



Business Plan or PPM? What to Give a Potential Investor and When

Convincing investors to put their faith (and their money!) in your company requires strategy, planning, and a battery of documents, spreadsheets, and slides aimed to intrigue and cause the reader's pupils to morph into dollar signs. One of the many considerations founders should keep in mind is to avoid overwhelming potential investors with comprehensive business plans before they're ready or supplying too little information when a document with more substance is required. To that end, below is an explanation of the documents that should be in the arsenal of every company that is looking to raise investor capital, from first initial contact to right before to closing the deal.

1. **Executive Summary**: An Executive Summary is the very first document that should be given to any potential investor. It is a one-page document that provides a snapshot of the company and the investment opportunity and should give the reader a sense of whether yours is an opportunity he or she may be interested in.
2. **Investor Ready Business Plan**: A business plan is a roadmap that sets forth the short and long-term goals of the business and how it plans to achieve them. There are two different flavors of business plans: Operating Business Plans and Investor Ready Business Plans. A potential investor should see the Investor Ready Business Plan first, because it will help "sell" the reader on the investment opportunity. It includes an overview of the Operating Business Plan sections (described below) and the company's financial forecasts with an eye towards enticing investors to subscribe. It may be given to an investor cold or after a pitch by the company. This is a critical document that must be compelling and make sense to anyone who knows nothing about the company or its plans. It is therefore advisable to have a third party read it over before distributing to investors.
3. **Investor Pitch**: A company's Investor Pitch is an 8-10 minutes presentation used during in person meetings with potential investors. At a maximum of 12-15 slides, the "pitch deck" lies somewhere between the Executive Summary and Investor Ready Business Plan in terms of both substance and selling power.
4. **Private Placement Memorandum or Offering Memorandum**: A Private Placement Memorandum ("**PPM**") is a largely legal document used to protect both investors and the company. It sets forth the risks of an investment in the company, including that the company may fail without the investor ever seeing a return on his or her investment. This protects the investor from investing in a company without being informed of the full extent of the risk he or she is taking on. It also protects the company from investors claiming that the company defrauded them or otherwise duped them into investing in a dud. PPMs must be kept confidential and are only given to serious potential investors.
5. **Operating Plan**: The Operating Plan is the last document a potential investor should see, as it is very comprehensive and therefore quite lengthy. An operating plan includes information on corporate organization, production, distribution, and marketing. A good operating plan will show potential investors that the heads of the company are realistic in their goals and preparing for growth.