The Start-Up Strategy: Leasing to Succeed
Final Report
October 2000

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INTRODUCTION

The Equipment Leasing Association has conducted a cross-country informational study targeting high technology start-up companies. This study was conducted as a result of the proliferation of high-technology start-ups into the market, and was designed to measure the impact of the emergence of high technology start-ups on the leasing industry.

The primary purpose of this research was to explore these companies' financial attitudes and behaviors regarding equipment leasing. Specifically, the research was conducted to:

- Explore attitudes toward start-up financing strategies;
- Explore attitudes and behaviors about equipment leasing as a financial strategy; and
- Gain a better understanding of perceived benefits and drawbacks of leasing as a financing option within the technology start-up marketplace.

RESEARCH METHODOLOGY

To achieve the objectives of the research, companies meeting the following qualifications were targeted*:

- The company must be founded no later than 1995
- The company's products/services must be qualified to fall in the technology market space
- The company must be located in one of the target cities (San Francisco, Washington, DC, Denver, and Boston)

* Note: It was not a requirement to lease equipment to participate in the study

Within these companies, the following types of executives were interviewed:

- CXO, Founder (to provide a foundation philosophy of the company)
- Financial executive (to provide accurate information on the company's financial practices and beliefs)

The study was conducted in three fashions: in-person interview, telephone interview, or e-mail interview, during the months of July, August and September of 2000. The interviews were conducted and observed by two representatives of ELA. (Laurie Kusek, ELA VP of Communications, and/or The ProMarc Agency personnel) The Equipment Leasing Association was identified as the sponsor of the study. Participants were ensured anonymity and confidentiality for use of their responses outside of ELA members and staff. Participants were also given the option of waiving their right to this anonymity. Participants received no monetary stipend for their participation. Discussions were audio taped for recording purposes and accuracy. The questionnaire used to conduct the study can be found in the Appendix.

Select verbatim quotations are provided in the *Key Observations* of this report to illustrate a mode of respondent thought or expression. They give the reader the flavor of the interview and an understanding of the language used to express respondents' feelings and ideas.

Qualitative Research

Industry studies by design involve small samples of participants for exploratory research purposes. The findings from one industry are not statistically projectable to other industries in the population because of the specific qualities used to designate the start-up industry. The intent of qualitative research is to gain insights concerning the participants' attitudes, beliefs, motivations and behaviors.

EXECUTIVE SUMMARY

Start-up Financing Strategies

- All study participants employ leasing as a financing strategy for leveraging capital and resources. Other strategies revealed include obtaining VC funding, attracting corporate investors, spending wisely and hiring well.
- Participants indicated that with cash flow released/conserved as a result of leasing, the companies have reinvested those funds in technology, research and development, marketing and its people.
- All study participants are growing companies and each attribute leasing as a reason for fueling their growth and for their financial success.
- Many of the participants are considering expansion and expressed interest in increasing investment levels in leasing to ensure equipment needed for expansion is acquired.
- Growth rates are staggering among participants. The number of employees in one company jumped in a one-year timeframe from 4 people to 98; another from 45 to 250. Most of these companies are growing at a 40 percent rate and higher. One company grew a $2 million company to $200 million.
- Participants offered advice on what they viewed as financial mistakes a start-up can make. Responses centered around one theme: Under capitalization. Others noted underestimating cash needs, over hiring, purchasing too much technology and equipment and not raising enough funds.

Start-up Attitudes Toward Leasing/Equipment Leasing

- High tech participants lease a variety of equipment, primarily in the technology segment. Participants noted they commonly leased the following types of equipment: computers, telecommunications, printers, servers, database storage, software, copiers and fleet vehicles.
- Participants noted the following benefits of equipment leasing and finance: increased cash flow, tax benefits, balance sheet management and avoiding technology obsolescence.

- Along with other benefits, leasing addresses participants' primary financing challenges – that is, limited cash flow, insufficient working capital, and financial statement presentation.
- Lowering the recorded burn rate (the rate at which a new company is spending its capital while waiting for profitable operation) was another benefit of equipment leasing and financing that participants noted and attributed as a factor in selecting this finance method. This benefit is unique to the high tech start-up market space.
- Participants expressed a desire for lessors to increase availability of software leasing.
- Another area of increased service among lessees was in Web-enabled services to further increase the speed and efficiency in equipment leasing and finance.

