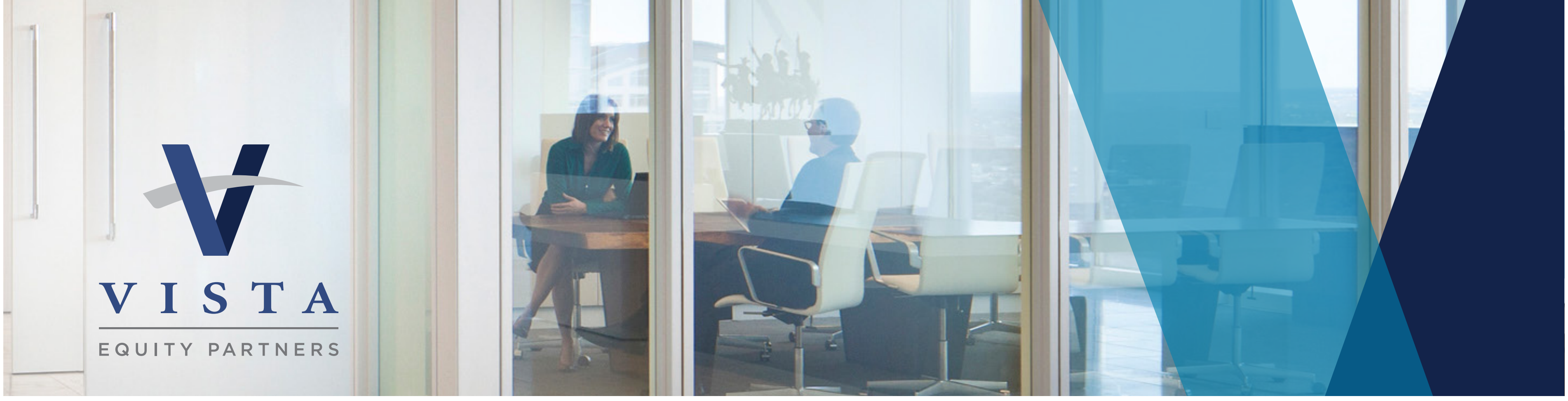

RAISING CAPITAL:
HOW TO CHOOSE THE RIGHT PARTNER

One of the biggest impediments to growing your business can be raising capital. Funding announcements and high-profile deals have led entrepreneurs to believe that capital investment is a quick and effortless solution to cultivate growth, that with the right pitch you can land a deal for tens of millions of dollars. In reality, raising capital can be costly and pose significant risks to business. Time, money, and expertise are often diverted to pursue investment options. Without careful management, these efforts can cause productivity and core business functions to slip.

When correctly orchestrated, however, a financial partnership can offer opportunities for growth, success, and longevity that a bank loan or bootstrapping simply won't provide. Teaming up with a firm that knows your industry and has generated success for companies similar to your own can offer financial security and bring lasting value to your business. These firms also offer the expertise and experience that will allow you to grow. Here are some things to consider when pursuing an investment partnership.

HOW MUCH CAPITAL IS REQUIRED AND WHAT WILL THE MONEY REALLY HELP US DO?

"We need more money," is often the quick-fire answer given to problems when a business is growing. However, there is no point selling 30 percent of your business for money you don't need and likely won't use. Carefully consider what more money will help you do. Are you trying to enter a new market, develop a new product, or expand internationally? Is this next development vital for your success, or can it be achieved without pursuing a financial partner? Understanding the need for financial investment will help you to increase your bargaining power when seeking potential partners.

WHAT IS THE TRUE COST OF RAISING CAPITAL?

Every fundraising strategy requires certain expenses and commitments from founders and senior management who can underestimate the time, money, and creative energy needed to land the right deal. Nobody gains an investment partner overnight, and, when drawn out, the search can take its toll on your business, with funding objectives detracting from core business processes. Make sure that those critical to ensuring your business' day-to-day success are prepared for the hard work of raising capital and establish processes that allow your business to continue to run efficiently while you engage with potential financial partners.

HOW QUICKLY CAN A POTENTIAL INVESTOR RESPOND?

With the cost of seeking a financial partner in mind, how quickly an investor is willing to respond and commit to a deal can be vital for a business. Investment companies understand the stress and burden that raising money can put on a business. As a result, they will often try to draw out the process to enhance their bargaining power. Consider investors who seem genuinely committed to your company from the beginning. Those who are diligent about understanding the details of your business, offer specific commitments, and consistently follow through on their promises will have your business' best interest at heart. These firms will consider you a partner rather than their own financial opportunity.

WHAT CAN AN INVESTOR OFFER YOU?

The right investor gives you more than a check – they become a partner in your success. Carefully consider whom you are bringing onto your team. Do they have a good reputation? What have they done for other companies like yours? Do they have relationships they could leverage on your behalf? What are they offering you? What could you lose? Not all deals are created equal, and there's more to think about than cash for equity.

WHAT IS YOUR GUT TELLING YOU?

Is this potential partner interested in developing a genuine relationship with you? Are senior investment professionals involved from the beginning? Have they expressed an interest in your company beyond the financials? Have they suggested areas for development you had not considered? Look at the range of investment options and consider what is right for you. Only then can you negotiate a win-win for your business.

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