

Capital Acquisition Strategies

Get the *right* money, at the *right* time, on the *right* terms We call it **RESULTS**.

EXECUTIVE SUMMARY

- **Develop a solid Capital Acquisition Strategy**
by starting with:
 - A terrific **Idea**
 - An implementable **Business Model**
 - A great **Business Plan**,
 - A gifted **Management Team** ,and,
 - A 20 minute **Financing Presentation**
- **Raise more capital than you think you need**
(but only if it's cheap)
- **Raise the capital before you need it**
(and only from someone you like and respect)
- **Keep the identities of prospective investors confidential**
(they often influence each other)
- **Investor relations can be very time-consuming**
(Don't be greedy - But don't be taken advantage either)
- **Control who gets to see your Business Plan**
(Don't encourage unwanted competition)

Determine How Much Capital You Need

Cash is cheap, equity is not

- It is very difficult and expensive to get equity back.

Plan on several financing rounds

- **Seed Round** – The first financing round - friends, family, suppliers, customers or angel investors to get started and prove that your idea really works.
- **Subsequent Financing Rounds** – Directed to institutional investors, venture capitalists, corporate investors and investment bankers.

When Do You Need It?

- Think long-term
- The financing process always takes longer than anticipated
- A realistic expectation is 4-6 months
- Start raising money 6 months prior to running out of cash
- Establish a strong banking relationship for bridge financing

From Whom Do You Want It?

- You will be working with the investors for a long time
- Ensure investors will be good company during growth and turbulent times
- Focus on investors who:
 - Understand your market/product
 - Invest at the level your company needs
 - Have a portfolio that your company could leverage

If you are a start-up, or if an investor has key contacts, take active money.

If you have enough active management and you just need cash, take passive money.

What Compromises Will You Accept?

- Be prepared to have your equity diluted
- Be prepared to compromise on power, risk and control issues
- Founders and the Management Team should own the majority of the board seats
- Investor managed companies rarely work.
- Demanding entrepreneurs waste valuable time and/or lose the funding opportunities

Summary of the Financing Process

- Create a Capital Acquisition Strategy
- Target specific investors (hopefully through a personal introduction))
- The first meeting is the Financing Presentation - leave only your Executive Summary.
- Only present your Business Plan at the second meeting.
- Try to secure a lead investor, who, after he has conducted most of the due diligence, will attract other investors into the deal.
- Set your price. A startup-savvy Business Advisor and a creative lawyer can help you to negotiate:
 - Share prices
 - Management contract
 - Vesting schedules

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