The Lessor

- The study's participants all noted that the lessor is taking on a greater risk working with the high tech start-up community. The risk is higher compared to other industry segments partly due to the higher failure rate; however, participants suggested that lessors reduce their risk by investing in a partnership with the lessee.
- These high tech lessees are looking for long-term business partnerships. The more the lessor knows about the lessee's business, the better the lessor can assess the business potential and risk factors involved in the start-up market place.
- High tech start-up participants believe that their industry has fueled the growth of the leasing industry. Start-ups have created a new segment of business for the leasing industry. Participants view themselves as having created an opportunity for leasing companies.
- To further improve the leasing process, participants suggested the following improvements: simplify and streamline processes; reduce paperwork; increase Web services; and increase flexibility.

Start-up Attitudes Toward the Internet/E-Commerce

- All participants agreed that a corporate presence on the Internet is imperative. An Internet presence ensures the ability to make a market impression and results in increased business credibility as compared to those who are not online.

- High tech participants are using the Internet for e-commerce and research.
- Participants have a strong belief that e-business will continue to evolve and change moving forward. Most believe that E-business is still in a very early stage. Predictions ranged from seeing an increase in personalization to a shift from products to services. Other predicted trends include continued explosion of viral marketing (B2E—business to employee) and increased accessibility.
- Participants agree that e-commerce has had a drastic impact on how companies do business every day. E-commerce has made business more efficient. It has forced companies to adapt and change business models to meet market demand.
- Securing leases via the Internet is not an area of concern among high tech audiences in regards to security; however, most participants indicated that they prefer a facilitated transaction. Most participants need the relationship of the lessor as an intervening source. Lessees still want the 1:1 contact from their lessor.
- The participants, representing the high tech start-up market segment, appear to have a higher adoption rate of online financing compared to other industries. At least half of the participants have used the Internet for, at a minimum, one-step to obtain equipment financing, while a significant majority of participants said they were open to using this medium to secure financing.
- Price, convenience, comparative shopping, fulfillment, service and speed are all factors that influence this target audience to use the Internet for online financing.

Starting a Company – Attitudes/Trends

- The common reason given by participants for starting a high tech company was the vision and foresight to conceive a service or product to fulfill a market need that was not being addressed. For those entering a space where they were not first to market, each had a plan to be better and to differentiate themselves from competitors. Each participant saw an opportunity and had a vision.

- When starting the company, participants noted several challenges they faced including: VC pressure for profits; attracting and retaining employees; funding; equipment financing; finding office space; product launches in competitive spaces; and execution.
- The corporate culture, as described by the participants, included a workplace with empowered employees, a team attitude, an open environment and a focus on a global business model. Commitment from the employees is something that most participants noted is a driving force.

KEY OBSERVATIONS

I. ABOUT THE RESEARCH PARTICIPANTS

Participants in the study were primarily chief executive officers and financial executives of their company, but also included some other senior level executives who were able to address the company's financial beliefs and practices. All participants were executives in a company founded no later than 1995, which is currently providing products and/or services for the technology industry.

Participants represent companies of secure financial standing, both publicly and privately held, that are headquartered/located in either San Francisco, Washington, DC, Denver, or Boston.

II. START-UP FINANCING STRATEGIES

- **All of the participating companies use equipment leasing as a financial strategy**

Equipment leasing is considered to be an essential financial strategy among high tech start-ups. Many claimed that leasing provides them controlled financial expenditures while helping them to better conserve cash flow and maintain working capital – all of which attribute to financial stability and growth.

We firmly believe that leasing is a strategic option. As a start-up we have to monitor the value of our assets. As we look to build and develop overall value, we certainly would not want to retain assets that can quickly diminish in value. As such, leasing becomes an extremely attractive option for our company.

We absolutely consider leasing to be a viable strategic financing option...it is essential.

