

What it takes to raise capital

So you are going to ask family, friends and interested investors to invest in your company. What will they want to know? How should you prepare? What should you tell them? How will you gain their trust? How long will all this take? Here is a brief outline of how other companies prepare when seeking capital.



Value Proposition

The value proposition explores how you solve problems for customers, why customers will pay you now, and how they will compare you to other options. It is specific for each customer niche that you will serve. The value proposition must be tested carefully with real customers.

Funding Strategy

Management team should know their funding needs, research relevant investors, and consider customer- and vendor-financing.

Ongoing Marketing to Investors

Contact investors and firms with relevance to your industry and maturity of your business. After preparing, call. Then send your executive summary via e-mail directly to a contact; broadcasting your offering violates public offering regulations. Be ready to follow up with your investor presentation and business plan.

Executive Summary

Includes a non-confidential narrative that augments the investor story, plus financial overview. The narrative should be readable in about 20 minutes and is used primarily to

Investor Story

Your business model, value proposition and funding needs must be honed into a 20-minute presentation. Longer versions are OK when an investor has already reviewed the business plan summary and has requested more background.

establish interest and solicit feedback. Later, a longer business plan can be tailored to address concerns of a particular investor.

Business Model

The business model explains your company's competencies, any unique, novel or critical relationships that will be needed, key assumptions about market forces, and how and when customers will pay you.

Management/Advisory Team

Commitments from top managers reassure investors that your company will succeed. Naming an experienced advisory team with industry connections will further validate your concept.

Financial Statements

Conservative financial statements should be built up from individual sales projections. Underlying sales projections should coordinate with assumptions in the business plan.

Risk Disclosure

It is the responsibility of the company to fully disclose all known risks to those considering an investment.

Valuation

Contains a rationale for pricing the shares of the company. It is the basis for negotiating percentage of company ownership that will be granted for a given investment. Do not overvalue your company and scare off investors.

Investor Questionnaire

Prospective investors must attest that they have a net worth and income sufficient to bear the risk of investing in an early-stage company their entire investment. The investor's answers to the survey will dictate the nature of the investment offering.

Company Structure and Governance

Explains how investors', officers' and owners' interests in the company will relate to one another, and how internal disputes will be resolved.

Business Plan

Full plan covers marketing, distribution, financial statements, funding strategy, planned use of investment and projected income and expenses. Assumptions include a certain level of investment, projected sales, customer acceptance, market conditions among others. Be ready to deliver a customized Business Plan within two or three weeks of an investor's serious inquiry.



Subscription Agreement

Signed by shareholders upon acceptance of their investment by the company to acknowledge their risk, rights and responsibilities.

Concept Development (Month 1)

Financial Picture (Month 2)

Organization (Month 3)

Month 4

First Quarter