Process for Raising Capital*

General rules of thumb

1. Start early – last minute panic does not always lead to quality decisions

2. Look beyond the money need – first determine whether raising outside capital is the right thing for the company

    a. Begin with the end in mind – what are the goals of the business and the entrepreneur personally?

    b. Be clear on what problem the capital will be solving for the business

3. Get clear on future forecast/need and therefore what amount of capital to raise – make sure you have sound assumptions behind the need and you can justify them.

4. Get clear on your values – are you seeking a transaction or a partner?

5. What is your risk tolerance – what are you willing to put on the table – collateral, personal guarantee, control etc?

6. Know all the capital options/sources and the benefits and tradeoffs of each

7. Get clear on what is practical – start with the knowns and identify the size of the unknowns. For example, figure out what amount the bank will finance and what of your own financial resources you are willing to commit.

8. Build the relationships with external capital providers:

    a. Tailor your presentation to the audience and stay true to who you are
    b. Conduct due diligence on the various capital providers
    c. As an entrepreneur, be sure to have a direct relationship with the capital provider (instead of letting someone else handle things) and stay engaged with them
    d. If you receive a "no", ask why and what would turn it into a "yes"

9. Structure the capital so that form follows function

    a. Match sources and uses (and timing, e.g. long term capital for long term use)
    b. Develop strategies for "layering" to fill any capital gaps
    c. Think ahead about your companies' future need for capital before finalizing your strategy

10. Don't shop on price, shop on value.

**The bigger the loan the more important it is to follow each step.