Leasing is fundamental to running and starting a business.

Our financing strategies revolve around the fact that we are leasing! We lease short-term to conserve capital…it's the best alternative!

The top way we are saving money today is by offsetting upfront expenditure by leasing. – Portera

With leasing you don't have to tie up the entire value of the product, which gives you more working capital to use right now. Always, always lease where you can because cash is king.

We lease everything from trucks to computers.

We have used our VC financing to create equity, corporate investors and for equipment lease lines.

- **Companies leverage the capital saved by leasing to reduce the company's burn rate**

Start-ups attributed equipment leasing as a valuable way to manage a company's burn rate. By leasing equipment, they are able to decrease capital buying and maintain equipment, which ultimately decreased the number of dollars exiting the company. A lower burn rate allows start-ups to leverage a more solid position in financial reporting and financial standing.

Any way that you can conserve cash is strategic. Leasing is an effective way to do that. New high tech companies that are venture funded can leverage cash flow through leasing, allowing for more financial flexibility and a lower recorded burn rate.

Leasing and financing your equipment lets you keep your burn rate consistent and lets you keep money in the bank.

- **Companies attribute their financial success to leasing vs. buying**

Each of the companies interviewed agree that cash flow is key to their success. The top strategy practiced by these companies to achieve this goal is equipment leasing. There is demonstrated agreement among start-ups that leasing has provided them financial opportunities that have directly impacted their financial success.

The biggest financial mistake a start-up can make is buying major technology equipment when your business isn't built.

Finance everything you can.

I have an MBA in Finance. I can run the numbers. You should always lease if possible.

We are heading toward cash flow break even, equipment lease lines are extremely important for building infrastructure to allow the company to meet these goals.

We did equipment leasing to get the company off the ground. Used VC funding for everything else, leasing allowed for our initial start-up. We wouldn't be a viable company without leasing our equipment.

The top three ways our company is saving money today is not making unnecessary purchases, equipment leasing whenever possible and minimizing staff.

III. START-UP ATTITUDES TOWARD LEASING/EQUIPMENT LEASING

- **Start-ups concur on the positive aspects of equipment leasing**

All start-up companies interviewed agree that leasing provides an attractive outlet to conserve and retain capital, often enabling the companies to show profitability. Other positive claims that equipment leasing allowed for included the amortization of equipment, tax benefits, pushing out the liability of ownership and the burden of selling obsolete equipment. The is common consensus among companies that leasing allows leaders of start-ups to grow their companies faster.

The number one reason to lease equipment is preservation of capital.

You get the full value of the product for a lease payment. Payments are made over time so the cost of capital is cheaper in that regard.

Leasing reduces current cash flow expenditures, which you can leverage to lease a better quality product than if you were paying cash.

In high tech companies, cash and capital is even more dear and important than for slower, lower growth companies. Leasing allows us to deploy our capital to grow the base of the business faster.

If you are growing quickly like we are, leasing allows us to scale more quickly with less impact on one's financial resources.

The pro to leasing is low capital entry – there isn't such a hit to cash flow and there is flexibility, like getting a loan that pays itself back.

Equipment leasing allows us to keep cash inside and not have excessive cash outlay.

We do consider buying, however, a lease offers a lot of utility and decreases our investment amount.

- **Start-ups increase their leasing dollars with financial growth**

As equipment leasing demonstrated a way to increase and maintain financial stability, there is general consensus among start-ups that as they grow and continue to achieve financial success, the number of dollars allocated toward leasing will increase.

Our future financial strategy is to lease everything we can and keep our burn rate low through smart financing.

Yes, we will continue to increase future leasing dollars. Presently, we are evaluating a new lease that will more than double the amount we currently lease.

We have an increasing interest in leasing.

We expect our leasing dollars to triple soon.

We increased our lease line by 600 percent recently. We were leasing approximately $1 million and now we are leasing $7 million.

Our leasing dollars will continue to increase…we will continue to lease where appropriate.

