

**U**S. venture capital (“VC”) financing provides an attractive opportunity for growth and development of Quebec companies. A recent surge of interest by U.S. investors in Canada has fueled cross border financing opportunities. U.S. investor interest complements and supplements local financing sources. The U.S. VCs are traditionally focused on expansion whereas their Quebec counterparts often focus on providing early stage capital for the start-up of a business. Due to the size and complexity of the U.S. funds these concerns are equipped to provide sufficient capital to allow a Quebec company to move beyond the stage of research and development and initial commercialization. A successful business with U.S. financing could become poised for either the public market in the U.S. or acquisition by a larger concern.

Investors from the U.S. are becoming more knowledgeable about investment opportunities north of the border. VCs from the U.S. are seeing Canada as a logical extension of their U.S. activities. This is especially true for VCs in the New York and Boston area. They find it easier to monitor investments in Quebec than in the western U.S. due to the proximities of time and distance.

Quebec offers lower valuations than comparable companies in the U.S. The cost of doing business is also significantly less in Quebec, which results in a lower burn rate. Also attractive are the tax incentives offered by the federal and provincial governments. Most important however is the advanced technology that some of the Quebec companies offer.

The VC community in the U.S. is very different in many ways from that found in Quebec. In Quebec most VCs are government or labour sponsored whereas south of the border they are private. There are also venture capital entities within existing corporations in

# U.S. Venture Capital Financing

How to seek and secure  
American investment

by LEONARD GOLD

the U.S. These VCs use the money of that corporation to develop new business technology or make strategic investments. It is therefore useful to attempt to match the technology at hand with the right corporate VC.

Another difference between Quebec and U.S. VCs are the numbers and amount of money in their funds. The network of VCs in Quebec is fairly close knit. It is frequently said if you are refused by one VC the others will follow. In the U.S. even after the boom there are hundreds and hundreds of VCs with some of them managing funds of more than a billion dollars. Some of the U.S. VCs also invest in a very defined area of the industry.

The key to success in securing U.S. VC financing is to implement a comprehensive strategy. It is important to find the appropriate fund and then identify the right person within the fund who will advocate on behalf of the business. Toward this end it is essential to engage a firm which is familiar with the U.S. VC markets. They can provide assistance in locating the appropriate fund and, within the fund, the appropriate person.

In addition to investing money in a company, U.S. VCs also aim to provide their expertise and contacts. An investment where they can bring

this extra value will be attractive to them. They seek to utilize their network to assist in commercializing the product in the U.S. The U.S. VC will also provide valuable assistance in finding strategic partners and future co-investors.

The objective for entrepreneurs who meet with U.S. VCs is to convince them that they have a good fit. The goal is to show not only sophisticated technology but professional management. It has proved useful to have the existing local VC present at the meeting with the U.S. investor. The VC from Quebec can give the company and the management a vote of confidence. They can also advocate the business advantages of Quebec.

Finding U.S. venture capital financing is not the impossible dream. The key is to match your stage of development and technology with the appropriate VC. A Quebec entrepreneur who has advanced technology, effective management and presents an exciting investment opportunity should be successful in securing U.S. venture capital financing. □

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*both U.S. and Canadian companies. Gold is also a partner with the Boston based law firm of Burns & Levinson LLP, which will hold a “pipeline event” in early June, in Boston. Executive summaries of Canadian companies (predominantly in the life sciences and high-tech) will be disseminated to the firm’s VC network to coordinate one-on-one substantive meetings. The firm coordinated such an event last year, and arranged twenty-six meetings involving eleven Canadian companies and thirteen VCs.*