

37. RAISING CAPITAL 101 (Independent Study)

It was the middle of November 1981 when our lawyers and accountants presented us with the ~100-page *Private Offering Memorandum* (POM) describing a limited partnership investment in phase one, the North Fork Land & Cattle Co. (NFL&CC)

I ran right out and had about three dozen copies printed and bound. Each was an inch thick with a forest-green Naugahyde-like back cover and a clear plastic front cover nicely framing a stark warning of doom to prospective investors.

The title page warning foreshadowed the document's contents. The whole thing read like it had been authored by the four horsemen of the apocalypse. Even so, I was as proud as punch, just like a new father.

It had been a difficult birth, requiring attentive midwifery. Ron Mahan (Chapter 35) and our attorney and accounting firm had chronic disagreements about its details that required patient mediation. Sandy Oscamp (Chapter 34) set up in a spare office at the lawyer's to be on hand to ease the regular pride-of-authorship contractions.

The objective of a POM is to protect potential investors from the evil machinations of rapacious entrepreneurs. In service of that goal, the disclosures of all the things that could possibly go wrong with the investment tend to be biblical in severity and scope.

Within the sizzle and steak metaphor, a POM is roughly akin to the paper that the butcher wrapped the steak in. When your brand new, still-wet-behind-the-ears entrepreneur proudly plops one of these babies down in front of a prospective investor instead of a sizzling steak, it's bound to disappoint.

In my naiveite (and knowing no one experienced to tamp down my optimism), I thought that I could sell the partnership investments while Jeanne

and Kent managed the cattle that winter, at least until we took over the Koch cow herd later in the spring.

Of course, I called on our few very best prospects right off the bat, to whom I proudly presented the POM at the beginning of my sales pitch.

As I was warming to my subject, my prospect would begin to thumb idly through the POM. I would watch with helpless fascination as he/she became increasingly diverted and agitated by its stream of dire warnings – many in all caps. These early appointments were universally unsuccessful and invariably ended in awkward farewells.

I may have taken a recent tumble off the turnip truck, but I was a quick study. It didn't take me long to figure out that I needed to leave the POM till last. Another thing I learned: Best prospects are best left till last until you get the sizzle tuned to the right frequency by practicing on regular folks.

It soon became apparent that I was going to go through a lot of prospects to sell the required 27 partnership units in the NFL&CC and would need to keep the pipeline full. I persuaded Jeanne to climb off her horse and get on the telephone. She liked the ranch work and was not a happy camper, but she sure was good at phone sales.

Over the span of the Phantom Canyon Ranch project, we did six private offerings, in the course of which Jeanne made thousands of phone calls and prepared an individual file folder for each prospect she developed – there were more than 900 files by the time we were done, from which emerged more than 60 limited partners.

Jeanne's chutzpah and off-hand charm enabled her to make cold calls to anyone and usually get a foot in the door. Once in, she would describe what we were trying to do, acknowledge that, no, they personally were probably not prospective investors, but Carl would be happy to meet with them anyway. She was sure they would find Carl and his story of this little-known corner of Colorado interesting and perhaps

they would be able to give Carl some constructive advice...

I became good at generating interest and enthusiasm at these appointments and would always leave with names of some referrals and frequently with a date to tour the ranch.

