

# Fund Raising Guide

FOR PRIVATE AND PUBLIC COMPANIES

TSVI CHUCK GUY

# How to raise capital from private funds such as VC or PE

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## 1. Introduction

Private funds, such as venture capital (VC) and private equity (PE) firms, fuel entrepreneurial ventures and support business growth. These funds offer more than just financial resources; they bring valuable expertise, industry connections, and strategic guidance to help businesses succeed. However, it's important to be aware of the potential drawbacks, such as loss of control and dilution of ownership, that come with raising money from private funds. This guide will explore the intricacies of raising funds from VC and PE firms, providing you with the knowledge and insights to navigate this complex landscape successfully.

## 2. Understanding Venture Capital (VC)

Venture capital is pivotal in funding startups and early-stage companies with high-growth potential. VC firms are known for their willingness to take calculated risks on innovative ideas and disruptive technologies. Typically, VC investments are made in exchange for equity ownership, and these firms also provide invaluable support beyond capital infusion. They offer mentorship, strategic guidance, and access to their extensive networks. To attract VC funding, entrepreneurs must understand the investment criteria typically followed by VC firms, including market potential, innovative ideas, strong management teams, and scalability. VC funding usually occurs in different stages, from seed funding for early-stage ideas to Series A, Series B, and later-stage financing for scaling the business.

## 3. Navigating the Venture Capital Process

The process of raising funds from venture capitalists involves several key steps. First and foremost, building relationships with VC firms and investors is crucial. Networking, attending industry events, and leveraging personal connections. Effectively establish initial contact. Once initial interest is established, entrepreneurs must prepare a compelling pitch deck that effectively communicates the problem being solved, the unique solution, the market opportunity, and the business's competitive advantage. If a VC firm shows interest, a due diligence process follows, during which the firm conducts a comprehensive evaluation of the business, market dynamics, financials, and legal aspects. Entrepreneurs should be well-prepared for this phase, ensuring all necessary documents and information are readily available. The next critical step is negotiating term sheets, including equity allocation, valuation, board representation, and investor rights. Successful negotiation requires a balance between protecting the interests of the entrepreneur and the VC firm. Maintaining open and transparent communication is vital to manage expectations and building a strong foundation for a fruitful long-term relationship.

## 4. Private Equity (PE) Fundraising

Private equity is an investment asset class focused on established companies that exhibit growth potential. PE funds typically invest in businesses with a proven track record and seek to drive growth and profitability

through active management and operational improvements. PE funds can be classified into different types, such as buyout, growth equity, and mezzanine funds, each with specific investment strategies and criteria. Buyout funds acquire controlling or significant stakes in mature companies, while growth equity funds provide capital to support expansion initiatives. Mezzanine funds offer hybrid debt-equity financing to bridge the gap between senior debt and equity capital. Entrepreneurs seeking PE funding should understand the investment criteria of different PE firms and identify those that align with their company's growth stage and strategic objectives.

## 5. Preparing for Private Equity Fundraising

Before engaging with private equity investors, entrepreneurs must thoroughly prepare their businesses. PE firms evaluate potential investments based on multiple factors, including historical and projected financials, scalability, competitive advantage, and market dynamics. Entrepreneurs should compile a comprehensive investment memorandum with a detailed business overview, industry analysis, management team strength, and growth prospects. Financial forecasts, including revenue projections, cash

## 6. Approaching Private Equity Investors

Approaching private equity investors requires a strategic and targeted approach. Identifying and targeting potential PE investors can be achieved through various methods, including leveraging personal networks, engaging with industry intermediaries, and attending relevant conferences and events. Networking plays a crucial role in building relationships with PE investors. Utilize your network to make introductions or seek referrals from trusted contacts. When approaching PE investors, it's important to showcase the potential of your business. Craft an effective management presentation highlighting your company's value proposition, growth strategy, competitive advantage, and financial performance. The presentation should demonstrate your ability to execute the growth plan and deliver attractive returns to investors. Engage in preliminary discussions to gauge investor interest and proceed to multiple meetings to build confidence and trust. Establishing a strong rapport with potential investors will increase the likelihood of securing PE funding.

## 7. Due Diligence and Deal Structuring

Once a private equity investor shows interest, the due diligence process begins. Due diligence is an in-depth examination of your business, financials, operations, legal documentation, and market dynamics. PE firms conduct due diligence to evaluate the viability and potential risks associated with the investment. Prepare by ensuring all financial statements, legal agreements, customer contracts, and other relevant documents are readily available. During due diligence, anticipate the focus areas, such as financial performance, growth opportunities, competitive positioning, operational efficiencies, and potential risks. Be transparent and provide accurate information to build trust with the PE firm.

