

# How Do Our Clients Do It?

By Ken Hollowell

Even though we do not guarantee the funds being raised, the majority of our clients are successful in raising their funds. It is true that some become lazy after a few hundred thousand dollars are received, but most complete their project within 90 days.

The only way for a Private Placement Memorandum to receive a guarantee is for a broker to underwrite the project which will usually cost you between 40% to 60% of your deal. What the broker does is gives you the money and then sells the stock to his investment pool and earns the 40% to 60% return. Yes, you get an amount of money up front and you do not have to sell your project to investors but is it really worth it to give that much up front?

## **Finding the Investor**

When I started preparing Private Placement Memorandums over 27 years ago, it was a struggle and very frustrating procedure to find the investors. That's not the case today. There are many private investors, investor groups and clubs, and venture capitalist who are on the "net" eager to look at business startups and initial funding projects.

No doubt you have heard the horror stories of trying to raise money through investors? Most of those stories are true, it is very difficult and frustrating to raise money the way most people attempt to do it. By using a business plan or executive summary which I refer to as a "unstructured" offering, the investor wants everything from you. The investor may require you to pay interest on the money "loaned" to you, the payback can be as early as 6 months, and the equity you give up can be as high as 80% of the company.

## **This is a Structured Offering**

A REG D 504 Private Placement Memorandum is a "structured" offering. The Memorandum spells out in detail the terms and conditions of the offering and it's a "take it or leave it" situation. Most private investors respect the Memorandum Offering and usually do not sway from the basic offering. It is a very uniform offering in general.