- **Most companies reinvest the money saved by equipment leasing into one of four categories: research and development, technology, marketing and people (staff)**

Start-up companies found that leasing allows them to reinvest additional money saved into the company and provides an increased opportunity for growth and profitability. The most popular internal capacity in which start-ups actively reinvest the capital saved by leasing is technology. Staff is the second most prevalent resource followed by research and development. Included in start-ups' reinvestment practices is the hiring of additional staff and supplementing business development efforts. Companies also reallocate this capital gain into additional leasing dollars.

We like to use the capital saved by leasing for people and marketing.

We will reinvest the cash flow into things that will grow the business, such as marketing and employees.

We put the money back into the business, hire more staff and beef up marketing.

We use the money for marketing and business development initiatives, as well as in product development.

We use the money to grow our business, hire new employees and research and development to ensure our competitiveness in the market.

We reallocate cash savings to development of products or accelerating product development.

With the cash we save from leasing, we do rapid hiring and aggressive marketing.

We reinvest the money we save by leasing in other areas of need within the company.

Leasing allows us to hire the people we are looking for and have the technology and equipment we need to grow the company.

- **Start-ups lease a wide range of equipment**

Study participants collectively lease a wide range of equipment. The three primary areas where leasing dollars are focused among start-ups include technology (hardware, software, PCs, laptops, printers), furniture/office equipment (telecommunications systems, copiers) and facilities/space.

We lease computers and telecommunications systems – we have a $40,000 phone system. We would like to lease furniture but could only obtain a part of it through a leasing company.

We are all about the Internet. We allocate funds to technologies on the computing side and the storage side.

In addition to the software they currently lease, study participants also claim that they would like to see additional options and flexibility offered for software leasing, as it is a top priority for current and future leasing dollars.

Why are leasing companies so reluctant to lease software? New economy companies need software. Because many of these companies are tapping into the Internet, they require back of house software that manages Web communications. This is very costly. Leasing companies should continue to lease more software.

When will the leasing industry recognize the value of software vs. hardware?

IV. INSIGHT INTO THE LESSOR

- **There is increased risk associated with leasing to start-ups**

Study participants agree that there is an increased risk involved with leasing to high tech start-ups compared to other industries. The emergence of the "new economy" opens doors for a new level of leasing dollars; however, the consensus among participants is that those dollars are not necessarily secure money and could even result in negative profit, never to be collected.

I believe the emergence of start-ups has had a negative impact on the leasing industry because start-ups have a reputation for going out of business. Therefore, lessors have a hard and costly time repossessing the equipment.

Not all start-ups are viable businesses. Leasing companies must consider their ability to repossess equipment from "dot-bombs" if need be. They must be able to reposition to accommodate for defaults on equipment leasing.

Traditional leasing companies that focus on venture-funded companies can get worn out.

New economy start-ups have so much capital, but very little operating history. There is a huge opportunity in leasing to them, but the opportunity is also a commensurate risk.

- **If willing to take the risk, there is an opportunity for leasing companies to benefit from the surge in high tech start-ups**

Given the associated risk involved, survey participants agree that the "new economy" provides an opportunity for lessors to increase their client base and in some cases achieve extreme profitability. In the opinion of study participants, for those lessors willing to take the risk of a client "bombing," leasing to such companies opens a significant number of doors and opportunities, as the majority of start-ups look to leasing as a financial strategy from day one.

Start-ups view leasing as the necessary option for leveraging their capital; this has opened a new market up to the leasing companies.

The emergence of start-ups has made the leasing industry thrive…some leasing companies are taking warrants and stock options as payment.

The default rate is higher in working with start-ups, but many lessors take warrants and have made up for it with the companies that have succeeded.

- **Start-ups are looking for partnerships with leasing companies and are interested in establishing long term relationships**

When asked what one recommendation they would make to leasing companies, study participants overwhelmingly responded that they would like to engage in more of a partnership with lessors. They encourage lessors to engage in an interactive relationship with start-ups to facilitate successful strategies to ensure financial growth.

Partnering and figuring out how to partner is important to start-ups. Leasing companies should take a look at these businesses, help them evaluate their risks, and put together the best package.

Look at every transaction as an opportunity for a long-term relationship and work hard to represent customers' interest.

