

Whatever Happened to Seed Capital?



Vitaly Michka
CONCORD CAPITAL

On a large scale and without proper specific knowledge of the financial industry and contacts a one-man-show is not the way to go.

We see nowadays an unusually large number of potential clients with decent projects but without any cash. This phenomenon could be explained by the fact that they (*potential clients*) have been looking for money for a very long time and basically have eaten all the funds they had. However, this is not the case, as we see it: most of them do not believe in having to pay anyone any money in association with raising capital for their company or project. I am not sure whether it is a lack of knowledge, stubbornness, or simple fact that they do not have any cash on hand.

Reality and history shows us that traditionally companies or projects get funded in stages. Here is how it works:

Stage I. Friends, Family, Investors, etc. Basic capital is raised for the purpose of presenting your idea in an acceptable form such as a business plan, research, presentation, etc, etc. Depending on the project and capital amount raised this stage can lead to hiring professionals: attorneys, securities brokers, Investment Banks, etc.

Stage II. Professional capital acquisition. At this stage operational capital is raised. Depending on the project and capital amount raised this stage can lead to an IPO or PPM.

Stage III. Professional capital acquisition. Depending on the project and capital amount raised this stage can lead to an IPO, PPM, or M&A; or the money can be used for any other reason as deemed necessary by the Company.

In 1602 United Dutch Chartered East India Company (*Vereenigde Oost-Indische Compagnie* or *VOC in Dutch* - *first truly publically owned company ever*) was formed. The way they raised funds was much the same: seed capital was used in order to raise the funds that hired the professionals that created and sold the stock offering to the public for the enterprise. Much water has passed under the bridge since that time, however; on a very basic level, funds are being raised today in a similar manner. Whether you want debt or equity, or the combination of the two. Seed capital is required from your pocket or from your fund-raising efforts in order to hire professionals to get the money for your project or company.

Today it is easier to get the seed money than before. Here are some sources in addition to family, friend and investors:

- ✓ Credit card loan (pool of credit cards, perhaps)
- ✓ Loans from people lending to people: www.prosper.com or www.zopa.com
- ✓ Bridge loan against real estate
- ✓ Bridge loan against shares in the company
- ✓ Bridge loan against Intellectual Property
- ✓ Bridge loans against contracts
- ✓ Bridge loans against leases
- ✓ Bridge loans against assets, such as CDs, gold or valuable artwork.

Bottom line is: if you truly believe in your project or company, if you really want to succeed, you must hire professionals to help you get it funded. On a large scale and without proper specific knowledge of the financial industry and contacts a one-man-show is not the way to go. Rethink your strategy. Get your seed capital and move forward with good consultants that will take you to the right lender or banker – depending on your project. Much time, frustration and money will be saved with this approach. History has proven it very clearly.