Deal structuring plays a critical role in the success of the investment. This stage involves negotiating and finalizing the terms of the investment agreement. Valuation is a key consideration during this process, as it determines the equity stake the PE firm will acquire and the corresponding investment amount. Other terms negotiated include governance rights, such as board representation and voting rights, as well as protective provisions and management incentives. It is essential to strike a balance that protects the interests of both the entrepreneur and the PE investor, ensuring alignment of goals and a mutually beneficial partnership. Engage legal and financial experts to guide you through the intricacies of deal structuring and to help negotiate terms favorable to your business.

# Fund Raising Strategy

Successful fundraising from private funds requires careful preparation, effective communication, and a thorough understanding of the investment landscape. By following the strategies and insights in this guide, entrepreneurs can enhance their chances of securing funding from venture capital and private equity investors, propelling their businesses toward sustainable growth and success.

## 8. Increase the likelihood of securing funding for your venture.

The steady rise in the creation of new ventures has led to an increased demand for financing by new entrepreneurs seeking to raise funding for their ventures. BMI Strategy can help you raise the funding you need:

1. Make your project more attractive to investors by structuring it in a way that highlights its potential for success.
2. Communicate effectively with potential investors about the merits of your investment opportunity, including any unique advantages it may have over competitors.
3. Improve the efficiency of your fundraising process by streamlining your approach and identifying the most promising funding sources.
4. Negotiate better terms for any funding you obtain to maximize the value of your investment and minimize your risk.
5. Develop a comprehensive plan for your venture that clearly outlines its goals, timeline, and projected financial outcomes.
6. Accurately assess the financing stage of your venture so that you can target the right investors and funding sources at each stage of development.
7. Use a venture development framework to develop a funding roadmap for your new business, considering your specific goals and constraints.
8. Identify the most suitable investors for your project at each stage of development based on their experience, track record, and investment preferences.
9. Develop an effective pitch deck highlighting the key aspects of your investment opportunity and convincing potential investors to support your venture.

**Raising capital** is one of the entrepreneurs' biggest challenges when starting a business. Whether through venture capitalists, angel investors, or crowdfunding, securing funding is essential to launching and growing a successful business. However, getting investors to put money into your venture can be difficult, especially if you don't understand your market and competitors.

**Knowing your market** and competitors is critical when trying to raise capital. If you don't understand the landscape, you may do the same thing as everyone else, and investors won't see anything unique about your business. This can make it challenging to stand out and attract investment.

**Position your business correctly.** It's essential to understand your potential investors fully. Knowing what they want, their frustrations and other businesses they're interested in can help you tailor your pitch and approach to meet their needs. Doing this demonstrates that you understand the market and have a unique value proposition that sets your business apart.

However, if you're unsure about these things or where your competitors stand, you may need to work on your market position. Researching your competitors, including their strengths, weaknesses, and market positioning, can help you understand where you fit in and how to differentiate yourself. This, in turn, can help you position your business in a way that resonates with potential investors and makes you stand out from the competition.

Understanding your competitors and potential investors can make your business look unique and valuable. This can make attracting investors easier and get the money you need to launch or grow your venture. However, it's important to note that the market is always evolving, and what sets you apart today may not work tomorrow. Therefore, it's crucial to continuously monitor your competition and make changes as needed to stay ahead. This can help you maintain your competitive edge and keep attracting the investment you need to succeed.

**In conclusion**, knowing your market and competitors is crucial when raising capital. By understanding these factors and positioning your business in a unique and valuable way, you can attract investors and secure the funding you need to launch or grow your venture. However, this requires continuous monitoring and evaluation to stay ahead and maintain your competitive edge.

### **Capital raising strategies.**

- Clearly explain your business idea in one sentence.
- Figure out what challenges may hold you back from reaching your goals.
- Know your target investors and what they're looking for.
- Build strong relationships with investors.
- Offer value to potential investors to show your worth.
- Show how your business is unique and stands out.
- Be an expert in your industry and stay up-to-date with the latest developments.

## How BMI can help you raise capital

BMI's team of professionals offers a comprehensive range of advisory and underwriting services. We provide creative and idea-driven solutions to our clients, showcasing our dedication to going above and beyond and ensuring that clients receive tailored solutions that cater to their unique needs.

At BMI, we help streamline your fundraising process. With custom strategic planning and attention to detail, we create effective methods to set your company up for success. Increase shareholder value and strengthen your company by contacting our team today.

### Global Reach

BMI has a vast network of contacts and resources. Our global presence enables us to provide our clients with expert guidance on complex cross-border transactions and help them achieve their financial objectives.

