

## Preparing for Financing

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When preparing for financing, it is important to bear in mind that you only have one opportunity to make your pitch to any potential investor. As such, you want to be as prepared as you can possibly be, always putting your best foot forward. While the materials to be provided to potential investors will depend somewhat on which type of investor the Company is approaching, generally speaking the investor package will consist of the following:

### *Teaser*

A Teaser is somewhat like an executive summary of the Company's Business Plan. However, the Teaser should be capable of standing on its own so that it can also be handed out separately. Often, Company's who are concerned about disclosing confidential information about its business will draft the Teaser in a manner which does not disclose "sensitive" details, but invites interested Investors to learn more so long as they sign the Company's form of Confidentiality Agreement

### *Business Plan*

The Company may have more than one version of its Business Plan. Potential Investors should not be provided with the "operational" version. This version should be prepared specifically for investors and should focus on the Company's funding requirements and the milestones it will meet with its funding. An Executive Summary which highlights the most important aspects of the Business Plan should appear at the front.

### *An Investor "Power Point" Presentation*

This usually consists of approximately 10 to 12 slides on the business of the Company. Like the Business Plan, the Company will have more than one Power Point presentation. The one for investors will be quite different than the one for strategic partners and the one for customers. The one for investors will focus a little less on the business and instead will include something on the investment opportunity. The Power Point should be accompanied with a "verbal presentation" which should be limited to 20 to 30 minutes.

### *An Elevator Pitch*

The Elevator Pitch is the shortened version of your "verbal presentation". It should be a very short verbal presentation that tries to capture the "sizzle" of the Company in a couple of minutes. It is called an Elevator Pitch as it should be no longer than the time it takes for a short elevator ride.

Please note that the securities laws of certain jurisdictions may prohibit you from providing your Business Plan or Teaser to certain potential investors. You should consult with your legal adviser first to determine whether or not it would be permissible to provide your Business Plan and Teaser to a particular potential investor before doing so.

### *The Goal*

The Goal of any "pitch" made to potential investors should be to answer the following basic questions:

- What product/service does your Company provide or propose to provide? Is your Company ready to sell now and if not, when? If your product/service is being sold now, what are the revenues to date?
- Who comprises your management team? What is their relevant experience? Who will fill which roles?
- Who is going to buy your Company's products/services and why will they buy them? Who are your competitors and why are you better than them? What are the barriers to entry?
- How will your Company make money from selling its product/services? What evidence do you have that the market will pay your asking price for your products/services? How big is the market opportunity?
- How much money do you need and what are you going to do with it? More specifically, what milestones are you going to meet with these funds and by when? What comparables can you make to demonstrate an increase in value in your company when you hit those milestones?

The answers to these questions should form the core of the Company's investor presentation. You should focus on answering these questions clearly and concisely in your materials.

The mistake many Companies make is providing way too much technical information to financiers and investors while failing to provide them with the core information they really want. You want to catch their attention in the first meeting so that they will invite you back to fill in the gaps. All of the technical information can be fleshed out in the due diligence period if the investor decides to go ahead. In the initial stages, it is important not to get lost in the details.

For further information on the financing process, Daniel Rothberg