PROPARTNERS STARTING GUIDE 1.1

YOU NEED CAPITAL? READ THIS FIRST!

ProPartners

We're breaking it down, so you get to understand CAPITAL MARKET OPERATIONS.

Then, you can participate fully and meaningfully.

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What is Capital?

- Capital for a business generally refers to the money or assets that a business uses to operate and grow. It can include things like cash, investments, property, equipment, and inventory.
- Capital is essential for businesses to finance their operations, invest in new projects or products, hire employees, pay bills and suppliers, and ultimately generate profits. Without sufficient capital, a business may struggle to compete, expand, or even survive.
- Capital can come from a variety of sources, including loans, investments from owners or shareholders, government grants or subsidies, and revenue generated from sales. The amount of capital a business needs will depend on its size, industry, and growth plans.

What do you need the Capital for?

- Purchasing assets: A business may use capital to purchase assets such as equipment, property, or inventory. These assets can help the business operate more efficiently, expand its operations, or create new products or services.

- Paying for expenses: A business needs to pay for various expenses such as rent, utilities, salaries, and supplies. Capital is used to cover these expenses on an ongoing basis.

- Hiring employees: A business may use capital to hire employees, pay for their salaries and benefits, and provide them with training and development opportunities.

- Marketing and advertising: A business may use capital to promote its products or services through marketing and advertising campaigns. This can help attract new customers and increase sales.

- Research and development: A business may use capital to invest in research and development activities to create new products or improve existing ones. This can help the business stay competitive in its industry.

- Expansion: A business may use capital to expand its operations, such as opening new locations, entering new markets, or acquiring other businesses.

Will you go for Short-term Capital?

- Short-term capital for a business refers to funds that are borrowed or invested for a period of less than one year. This type of capital is typically used to cover short-term cash flow needs, such as paying for inventory or meeting payroll expenses. Examples of short-term capital for a business may include:

- Short-term loans: A business may obtain a short-term loan from a bank or other financial institution to cover a temporary cash flow shortfall. These loans typically have a term of less than one year.

- Trade credit: A business may receive trade credit from suppliers, allowing them to purchase goods or services and pay for them at a later date.

- Lines of credit: A business may establish a line of credit with a bank or other financial institution, which allows them to borrow funds as needed up to a predetermined limit.

- Accounts receivable financing: A business may use accounts receivable financing, which involves selling their outstanding invoices to a factoring company at a discount in exchange for immediate cash.

- Short-term capital is important for businesses as it provides them with the necessary funds to cover their immediate expenses and obligations. However, businesses must carefully manage their short-term capital to ensure that they are able to repay any borrowed funds within the required timeframe.

Will you go for Long-term Capital?

- Long-term capital for a business refers to funds that are invested or borrowed for a period of more than one year. This type of capital is typically used for long-term investments, such as purchasing new equipment or expanding operations, and may be secured by the company's assets or guaranteed by the company's future earnings. Examples of long-term capital for a business may include:
- Equity financing: A business may raise long-term capital by selling ownership shares, such as common or preferred stock, to investors.
- Debt financing: A business may obtain long-term capital through loans or bonds, which provide a fixed amount of money that is repaid over a specified period of time.
- Retained earnings: A business may use its profits to reinvest in the company, such as expanding operations or purchasing new equipment.
- Venture capital: A business may raise long-term capital from venture capitalists, who provide funding in exchange for an ownership stake in the company.
- Long-term capital is important for businesses as it provides them with the necessary funds to make investments in their future growth and success. However, businesses must carefully manage their long-term capital to ensure that they are able to meet their repayment obligations and maintain a strong financial position.

Should it be Grant Capital?

- Grant capital refers to funds that are provided to a business or organization as a grant, which is a form of financial assistance that does not have to be repaid. Grant capital may be provided by various sources, including government agencies, foundations, and charitable organizations.
- Grants may be provided for a variety of purposes, such as funding research and development activities, supporting small businesses, or promoting social and environmental initiatives. Grant capital may be awarded to businesses of various sizes and industries, from small startups to large corporations.
- Unlike loans or other forms of financing, grant capital does not require the recipient to pay back the funds. However, there may be certain conditions or restrictions attached to the grant, such as using the funds for a specific project or purpose, or providing regular progress reports to the grant provider.
- Grant capital can be a valuable source of funding for businesses, particularly those that may not have access to traditional forms of financing or may be pursuing innovative or socially beneficial projects. However, the process of applying for and receiving grant capital can be competitive and time-consuming, and businesses must carefully assess their eligibility and the requirements of the grant before applying.

Should it be Equity Capital?

- ❑ Equity capital refers to funds that are raised by a business by selling ownership shares, such as common or preferred stock, to investors. When a business sells equity, the investors become shareholders in the company and have an ownership stake.
- ❑ Equity capital can be raised by both public and private companies. Public companies can issue stock on a stock exchange, while private companies can sell equity to private investors.
- ❑ Equity capital can provide a number of advantages to a business, including:
- ❑ No repayment obligation: Unlike debt financing, which requires regular payments of principal and interest, equity capital does not have to be repaid.
- ❑ Shared risk: By selling equity, a business shares the risk of its operations with its investors, who may be more willing to take on risk in exchange for potential higher returns.
- ❑ Access to expertise: Investors who buy equity in a business may also bring valuable expertise or connections to the table, which can help the business grow and succeed.
- ❑ Improved liquidity: A publicly-traded company can offer its shareholders liquidity through the trading of their shares on the stock exchange.
- ❑ However, there are also some potential drawbacks to selling equity, such as giving up some control of the business to the shareholders and potentially diluting the value of existing shares. Therefore, it's important for businesses to carefully weigh the pros and cons of equity financing before deciding whether to pursue it.