### Personalized service

BMI offers customized services to every client because we recognize that each company has unique needs and goals. Our personalized service sets us apart from other investment banks, and it's one of the reasons why our clients continue to trust us with their financial needs.

### Expertise

BMI team members are experts in their field. We stay up-to-date with the latest market trends and industry developments to ensure our clients receive the best advice and support.

### Experience

BMI has extensive experience working with companies in different industries, offering them strategic financial advice and support. With our extensive knowledge and expertise, we can help you to navigate the fundraising process and achieve your funding goals.

Congratulations on completing our guide on raising capital from private funds! As you embark on your fundraising journey, consider the significant advantages of partnering with an experienced investment bank like BMI to help you navigate the complex world of capital acquisition.

**Expertise and Guidance:** BMI brings a wealth of knowledge and expertise to the fundraising landscape. Our team of seasoned professionals understands the intricacies of securing capital from venture capital (VC) and private equity (PE) firms. We can provide valuable insights, industry connections, and strategic guidance to enhance your fundraising efforts.

**Extensive Network:** With years of experience, BMI has built a vast network of investors, including VC firms, PE funds, angel investors, and other strategic partners. Leveraging our network, we can connect you with potential investors who align with your business goals and are genuinely interested in your industry or sector.

**Negotiation and Structuring:** BMI can be your trusted advisor when it comes to deal negotiation and structuring. We have expertise in negotiating favorable terms, including valuation, equity allocation, investor rights, and governance provisions. We aim to ensure you secure the best terms while protecting your interests.

**Efficient Process Management:** Fundraising can be time-consuming and requires meticulous planning and execution. By engaging BMI, you can streamline the fundraising process, allowing you to focus on running and growing your business. We handle the intricate details, including due diligence, documentation, and investor communications, saving you valuable time and resources.

**Enhanced Credibility:** Working with an established investment bank like BMI enhances your credibility in the eyes of potential investors. Our firm's reputation and track record can instill confidence in investors, making it easier for you to attract the right partners for your business.

**Access to Diverse Funding Sources:** Besides private funds, BMI has access to many funding sources, including debt financing, mezzanine capital, and public markets. We can help you explore alternative financing options and advise on the most suitable funding structure for your needs.

At BMI, we understand that every fundraising journey is unique. Our tailored approach ensures that we provide customized solutions that align with your business objectives, industry dynamics, and growth trajectory. We are committed to maximizing your fundraising potential and positioning your business for long-term success.

Ready to take your fundraising efforts to the next level? Contact BMI today to discuss how our team of experts can help you raise the capital you need to fuel your growth and achieve your strategic goals.

## About BMI

BMI is a Global Investment Bank that advises and raises capital from Seed to Exit.

BMI is a broker-dealer registered with the Securities and Exchange Commission ("SEC"), is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), and is a member of the Securities Investor Protection Corporation ("SIPC").





## Disclaimer

The information provided in this guide is for educational purposes only and should not be considered as legal, financial, or investment advice. The content is intended to provide general guidance and insights into the process of raising funds from private funds like venture capital and private equity.

While efforts have been made to ensure the accuracy and reliability of the information presented, it is important to note that the investment landscape is dynamic and subject to change. Laws, regulations, and market conditions can vary significantly, and it is recommended to seek professional advice tailored to your specific circumstances before making any investment or fundraising decisions.

The author and publisher of this guide disclaim any liability for the use or interpretation of the information provided herein. Readers are advised to conduct their own research, due diligence and seek advice from qualified professionals before engaging in any fundraising activities or investment transactions.

Remember that each fundraising endeavor is unique, and success depends on various factors beyond the scope of this guide. The information presented should be considered as a starting point and not a definitive guide to fundraising. Individuals and businesses are solely responsible for their investment decisions and outcomes.

**By using this guide, you acknowledge and agree to the above disclaimer, understanding that the content is intended for educational purposes only.**



## Contact Information

[www.bmicapital.com](http://www.bmicapital.com)

BMI Capital International LLC  
Member of FINRA / SIPC

535 5th Avenue, 22nd Floor,  
New York, NY 10017 USA

### Contact our fundraising advisors.

Robert Trapp: [rtrapp@bmicapital.com](mailto:rtrapp@bmicapital.com)

Bill Waite: [bwaite@bmicapital.com](mailto:bwaite@bmicapital.com)

Tsvi Chuck Guy: [cguy@bmicapital.com](mailto:cguy@bmicapital.com)

Gilad Shai: [gshai@bmicapital.com](mailto:gshai@bmicapital.com)

Jessica Stark: [jstark@bmicapital.com](mailto:jstark@bmicapital.com)

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<https://www.bmicapital.com/application>