

THE C & D NEWSLETTER



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RAISING CAPITAL FOR YOUR BUSINESS

EVALUATE POTENTIAL FUNDING SOURCES

Funds for establishing and expanding your business may be derived from various sources. These may include anyone from family and friends to a public offering. Focusing on the sources of funds best for your type of business and stage of development can be an arduous task. Targeting the right sources will be crucial to the success of your capital fundraising efforts.

GUIDELINES FOR RAISING CAPITAL

- Evaluate open, closed and locked doors for capital sources. Raising funds from a particular source may exclude other funding sources.- Critical agreements can make or break your funding efforts and your business. Make sure all of the future options are carefully considered before making commitments for stock, sharing of profits, or employment agreements.
- Create value before seeking capital. The more value you add, the less control you have to give up and the longer you will be involved in the decision making process.
- Whenever possible, start with a garage operation with low overhead.
- Protect your technology. File patents, trademarks, copyrights. Use nondisclosure, trade secret and non-competition agreements.

MANAGEMENT

Money follows management talent. Investing in management talent will provide valuable resources from creating a business plan to targeting and attracting the right investors. Create a critical mass which includes management, ideas, and a business plan. This critical mass attracts management talent which creates a more attractive investment opportunity. Most business plans can be summarized in 10 or fewer pages. By summarizing key elements of the business plan, including the risks as well as the rewards, a potential investor can quickly determine if this is an appropriate investment for their consideration.

CAVEATS

- Be aware of the entrepreneurial cap. Keep your personal expectations to a realistic level. You will take your business to the maximum level of your performance. Once you have created value, if you are successful, it is possible that someone else will take over and move the business forward.
- False expectations lead to disappointment, and law suits. Make sure expectations on both sides of the employment agreement and the investment dollar are reasonable and well defined. By understanding the reasons for participation and setting expectation levels, these agreements can be thoughtfully prepared to avoid future conflict.
- Choose your partners carefully. It is just like being married. When a key relationship fails, the repercussions can lead to failure of the business.

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.