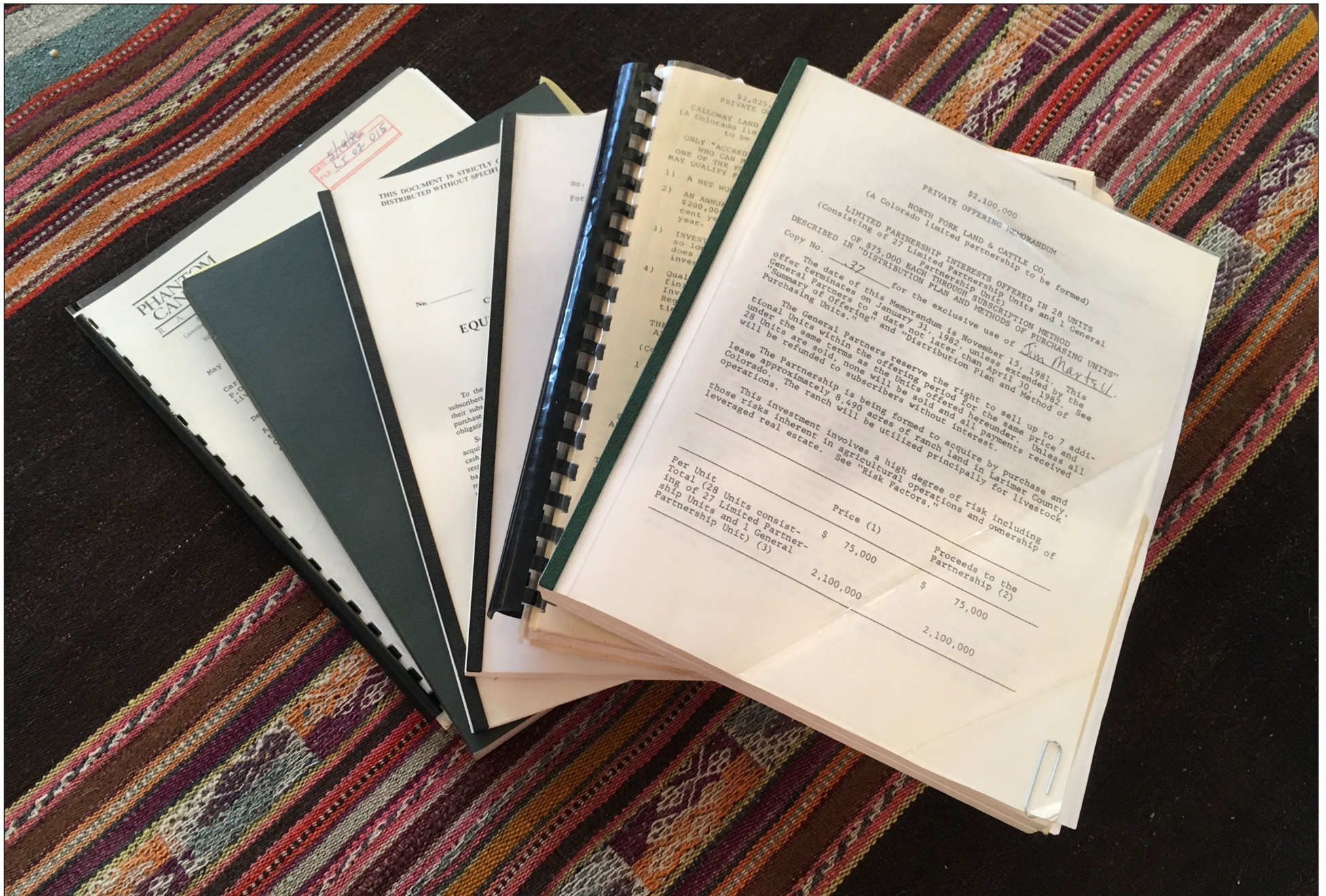
The Kiss of Death: This was a point toward the end of the interview when my freshly enthusiastic prospect declared that he/she couldn't wait to share our exciting project with a good friend "who knows the area really well". Two problems: (a) Livermore really was a little-known corner of Colorado, and almost no one knew about the canyon (more about why later), and, (b) as far as I can tell, the job description of true friendship includes throwing cold water on one's friends' new enthusiasms.

It was not unusual for Jeanne to receive an awkward follow-up phone call (sometimes even before I got home that night) cancelling the ranch tour I had just arranged – "*I talked to my friend [who knows the area really well] and I think it wouldn't be fair to waste your time...*"

Jeanne kept copious notes. When she got an appointment for me, she would give me a copy. Back in the car, after the appointment, I would record my notes of the meeting to be followed up by Jeanne. My notes were typed up the next day to go in the individual's contact file and a chronological log.

For the three winters, 1981-1984, I was on the road to appointments two, three or more days a week calling on Jeanne's prospects in Denver, Boulder, Greeley, Longmont, Loveland and Fort Collins. My overriding impression is of endlessly riding an adrenaline roller coaster from one appointment to another, dawn to dusk, white-knuckled, staring fixedly into the glare of a slush-spattered windshield. I was running scared.

Thanks to Jim Martell for his help with this chapter.



Private Offering Memoranda