Leasing companies should look to start-ups with partnership in mind.

Leasing companies should nurture their relationships with start-ups and understand that there is an opportunity for a long-term partnership.

I would like for lessors to try to be more of a partner versus a vendor. I would like to have more of a relationship with them and feel like they care about the success of my company. When selecting my financing partner, I am looking for this personal relationship. I want to trust the guy is going to make good business decisions and will talk to me about how I can get this done, and be honest about potential mistakes.

We look for a long-term business partnership with a leasing company.

Instead of being sales-driven, I feel that if leasing companies are to become true partners with a growing business, they should show us more 'what-if' scenarios to assist us in making a decision.

- **Start-ups would like leasing companies to tailor their services to cater to the start-up market/economy niche**

Study participants agree their industry is different from old economy companies in many ways. There is general consensus among those surveyed that leasing companies need to recognize these differences and tailor services to meet the fast-paced, convenience-driven, technology-savvy demands of the "new economy" lessees.

Lessors should mentor start-ups to express what all the options are, including collaboration and tighter coupling of equity and debt.

I want someone who looks out for my interests and is there for the long haul. These companies have a lot of experience. Lending that experience to me will help me to be successful as a CEO of a start-up company, which in turn will equate to a long-term relationship between my vendor and me.

I would like for leasing companies to have a professional services business where they are able to get quick and prompt turn-around, which is a key element to our process. Web-enabling the process or quick turn-around for rather involved deals, would be considered value-added to our business.

Lessors have to figure out how to effectively price and go after the start-up market. The models they use now in terms of risk and sales don't quite work with the new economy.

V. START-UP ATTITUDES TOWARD THE INTERNET/E-COMMERCE

- **Business is moving to the Internet. A presence on the Internet is imperative to a company's success**

There is significant consensus among study participants that having a presence on the Internet is imperative to a company's success. It is agreed that business is moving to the Internet and businesses need to accept and honor the shift in consumer practices and demands. It is also agreed that the Internet will continue to grow as a source of information and as a platform for e-commerce. In the view of these executives, a company's presence online directly affects its impression of corporate reputation.

Companies will continue to migrate from their traditional means of purchasing to an online module.

An Internet presence is the basis for the new economy, especially in the high tech space.

A company must know how to reach its audience via the Internet.

Having a presence online makes you part of a greater community.

Having an online presence does not just offer an advantage, it is a requirement. If you are not online, you are making a mistake. We are married to technology as part of our lives.

Companies are seen as more forward-looking and more competent whenever they have a better, more complete online presence.

Any company that uses a telephone needs to have access to the Internet. If you don't have a Web site, we don't consider you a viable company. "How progressive are you on using Internet technologies to leverage your business?" is a question we always ask.

- **The existence of e-business is changing. It will continue to evolve from the current model**

As the Internet continues to grow and expand, study participants concur that the evolution of e-business will change in the near future. Most start-ups believe that e-businesses need to evolve with the changing Internet to guarantee stability, growth and profit. Although not all participants agreed on what the next evolution of e-business would be, over half of companies interviewed predict a shift from the current model.

E-Business will turn its focus from product to service.

The next evolution in e-Business is B to E, or business to employee, where employees will be free to adopt software and technology through inexpensive means. This will allow a viral spread of information throughout the office.

It all comes down to supply chain management. The question is: are people going to want to buy their clothes without touching them? Are they comfortable buying from a catalog?

The next stage of e-business will be that bricks and mortar business, retail, and e-business, will weed themselves out.

- **There is a high (and increasing) level of use of the Internet for online financing**

The use of the Internet for online financing is identified as a strong and growing resource. The most widely proclaimed benefit of online financing, identified by almost all survey participants, is price. The convenience provided by online financing is rated second, followed by speed/time and increased selection.

We use the Internet for online financing because of increased convenience and the ability to quickly get good apples to apples pricing.

We use the Internet for online financing for price, service and delivery. We are much more dependent on the Internet because you can always send it back.

What influences us to use the Internet for online financing is our leasing need, RFPs, competitive bidding and time saved.

