

# Legal Considerations for Raising Capital

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There are numerous legal considerations every entrepreneur must face when starting a new business, and raising startup capital is one that can be fraught with danger. Hiring a qualified securities attorney is not a luxury; it's a necessity for businesses seeking to raise capital from third parties. Some of the key general considerations are:

- Properly organizing the company as business entity under state law;
  - Ensuring the company has issued enough authorized shares of stock of the same type that will be offered to investors;
  - Make sure that any existing and potential legal problems are resolved before issuing stock to investors;
  - Have an experienced securities attorney examine the federal securities laws, as well as the securities laws of any state in which stock may be offered to prospective investors, to make sure the company and its investment offer complies with those laws;
  - Have your attorney explain in writing the potential personal liabilities of the company's officers and directors if the company violates any federal or state securities laws in raising capital. Potential penalties can be very serious, ranging from civil fines to jail time;
  - Make sure that your written investment prospectus contains all required state and federal disclosure language in the appropriate places;
  - Your attorney should review the business plan and financial statements for possible untrue and/or misleading statements; and
  - Obtain a written opinion from your attorney whether your particular investment opportunity is required to be registered with the appropriate regulatory agencies.
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