

## The Ten Dos and Don'ts of Raising Capital for Your Company

Raising capital for your company may seem like a daunting task, but the challenge is less formidable if you follow some time-tested, effective dos and don'ts offered by Vistage speaker and investment banking expert **Brad Bulkley**.

- **Dos**
- **Don'ts**

### Dos

1. **Always raise more capital than you think you need.** Raise enough capital to create true "dry powder" -- that is, money that goes beyond your immediate requirements. You should raise sufficient capital to meet your company's needs for 18 to 24 months. Actual capital needs are often greater than projected, and going back to the well is one of the most expensive ways to raise capital because it is usually done under less than favorable circumstances.
2. **Run with more than one horse.** Whether it's two agent banks or two private equity investors, having at least two capital sources in a deal tends to keep both players "honest" and provides diversity of risk. In addition, no matter how competitive you believe the terms of a particular capital source to be, creating a "horse race" will inevitably result in a more favorable term sheet.
3. **Recognize that "cost of capital" goes beyond the economics of the term sheet.** Non-financial terms such as governance can often be the most significant business issues for an owner. Know what rights the capital source has connected with their investment. Even the best economic deal isn't worth having an incompatible partner sitting across from you at the board table.
4. **Remember to tell *your story* and do so clearly and succinctly.** Avoid the tendency to become mired in the minutia. During the first few minutes of your presentation, provide the investor compelling reasons to invest and then build from there.
5. **Know the market and know the source.** Don't be tempted to go with the first available capital source. Terms can differ widely across the board. With respect to the specific source you are considering, make a point to speak with other CEOs and CFOs who have previously dealt with them. Specifically, try to contact portfolio companies where everything did not go as planned. The test of a good partner is not necessarily how they behave during good times, but when one is facing some form of adversity.

