

Featured Article

Satiating the Insatiable Investor: Raising Capital & Seed Money

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There are six basics which must be in place before you meet with potential investors/Angels to raise funding for your venture. Your venture's portfolio of disclosures and readiness must be complete.

1. WORKING MODEL: (Minimum Viable Product: MVP) Make sure your MVP or service is already being used by someone or by a company, at least in its beta test form, or if novel, present it in such a way that the “bricks and motor” investors will understand and to which they would relate. Have a working model, a prototype or at least an Executive Summary of the product/project that the investors can touch and see in action. Show how the pieces of the process are in place and how they are going to work together in delivering that product/service to your target clientele.

2. MANAGEMENT TEAM: Make sure the management team is completely in place, (i.e., industry professional(s) [production, promotion, marketing, etc.], attorney, accountants, etc. experienced in targeted, particular area or genre, etc.). If you cannot bring these key people to the meeting, have signed letters from them agreeing to take certain positions in the company. Include detailed resumes regarding their background, education and experience qualifying them to deliver tangible results in your new venture. Also, be sure your company has named a core board of directors to oversee operations, and leave one or two seats available for the investors to fill or have their agents join on their behalf. Finally, have your attorney and accountant provide letters and documents about the venture, such as: articles of incorporation, investment letters, opening balance sheet and income statements (when applicable), documentation on Intellectual Property pending and other trademarks/copyrights in place or in process, and an initial capitalization sheet outlining the founding team's stakes in the venture.

3. BUSINESS PLAN: Have a market objective and a final, airtight version of your business plan. The plan must be concise yet comprehensive in scope and provide enough details to satisfy all the questions that will no doubt be raised about your company's ability to accomplish its market objective. Be prepared to have some money put aside for the drafting of the Business Plan.

4. DISTRIBUTION/MANUFACTURING: If you've already approached companies about manufacturing and distributing your goods bring letters from these companies to the meeting. The letters should be on their letterhead and should state that they're already working with you in these matters. You should have also opened up some preliminary discussions with some potential buyers of your product or service in the targeted

market. In the same manner, you should also bring letters from these people stating that you are in negotiations about some contracts that your new venture will be able to fulfill once the capital is raised.

5. **FINANCIALS:** Provide a financial statement of income and/or projected income (cash flow) for the past or projected, if a new venture, three to five years for the business. As part of this financial disclosure, be prepared to demonstrate assets and liabilities in order to show a clear dollar value of your net worth. Also, it is very important that the investors see that the lead entrepreneur and founding management team have his/her "Skin in the Game" i.e., capital at risk in the venture. Asking others to back your vision and market strategy is especially difficult when you do not have a single dime exposed to the risks of loss to which the investors' capital will be exposed, should the funding deal close.

6. **DUE DILIGENCE:** The process through which a potential investor or acquirer evaluates a project and/or identifies potential investments and ascertains relevant information pertinent and prior to doing financial business. Make the investors' job a little easier by doing your due diligence through the eyes of the investor, before presenting your project.

Remember: A back of a bar napkin idea is not going to get funded and is entrepreneurial folklore.

Always think of your project and its readiness this way:

Would you invest in you at this stage?