VI. STARTING A COMPANY – ATTITUDES AND TRENDS

- **Founders of start-ups identify a void in an industry and started company to fill it**

The majority of study participants who are chief officers or founders of participating companies, each attributed their decision to start a company based on an opportunity they saw in the market and a vision they had to capitalize on this opportunity. Founders agree they consciously identified their company's "reason to be" and wrapped their business plan around filling a void, inserting themselves as first-to-market with their product/service.

For a year I tried to get high speed Internet access from my home. I discovered that high-speed access in the residential market was neglected and virtually untapped.

At the time, the state of Internet advertising was pretty primitive, and we thought that a lot of the things we'd come up with would really add a lot of pizzazz to what was becoming routine business for online advertising.

If you are not first to market, find out what you can do better and differently.

- **Start-ups' success is based on making wise financial decisions**

Study participants agree that smart financial planning continues to be key to the success of their company. Vision and proactive financial planning are factors that are essential to ensuring financial stability. Bad financial practices, made by other companies, that are cited by participants, include under capitalization, improper fund allocation and overspending. All of the study participants agree that equipment leasing is an essential component to financial success.

When starting a company, make sure you are not undercapitalized…it is the biggest mistake a start-up can make. Financing never occurs when you think it will occur, so make good financing decisions, like equipment leasing.

Vision helps you acquire the talent and capital – the market and money givers are far more *sophisticated and look for companies to have all of the factors throughout.*

My advice to someone starting a company today would be to take thoughtful consideration of what you want to do and put it in a business plan. Identify where the money is going to go, where it is going to come from, and how you are going to employ the best people.

The biggest mistake a start-up can make is improper funding and allocation of funds. You don't want to overcapitalize the company because you dilute your value.

- **Leaders of start-ups share similar challenges**

Study participants identified many similar challenges associated with starting a company. The major themes that were repeated include obtaining funding, staff acquisition and retention, and finding and maintaining office space with continued growth. Other challenges that are highlighted include staying true to the business plan, product rollout in a competitive market, establishing a corporate culture/team atmosphere and controlling spending.

Because of the fast pace of business, expectations were high. Everyone had an expectation of quality and we had to build it quickly. VCs were requesting profits and hiring good people and keeping them on board was challenging. Finding office space we could grow into was challenging as well.

Our challenges include acquiring talent and keeping focus. There are many opportunities in the Internet space, and companies need people with talent and enthusiasm. It is also important to stay true to the business plan.

Our biggest challenge stems from managing departments' spending and their attitudes towards spending. We are a start-up, yet many of our employees come from workplace environments where budgets were simply a non-issue. Teaching employees to do more with less is probably the most formidable challenge.

APPENDIX

- In-depth Interview Invitation Letter
- High Tech Success Study Discussion Guide
- High Tech Success Study Participant List
- Supporting Graphs

Date

Name
Title
Company
Fax number

Dear First Name:

Word has it that you're doing everything right! As a successful high-tech company, your business strategies and remarkable growth have put you on our map. During July and August, the Equipment Leasing Association (ELA) will be conducting a cross-country study to measure high-tech start-up companies' beliefs and attitudes toward equipment leasing and financing. ELA has targeted founders and leaders of selected companies with proven products and success, and will be traveling through Washington, DC, Boston and select cities in Colorado and California to conduct these individualized interviews.

Now you've come to the real question when making any business decision, "what do *I* have to gain?" Here is our win-win proposal. ELA is a nonprofit organization headquartered in Arlington, Virginia, which represents more than 800 member companies that provide a variety of asset-based financial products, primarily in equipment leasing. ELA is working to educate businesses about their equipment financing options and gaining insight into successful high tech start-up companies like yours affords ELA a greater understanding of the financing needs of businesses like yours.

Your win? It's three-fold. First, in turn for your participation, with your permission, we promote the results of this study to the media. We want to see your name included in the top business and technology newspapers and magazines like the *Wall Street Journal*, *The New York Times*, *Entrepreneur*, *BusinessWeek*, *Red Herring* and *Industry Standard* to name a few. Secondly, the published results will educate financing providers on the needs of companies like yours, affording *you* greater accessibility and visibility to a larger pool of both financial professionals and venture capitalists. Thirdly, we will be providing you with a compiled report of our findings for your use.

