Are You Ready To Raise Capital for Your Company? Most Likely . . . You're Not!

Whether you're trying to raise debt or equity capital there are still certain unwritten rules that apply that cater to the mentality of today's investor and funding community. Certainly there are scores of private placement memorandum and business plan chop shops that wouldn't know how to properly consult with your company or write a fundable document even if they wanted to but they will gladly take your money to throw together a template and try to pass it off as custom work.

The issue is this, it's not necessarily the consultant, though these fly-by-nights shoulder a large portion of the blame, but the client usually doesn't even have the proper structure in place to attract a funding source even if they had the most incredible PPM and business ever to hit the venture capital marketplace. Here is a simple (very basic) way to evaluate your company to find out if you are properly structured to attract capital. Have a corporate meeting and ask yourselves the following questions: What type of corporate structure do you have and why did you choose that particular structure? Break down your executive infrastructure, where do your individual executives stand in your industry, do the unthinkable, Google everyone's names; are the people running your company real industry players? Are all the basic positions accounted for (president, CFO, controller etc)? Next, look at your advisory board and board of directors. If by some miraculous act of God you actually have these two groups represented in your company, how did you qualify them? Sorry but if you have an attorney on your board because he's, um...well, an attorney, that's not good enough.

You need an industry specific legal guru who not only spells out the intricacies of your business genre's regulation but they must also be actively qualifying potential strategic partnerships as alliances for your company. He should be reaching into his client base and actively picking companies that could enhance your company in distribution or in any other way that will have a profitable outcome for all involved. Each of the members must be serving a similar purpose.

Next, on what criteria are you basing your share price or loan amount? If you don't have a clear cut 'use of proceeds' model, you need one. This and many, many other questions need to be asked before you are actually ready to raise capital and in all reality, until your corporate structure is in place you shouldn't even attempt to write a business plan or a private placement memorandum. If you are serious about setting up your company to attract investors you need a turnaround consultant, you can't do this on your own. There is an entire industry that centers around structuring companies for their first and ongoing capital raise.

Before you blackball your company by prematurely attempting to raise capital, the critical concepts you need to keep in mind are (precisely in this order): corporate structure, infrastructure, advisory board, board of directors, use of proceeds, business plan, private placement memorandum, investor finder, funding. Look at each aspect listed here as its own item, break it down and analyze every minute aspect of each element and look at everything objectively and eventually your company will evolve into a structure that is fundable and stabilized for years to come.

About the Author

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