

# Approaching Lenders & Investors

When approaching any prospective lender or investor, you are effectively selling yourself and the merits of your business proposal. Therefore, you must consider what the other party is looking for in the transaction. Following is a list of what the lender will be looking for:

- Ability to service the debt with sufficient surplus to cover emergencies
- Track record / integrity (personal credit history, management ability as demonstrated in your business plan, or company results)
- Your level of commitment (your equity in the business or cash investment in the particular asset being purchased)
- Secondary source of repayment (this includes security or other sources of income if you can't make your loan payments)
- Lead time (the lender needs a reasonable amount of time to assess your proposal, especially if the request has to be referred to a higher level)
- Don't overdo it (be sensible with the amount of information you provide initially)

If your business concept exhibits very high-growth potential, eg. the next Microsoft, another alternative is to approach a venture capital company. Following is a list of what the investor will be looking for:

- A proprietary technology or other competitive advantage
- An experienced management team leading the business
- A way to sell their stake in the business at a big profit after a number of years (eg. stock market)
- Your level of financial commitment (how much risk you are assuming)
- Equity participation (investors will want a piece of the pie and it may be a bigger one than you are willing to give up)
- Rate of return (investors are willing to take on a high level of risk but expect a high rate of return as compensation)
- Involvement in key decisions (they may want to be a director or officer of the company)
- Regular financial reporting (investors usually want to see tight financial controls in place and prompt financial reporting)

## *For More Information*

[www.cvca.ca/](http://www.cvca.ca/)  
[www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)

[www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)  
[www.businessgateway.ca](http://www.businessgateway.ca)