We welcome and appreciate your contribution and participation in this project. We will be interviewing in the **XXX** area on **DATE XXX.** If you would like to schedule a time for this one-hour, on-site interview, please contact Eileen Jaffe at (202) 293-8568 or by e-mail at ejaffe@promarcagency.com. For more information about the Equipment Leasing Association, go to: http://elaonline.com and click on "About ELA" and "About Leasing." We look forward to meeting with you.

Sincerely,

Laurie Kusek
Vice President, Communications
Equipment Leasing Association

P.S. Don't miss this opportunity to have your successful business strategy recognized and to gain access to leading financers!

Equipment Leasing Association
High Tech Success Study
Questionnaire

Introduction and Purpose

Moderator Introduction

- I am here on behalf of the Equipment Leasing Association
- ELA is conducting a cross-country study in Washington, DC, Boston, Denver and San Francisco to measure high tech start-up's financial attitudes and behaviors. The focus of this interview will be on your company's financial and leasing philosophies and strategies.
- The results will be used internally with ELA members while we will explore promoting the study to the media.
- Your identity will remain completely anonymous
- If the media is interested in pursuing an article based on the study results, would you be willing to be interviewed?
- Please be completely candid in your answers
- We are taping this interview to ensure accuracy
- We will provide you with a complete report once the study results have been compiled

Process

- This interview will take approximately one hour and is designed to get your feedback on a series of questions and ideas
- I would like your honest opinion; there are no right or wrong answers. Whatever you have to say will be of value

Introduction

- Let us begin with a formal introduction. Please tell me:

  Name:

  Company:

  Title:

  Responsibilities:

  Age of company:

  Public or private:

Starting a Company - Attitudes/Trends

1. Take me to the beginning days of your company. How did you know starting a high tech company was what you wanted to do?

2. What were the opportunities and challenges facing you as a leader of a start-up?

3. What do you think are the top 3 qualities of a successful company?

4. What are your personal top 3 success factors?

5. What advice would you give someone who is starting up a company today?

6. What was the best decision you ever made?

7. What is the worst decision you ever made?

8. How would you describe your corporate culture?

9. What is your philosophy for attracting and hiring staff?

10. What is your strategy for establishing a dominant competitive advantage?

Start-Up Financing Strategies

1. What strategies have you employed thus far to leverage your capital?

2. What are your financial management strategies for the future?

3. Name the top 3 ways you think your company is saving money today.

4. Name 3 ways you think your company could start leveraging your capital tomorrow.

5. How much has your company grown over the last year? To what would you attribute this growth?

6. How much do expect your company to grow over the next 12 months? 2 years? What are your strategies to reach these goals?

7. What percentage of your money is going to benefits/payroll? To technology? To equipment procurement? What is your view on the ideal balance of fund allocation within your company?

8. What is the biggest financial mistake a start-up can make financially?

9. If you could change one of your company's current financial practices what would that be?

10. Is your financial strategy modeled after any other particular company? If so, which is it modeled after and why?

11. What are the top 3 technologies your company allocates funds to?

Start-Up Attitudes towards the Internet / E-Commerce

1. How have you utilized technology to grow your business?
2. Do you think having a presence online gives a company a competitive advantage in today's marketplace? If yes, how?
3. Is your perception of a company affected by its online presence? How?
4. How has e-commerce affected today's marketplace?
5. What do you believe will be the next stage of the evolution of e-business?
6. What are your primary business reasons for using the Internet?
7. Have you ever used the Internet to find a leasing company for your organization's equipment financing and leasing needs?
8. What factors influence you to use the Internet for online financing? (price, convenience, etc.)
9. When using the Internet for financing/leasing purposes, do you have confidence in the security of your financial transaction? Why or why not?
10. Which Web sites do you visit most frequently for business purposes?

