

THE C & D NEWSLETTER



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CAPITAL FORMATION: THE TRANSLATOR

Capital has been plentiful for startup companies for the past three years. However, with changes in the international marketplace, particularly the recent collapse of the Far Eastern banking system, the availability of funds has been shrinking. With this in mind, companies looking to raise capital for their emerging, expanding, or in some cases, weakening businesses should take a long look at how their efforts are focused.

A business plan written by the best management team you can assemble is an obvious piece of the fund raising process. Defining where the funding is most likely to come from is the next step. With the right approach, the sources of equity and debt financing are easy to identify. Knowing which sources to target is the key to success. This process is as much an art as it is a science. By defining categories for funding sources, the task is simplified. These categories may include friends and family, the most readily available source, or, on the other side, an initial public offering. In between these two extremes we find angels, private capital, secured financing, factoring and a number of other potential funding sources.

Every business needs a "Translator" as part of their fund raising team. This is a person who overviews the fund raising process, makes sure the correct information is gathered and properly presented, and supports identifying and selling the prospective source of capital. Finding the right Translator for your venture is like finding the right doctor for a particular illness, or the right lawyer for a specific legal task.

Sometimes several Translators are necessary to create and sell your investment information in a format that will provide you with the best chance of success for bringing in new capital. A private money source has a better chance to be your investor if the documentation is written and presented in a form that translates to his or her way of thinking and approaching an investment. This includes appealing to their overall business philosophy or creating deal terms that will attract their attention by emphasizing their interests and objectives. With support from the Translator, once the capital source understands your business product or service and objectives, the proper set of deal terms will bring the best opportunity for successful fund raising.

Finding the right person to fill the role of Translator is only one of the many important elements in capital formation. Without a complete and experienced management team, the success of a business is less likely. Investors know the meaning of a track record and look for a management team that has created success in the past. Management is the name of the game and the best Translators understand this and work with you to put the right people in place.

This complimentary newsletter is intended to provide general information. Because of the complexities and constant changes in the law, it is important to seek professional advice before acting on any of the matters covered herein.