Should it be Debt Capital?

- ❑ Debt capital refers to funds that are raised by a business by borrowing money from lenders, such as banks or other financial institutions, in exchange for the promise of repayment with interest. Debt financing can take a variety of forms, including loans, bonds, and lines of credit.
- ❑ Unlike equity capital, which involves selling ownership shares in the business, debt capital does not involve giving up ownership or control of the company. Instead, the lender provides the funds to the business and receives regular payments of principal and interest until the loan is fully repaid.
- ❑ Debt capital can provide a number of advantages to a business, including:
- ❑ Lower cost of capital: Debt financing can be less expensive than equity financing, as lenders typically charge lower interest rates than investors expect as returns on their equity investments.
- ❑ Preserves ownership: Debt financing allows businesses to retain full ownership and control of the company, as lenders do not receive ownership shares.
- ❑ Tax benefits: Interest payments on debt financing may be tax-deductible for businesses, which can reduce the overall cost of the financing.
- ❑ Predictable repayment schedule: Debt financing typically involves a fixed repayment schedule, which can make it easier for businesses to plan and manage their cash flows.
- ❑ However, there are also some potential risks associated with debt financing, such as the obligation to make regular payments of principal and interest, which can strain a business's cash flow if not carefully managed. Therefore, businesses must carefully weigh the advantages and disadvantages of debt financing before deciding whether to pursue it.

What Capital from which Capital source?

- When a business needs to raise capital, there are several factors to consider before deciding on the type of capital to raise. Here are some of the most important factors to consider:

- Purpose of capital: The purpose for which the capital will be used is a critical factor in determining the type of capital to raise. For example, if the business needs funds to purchase new equipment, it may be more appropriate to raise long-term debt financing, while if the business needs funds to support short-term operations, it may be more appropriate to raise short-term debt or equity financing.

- Financial position of the business: A business's financial position, including its creditworthiness and cash flow, will also be an important factor in determining the type of capital to raise. Businesses with strong financial positions may be able to secure more favorable terms for debt financing, while businesses with weaker financial positions may need to rely more heavily on equity financing.

- Risk tolerance: The risk tolerance of the business and its investors will also be an important factor in determining the type of capital to raise. Debt financing is generally considered less risky than equity financing, as the obligations of debt financing are more predictable and less dependent on the success of the business. However, equity financing may be more appropriate for businesses with high growth potential or that are pursuing risky or innovative ventures.

- Investor preferences: The preferences of potential investors, including their investment horizons, return expectations, and risk tolerance, will also be important factors in determining the type of capital to raise. For example, institutional investors such as pension funds may be more interested in long-term debt financing, while venture capitalists may be more interested in equity financing for high-growth startups.

- Legal and regulatory considerations: Businesses must also consider any legal or regulatory requirements associated with raising capital, such as securities laws or tax regulations. Different types of capital may be subject to different regulations, and businesses must ensure that they are in compliance with all relevant laws and regulations.

- Overall, businesses must carefully evaluate their financial position, the purpose of the capital, and the preferences of potential investors before deciding on the type of capital to raise. By carefully considering these factors, businesses can choose the type of capital that best suits their needs and helps them achieve their strategic goals.

What about Alternative Capital with Propartners?

- ❑ GENERAL INFORMATION
- ❑ A business desiring to raise capital from equity partners or equity investors must have been incorporated as a limited liability company. Sole proprietorships are required to re-register as companies.
- ❑ The following should guide a business that is ready to raise funds through Propartners Exchange.
- ❑ The issuer's fundraising target shall not exceed 500,000 cedis.
- ❑ The issuer shall clearly outline investor rights pertaining to the securities being issued.
- ❑ An issuer shall offer its securities or investments through a licensed intermediary.
- ❑ Generally, such a business should have a comprehensive business plan whether the business is at ideation or startup stage.

What about Alternative Capital with Propartners?

- ❑ SPECIFIC INFORMATION
- ❑ The business is specifically required to submit an OFFERING DOCUMENT stating the following.
- ❑ Name of business (copies of certificates)
- ❑ Nature of business (copies of business registration, forms & regulations)
- ❑ Place of incorporation (companies limited by shares)
- ❑ Principal place of business
- ❑ Branches of business if any
- ❑ Directors
- ❑ Holders of more than 5% of the issuer's shares
- ❑ Website if any
- ❑ The use of the proceeds
- ❑ The offering amount to be raised and the duration of the offer
- ❑ Proposed coupon rate or profit-sharing structure as well as information on historical performance if any
- ❑ Warnings to investors
- ❑ Principal and peculiar risks facing the business of the issuer
- ❑ Copies of resolutions of the board of the company
- ❑ Financial condition of the issuer

What about Alternative Capital with Propartners?

- ADDITIONAL INFORMATION
- The offering document shall state all risks associated with the investment including.
- Liquidity of the securities
- That it may be difficult for the investor to resell securities or purchased through the equity partnership or equity crowdfunding platform
- Restrictions on the ability of an investor to cancel the investment
- The risk of not getting the expected performance on the securities purchased
- Risk of not being able to influence the management of the issuer
- Minority shareholding disadvantages for corporate action

What about Alternative Capital with Propartners?

- ❑ CLICK ANY LINK BELOW TO LAUNCH
- ❑ Sign Up To Raise Funds
- ❑ Capital Through Equity Partnership?
- ❑ Capital Through Equity Crowdfunding?
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End

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