

BusinessPlus+ Newsletter

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Interested in Raising Capital Using Section 708 of the Corporations Act?

In the December edition of Business Plus+ we started the discussion on the use of Section 708 of the Corporations Act which was introduced to the legislation 35 years ago. Some Intermediaries are very keen for the company to raise as much capital as possible from the Section 708 capital raising prior to moving onto the Crowd Sourced Funding Equity Raising component. **The key thing to remember is that for capital raising to be conducted under Section 708 there must be a “personal offer”.**

This means that someone who knows the directors or senior managers or as a customer, supplier or employee is likely to be an investor under Section 708. When these people make an investment, they're virtually offering a “testimonial” on the directors and senior managers that the Crowd Sourced Funding Intermediaries can include in the marketing material that they're going to use relative to the Crowd Sourced Funding Equity Raising process.

There are a series of documents that are required to be able to successfully raise capital utilising Section 708 of the Corporations Act, including:

- Business Plan
- Shareholder's Agreement
- Budgets and Cashflow Forecasts and Projected Balance Sheets
- Valuation of the Company
- Determination of the Share Price
- Information Memorandum
- Subscription Agreement
- Application for Shares
- Information Video

We can assist business directors in the preparation of some of these reports (or refer you to appropriate experts) and in mentoring the directors on the presentation of the information sessions. These are normally used to inform people who fall under the definition of being eligible to be invited to subscribe to shares under Section 708 of the Corporations Act.

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