

## Private Placement Memorandum

### SAMPLE PRIVATE PLACEMENT MEMORANDUM (PPM) FOR SALE

A Private Placement is an extremely complex document. The primary purpose of a PPM is to give the entrepreneur the opportunity to present all potential risks to the investor. The PPM protects the entrepreneur in the event that the investment goes sour! That's why it's so important that the private placement memorandum be accurate and complete.

There are several ways in which companies approach the creation of a PPM.

- **Attorneys.** Many firms simply retain an attorney to prepare the PPM. Once complete, the management team is responsible for soliciting and pitching potential new investors. The only fees incurred are those of the attorney and the time of the management team. Attorneys will charge from \$5,000 to \$20,000 for a full private placement. An attorney may be a good route for companies that already have a well established network of possible investors to pitch the investment opportunity.
- **Investment Banks.** Other firms hire an intermediary (investment bank) to help with the capital raise. Hiring an intermediary can be tricky.. An entrepreneur will encounter all sorts of institutions offering all sorts of different promises to raise money for the start-up. The decisions and processes can be very confusing and time-consuming. For many start-ups a wrong decision will KILL the company. There are all sorts of negotiations involved when retaining an investment bank, and there many different types of investment banks. As the entrepreneur YOU must be at the top of your game or you will get the short end of the stick!
- **PPM Specialists.** Firms specializing in this arena are often a hybrid cross between legal counsel and an investment bank

### Professional product

A good, professional-looking PPM delivered to prospective investors can become an effective "sales" document. It communicates to the prospective investor that the directors and officers of the issuer are serious about their business, that they know the company and the industry they are in, and that they are professional and know how to deliver a good product.

### Contents of a PPM

Once a company chooses to use a PPM, the company next must decide what goes into it. In some contexts, because many securities law regulations are intended to protect those considered less sophisticated or less able to bear the risk of certain investments, law dictates the minimum contents of the PPM. If the private offering has at least one investor who is not accredited, it is likely that the issuer will have to make detailed disclosures. This typically drives up significantly the time to prepare the PPM and the associated legal costs. As a result, it has been our experience that most offerings are limited to accredited investors only.