Start-Up Attitudes towards Leasing / Equipment Leasing

1. Do you consider leasing to be a viable strategic financing option?

2. What do you think are the pros of leasing?

3. Do you perceive any cons in equipment leasing? If yes, what?

4. Why do/would high tech companies pick leasing over buying?

5. Do you consider leasing vs. buying your equipment? *(If no, skip to question 9)*

6. What types of equipment does your company lease?

7. How does equipment leasing affect a company's bottom line?

8. In light of future financial growth, is your company planning on increasing leasing dollars?

9. What do you do with the cash flow that is freed as a result of leasing vs. buying?

10. If you could ask one question about the leasing industry what would that be?

11. If you could change one thing about the leasing industry what would that be?

The Lessor

1. How do you think the emergence of start-ups has affected the leasing industry?

2. What do you think are the different challenges and opportunities for leasing companies when working with start-ups?

3. In evaluating leasing companies, what are the most critical/compelling factors in selecting your finance partner?

4. What names come to mind when you think of leading leasing companies?

5. What are the top 3 things lessors could do to improve the leasing process?

Wrap-Up

1. Is there anything else you would like to share about financing or leasing?

2. Thank you for your time.

Participant List

- **Acoustic Works**
  Acoustic Works was founded in 1996. It is an entertainment systems integration company. Acoustic Works is a recognized presentations-systems leader that provides sound reinforcement and intelligent lighting products and services to commercial and Government customers worldwide.

- **Amazing Media**
  Amazing Media is an Internet company that is changing the face of the advertising industry with its next-generation direct marketing and online advertising solutions. Its proprietary technology, the Amazing Media System™, offers a patent-pending end-to-end solution to advertisers of all sizes who wish to create, serve, edit, and track powerful, feature-rich, TransActive Ads™ easily and at minimal cost.

- **Buzzsaw**
  buzzsaw.com is a B2B marketplace and collaboration workspace for the building design, construction and real estate management industry. buzzsaw.com provides a comprehensive set of Web-based project collaboration and bid management tools, news, resource directories and e-commerce services.

- **Corio**
  Corio is an application service provider that provides hosted enterprise software and services for a fixed monthly fee. Services provide smaller companies with access to expensive business software without a large initial investment. Services include application customization, implementation, management, and help desk support.

- **diCarta**
  diCarta offers a business-to-business contract management solution that streamlines the entire contract lifecycle. diCarta Contracts, a web-based solution, enables companies to collaborate with customers on contract terms and conditions, and to increase visibility into revenue management, future obligations and renewals. This allows companies to accelerate contract processes while minimizing legal and financial risk.

- **eContributor**
  eContributor is an online fundraising solution for non-profit, charitable and political organizations that provides cost-effective methods of raising money, recruiting volunteers and increasing awareness of an organization via the Internet. The eContributor engine was conceived and designed by professional fundraisers and e-commerce software experts.

- **EqualFooting.com**
  EqualFooting.com is a marketplace that establishes purchasing and financing power for small businesses in construction and manufacturing. With a comprehensive and price-competitive maintenance, repair and operating (MRO) supplies catalog, EqualFooting.com also offers small

businesses financing, leasing, and discounted shipping services. EqualFooting.com's customers can buy, finance, and schedule delivery immediately – or save even more later, using the Request-For-Quote (RFQ) system.

- **LoftNet**
  LoftNet's mission is to provide high-speed Internet access to residential communities (apartment & condo complexes and loft conversions). It provides a complete end-to-end solution for property managers, developers, Homeowner Associations and Real Estate Investment Trusts (REIT's).

- **Nupremis**
  Nupremis delivers real-time applications and shared outsource services though a global network of high-performance Internet Data Centers. Nupremis' mission is to empower broadband local access carriers and application service providers to take full advantage of the broadband environment.

- **ShareMax**
  ShareMax is an Internet-based procurement and strategic services company. ShareMax was developed by procurement professionals who recognized the need for easy and efficient access to supply markets and unlimited communication between buyers and sellers. The company's offerings include analysis of internal spending behavior, strategic procurement processes development, deep marketplace knowledge, and technology to enable client companies to increase the effectiveness and efficiency of their procurement efforts.