but like anything else like I just said, you have to have an enthusiasm, the conviction, and be open to learning along the way. A lot of people have tunnel vision and they're just travelling down a path and they don't see the opportunity, the pivot, they don't see opportunity that comes into their path because they're so determined just to go a certain way that was their original plan.

The ability to adapt, the ability to pivot, the ability to see things and have a vision to see things even if it wasn't part of your plan is going to help you not only execute but find the right talent, find the right investors, and ultimately, look for the right exit.

If I may, Pat, if you're looking to start a business just to sell it, in my view, that's not the right approach.

Pat Flynn: Beautiful. Thank you.

Bill Glaser: I much rather see people including myself start a business because they're passionate about it, start a business because it's something you want to wake up to and be excited about, start a business because you're providing people with a valuable service and product that can actually benefit them, not just where you can make money. And when you start a business just to sell it, inevitably, you're going to have gap that if you don't sell it, what do you do from there? And you either have to become the money pit, you raised a lot more money, or you're going to just burn out.

So it's got to be a business that you want to be in for a long term and that you are approaching that way. But if you're fortunate enough to travel down the path and be successful with it, then certainly those opportunities are either going to come in to your path or that you can look for them and that's a decision that you'll have to make then at some point whether you want to exit that way or whether you want to continue to operate that business for potentially many years.

So that's usually also the way that companies have that exit because they weren't planning for it initially right out of the gate.

Pat Flynn: Yeah. Bill, that's a perfect way to end she show. Thank you for mentioning that last point. And I'm really happy because I have gotten a lot of questions about this stuff that we talked at today. And now, I have a podcast episode and the transcript that goes along with it to point people to. And I'm really happy to have them be introduced to you and what you have to offer with your book coming out soon. I'll make sure to mention that when it comes out.

Where can people get OverNear and where can people get more information about who you are and what you do and just get to know you even better?

Bill Glaser: Yes, sure. They can go to OverNear.com and right now, we're on iOS. We're making some big changes and some tweaks and we're going to have a much bigger rollout in the coming weeks. And if you're Android, we definitely haven't forgotten you. We appreciate you guys and we're going to be coming out with Android version as soon as we can. But go to OverNear.com.

If you're on iTunes, download it right now. And hopefully, it's going to help take your experiences and more experiences in the real world and less of the social media scrolling and more things to actually find that you could do and then share with your friends.

You can also go to BillGlaser.com. Find out a little bit more about me. I'm new to blogging and I'm going to be sharing more tips about how to raise money and how to raise capital and all strategies that I use to raise over $200 million.

And as you mentioned later in the later, I want to be coming out with a book and I think it's something that hopefully will be valuable for you to get the capital that you need if you are looking to raise capital and really go off to the races and add a very successful business.

Pat Flynn: Thank you so much. OverNear is free so you can download it and check it out. I highly recommend it. I checked it out on Lewis's phone and it just seems really cool what the possibilities are.

And so, Bill, thank you so much for all the value you provided for us today. I can't wait to connect with you again soon.

Bill Glaser: Awesome. Pat. Thank you so much. Appreciate it.

Pat Flynn: Thank you. All right. I hope you enjoyed that interview with Bill Glaser. You can check him out at BillGlaser.com or @BillGlaser on Twitter. You can also check out OverNear's new app called Rowl, R-O-W-L coming soon. You can check that out at Twitter on @GetRowl.

As always, the show notes are available on the Smart Passive Income blog. You can go to SmartPassiveIncome.com/session118 for this particular episode. You can have the links and resources and everything shared and mentioned.

And as always, I just appreciate all the reviews and the kind words and even the criticisms. And of course, I want to thank today's sponsor which is 99Designs.com. It's mid-July, summer, it's a great time to actually reevaluate your brand and everything you have going on with graphics design. I'm actually doing this right now myself. And you can ask yourself, "Does your brand communicate the truth about who you are? Does the way you're communicating this truth connect with your customers? Does your branding differentiate you from your competitors?"

So before you get started on any sort of new designs from your logo to the look of your website, whatever it may be, it is of the utmost importance to take a hard look at your company's core values and personality? And if you're going to be redesigning stuff, go to 99Designs. 99Designs.com is a unique website you could use for your logo designs or your website design.

You submit your job description or your graphic design requests and dozens of designers from around the world, there are over 310,000 designers on that platform. They're going to compete to deliver to you the best design possible. You get to pick the one you like best, 100% money back guarantee, you can have that within seven days, and the best part is it's very affordable.

So, if you go to 99Designs.com/SPI, you get a $99 Power Pack of Services free and get even more designers to work with you for your branding. So again, 99Designs.com/SPI.

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You're awesome. Have an amazing day. And just make stuff happen. Go make stuff happen right now. Have a win today. How about that? Have a win – make today – by the end of the day before you go to bed, just think, "I had a great day. Today was a win." Cheers. Take care. And I'll see you in the next episode of the Smart Passive Income podcast.

Outro: Thanks for listening to the Smart Passive Income Podcast at www.SmartPassiveIncome.com.